DÁIL ÉIREANN

AN COISTE UM CHUNTAIS PHOIBLÍ

COMMITTEE OF PUBLIC ACCOUNTS

Déardaoin, 27 Meitheamh 2019

Thursday, 27 June 2019

The Committee met at 9 a.m.

MEMBERS PRESENT:

Deputy Bobby Aylward,	Deputy Alan Kelly,
Deputy Peter Burke,	Deputy Marc MacSharry,
Deputy Shane Cassells,	Deputy Catherine Murphy,
Deputy Catherine Connolly,	Deputy Jonathan O'Brien,
Deputy David Cullinane,	Deputy Kate O'Connell.

DEPUTY SEAN FLEMING IN THE CHAIR.

Mr. Seamus McCarthy *(An tArd Reachtaire Cuntas agus Ciste)* called and examined

Business of Committee

Chairman: We are joined by the Comptroller and Auditor General, Mr. Seamus McCarthy, who is a permanent witness to the committee. He is joined today by Ms Ruth Foley, deputy director of audit at the Office of the Comptroller and Auditor General. Apologies have been received from Deputy Deering.

The first item is the minutes of the meetings of 30 May 2019 and 13 June 2019. Are the minutes agreed? Agreed. We will hold over last week's minutes until next week, when we will have had an opportunity to review them.

As there are no items arising that are not on our agenda, we will proceed to No. 3, which is correspondence received since the last meeting. There are three categories of correspondence. The first category is A, briefing documents and opening statements for today's meeting. Correspondence Nos. 2273A and 2276A from Mr. Jim Breslin, Secretary General of the Department of Health, are the briefing documents and opening statement for today's meeting. We will note and publish these. Nos. 2272A, and 2275A from Mr. Paul Reid, director general of the HSE, are the briefing documents and opening statement for today's meeting. We will note and publish these.

The next category is B, correspondence from Accounting Officers and-or Ministers and follow-up to meetings of the committee and other items for publishing. Some items have been held over from previous occasions. No. 2161B is from Mr. Paul O'Toole, chief executive of the Higher Education Authority, dated 10 May. We have held this over three times so far, on 30 May, 13 June and 20 June. It is in regard to the review of the relationship between Cork Institute of Technology and certain named companies and entities which was undertaken by Mazars. We have already noted and published this. Deputy Kelly indicated he might have some observations. I suggest we note and publish this and move on. If the Deputy wants to raise it again-----

Deputy Catherine Connolly: We might like more time on that.

Chairman: We will hold it over for next week. Also held over from last week's meetings is No. 2231B from Mr. John McKeon, Secretary General of the Department of Employment Affairs and Social Protection, dated 7 June, and providing an update to an inquiry the committee made in regard to a protected disclosure regarding St. Munchin's community centre, Limerick. We had received anonymous correspondence in regard to this matter. Mr. McKeon advises that an investigation of the issues raised was undertaken by the Department under the Protected Disclosures Act 2014. The alleged issues related to funding provided by the Department under the job initiative scheme. The Department concluded its examination of the issues raised and a number of areas for minor improvement were identified, including governance, purchasing control and attendance records. This was accepted by the management of St. Munchin's. The Department has liaised with and met those involved in the job initiative scheme to discuss these issues. We will note and publish the correspondence. Is that agreed? Agreed.

The next item is No. 2244B**,** correspondence, dated 11 June 2019, received from Mr. Crónan Goodman, private secretary to the Secretary General of the Department of Justice and Equality, in response to an inquiry from the secretariat about the Irish Prison Service. The information was requested to feed into our periodic report and has to do with a procurement issue. It is being considered as part of our consideration of the periodic report. Is it agreed that we note and publish the correspondence? Agreed.

The next item is No. 2246B correspondence, dated 11 June 2019, from the Department of Justice and Equality in response to an inquiry made by the committee about the operation of CCTV systems by local authorities. We had previously received responses from the Department and An Garda Síochána. The Department is now forwarding a response from the County and City Management Association, CCMA. The Department advised in December 2018 that 28 of the 31 local authorities had undertaken the role of data controller for specific community schemes. The CCMA's response highlights an important distinction between local authority CCTV systems which are utilised for the purpose of exercising law enforcement powers and community-based CCTV schemes that typically are operated for the purpose of securing public order and safety in public places. Essentially, there are three items of correspondence, the first of which contains subsections (1) to (4), inclusive. The second is the actual response from the CCMA in October submitted to the Department which it has made available to us. I ask those with an interest in this matter to note that we are putting this correspondence on our website. Is it agreed that it be noted and published? Agreed. I highlight that of all the local authorities, only one - Laois County Council - operated a CCTV system for the purpose of exercising law enforcement power or a community-based CCTV system for the purpose of securing public safety without Pobal CCTV grant funding or grant funding under the Department scheme.

The next item is No. 2254B, correspondence, dated 17 June 2019, received from Mr. Peter Wood of the Irish Prison Service, providing further details requested by the secretariat of the breakdown for non-compliant procurement in the 2017 appropriation account of the Irish Prison Service. We will note and publish this correspondence and incorporate it into our next periodic report as being relevant. We will ask for specific details of non-compliant procurement. In the case of many of the reasons given, those supplying the particular service were the only ones in a position to do so. The equipment was installed and in the interests of consistency people wanted to deal with the same supplier. It was a significant issue. In other cases, people were awaiting finalisation of a centralised tender arrangement with the Office of Government Procurement, but in the meantime they proceeded with contracts at local level.

The next item is No. 2262B, correspondence, dated 20 June 2019, received from the Secretary General's office in the Department of Finance, advising that the Department is working on its responses to the 16 items on which information was requested by the committee following its meeting on 30 May. It is expected that we will receive a full reply in the first week of July. We will note the correspondence and await the full response.

The next item is No. 2265B, correspondence, dated 20 June 2019, received from Ms Mary Donohoe, Office of the Director General, Environmental Protection Agency, providing further information requested by the committee on the availability of data for water testing. The EPA advises that Irish drinking water is at low risk of containing illicit and legal drugs because the majority of wastewater discharges in Ireland occur in estuaries which discharge into the sea and are, therefore, downstream of drinking water abstraction points. This environmental issue will be of concern to many. I want to read one or two sentences from Ms Donohoe's letter. The issue was raised by Deputy O'Connell. The response deals only with drinking water. Ms Dono-

hoe states: "Irish Water has a comprehensive annual drinking water monitoring programme..." Essentially, if there is a problem, it has to notify the EPA. She further states:

> The associated annual monitoring reports can be accessed on the EPA's website ... Irish drinking water is at low risk of containing Illicit and/or legal drugs because the majority of wastewater discharges ... occur in the estuarine ... and are therefore downstream of drinking water abstractions and, hence, are not included in the routine drinking water monitoring programme. Therefore, EPA does not hold any data in relation to specific illicit and/or legal drugs in Irish water supplies.

We will ask for the issue to be clarified in respect of bathing water because if illicit and/or legal drugs are discharged into estuaries which dischargin into the sea, it may have implications for the quality of bathing water. We accept that the EPA is stating it may not affect drinking water, but we would like the matter to be clarified. If it is not checking for it in bathing water, we will suggest it consider doing so. We will ask for a response on the monitoring programme for bathing water. Is that agreed? Agreed.

The next item is No. 2266B, correspondence, dated 20 June 2019, received from Ms Dee Forbes, director general of RTÉ, enclosing further information on the ongoing review of contracts. RTÉ states it will continue the review into the second half of 2019 in a sequenced manner. I know that Deputy Cullinane will want to speak about this item.

Deputy David Cullinane: Yes. It is welcome that there is a process in place to meet staff members on individual contracts. There seems to be some movement in that regard. I have spoken to some staff members who may have their contracts reviewed and be put on normal contracts. That shows that there was a problem. Even the response from Ms Forbes in which she states it is a complex matter is a massive step forward from where we were when it was said there was no issue. There is an issue and I understand it is complex to deal with it. Ms Forbes is right that everybody's circumstances are different. She states the process of discussing individual contracts will continue into the second half of the year. Can we note the correspondence to which we might come back after the summer recess? Having regard to a number of other issues, including a couple of unintended programmes or coverage of events that led to greater losses for RTÉ, we should keep an eye on the matter. We could consider inviting RTÉ representatives to come back before the committee at the latter end of the year. I ask that we include it in our work programme for discussion. I know that they do not have to come before us, but they could do so voluntarily. On the issue of individual contracts, we need to keep an eye on the matter. Given that RTÉ has stated it will continue the review over the summer months, we might write to it when we come back after the summer recess.

Chairman: Is it agreed that we ask for information from RTÉ at the end of September?

Deputy David Cullinane: That is fair. We will see what we get back from it.

Chairman: We will look at the matter at the end of September. We will put it down to be dealt with in correspondence at that stage.

The next category is correspondence the Committee of Public Accounts has issued to organisations subject to audit by the Comptroller and Auditor General asking them to submit their draft accounts for audit within three months of year end. There were 18 bodies on our list and at our previous meeting we noted 13 replies. A further four have been received as follows. No. 2267B is correspondence, dated 17 June 2019, received from the Pre-Hospital Emergency Care

Council. No. 2268B is correspondence, dated 13 June 2019, received from Mr. Mark Griffin, Secretary General of the Department of Communications, Climate Action and Environment, on the environment fund. No. 2269B is correspondence, dated 17 June 2019, received from Mr. Gabriel Cooney, chairperson, The Discovery Programme. No. 2270B is correspondence, dated 18 June 2019, received from Mr. Aidan Farrell, CEO, State Examinations Commission. Can we agree to note and publish these items of correspondence? Agreed. At the previous meeting, we asked the Comptroller and Auditor General for an update on the submission accounts.

Mr. Seamus McCarthy: The total list I gave to the committee at the beginning of May listed 24 funds and agencies. Since then, we have received 17 sets of financial statements, while seven are still outstanding, which I can list if the committee so wishes.

Chairman: Yes, please. I wish to put it on the public record.

Mr. Seamus McCarthy: Under the heading of departmental funds, for the Credit Union Restructuring Board, ReBo, which is being wound down, it now falls to the Department of Finance to present the account for audit.

Chairman: To clarify, the credit unions had to pay into an account in case credit unions experienced financial trouble. Is this a different fund?

Mr. Seamus McCarthy: This is ReBo. It was an organisation set up to restructure credit unions if required and it was funded from a credit union restructuring fund.

Chairman: How much money was in that fund?

Mr. Seamus McCarthy: Some €250 million was paid into it but not much of that has been used.

Chairman: Does the Department now consider all the credit unions safe and the account unnecessary, given that ReBo is being wound down?

Mr. Seamus McCarthy: It is not giving a blanket assurance but I imagine that the specific concern that a significant number of credit unions might need stabilisation has passed. There was a specific requirement in the legislation for a formal appraisal of whether there was a need for the restructuring board to continue.

Chairman: Will the credit unions that contributed to the €250 million which, in hindsight, was never necessary get their money back? While I acknowledge that it may be unfair to ask Mr. McCarthy, given that he is the auditor, will he shed any light on whether we should write to the Department?

Mr. Seamus McCarthy: The Exchequer is entitled to get back its €250 million first but it has not yet got it back.

Chairman: Where is it?

Mr. Seamus McCarthy: Much of it was given back at the end of last year.

Chairman: Much of it has been refunded.

Mr. Seamus McCarthy: Some of it has been returned to the Exchequer but there is still a deficit. I cannot remember the figure but it was possibly €230 million.

Chairman: In the meantime, while the accounts are being audited, we will ask the Department of Finance to provide an information note on the issue.

Mr. Seamus McCarthy: The credit union fund is one of the accounts up for noting today and the figure is indicated. I can get the figure for the committee later if the Chairman so wishes.

Chairman: One way or the other, we will ask the Department for an information note in the meantime.

Mr. Seamus McCarthy: The environment fund is outstanding. I refer to the letter from the Secretary General, when he said the Department and officials from the Comptroller and Auditor General agreed bilaterally that the fund account would be submitted by 30 June each year. We accepted that the Department would present it only by 30 June. The previous year, we received the fund account in September. We asked for it in March together with the appropriation account but it said it was not able to do that. While we have accepted receipt by 30 June, we have not agreed that is appropriate. It should be presented earlier.

Chairman: It was September last year, it will be June this year and it will be March next year.

Mr. Seamus McCarthy: It was the end of June last year and September the previous year. It will be the end of June this year again.

Deputy Catherine Connolly: The letter from Mr. Mark Griffin, therefore, needs to be corrected. He stated, as the Comptroller and Auditor General indicated, that last year, the Department agreed bilaterally that the environment fund account would be submitted by 30 June each year. That needs to be corrected.

Mr. Seamus McCarthy: We have no power to force the Department to submit its account.

Deputy Catherine Connolly: We need to correct what we were told.

Mr. Seamus McCarthy: We will write to the Department in any case to make it clear that is not a bilateral position.

Chairman: It is not an agreement.

Mr. Seamus McCarthy: It is not an agreement.

Chairman: It is a position the Department has presented.

Mr. Seamus McCarthy: We have to accept it because we have no way of enforcing otherwise.

Deputy Catherine Connolly: That year was not a once-off occurrence. It also happened in previous years.

Mr. Seamus McCarthy: We would like to see it earlier. We would like to see it coming in with the appropriation account. It is a relatively simple cash account and it is not a big ask. In fairness to the Department, in the year it was submitted late, in September, it was at the point when the function was being transferred from the Department of Housing, Planning and Local Government. A certain leeway can be given in the first year but it should have been bedded down by now and I would have expected to get it earlier.

Chairman: The accounts for 2018 are imminent.

Mr. Seamus McCarthy: Yes, I understand they will be received this week or early next week.

Chairman: The accounts for 2019, therefore, are expected in March 2020.

Mr. Seamus McCarthy: That is our aim in any event and it will be our request.

Chairman: We have read Mr. Griffin's letter into the record and the Comptroller and Auditor General has provided clarification. We accept that. The main issue is obtaining immediately the accounts for last year, while for the current year, we will want to have received them by the end of March 2020.

Mr. Seamus McCarthy: For the education bodies, there are three accounts. For University College Cork, we still await the 2017-2018 account for audit. St. Patrick's College, Drumcondra and Church of Ireland College of Education are being wound down. In one case, there is a cessation account, while in the other, there is a residual liabilities account. There was an accounting difficulty with the previous year but that will be resolved. Very few transactions are involved in either account.

For the health bodies, we still await draft financial statements from the National Treatment Purchase Fund, NTPF, and the Pre-Hospital Emergency Care Council. I believe that the committee has received letters from both bodies.

Chairman: The NTPF indicated there had recently been a change in its financial system but undertook to have submitted its statement by the end of June.

Mr. Seamus McCarthy: We accept that the NTPF is making best endeavours in that regard.

Chairman: It is good to know that. The reason I say it on the public record is to keep the pressure on all public bodies, as a part of good governance. I refer not only to the chief executive of such bodies but also to the chairperson on the board. The obligation is on the boards to submit their accounts and I want chairpersons of respective boards to be conscious of that.

We will continue with correspondence. No. 2271, from Garda Commissioner Drew Harris, dated 17 June, provides further clarification to his evidence to the committee on a specific employee case that was mentioned on 9 May. We will note and publish this.

Deputy David Cullinane: The Commissioner states the matter has been referred to the Garda Síochána Ombudsman Commission. It is not appropriate, therefore, for us to comment on it and he is correct that he is not in a position to do so either. We noted that his previous correspondence contained a mistake that everyone accepts was inadvertent because he was not given prior notice of the issue and may not have been apprised of the details. It was helpful of him, therefore, to write to the committee.

He seems to express some concern about our discussion that followed. Perhaps he does not know how the committee works but if we receive an item of correspondence, it has to be noted and can be discussed. The only reason it was discussed was it was a correction of something that had been said. Further information was sought and the clerk to the committee has followed up in that regard. One such piece of information was the exit surveys that are done if somebody leaves the Garda. We wondered whether there had emerged among Garda stations a pattern of reasons for leaving. In one station, anecdotally at least, there seemed to be a suggestion of

bullying and similar issues. While we cannot say that was the case, we asked for a flavour of what was coming up in the exit surveys. We do not want individuals' names or other details. The Garda indicated that it does that type of work in any event. I think Mr. Nugent responded to us on the matter. We should follow up and keep an eye on it, and I hope we will receive a response in due course.

Chairman: No. 2274, from Mr. Robert Watt, Secretary General of the Department of Public Expenditure and Reform, dated 25 June, concerns information requested by the committee and the Department's communication with the Department of Health on the national paediatric hospital. A number of freedom of information requests on the matter have been processed by the Department. Mr. Watt indicates that the information will be shared with the committee. He said the officials are happy to share the records from the documents released under freedom of information. We will ask that that be submitted as soon as possible. I take it other freedom of information requests are in the system, and some have been dealt with. We will ask for those immediately, as they should be on the public record, and that we receive the new ones as they become available. We note and publish that and will keep an eye that we be given new ones in due course.

No. 2278B is from Mr. Gerard Dollard, CEO, Irish Greyhound Board, dated 25 June 2019 enclosing an organisational restructuring report and a note in relation to the "Prime Time" programme that was broadcast last night. This was referred to at last week's meeting on Bord na gCon and the grants which it receives from the Exchequer every year. Deputy MacSharry mentioned that a report had been produced by Preferred Results Ltd., dated 29 September 2017. We undertook to seek a copy of that report. The Greyhound Board was aware that it had been mentioned and forwarded it to us. I have not had an opportunity to read it. It is 60 or 70 pages. We will not discuss last night's programme but the report is there arising from the grant the Exchequer pays to Bord na gCon.

Deputy David Cullinane: There is one line in the report which I find interesting or fascinating, depending on how one reads it. It fits into last night's programme, and the Chairman is right that we will not go into it. On page 3, the last paragraph reads "While for the most part the findings of the analysis raise serious issues, on the other hand, nothing was identified which could not be fixed and there is every reason to believe that IGB could, within a short number of years, become a financially viable entity, drugs free and with an impeccable record on animal welfare." That suggests that at present it is not financially viable, it is not drugs free and it does not have an impeccable record in animal welfare. These are all issues that were raised in the programme on the slaughter of puppies, loss leading where they were being sold for 50% less than their value, and there being no checks on animal welfare. When is its appropriation accounts due?

Chairman: That is a separate audit.

Mr. Seamus McCarthy: That is a separate audit. We have the draft financial statements. I have not reviewed them yet but I expect to do so within the next month that we should have completed the audit.

Deputy David Cullinane: When we have the complete audited reports could we bring them in?

Chairman: Yes.

Deputy David Cullinane: Would that happen anyway routinely?

Chairman: It would be up to the committee to decide. Some 300 organisations are audited. This arose the context in a discussion with the Department of Agriculture, Food and the Marine in relation to what has happening in Horse Racing Ireland.

It is very much within the remit of the Department and this committee, as the Comptroller and Auditor General audits Bord na gCon.

Deputy David Cullinane: We will see what comes of the audited accounts.

Chairman: We will list it for the committee's work programme in September. We have the report. It accepts it will take a number of years. This is two years. By implication, as the Deputy said, it is not there yet, which was the essence of last night's programme.

We now move to correspondence with private individuals, category C. No. 2243C is from an individual dated 9 June 2019 in relation to the wards of court issue. The correspondent previously made a number of inquiries regarding this matter and a Dáil debate is awaited in relation to a report by the Joint Committee on Justice and Equality on the matter. While the individual would like to see the Committee of Public Accounts' terms of reference amended to allow it to look at the matter, amending the terms of reference is a matter for the Oireachtas. The Committee of Public Accounts cannot unilaterally do it. This is a matter which has been looked at by the Joint Committee on Justice and Equality. I have spoken to the Ceann Comhairle. The matter is listed, but I do not have a date. A report was produced by our colleagues on the Joint Committee on Justice and Equality specifically on the wards of court issue. I encourage members of this committee to participate in that debate in the Dáil when it takes place and during which they can make the relevant points. The Dáil debate on the justice committee's report is the next step.

Deputy Catherine Connolly: Will that be at the end of the summer?

Chairman: I asked the Ceann Comhairle a few days ago but he was not sure. He said that it is in the lottery, but there are only two weeks left and there are many other things in the system. It may or may not be, but I have asked. I can say no more than that. We note that.

No. 2245C received from an individual dated 11 June 2019 provides his comments and views in relation to the recent Supreme Court judgment regarding the Kerins case. We will note this item, but we will not discuss it. It is a matter for the Oireachtas and others.

No. 2250C is from an individual dated 14 June 2019 who has previously corresponded with the committee in relation to Government policy regarding climate change. I propose with the individual's permission that we forward the matter to the appropriate sectoral committee for any action it deems appropriate. It relates to climate change policy which arose at our meeting on the cost of the State purchasing carbon credits from other countries. However, this is a policy issue and we will pass it on to the relevant committee.

No. 2251C from Deputy Kate O'Connell, dated 14 June 2019, was also held over from the last meeting. The Deputy requests further details regarding information provided by the Department of Children and Youth Affairs in relation to Tusla at the meeting on 13 June. The secretariat has included this request in the follow-up information requested from the Department. We note the Deputy's request and look forward to receiving the information.

No. 2252C is from Wind Aware Ireland, WAI, dated 14 June 2019 regarding renewable energy and emissions targets. While I made some comments recently on information provided to the committee regarding costs related to carbon emissions, this is ultimately a policy matter. The letter raises more queries than that. WAI has contacted the committee before. It produced a document some time ago on the cost of wind energy in Ireland report. We received a copy of it and decided that it was not a matter for the committee but more for the respective sectoral committee. WAI has now come back expressing confusion as to why the Committee of Public Accounts was debating the issue having indicated on 7 February 2018 that it had no oversight in the area. It asks that if we are examining the issue of the cost of meeting EU targets that WAI be included in our discussion. The reason it arose the last day was that officials from the Department were before the committee and we were dealing with the cost of purchase credits. It is not our policy area but we are looking at the financial aspects. I can understand WAI's point as we said we would not discuss it but that cost issue arose as part of the departmental vote. The letter stated that we may have confused the issue in relation to emission targets and that they are a good idea but that renewable targets are useless unless they are linked to emission reductions. We will note that correspondence. It is an issue that will be debated further, and I believe a special committee will be established on climate change. When that happens it will be in its direct remit. Financial matters in relation to all these issues will continue to arise at this committee, but not policy issues.

No. 2260C from an individual dated 18 June 2019 is further correspondence in relation to the Social Welfare Appeals Office. This relates to the use of test cases where there are a number of similar cases in the appeals office and where there are a number of workers engaged with the same employer who have individually submitted an appeal. They often look to make a sample decision on a number of cases, probably to see if there a systematic issue involved. Perhaps it is a way for them to build up their knowledge so they can deal with the cases more straightforwardly and on an individual basis. This continually contests the appeals office's right to do that.

Deputy David Cullinane: This correspondence raises some interesting questions. I will not go into them all because we have to move on but I have seven questions arising from the individual's documents that I believe would be good questions for the Secretary General. Could I submit those questions to the clerk? Given that other members have not seen them they could be submitted in my name. Perhaps these questions could be listed for next week.

Chairman: Deputy Cullinane can present the questions as an item of correspondence and it will go from this committee next week.

Deputy David Cullinane: That is perfect.

Chairman: The Deputy can include those the issues and I will ask the committee secretariat to clear it. I ask the Deputy to submit it today and we can deal with it next week. The individual has raised a complicated issue.

No. 2261C from IBEC dated 20 June 2019 encloses a position paper on the Local Government (Rates) Bill 2018 which includes some of IBEC's key recommendations regarding the oversight of the commercial rates system. This will be of interest to members but the recommendations are ultimately policy matters. While the committee will forward this directly to the Oireachtas Joint Committee on Housing, Planning and Local Government for any action it may deem appropriate, we note that IBEC's correspondence states:

The collection of commercial rates must be improved [IBEC has included charts show-

ing the collection rate] ... The revaluation process must be scrutinised including timelines and costs, with a view to expediting the process. The work of the Valuation Office and the Valuation Tribunal must be examined. Finally, we are calling for a full review of local government finance, including examination of replacing the commercial and domestic property taxes with a site or land value tax.

This is clearly a Government policy issue. The committee will, however, follow up on one aspect. The Valuation Office has been before the committee previously and it was included in our periodic report. We were very unhappy with the office's slow progress in doing its first valuation and even at this point, which is 15 years after the legislation was passed, it has not even got to some counties. The committee will write to the Valuation Office to ask for a full update on its work programme and which counties have been revalued. We will also ask for a summary of the outcome with regard to the percentages of rate payers who have experienced an increase or decrease or no significant change. The Valuation Office has those figures and has been quoting them extensively. We would like to see those figures on a county by county basis. We particularly want to find out if some counties have been revalued a second time while some counties have not been revalued a first time. The committee will want a detailed explanation and a detailed timetable. That issue was covered in an earlier periodic report and it is now incumbent on the committee to follow up our own previous periodic report. We shall not, however, get into the policy of the matter. Deputy Cassells might have an interest in this topic.

Deputy Shane Cassells: I do Chairman. The Local Government (Rates) Bill 2018 was before the select committee yesterday. The Minister brought forward a series of amendments. The Chairman has touched on the Valuation Office. We have had the Valuation Office in before this committee. Some of the particular points we raised covered the tardiness in fulfilling that process and the impact this has on businesses. I put this point to senior officials yesterday. The assistant secretary pointed out that in the last number of years we have gone from a situation where there were perhaps a couple of hundred cases on appeal with the Valuation Office to a situation where there are now more than 1,000 businesses appealing valuations. I have asked officials what is the cumulative figure. I do not know if the Comptroller and Auditor General knows the figure - or if it is the Tax Appeals Commission - on what is the cumulative figure, with regard to net worth, for more than 1,000 businesses that have appeals currently with the Valuation Office. Obviously there is a serious issue with the Valuation Office in conducting the business in the first place and now the fact that there are more than 1,000 cases on appeal.

Fianna Fáil brought forward proposals at the select committee providing for an inability to pay clause for the Bill, which will be on Report and Final Stages next Wednesday, 3 July. This is in the context of the revaluation process whereby - due to the Valuation Office's tardiness - a business might get hit with a significant increase in one fell swoop. A person could be hit with that cost in the following year. Fianna Fáil's proposal sought to stagger that cost over a course of payments. Both of those amendments were rejected on Committee Stage yesterday and I want this on the record. IBEC has put forward its position paper on the rates to this committee this morning. We are in a situation - as the committee has dealt with previously - where €1.5 billion was raised off commercial rates. This has increased by 14% over the past decade and is the main contributor to the funding of local government, yet the Local Government (Rates) Bill 2018, which will go on to Report Stage next Wednesday will not deal with the significant issues of businesses facing an inability to pay outside of the greater Dublin area. This is a serious issue. Perhaps the Comptroller and Auditor General has this figure. I have asked the senior officials in the Department about this also. The Valuation Office has in excess of 1,000 appeals on its books. The Valuation Office could not give me a timeline for how quickly the

cases would be taken off the books or for how long on average the businesses are waiting for a valuation on appeal to be dealt with. This is a serious issue also for this committee because the Valuation Office was before the committee for a whole day. It did not deal with the valuations, and as a result of yesterday's meeting we can see that it is not dealing with the appeals in a timely fashion either.

Chairman: For clarification purposes the Comptroller and Auditor General might be able to help us on this. The Valuation Office was before the committee. It is meant to be doing the revaluations. The Valuation Office is not there yet in completing revaluations across the country. The Valuation Tribunal is a separate organisation. Is this the body that handles appeals?

Mr. Seamus McCarthy: That is correct.

Chairman: It is a bit like the Revenue Commissioners and the Tax Appeals Commission where a separate organisation deals with the appeals. Does the Comptroller and Auditor General audit the Valuation Tribunal?

Mr. Seamus McCarthy: It is all accounted for under the Vote for the Valuation Office. It operates independently of the Valuation Office but the expenses go through Vote 16.

Chairman: In our correspondence on that Vote we want information on the Valuation Tribunal. This is a relatively new office, like the Tax Appeals Office, and we might find that it is just overwhelmed by the amount of business and may not be capable of dealing with it. What has happened with the Tax Appeals Office may also be happening with the Valuation Tribunal, according to what the Deputy is saying.

Deputy Shane Cassells: They are saying they are putting in additional resources but I am making the point and putting it on record that there are in excess of 1,000 businesses whose rates revaluations are on appeal. This goes back to cases from Westmeath, Longford and that area, whose revaluations were conducted more than one year ago.

Chairman: In our letter to the appropriate body, whether that is the Valuation Office or the Accounting Officer for the Vote, we will seek information on the Valuation Office. We will ask for information on the revaluation programme and separately we will seek - not financial statements - an up to date information note on the position of the Valuation Office and how it is progressing. As part of the Vote this request is within this committee's remit. We will request they answer the questions on that basis. The sectoral committee will continue to deal with the legislation aspect of the query but any information the committee can obtain may be helpful in that regard.

No. 1630, dated 18 October 2018, was correspondence from NAMA on a full breakdown the committee had requested some time ago on the number of properties offered to each of the local authorities for housing and so on. The committee received detailed information. It was raised at the last committee meeting and we have it on file. I will ask the committee secretariat to email this to members, if it has not already been done. I have a copy and perhaps members already have it. That issue has been raised. Having had a fresh look at that schedule, if members want to raise it at a subsequent meeting, then they should feel free to do so.

I shall now turn to statement of accounts received since the last meeting. There are four items. The Marine Institute is a clear audit opinion. The National University of Ireland, Maynooth is a clear audit opinion. Attention is drawn by the Comptroller and Auditor General to the recognition of a deferred pension funding asset, standard for universities, which is a provision

of €750,000 in the university statement of comprehensive income and expenditure on impairment of a loan to a loss-making subsidiary company set up to commercialise intellectual property and to provide consultancy and training services. I will ask the Comptroller and Auditor General to comment on this shortly. Fishery Harbour Centres accounts present a clear audited opinion. The Credit Union Fund accounts are in with a clear audit opinion. I invite the Comptroller and Auditor General to comment.

Mr. Seamus McCarthy: On the National University of Ireland, Maynooth situation, the financial statements recognise that effectively a loan will not be paid back by their subsidiary. The business has not turned out as they anticipated it would and they are prudently recognising and charging a provision in 2017-2018 in the amount of €750,000 for that.

Chairman: How extensive is the note in its financial statement? From our point of view, we want to know directly from the university how that €750,000 is going to be funded and whether it will impact students and education services.

Mr. Seamus McCarthy: It is a relatively short note, which is note 18 of the financial statements.

Chairman: We will write directly to NUI Maynooth asking for full background as to how the loan was given out, what measures it put in place to make sure it was prudent to give the loan and, if it has not been paid back, the implications for the finances of the college.

Deputy Catherine Connolly: The Comptroller and Auditor General used the word "prudently" and this has been prudently recognised, which is very good, but was it prudent in the first place to do this? How do we look at that? This raises the questions that were raised before about these companies.

Chairman: Here we go again. It is an issue we will have to come back to. We will write to NUI Maynooth on that issue.

The next item is the work programme. Today, we have the HSE and the Department of Health, and next week we have the NTMA financial statements. I want to get the agreement of the committee on the scheduling of the meeting next week. A big aspect of NTMA activity is the State Claims Agency. I ask the secretariat to arrange the timing for the meeting. I propose we deal with the other part of the NTMA business, that is, the national debt, the National Development Finance Agency, prize bonds accounts and those types of issues, in the first half of the meeting, and keep the issue of the State Claims Agency until the second half of the meeting. It will still be the one meeting but I do not want to have one question on the prize bonds, the next on the State Claims Agency and the next on the national debt. We will hold the State Claims Agency questions until the latter half of the meeting. The chief executive of the NTMA will be here throughout. It is just to make the meeting run a bit more logically. We will run the meeting in two halves and we will keep the State Claims Agency issue separate.

On 11 July, we will deal with the appropriation accounts for the Houses of the Oireachtas. We will then deal with matters in regard to the IBRC liquidation. With regard to outstanding matters in the work programme, we can take the Irish Prison Service off that as we have dealt with it and we will also deal with it in our periodic report. We have also dealt with the issue of the OPW meeting with a former valuer. We will see next week how complete we are in terms of our work programme.

Deputy Marc MacSharry: Is that the last meeting?

Chairman: It is. On any other business, we have two small items to deal with in private session. The first is the periodic report. In order to publish our periodic report before the recess, we hope to launch it on 9 July, so we will have a brief discussion on that in private session. We will also discuss the IBRC meeting in private session and we can bring the summary of that back into public session.

Deputy Marc MacSharry: I wish to raise one issue. I asked for clarification about a letter from Secretary General Ó Foghlú in regard to protected disclosures.

Chairman: We have written to him.

Deputy Marc MacSharry: Good. Can I see a copy of that letter?

Chairman: Yes. We will go into private session.

The committee went into private session at 10.04 a.m., suspended at 10.09 a.m. and resumed in public session at 10.17 a.m.

Chairman: We are meeting the Department of Health and the HSE this morning but before that, I have an announcement to make as Chair of the committee. Our committee intends to issue its next periodic report on Tuesday, 9 July. A document has been provided to some members of the media which has been quoted from and referred to as a draft periodic report. The document that has been issued is not a draft of our periodic report, due to be published in two weeks, and it is not an accurate version of what will be published. The document which was quoted from is a document prepared solely by the secretariat with no input from any member of the committee. It was written to assist the committee in its consideration of the matters covered at various meetings over the previous months. The conclusions and recommendations in that document have no status. The document that was circulated had never been considered, discussed or approved by the Committee of Public Accounts. It was a document prepared by the secretariat. The document has no standing with regard to the committee. It is not a draft of a periodic report, just an internal document prepared by the secretariat. We will not circulate any draft versions of our work until we formally launch our report on 9 July.

Health Service Executive Financial Statements 2018

2017 Annual Report of the Comptroller and Auditor General and Appropriation Accounts

Vote 38 - Department of Health

Chapter 16 - Control of Private Patient Activity in Acute Public Hospitals

Mr. Jim Breslin (*Secretary General, Department of Health*) and **Mr. Paul Reid** (*Director General, Health Service Executive*) called and examined.

Chairman: We will proceed with the main business of today, the appropriation accounts for 2017 for Vote 38 for the Department of Health, the HSE financial statement for 2018 and chapter 16 of the Comptroller and Auditor General's report on the accounts of the public services for 2017, which deals with the control of private patient activity in acute public hospitals. We are joined from the Department of Health by Mr. Jim Breslin, Secretary General, Mr. Colm Desmond, assistant secretary, Ms Aonraid Dunne and Ms Pamela Carter. From the HSE we are joined by the new director general, Mr. Paul Reid. He is very welcome to the job and to the committee. He has been here previously. We are also joined by Ms Anne O'Connor, deputy director general; Mr. Stephen Mulvany, chief financial officer; Mr. Joe Ryan, national director of national services; and Ms Mairéad Dolan, assistant chief financial officer. Ms Marie Mulvihill from the Department of Public Expenditure and Reform is also present.

I welcome Mr. Paul Reid, the new director general of the HSE. It is his first appearance before the Committee of Public Accounts in that role.

I remind members, witnesses and those in the Public Gallery that all mobile phones must be switched off. That means putting them on airplane mode, as merely putting them on silent mode will still interfere with the recording system.

By virtue of section 17(2)(l) of the Defamation Act 2009, witnesses are protected by absolute privilege in respect of their evidence to this committee. If they are directed by the committee to cease giving evidence in relation to a particular matter and they continue to do so, they are entitled thereafter only to a qualified privilege in respect of their evidence. They are directed that only evidence connected with the subject matter of these proceedings is to be given and they are asked to respect the parliamentary practice to the effect that, where possible, they should not criticise nor make charges against any person or entity, by name or in such a way as to make him, her or it identifiable.

Members are reminded of the provisions within Standing Order 186 that the committee shall also refrain from enquiring into the merits of a policy or policies of the Government or a Minister of the Government or the merits of the objectives of such policies. While we expect witnesses to answer questions asked by the committee clearly and with candour, they can, and should, expect to be treated fairly and with respect and consideration at all times, in accordance with the witness protocol. I invite Mr. McCarthy to make his opening statement.

Mr. Seamus McCarthy: The appropriation account for Vote 38 - Health before the committee relates to 2017. The audit of the 2018 appropriation account is ongoing. The Department's gross expenditure for that year was approximately €14.8 billion. The majority of that, €14.6 billion, was paid to the HSE, spread across 17 subheads in the appropriation account. Supplementary spending provisions were made during 2017 in respect of seven of the HSE subheads, totalling €195 million. Receipts to the Vote in 2017 totalled €459 million, almost the same as in 2016. Those receipts comprised mainly €278 million received from the UK under a bilateral agreement on reimbursement for treatment provided under EU regulations, and receipts of just over €167 million from the proceeds of excise duties on tobacco products. The surplus liable for surrender to the Exchequer at end 2017 was just under €2.4 million.

I turn to the HSE financial statements, which relate to the calendar year 2018. They are prepared on an accruals basis. Unusually, they include both a revenue or recurrent income and expenditure account, and a separate capital income and expenditure account. The law provides for the Minister for Health to specify the accounting standards and framework to be applied by the HSE in the preparation of its financial statements. The basis for the framework applied is

financial reporting standard, FRS, 102, but the Minister has formally directed that a number of exceptions to that standard should be applied. Such directions have been duly applied since the HSE was established in 2005, and those applying in 2018 are listed in note 1 to the financial statements.

I have drawn attention in my audit report to a new direction of the Minister for the 2018 financial statements, in relation to accounting for a liability arising from a legal settlement with medical consultants agreed during 2018. At the end of 2018, the liability is estimated to be around €198 million. In accordance with the accounting standards specified by the Minister, the HSE has not recognised this liability in its financial statements. Because the HSE had made a provision in 2008 of €68 million in expectation of a pay-out on foot of the consultants' claim, that had to be reversed in the 2018 financial statements.

My audit opinion was not modified in respect of this matter because the financial statements conform to the standards statutorily specified. However, I have drawn attention to the ministerial direction, because it represents a substantial change in the HSE's accounting practice that might not otherwise be readily identified by users of the financial statements, in particular for the period 2018 to 2020, during which the settlement payments will be made.

The HSE's recurrent income in 2018 was just over €16 billion, which is an increase of approximately €932 million, or 6.2% on 2017. The majority of that, €15.2 billion, is Exchequer funding from the Department of Health's vote. The remaining income comprises retained superannuation and pension levy deductions from staff salaries, totalling just under €420 million, and patient fee income of approximately €406 million. Recurrent expenditure by the HSE in 2018 was €16.1 billion, representing an increase of approximately €877 million, or 5.8% on 2017. As shown in figure 1, which is now on the screen, the majority of this spend was across four main areas in 2018.

At the end of 2018, the HSE reported a net operating deficit of just over €85 million. In accordance with the Health Act 2004, the deficit has been carried forward and will be met from the funding provided from the Department of Health's vote for 2019.

My report on the audit also draws attention to a continuing material level of HSE non-compliance with procurement rules. I have repeatedly reported on, and drawn attention to, the matter. While the HSE acknowledges the problem, it is still not in a position to quantify the value of its expenditure on goods and services where public procurement procedures were not complied with.

Each year, we examine samples of procurements at a number of HSE locations to test whether there has been an appropriate competitive process. For the past five years, the estimated percentage of non-compliant procurement found in the sample has fluctuated between 14% and 49% by value. Because there is not a single procurement database in the HSE, the results are specific to procurement practice at the sampled locations, and cannot be extrapolated to the HSE as a whole. I need here to make a correction to the record. In my audit report for the 2018 financial statements, I refer to the audit sample testing at five locations indicating a level of procurement non-compliance of 30% by value. In preparing for this meeting, my team discovered a calculation error. The correct non-compliance rate for the 2018 sample was, in fact, 23% by value. However, I am satisfied that this does not alter the conclusion I drew in my report. I regret that a figure that was materially incorrect was given in the report. Our long-standing policy in such circumstances is always to correct the record of Dáil Éireann at the earliest available opportunity.

I will turn now to chapter 16. As Members will be aware, public hospitals treat both public and private patients. Although the bulk of the HSE's income is from voted funds, it depends on receiving significant fee income related to treatment of private patients. On the other hand, to ensure equitable access by individuals to hospital services, the HSE seeks to limit private treatment activity in acute public hospitals to 20%. Medical consultants' contracts provide for them to carry out varying levels of private activity.

Chapter 16 considers how the HSE controls the level of private activity in public hospitals, and assesses how the HSE measures performance in that regard at the national level, in individual hospitals and for medical consultants. Measurement of public and private activity in acute hospitals is based on the hospital inpatient enquiry, HIPE, system, which monitors inpatient and day case activity only. Emergency department and outpatient attendances are not within the scope of the measurement. As a result, the measure is not well defined. In addition, many public acute hospitals and individual consultants may have limited control over their private activity levels. For example, the majority of patients admitted as inpatients to many hospitals enter from the emergency department, or are maternity admissions, and elective admissions must be treated in order of clinical priority.

The percentage of public inpatient activity carried out varies significantly from hospital to hospital, as indicated in figures 16.4 and 16.5 in the chapter. However, it is difficult to draw meaningful conclusions from that, since public and private activity targets have not been set at an individual hospital level. Varying rates of health insurance among catchment populations may be a significant factor in that regard. There are significant variations in the conditions of employment applying to medical consultants in respect of the private activity they undertake. Contracts allows for rates from zero to 30%. However, the HSE was unable to provide outturn data in this regard because it does not monitor or collate information about private treatment levels at an individual consultant level.

The overall conclusion of the chapter is that there are significant weaknesses in the performance measures used by the HSE to monitor public private activity levels within the acute hospitals system.

Chairman: I thank Mr. McCarthy. I invite Mr. Breslin to make his opening statement.

Mr. Jim Breslin: I am joined by my colleagues, Mr. Colm Desmond, assistant secretary in the finance and evaluation division, and Ms Aonraid Dunne, principal officer. As Accounting Officer for the Department of Health's Vote 38, I am pleased to be here to deal with the 2017 annual report and appropriations accounts of the Comptroller and Auditor General. The other item on today's agenda, the 2018 financial statements of the HSE, 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, that is, 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 in respect of its own costs and in respect of grants to a range of bodies under the aegis of the Department, including the HSE, the Mental Health Commission, the Food Safety

Authority of Ireland, FSAI, and the Health Information and Quality Authority, HIQA. 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 those issues, 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 progressively to 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. Life expectancy in Ireland 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 Organization, WHO, 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. In addition, we 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 and 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. There was €14.040 billion of the 2017 gross provision for current expenditure 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 spending was €14.339 billion, against a net provision of €14.341 billion, resulting in a saving to the Exchequer of the aforementioned €2.3 million.

While I am here in the context of the appropriation accounts for 2017, I am conscious that the committee has expressed concerns in respect of the accounting treatment of the consultant pay arrears in the HSE's annual financial statements for 2018. I assure members that there is nothing untoward about this, and there were very good reasons that the Department considered it 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 will be aware, consultants took a High Court case regarding their dispute on the non-implementation of pay increases under the 2008 consultant contract. Those increases were not implemented

over the intervening period due to the financial emergency. Had the State lost that court case, the reinstatement of increases with full retrospection would have required an immediate payout running to hundreds of millions of euro. Instead, the State negotiated a settlement in June 2018 that 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 €73 million in 2019 and €109 million 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 €62 million 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, several 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 the agreement would be appropriately matched with 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 funding available for the delivery of health services in 2019 since, under the settlement, some €109 million in once-off payments do not fall due for payment until 2020 and the funding for them will not be provided until then. This additional direction for 2018, in respect of the non-recognition of that liability, is time bound and will only apply until 2020. Different options were considered by the Department and the HSE to address the issue on a transparent basis. The direction that issued to the HSE was incorporated in the finalised annual financial statements approved by the HSE directorate.

I am happy to take any questions members may have.

Chairman: I thank Mr. Breslin. Mr. Reid may now make his opening statement.

Mr. Paul Reid: I thank the Chairman and members for the invitation to attend the meeting to discuss the HSE's annual report and financial statements for 2018 and chapter 16 of the Comptroller and Auditor General's report for 2017. As the Chairman stated, I took up post six weeks ago. As this is my first meeting with the committee in this role, I take the opportunity to state that I look forward to working with members and providing assistance to the committee in its important work. The senior management colleagues joining me today are Ms Anne O'Connor, deputy director general of operations; Mr. Stephen Mulvany, chief financial officer; Mr. Joe Ryan, national director of national services; and Ms Mairéad Dolan, assistant chief financial officer. We have submitted information and documentation to the committee in advance of this meeting and I will therefore confine my opening remarks to the following issues.

The first is the financial outturn for 2018. The HSE's annual financial statements record a final audited revenue income and expenditure deficit of €85.1 million. Further detail is set out in the finance briefing paper provided to the committee in advance of this meeting, including around the movement in provisions and how this figure can be related to the final HSE published quarterly performance report for 2018. The 2018 final position is arrived at after dealing with the €140 million first charge for 2017 and after receipt of a Supplementary Estimate of €625 million, the application of which has also been detailed. The annual financial statement also records a €16 million surplus on the capital account, which will be available to progress capital projects in 2019.

The most significant areas of financial pressure reflected in the year-end position relate to the pensions and demand-led areas, including the primary care reimbursement service. Costs in these areas are generally driven by policy, legislative entitlements and demographic factors and, as such, they are not amenable to normal financial management controls. Separately, our operational service areas experienced significant difficulty in reducing costs to meet savings targets, controlling staffing levels and responding to demand within budget. Disability services were the area of greatest financial pressure within community services. This pressure largely related to the costs of providing residential care to people with an intellectual disability, with the evolving needs of existing clients as they age and the demand for new places exceeding our funded capacity. We also experienced similar pressures within our acute hospital services where activity was ahead of planned and funded levels, with a very high proportion of total activity arriving via our accident and emergency departments.

With respect to financial management for 2019, the HSE's first priority for implementing its 2019 national service plan, NSP, is to maximise the safety of the services it can deliver within the available budget. Thereafter the priority, consistent with the Sláintecare programme, is to deliver on the activity, access, improvement and other targets set out in the NSP, albeit this must be done within the affordable staffing level and without exceeding the overall budget. Delivering these priorities will require a significantly enhanced focus on financial management. This includes better controls on the management of agency, overtime and overall staffing levels and pay costs. Senior managers will be supported and held to account in this regard. The HSE's financial position for the year to date until March 2019 shows a revenue deficit of €82.7 million, which represents 2.2% of the available budget. Of this, €44.8 million is in respect of greater than expected expenditure on operational service areas, which includes €17.6 million on community services, mostly in respect of services for people with a disability, and €28.4 million in respect of acute hospital services.

In cases where deficits appear in operational service areas, the relevant national director, community healthcare organisation chief officer or hospital group chief executive has been directed to identify and put in place additional measures to enable delivery of an overall financial break-even by year end. This has been supported by a series of additional interim controls around agency, overtime and staffing, although all 2018 and 2019 developments approved and funded by the Department of Health are proceeding.

There is also a deficit of €38 million in pensions and demand-led areas. Options to limit deficits in these areas are being explored, albeit they are primarily driven by legislation, policy and demographic factors and, as mentioned, are therefore not generally amenable to normal management control efforts. It is noted that if the effect of the 2018 first charge were to be reflected in the March results above, it would increase the overall March year to date variance by €20.5 million to €103.2 million, the change being predominantly within the pensions and

demand-led areas. The overall 2018 annual financial statement process came to an end on 13 May and the full first charge will be reflected in the monthly accounts from May onwards. The necessary focus on delivering financial break-even reflects the HSE's legal obligation. It will also benefit service users, patients and their families as it is consistent with the need to build trust and confidence in the organisation. This is necessary so that additional investment in our public health and social care services over and above the cost of standing still can be secured over the next five to ten years. This will facilitate the vision set out in the Sláintecare report to be realised.

The next matter is procurement. The scale and complexity of the HSE's overall procurement activity are such that it will take a sustained effort and continuing investment over a number of years in order to ensure high levels of compliance and this is a key focus for the HSE. The HSE incurs procurable expenditure in excess of €2.2 billion annually. The HSE continues to progress a transformational programme of reform of its procurement function to improve compliance with public procurement regulations and increase the usage of contracts awarded by the HSE and the Office of Government Procurement. It has been highlighted and acknowledged at previous meetings of the Committee of Public Accounts that it will take a number of years to fully address procurement compliance issues. Health business services, HBS, procurement has been engaged in a major transformational change programme and the HBS strategy for 2017 to 2019 continues this strategic and operational transformation of health sector procurement. With regard to procurement reform and, in particular, non-health procurable expenditure, the HBS function works closely with the Office of Government Procurement. This collaborative effort with the OGP is achieving value for money and contributing to an increase in overall procurement compliance and the development of the overall procurement reform program.

With regard to chapter 16 of the Comptroller and Auditor General Report for 2017, the HSE is undertaking extensive work in embedding the consultant contract compliance framework. The framework seeks to support improved reporting, monitoring and overall consultant contract compliance. The elements of compliance with public-private mix will be reported on a monthly basis and compliance with work plan and off-site practice will be reported on an annual basis. In line with the performance and accountability framework, monthly performance meetings are held within existing structures and a key element includes improving consultant contract compliance. Actions to address the areas of individual consultant non-compliance in terms of hours worked, off-site practice and public-private mix are progressed at local level. A programme of internal audit has commenced and a number of hospitals are being scheduled, with Cappagh National Orthopaedic Hospital being the first, followed by Tallaght University Hospital and Naas General Hospital. Further sites will be scheduled for audit in the coming weeks. Overall summary rates of compliance for public-private mix are below the limit of 20% for private practice. The percentage for acute hospitals inpatients is 12.5% and it is 14.5% for day cases.

With regard to outsourcing home support services, voluntary organisations have been engaged with and contributed significantly to the provision and ongoing development of the health and social care services in Ireland over many generations. The term "voluntary" is often used when referring to section 38 and section 39 agencies. Sections 38 and 39 of the Health Act 2004 legally underpin the provision of services by non-statutory providers on behalf of the HSE - section 38 - and the provision of services similar or ancillary to a service that the HSE may provide - section 39. The HSE has a continuing reliance on voluntary agencies to deliver services across the domains of acute care, social care, mental health and primary care supports and services. The HSE funds approximately 2,279 organisations, including 16 large volun-

tary hospitals via a contract or service arrangement process that is legally binding. This also includes funding for many smaller organisations such as local meals on wheels groups, which provide services through unpaid volunteers.

The HSE acknowledges that voluntary organisations largely funded by the State need to operate within defined policy and regulatory frameworks, including HIQA, charities regulation and company law, as well as public pay policy. We also have a responsibility to optimise value for money and to ensure that health resources are maximised to benefit the citizen. In line with Sláintecare, health service reform also includes voluntary organisations funded by the HSE. Voluntary agencies that provide home support services have made significant progress in reforming their services. These organisations are significant partners in the provision of home support, particularly in the greater Dublin area and the mid west. These voluntary agencies have transitioned from a position where they were supported by the HSE through block grant arrangements to the current tender model of service provision. This reform has improved the quality of home support, providing a model of service delivery that is more responsive to demand and more consistent across community healthcare organisations. Streamlining of home support services has resulted in a single application and assessment process. There is also clearer financial and activity reporting, which provides for greater accountability and transparency.

Chairman: The lead speaker today is Deputy Jonathan O'Brien, who will have 20 minutes. The second speaker, Deputy Marc MacSharry, has 15 minutes. Other speakers will have ten minutes each and will speak in the following sequence: Deputies Catherine Connolly, David Cullinane and Alan Kelly.

I call Deputy Jonathan O'Brien.

Deputy Jonathan O'Brien: I thank the witnesses for appearing before the committee. I welcome Mr. Paul Reid to his first appearance before the committee in his new role.

When can we expect to see the HSE's capital plan?

Mr. Paul Reid: We have been working on the capital plan since early this year and we have been working with the Department of Health on the terms of its publication. The Deputy will be familiar with some of the issues that have emerged with the national children's hospital and the required extra funding of €100 million, which we have had to work through over the past several weeks. This had direct implications for the capital plan where initially a €25 million contribution was sought. There was also some concern about what the capital funding demand would be for the following years. We have been working through a process over the past few weeks with the Department in terms of the overall capital envelope available to the State and its implications for the capital plan.

This process is beginning to give us a bit of clarity about the implications for ourselves which will support the publication of it. We welcome the Government's summer economic statement from a couple of days ago. It set out some reserve for the national children's hospital and national broadband plan. We are working through that process with our colleagues in the Department of Health. We are moving towards the publication of the plan, which I expect to emerge in the coming weeks.

Deputy Jonathan O'Brien: There was initially a draft plan in February, which was discussed at several meetings. Then cuts had to be implemented as the HSE was asked to find savings. We are now in June – six months into the year – and we still have not seen the plan.

Why has it taken from February to June to deal with the issues that have arisen? There is a bit of confusion. Only last Thursday in the Dáil, the Minister for Finance said there would be no cuts or projects delayed in any Department due to the issues with the national broadband plan or the overrun with the national children's hospital costs. He stated:

> ...as a result of the decisions made on broadband, and in dealing with the national children's hospital, I will not change other projects. The other projects have associated needs, within communities and the country. I want to make sure they move ahead. Projects do not go ahead every year for reasons that have nothing to do with budgetary policy...

The Minister said there is no issue and the overrun is not a factor. Why are we still discussing it if it is not a factor according to the Minister?

Mr. Paul Reid: We expressed concerns earlier in the year in terms of the implications for the HSE's budget and the extra funding required. That was our stated position in early May and it would have been a big factor. Regarding the overall capital envelope available to the HSE, if one looks at the major national strategic infrastructural projects, particularly in health, they are the right projects and have a high-capital demand. The flexibility within our budget beyond the big major construction projects is tight anyway. Our express concerns at that point in time were related to having to fund extra which would reduce the limited flexibility we have.

I believe we have made progress in the past few weeks and it was right to work it through with my colleague, Mr. Jim Breslin, in the Department. In terms of achieving the envelope we had set out in the draft, I would be more confident in what has been set out in the economic statement. The flexibility and capital will be there for us to set out the draft plan we submitted earlier. That is a process we will finalise with the Department in the coming days and weeks.

Deputy Jonathan O'Brien: Will projects be delayed this year or the year after as a result of the hospital overrun and the broadband decision?

Mr. Paul Reid: My experience with capital plans on a broader level is that they are multi-annual in terms of delivery. There is always flexibility between an annual plan and what happens the following year. Some projects start-----

Deputy Jonathan O'Brien: And some projects can be delayed because of planning issues or whatever. As a result of the overrun and the broadband decision, has the HSE been asked to delay projects or will projects be delayed for budgetary reasons?

Mr. Paul Reid: Earlier this year, there was a €25 million implication for the health budget for 2019. That is a process we are working through with the Department to mitigate. That is what we expect to have closed out.

Deputy Jonathan O'Brien: Is it correct that the HSE is not expecting any projects to be delayed because of cost overruns this year?

Mr. Paul Reid: We are working through our capital plan as it is currently drafted in terms of the major projects that are running. We are awaiting clarity in terms of framing up our budgets and the publication of the overall capital plan. As of now, we are working on the capital plan and the major projects we are progressing. We have not stopped any project to date that we had planned to do. We are progressing all budgets.

Deputy Jonathan O'Brien: As part of examining the issues, does that include the possibil-

ity of delaying projects for budgetary reasons?

Mr. Paul Reid: If, at the end of this, there is a significant contribution we have to make beyond what we planned, there would be an implication in terms of projects.

Deputy Jonathan O'Brien: However, Mr. Reid does not know whether that is the case yet.

Mr. Paul Reid: That is a process we are finalising with the Department.

Deputy Jonathan O'Brien: When is that process going to finish?

Mr. Paul Reid: I expect it will be completed in the coming weeks.

Deputy Jonathan O'Brien: Mr. Reid must have some idea if he is expecting it to be completed in the coming weeks. There was a draft plan in February. Much discussion must have taken place to date. The HSE must have some idea where it is heading to over the next several weeks or when projects will have to be delayed for financial reasons. Is he telling the committee that he does not yet know whether projects will be delayed for financial reasons?

Mr. Paul Reid: We are working on the capital plan as it is drafted. The major projects in there have started. The outcome of the discussion and the publication of the plan in the next few weeks will clearly determine for us if we have to curtail any particular projects. At this point in time, we have not. It is a process we are working through with the Department.

Mr. Jim Breslin: The question arose as to how much of the cost of the children's hospital would have to be carried by the health budget and how much would be supported by additional Exchequer funding. In 2019, that broke down as €75 million additional Exchequer and €25 million health funding. This year is fine. The issue is, however, that if one kicks off a project at the end of 2019, it will need to be paid for in 2020. That required a reflection on what those allocations would be. That required an overall fiscal look at it by the Minister for Public Expenditure and Reform. He has done that and has put a reserve in for the children's hospital and broadband for €200 million. The children's hospital is a large project. If it was to go quickly or slowly, the pace could have a distorting effect on all of the other health projects. The reserve removes the risk and makes it much easier for us to conclude this process.

Deputy Jonathan O'Brien: The figure for the children's hospital next year is approximately €120 million.

Mr. Jim Breslin: We are currently doing the latest assessment of that. The Minister for Public Expenditure and Reform stated in the summer economic statement that we will conclude that for the budget based on the best available information. He has pre-funded the potential there of €200 million across the children's hospital and broadband.

Deputy Jonathan O'Brien: However, €200 million does not cut it.

Mr. Jim Breslin: It does.

Deputy Jonathan O'Brien: Broadband alone will come in with an additional €500 million.

Mr. Jim Breslin: Yes, but that is over a multi-annual period. There is quite a modest amount relating to 2020.

Deputy Jonathan O'Brien: Does Mr. Breslin not understand people's frustration? I, along

with many other Deputies and reporters, have been trying to get an answer to the question as to whether any projects will be delayed as a result of the cost overruns in question. To date, nobody, apart from the Minister, has said no projects will be delayed. According to what Mr. Reid said, I take it that he cannot categorically say whether there will be any delays to any projects as of yet because he is still in negotiations to ascertain whether any project will be delayed.

Mr. Jim Breslin: In fairness, it was only Tuesday of this week that the allocation of the reserve was made. Officials have to get together in a much better environment.

Knowing that buffer is there for the children's hospital, we will be able to resolve the issues around the capital plan. It was harder when we did not know that. It is now a much better environment and I am confident that we will be able to make progress on the health capital priorities outside of the children's hospital.

Deputy Jonathan O'Brien: Has the position of the HSE changed since 3 May when the then-acting Director General said the additional impact of the children's hospital from 2020 to 2022 had made what was a very difficult situation almost impossible? Has that improved?

Mr. Paul Reid: I was touching on remarks which at that time correctly reflected the concern of the HSE. Over the past number of the weeks we have been in a dialogue with the Department of Health and the Department of Public Expenditure and Reform on the implications. To go back to the Deputy's point, I restate that we have not stopped any project that we planned to do for 2019. As my colleague said, the implication would be into 2020 and 2021. The indications that emerged in terms of the summer economic statement would help us to put full clarity on that for next year. My concern particularly would be not in relation to 2019 into 2020 and 2021, and that is a process we will work through in the coming weeks.

Deputy Jonathan O'Brien: As of today, we cannot say for definite whether projects will be delayed. Is that fair to say?

Mr. Paul Reid: The absolute likelihood for 2019 is that it is not a big factor because capital projects will have started. For 2020, 2021-----

Deputy Jonathan O'Brien: It is not a factor in 2019 but for 2020 and 2021, we cannot say yet whether projects will be delayed for financial reasons. That process is still ongoing.

Mr. Jim Breslin: One of the things written in the letter in May was that there are two fundamental issues. The first is that the impact of the increased costs of the national children's hospital on capital funding for 2020 and beyond is still to be resolved. With that uncertainty, there was a fear on the part of the HSE that it would have to carry all the increased costs of the children's hospital in 2020. The fact that the summer economic statement on Tuesday put an additional reserve in place of €200 million for that and for broadband takes that off the table. That concern is now gone.

Deputy Jonathan O'Brien: I am sure other colleagues will come back on this but I want to move to another issue, namely, the issue in Cork University Hospital and oncology. We saw reports last week that 13 consultants have resigned or retired from CUH in the past three years, ten of whom were delivering cancer services. There is a huge concern in the region, given the fact the hospital is a national cancer centre, that we do not have enough consultants to treat the number of patients awaiting treatment. What progress, if any, are we making on filling those posts?

Mr. Paul Reid: I will pull up the exact numbers in a second. The overall recruitment of consultants is a real factor and a very real issue for us. Attracting consultants for posts that are advertised has been a real issue for us over the past couple of years in particular and remains one. I will come back to the Deputy with the exact number shortly but we have had a reasonable recruitment of consultants over the past year in last year's numbers. The issue in attracting consultants is one of concern for ourselves. Just in terms of Cork, they will reallocate consultancy skills within and across the group and that has taken place. On gaps in the number of consultants and on the number of consultants we need and want to have in the service, it is a real issue that we are dealing with right now.

Deputy Jonathan O'Brien: The latest data I have shows that four of the seven permanent radiation oncology are vacant or temporarily filled. Mr. Reid might confirm that. Also, one medical oncology post remains vacant. We have 25,000 people waiting for an outpatient appointment for oncology in CUH. Can we give any reassurance to those 25,000 people that the posts can be filled in the very near future? Can we start to make a real dent in that particular waiting list of 25,000 people waiting for outpatient appointments for oncology?

Mr. Paul Reid: I will come back to the Deputy on the specific vacancies in Cork, but overall in terms of waiting lists and addressing them, there are a number of initiatives we have in place. Certainly, where we have gaps in consultants, we have been engaged with the NTPF to relieve the overall waiting lists and provide extra capacity in the system and that has been working for certain activities. However, our waiting lists remain a very real issue and a very real concern for us. We have over 550,000 nationally. However, there is a specific project and programme within each hospital and hospital group.

Deputy Jonathan O'Brien: I might come back to that. My colleague has just given me a note. What is the current financial position as of today? What is the deficit we are looking at currently?

Mr. Paul Reid: Is that in quarter 1?

Deputy Jonathan O'Brien: Yes. Was it €103 million?

Mr. Paul Reid: Just over €100 million.

Deputy Jonathan O'Brien: We are looking then at monthly management accounts which will give us a more accurate reflection month on month starting, I think Mr. Reid said, in May.

Mr. Paul Reid: There are a number of approaches. Obviously, the challenge for us in the HSE overall is to look at how we can get more predictable in terms of our outturn towards the year end. It is a very real challenge, as I mentioned at the start. There are significant pressures on our acutes and, equally, on our communities. I have been around the country in the past number of weeks in a lot of hospitals and community organisations and have seen at first hand the great and very inspiring work done by our teams and staff at front-line level. It is highly respected by me, to state the obvious. I am very aware of the acute pressures they are under and of the pressures on our community overall. What we are setting out to do is look at the budgets allocated across each area to ensure any available funds we have are focused on patients and patient services. A process is ongoing where the chief financial officer and I are meeting with all the group CEOs of the acutes, all the chief community officers and all the national directors. We have been doing that over the past five weeks or so. It is looking out at the spend to date, where the pressures on each of the services are, the forecasted outturn if we continue in a certain

run rate and the level of controls we can put on areas within our control. For example-----

Deputy Jonathan O'Brien: When Mr. Reid talks about controls, it means cuts to services.

Mr. Paul Reid: No. I feel the need to be clear about this. There are no cuts planned in terms of budget and delivery this year. We plan to deliver the actual services set out in the national services plan and to outturn with the budget we have been allocated. I feel the need to say that because I know there is a perception. No cuts are planned. It is setting out to deliver against the budget we have been allocated. In doing that, we want to ensure this is the right approach from a patient perspective and for those who use our services whereby we are directing our funds to where they are needed. That is an approach we have been going on. On the Deputy's specific question on the monthly profiles and accounts, it is nothing hugely new in terms of what we are setting out to do. However, we are breaking down the budget by each hospital group and hospital manager, by each community organisation, etc., and setting out the profile for the year end so that everyone has clear oversight. It is so that we can be more predictable about the outturn and, equally, from a patient perspective that we are injecting the funds and directing them into patient-focused areas. I will look at other areas of budget that are not patient focused where we can make savings and direct those to where we have the big pressure points. My perspective on controls is that it is good financial management on this one. It is right for the public and for the patients who use our services. They will benefit from it. It will give us a level of predictability and it will give me a case, as Director General of the HSE, to make to Government on where we want to invest for the future as set out in Sláintecare. I want us to strengthen financial predictability in the HSE, determine the forecasted future investment needed and to ensure future investment when we succeed in getting it is directed into a new way of delivering services. That involves the monthly controls and the focus we are putting in. I have to say again for the record that I have had great engagement with all the hospital groups and managers. Everyone wants us to get to a position where we have predictability. Everyone wants us to be in a position to demonstrate we can do that. We have great support.

Deputy Jonathan O'Brien: I am happy to clarify my point on controls and cuts to services. I do not want the perception to go out that if savings have to be made during the year, they will come from cuts to services. If Mr. Reid is saying that is not the case, that is fine. The reality is the cuts to services come when the budget is allocated initially at the start of the year when the service plan is being drafted. The HSE has to cut several areas to meet the budget allocation given. Mr. Reid may say there will be no cuts to services throughout the year based on the budget the HSE has been given. However, I would challenge anyone who would claim that the budget the HSE gets to deliver adequate services to the community is not hampered by the budget given by the Department. It is clear services are being cut right across the board.

Mr. Paul Reid: The funding allocation for the HSE service plan was significantly up last year compared with the previous year. Extra investment is going in. One area that got considerable focus was the area of home help and home support services. This area got a significantly enhanced budget in the service plan this year versus last year.

Deputy Jonathan O'Brien: It still does not meet demand and need.

Mr. Paul Reid: Absolutely. We set out in the budget forecasting process what we believe the likely demand will be. There is an allocation based on what can be sustained by the Government. That rightly leads to the construction of the national service plan, which is up in every service area, especially front-line service areas, compared with last year. My focus is to ensure that we continue to put in place the right investments in front-line service areas.

For the past five years, I have been in the local government sector, a sector with which Deputy O'Brien is familiar. That sector has been under extraordinary pressure for housing and housing delivery and the issue of homelessness. I have just come from that sector. I have no mandate to spend above the allocation that I get.

Deputy Jonathan O'Brien: That is why I am saying the cuts happen before the budget ever gets to the HSE.

Mr. Paul Reid: In a previous role in the Department of Public Expenditure and Reform I was continuously dealing with the health sector and health budgets. I know the pressures on the sector. I know the pressures on front-line staff and managers. My role will be to support them. We must direct every cent into front-line services. As part of this process, we will have to evaluate non-value adding activities that we may be carrying out as part of the HSE overall structure and organisation. I intend to do that over the coming phase by looking at what activities we are doing that are drawing cash. If an activity is not adding value in terms of public service and patient service delivery, it is destroying value. We are going to have to look at all our overheads and costs as well.

Deputy Jonathan O'Brien: My final question relates to home care packages and home help hours. What is the up-to-date position on home care packages? How many people are in acute hospital settings because they cannot get services at home?

Mr. Paul Reid: First, I will come back to the earlier question around the number of consultants. A total of 125 consultants were recruited over the course of last year. That is not the number we want. We want to recruit more. That is a process - I wish to acknowledge that upfront.

I will make a broader comment on home care packages and then specifically on the question of people in hospital waiting to exit so they can receive home care packages. Our total allocation of hours this year is 17.9 million. The budget is €450 million or thereabouts. That provides home supports to over 53,000 people. There are significant demand and pressure points throughout the country, in particular in some areas around age profiles, etc. We continue to commit to deliver the 17.9 million hours budgeted. We got an extra budget for that.

The Deputy asked about people waiting in hospitals. There are approximately 6,500 people overall in our community looking for some of those extra home help services. A significant proportion of these are people who want extra demands on services or extra hours. Some are seeking new services. I will clarify the number in hospitals. I understand 149 people are now in hospital care but looking for step-down services. There are various challenges or issues with some step-down services.

Deputy Jonathan O'Brien: Will Mr. Reid provide the committee with a note on that figure of 149? How long have these people been in a hospital setting? How long have they been waiting? Mr. Reid may not have the information today but he might provide a note to the committee on that.

Mr. Paul Reid: I might have it, but if I do not I will send it in.

Chairman: Deputy MacSharry is next. He has 15 minutes.

Deputy Marc MacSharry: I welcome everyone, especially Mr. Reid. A new broom sweeps clean. Is that not what they say? I wish Mr. Reid well in his role and I hope that the exemplary performance he put in over the years in Fingal will be replicated, although I imagine

the challenges are far bigger and different.

My first question is on the capital side. When Mr. Reid was running Fingal County Council he had to produce a plan for each given year. Would he have tolerated it if it was not produced by July of the year in question?

Mr. Paul Reid: I mean this exactly the way I say it. Any time I have dealt with capital plans, they have been multi-annual.

Deputy Marc MacSharry: I know that. I built a house and I know that, whatever the plan is, it can overrun by a few shillings or something can go wrong, for example, an archaeologist may find something in the ground. However, in real terms there is a budget of €17 billion. Projects are under way. We do not find it credible that a plan is not available.

Mr. Paul Reid: I fully appreciate that and I accept the challenge of having it available. That is something we are working on with our colleagues in the Department of Health. I want to say that for the record.

Deputy Marc MacSharry: Let us suppose the Secretary General, Mr. Breslin, were to say to Mr. Reid that the Department would probably have the Estimates for 2019 done by July and then suggest that the HSE should hang in there because the Department would get the money to the executive. Mr. Reid would be unable to operate in that case. Is that correct?

Mr. Paul Reid: I will come back to the Deputy's correlation or example of Fingal and local government. It was always the process that we produced an iterative three-year capital plan. The plan changed as the years went. We want to have the plan published, particularly 2019.

Deputy Marc MacSharry: If Mr. Reid had his way, it would have been published in January. I know Mr. Reid was not there at that point.

Mr. Paul Reid: Obviously not. It is a process. Capital funding for the HSE is a function of the demands across the sector and the scale of it.

Deputy Marc MacSharry: Mr. Reid has vast experience in the public service and has had to deal with and manage politicians and personalities at different times and so on. Is it fair to say - this is certainly a feeling that some of us get - there is political expediency at play in terms of the publication of this report? Maybe we do not want all the bad news out there while the Dáil is sitting.

Mr. Paul Reid: From my perspective, in the past six weeks the focus has been on financial predictability. What are the pressures on the overall capital plan restricting me and the Secretary General from publishing the plan? That is the question. Real issues have arisen. We had a discussion earlier around the demands on the national children's hospital and the particular demands on the HSE contribution to that. If the figure is €25 million, we are clear. If it is more for the following years, then it is something on which we need clarity soon. I expect that-----

Deputy Marc MacSharry: Are the Department and the HSE in a position between them to make a comment on this? Could the HSE and Department representatives give us a commitment today that the plan will be published while the Dáil is sitting? The last sitting day is 11 July.

Mr. Paul Reid: That is absolutely our intention.

Deputy Marc MacSharry: It would facilitate debate in the various committees covering health as well as this committee, if we have a role, and in the Dáil Chamber.

Mr. Paul Reid: I am sure my colleague can confirm it but that is the process we are working on.

Mr. Jim Breslin: We are making our best endeavours to do so. We will obviously have to work across Government on it, but our best endeavour is to do that.

Deputy Marc MacSharry: If it was to be published on 13 July or 16 July, we would be stuck waiting until September to have a go at it, and that is a problem. The deficit so far this year is €103 million. In terms of that deficit this year of-----

Mr. Jim Breslin: Just before the Deputy moves on to the current side, we, in the Department of Health, would like to get to a multi-annual plan, as Mr. Reid said. That way, we can avoid making new plans when we enter a new year. We should move from one year into the next. One of the things we would like to do is to publish a three-year plan, rather than a one-year plan.

Deputy Marc MacSharry: I agree. How does Government feel about that?

Mr. Jim Breslin: People are on board for that.

Deputy Marc MacSharry: When can we expect that three-year plan?

Mr. Jim Breslin: We are trying to do it within the same timetable.

Deputy Marc MacSharry: To tie current expenditure into capital expenditure for a second, there is a deficit of €103 million at the end of quarter one. Have there been monthly shortfalls since on top of that? I know Deputy O'Brien asked about this and maybe I was not listening well enough. What is the current position? Is there another €10 million per month, or more, on top of that?

Mr. Paul Reid: We are finalising the accounts until the end of May at the moment. There is no doubt the deficit will be larger than it is currently but-----

Deputy Marc MacSharry: How does it look?

Mr. Paul Reid: I expect we will be in a stronger position than last year.

Deputy Marc MacSharry: Okay.

Mr. Paul Reid: I do not expect to take a lap of honour on that because it is still a very real pressure point for us.

Deputy Marc MacSharry: Sure.

Mr. Paul Reid: I expect us to be in a stronger position.

Deputy Marc MacSharry: How bad was it last year at the end of May?

Mr. Paul Reid: Pardon?

Deputy Marc MacSharry: How bad was it last year?

Mr. Paul Reid: I think the deficit was €177 million.

Deputy Marc MacSharry: Will it be between €100 million and €177 million this year?

Mr. Paul Reid: It will certainly be over €100 million.

Deputy Marc MacSharry: It will certainly be over €100 million.

Mr. Jim Breslin: I can give the Deputy some of the top line figures. At the end of the first quarter last year, for example, in acute hospitals there was a €61 million problem. At the end of the first quarter this year, there was a €28 million problem. It is a problem, and I am describing it as such, but it is not of the scale of last year.

Deputy Marc MacSharry: We did not have the same scale of home help crisis this time last year. People in certain CHO areas are being told that an 83 year old who is being discharged today will get no home help.

Mr. Jim Breslin: We have done better in quarter one in many of the performance areas, including for those waiting in emergency departments, than we did in the previous year. There is significant improvement on many performance areas. In respect of the overall operational situation, last year's shortfall was €114 million and that figure is €45 million this year. There is more to do and Mr. Reid has outlined that there is work under way in the HSE to do it.

Deputy Marc MacSharry: I am trying to build an overall picture. The Chairman was rightly exercised at our previous meeting about the consultants' liability insurance. What proportion do we have to pay this year on that?

Mr. Jim Breslin: We pay-----

Deputy Marc MacSharry: Is that built in?

Mr. Jim Breslin: Yes.

Deputy Marc MacSharry: It is built in.

Mr. Jim Breslin: It is fully funded.

Deputy Marc MacSharry: We will leave that for a moment. If we are going to continue along the same lines, could the deficit be €400 million by the end of the year?

Mr. Paul Reid: If one simply extrapolates from the first quarter figures it will certainly be that.

Deputy Marc MacSharry: It will certainly be that. Could it be more?

Mr. Paul Reid: Yes.

Deputy Marc MacSharry: Right.

Mr. Paul Reid: We just touched on it there. We have a first charge which is carried forward into this year.

Deputy Marc MacSharry: That is last year's problem.

Mr. Paul Reid: Last year's €150 million.

Deputy Marc MacSharry: Was that€82.5 million?

Mr. Paul Reid: The overall figure was €150 million.

Deputy Marc MacSharry: All right.

Mr. Paul Reid: There is €20 million accounted for in the first quarter but €150 million is the first charge.

Deputy Marc MacSharry: Yes.

Mr. Paul Reid: The Deputy is again touching on the issue of a monthly process. The issue for us now is looking forward monthly and how we look at the monthly run rates for the year as far as May.

Deputy Marc MacSharry: When is the supplementary budget expected? Are we not heading in that direction?

Mr. Jim Breslin: The director general has outlined that his legal position is that he has to operate within the allocated budget.

Deputy Marc MacSharry: That is not, realistically, going to happen because we are going to be in deficit of a minimum amount of €400 million by November.

Mr. Jim Breslin: We are not in a position whereby we are saying there is a €400 million outturn; we are saying it is better than last year and we expect it to be much better than it currently is by the end of the year.

Deputy Marc MacSharry: Did Mr. Reid not just say we are looking at a deficit of at least €400 million?

Mr. Paul Reid: I said that would be the case if one simply extrapolates from where we are in the first quarter.

Deputy Marc MacSharry: We might not go that route.

Mr. Paul Reid: From my perspective, that is not sustainable and I cannot do it.

Deputy Marc MacSharry: I agree it is not sustainable but there is also the reality that care must be provided to people. I will get onto some of that stuff in a second.

While it is not the intention at this stage, if we look at the figures in front of us at the moment, it is likely we are heading towards supplementary budget territory. Is that fair?

Mr. Paul Reid: I certainly am not planning on it.

Deputy Marc MacSharry: Did Mr. Reid say he is planning on it?

Mr. Paul Reid: I am not.

Deputy Marc MacSharry: Okay.

Mr. Paul Reid: We have challenges we are working with the system on. I will give the Deputy a little perspective on it.

Deputy Marc MacSharry: I have limited time.

Mr. Paul Reid: Of the €16 billion we have, €12 billion is service-related, which we can put controls on, and€4 billion is related to other activities such as pensions, the PCRS, which is drug-led and pharmacy rebates, the State Claims Agency and overseas funds. We do not fully control those areas, so they are risk areas in terms of what we can fully part our arms around and control. I am trying to concentrate particularly on the €12 billion because that is what we have control of.

Deputy Marc MacSharry: I will conclude on the capital expenditure Both Mr. Reid and Mr. Breslin are saying that the intention is that the capital plan will be well published before we go into recess so there will be time for the Committee of Public Accounts, the Oireachtas Joint Committee on Health, or the Oireachtas to take a view on it. Is that what they are saying?

Mr. Paul Reid: Is the Deputy asking about the capital plan?

Deputy Marc MacSharry: Yes.

Mr. Paul Reid: That is what we are working towards.

Deputy Marc MacSharry: On the capital side, we are more than €100 million in deficit at the moment but we are hoping to improve on that. The position may improve but, going on previous years, we may be heading towards a deficit of €400 million *pro rata* if the other three quarters follow the first?

Mr. Paul Reid: Potentially, yes.

Deputy Marc MacSharry: There is €2.8 billion available according to the summer economic statement, €2.2 billion of which is committed to pay agreements and so on. Unless there is a bumper November for corporation tax, it is likely that the HSE will hoover up all the fiscal space.

Mr. Jim Breslin: Nobody is planning for that. In fact, we are planning for the opposite.

Deputy Marc MacSharry: Okay.

Mr. Jim Breslin: The Deputy has seen the director general's statements to the organisation that we must break the cycle of Supplementary Estimates.

Deputy Marc MacSharry: I agree with that, as does everyone here. There was a report in today's edition of *The Irish Times*, which described a letter from the interim chief executive officer, Ms Anne O'Connor, to the Department describing that the capital situation, along with having to deal with cost overruns in the children's hospital in the years 2020 to 2022, "has made what was a very difficult situation now impossible". Was she right?

Mr. Paul Reid: My colleague, Ms O'Connor, is here today. She was reflecting concerns at that time. As I touched on earlier with Deputy O'Brien, much work has gone on since then.

Deputy Marc MacSharry: I did not realise Ms O'Brien was here. I obviously was not listening earlier.

Mr. Paul Reid: Ms O'Connor.

Deputy Marc MacSharry: I will direct a question to her. Could she expand on that letter

she sent to the Department of Health? She stated this "has made what was a very difficult situation now almost impossible". I suppose she qualify this with the word "almost". Does she envisage substantial cuts to capital projects to facilitate a lack of funding in her own experience, as she hinted in that letter?

Ms Anne O'Connor: At the time, there was a concern around the funding for 2019 and 2020. It has possibly been covered already but the concern was the phasing of the funding. The potential for the health service to provide €25 million this year and more next year was a concern at that time. As the director general just said, we are now in a process with the Departments of Health and Public Expenditure and Reform to look at that because it was a concern. The purpose of the letter was to flag that but things have moved on in the past number of weeks in the engagements that have taken place.

Deputy Marc MacSharry: Is Ms O'Connor saying it is about the timing of moneys becoming available?

Ms Anne O'Connor: The concern was about the phasing. In that letter, I referenced the fact that the overall capital envelope, while we would always like to have more, was not the prime concern; the prime concern was the phasing of the funding available in 2019 and 2020 given the commitments we might have. As I said earlier, the concern for 2019 is that if we were to commence capital projects towards the end of this year, there would be a substantial cost in 2020. The purpose of the letter was to flag that concern but we have covered that there is a process in place now to look at the overall funding available.

Deputy Marc MacSharry: The Chairman can stop me whenever I am out of time but I will probably come in during the second round of questioning anyway.

Home helps in some CHO areas, particularly those in counties Cork and Kerry and in my area of Sligo-Leitrim, are facing an effective moratorium at the moment. The Minister has been saying that X number of hours have been funded but the experience on the ground is that output is not meeting demand. While I acknowledge it is important to stay within budget, when it comes to the most vulnerable in society, none of us would oppose a supplementary budget for a demand-led service. That needs to be care-led and not budget-led. What is going on in the CHO 4 area? Why are we out of money? When I raised this matter in the Dáil on 14 May, the Taoiseach answered by saying loads more money had been given to this area. Anecdotal evidence suggests the additional moneys were hoovered up in meeting labour relations commitments and obligations in providing care, travel subsistence payments or whatever else. Things are bad if in June we cannot fund any more home help services and depend on people either getting better or passing on before more packages can be made available. What is the real position and what is being done about it?

Mr. Paul Reid: I shall make a few comments and then ask Ms O'Connor who is responsible for this area to respond. In general, we are not over budget in CHO 4. We are within budget in the year to date.

Deputy Marc MacSharry: I appreciate the numbers. All I know from listening to colleagues is the level of demand. I know that I am edging into the area of the Joint Committee on Health, but at the end of the day it is about money.

Mr. Paul Reid: Yes.

Deputy Marc MacSharry: Why is there not enough money to provide care?

Mr. Paul Reid: Specifically in relation to home care services, the budget is not overspent. Overall, as I said to the Deputy, the home help budget this year is up significantly on last year. We have a limited budget.

Deputy Marc MacSharry: Was the increase substantially eaten up by whatever agreements were in place with carers for remuneration, travel subsistance payments and so on?

Mr. Paul Reid: Certainly some of it has been used to fund what it is required.

Deputy Marc MacSharry: What was the percentage increase in money terms? How much of the increase has had to be dedicated to meeting commitments in respect of remuneration?

Mr. Paul Reid: I might ask my colleague to give a breakdown of the data.

Deputy Marc MacSharry: The witnesses can come back to me with it. Let me outline the message. We have the Minister trumpeting budget increases, but in real terms there has not been an increase in the level of care provided because we have reached the summer and vulnerable persons in certain CHO areas - I know that this is the experience nationwide from talking to colleagues across parties - are being refused home care packages.

Mr. Paul Reid: In real terms, more hours have been allocated; there are more people receiving support services and there is more in the budget. Certainly, there is pressure and demand. Pressure is being put on the guys to look at rosters and arrangements in the context of what has been set out in the contractual agreements. There is a challenge to put new rosters in place.

Deputy Marc MacSharry: Figures wise, it all sounds great, but at the end of the day the proof of the pudding is in the eating. There is demand. There are 83 year olds waiting who cannot care for themselves. They are being discharged because there is a need to free up beds, but they do not have anybody to advocate for them because they are a widow or a widower. I am thinking of a specific case, but everyone here has come across similar cases. If whoever is in charge in the various CHO areas needs more money, can it not be provided for them?

Mr. Paul Reid: I will ask my colleague to comment, but in my earlier comments I said I wanted to make sure that whatever was available in the budget across the agency it would go to our services and service users, including patients who were vulnerable. That is part of the process in which we are engaged.

Deputy Marc MacSharry: Does Mr. Reid accept that there is a problem?

Mr. Paul Reid: I accept that the demand for our home help services is above and beyond our budget allocation and the hours we can provide.

Deputy Marc MacSharry: I know that there is a need for budget savings, but these are ill and vulnerable people. Can they not be prioritised? I could wear a delay on a capital project for a short period to cater for people who in the here and now are badly in need of support.

Mr. Paul Reid: I assure the Deputy that-----

Deputy Marc MacSharry: It would be a lot easier to cover than an overrun on the national children's hospital project.

Chairman: Around lunchtime the Deputy will have a second opportunity.

Deputy Marc MacSharry: I will wait for it.

Deputy Catherine Connolly: Tá fáilte roimh na finnéithe go léir agus tá mé ag tnúth leis an lá go mbeidh cothromaíocht inscne ar an mbord. The witnesses are welcome. I look forward to equal representation in terms of gender sometime in the future, but I will not hold my breath.

Mr. Jim Breslin: We do almost have it but not quite. The back row was allocated and it was not our choice.

Deputy Catherine Connolly: I can see that. I wish Mr. Reid the best of luck in his new role. He mentioned his experience in the local authority sector and the constraints within it in housing provision. Did he report back to the Government and play a role in saying to it that its policy was creating a huge problem? He mentioned the problems in housing provision and that there were not enough houses. Did he play a role in saying to the Government, "Look, we are not constructing houses and there is going to be a major emergency"?

Mr. Paul Reid: I thank the Deputy for her question.

Deputy Catherine Connolly: I raise the matter because Mr. Reid referred to his background and experience.

Mr. Paul Reid: Yes. Some of the challenges in delivering-----

Deputy Catherine Connolly: Did Mr. Reid point out to the Government that its policy was going to lead to a huge crisis because we were simply not building enough houses?

Mr. Paul Reid: In my experience in the public service, including in the Department of Public Expenditure and Reform and local government, there is always an opportunity for officials to advise and consult.

Deputy Catherine Connolly: Did Mr. Reid do it?

Mr. Paul Reid: In delivering housing - the Deputy can check my record - we were specific-----

Deputy Catherine Connolly: That is okay. I asked the question because Mr. Reid mentioned his background. Let us focus on health. I thank him for all of the documents supplied. One could easily be overwhelmed by them, but they are very useful to us. In his opening statement he talked about the budget and breaking even, which I can understand to a certain extent. He went on to say it would benefit "users, patients and their families." I shall put the matter in perspective. The message I have taken from Mr. Breslin and Mr. Reid is that there is a limited budget within which they try to work and that anything after that is collateral damage. They are my words, not theirs. I know that I am straying into a policy area for the Joint Committee on Health, but there are financial consequences generated for both organisations in pursuing this model and Government policy. The witnesses have mentioned that the number of home help hours is 18 million. In Galway there are 208 people awaiting home support, of whom 176 have been waiting more than 12 months. Of the overall figure, as many as 80 are awaiting an increase in the number of hours. That begs the following question. For how long have they been waiting in reality? A budget has to be implemented. Will I tell the people in question that they are simply collateral damage and that they have to bide their time?

Mr. Paul Reid: In terms of-----

Deputy Catherine Connolly: I have asked a simple question. The witnesses may disagree with my use of the term "collateral damage", but that is what I am looking at in Galway.

Mr. Paul Reid: I disagree with it. The opposite of what she says is my approach is that we not focus on the budget and ust continue to spend. That is not a mandate I have as a public servant. It is not a mandate any public servant has.

Mr. Jim Breslin: Absolutely.

Mr. Paul Reid: It is not bad to say we have a certain budget, a certain level of commitments, a certain level of services included in our service plan and that we have to deliver them. Saying one has to "deliver within budget" should not be perceived as bad.

Deputy Catherine Connolly: There is delivering within budget and making savings with reference to people who are vulnerable and deserve a service as of right and then there is any amount of money available for consultants, reports or rented buildings. I am not asking the officials to spend in a way that is open-ended. I shall ask my original question again. What role, if any, have the witnesses played in saying the following to the Government? If we want to provide a health service as a right and do not want to see 208 people being on a waiting list, of whom the vast majority have been waiting for over 12 months, we need a different model. Have the witnesses fed this view back to the Government, or is it simply about managing the budget and that people who are waiting for support are collateral damage?

Mr. Paul Reid: No. I again say - the Deputy can check my record, particularly in local-----

Deputy Catherine Connolly: Just in relation to this issue.

Mr. Paul Reid: The Deputy can check my previous record and now-----

Deputy Catherine Connolly: No, just in relation to this issue. What is Mr. Reid's reaction?

Mr. Paul Reid: Aligned with my experience for a number of years in the public service, I will challenge in order to get the best services for the public. Policy decisions are for the Government to make. I respect that.

Deputy Catherine Connolly: Is this the best service for the public? I gave one example, but there are many others. I could pick many, but my time is limited. I want to make some general points. Is it a good service? Is it effective use of public money where people want to stay in their own home, which would be much cheaper, but cannot do so because they cannot get help?

Mr. Paul Reid: As I said, I fully accept the demands on services are above and beyond what we can fund in certain instances.

Deputy Catherine Connolly: Is having a cheaper system to fund the home help service or home care packages an effective use of public funds? We recently debated a Sinn Féin motion in the Dáil on home care costs. Does Mr. Reid accept that it is cheaper on the public purse to fund home care packages?

Mr. Paul Reid: The Deputy has raised a couple of points. As to whether I accept that the cut is reasonable-----

Deputy Catherine Connolly: I did not use the word "cut".

Mr. Paul Reid: I think the Deputy did.

Deputy Catherine Connolly: I asked if leaving on a waiting list people who cannot access

a system that is cheaper on the public purse was an effective use of public money.

Mr. Paul Reid: I fully accept that having people on waiting lists for procedures and operations, delays in emergency departments and additional requests for services for home helps are significant pressures on the system. What I want to do in the coming years is direct the appropriate funds in order that we will meet those challenges better than we have ever met them.

Deputy Catherine Connolly: Some day I would like some to hear slightly different language. It is clear that we need an effective public health service. I will come back later to the consultants who are using public facilities, but we need a public health system that is efficient and effective. Within it, home care is the easiest example to pick. It is cheaper and more efficient to fund that service than to keep people in hospital or nursing homes where a number of them do not want to be. My question which I have asked three times is whether that is an efficient use of public funds.

Mr. Paul Reid: The way we are investing in the health system has to change because it is not meeting the needs of the public and service users.

Deputy Catherine Connolly: Good.

Mr. Paul Reid: If we continue to invest funds in a very stretched acute system, a community system that does not have the capacity to support the acute system and step-down facilities and a lot of other support services, we will continue to get the same result. My strategy is to manage the commitments we are making, build confidence with the public and the Government, get extra funds in the coming year, in particular, for Sláintecare, and invest them in a new way of delivering services.

Deputy Catherine Connolly: To use simpler language, funds should be directed towards the more effective services, home care being one. I would like to bring another matter home to Mr. Reid in Galway city. The committee has received correspondence from a consultant. It is unusual for consultants to go out on a limb, but this consultant has done so repeatedly. I will outline some figures which show that in the end the cost to the Exchequer is greater. The aforementioned consultant states there is a "catastrophic" - his word, not mine - waiting list of 2,000 patients which has been accumulating since the shortfall in infrastructure and that the situation is becoming unbearable for the patients who are on the waiting list and clinically worsening. I will not read the entirety of what he had to say, but Mr. Reid can have a copy of the letter, if he so wishes.

The hospital serves a region of almost 1 million people. Why do I mention that? Mr. Breslin spoke about answering parliamentary questions, which he does very efficiently, but some of them are redirected to various groups on the ground, including Saolta. I cannot make head nor tail of what they are telling me on this issue. Briefly, two operating theatres have ceased to exist. While the Government is talking about a rainy day fund, as a result of rain pouring in on two theatres in Galway, they were closed in 2017. We are now in 2019 and no modular theatres have been put in place. This is about infrastructure, decision making and accountability in the Department of Health. The Minister responded on 5 March that he understood the position of Saolta, but the reality was different. In a nutshell, it involved the procurement of two modular theatres. The procurement process was stopped when it was discovered very late in the process that planning permission was needed. That led to the aforementioned letter. Where is the oversight of the project by the Department?

Mr. Jim Breslin: We have engaged with the HSE on the matter. As I understand it, it is not simply a planning issue. The preferred tenderer was selected, but it was not possible to conclude a contact with it. We have put questions to the HSE about how that came about, particularly to ensure the next award will be completed as rapidly as possible. It will be done in parallel with planning.

Deputy Catherine Connolly: Planning is not an issue in this instance. What is an issue is oversight of a decision-making process that is faulty. There is something seriously wrong, given that between 2017 and 2019 two theatres have remained out of action and consultants have had to engage with Deputies on the matter. I ask Mr. Breslin to reflect on it in terms of achieving value for money. What I take from this is that the HSE is saving money.

On the *ex gratia* payment, it is stated expenditure of €336,000 was incurred in 2018. I understood from the debate in the Dáil yesterday that the *ex gratia* payment had only come into play from yesterday. I ask Mr. Breslin to clarify the position.

Mr. Jim Breslin: From what document is the Deputy reading?

Deputy Catherine Connolly: The Department of Health appropriation account.

Mr. Jim Breslin: If the Deputy reads-----

Deputy Catherine Connolly: I beg Mr. Breslin's pardon, it is page 198 of the financial-----

Mr. Jim Breslin: My guess is that figure does not relate specifically to the *ex gratia* payment. It may be related to supports provided for CervicalCheck women.

Deputy Catherine Connolly: I ask Mr. Breslin to clarify the position for me.

Mr. Jim Breslin: If I can find the reference, I will.

Deputy Catherine Connolly: Perhaps the Comptroller and Auditor General might help with the reference.

Mr. Seamus McCarthy: From what note is Deputy Connolly quoting?

Deputy Catherine Connolly: I am told that it is Note 8.

Mr. Jim Breslin: There is a reference to *ex gratia* payments made to patients. That is not the *ex gratia* award scheme.

Deputy Catherine Connolly: Is it not?

Mr. Jim Breslin: I will check with the HSE. It is a term it has used, but it is not the scheme established by the Government. I stand to be corrected, but it is mostly likely reimbursement for health and social supports during the course of last year. However, I will have it checked.

Deputy Catherine Connolly: It does state, "This relates to CervicalCheck payments", but it is not the *ex gratia* payment.

Mr. Jim Breslin: No. It is more likely to be for healthcare supports and so on.

Deputy Catherine Connolly: The package of supports they received.

Mr. Jim Breslin: In the case of the *ex gratia* scheme, it is a monetary sum.

Deputy Catherine Connolly: I thank Mr. Breslin for clarifying the matter. With reference to consultants, I presume the witnesses have read chapter 16 produced by the Comptroller and Auditor General.

Mr. Jim Breslin: Yes.

Deputy Catherine Connolly: Serious issues are identified therein in the monitoring of private practice in public hospitals. Is that correct?

Mr. Jim Breslin: Yes.

Deputy Catherine Connolly: Will someone clarify for me-----

Mr. Jim Breslin: I apologise to the Deputy for interrupting, but I have the answer to her earlier question. She might recall that a small amount of money was given to women to help them in their interaction with Professor Scally. I think it was approximately €2,000. The figure of €336,000 that was mentioned was for these payments.

Deputy Catherine Connolly: Will someone come back to the committee with a break-down of how many women availed of the grant and so on?

Mr. Jim Breslin: We will do so.

Deputy Catherine Connolly: I took the trouble to read chapter 16 which deals with private work done by consultants in public hospitals. Perhaps the Comptroller and Auditor General might outline when the chapter was drafted.

Mr. Seamus McCarthy: It was drafted in September 2018.

Deputy Catherine Connolly: People have had ample time to read it. Leaving aside that there are a number of contracts, we have public hospitals funded from the public purse, private consultants on different types of contract doing private work and a system of monitoring that is not fit for purpose. I think "inadequate" is the word used in the chapter to describe how the system is monitored. I think we all agree that it is inadequate. The 2013 Act deals with private practice and bed designation. Presumably, consultants were allowed to avail of the use of a number of beds. What was the logic for that provision and why was it removed?

Mr. Jim Breslin: When new eligibility arrangements were introduced in 1991, the logic was to put a cap on the level of private activity. On the reason for its removal in 2013, the Comptroller and Auditor General had compiled a pervious report and the Department had carried out a value for money review which found that lots of private patients were coming into public hospitals for whom the consultants were getting a fee. However, the public hospitals were getting no fee because the patients were not in designated private beds. The consultant gets a fee but the hospital gets no fee because they are not in a privately designated bed. That was removed so that public hospitals could get a fee for private patients, regardless of where they were.

Deputy Catherine Connolly: It is good that that is gone, but now there is no way to measure it. I do not agree with it at all, but I simply want the facts. How is it measured now?

Mr. Jim Breslin: The HSE can talk to it but there is a system of measurement at an individual level, as referenced by the comptroller; it is not managed at national level. We put in a compliance framework ahead of the work done by the Comptroller and Auditor General to

make sure that it is monitored at hospital and hospital group level and that any breaches at an individual level are addressed by management with individual consultants.

Deputy Catherine Connolly: I understand that and have read it, but that language does not reassure me that that is what is happening. That is not really what the chapter said. My interpretation is that it said that the hospital inpatient inquiry system was not adequate for its purpose of clearly identifying which consultants were carrying our private practice and to what extent, and whether or not they were complying with their contract. The hospital inpatient inquiry system was inadequate to do that. Has it been changed as a result of this chapter?

Mr. Jim Breslin: In my view, two things were going on. First, it was not getting significant management focus. Second, the hospital inpatient inquiry looks at inpatient activity and not the full range of activity, but it is a good starting point. It does not answer every question but it is enough for a manager or clinical director to sit down with a consultant to discuss, say, that the hospital inpatient inquiry shows that there are 30% to 35% private patient admissions as part of their practice. They can then go through that with the consultant to see whether that is wrong. The consultant might be able to come up with satisfactory reasons, including accuracy. After the chapter, we now have the situation where the HSE is required through the management system to put in place a monitoring framework and to follow up on breaches. Deputy Connolly is right that there are policy questions involved in private practice in public hospitals. For as long as it exists, it needs to be managed and monitored.

Deputy Catherine Connolly: Have there been any periodic reviews of the changes put in?

Mr. Jim Breslin: The HSE can provide an update on that; it has updated the Department over the period.

Mr. Paul Reid: I accept that there are deficiencies in the level of reporting in the system.

Deputy Catherine Connolly: The deficiencies have been identified. I am more interested in what has been done to deal with them.

Mr. Paul Reid: There are three control measures. One is a monthly plan between the hospital management, the chief clinician and the consultants to look at the level of public delivery and private delivery.

Deputy Catherine Connolly: Is that based on 20%?

Mr. Paul Reid: It is based on their contractual commitment. There is also an annual plan, of which we have oversight, so there are two levels. However, I agree with the Secretary General. The system does have data that we can use-----

Deputy Catherine Connolly: I am looking at the chapter and at the deficiencies and specifically asking what procedures are in place. That is what I want to elicit at this point.

Mr. Paul Reid: There is a monthly plan at hospital level to ensure compliance with contractual commitments. While I accept people's concerns, I have met hospital group CEOs on this and they have shown that they are following through. There is also an annual reporting process.

Deputy Catherine Connolly: Is that a self-reporting process?

Mr. Paul Reid: It is a process between group management and consultants.

Deputy Catherine Connolly: So the consultants self-report?

Mr. Paul Reid: No.

Mr. Jim Breslin: The hospital inpatient inquiry is coded by staff within the hospital based on admissions data. It is not the consultant who does that.

Deputy Catherine Connolly: I am going to come back to this but my time is up.

Chairman: Hospital management and hospital groups have been mentioned. What level is this report at?

Mr. Jim Breslin: Page 202 of the Comptroller and Auditor General's chapter sets out the compliance framework, which has various levels. It starts with the clinical director supervising the consultant.

Chairman: The Deputy asked what has happened since the report was produced.

Mr. Jim Breslin: It should be done locally. The hospital manager should have that report and should challenge any variances.

Chairman: But hospital groups were mentioned.

Mr. Jim Breslin: The hospital group holds the hospital manager accountable for doing that and gets reports on breaches, so that they can see whether the breaches are being followed up.

Chairman: In simple English, which is the best group for keeping people within their arrangement and which is the worst group?

Mr. Paul Reid: Within the groups-----

Chairman: Specifically.

Mr. Jim Breslin: This might sound like an excuse, but the Comptroller and Auditor General says that because the presence of private hospitals in regions is different, some regions will have more private patients through emergency admissions, whereas in other regions they will go directly to a private hospital. It is hard at a regional level to say that just because there is a low number of private patients, a hospital is doing really well. Those patients might be going to the Blackrock Clinic or the Beacon.

Chairman: We understand that. What can you send us in summary form to give us an indication of what is happening?

Mr. Paul Reid: We can send a summary note that breaks down what happens at each of the control processes.

Chairman: How many hospitals is that?

Mr. Jim Breslin: About 30.

Chairman: Send us in summary the most recent reports for the last quarter for which figures are available.

Deputy David Cullinane: I welcome the witnesses, especially Mr. Reid; this is his first appearance before us in his new role. I have listened to what Mr. Reid has said over the past hour

in responding to questions from members. To paraphrase what he said about spending, whether current or capital, the HSE gets a pot of money and that money then has to be managed. He and I might have a view on the size of the pot, but the pot is the pot and it needs to be managed. We called for taxpayers' money to be managed and so I have no difficulty with that.

The problem is this. A letter was sent by Mr. Reid to each hospital manager and each hospital group outlining concerns about historic overspend and the new hands-on approach he would take to make sure that each hospital comes in on budget. He asked them to identify whether there was potential for overspend and, if there was, to put in place "cost-containment plans"; those are not his words, but the words of hospital managers in their responses. Those plans will then be overseen by hospital groups. If hospital managers do not come in on budget, they will be held responsible. That is my understanding of the letter and of what Mr. Reid said earlier. Is that a fair assessment of the position?

Mr. Paul Reid: I feel the need to state that one reason I wanted this job is because it is probably one of the best public service jobs when it comes to meeting the needs of the public. There is no greater need than that of the patients who we serve and the people who use our services. My commitment in this job is to make it better for those people; that is why I am here.

I have met all managers and we will meet monthly for the rest of the year. Their engagement and support has been well received. The process is not cost containment; it is delivering across all strands the services committed to in our plan and delivering to budget. I am absolutely aware-----

Deputy David Cullinane: Let me just stop Mr. Reid there. If it is not cost containment, is it the position that, if a hospital manager believes that they have to spend more than they have been given to meet demand, they are not obliged to come in on budget? I can give examples in Waterford, where hospital managers have showed me a draft of a document that talks about cost containment. Is cost containment not a priority for hospital managers? Do these plans have to be put in place?

Mr. Paul Reid: No manager in any hospital, anywhere in the public service, has a mandate to spend based on demand. We just do not have that. In fairness to the hospital-----

Deputy David Cullinane: I know that, but they are looking at cost-containment plans on the foot of a letter from Mr. Reid. In Waterford, for example, the cost-containment plan looks at limiting surgical theatre space over a number of months during the summer, where savings can be made in cleaning contracts, agency spend and overtime. There is a whole range of other areas. They are all designed to make sure they come in on budget under a heading termed "cost containment". I am stating that there is an element of cost containment. As I put to Mr. Reid at the start of my contribution, that essentially means the HSE ensuring that they come in on budget. He might not want to call it cost containment but that it what they call it. Is that what is happening in hospitals across the State?

Mr. Paul Reid: What is happening in hospitals across the State is that they are all under great pressure from the demands being placed on them. I am engaged in a process with the hospitals to look at the existing budgets they have to deliver all those services. Regarding University Hospital Waterford, that hospital has been doing a number of things to best utilise its resources, particularly during the summer. That also involves theatre usage and the best use of resources during that period. The hospital is undertaking some operational changes that make sense for it. I am not setting out the plan for each individual hospital or each group. They are

working through this themselves regarding their overall budgets.

Deputy David Cullinane: Did Mr. Reid know that some cancer patients were sent home because of issues with theatre capacity? Five patients were affected. I am sure that Mr. Reid is aware that being booked in for some kind of cancer treatment is life-altering. There is a psychological aspect involved in a person building himself or herself up physically and mentally for this type of treatment. The person goes to the hospital and is ready to get the surgery but is then told to go home. The hospital management stated that was purely due to capacity issues with surgical theatre space. Despite that, however, that cost containment plan will kick in over the next weeks and months and will that there will be a reduction in surgical theatre availability. That is the outworking of it. First of all, was Mr. Reid aware that patients were sent home?

Mr. Paul Reid: I am not specifically aware of that matter.

Deputy David Cullinane: That is fine.

Mr. Paul Reid: I am happy, if the Deputy wishes-----

Deputy David Cullinane: I might just talk Mr. Reid through this because when we are looking at what is happening the best lens we have is our local hospital. I have no problem whatsoever with Mr. Reid and the HSE ensuring that health spending is contained. That is one of Mr. Reid's and the HSE's core functions and it should be. I have no problem, therefore, with that. I certainly accept that he has come into this job to ensure that he plays his part in making sure that patients get the best healthcare. I again have no difficulty with that. However, I tabled a parliamentary question to seek information on the outpatient waiting times across all specialties over five years. That was to get a sense of where the pressure points are in University Hospital Waterford and to see if solutions were being put in place to reduce the waiting times. In fact, the waiting times have all gone up where the pressure points are.

I will give some examples. In dermatology, almost 5,000 patients were waiting to see a consultant. Of those, 1,576 were waiting for one to two years and 665 for two to three years. Turning to orthopaedics, which has been a problem for many years, 1,267 patients were waiting for one to two years and 959 between two and three years. There was a major problem as well with the ear, nose and throat department waiting lists, where 2,805 patients were waiting between one and two years and 1,500 between two and three years. Urology and dermatology similarly have problems and have done so consistently for the last five or six years.

One of my functions as an Oireachtas Member, along with other local Oireachtas Members, is meeting regularly with the hospital group hospital managers. We have a good relationship with them. They point out to us where the pressure points are and unless capacity is increased in these areas the wait times are not going to go down. Mr. Reid has just written to all hospital managers to state, essentially, that they should come in on budget. Is there flexibility with that demand? I refer to a situation where extra funding is needed to reduce waiting times in areas where there are obvious pressures and where large numbers of people have been waiting for two, three or even four years. Is there flexibility in that case for the HSE to accept that is fair enough and allow the extra resources to be committed?

Mr. Paul Reid: I will touch briefly on some of the comments Deputy Cullinane has made and I will answer his specific question. He mentioned that there has been an extra budget allocation for the past five or six years and the situation with waiting times has not got much better. I do not disagree with the Deputy but that is factual. The issue of waiting times is a priority for

me in working with the system. Directing extra funds at the problem has not actually addressed the issue. I think that is a challenge for all of us. I know Deputy Cullinane was involved in the development of Sláintecare, as was the whole Oireachtas. The challenge for all of us is that extra money has been put in for the last five or six years but that has not worked. We have to do something different and I am committed to doing that. I want us to look at the health system, where we fund it and how we address the service needs of the patients we are serving in a much better and different way. Sláintecare does set out a road map for doing that. However, we have to start utilising our budgets in a different way.

Deputy David Cullinane: There also has to be an examination of where the money goes. I always look at things logically. There will be different situations in different hospitals. They will all have different needs, different geography, different capacity and different levels of expertise in different specialties. They all have their unique characteristics. One thing that we can logically do regarding waiting times, in Waterford and other hospitals, is to look at where the pressure points have been over a number of years. It will then be possible to identify where the problems lie. Solutions then have to be found and, in some of these cases, there are.

That brings me to the capital plan. I think Mr. Reid had discussions on this earlier with Deputy Jonathan O'Brien. A number of business cases have been made by the hospitals groups to go the hospital management to solve some of the problems. I am trying to explore how that process works from conception to completion when a business case is made. I have had some discussions with Mr. Breslin and Mr. Reid's predecessor in the past on, for example, a second cath lab in Waterford and a new mortuary. The mortuary was in the capital schedule since 2013. The money was only freed up and made available this year.

Sometimes the hospitals and the hospital groups do their jobs, identify the business cases and go to the HSE. Then we have to wait for years. In the meantime, the waiting times go up. I talked about ophthalmology. There is also a business case for a new eye clinic in University Hospital Waterford. I also spoke about orthopaedics and there is a business case for a new centre of excellence for orthopaedics which will involve moving some of the services from Kilcreene Orthopaedic Hospital in Kilkenny into University Hospital Waterford. Deputy Jonathan O'Brien talked about cancer care earlier. Six of the eight hospitals have robotic technologies that can be more precise in surgeries and as a result deliver better outcomes while cutting waiting times. University Hospital Waterford is not one of those hospitals. It is a cancer centre but it does not have that robotic technology. The consultants there have sought it and they have developed business cases.

My question concerns how this process works. That is the frustrating part for us as public representatives and that is where we come under pressure. I refer to situations where business cases are developed to address obvious needs but they go through a long complicated process that sometimes takes years before change is delivered. The mortuary in Waterford is a case in point. Will Mr. Reid talk me through how that process regarding capital funding works from conception to delivery?

Mr. Paul Reid: I did want to come back to the question that Deputy Cullinane posed the last time. I apologise for not addressing it. He asked me whether there was a mandate for managers, hospital groups and clinicians that see a need to spend extra funds for particular demands to go ahead and do it. The answer is "No". We work with a budget. We are putting a monthly process in place, however, where we will be working closely with all the hospital managers groups and community. That will allow us to be able to predict where there are extra demands and where we might be able to find some capacity. I think that is good practice and we may be

able to reallocate some funds for particular items. I think that will be welcomed when we are talking closely.

Turning to the second issue, the Deputy addressed pressure points in the system where people have some good ideas. I have been in University Hospital Waterford, University Hospital Galway, Mullingar Regional Hospital, St. Luke's General Hospital Kilkenny, Beaumont Hospital and many others. I have seen some really good ideas and innovation at a local level. There is some good innovation in emergency departments and in interactions between acute hospitals and community organisations. There is also some good innovation and engagement involving general practitioners, GPs, and accident and emergency departments. There are, therefore, many good local initiatives under way. For me, this is not about waiting for a big bang initiative from Sláintecare. We need to implement these bottom-up initiatives and support them. That is happening. I wanted to address those remarks in respect of Deputy Cullinane's point.

Deputy David Cullinane: I accept that. My specific question, however, was on capital projects and the perception that they can take a lifetime from conception to delivery. It is almost like turning a big oil tanker around. There is a long wait for people to see delivery. We table parliamentary questions and the responses refer to a capital project being in a queue and that there is a business case at this stage or that stage. People get very frustrated because these are the ideas that Mr. Reid has just spoken about. All this is, obviously, dependent on funding as well. What I am trying to understand-----

Chairman: I ask that this be the Deputy's last question.

Deputy David Cullinane: -----is what is the process? Why does it take so long at times to get from an idea to delivery? Is the first step a business case? If the witnesses do not have time to set it out here maybe they can send a note to the committee on what the stages are in capital applications. We had better understand it. A business case is developed by hospital management in conjunction with the group and I imagine that goes up to the HSE and there are all the other layers. The health estates have their role to play as well. That can be a frustrating process when there is a good idea so maybe the witnesses could give us a note on what that process is. Has the question of shortening that process been looked at so that it would be made more efficient so that these good ideas can be delivered more quickly?

Chairman: We ask for a note on that and please give those details by scale according to whether they were under €1 million or under €500,000, etc. I am sure the smaller ones proceed more quickly so please give us the detail on the scales of what is in the different stages.

Deputy Alan Kelly: I have seven questions so we will try to get through them in a quick-fire manner. I thank the witnesses for coming in. I wish Mr. Reid the best, it was a good appointment and he is somebody who will hopefully be in the position for enough time to make significant changes. It is like trying to turn a big ship around in a harbour. Hopefully he will be able to do it. I also welcome Mr. Breslin, who I have always found to be direct and a straight talker. I welcome all the other witnesses.

Some of my main questions will be on capital but I have some other questions as well. What is the total cost to date of the Scally inquiry?

Mr. Jim Breslin: Is that the cost of his own work?

Deputy Alan Kelly: What is the total cost to the taxpayer?

Mr. Jim Breslin: Is that the payment for the report?

Deputy Alan Kelly: What is the total cost to the taxpayer of everything?

Mr. Jim Breslin: Is that for CervicalCheck or Dr. Scally?

Deputy Alan Kelly: No, just the cost of the inquiry.

Mr. Jim Breslin: I will come back to the Deputy on that. We will get that figure for him.

Deputy Alan Kelly: Deputy Connolly asked about the total amount paid to the women who were affected from the fund that was put forward. Do the witnesses have those figures to hand? This was the fund that was put forward to help the women who were affected.

Mr. Jim Breslin: The support payments?

Deputy Alan Kelly: Yes.

Mr. Jim Breslin: I do not have those details to hand. Perhaps someone from the HSE has it.

Deputy Alan Kelly: The witnesses might supply us with that information later.

Chairman: They might give us that information after the break if they do not have it now.

Ms Anne O'Connor: I can tell the Deputy. Up to 11 May, the total payments to people who were being supported by the HSE was €966,000.

Deputy Alan Kelly: Ms O'Connor might send that to us and break it down by CHO.

Ms Anne O'Connor: Yes, I have that information.

Deputy Alan Kelly: Before the Scally inquiry, the previous acting director general made a commitment that the HSE would review what happened with the CervicalCheck issue once the Scally inquiry had been completed and it has now been completed. From an organisational point of view, he committed that the HSE would review how it happened, why it happened and who did what, etc. Will that commitment be honoured?

Mr. Paul Reid: Yes, I have asked for a status update on that review.

Deputy Alan Kelly: On 13 February in the Joint Committee on Health, in answering a question from me, Mr. Breslin said the second phase of Dr. Scally's inquiry would be completed imminently, which obviously did not mean in four months' time. It meant within a week. Dr. Scally turned up in Ireland the following day so he was probably on a flight when I asked that question. I expected Mr. Breslin to report the following day. Why did that not happen? Four months have passed.

Mr. Jim Breslin: In the preceding couple of weeks, the liaison with Dr. Scally suggested that he was on track and that he would deliver the second phase in the kind of timetable that I expected that day.

Deputy Alan Kelly: I believe that what Mr. Breslin said in the committee was honest and true.

Mr. Jim Breslin: That was my full expectation at the time.

Deputy Alan Kelly: I could not agree more.

Mr. Jim Breslin: Within a day or two I was briefed that Dr. Scally had said it would take him longer. He wrote to the Minister two days later and he set out-----

Deputy Alan Kelly: On 15 February, I know.

Mr. Jim Breslin: -----the complexity of the issues and the legal issues arising meant it would take him longer.

Deputy Alan Kelly: The inquiry took longer because of the question I asked Mr. Breslin in that committee meeting.

Mr. Jim Breslin: What was that question?

Deputy Alan Kelly: It was about the issue of quality assurance.

Mr. Jim Breslin: I have not asked Dr. Scally about the detail-----

Deputy Alan Kelly: Will Mr. Breslin ask him?

Mr. Jim Breslin: I am told he will be at a meeting of the Joint Committee on Health.

Deputy Alan Kelly: I am asking Mr. Breslin to ask him about it.

Mr. Jim Breslin: I am happy to ask him that but he is independent so if he said to me that it has become more complex and that there are legal issues, I would not drill into him to tell me exactly where he is in the process and why there are legal issues-----

Deputy Alan Kelly: I respect that.

Mr. Jim Breslin: -----but I am happy to ask him at this point-----

Deputy Alan Kelly: Was there an expectation in the Department that the report would be delivered in February?

Mr. Jim Breslin: Yes.

Deputy Alan Kelly: Was the expectation that it would be delivered on that week?

Mr. Jim Breslin: The expectation on the part of Dr. Scally as of the end of January was that we would have it in February.

Deputy Alan Kelly: What happened?

Mr. Jim Breslin: Something happened.

Deputy Alan Kelly: What was it?

Mr. Jim Breslin: I am happy to ask him. He wrote to us to say where he was at but something happened and whether it happened-----

Deputy Alan Kelly: I am sorry for interrupting Mr. Breslin. I know Dr. Scally is independent and I totally respect that. I am very much behind his initial report but surely we are entitled to ask that question as taxpayers. I am very surprised that neither Mr. Breslin or the Minister, Deputy Harris, have asked him that question yet.

Mr. Jim Breslin: I have an explanation, which is what he said in his letter to the Minister on 15 February. It may well have happened just before I said what I said because I was using my up-to-date information. In the preceding days he may well-----

Deputy Alan Kelly: I doubt that.

Mr. Jim Breslin: -----have identified something. I am happy to ask him and I am happy for him to answer for that in the Joint Committee on Health but I would not say to him that I do not agree with him when he is in an independent situation and he has identified an issue that will take more time. I would not go there.

Deputy Alan Kelly: I am not asking Mr. Breslin to do that. I just want to know what happened and I want Mr. Breslin to ask him what happened.

Mr. Jim Breslin: I am happy to do so. It is easier for me to do so now that he has finished his report than it might have been at that time so I am happy to ask him that.

Deputy Alan Kelly: I respect that. Mr. Breslin might also ask him if he informed anyone else that he would be providing the report in February. Mr. Breslin might also ask him what changed between 12 and 14 February because he obviously had flights booked and he was coming over to do something. That was my first question.

My second question surrounds the capital plan. I thank Ms Anne O'Connor for the letter she sent to the Department from the HSE. It is a very revealing letter and it is very welcome. I compliment her for that. Would she send the committee all the other correspondence she had internally in the HSE on putting that letter together? I request that she send those details directly to the committee so that we can share that information around.

Chairman: Deputy Kelly might call out that request again so that we are all clear on it.

Deputy Alan Kelly: I would like Ms O'Connor to send all other correspondence-----

Chairman: From the HSE?

Deputy Alan Kelly: -----that she had internally in the HSE with all her fellow colleagues and the Department or both on putting that letter on the cost overruns together because it is an incredible letter and I compliment her for it.

Chairman: We have got the point.

Deputy Alan Kelly: She is saying what we all know to be true. We all know that the real word that is not being used here is "profiling". The reason Mr. Reid said that there will be a three-year plan put together is that this needs to be politically profiled. Mr. Breslin and Mr. Reid both have one chance and one opportunity to be straight up with the public. There cannot be an overspend on the children's hospital without it having dramatic impacts on capital planning. It is impossible. We are all educated and we can all do maths. Mr. Breslin and Mr. Reid have one opportunity to be straight up and this is it. No matter how much the witnesses have prepared for this committee collectively in the HSE and in the Department, they have this one opportunity. As an elected representative, I am asking them on behalf of the public and on behalf of the people of Ireland, to tell us the impact this will have on capital projects across the country. I do not want to hear the witnesses tell me that this discussion has not happened or that this analysis has not been done because there are many competent people in the HSE. In fact, there are very competent people in the HSE who know exactly how this is impacting capital

planning. I ask the witnesses to tell us how this will impact on capital projects over the coming years. Our guests should not hide behind the budgetary process, the Department of Public Expenditure and Reform and so on. I can give examples, as we all can in all our areas, of projects that were expected to come forward in the coming years that I now know are being pushed out. Our guests have one opportunity to tell us exactly how the overspend will affect capital planning. For example, there is a national maternity strategy, which was begun by the previous Government but published by the current Government. I am 100% behind the strategy, given that it is one of the best strategies I have seen for any section in healthcare. Just €5 million is needed for the planning and design of a new maternity hospital in Limerick. My children, my brother and I were born in the current hospital. It is not fit for purpose. Three years after the plan was published, the €5 million is still being profiled and is not available.

This is our guests' opportunity. I ask them not to give the answers they gave previously because I do not accept them. They should be aware that we will return to whatever they state. This is their one opportunity to be open and honest with the public.

Mr. Jim Breslin: We can give only the information we have on the day the Deputy asks the question. When he asked the question on the previous occasion, we had the information that in 2019, €75 million of the €100 million excess cost on the children's hospital would be borne by the Exchequer and €25 million by held capital. That did not have a negative effect on the timing of projects but the question in our minds at that stage was what the split would be for 2020. As of last Tuesday, the Government has put aside a reserve of €200 million, which indicates there will be sufficient Exchequer money to meet the additional costs of the children's hospital without impact on other projects.

That may be immediately misinterpreted that we have so much capital that everything can be done at once. I have been around long enough to know that all capital projects take their place in a queue. There is an overall constraint. There is a 45% capital increase in health this year. There is a growing budget but there will always be more projects than there is money. For the children's hospital, to date there has not been an impact on the timing of what we can do. The provision on Tuesday will allow us to manage forward without that impact.

Mr. Paul Reid: I will always be only open and honest-----

Deputy Alan Kelly: I accept that.

Mr. Paul Reid: -----in everything I do.

Deputy Alan Kelly: Mr. Reid will never hear anything different from me.

Mr. Paul Reid: I have worked with the committee in the past and I have no interest in being anything but open and honest with the public.

Deputy Alan Kelly: I agree.

Mr. Paul Reid: Everything I have said today has been open and honest.

Deputy Alan Kelly: I accept that.

Mr. Paul Reid: Of our capital plan of €640 million or so, 75% is contractually committed. It is very constrained in its flexibility, even beyond the 75%. There is always a challenge in respect of the multiple priorities.

On the question on the national children's hospital, my colleague, Ms O'Connor, quite rightly set out in early May the concerns with the capacity or the implication. If there is to be €100 million-----

Deputy Alan Kelly: I must interrupt Mr. Reid because time is limited. Ms O'Connor stated the additional impact on the national children's hospital in the period 2020 to 2022, inclusive, has made what was a very difficult situation almost impossible. I compliment her for writing that. She was telling the truth.

Mr. Paul Reid: Of course she was telling the truth.

Deputy Alan Kelly: It is impossible.

Mr. Paul Reid: Given that the concern was right and expressed well, we have worked with the Department of Health in the past few weeks, and with the Department of Public Expenditure and Reform. I acknowledge that the Deputy does not hear me say that but that is the process to make sure that the implications for the HSE capital budget will not be as extensive as they seemed in early May. That is what I work on, day and evening, with my colleagues in the Department of Health to ensure.

Deputy Alan Kelly: I turn to the minutiae. We are three and a half years into the national maternity strategy. The €5 million should have been committed last year or the previous year. Why has the €5 million for the new maternity hospital in Limerick not been committed? It is a small amount relative to the quantum we are discussing. Re-profiling is happening. No projects are being dropped or anything like it. Rather, everything is being pushed out. Everyone can see it. That is just an example but I could give another ten. The HSE, through the Department, cannot find €5 million for this essential project. It is the only hospital in the national maternity strategy located outside Dublin that needs to be completely rebuilt. It needs to be located on the site of University Hospital Limerick.

Chairman: I propose we take a break soon. We have confirmed that postponed divisions will be called in the House at 1.47 p.m. We cannot continue until then without a break and, therefore, I propose we take a break soon.

Deputy Kate O'Connell: I suggest we finish the first round of questions before we take a break. Only two members wishing to contribute - Deputy Burke and I - remain.

Chairman: We will try to do so, depending on the time. I do not want to be accused of keeping people in the room unnecessarily long.

Deputy Alan Kelly: The bottom line is that it does not stand up to scrutiny that the €5 million cannot be found for the maternity hospital in Limerick.

Mr. Paul Reid: It might be clarified when we send a note on the capital planning and approval process. The demands on the capital plan are significant.

Deputy Alan Kelly: I refer to a national strategy signed off by the Government. It should be taken in the spirit in which it was meant. The Department must live with what is policy but the strategy is years behind schedule. If everything is fine, and the extra money has been found and so on, why has the project at St. Conlon's nursing home in Nenagh, which I represent, been pushed back? I hear that it has been pushed back but perhaps, and I hope, it has not been. Why can the €5 million, which is small relative to the quantum, not be found in the algorithm?

Mr. Paul Reid: I am happy to come back to the Deputy specifically on that project. There are demands on the capital programme and, given that 75% of it has been contractually committed, we are dealing with a much smaller pot.

Deputy Alan Kelly: The bottom line is that the overspend will have a dramatic impact on all capital planning. Everything will be re-profiled. The reason I asked a direct question earlier was not to try to catch anyone out but rather because the details will all become public in any event. We know they will. The question from a political point of view is when they will become public. Freedom of information requests, parliamentary questions and everything else will reveal the entire matter. That must all be done by the HSE and the Department. They are good at their job and they have to discuss such matters. On this date at this time, however, we cannot get an answer on a national strategy.

Mr. Jim Breslin: It relates to the nature of the health estate. We will not move the Central Mental Hospital to a new, modern building in Portrane until next year. There are 200 year old buildings all over the health estate. The nature of the health estate, irrespective of the children's hospital, is that we must always pick and choose and try to prioritise.

Deputy Alan Kelly: It is a national strategy, endorsed by the Government, and the Minister for Health speaks about it a great deal. As an Opposition spokesperson, I support it 100%. That €5 million cannot be found for the new maternity hospital exemplifies the problem, although I use it only as an example. It exemplifies that re-profiling is taking place. I believe I have proven my point.

Chairman: The Deputy has had a long time for the first round.

Deputy Alan Kelly: Other members were given a little more time but-----

Chairman: I will give the Deputy more time if he so wishes but I want to allow time for other members. He will get another opportunity in the second round.

Deputy Alan Kelly: I will run through my other questions. Section 39 organisations recently appeared before the Joint Committee on Health. Why does the HSE have a practice of giving such organisations their funds, making them sign agreements that it knows relate to deficits and giving them loans for the rest of the year? Is there a danger of some such organisations trading recklessly because of the position in which the HSE puts them, which is vulnerable because of the work they do?

On home help hours, I have a request rather than a question. Will the HSE make home help demand-led, purely because it will save it a great deal of money by keeping people out of acute care, which costs multiples of the cost of home help? The majority of people in politics would believe in that. Is there any intention to realign the acute and non-acute groups in the HSE? I believe it should happen. When will the recruitment embargo end? It was meant to end this month but now I hear it will be September. It is causing issues that will be felt in the long term.

Who is in place in Sláintecare and how much has been put forward in costs? There is an obligation on the Department to keep up to date with what was decided on Sláintecare by the Oireachtas. Where are we with regard to status?

Chairman: There will be no supplementary questions. I ask the witnesses to give their answers and anything that is not answered can be taken up in the next round.

Deputy Alan Kelly: Mr. Breslin has to answer the questions.

Chairman: He does have to answer them but there will not be a discussion on the answers. Deputy Kelly can follow through on the answers in his next contribution.

Deputy Alan Kelly: Another member did not get that treatment.

Mr. Jim Breslin: The basis on which to do home care, which is to give a statutory entitlement-----

Chairman: He got 19 minutes and Deputy Kelly is well beyond that.

Mr. Jim Breslin: I will answer the questions quickly. On home care, the basis to do what the Deputy is asking is to put in place a statutory entitlement, similar to the nursing home subvention scheme, and there is a lot of work under way to do this. It is an absolute priority and it is set out in Sláintecare.

Deputy Alan Kelly: So it will happen.

Mr. Jim Breslin: It will happen.

With regard to the hospital group realignment, again Sláintecare says the hospital groups should be lined up with community services. The Minister has proposals to do this, which he hopes to bring to the Government before the recess. They are very much in line with Sláintecare. It will mean change for some hospital groups but others are already aligned so it will not mean much change for them. With regard to who is in place for Sláintecare, we have a Sláintecare programme office in the Department led by Laura Magahy. It has published its report for the first quarter and it is about to publish its report for the second quarter. It hit all of the milestones in the first quarter. I do not know whether we will hit all of the milestones in the second quarter but we will get very close. These are publicly available.

Deputy Alan Kelly: There are only two questions left, on section 39 bodies and the recruitment embargo.

Mr. Paul Reid: There is no recruitment embargo. In fact, the numbers recruited this year demonstrate that we are way ahead of plan, with an overall headcount of approximately 1,000. There are some development posts allowed in the national service plan.

Deputy Alan Kelly: Some areas have a ban on recruitment because of their profile.

Mr. Paul Reid: For the record, anywhere that has a budget for recruitment and approval for a post is recruiting right now as we speak.

Deputy Alan Kelly: There are areas that do not have approval.

Mr. Paul Reid: There are areas that do not have approval and do not have the budget. They do not have the capacity to recruit so-----

Deputy Alan Kelly: When will that change?

Mr. Paul Reid: That was our policy from the start of the year with regard to setting out where we see recruitment coming. We have to put a control on it because, as I mentioned, we are already 1,030 over this year with regard to where we thought we would be. There is no recruitment embargo. I am happy to provide the breakdown of the figure, and what it shows

is that most of the positions are front-line facing. We go through them in detail every month ourselves and with the hospital groups. There is no embargo in place at present and our recruitment levels show this. Every month for the first four months, from January through to April, on average almost 400 people were recruited. There is significant recruitment going on.

Deputy Alan Kelly: What about section 39 bodies?

Mr. Stephen Mulvany: I think the Deputy was speaking about section 38 bodies.

Deputy Alan Kelly: My mistake, I apologise.

Mr. Stephen Mulvany: A number of them are under financial pressure and have had deficits. That is a matter for their boards. The question of trading recklessly is something we encourage the boards to take seriously. Like everybody else, they have to live within the funding available. We work with them in a partnership arrangement and we expect them-----

Deputy Alan Kelly: Will the HSE provide the committee with a note on this? Will it provide details for the past four or five years of the breakdown of all loans given to all section 38 organisations?

Mr. Stephen Mulvany: For the record, we do not give loans-----

Chairman: Are they advances?

Mr. Stephen Mulvany: We may end up giving them some of their cash entitlement for the following year-----

Deputy Alan Kelly: I ask for a breakdown of that.

Chairman: Cash advances

Mr. Stephen Mulvany: -----but we take it back at the start of the following year.

Deputy Alan Kelly: Will Mr. Mulvany give us a breakdown of that for the past four years?

Chairman: Loans or cash advances, however they are described. I call Deputy Burke.

Deputy Alan Kelly: I thank the Chairman.

Mr. Jim Breslin: I ask the Chairman's indulgence. Deputy Kelly asked about Dr. Scally. To date, the payments to Dr. Scally and his team, including the international experts, are €816,075 excluding VAT or €1,003,772 including VAT.

Deputy Alan Kelly: I thank Mr. Breslin.

Deputy Peter Burke: I welcome all of the witnesses. I wish Mr. Reid the very best in his appointment. I genuinely think he has a huge task ahead of him. I know he has the ability and work ethic from his previous post to see it through. I wish him the very best.

Where are the Department and the HSE on reconfiguring hospital groups?

Mr. Jim Breslin: That is the point I just made. We have done the analysis, looked at the populations and looked at how we would get from the current hospital groups and CHOs, some of which are not aligned. We have a proposal on which we are consulting with other Departments and the HSE is involved. The Minister hopes to go before the summer break.

Deputy Peter Burke: He hopes to make a decision before the summer break.

Mr. Jim Breslin: What we would announce at that point are the geographies and that the existing hospital groups and CHOs should work together on those geographies. It will take legislation over a couple of years before we build them into completely statutory bodies but that is very much in line with the milestones set out in the Sláintecare implementation strategy.

Deputy Peter Burke: I am sure the Department is very cognisant that some of the hospitals have significant clinical links built up with teaching hospitals based on the existing groups. A huge amount of energy and work has gone into making the services what they are in some of these hospitals. There is a fear in some that they may be aligned to different groups irrespective of the CHO area but they have established strong clinical links, whereby if a patient is admitted to Midland Regional Hospital, Mullingar, which is in my constituency, digital scans can be sent to consultants in Dublin to be examined and have decisions made based on them.

Mr. Jim Breslin: The intention is not to interfere with individual clinical pathways or training relationships with universities. This is not what this is about. We will always have referrals between one hospital group and another and that is working at present. We will not try to over-engineer this but we will try to have counterparts between managers working in a hospital and in a community in the same geographical area. This will not interfere with patients needing to move outside of those hospitals.

Deputy Peter Burke: With regard to the report of the Comptroller and Auditor General on the control of private patient activity in acute public hospitals, the consultants' contracts have a variation of between 0% and 30% with regard to the maximum workload in the private sector. Why do we have this variation? Why would one consultant's contract allow 0% private work while another may allow 30%? What is the origin of this?

Mr. Jim Breslin: It is historical. There is a series of contracts. If we go back, the 1997 contract might have variations whereby one person is not entitled to any private practice, in which case the private practice is 0%, while somebody else is entitled to private practice in public hospitals based on the percentage of beds designated as private in the hospital, which differs in various hospitals. We could have hospitals with percentages of 15% or 25%. Rolling forward, many people moved from the 1997 contract to the 2008 contract but at present there are still approximately 300 people working off the old 1997 contract. In the 2008 contract there are perhaps three or four variations. Again, there is a contract that is public only and consultants are not entitled to get private income; there is a contract under which people can do private practice but only in the hospital; and there is another contract that allows people to do private practice off site. All of these affect the actual monitoring of activity. Under the 2008 contract, if people are allowed to do private practice in a public hospital, it is at 20% of total activity, so for every four patients a consultant has, he or she can have one private patient and this is monitored. When a consultant is being assessed to see whether he or she is in breach we have to look at the contract to see what is the permitted amount.

Deputy Peter Burke: If a consultant sees outpatients in a public hospital who do not require a bed, such as a consultant offering maternity services to a lady with private health insurance who attends an appointment in a public hospital, how are these structures monitored? How does the HSE adjudicate the level of time and the number of private patients and compare it with the number of public patients to ensure the threshold is not breached?

Mr. Jim Breslin: The Comptroller and Auditor General has flagged in the chapter that out-

patients is an area which is not well counted and I agree with that. It is a harder-----

Deputy Peter Burke: Is it counted at all?

Mr. Jim Breslin: It is harder to get a handle on it because one has a waiting area and people are coming through it. Some people are in for ten minutes and some are in for two minutes.

Deputy Peter Burke: Even numbers-wise, is it counted? Obviously, it is not rocket science to find out the numbers and the average fee that a consultant will be charging for the services.

Mr. Jim Breslin: In their normal outpatients clinics, consultants will see only public patients. However, there are also consultants who have a contractual facility to see private patients within the public hospital on an outpatient basis.

Deputy Peter Burke: Which is significant.

Mr. Jim Breslin: That is significant. There is then a third group which is a bigger group and much harder-----

Deputy Peter Burke: To focus on the previous group, for example, how does the HSE monitor it? How does it know the level of activity it is running at?

Mr. Jim Breslin: In terms of the hospital's administrative system, there would be some data, but they do not have the reliability or the accuracy of the hospital inpatient inquiry. I am being frank with the Deputy about that.

Deputy Peter Burke: In that case, it is not really working at all.

Mr. Jim Breslin: It will be down to hospital managers to see what it is they can ascertain.

Deputy Peter Burke: That is a very significant issue and it is not acceptable that it is not being managed properly.

Mr. Jim Breslin: The third one, which is also very significant, is that if someone is seeing private outpatients off site in a private clinic, one does not have access to that information at all. What one must then do is look at the work plan, which states the hours the consultant will be working in the public hospital dealing with public hospital activity and the hours outside of that when they are entitled to be off-site. Then, one has to monitor the consultant's working arrangements rather than activities.

Deputy Peter Burke: It is even more criminal in one way when they are seeing patients in the public hospital, utilising that space, and the HSE cannot get a handle on it.

Mr. Jim Breslin: I would not say it cannot get a handle on it but it is more difficult and that is recognised.

Deputy Peter Burke: Why is it difficult? This is what I do not understand.

Mr. Jim Breslin: Because, for all its faults, what we have in the hospital inpatient inquiry is a coding by individual patient at the level of disease and procedure that allows us to determine the relative wait of that patient relative to other-----

Deputy Peter Burke: Let us go back to a more simple thing.

Mr. Jim Breslin: That is done in the-----

Deputy Peter Burke: Let us refer to someone going for maternity services. Forget about disease and seriousness of case. Let us say people are going in for routine examinations, some of whom are private and some of whom are public patients. I would have thought that would be very straightforward to distinguish. Any control system worth its salt should be able to differentiate between them.

Mr. Jim Breslin: In that situation, there may well be a facility to do it better.

Deputy Peter Burke: There "may well be" a facility but there is not one.

Mr. Jim Breslin: I do not want to say to the Deputy that the best means of doing it is how it operates right across the board. I want to acknowledge what the chapter says which is that a valid workload measure for outpatients is not there. We have it for inpatients but not for outpatients.

Deputy Peter Burke: If one were to look at the tax return of an average consultant based on the 0% to 30% rule for private practice, one would see scheduled employment income from the HSE and also private income. We have heard from the Revenue Commissioners and other bodies in both the finance committee and at this committee about Revenue operations to clamp down on practices put in place by consultants in respect of expenses and various other measures. Would it surprise Mr. Breslin if consultants' private income was found to be massively in excess of scheduled employment income from the HSE?

Mr. Jim Breslin: Depending on the specialty, it would not surprise me.

Deputy Peter Burke: In general.

Mr. Jim Breslin: It would not surprise me. In particular specialties, it could be a multiple. In obstetrics, for example, it could be a multiple.

Deputy Peter Burke: I know there can be reasons for things, but that tells one something is not right in the system when it is exceptionally off. It is unacceptable that the State and the HSE do not have a handle on fee income from private patients coming into a public hospital and using public facilities.

Mr. Jim Breslin: I spoke earlier about how what we have now needs to be monitored. In some ways, the Deputy is asking me to justify the *status quo* and I do not believe I should justify the *status quo*.

Deputy Peter Burke: Does Mr. Breslin think it is unacceptable?

Mr. Jim Breslin: When I travel to other jurisdictions, they look at the mixing of public and private within our system as an incredibly difficult and complicated thing to manage. Therefore, I have some sympathy for the HSE as it tries to monitor this albeit I am insisting that it does so. The Sláintecare report-----

Deputy Peter Burke: I can see that some areas are complex but it is the simple ones that do not seem to be managed.

Mr. Jim Breslin: Let me answer the question simply. The Sláintecare report says we need to get away from this and we need to move to public-only activity.

Deputy Peter Burke: I understand that.

Mr. Jim Breslin: The Minister has commissioned the Donal de Buitléir report to show us how we would do that over a ten-year period. Ultimately, one could try to control and regulate this to the nth degree but one would probably never get it right unless one changed the incentives within the system. There is a piece of policy development to be done around that, subject to Government decision.

Deputy Peter Burke: However, it also has to be monitored adequately and controls must be designed to ensure it is monitored accurately.

Mr. Jim Breslin: I am absolutely in agreement with the Deputy on that. I am just saying that when I talk to managers in other hospital systems who do not have the mixing of public and private, they wonder how they hell one would ever monitor it in Ireland if that is the way it is organised. It seems really complicated to them and they are right.

Mr. Paul Reid: I share the Deputy's concerns and accept the weaknesses highlighted in the Comptroller and Auditor General's report on this one. In terms of control, there is a monthly process involving chief clinicians and hospital managers having that discussion with consultants on their committed hours, work plans, etc. That is a kind of local monitoring. I fully accept that there are weaknesses in the system. However, having spoken to clinicians in all of the hospitals I have visited in the past five weeks, there is no doubt that the commitment of the vast majority to the public system is very strong. They work well above and beyond their contractual commitments in the public service. I have seen them and I know the pressures they are under and the commitments they have. While I acknowledge that, I accept fully at the same time the weaknesses of control on this. It is something I have a discussion on everywhere I go and we will be aiming to strengthen it.

Deputy Peter Burke: I do not dispute the commitment of consultants in general to their role. However, we need safeguards for the public. We need safeguards for the HSE and the Department to ensure items like this cannot grow to excess. When one looks at some of the reports from the Revenue Commissioners, it raises concerns. I am concerned, looking in from the outside, at what is generating some of this. On the procurement process, it was mentioned that 30% of a €2.2 billion sample of spending was found to lack competitive tendering.

Chairman: For the Deputy's benefit, the Comptroller and Auditor General has a correction on that.

Mr. Seamus McCarthy: To make a correction and get the record straight again, it was 23%.

Deputy Peter Burke: That is still a significant sum.

Mr. Seamus McCarthy: It is.

Deputy Peter Burke: We hear about relatively minor capital projects, for example, the publicly funded purchase of an MRI scanner in Mullingar, where alterations have been made to a contract and the HSE insists a tender must take place for those alterations. It is not a massive amount of money. One then sees it jumping off the page that there is a huge level of expenditure within the envelope of the HSE that still has not gone through competitive tendering. There is a frustration when one sees that.

Mr. Paul Reid: I accept fully that any percentage above compliant is a problem for us. The nature and reach of the HSE spend in terms of local and regional is significant. As such, the plans that have been put in place have brought compliance levels up hugely. As a public

service who made recommendations to the Minister to establish the Office of Government Procurement, I am committed to public procurement processes. I know what savings the State can make from that. There is a bit about the spend at a lower level in the regions and how we get them into contractual commitments. It was a very big challenge in my previous role in local government also to get the reach and compliance levels. However, we are focused on it and accept fully that any percentage is a problem. Regarding the plan we have, we are not at the 80% level we set out to reach. That will certainly take us more time. I fully accept there is an issue. The sample of €2.2 billion is quite a big spend and scale and to put the complete wrap around all of that is the challenge we are facing into.

Deputy Peter Burke: In a project such as the one in Mullingar, the public have raised money to purchase a piece of equipment that is vital for the area. The HSE seems to be delaying on delivering the conditions to house that project. I would be grateful if Mr. Reid could follow that up for me.

Deputy Kate O'Connell: I wish to follow up on Deputy Burke's line of questioning. If a woman attending an obstetrician in public hospital is in mid-examination and there is a crisis in a theatre, the obstetrician will run out the door. I have been in that position a number of times. I imagine while they are running out the door and getting to the theatre to save somebody's life it is very difficult to quantify whose time it is on. I agree it is difficult to separate the two when a patient is depending on the professional to come to their rescue in the public system. However, it is of concern to this committee that it would be left to people's own honesty to follow up on breaches of the contract, irrespective of what mix of a contract people have.

Based on today's submission, I note the cost of claims to the State have increased in recent years. I am referencing the clinical indemnity scheme. In 2016, it was €61 million; in 2017 it was €88 million. Am I right? No, it was much more. On the clinical indemnity scheme it was €2.8 billion, an increase of 17% on the previous year. Is that correct?

Mr. Jim Breslin: That is the estimate of the future liabilities under the scheme. It is a projection forward, but it is correct, yes.

Deputy Kate O'Connell: Give or take, it is around that. As the witnesses will know I am also a member of the Oireachtas Joint Committee on Health. Why have open disclosure, mediation and the different practices that are supposed to reduce the costs not had an effect on the figures? Has the Department just not done anything yet?

Mr. Jim Breslin: There are probably a couple of bits. One is the maturity of the scheme. There were previously insurance arrangements in place. As it takes over from those insurance arrangements, in insurance and particularly in clinical indemnity insurance, there is a long tail to lots of the claims. So they could take five or ten years to work their way through the system. We are now building up towards a plateau of the State Claims Agency having the likely number of claims - a full book of claims - at this stage. We have been going through that period.

The other thing that has been happening is that the awards have been changing and in many cases have been increasing, particularly the interest rate. There was a change in the interest rate for lifetime awards which had a big effect.

The last question then, which is where the Deputy is-----

Deputy Kate O'Connell: Have legal fees increased on the same trajectory?

Mr. Jim Breslin: The State Claims Agency has done a lot to try to cap and manage those. We would have to ask it in particular how that has moved.

Deputy Kate O'Connell: It appears to be about 50:50 with half the money going on legal fees. Does Mr. Breslin know if it is going up at the same rate?

Mr. Jim Breslin: No, because the State Claims Agency manages these rather than the HSE. It takes care of its own legal costs and the costs of the other legal teams, and it charges it back to the HSE.

Chairman: For the Deputy's benefit, I point out that officials from the State Claims Agency will be here next week. The major item on the agenda for next week's meeting is medical negligence.

Deputy Kate O'Connell: Brilliant. I thank the Chairman.

What is the annual cost of CervicalCheck? I am talking about the entity that is CervicalCheck from the time it was established to last year. What was the annual spend for that? The witnesses may not have this to hand. I am talking about staffing costs, the running of the building and also the contract costs to the different labs. I do not need to know the amount for each lab. I am looking for a figure for the bill for the work.

Having sat through more than a year of this, I have concerns that by the looks of things there was no quality assurance and no governance. Everybody was moving around different jobs and we cannot find out who was where and when. Other than sending out a reminder letter, I find it really hard to know what people in CervicalCheck have been doing for the past ten years. How much was it costing to allow them to do whatever they were doing there? Although I am very supportive of the Scally report, that does not answer everything. All it does is lay out to us in black and white some of the questions we have had for the past year. It does not fix any of the historical issues. While I am very happy to draw a line in the sand and move on to HPV vaccination and eradicate cervical cancer and associated cancers, this committee needs to identify what was going on for ten years so that it never happens again either here or elsewhere.

Mr. Jim Breslin: We can definitely pull out that information. We also have invested this year on strengthening, in line with Dr. Scally's report, some roles within CervicalCheck.

Deputy Kate O'Connell: I am very much aware of that, but it is a bit late.

Mr. Jim Breslin: We can give the Deputy this year's estimated costs as well.

Deputy Kate O'Connell: In particular, what salaries were being paid to people for quality assurance? I want the total costs for CervicalCheck and separately the contract costs, the cheques the Department had to write to pay the bills to the people doing the stuff, from its establishment to now. I would like to have it such that we can track whether there was an increase over time.

Mr. Jim Breslin: The HSE will do that.

Deputy Kate O'Connell: I thank Mr. Breslin. When will we have that?

Mr. Stephen Mulvaney: Within the next week or ten days I would say we can do that.

Deputy Kate O'Connell: I thank Mr. Mulvaney.

I believe some primary care centres are owned by the HSE but being operated by private operators. Is that the case? How does that work? There is one in Smithfield.

Mr. Jim Breslin: The urgent care-----

Deputy Kate O'Connell: The urgent care place. Is that being operated by a private company? Is there a service level agreement?

Mr. Stephen Mulvaney: It is a private company providing a contract to the Mater Hospital; it is funded publicly.

Deputy Kate O'Connell: When did all this start? I was not aware that this was going on.

Mr. Stephen Mulvaney: That particular service has been there for three or four years at least.

Deputy Kate O'Connell: When we hear about primary care centres opening, there is an understanding among the public that if the HSE is opening a new primary care centre that it is its primary care centre. Of the primary care centres we have, how many are being operated under a service level agreement by a private company?

Ms Anne O'Connor: I can clarify. The centre in Smithfield is an urgent care centre and a minor injuries unit; it is not a primary care centre. There are no GPs working out of it.

Deputy Kate O'Connell: Okay, sorry. That is how that is being operated.

Are any primary care centres being operated under a service level agreement with private companies?

Mr. Stephen Mulvaney: We can provide the detail. As I understand, there are three types. Typically there is standard funded through capital, where we simply take State capital funding, build the building and run it. There are 14 or will be 14 that are being done through a public private partnership, which is design, build and not quite operate but certainly maintain. There are a large number where we are leasing the premises from a consortium or a group and we are effectively a tenant.

Deputy Kate O'Connell: In one case the HSE is running the whole show-----

Mr. Stephen Mulvaney: We are the owner.

Deputy Kate O'Connell: ----- and in another case it is a PPP to build and they are doing the hoovering and cleaning, but the HSE staff are in there working. Is that right?

Mr. Stephen Mulvaney: With the PPP we will own the property at the end of the 25-year period and it has to be put back into the same condition as it was at the start. So standard build, PPP and then there is rent.

Deputy Kate O'Connell: With the PPP ones, who runs it?

Mr. Stephen Mulvaney: It is being maintained as I understand it by-----

Deputy Kate O'Connell: Does "maintained" mean run?

Mr. Stephen Mulvaney: No, we are-----

Deputy Kate O'Connell: I would have thought "maintained" was fixing.

Mr. Stephen Mulvaney: We are providing the services as I understand it.

Deputy Kate O'Connell: So HSE staff meet the patients.

Mr. Stephen Mulvaney: They are providing facilities management is how I would put it.

Deputy Kate O'Connell: Grand. How many are being leased from private consortia?

Mr. Stephen Mulvaney: We will have to give the Deputy the specific detail as to which-----

Deputy Kate O'Connell: Is it of the order of five or 50?

Mr. Stephen Mulvaney: It is more than that. As I understand it there are well over 100 primary care centres, so-----

Deputy Kate O'Connell: When giving us those figures, can the HSE let me know the range of private companies involved in the 100? I would like the names of the companies.

Mr. Stephen Mulvaney: We will do that.

Deputy Kate O'Connell: When did this practice start? It may have been going on forever but I was unaware of it. On the leasing ones, when were those arrangements made and what are the contract arrangements? Is it a 25-year lease? Is it a ten-year lease? Perhaps we could have detail on that. It is of interest to the public. When one looks at a building and sees "HSE" over the door, either as a client or as a taxpayer, one assumes that is where the money is going. If we could have that quantified, it would be useful for the committee.

I refer to claims against the State, probably, for next week as well. Hospital consultants have made much commentary lately on pay restoration. As Mr. Breslin will be aware, many consultants have left the system, which has been a challenge. I refer to the brain drain due to the recession. I am quite concerned by the increase in claims against the State and increase in locum use. Is there any data to suggest that there is a correlation between the increase in litigation when one has a more fluid workforce rather than the standard? Has the Department any data to show it is dangerous or more dangerous to the outcomes for patients not to have regular staff who are working all the time in a particular hospital? Has the Department done any work on that?

Mr. Jim Breslin: There is a claims database, which the State Claims Agency manages and which is available to the HSE and the Department, and that would be looked at for those type of trends. I cannot say that that has been identified but let us stand back from it and ask what do we understand good quality healthcare to be. It is generally based on multidisciplinary teams that develop a relationship over time and perform in a way where they know what the skills within the team are. Undoubtedly, if the Deputy is asking what is the preference, it is to have permanent staff working in a continuous relationship with their colleagues. That is in the literature more than in the data but that is a fair conclusion to draw.

Deputy Kate O'Connell: It seems like we are back to somebody's point about the saving the home help system provides to acute services. If the system that has been created by whoever we want to blame for it has led to staff perhaps having the ideal qualifications and ticking the boxes in terms of employment but not being on the ground keeping an eye on things, and if that is having a negative impact on outcomes for patients and claims against the State, which

we will deal with next week, it is a ridiculous equation. I cannot see why we would fail to try to address that. If the solution is permanent consultant staff who are happy to be paid, it seems an obvious course of action.

Finally, there are orphan drugs. Mr. Reid mentioned the cost of the PCRS and so on. In terms of a re-evaluating point for drugs that have been approved such as Orkambi, Spinraza and some of the more expensive drugs, I accept Spinraza has only been approved. Those are merely two examples off the top of my head. Is there any scope in the future, especially with drugs that did not necessarily meet the criteria of the National Centre for Pharmacoeconomics, NCPE, for re-evaluating the provision these drugs? Regarding the patient cohorts, is there a five-year or ten-year review process built in to see are we getting value for money? When something is approved, it is approved for ever? What if new data came out?

Mr. Paul Reid: I refer to the medicines approved this year, to give the Deputy the scale of it. There have been 25 new medicines and five new uses of existing medicines approved in 2019 at an additional cost of €202 million over the next five years.

Deputy Kate O'Connell: Is that €202 million every year or over five years?

Mr. Paul Reid: Over the course of the five years. We can give the Deputy examples of them.

We are continuously approving budgets. On the criteria that the Deputy set out in the drugs process, the team who are involved that she mentioned provide a great service for us in terms of evaluation but, obviously, Spinraza, which she mentioned, was one on which we made a decision based on the benefits in that case and how we would do it, and we have made that decision. It is one with a significant cost.

On the assessment of them over time because, as the Deputy knows well, new drugs come on board, there is an ongoing assessment of the total spend we make through the PCRS and what other drugs are coming on stream that might help us mitigate some of those costs. We have very good data from the PCRS team, in terms of drugs and the usage of them, and the distribution of them as well. There is good data. It is an ongoing process.

Deputy Kate O'Connell: There is great data from the PCRS. If one gives somebody something, it is difficult to take it off them. My question is, if new data emerges that shows that the efficacy is less than what it was at the start, is there any process to pull back on a drug that may have been approved for whatever other reasons it was approved? Once the horse is out, it is gone.

Mr. Jim Breslin: There is a safety issue. There obviously is.

Deputy Kate O'Connell: Obviously.

Mr. Jim Breslin: If another drug overtakes it, then we have an ability to influence prescribing.

Deputy Kate O'Connell: I get that. Mr. Breslin knows I get that.

Mr. Jim Breslin: I am not aware of where one made an economic evidence case, one got through the gate, one is now on the market, two years later we find out there is not as good economic evidence, and it is now off the market. My understanding is we do not have that facility.

Deputy Kate O'Connell: If decisions are made in knee-jerk situations or based on small volumes of trial information, and then significant trial data show that all is not what it appeared on day one, nothing can be done about it. The cheque is written.

Mr. Jim Breslin: What one would then try and do is influence prescribing and make sure prescribers know that the evidence is a lot weaker than what it looked like previously.

Deputy Kate O'Connell: I thank Mr. Breslin.

Chairman: At this stage, everyone has had a first opportunity. We will adjourn for a period. Voting is in half an hour or 40 minutes. I propose we take a break now and resume after the conclusion of the voting, at 2.30 p.m. Depending on the vote, we might need an extra few minutes. We will resume at 2.30 p.m. or as near as we can. I will ask the secretariat to send a text to the members of the committee that we will resume at 2.30 p.m.

Sitting suspended at 1.05 p.m. and resumed at 3.15 p.m.

Chairman: I apologise for the long delay but voting in the Dáil is outside our control and we must be present. We will resume our consideration of the appropriation account for 2017 with respect to the Department of Health, the HSE financial statements for 2018 and chapter 16 of the Comptroller and Auditor General report, relating to the control of private patient activity in acute hospitals.

Deputy Catherine Murphy: I will ask about internal control and particularly the contract management support units. Very often we rely on people coming to us and telling us about their experiences. People do not come to us if they are satisfied with the service but they will come when there is a failure. Are there service level agreements and is that something the contract management support unit deals with? Is it going to deal with something at a higher level? Could we have an outline to begin with?

Mr. Joe Ryan: We are in the process of trying to get the contract management support units, CMSUs, established and they are intended to assist local management and the service providers to meet all the obligations they have under the service and grant agreements. There is a governance framework and they will assist that process and help us get a greater and more expeditious level of completion in respect of those agreements.

Deputy Catherine Murphy: If a section 38 body takes responsibility to care for a person, is there be a service level agreement relating to the individual or does it relate to the people being contracted in to do work for the HSE?

Mr. Joe Ryan: The service agreements are between ourselves and either the section 38 or section 39 providers.

Deputy Catherine Murphy: What kind of timetable are we looking at for this work to be completed?

Mr. Joe Ryan: Is the Deputy referring to the CMSUs?

Deputy Catherine Murphy: Yes.

Mr. Joe Ryan: We will certainly have the four pilot sites this year.

Deputy Catherine Murphy: How were they selected?

Mr. Joe Ryan: We go where there is greatest need. There are community healthcare organisations, CHOs, with a larger number of organisation associated with them, or associations with a national reach but are contracted centrally within that CHO. We are trying to work with as many of those as we can in the first instance.

Deputy Catherine Murphy: They are not being mixed. They will be where there is the greatest need.

Mr. Joe Ryan: Yes. We do not see the process being protracted and between this year and next year we will have them established.

Deputy Catherine Murphy: Must further resource implications be factored in? Will they be more efficient in how funding is used?

Mr. Joe Ryan: Currently there are 11 whole-time equivalents involved in the area of compliance. The CMSUs will have the effect of increasing that number because teams will be put in at local level in each of the nine CHOs. There will be an increased level of resource. That has been provided for between finance and community services and we have made that provision in all our budgets.

Deputy Catherine Murphy: There will be four to start with.

Mr. Joe Ryan: Yes.

Deputy Catherine Murphy: This will go through all the organisations in time. What is the estimated time to have this entire work completed?

Mr. Joe Ryan: The CMSUs are there to provide an ongoing service. It is not that they will work through a process auditing every organisation. They are part of the work done but they are there as a support unit, as indicated by the title. It is to help local managers to ensure they are meeting all the governance framework requirements, as well as the organisations themselves. The external reviews are entirely separate, but the recommendations from those reviews still have to be implemented in several areas. The contract management support units, CMSUs, are intended to assist with that work.

Deputy Catherine Murphy: Who is carrying out the external reviews?

Mr. Joe Ryan: A composite report was included in the papers that were sent in. Deloitte did that particular group.

Deputy Catherine Murphy: Will that vary, or will it be a single piece of work for just one organisation?

Mr. Joe Ryan: That is the first phase of reviewing the section 38 agencies. We identified 29 section 38 agencies in that particular phase of the review. Some 24 of those audits have been completed, of which 22 were included in the documentation the committee received. We will complete all 29 by September of this year.

Deputy Catherine Murphy: On a separate topic I note that up to now it has not always been possible to provide data for the whole country. There was a deficit in IT systems. Some funding was made available to address that. Where are we in that regard? If I remember correctly, we were told there were seven different ledgers. It is very easy to see how difficult it is to have control or oversight of something without a system that can really drill down and retrieve

information easily.

Mr. Stephen Mulvany: We refer to that as the single national integrated finance and procurement system, IFMS. By the fourth quarter of this year we will have signed a contract for an external third-party support firm to help us implement this. Our aim is to have 80% of the entire public health system covered by the first quarter of 2024. That includes all of the statutory system and the larger voluntary agencies, that is, all of the section 38 agencies and the larger section 39 agencies.

Deputy Catherine Murphy: The year 2024 is half a lifetime away.

Mr. Stephen Mulvany: We have made improvements along the way. It takes a long time to take a project as big as this through public procurement, but in the meantime we have upgraded what we might call the HSE's corporate reporting system. That assists us in taking data from all the different voluntary agencies that give us data and from our own legacy systems. That was done in the last six to nine months. On the western seaboard we have also installed the SAP ECC 6.0 system in both the mid-west and north west statutory areas and in Our Lady's Children's Hospital Crumlin. We refer to that as "stabilisation", but those are entities of between €300 million and €400 million, between €700 million and €800 million and €140 million, respectively. Those are quite big implementation projects. Those three upgrades have been done. More and more of the HSE is now on a single system. We have also improved the system that draws the data. However, it is still not what we need, which is a single integrated-----

Chairman: One moment. A phone is buzzing in the system and it is interfering with the recording. Can we check if a phone has been put on silent? They must be on airplane mode.

Deputy Catherine Murphy: Mr. Mulvany referred to the first quarter of 2024. What is being spent in each of the years up to 2024? Has all of the funding required for this been committed? Could the witnesses provide us with a note on the plan of action?

Mr. Stephen Mulvany: We certainly can. There are a series of milestones. After we appoint the external third-party firm by the end of this year we will work for between 12 and 15 months to design, build and test at a national level. We have to build a single national system and test it. Then we will deploy it. By the end of 2022 we will have deployed across the first 40% of the health system by value. We will deploy across the entire east and then move out from there. A very detailed end-to-end plan has been drawn up, with a summary of the milestones along the way. The ICT capital committed to this programme is worth €82 million. At this point I do not have any concerns about the funding capacity to deliver the programme.

Deputy Catherine Murphy: The HSE will build the programme, test it and put information into it. Is information currently being generated in a form that can be easily integrated into the aspects of this system that have not yet been developed?

Mr. Stephen Mulvany: We are currently relying on a large number of legacy systems. Some are our own systems and some are those of the voluntary agencies, which are separate legal entities. By the time we are finished we should have about 50 of the larger voluntary agencies on a single healthcare system. At the moment there is no single set of standard processes. We will try to clean the data that comes from those processes and we will probably spend too much time trying to make sure it is as accurate as possible. However, we do not have sufficient capacity to get good quality insight into the data and use our accountants' time to assist with decision support. We spend a disproportionate amount of time gathering the data and trying

to clean it up and make it as comparable as possible, but it comes from disparate systems. We need processes based on a single standard that are operated in a standard way. We also need to expand our own shared services. That should give us data of a much better quality, which we can turn into high-quality financial reports to assist with decision-making.

Deputy Catherine Murphy: Will that assist with procurement?

Mr. Stephen Mulvany: Absolutely.

Deputy Catherine Murphy: As such, there should be some savings on foot of this investment because the HSE will have a bigger capacity and will be able to see what is required.

Mr. Stephen Mulvany: Our aim is to achieve input reporting of very good quality so that we can see a material code at a very low level on the non-pay side. That will show us exactly what the spend across the health system is, which will make the planning of procurement much more straightforward. It will also make it easier to determine the level of non-compliance, although our plan is to be far more compliant by the time we roll the system out in any event.

Deputy Catherine Murphy: Lastly, I wish to discuss the ongoing work on the national children's hospital. I am very concerned by some things that have been brought to my attention by people working on the site. I refer to the management of the site and the degree of waste. Could the witnesses tell me anything about the oversight that is in place and who is carrying it out? I am quite concerned by reports of really wasteful practices. I hear of works being done, dug up and done again, which suggests very poor site management. This may well be limited to a part of the site, but we are certainly hearing about it. There is also an issue around subcontractors. It will be important to hear from them. Is there a mechanism that will allow issues of concern to be brought to the HSE's attention?

Mr. Jim Breslin: The National Paediatric Hospital Development Board has contracted for the project. It has a team in place. Part of the design team is also monitoring the site. Everything has to go through an employer's representative from the main contractor. There is certainly monitoring and surveillance, but if people are aware of issues I encourage them to contact the board. Issues should already be identified by the board through its presence on the site. However, if a taxpayer or a member of the public wonders why something is being done or thinks it does not look right, he or she should contact the National Paediatric Hospital Development Board, ask if it is aware of the issue and ask what it is doing about it. I would encourage that. If Deputies have any concerns, I will be very happy to pass the information on.

Deputy Catherine Murphy: To simplify, do the representatives on the site act like a clerk of works? Is it that kind of arrangement? They should see any problems themselves.

Mr. Jim Breslin: Very much so. On foot of the mobilisation for this phase of the project, the resources on site on the purchaser's side were increased substantially. This was done to make sure that as the works got underway, enough people were monitoring the site on a daily basis. They are present full time rather than visiting the site. Matters would come to their attention and they would address them speedily. That is important because, although a large amount of risk has transferred to the contractor, there is always a tendency for a contractor to lodge a claim. Therefore, a proactive approach that sees an issue and addresses it with the contractor before it reaches that point is much preferable to leaving things and hoping they will not arise in the future.

I am very happy to take any particular information and pass it on. I will certainly be raising

it with the development board, in light of what the Deputy has said, so they can be fully satisfied they have enough procedure in place to identify issues, and also have procedure so that, if there are people who have an interest in it and want to raise issues, they are able to do that.

Deputy Catherine Murphy: People are sometimes afraid to raise issues because they may feel it would work to their disadvantage. It cannot be that kind of culture and they have to be assured it will not be that kind of culture if they come forward. People will not come forward if they feel they may not get any more work on the site, and so on. Goodwill can be ruined by not having that kind of culture, so it is very important that is the case.

Mr. Jim Breslin: I totally agree. It should be the culture not just on the development board but on the part of the contractor that if somebody suggests something that could be improved upon, that would be part of a collective effort to bring this project to a conclusion on time and on budget. I absolutely agree with the Deputy on that.

Deputy Marc MacSharry: I have several questions on section 38 agencies. If this was substantially covered while I was not present, the Chairman might tell me because I do not want to go over ground that has been covered. The majority of section 38 agencies were non-compliant or not fully compliant with public procurement. What are we doing about that?

Mr. Joe Ryan: The review identified that almost all of the section 38s reviewed would not have been compliant. The framework we have in place now, where they make a return each year with their compliance statements, requires the boards of these organisations to review their procurement practices and make a declaration in that regard. It is quite a binary test, in other words, one is either compliant or non-compliant, and there is no such thing as being substantially compliant. This means the numbers in terms of compliance are quite low. However, in monitoring the compliance from the point at which we did the review, we believe there have been significant improvements, first, in terms of the boards' own awareness of public procurement rules and understanding of what the obligations are in terms of spending public money, and, second, the control systems they are putting in place.

In terms of what HSE is doing about it, our own HBS, or health business services, procurement service is engaging with all of the section 38s affected, and it is running seminars and training sessions with them in terms of bringing their staff up to speed around procurement. We have also made available to them the PAS procurement system, which shows all of the contracts that are in place for both the HSE and the Office of Government Procurement around the kind of goods and services they procure.

While the numbers look quite startling and most would be non-compliant, we believe they are on a journey towards being compliant. Indicative of that would be that the number of organisations that have declared themselves compliant since the review has gone down, and they are saying they are non-compliant. While that might seem perverse, it is simply becasue they have a heightened awareness of what it means to be compliant or not. We think that is a journey towards actually improving over time. As we establish the contract management support units, CMSUs, that will assist them in this regard.

Deputy Marc MacSharry: I love the language. It sounds like addiction recovery: "We are on a journey". Anyway, we will watch this space. For people watching, a section 38 agency is basically a privately owned, independent operator that is contracted by the HSE to carry out services. Is that it, in layman's terms?

Mr. Joe Ryan: No, a section 38 would have been typically known to be a voluntary organisation.

Deputy Marc MacSharry: It is voluntary, such as an NGO. It is a voluntary organisation and the HSE contracts it to do a particular job, pays it to do that job and assesses its performance on that.

Mr. Joe Ryan: Yes, it can range from running a very large hospital to-----

Deputy Marc MacSharry: Name a hospital.

Mr. Joe Ryan: St. Vincent's.

Deputy Marc MacSharry: There is also Rehab.

Mr. Joe Ryan: There is the National Rehabilitation Hospital, and Peamount is another.

Deputy Marc MacSharry: With regard to the procurement that the Comptroller and Auditor General refers to in the context of the €2.2 billion, which is based on the sample, is that different altogether?

Mr. Joe Ryan: That is the HSE.

Deputy Marc MacSharry: That is HSE non-compliance. That is a sample that suggests we are possibly not getting value for money on €600 million worth, if the sample is indicative. Is that correct?

Mr. Seamus McCarthy: It is not compliant with the guidelines. There is no definitive conclusion as to whether it is value for money or not. What one would expect is that a competitive process should give the best value.

Deputy Marc MacSharry: Is there any analysis? I know that, sometimes, something is needed immediately and it is perhaps not possible to tender. Is any analysis done of the companies where procurement is not being met or there are not proper tendering processes in regard to conflicts of interest? Has any analysis been done of those operators who are doing work or service providers or wholesalers where, for example, a HSE employee may have ownership or have shares in the company, or be an honorary executive director, and that kind of thing?

Mr. Paul Reid: To put the report in context, it looked at a whole range of areas concerning section 38s, such as procurement, governance, related companies and the terms of the people on the board. There is a whole range of issues across all of the section 38s, and individual reports and then a composite report were done. This demonstrated a whole range of areas where there is compliance and non-compliance with what would be good practice. Following that, they have all come back through our teams to set out their action plans against each of those areas.

Deputy Marc MacSharry: I get that. On the potential for conflicts of interest, while I appreciate there is no evidence, do we look for that?

Mr. Stephen Mulvany: Is the Deputy referring to the HSE's statutory procurement or the grants?

Deputy Marc MacSharry: Statutory, in this instance, because that is what I had moved to. It is more the Comptroller and Auditor General's role as opposed to the section 38s.

Mr. Stephen Mulvany: In terms of the statutory procurement, I have no evidence of any issues around that.

Deputy Marc MacSharry: While I appreciate there is no evidence, is there a mechanism that we search?

Mr. Paul Reid: There is internal audit.

Deputy Marc MacSharry: It is purely a function of internal audit.

Mr. Paul Reid: Internal audit would be one process where we would look through not just procurement but a range of issues.

Deputy Marc MacSharry: Does the role of the Comptroller and Auditor General focus on the sample in any way, for example, who owns the company or who are the directors?

Mr. Seamus McCarthy: No, we would not go that far.

Deputy Marc MacSharry: I am not saying any of this is happening but, obviously, if there was a contract for €244,000 for contract cleaning, which is the figure for the Department of Health, to give an example, and I own the company and I am also at level 7 in the HSE, there would be a conflict of interest.

Mr. Stephen Mulvany: Potentially. The more we get to compliance in procurement, the more the procurement process itself will bring out elements in regard to whether we have such conflicts. I accept it will not bring out all elements. However, I have no current information to tell me there is an issue, although we can never say there is none.

Deputy Marc MacSharry: I know we can never say never. However, if it is a journey we are on in regard to the section 38s, the HSE too seems to be on a journey in terms of righting the wrongs. It needs to have a mechanism to ensure that, where a service, product or otherwise is being provided at the best possible value for money, there is no internal ownership that would leave a grubby complexion. As part of the journey we are on, we need to come up with a mechanism to ensure people declare that and to ensure it is known, so the process is above reproach.

Mr. Stephen Mulvany: Absolutely. Totally aside from public procurement, our internal policies would require that. The key issue is that the individual would not be part of any decision making around the company. It is quite possible with an employer of our size that we will have staff who have relatives in various suppliers.

Deputy Marc MacSharry: I am not talking about relatives. The country is too small and everybody has a first cousin working somewhere. I am talking about situations where they might not have direct responsibility but they might have worked alongside the person in the health service who does have direct responsibility for 30 years and as no procurement process is being followed, therefore a company can be asked to do something on the basis that it is a good company. I know Mr. Mulvany is not able to answer the question and that there is no evidence to suggest wrongdoing but as part of the journey we are on, there will need to be a mechanism whereby that sort of thing would not be allowed or in circumstances where there is only one provider that it would have to be declared so that the arrangement would be above reproach and that there is value for money.

Mr. Stephen Mulvany: I agree with the Deputy. What I was trying to say is that we do have policies and procedures around that. For example, the ethics in public office procedures apply.

Deputy Marc MacSharry: The only thing I would say about that-----

Mr. Stephen Mulvany: If I could finish, they require all our grade 8s and above to sign an annual statement to declare conflicts of interest.

Deputy Marc MacSharry: Funnily enough, I said level 7. It does not necessarily have to be a level 8. The Garda Commissioner, Mr. Drew Harris, was before another committee last night and it is a bit like him saying that we have all the laws in place, and there is no need for a police force. Obviously, in practice, that does not work so I think we need something a little bit more robust than there being a policy and therefore nobody is breaking it. I suggest that as part of what is a difficult journey with such a large organisation. It is coming up all the time that it might be embraced.

I will focus on local issues for a moment, as something came up locally which highlighted something that could be potentially worrying. Is there a section 38 organisation called Inspire Wellbeing, or is it a section 39 organisation?

Mr. Paul Reid: It is a section 39.

Deputy Marc MacSharry: Anecdotally, the case related to a particular constituent who was moved from a residential setting to a community setting. The person had a particular need and was moved to a different part of the country. The family is not happy with the location in which the person is housed and has been to'ing and fro'ing with the HSE to get that solved. I made an inquiry and got a nice response back from the general manager of disability services in the relevant area. It was suggested to me that the individual, who is a single person, was being held in Mulroy Park, Carrigart, County Donegal. The matter was subject to a court case lately on foot of an attempt to have the person relocated to the person's home county to be near the family. It was suggested to me that the rent being paid for the property in Carrigart, County Donegal was €600,000 per annum. I made the person repeat it about 50 times to me because as a former auctioneer it struck me as being on the scale of the Miesian Plaza as opposed to Carrigart, County Donegal. The response that came back was that the HSE does not rent the property, as referenced by me. It went on to say that it had sourced Inspire Wellbeing. What I would like to know is whether it is the case that we are resourcing a section 39 organisation to the extent that it can afford to pay rent of €600,000 per year to look after one person, or is the information false?

Mr. Stephen Mulvany: I do not know. I can confirm that in 2018 we funded an organisation called Inspire Wellbeing. I will follow up the matter with Deputy MacSharry if he wants to share the detail with us. Perhaps my colleagues have some information on it.

Deputy Marc MacSharry: I was in contact with the general manager of disability services in CH01. I do not wish to mention names, although I have permission from the relevant people whom I have not identified, so should they be identified I am covered. Perhaps Mr. Mulvany could check with the general manager of disability services in CH01. I specifically asked about the case. I accept the information I received was anecdotal. How could it possibly be true that we would be associated with paying €600,000 a year, albeit for a specialist property or whatever it is, but it would be nowhere near that level?

Mr. Stephen Mulvany: I can tell the Deputy, fairly certainly, that we would not be paying a rent for a property for a single client at a cost of €600,000. I do not know whether the sum is for a building or the entire fee for looking after a client, but that is a different discussion.

Deputy Marc MacSharry: I agree. I do not want to be sensationalist but the response I got was just a little bit silent in the sense that it said we are not renting the property and we engage X company to look after this person. If the specific needs demand such a high amount of money then so be it, but it was communicated to me that an obscene rent was being paid for the property and that the taxpayer was funding it, perhaps through the section 39 organisation. If we are, we are crazy, because on a ten-year lease that is €6 million and I am sure we could build ten facilities that we would own.

Mr. Jim Breslin: The screen shows that in the accounts Inspire Wellbeing got €545,000 in total in 2018.

Deputy Marc MacSharry: Right, okay.

Ms Anne O'Connor: It could be funded from other places. Section 39 organisations can have multiple funders and we could be just a part funder. They can have charitable status as well.

Deputy Marc MacSharry: I am sure they do. I am sure the company is above reproach. Perhaps I have been given false information. I just wanted to get clarification. It would not have arisen back that far. This happened in 2018 or even in early 2019. I will give the witnesses a copy of the response from their colleague and they can come back to me with a more detailed note because it would be a worry if that were the case.

I have one other question which, again, is a bit local. It is about infrastructure. As the witnesses are aware, in the north-west area the Daughters of Wisdom built Cregg House in 1965 and provide care to those with severe to profound intellectual disability. They carried out a tremendous service over the years. More recently, it evolved into the HSE providing the service and the HSE agreed to lease the property until 2020. Cregg House is now for sale on the open market for what I consider to be a very modest guide price, which is not to say that it could not go much higher, depending on what the open market dictates. From local knowledge and having been an auctioneer and valuer, for the HSE to replicate what is on that site would cost between €25 million and €50 million. I do not expect the HSE to declare an interest to all the other competitors who may perhaps be interested in buying this property but from a common-sense perspective the HSE nationally should examine future needs. We are de-segregating residential settings to community settings but from my experience in the constituency one size does not fit all. Some people still need a campus setting. I would hate the HSE and the State to lose the opportunity to buy something which would cost infinitely more if it was seeking to provide it. I do not expect the HSE witnesses to put anything on the record today but perhaps somebody would come back to me in private or at another time and give an indication to me one way or another.

Mr. Jim Breslin: It is a beautiful site and a beautiful part of the world.

Deputy Marc MacSharry: To be frank, if it is not bought by a section 39 organisation, a charity, the HSE or a service provider, Mr. Breslin can chalk it down that it will be bought by a housing developer that will want to capitalise on the Rosses Point view. My interest is in the care of the people and this piece of infrastructure, while it is not perfect and perhaps needs work, at the guide price, plus whatever adjustments the HSE might want to make to bring it up to new standards, would be nothing compared to going to a greenfield site to build a facility. I ask the witnesses to take that on board. I thank the witnesses. I wish Mr. Reid in particular the best of luck. I look forward to seeing him again.

Mr. Paul Reid: I thank Deputy MacSharry.

Deputy Bobby Aylward: I am sorry for being late. I will probably repeat some of the questions that have been asked.

Chairman: I will pull up the Deputy if there is repetition.

Deputy Bobby Aylward: Yes. I had other business in the Chamber and that is the reason I had to leave. I welcome the witnesses. I will not repeat what has been said. I know the overrun was discussed this morning and the witnesses answered questions on it. I read in the newspapers yesterday that the overrun to date for the first six months of this year is €64 million. What do the witnesses envisage will happen before the end of the year? Will we have another €64 million of an overrun for the second half of the year, which would amount of €120 million? We know what happened last year and in the previous year when supplementary budgets had to be introduced during the year to keep the show on the road, as it were. I wanted to ask that question first, even though I am repeating questions that have been asked. I want to know whether the primary care services and care of the elderly will be affected by the overrun. When will the HSE get its show in order and get the moneys which they are allocated, live within that, and still provide the services?

Mr. Paul Reid: The report which we just published was for quarter 1, which is an €82 million overrun, which with further charges included is just over €100 million for the quarter. I have set out our approach for the rest of the year. Our commitment is to aim to deliver the service plan and all commitments within it to our budget which is allocated. That is under pressure after our first quarter in terms of what the outturn may be.

Deputy Bobby Aylward: Why is it under pressure? Where is the wastage or overrun? From where is the pressure coming that there is this €64 million of an overrun.

Mr. Paul Reid: It was much more than €64 million last year, it was €640 million. The Deputy can put another zero on that figure.

On where the pressure has been in the first quarter, the breakdown is between the acute hospitals which have had significant pressures on them, and their service pressures are increased on last year and there are community pressures, with significant demands on home support packages, and step-down services.

On the specific question of what will happen for the rest of the year, as we outlined this morning, we are setting out for all the senior budget holders - managers in the acute hospitals and in the community organisation - a month by month profile for the rest of the year that aims to bring them in on target. That is the process that we are undertaking. We are saying that we cannot sustain the level of overrun which happened last year, I agree with the Deputy. This quarter, or the first four months even, is better than last year, but there is still an overrun and it is not something we can sustain for the rest of the year.

Deputy Bobby Aylward: Can the HSE guarantee that from here to the end of December that spending will come in on budget and the Dáil will not have to bring in a supplementary budget to keep the show on the road and maintain the necessary services, without adversely affecting services?

Mr. Paul Reid: I would love to give the Deputy a guarantee but what I can give is a commitment that that is the focus we have put on in the last few weeks. There was a challenge earlier

about continuing to meet the service demands and the pressures on us but our commitment is to deliver the service plan that has been committed to, both to our acute hospitals and community services, and live within our budget. That is why we are looking ahead, month by month, at actual spend limits by each hospital manager, group and community organisation. That is the process we have in place. If there are certain service demands or pressures above and beyond that - such as current homecare packages where we have demands that are above and beyond even the extra budget we received last year - we are holding to our budget and our commitment that almost 17.5 million hours have been committed, to over 53,000 people for homecare packages; we aim to live within that budget. There are another 6,500 people who are currently looking for enhanced packages, that is extra hours, or new homecare packages but we are aiming to hold it within the budget we have to meet those difficult service pressures.

Deputy Bobby Aylward: The Department of Health is one of the most expensive Departments along with that of Employment Affairs and Social Protection. I think our spend per person is way up there compared with other OECD countries, but are we getting the value for money for the amount invested? Every year it increases by millions yet there seems to be no improvement of services, and there are still waiting lists. One would imagine that when one allocates millions extra every year it would relieve the pressure, not add to it, yet more money is spent and there is less progress and less value for money.

Mr. Paul Reid: I understand the Deputy's challenge. The HSE has had continual extra allocations of budget and we are still under the service pressures that we have been under for several years. If we stand back from that, if we keep putting more money into the current way we deliver the services we will keep getting the same answer.

Deputy Bobby Aylward: That is the real answer. It is more money for the same level of service. Why is this happening? Where is the waste? If the HSE gets money, it should give value for it, and the waiting lists should be shortened and so on. We do not seem to be getting there. It is more money for the same service or less, rather than an improvement. There must be a reason for this.

Mr. Jim Breslin: The challenge is to get a better interaction and better working processes between our acute hospitals and our community organisations. Currently, we have very stretched acute hospitals, emergency departments and waiting lists, and the community services are also stretched. The Sláintecare process and the strategy and vision it sets out is to have much more integrated care, so it reduces pressure on the acute side and increases capacity on the community side. One challenge that I have set out with the team is to hold our budget for this year; aim to use the better funds we have more wisely; examine any activities or services that do not add value to the front line and stop them and ensure that the money is going to the front line where we need it while separately working with our colleagues in the Department and the Government; and laying out the requirement for investment, which Sláintecare sets out, but with a new and different way of delivering services.

Deputy Bobby Aylward: No matter where in the country, whether in Kilkenny or elsewhere, every hospital is short of personnel, whether it be doctors or otherwise. We are trying to recruit more. That will all cost more money. Doctors and GPs are becoming more scarce around the country. We are trying to attract them but there are parishes which would normally have one, two or three doctors, or a primary care centre that do not have any. How will we pay all these extra staff and live within the budget? How can the HSE marry those two things?

Mr. Jim Breslin: It is very difficult. In the first quarter, we recruited more than 1,100

people. We were running at just less than 400 per month over the first three months of the year. A lot of recruitment is taking place in the organisation.

Deputy Bobby Aylward: If the HSE had a full complement of personnel, and it probably never does, what would be additional cost? Is the figure known for what it would cost if every hospital had the doctors, nurses and health professionals that it needed?

Mr. Jim Breslin: The Sláintecare report did work on bed capacity and what is needed over the next ten years, and so on, providing we do certain things. That determines the numbers of personnel. During the economic difficulties and downturn there was no room for recruitment. We are playing catch up, particularly in some hospitals and community organisations, which is required. We cannot keep recruiting at the current level. This year's budget allows for certain recruitment of staff. We have not put an embargo in place, we have said that people and areas will continually recruit once the budget is available and once it is an approved position within the service plan. We need to focus purely on those positions and ensure that we do not recruit in other areas which do not have the budget.

Deputy Bobby Aylward: Then there is the old chestnut of the children's hospital overrun and the effect it has elsewhere. I could name maybe ten projects in the Kilkenny area, alone, including a project in St. Columba's hospital which is supposed to come on stream in 2021, and a primary care centre in Thomastown. What will be the effect? No one can tells us. The Minister could not tell the Dáil today what would or would not be affected in plans for health. Something has to suffer. Something must be thrown out. If there will be a €0.5 billion overrun something will have to be removed from Project 2040. Who decides what will be removed and who will suffer because of the overrun in the children's hospital?

Mr. Jim Breslin: The HSE's capital plan is quite significant. It is about €640 million. A large proportion, approximately 75%, of that is contractually committed so there is a very reduced flexibility after that. Our second challenge is the national children's hospital, as the Deputy just mentioned, and the impact that has had on the overall national capital budget and the implication that has for the HSE. The discussion that the HSE and the Department have had has been about what level of funding would be required from the HSE to support the extra investment needed in the children's hospital and what implications that will have on the HSE's capital budget.

Deputy Bobby Aylward: When will that information be available?

Mr. Paul Reid: That process is ongoing. We see hope in the Government's summer economic statement because it sets out a reserve for the national broadband plan and the national children's hospital. That would give us a better way to reduce the impact on the HSE's budget. We are engaged with the Department about that process and we expect an outcome from that----

Deputy Bobby Aylward: Will it be before the summer recess, which is just a couple of weeks away?

Mr. Paul Reid: Our intention as officials is to get it to that point. It is a decision for Government.

Deputy Bobby Aylward: Being from the south east, I want to ask about the 24-7 cardiac service in Waterford University Hospital, the morgue and the publicity it got. What is the situation with both? Being local, when the witnesses are in front of me, I have to ask these questions.

Mr. Jim Breslin: A national review of cardiac services is under way. That will look at our current map of services and see what is sustainable going forward. We will not make any decisions in advance of that on changing current service provision. Parallel to that, the second catheterisation laboratory in Waterford has been approved and is already under way.

Deputy Bobby Aylward: Has it already been commissioned?

Mr. Jim Breslin: It is under way and approval has been issued for it. That would perform scheduled care.

Deputy Bobby Aylward: What is the timeframe for that?

Mr. Jim Breslin: I can get the Deputy an update on that. Colleagues may have it. I am told 18 months.

Deputy Bobby Aylward: What about the morgue? I know that progress has been made there since the bad publicity. Politicians all knew that it was bad. What is the process there?

Mr. Paul Reid: I accept the issue there. I went there on my second day in the HSE and met one of the pathologists and some of the staff.

Deputy Bobby Aylward: They were not believed in the beginning when they made their complaints.

Mr. Paul Reid: When I met them, I think there was good dialogue. Thankfully the capital plan of €5.6 million is committed now. A tendering and procurement process has commenced and selection of tenders will follow that to start there, hopefully before the end of this year.

Deputy Bobby Aylward: Is that a new build?

Mr. Paul Reid: That is a new build.

Deputy Bobby Aylward: When will that be built?

Mr. Paul Reid: I think it is 2021. I can come back to the Deputy about it. He is familiar with the remediation done, the extra refrigeration units that have gone in and the ventilation. I will provide a timescale for the build.

Deputy Bobby Aylward: With regard to the fair deal scheme for business people and farmers, being a farmer myself, what kind of costs are implemented? There is a 7.5% property charge for three years. That will be the same as it was heretofore for everyone else. Will that be rolled out? Is it being done retrospectively? What kind of costs will it involve, especially for the farming community? How will the fair deal scheme work over the three years at 7.5%? Will it be implemented straight away?

Ms Anne O'Connor: The first step in Waterford is that we have a review under way. A five person review team is carrying out a review and will make recommendations. We have the refrigeration units installed but we are awaiting the review which will be in September.

Mr. Paul Reid: Some €5.67 million of capital is there.

Deputy Bobby Aylward: Is that ring-fenced?

Mr. Paul Reid: Construction is expected to be completed in quarter 1 of 2021.

Deputy Bobby Aylward: Is it ring-fenced?

Mr. Paul Reid: Some €5.7 million is committed, ring-fenced and dedicated.

Deputy Bobby Aylward: Will the witnesses address the fair deal scheme?

Mr. Jim Breslin: The Government signed off on the heads of a Bill relating to the fair deal scheme and the Minister of State, Deputy Jim Daly, intends to bring that through the House this year if the House facilitates it. We would implement it in the current year. It will apply to people who are already in nursing homes.

Deputy Bobby Aylward: If they have been there for more than three years, they will qualify-----

Mr. Jim Breslin: It will apply to everybody in a nursing home with effect from the date of commencement.

Deputy Bobby Aylward: Will the three years that they have been in one for be recognised?

Mr. Jim Breslin: Yes, but it will not go backwards and pay people back-----

Deputy Bobby Aylward: I understand that they will not pay it back but the time that they are in hospital will be taken into consideration. What kind of costs will there be? Have the witnesses worked out the costs?

Mr. Jim Breslin: We have worked out the full costs. I do not have a figure. It is in the low millions, maybe double-figure low millions.

Chairman: How are the witnesses getting on with the-----

Mr. Jim Breslin: That will play out over time. It will build up over three years to a maximum cost. In 2019, it will be modest enough.

Deputy Bobby Aylward: The 7.5% for the three years will be based on the valuation of the land, home and earnings coming from that.

Mr. Jim Breslin: I am open to correction on this but I think the 7.5% relates to the asset.

Chairman: Not the income.

Deputy Bobby Aylward: Income is excluded.

Chairman: No, it is 100% included.

Deputy Bobby Aylward: Sorry, it is included.

Mr. Jim Breslin: The income is assessed in a different way. The asset is subject to 7.5%. Up to now, if a farmer has a homestead, the homestead has been exempt but the remainder of the farm is not. This will allow, subject to conditions that the farm has to be handed on and farmed, for the 7.5% to apply in that situation. The income will be assessed differently. If one has a different source of income, such as rental properties-----

Deputy Bobby Aylward: Is it for the house too?

Mr. Jim Breslin: The house is already subject to it. The current relief for the home for

farmers will be extended more widely.

Deputy Bobby Aylward: Will a businessperson-----

Mr. Jim Breslin: A small businessperson could apply too, subject to thresholds and conditions. The benefit from the sale-----

Deputy Bobby Aylward: Will the business be assessed?

Mr. Jim Breslin: Yes.

Deputy Bobby Aylward: I am just wondering how it will be rolled out.

Mr. Jim Breslin: All of that is provided for in the legislation which will come before the House.

Chairman: I have a few questions as Chairman. An issue was highlighted by the Comptroller and Auditor General a couple of weeks ago about the consultant contract settlement, which he noted in his audit report, and I thank the witnesses for attending this meeting, which has been moved forward, to address it. The witnesses have dealt with the Department's perspective on it. How many consultants were involved in this court case? I think there were approximately 2,000.

Mr. Jim Breslin: It was a court case where ten lead cases were nominated but it was always understood that we would stand or fall on the success of that.

Chairman: They were test cases. Rather than those ten, how many submitted claims?

Mr. Jim Breslin: I will see if I have the information. It ran into hundreds and there were more waiting to move.

Chairman: I ask Mr. Breslin to send us a note on it. I know it applies to all of them. I believe that because the 2008 contract was not being implemented and court cases were being taken, not all consultants who were involved signed up to the court cases. Where do they stand in this settlement?

Mr. Jim Breslin: I know the Chairman asked a parliamentary question on this. Those who signed up to the 2008 contract will benefit from the settlement agreement regardless of whether they had lodged a court action or not. In equity, we would have to treat everybody similarly. I read the Chairman's parliamentary question.

Chairman: I submitted it as a result of this.

Mr. Jim Breslin: There is a different question about consultants who did not sign up to the 2008 contract. They have not worked under the 2008 contract. They cannot avail of the terms of the settlement. If somebody who is still on the 1997 contract wants to move on to the 2008 contract, there is a procedure where that person applies to the HSE for a contract change, which is assessed and can be done.

Chairman: I am talking that through because I think a number of consultants in that case will be coming onto the new pay rates under the 2008 contracts. Given that they are pre-2008 consultants, they are some of the most experienced consultants in some of the hospitals. They took the view that the 2008 agreement was not being honoured and so they did not sign up to it. Now that it is being honoured, at what point do they come in? We might have to get more

detailed information from the witnesses. I have seen charts and schedules, and I see about 95 types of pay rate, depending on the three contract types and where someone is in their progression. It is highly confusing. Some consultants have made the case that older, more experienced people, who had not previously signed up to the 2008 agreement, who effectively interviewed and hired some of the newer ones, and are more senior in the hospital, are going to end up on a lower pay rate because they are only signing up to the 2008 agreement now.

Mr. Jim Breslin: Two things-----

Chairman: Does Mr. Breslin get the point I am making?

Mr. Jim Breslin: I do, and I think it will be tested. The HSE will have to look at some of the applications and see how they do this. Those consultants did not sign up to the 2008 contract even before this issue arose. They chose not to move on to that contract in 2008 when it was expected that there would be increases. The question now arises of how they would be treated if they were to move across to the new contract. The HSE would have to look at that and first decide if it will agree to the contract change. The likelihood is, if someone wanted to move on to a 2008 contract, so long as it is equivalent and they are not moving from no private practice to private practice, the HSE would probably look favourably on it. It would then have to determine, based on the circumstances of that individual, where is an appropriate point for them to be placed. To my knowledge, that has not happened yet.

Chairman: That was the essence of my parliamentary question.

Mr. Jim Breslin: The reply given to the Chairman's parliamentary question explained the application procedure and stated that once that has been tested, the HSE will look at it and come back with an answer. I cannot give the Chairman an answer until somebody goes through that process.

Chairman: Some of the more experience consultants, who did not sign up to this, have the pay rates for signing on to the 2008 agreement now at this stage, and they feel they are going to be disadvantaged.

Mr. Jim Breslin: I think it is worth-----

Chairman: I am talking about the fairness of it.

Mr. Jim Breslin: -----their making an application and assessing-----

Chairman: They are not looking to gain an exorbitant salary, but they feel they are much more experienced than those who came after them, who did sign up and are now on a much higher salary with less responsibility.

Mr. Jim Breslin: There are about 330 people left on the old 1997 contract, and there is no real interest on the HSE's part in keeping people on that. We want to use the modern contract. We are looking at it and seeing what can be facilitated on both sides but, ultimately, the decision will come down to the individual circumstances.

Chairman: Can the witnesses send the committee a note on the details of the contract? They may know it off by heart, but for the people here who are not from the HSE or the Department of Health, it is hard to keep up with it all. I ask him to send us an information note on it. There are pre-2008 contracts as well, which are working their way out of the system, but give I ask for an explanatory note on those as well. Mr. Breslin has said that some contracts are dif-

ferent, in that some have no private practice, some have private practice on site, and some have it off site, so I would like more information on the different contracts.

Mr. Seamus McCarthy: It was in the report, but perhaps the committee needs more detail on it.

Chairman: There is a table in the report but it is hard to follow.

Mr. Jim Breslin: We could make it simpler, but it would be wrong if it were simpler than that.

Chairman: That court case came up in May and was running for quite a few years. I do not have a copy of the directive the Minister issued, so I ask the witnesses to send one. We know the outcome of the directive, though I do not know its format. When was the last new directive like this issued, prior to this? There have been directives about pensions and State claims which are ongoing, but when was the most recent new directive?

Mr. Jim Breslin: I do not know off the top of my head but I think it was around assets and PPEs, perhaps in 2017.

Chairman: I ask the witnesses to send the committee more information on the previous directive so we can better understand this one. It is the law and the health Acts allow this, but the Comptroller and Auditor General would not have highlighted if he did not feel it merited highlighting. Changing the deficit from the year from €283 million down to €86 million is a very substantial change in the bottom line for the year's activities. It might not seem big in the context of the €15 billion health budget, but is significant when we look at the bottom line and the surplus. That is why people would be concerned about that, so I ask the witnesses to send us the note on both those things.

I will move on to the State Claims Agency and I will work from some of the accounts in front of us. There is a short note there on page nine. First, the National Treasury Management Agency will be appearing before this committee next week, and a large part of that meeting will focus on the State Claims Agency and medical negligence. We need the most senior people from the witnesses' sides, whoever they are, to be here for that. I am talking to the HSE and the Department today, and to the NTMA next week, because we feel the demarcation lines are part of the problem, in that they make it nobody's problem. The Department sends things off to the HSE and what comes back is nothing to do with it and is outside its control. The State Claims Agency is trying to gather information, but is not on the front line where the accidents are occurring, so those boundaries are not ultimately helpful. Because the HSE passes it over there is not enough ownership of the problem. It receives a bill every so often and sends the State Claims Agency a cheque for a few hundred million euro each year. I know that does come out of the HSE's budget, but the HSE might feel the pain of the payments more if they were being managed internally to a greater extent. There has not been enough learning here. We are asking this now, because the meeting next week would not be useful without the HSE's liaison people with the State Claims Agency. I will leave that to the witnesses, but we want to gave a productive meeting. We started our work on the State Claims Agency a year ago, and we said we would come back to it after its financial statements, which we will have next week. We want to look at the State Claims Agency and medical negligence is the biggest element of that, and that comes under the witnesses' Department, so I am flagging that.

The HSE's accounts show that the outstanding balance for medical negligence is €2.792

billion, which is a phenomenal amount. During the year, the HSE paid out €318 million. What was the value of the new claims that came in? I know the State Claims Agency makes its judgment on how much cases are going to be worth, and in the HSE's accounts it only shows what was paid out, but there is no reference to that figure. Who knows that figure?

Mr. Stephen Mulvany: What figure?

Chairman: The accounts show the charge to the statement of revenue and income and expenditure was €318.7 million in 2018. That is what was booked out, but what was the value of the claims received during the course of the year? I am worried because it is escalating year-on-year, and that is why we are looking at it. Do the witnesses know the value of the claims that came in, that brought the previous year's figure up to €2.792 billion, and allowing for the €318 million being paid out?

Mr. Stephen Mulvany: I do not have that figure with me.

Chairman: We will have to have that for next week.

Ms Mairéad Dolan: We would have to get that from the State Claims Agency directly. These data in note 11, collate what was physically settled and paid in the year on a pay-as-you-go basis, which is how this scheme operates. The €2.792 billion estimated contingent liability is based on the State Claims Agency's actuarial position at our statement of financial position date. That is a cumulative total based on if it became nuclear and we had to find the money, so that is the estimate of what we would potentially have to pay out. I can certainly go back and get that figure in order to determine what new claims would be included in that database.

Chairman: We will need that before next week. In other words, the HSE had a figure at the beginning of the year from the previous year's accounts, €318 million was paid out or settled. I do not know the value datum recorded on that, but it is gone out of the system, and new figures have come in giving a total of €2.79 billion, a figure is missing there.

Mr. Jim Breslin: What is presumably happening is that the existing claims may be revalued as well, so we need to segregate it.

Mr. Seamus McCarthy: That was certainly a factor in the 2017 financial statements. There was a change in assumptions around the interest rate and that had a significant impact. I am not sure what the split would be between changes of valuation and the value put on new claims.

Chairman: It is the State Claims Agency's job to explain that to us next week, but we also need the HSE's input at that meeting so we can knit the information together. It re-emphasises the problem, if the State Claims Agency is here and the HSE is not.

Mr. Stephen Mulvany: There is a huge amount of interaction between us and the State Claims Agency around risk management. The agency acts as our risk management adviser. Separate to the issue of the budget, extensive work goes on around incident reporting and managing and trying to put in place models of care. It is a question of whether the budget is an extra motivator.

Chairman: The Committee of Public Accounts has two interests here. I say as much so that the HSE officials know where we are coming from. One is the cost of what is in front of us, but the real reason we are looking at it is to minimise risk in future. It is about learning about and minimising risk and risk control. We need both.

Mr. Stephen Mulvany: I agree with you, Chairman. That is a major concern for us.

Chairman: There is no point in looking at the figures if we are not going to learn anything.

Mr. Stephen Mulvany: Obviously, we check periodically with the State Claims Agency on the main reasons why reimbursements from us to the agency are increasing so much over the years. We are reassured that it is not because of our level of incidents or claims, especially catastrophic claims, is outside international norms. It is more to do with the overall claims profile and how the legal and insurance systems work as opposed to the risk aspect. We are highly focused on managing clinical incidents and clinical risk, aside from any question about the budget.

Chairman: Next week we will want to see the number of claims that came in during 2018 as against 2017 and 2016. I hope that will prove the point you are making, Mr. Mulvany. The Committee of Public Accounts cannot make a judgment without seeing the information. I think you are getting a feel for where we are coming at for next week. It could be useful work on the part of the Committee of Public Accounts. We have been at it slowly for some time. That is the position with the State Claims Agency.

How much does the agency ask for? How much does the HSE provide for in the year? A letter was released recently under a freedom of information request to the HSE. The letter was to Ms O'Connor from Greg Dempsey of the Department of Health on the 2019 HSE national service plan. It was dated 20 December 2018. This is presumably on the website - I got a copy of it there. The letter refers to amendments to the service plan that the Department has requested the HSE to make. The first point was that the Department requested that the funding for the State Claims Agency be reduced by €20 million while the nursing home support scheme and the fair deal scheme would be increased by the same amount. Can someone from the Department of Health explain why the Department asked that question, given that we know the cost of claims are going up every year? I came here years ago and we were at €1.5 billion. The figure has been going up by several hundred million euro every year. The figure is now almost €3 billion. Why would the Department issue a letter on that basis? The heading refers to amendments required in advance of formal approval of the national service plan 2019. I have given the date. The letter was released under the freedom of information process. It is a public document. The letter requested that the funding for the State Claims Agency be reduced by €20 million when in fact the Department knows that payments are going in the opposite direction. The idea was to put an extra €20 million into the fair deal scheme. Can the Department officials explain the thinking behind that?

Mr. Jim Breslin: Perhaps we can give you a note on that, Chairman. I do not have the figure to hand but there has been a substantial increase-----

Chairman: The figure is €340 million.

Mr. Jim Breslin: There is a substantial increase in this year's budget for the State Claims Agency, even after that adjustment. One thing we did as we got to the end of the year was look at how the State Claims Agency turned out at the end of the year. In doing that, it turned out a little better. We still boosted the figure by €40 million coming into this year. Actually, in the HSE year-to-date budget reporting - touch wood - we are not showing a deficit on the State Claims Agency. That is not to say that something sharp will not happen later.

Chairman: The expenditure is within profile. Is that right?

Mr. Jim Breslin: We are within profile. On balance we reckon we have it about right, based on the information we have now. I can show the committee the year-on-year increases. The service plan was finalised with a significant increase in the State Claims Agency.

Chairman: I am asking the Department and the HSE to liaise with the State Claims Agency. We want both organisations here to talk about this topic next week. That is the type of information we want. Some of the information is in the Department and some is in the State Claims Agency. In advance of the meeting next week we will have the full facts.

Mr. Jim Breslin: I have it here. The figure is €20 million. It went up from €320 million in 2018 to €340 million in 2019.

Chairman: That is good. We will tease it out in more detail next day.

Talk to me about the cross-border directive. How many claims were paid out in 2018? What was the value of what we paid out under the cross-border initiative?

Mr. Stephen Mulvany: I will have to get you the number of claims, Chairman.

Chairman: What is the ballpark figure? Have you any idea? I do not see it. It does not hop out from the accounts.

Mr. Stephen Mulvany: I do not have a number for the claims.

Chairman: Will you send that to the committee? The scheme has really taken off in recent years.

Mr. Stephen Mulvany: It has.

Chairman: Many people would say that it is a shame and that we should be able to do some of that work in our hospitals in our State. There is not one Deputy who does not recommend this to people. If a person needs a hip operation but is told that the waiting time is 18 months, he can go to Belfast and get it done in a shorter period. Why not? That is provided the person had the wherewithal or, more important, the wherewithal to go to the credit union, borrow the money, pay it back and then the HSE would issue the refund. It is getting increasingly popular from that point of view. Can we get that information?

Mr. Stephen Mulvany: We will get a picture. It is a source of pressure.

Deputy Bobby Aylward: Is that the National Treatment Purchase Fund?

Chairman: No, this is where people go up to the North to get teeth done or a hip operation. It is a different scheme.

Mr. Jim Breslin: It comes from the cross-border directive.

Chairman: Any citizen in the EU is entitled to medical treatment in another EU state. The home state reimburses the other state for doing the job.

Mr. Jim Breslin: I think we have the two together, Chairman. I will separate out the cross-border directive figures.

Chairman: Treatment abroad is a separate scheme. Please send it on as soon as you can.

We passed legislation in the Dáil earlier this year in the event of Brexit. How does it work

in that case? Is that scheme gone if Brexit occurs? What is the outcome for this scheme on 31 October if Brexit happens? It does not matter whether it is hard or soft or whether there is a deal or a no-deal scenario. If Brexit happens, how stands this scheme?

Mr. Jim Breslin: We have concluded an arrangement. We will put it in place in the event of a no-deal Brexit.

Chairman: I am not talking about no-deal. Go on.

Mr. Jim Breslin: We have it on stand-by. We had it on stand-by for the end of March. It involves a reciprocal healthcare arrangement. It is provided for in the legislation we have introduced through the Houses. There is a reciprocal health care arrangement between ourselves and the UK. This means the entitlements that people currently enjoy as a result of the UK being an EU member state will survive a no-deal Brexit. The reason is that we have a common travel area going back many years. We are going to be able to continue to have the flow of people, labour and tourists, between the jurisdictions. We have also built in provisions such that we have the ability to operate the cross-border directive. The UK has said that it will facilitate this. If people want to go to a hospital in Liverpool, then the Irish taxpayer can pay for it. I am uncertain whether the UK will want to reciprocate and send people to Ireland, but we will do it in that direction.

Chairman: It is happening between Belfast and Dublin for sick children with cardiac problems? Is that a different scheme?

Mr. Jim Breslin: That is completely separate. We have deeply embedded service level arrangements North and South. We have extensive North-South co-operation. We have people from the South getting radiotherapy in Altnagelvin. We have people from the South getting cardiac catheterisation in the laboratory in Altnagelvin. We have children from the North coming down to Crumlin for cardiac surgery. We will not let Brexit interfere with that one iota. The two Departments are firmly committed to it and all that co-operation will continue for evermore and will not be affected by Brexit.

Chairman: We will have a mutual agreement with them.

Mr. Jim Breslin: The arrangements are covered by service level agreements and are Brexit-proofed.

Chairman: That is important because some people might have been concerned that it could have happened. It has been covered in the stand-by legislation that we passed earlier in March. Is that correct?

Mr. Jim Breslin: Yes.

Chairman: That is important to know. It is no harm to get the figures on how many are involved in any event.

Mr. Jim Breslin: You are right, Chairman. I have seen the figures before. Most of the cross-border activity is going North rather than to the rest of Europe. That is the way it is at the moment.

Chairman: It is up and down. We are familiar with it.

Talk to me briefly about one thing that is totally confusing for every member of the public. I

am referring to the different regions the HSE operates. There are community healthcare organisation regions, hospital regions and hospital group regions. It is utterly confusing. It makes no sense. Who is going to do something about that? Does it matter?

Mr. Paul Reid: It does. It is not a model we would design the way it is, to state the obvious. There are six hospital groups plus the children's hospital group. Then there are nine community healthcare organisations. Sláintecare sets out a different path to have single integrated care organisations. As the Secretary General pointed out earlier, that is a process the Minister is working through in terms of bringing proposals or outlining proposals for Government. Only one area is aligned by hospital group and community group. That is not the way we want it for the future. If one hospital group is dealing with two or three community groups, it can be difficult. Notwithstanding that, there are good examples, as I said earlier, of the acute organisations working closely with community organisations at local level, which is where we see better impacts. However, the system we have is not how we would have designed it organisationally.

Chairman: Are there any immediate plans to change it?

Mr. Paul Reid: Ultimately, change will be achieved through the implementation of the Sláintecare plan. That is a medium-term objective.

Mr. Jim Breslin: We will set out a reform pathway over the next two to three years to achieve that change.

Chairman: Will the witnesses confirm that the opening deficit carried forward from the previous year is spread over the next year? There tends to be as assumption that the charge hits on 1 January but, as I understand it, it is spread out over the 12 months. It is absorbed over a period. There was reference to a first quarter opening deficit figure of €140 million or €150 million. Am I correct that the deficit for the previous year does not hit in the first quarter of the next year in the way one might assume?

Mr. Stephen Mulvany: We are seeking every year to deal with the deficit earlier than we did the year before. As well as dealing with part of it, we include provision for an estimate of it in the service plan. It has come out higher than that estimate this year, so we will reflect the full amount of it from the May accounts onwards.

Chairman: Is Mr. Mulvany saying it will all be absorbed by June?

Mr. Stephen Mulvany: No. It will be absorbed over the year, as the Chairman said, but we will have withdrawn it from budgets, and we will see that withdrawal tapering out over the rest of the year.

Chairman: There is an obvious question all Oireachtas Members will ask the witnesses, which concerns the Supplementary Estimate of €655 million for 2018. What would have happened to the delivery of health services if that additional funding had not been given? Is it the case that the provision of those services had been predicated heretofore on the assumption of receipt of a large Supplementary Estimate? Had we not received the corporation tax bonanza, the Oireachtas might not have been able to allocate those additional moneys. I agree with Mr. Reid that the HSE needs to live within its budget, though others might disagree, but I am wondering what would happen to the delivery of services if the executive were obliged to adhere to its Estimate. The silence from the witnesses suggests they might be thinking, "Perish the thought". That gives rise to the question of whether we are being presented with genuine Estimates and if there is always an expectation of a back door to additional funding. It is not good for the HSE

or the Department of Health to seek more money every year.

On a related matter, it came up in correspondence to the committee last week that the Department of Public Expenditure and Reform is now involved in a budgetary oversight group or committee. Is that the Cabinet sub-committee that issues quarterly reports or some other committee? We were going to write to the HSE to inquire what the new monitoring system referred to in the correspondence comprises. Will the witnesses clarify what is involved?

Ms Marie Mulvihill: Additional oversight arrangements were put in place for the health sector in January. One of these was the establishment of a new health budget oversight group, which is an official group that meets on a monthly basis. We also receive monthly financial management reports based on the Cabinet committee briefings. In addition, an arrangement is in place whereby the Department of Health gives a memorandum to Government on a quarterly basis outlining the financial management for the health sector. The budget oversight group is chaired at assistant secretary level by the Department of Public Expenditure and Reform and includes representatives from that Department, the Department of Health and the HSE. We have met five times so far and are due to meet again next week. The purpose of the group is to facilitate a timely flow of information and to act as an early warning mechanism. It was established in consequence of the provision of the Supplementary Estimate last year and the budgetary implications of that additional allocation.

Chairman: I thank Ms Mulvihill for the clarifications. As I said, we only heard about it last week. This committee submitted a recommendation previously that the Department of Public Expenditure and Reform should engage with the Departments that consistently have a pattern of requiring substantial Supplementary Estimates. The response we had from the Minister last week mentioned the oversight committee to which Ms Mulvihill referred. Will she provide the committee with a more detailed note on the full membership and so on?

Ms Marie Mulvihill: That is no problem.

Chairman: My next question might not be a fair one, but I ask that one of the witnesses answer it as well as he or she can. Ms Mulvihill said that the new oversight group will function as an early warning system to prevent shocks, which brings to mind what happened with the national children's hospital last autumn. I presume part of the group's remit relates to capital expenditure. When the escalating costs of the hospital project became apparent, somebody in the Department of Public Expenditure and Reform said, "Hang on, we cannot run our lives getting shocks like this every so often; we need our foot in there." Whoever that was did the right thing. We are always talking about the need for joined-up thinking in government. If the witnesses think there is a political innuendo in my question, they do not need to address that. My point is that in light of what happened with the national children's hospital last year and what happened with the Supplementary Estimates, I fully endorse the Department of Public Expenditure and Reform in doing that.

Ms Marie Mulvihill: The focus of the budget oversight group is current expenditure. However, reforms relating to capital expenditure were set out in the context of the establishment of the projects office within the Department of Public Expenditure and Reform. There is a project tracker, for example, and revisions to the spending code are to be introduced shortly. There are different monitoring arrangements for capital expenditure. The budget oversight group is concerned predominantly with current spending, with the focus on seeing where expenditure is versus allocations, seeking to realise the savings that underpin the national service plan, and monitoring staff and pay numbers.

Chairman: What percentage of the overall health Estimate is accounted for by capital spending? Is it 10% or thereabouts?

Mr. Jim Breslin: Of the almost €15 billion allocation, some €600 million is for capital expenditure.

Chairman: Given what has happened with some of the capital projects, it is important that they be incorporated, somewhere along the line, into the new review mechanism that is overseen by the Department of Public Expenditure and Reform. I am making that suggestion, to which we will return later. Will the witnesses send us a note setting out what they have said and elaborating on it? It is the first time this new mechanism has been described at an Oireachtas committee meeting. It is welcome and should be put on the record.

My next question relates to staff in section 38 and section 39 organisations. I understand the split across the sector is two thirds HSE staff to one third non-HSE staff. There is a figure in the documents of 76,000 employees at the end of 2018 and another figure of 41,000. If I am reading it right, there are 25,000 staff in voluntary sector acute services and 16,000 in non-acute services. Can the witnesses provide a breakdown among section 38 and 39 organisations, or are the latter included in the numbers at all?

Mr. Stephen Mulvany: We do not count section 39 staff. It is only the staff of the section 38 bodies who are public servants.

Chairman: Can Mr. Mulvany give any indication of how many section 39 staff are supported by funding through the HSE? That is the big question. I am interested in the numbers on the public sector payroll or public sector payroll equivalent, either directly or through section 39 organisations.

Mr. Stephen Mulvany: We could make an estimate fairly easily. There is a good number more than 10,000 staff out there in section 39 bodies, but they are not counted in the public service pay bill and do not have public service pensions.

Chairman: We understand that very important distinction. Is Mr. Mulvany saying there are some 130,000 people working in the delivery of the health services when the staff in section 39 organisations are included?

Mr. Stephen Mulvany: If we add in suppliers, it goes up again.

Mr. Seamus McCarthy: The Chairman will recall that when the committee was examining social housing and housing bodies, there was some overlap in funding with the Department of Health. Not everybody who is in a section 39 body is necessarily supported by the funding provided by the HSE. There are other sources of funding for other posts.

Chairman: The HSE is funding these organisations because of the benefits in the delivery of health services. Other Departments might fund the same organisation differently-----

Mr. Seamus McCarthy: For another line of service.

Chairman: Yes, they might be dealing with homelessness or something else as well. In terms of what the executive funds, do the HSE witnesses have an idea of what staff complement it is supporting for the delivery of services?

Mr. Stephen Mulvany: The very smallest section 39 organisations we fund get €100 a year

from us. It might be better to focus on the larger ones and make some assumptions.

Chairman: Mr. Mulvany may pick the threshold he considers appropriate. I am thinking of organisations receiving €100,000 or more. We do not want to be overburdened with details of every small organisation.

Mr. Stephen Mulvany: We will provide that information to the committee.

Chairman: We just want an overall picture, not all the details. In the appropriation account for the Department of Health, the primary care reimbursement service comes to €2.7 billion. Is that the drug refund scheme?

Mr. Jim Breslin: In the Department's Vote, rather than having one figure going out to the HSE, we seek to break down the grant to the HSE across subheads, one of which is the primary care reimbursement service. That comes to €2.7 billion in spending which goes to the HSE to operate the primary care reimbursement service.

Chairman: How much of that is for drugs and how much for the pharmacists?

Mr. Stephen Mulvany: From memory, in 2018, €2.1 billion included pharmacists and drugs and the balance was the GPs, dentists and others.

Chairman: Will Mr. Mulvany explain this with the proper figures so that the public watching these proceedings will understand what is being said?

Mr. Stephen Mulvany: It is €2.1 billion, including drugs. Of that, €400 million will be the pharmacy fees and the balance is the drugs. Everything else is doctors, dentists and so forth.

Chairman: Will the witnesses explain the costs in respect of doctors?

Mr. Jim Breslin: They get a capitation for GMS card holders and GP visit card holders.

Chairman: Is Mr. Breslin telling me that the €2.8 billion figure includes the capitation fee for medical cards to the GP?

Mr. Jim Breslin: Yes.

Chairman: We need a breakdown of that between the drugs, the pharmacists, the GP capitation, dentists and so forth. That is a significant figure and there is something in there about a rebate for pharmaceuticals. Will the Department send us a note on that?

Mr. Jim Breslin: There is a difference between the total spend in the primary care reimbursement services and the amount of voted moneys. This is because the HSE also collects a prescription charge and gets a rebate from manufacturers.

Chairman: The Department can send a breakdown on the figures.

Is the Harold's Cross hospice a section 38 or a section 39 establishment?

Mr. Jim Breslin: It is a section 38 body.

Chairman: We know there is a Garda investigation into it. The committee has been inundated with correspondence on the matter every week. Will the Department send us a note on where the investigation is at? I have told those who write to the committee that if the matter is being investigated by the Garda Síochána, the committee will not examine the matter in the

meantime.

The witnesses gave the committee some good briefing material on the 150 internal audit reports carried out during the year. The first six months of them have been published. The HSE internal audit unit routinely releases HSE internal audit reports biannually under freedom of information. Some 75 of them are currently being examined for release and it is expected it will be by July. I know we had several cases before where the reports could not be released. It was the one relating to the Console charity. The HSE did not release it and we did not want to, even with Oireachtas privilege. At the time the HSE stated that if it had carried out the audit with the knowledge it would have to publish it, it might have written it up differently. Has the HSE changed the structure or the format of its reports? Are they suitably anodyne that they are all publishable? Is all the hard stuff left out?

Mr. Stephen Mulvany: I would not say that the hard stuff has been left out of it. There may be some adjustments or redactions made depending on the nature of it. It would not be normal practice to take out all of the difficult stuff.

Mr. Seamus McCarthy: It would not be normal to soften it up.

Chairman: They are published now. However, that was not the case when we had Console here a couple of years ago.

Mr. Stephen Mulvany: They would not be softened up.

Chairman: The audit committee had eight meetings during the course of the year. How could it consider 150 reports in that time? I note Ms Anne O'Connor is on the committee. How does it work? How does it absorb 150 reports in eight meetings?

Ms Anne O'Connor: I was on it for a while. It does not go through every report. The national director for internal audit would bring key reports to the attention of the committee, particularly those where there would be systemic concerns that might have high risk. If there are findings which are non-systemic, they would probably not be considered by the committee. They are very specific to a particular organisation. The real concern for the audit committee would be those which would have a wider relevance across the organisation. The national director goes through those at a high level with the committee and members can raise any questions they want.

Chairman: Mr. Reid's predecessor invested much time in stepping up the internal audit function. Out of the 150 internal reports, how many would have gone to the committee?

Ms Anne O'Connor: A quarterly report would come with all of them referenced. The committee would only discuss those with systemic findings.

Chairman: Was it ten? What was the average number discussed per meeting?

Mr. Stephen Mulvany: The report the committee gets is a synopsis of all the reports over the previous period. It gets to see the heading, the value and whatever level of commentary that the national director thinks is appropriate, in terms of whether it is a very small audit or whether it merits more. The committee manages to get a good synopsis of all the reports over the year without reading all 150 of them from cover to cover. However, they are all available to the committee.

Chairman: I have looked through the list of reports and some of them are minor and spe-

cific. There is a reason for this. I know some have been done on section 38 and section 39 organisations. Is this a big step up in terms of internal audit or was it always the case?

Mr. Stephen Mulvany: The volume will have gone up. The reports have moved into covering ICT areas and governance of voluntary organisations in recent years. We can look back at what was evolving five years ago. It is an increase but the quality and coverage are different.

Chairman: Does the Comptroller and Auditor General have access to all of these 150 reports?

Mr. Seamus McCarthy: Yes.

Mr. Paul Reid: A significant proportion of the audits carried out are on section 38 agencies. Up to 37 of the audits last year were on these types of organisations.

Chairman: This is an improvement.

We sought the quarterly risk register from the HSE on previous occasions. When the CervicalCheck issue hit the street, so to speak, after the court case 14 months ago, the issue did not appear to be on the risk register. The former CEO said he was not aware of the issue until he saw a report of the court case on television either on the day of the meeting or the previous day. On page 178, there is a paragraph on risk management which states that as a result of the issues identified by the Scally report in the area of risk management, the HSE established a working group, which is detailed in the section. It states that the group's mandate is to prepare proposals in regard to risk management in the HSE for consideration by the incoming board risk committee. It appears the HSE's risk register did not pick up on this issue in advance. Who can speak about improvements to the HSE risk register? What will be the next issue to arise? The CervicalCheck issue did not appear on the risk register because once that case was lodged, it was passed over to the State Claims Agency on the basis that the HSE was finished with the matter and would send a cheque to the State Claims Agency when it had a figure for costs. The reason for having a risk register is to learn from past mistakes and prevent future issues arising. That was a by-product in this case. If the CervicalCheck cases has been managed internally to some extent, there would have been a greater awareness of the issues long before they became public. They should have been on the HSE's risk register before the High Court case. That is an observation. Can anyone comment on that? The witnesses get the point.

Mr. Jim Breslin: I will let the HSE talk to the risk register and what has been developed. The only thing I would say about that point is that in my view the issue around disclosure in CervicalCheck and the introduction of an audit, the purpose of which, at a point, would have yielded information and then a decision as to whether that should be disclosed - ultimately a decision to disclose it and then not to actually do so - was a risk before ever a claim would be lodged. If one was doing proper risk management across a screening programme, that is an area where one would identify a risk and put it on one's risk register. Whatever about at the top level of the HSE, within the screening service it should have been on the risk register before ever a court case was taken and we ended up where we were. It is a big ask for the health service to have the foresight to actually see risks before it sees claims but that is the ask. It is to look through the business it is involved in and ask where the vulnerabilities and weaknesses are and what could go wrong, and to proactively manage those so that it does not have claims. I hear the point the Chairman is making. When the claim then comes in, one gets a warning sign very quickly and if it is not on one's risk register, one gets it on to one's risk register. Properly managing risk within a healthcare environment requires one to identify risk much earlier than

when a claim is lodged.

Chairman: I agree with that. Has there been any change in developing the risk register?

Ms Anne O'Connor: Yes. There has been quite a lot of work on that. The risk committee has been working in quite a different way in that it has been meeting. To go back to the Chairman's point about being able to spot the things in the system that are of concern and that might keep any of us awake at night, the risk committee has been meeting with national directors looking at where the vulnerabilities are in the system to see how it can then support services in terms of risk management.

The other point is that we have been focusing more attention on how we develop our risk register in terms of more regular reviews. There was a time when once the risk register was done, people moved on. We have been working with national directors and their teams to use risk registers more as a working document in terms of proactive management of situations as they are arising. The emphasis has been changing. A group is working now on trying to devise a new approach to risk management. Presumably, that will be discussed with the incoming board as well.

Chairman: I will make one suggestion. The HSE should look at the position in health service organisations overseas, whether it is the UK, France, Canada or wherever. We have our own mentality and perhaps we need another perspective on it. It is only a suggestion.

Ms Anne O'Connor: I think the committee has been looking at other examples both within health and outside of health.

Chairman: That is good.

I was thrown by the figure of €5 million for legal advice listed on page 164 of the financial statements. On the next page, it states that the fees for legal proceedings was €15.7 million and settlements amounted to €2.83 million. Will somebody please explain the figure for settlements of €2.83 million versus the figure for fees associated with legal proceedings of €15.7 million? Those two figures jumped out at me.

Mr. Stephen Mulvany: In overall terms, there was an increase in overall legal costs in the year. As the Chairman can see in the settlements figure, it is €2.8 million compared with €500,000 the previous year. We had a number of significant large settlements, including one particular long-standing case in the ICT area that-----

Chairman: In the ICT area.

Mr. Stephen Mulvany: We had a long-standing case with a particular supplier that settled in 2018.

Chairman: How much did that cost the HSE?

Mr. Stephen Mulvany: The overall settlement was north of €1 million but we put that in the context of how much business was done with that supplier over the period and the potential risk. That was a long-standing case which we settled. We also had additional legal costs around various commissions of inquiry, etc. Last year, those costs went up. They fit within overall professional fees and legal costs, which went up by about 2%, but certainly the legal fees element of it went up significantly.

Chairman: What I do not understand, and Mr. Mulvany will have to send information on it, is that the figure for settlements is €2.8 and the figure for fees for legal proceedings is five times that figure. There must be something else in there that I do not understand. Someone will have to break down those figures for us. Some of it may be for tribunals. We need a breakdown of the figures.

Ms Anne O'Connor: There would be a lot of activity around wards of court and Mental Health Act detainments. All of those legal fees would be in there. There would be a lot of activity that would not necessarily relate to litigation.

Chairman: We ask the witnesses to give us a breakdown of the legal fees by category and the amount of the legal fees that relates to the settlements. We would like to see the ratio of legal fees versus the actual settlements because the figure is running very high. I ask for a breakdown of the figure by type. As Mr. Mulvany said, commercial disputes may have accounted for some of the costs.

To go back one page, there is a figure for IT consultancy costs of €2.3 million and a figure for other consultancy costs of €23.529 million. That is a substantial figure and we need a breakdown.

Mr. Stephen Mulvany: The single biggest element is work related to the children's hospital overall integration programme but we can give the committee a table of what is inside that. There is no problem with that.

Chairman: That is fine.

Also on page 165, under legal settlements, it states that additional legal costs and settlements were paid by the HSE insurance company. Is the HSE not self-insured? What is that about?

Mr. Stephen Mulvany: It may be a reference to the State Claims Agency.

Ms Mairéad Dolan: We have insurance and then we have indemnity. We have property insurance and we have insurance fidelity for our directors, etc. Indemnity is basically the State Claims Agency, which is treated elsewhere. If we had a commercial dispute, for example, that would be included here. The legal costs would be included here but the legal costs associated with an indemnity would be included in the State Claims Agency expenditure in the year.

Chairman: What is this about insurance costs?

Ms Mairéad Dolan: This is in a scenario, for example, where we may have had damage on a property. A number of years ago, we had a very significant flood in Letterkenny. We would get insurance proceeds and the legal costs would be paid within the proceeds.

Chairman: In other words, the HSE carries insurance.

Ms Mairéad Dolan: Yes.

Chairman: It is not carrying the cost.

Ms Mairéad Dolan: We carry property insurance, yes.

Chairman: How much is the HSE's bill for insurance? Ms Dolan can send a note on that to the committee. There are different categories, for example, buildings.

Ms Mairéad Dolan: I cannot quite remember the number but we have it.

Chairman: I do not expect everyone to know everything.

Mr. Seamus McCarthy: It is probably in note 8.

Chairman: On what page is that?

Mr. Seamus McCarthy: It is page 198.

Mr. Stephen Mulvany: There is a figure of €6.138 million-----

Chairman: For insurance.

Mr. Stephen Mulvany: Yes, it is €6 million.

Chairman: The HSE is spending €6 million on insurance.

Ms Mairéad Dolan: That is about right.

Chairman: That is fine. We will be sent a breakdown of the figures for the other categories.

Page 195 of the accounts lists a patient income figure of €406 million. Patient charges, inpatient charges and emergency department charges are listed. There are also road accident charges. I presume this is money the HSE can recoup from insurance companies. What are the long-stay charges?

Mr. Stephen Mulvany: It is the individual's contribution for the nursing home support scheme.

Chairman: That comes in here.

Mr. Stephen Mulvany: It does for the public units but not for the private units.

Chairman: Is the private contribution paid to the nursing home?

Mr. Stephen Mulvany: The NTPF rate is net. A private nursing home must collect the charge from the individual clients and they are funded by us at a rate set by the NTPF, which assumes they have already collected that charge. We collect our own charge and this is ours. This is what comes in for the public units and a portion of the voluntary units also.

Chairman: Perhaps Mr. Mulvany could send a note on that also. There are little intricacies there between the HSE, the nursing homes and the NTPF.

Mr. Seamus McCarthy: We are doing a fairly comprehensive report on the nursing home scheme. It tries to deal with all of that kind of complexity.

Chairman: Then we will wait for that report.

Mr. Seamus McCarthy: If the HSE would like to send a note on that in the meantime I would like to look at it also.

Chairman: That is clarified.

Mr. Seamus McCarthy: In case there is anything we missed.

Chairman: We will look for the note so.

I shall now move on to page 203. Will the witnesses talk us through this, some of which is connected, and on items to be paid at year end. For payments receivable from patient debtors and private facilities in public hospitals there is a figure of €97 million. The figure for public inpatient charges is €6 million. The long-stay charge has €10 million outstanding. Will Mr. Mulvany explain the private facilities in public hospitals? Is this to be received from the insurance companies or is some of it from private individuals?

Mr. Stephen Mulvany: It is from the four main insurance companies.

Chairman: We had this issue here before, historically. How up to date are the payments? There were issues around getting consultants to sign off and in getting claims submitted in a timely manner. In the meantime the HSE was out of pocket. How efficient is that procedure now?

Mr. Stephen Mulvany: That remains a struggle. There are bigger issues currently with the insurance companies around the actions they take with regard to date of admission and the campaign on the non-utilisation of insurance. The consultant signing issue and the processing issues still require focus.

Chairman: The committee has had the impression that this situation was improving significantly.

Mr. Jim Breslin: It has improved but it is a large amount of money.

Chairman: As the Committee of Public Accounts we want to know if the HSE had half of that amount would it be a great boost to the HSE's budget? I will link this to the next question. I received a phone call over the lunch break to say the HSE direct home help staff in Laois have been told that from tomorrow there will be no more overtime for any weekend work and they will be replaced by agency staff because the HSE will not have to pay for travel. Perhaps the overtime rate on a Sunday for the HSE home help staff is a higher cost. We have been talking about older people. This will impact on older people with dementia, for example, who are used to a particular person coming in to them. Now on a Saturday or Sunday there will be agency people. I cannot believe there is anything wrong with the HSE's own staff precisely because they are the HSE staff. I presume this weekend issue is due solely to financial reasons. Will somebody please send on a note in this regard? I am referring to County Laois and the word is out today. In this report I see a figure for €100 million owed to the HSE because private facilities in public hospitals have not been paid for and within the same hour I have been told that HSE home help staff are instructed they can no longer visit clients at the weekend because the overtime is too dear. Do the witnesses get the point I make?

Mr. Stephen Mulvany: We will get the committee a note. The figure referred to is about cash collection as opposed to the income. Typically the income is collected but the dispute lies with the insurers. This is not-----

Chairman: It is collectable.

Mr. Stephen Mulvany: It is collectable, but it is cash. Quicker collection gives us more cash. It is not the same as giving us a budget that we can spend on something different, as the Chairman is aware.

Chairman: In accounts the accruals are pay as you go, or when it suits.

Mr. Stephen Mulvany: No, we are always in accruals.

Chairman: Yes. We know that. Will Mr. Mulvany give the committee an update on where the HSE is with the other collections and what are the key delays in collecting that cash? It is important to get the cash in. Perhaps he will also explain the inpatient charges of €6 million. Are these charges from individuals? What is the procedure right from when a person goes into hospital to when the bill goes home, for example with accident and emergency?

Mr. Stephen Mulvany: That is the public inpatient charge, which is for a maximum ten days per year at €100 per night. That charge is going up slightly - in the context of what the HSE receives from it - because fewer people are using their private insurance. This is a result of the campaign by the private insurers. While it does not compensate in any way for the loss of income to do with the private insurance, it is going up slightly.

Chairman: How does the HSE collect that? The HSE has difficulty collecting some of it? Would it involve debt collectors or something like that?

Mr. Stephen Mulvany: The preference in our financial regulation is that one should collect it, as much as possible, before people leave the hospital. If not we will send the person a bill. There is a procedure set out whereby after 30 days the person receives a reminder and after another 14 days-----

Chairman: Will Mr. Mulvany give an age analysis of that outstanding amount? I bet that some of this is hanging out there a good bit. I presume it does because we hear it all the time.

Mr. Stephen Mulvany: It can be difficult to collect.

Chairman: I ask the HSE to send us an age analysis on that.

On the other side, Mr. Mulvany referred to private health insurance companies encouraging people to not give their private insurance company details because any patient is entitled to a public service. On the other hand we are now seeing the opposite where a lot of private patients going to accident and emergency departments run by the private insurance companies, which is possibly reducing some of the numbers attending the public hospitals.

Mr. Stephen Mulvany: That does not seem to be the case. The numbers are up.

Chairman: But they would be up on the other side also.

Mr. Jim Breslin: Presentations to accident and emergency departments are up 6%.

Chairman: Have the witnesses any ideas on the numbers presenting to the private centres?

Mr. Jim Breslin: On a totally anecdotal basis, they would be more routine presentations of less serious issues. There would be less trauma and less car crashes for example. There would be no blue light incidents presenting and there would be less complexity in the cases.

Chairman: On page 204 there is a figure for the public private partnership, PPPs, of €201 million. These are mainly primary care centre sites. There are 14 sites mentioned. Will the HSE send a note to the committee on this? The Committee of Public Accounts is looking at PPPs across all Government Departments that operate PPP developments with regard to how long a lease is and so on. We are not looking for financial arrangements but we need a bit of

transparency on PPPs and we have said this to several other Departments that have PPPs in their financial statements. Whether or not they give value for money is a moot question. The answer is that nobody in this building knows because nobody has access to the commercial information to be able to make a call on it. People tell us that PPPs do offer value for money but I am agnostic because I do not have a basis for believing or disbelieving them. We do not have the information so I want to add this to the Oireachtas and committee's state of knowledge by gathering information on PPPs for members from every Department or agency that comes in to the committee.

Mr. Seamus McCarthy: There is an obligation where a PPP has been put in place to carry out a post-implementation review. We look forward to seeing one from the HSE.

Chairman: Some people think that post implementation means at the end of the 25-year contract.

Mr. Seamus McCarthy: No. That is not the way it goes. It is when the building is up and running.

Chairman: Yes, we would think it is when it is up and running. The HSE representatives might see why we have some difficulty when it comes to PPPs. Very few people have done any post-implementation reviews, and given the PPPs used in education, roads and core services there are lots of people in that space.

I direct the witnesses to note 24 on page 205. Will they please summarise what happened on that underpayment of tax? How much is involved or how did it happen?

Mr. Stephen Mulvany: Is that the €2.5 million figure or is it all of the tax headings?

Chairman: How did it arise?

Ms Mairéad Dolan: We work in close co-operation with Revenue and we do an annual retrospective review of the prior year. Currently the tax team is looking at the 2018 review. Mr. Mulvany referred to €2.5 million or the €2.6 million figure. This is based on a look-back for all of our areas on the major heads of tax to see whether or not we had collected tax at the right time and in a timely way. Under some of the main tax headings of PAYE, corporation tax, professional services withholding tax and VAT we would look at areas where somebody, for example, might have been paid as a supplier. Under Revenue regulations, they potentially should have paid tax. We do an analysis that we have agreed with Revenue. We would say that we are 99.8% compliant from a tax perspective. We pay approximately €1.6 billion in taxes. While €2.5 million is a small amount in that respect, we strive to get that down every year.

Chairman: That is fine. I ask Mr. Breslin to briefly outline the board structure. For the benefit of the people watching, does the executive board still exist or is there a new board of directors?

Mr. Jim Breslin: The legislation, which will go live tomorrow, abolishes a directorate structure, which comprised a number of full-time executives at the most senior level within the organisation who sat as the highest level of governance within the HSE. That will be abolished from tomorrow and the new board, which will meet for the first time tomorrow, will assume top level governance of the HSE. The board comprises non-executive directors. Tomorrow, the director general, Mr. Reid, will become chief executive officer and he will report to the board of non-executive directors.

Chairman: The executive board is abolished as of tonight. Will there be a party?

Mr. Jim Breslin: Mr. Reid has told me that he is the shortest serving director general in the history of the HSE.

Chairman: I am sure he hopes to be a long serving CEO.

Mr. Jim Breslin: Absolutely.

Chairman: Tomorrow, the structure officially changes.

Mr. Jim Breslin: Yes.

Chairman: For the record, who is the new chairman of the HSE?

Mr. Jim Breslin: Mr. Ciarán Devane, who has a healthcare background, having led Macmillan Cancer Support. Mr. Devane was also chief executive of the British Council. He is an Irishman of Kerry extraction. There is a competency-based board, which has been selected through the State boards process.

Deputy Bobby Aylward: Who selects the board?

Mr. Jim Breslin: It is selected through the State boards process, which includes applications to the Public Appointments Service and a review of those applications by a panel which then makes recommendations to the Minister. The Minister recommends the appointment of the chairman to Government, who then volunteers to appear before the Joint Committee on Health.

Chairman: Has that happened?

Mr. Jim Breslin: All of that has happened. I do not think the health committee required him to appear before it.

Mr. Paul Reid: He will appear before the health committee next week.

Chairman: He is currently chairman designate. Tomorrow, he will be chairman and he will meet the joint committee next week.

Mr. Paul Reid: Yes.

Deputy Bobby Aylward: How many members are on the board?

Mr. Jim Breslin: It has been a bit of a moveable feast as the legislation progressed. It started out at nine but I think there will be 11 members. There were amendments proposed in the House in respect of an additional members.

Chairman: How recently were they added?

Mr. Jim Breslin: Administratively, the Minister announced a board designate in January. He has made one or two further appointments since then. It is only in the past number of months that he has identified them through the State boards process.

Chairman: For the benefit of the public, the HSE is getting a new board of directors tomorrow and a new Chairman, which is significant. People will be hopeful that will improve corporate governance. Other than Mr. Reid as CEO, will any other people be *ex officio* members

of the board?

Mr. Paul Reid: I am not an *ex officio* member of the board.

Chairman: Will Mr. Reid attend board meetings?

Mr. Paul Reid: Yes. There will be good communications on this tomorrow at the first board meeting, where the Minister will set out and introduce the board members.

Chairman: Mr. Reid will be pleased to hear that he will not have to appear again on behalf of the HSE, other than in regard to the issues raised this afternoon. I have heard some of the board members' names mentioned in the public arena. Perhaps he will identify them to the committee.

Mr. Paul Reid: The chairman is Mr. Ciarán Devane. The board comprises Professor Deirdre Madden, professor of law at UCC and chair of the Commission on Patient Safety and Quality Assurance, who will be appointed as deputy chairperson; Mr. Fergus Finlay, former CEO of Barnardos; Mr. Tim Hynes, group chief information officer, Allied Irish Bank; Dr. Sarah McLoughlin, science and communications officer, Retina International, and patient advocate; Mr. Mark Molloy, quantity surveyor, member of the expert group on tort reform and management of clinical negligence claims, and patient advocate; Mr. Aogán Ó Fearghail, former GAA president; Ms Fiona Ross, chair of CIE and Mental Health Ireland; Dr. Yvonne Traynor, vice-president, regulatory and scientific affairs with Kerry Group; Dr. Brendan Lenihan, who has particular expertise on financial planning and management; and Mr. Fergus O'Kelly, clinical professor in general practice and family medicine.

Chairman: There is strong mix.

Mr. Paul Reid: It is a strong mix of private, patient advocates, clinical expertise and financial and governance. I have met all of the board members on an informal basis over the past number of weeks, as has the chairman. They have had informal discussions and tomorrow they will commence the task of setting up their governance structure, their sub-committees and how they will be serviced by the executive.

Mr. Jim Breslin: There is one further appointment to be made.

Deputy Bobby Aylward: What will be their term of office?

Mr. Jim Breslin: They will be staggered, with some appointments being for three years and others for five.

Chairman: They will all receive training in corporate governance and so on.

Mr. Jim Breslin: Absolutely.

Chairman: They all come with experience.

Given the old structure ends today, I thank those who have served on the executive board up to now and I wish the new board and CEO every success for the people of Ireland. Health is such an important issue. People want the HSE to do well. On that note, I thank all of our witnesses from the Department the Health, the HSE and the Department of Public Expenditure and Reform for their attendance and for the information provided, and I remind them to liaise with the secretariat on any follow-up material required to ensure we pick up on all the issues raised.

I also thank the Comptroller and Auditor General and his officials for being present. We are agreed that the clerk to the committee will follow up on outstanding information and take any agreed actions arising from this meeting. Our next meeting is on 4 July, when we will meet National Treasury Management Agency officials to examine its 2018 financial statements. Our examination will also include matters in regard to the State Claims Agency. I ask the witnesses to work out who are the most appropriate officials to attend with the State Claims Agency to deal with the medical negligence issues.

The witnesses withdrew.

The committee adjourned at 5.20 p.m. until 9 a.m. on Thursday, 4 July 2019.