DÁIL ÉIREANN

AN COISTE UM FHORMHAOIRSIÚ BUISÉID

COMMITTEE ON BUDGETARY OVERSIGHT

Dé Máirt, 9 Iúil 2019

Tuesday, 9 July 2019

The Select Committee met at 2 p.m.

Comhaltaí a bhí i láthair / Members present:

Richard Boyd Barrett,	
Declan Breathnach,	
Lisa Chambers,	
Pearse Doherty,	
Martin Heydon,	
John Lahart,	
Michael McGrath,	
Jonathan O'Brien.	

I láthair / In attendance: Deputy Louise O'Reilly.

Teachta / Deputy Colm Brophy sa Chathaoir / in the Chair.

Business of Select Committee

Chairman: Apologies have been received from Deputy Bailey. On behalf of the select committee, I express our sympathy to her.

Later today the committee is scheduled to meet representatives from the Department of Health and the HSE for a briefing on budget management and the control of health expenditure. Before doing so, we will go into private session to deal with some committee business.

The select committee went into private session at 2.05 p.m. and resumed in public session at 4.15 p.m.

Budget Management and Control of Health Expenditure in the context of Budget 2020: Discussion

Chairman: I remind members and witnesses that interference from mobile phones affects sound quality and I ask that they might be turned off or switched to flight mode.

I welcome Mr. Colm Desmond, assistant secretary for finance and evaluation at the Department of Health; and Mr. Stephen Mulvany, chief financial officer from the HSE. They are also joined Ms Louise Carrigan who is the assistant principal officer in the Department of Health. We are meeting these officials to receive a briefing on the budget management and control of health expenditure in the context of our committee's work in preparation for budget 2020. As a committee we have been consistently involved in raising issues relating to the supplementary health budgets and their impact on the overall budget over the past three years, in particular. I thank Mr. Desmond and Mr. Mulvany for making themselves available to the committee today.

Before we hear from our witnesses I will make the usual statement on privilege, which is that 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. However, if they are directed by the committee to cease giving evidence on a particular matter and they continue to so do, 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 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 or her identifiable.

Members are reminded of the long standing parliamentary practice to the effect that they should not comment on, criticise or make charges against a person outside the Houses, or an official either by name or in such a way as to make him or her identifiable.

I call Mr. Desmond to make his opening statement.

Mr. Colm Desmond: I welcome this opportunity to address the select committee on the issue of budgetary control and oversight of health expenditure. The committee has noted concerns raised by the European Commission, the Irish Fiscal Advisory Council and the Parliamentary Budget Office in this regard.

For 2019, the Government approved gross expenditure of €17.107 billion for the health

sector comprising €16.365 billion for current funding and €742 million for capital funding, representing a 11.6% increase on the original Vote budget for 2018. This represents an increase of €901 million or 5.8% on the 2018, post-supplementary current expenditure budget and €229 million on capital expenditure, showing the Government's commitment to providing a health service that seeks to improve the health and well-being of the people.

The issue of health funding is, however, a major policy challenge internationally. Despite welcome increases over recent years, the need for effective financial management remains crucial as the health service deals with a larger and older population, with more acute health and social care requirements, increased demand for new and existing drugs and the rising costs of health technology. The costs associated with these service pressures will increasingly need to be managed through improved efficiencies, productivity and value from within the funding base in 2019 and beyond, as well as increased annual Exchequer allocations.

The Sláintecare implementation strategy was published in August 2018. Budget 2019 included €206 million for specific new initiatives associated with the Sláintecare implementation strategy, including negotiating a new GP contract, development of mental health services, increased access to hospital services, further roll-out of national strategies in the areas of maternity, trauma and cancer services and drugs and a €20 million Sláintecare integration fund. The purpose of the integration fund is to test, learn from and support the implementation of new models of care within the health system. The European Commission in its recommendations for Ireland highlighted that major reforms in the health system, including the redesign of models of care, were central to the successful delivery of a more sustainable and cost-effective health system. The Sláintecare programme aims to deliver on this in the next ten years.

On budget management and health sector planning, extensive planning and performance management processes are in place. A new HSE board governance structure was established on 28 June, with strong competencies across key areas, to strengthen the oversight and performance of the HSE, pending its further reorganisation. The new CEO of the HSE took up the post in mid-May and has committed it to having a strong focus on financial performance. The HSE publishes performance profiles on a quarterly basis and separate management data reports for each month. There is a monthly performance management cycle within the HSE under its performance accountability framework and between the Department of Health and the HSE. The performance and accountability framework operates under a national performance oversight group which has delegated authority from the director general to scrutinise the performance of the health service provider organisations, in particular, hospital groups, community healthcare organisations, the National Ambulance Service, the primary care reimbursement service, PCRS, and other national services to assess performance against the national service plan.

In addition, in recognition of the risks arising in health expenditure in recent years, a new health budget oversight group was established this year, incorporating members from the Department of Health and the HSE and chaired by the Department of Public Expenditure and Reform. The purpose of the group is to monitor health spending and staffing against the current budget allocation and act as an early warning mechanism for any deviation.

The HSE's latest income and expenditure position at 30 April shows a revenue deficit of €116.2 million, which represents 2.3% of the available budget. The main drivers of the deficit are acute hospitals, the PCRS, demand-led schemes, disability services and overseas treatments. Gross voted expenditure in the health sector to June is 6.8% higher than in the same period in 2018, compared with a 5.8% increase in budget. However, it is 4% below profile. Significant savings are profiled later in the year in line with the targets set out in the national service plan.

Any risk of a significant deficit at the end of 2019 is a matter of concern for the Government. However, in general, it is important that the service levels set out within the HSE's national service plan be delivered within the allocation notified by the Minister. It is acknowledged that certain issues can arise in-year owing to costs associated with decisions outside the HSE such as increases associated with pay agreements or Labour Court rulings, or policy decisions such as the establishment by the Government of an *ex gratia* scheme in respect of CervicalCheck. The Department is working with the HSE to gain further clarity on the projected year-end position and to mitigate any deficit insofar as possible in co-operation with the Department of Public Expenditure and Reform.

The Minister emphasised for the HSE the need to address urgently health spending by taking steps to ensure compliance with the staffing limits for 2019; implementing a reporting and monitoring structure for agreed savings targets in the national service plan, with responsible managers providing a monthly report from quarter 1; and reviewing the Health Service Executive's performance in adhering to savings and staffing limits, with further interventions, as necessary. Despite welcome increases in the health budget in recent years, a financial challenge remains as we deal with a larger and older population with more acute health and social care requirements, increased demand for new and existing drugs and the rising costs of health technology. The cost of payments under the State Claims Agency is also rising, adding to the overall cost of health services above the operational costs funded to meet the health demands of a growing and ageing population. These challenges reinforce the need for good budgetary management and control, a focus on improving the way in which services are organised and delivered and on reducing costs, all of which aim to maximise the ability of the health service to respond to growing needs.

Chairman: I thank Mr. Desmond. The committee did not receive an opening statement from Mr. Mulranny, although we did receive a briefing document. Does he wish to comment on that document in the context of the general budget position of the HSE?

Mr. Stephen Mulvany: I have no additional opening comments to make. I am happy to answer questions. Obviously, the Department shared its opening statement with us prior to our attending.

Chairman: In that case, I intend to progress to the Deputies who indicated, the first of whom was Deputy Jonathan O'Brien.

Deputy Jonathan O'Brien: I asked the representatives of the Department and the HSE who appeared before the Committee of Public Accounts on 27 June about the HSE's capital plan. Has it been published? If not, when will it be done?

Mr. Colm Desmond: Work is under way to finalise the capital plan in line with the general discussion at the Committee of Public Accounts in the past week or so. It is in progress.

Deputy Jonathan O'Brien: Is it likely to be published before Thursday?

Mr. Colm Desmond: The director general of the HSE committed to endeavour to do so as much as possible. There is significant work under way to finalise the plan. I cannot say any more than that, other than I note the timeframe given at the previous committee.

Deputy Jonathan O'Brien: What is the reason for the hold-up?

Mr. Colm Desmond: Essentially, the capital plan must deal with a significant level of capi-

tal demands on the Exchequer. At this point the total health capital allocation as set out in the development plan for 2019, totalling approximately €742 million, must be allocated across all competing demands. Additional funding was provided for the new national children's hospital, while several funding issues require significant consideration by the HSE in finalising its capital plan which is actively under consideration.

Deputy Jonathan O'Brien: The delay has nothing to do with the overrun.

Mr. Colm Desmond: No. The capital allocation is €742 million for 2019. Clearly, the national children's hospital project required additional funding and the Government came forward with it. It is certainly a factor in our finalising of the plan, which is under way.

Deputy Jonathan O'Brien: I am a little confused because there was a draft plan in February which was discussed. Some €99 million had to be cut from the capital budget, a portion thereof from the health budget. It was my understanding that that was what was holding up publication of the capital plan and that it was a case of what projects would have to be or could be delayed, although not necessarily scrapped. It is hard to believe we are in July, in the second half of the year, and still have not seen the capital plan. Even from a budgetary point of view, it is crazy. The Houses will be in recess from Thursday. The next opportunity for the committee to examine the matter will be on 11 September, or a couple of weeks before the budget for next year will be announced.

Mr. Colm Desmond: I noted the position outlined by the director general to the Committee of Public Accounts. It is our intention to progress the capital plan as much as we can as quickly as possible. It is actively being finalised and we are working on the basis of the allocation available to us. We have the assistance of the summer economic statement recently published by the Minister for Finance and Public Expenditure and Reform, Deputy Donohoe, which provides an expenditure reserve to cover the significant additional spending required in two major areas, namely, the national children's hospital and the national broadband plan.

Deputy Jonathan O'Brien: It is a provision of €200 million.

Mr. Colm Desmond: It provides significant clarity and assistance for us and was published recently. Work to finalise the capital plan is under way.

Deputy Jonathan O'Brien: When the additional cushion or buffer of €200 million was announced in the summer economic statement, did it cause the Department and the HSE to reconsider the capital plan?

Mr. Colm Desmond: It provided welcome clarity on the additional costs arising from the national children's hospital, for example, which is a factor in the capital plan.

Deputy Jonathan O'Brien: The contract for the national children's hospital contains a tender inflation clause, the first review of which is due to take place in August. I do not know if Mr. Desmond can comment on that or even if he is aware of it but it is my belief it will be in August of this year. That is based on a 4% threshold for contractors. The threshold is running way above 4%, which means contractors can come back and look for additional funding, I presume from the hospital board, which requests, in turn, would have to go back to the Department of Health. Do Mr. Desmond have any idea of the likely figure if the contractors look for additional funding?

Mr. Colm Desmond: At this point in time I do not have that figure available to me. We are

working on the basis of the existing position in trying to finalise the capital plan based on the most recent announcements on funding for that.

Deputy Jonathan O'Brien: What is the current inflation rate?

Mr. Colm Desmond: Various figures have been mentioned. There would be more expertise available in respect of that than I would have but I imagine it would be above 4%. If a review is carried out by the National Paediatric Hospital Development Board, we would be strongly in favour of that being finalised as early as possible to give as much clarity as possible on the matter.

Deputy Jonathan O'Brien: Potentially, the inflation rate could be as high as 10% in the Dublin area. If it is 10%, that means contractors could look for an additional €100 million in August. Will that have to come out of the €200 million that was set aside or out of a different pot of money?

Mr. Colm Desmond: When the GMP process was completed, it identified costs that were accepted as part of that process last December. That led to the announcements and the provision for 2019. The Deputy mentioned the €99 million at the beginning. The task now is to firm up on the position for 2020-21, bearing in mind that the capital plan is a multi-annual plan. The challenge continuously is to try to accommodate projects which, when they commence, have implications for year 2, year 3 and beyond. That always makes it more difficult for finalising the capital plan. Subject to recollection, I think it was clarified that the GMP process covered certain areas and there were other costs that would emerge. I imagine the Deputy's information on the examination of construction inflation would be within that latter group.

Deputy Jonathan O'Brien: However, Mr. Desmond does not know the potential figure.

Mr. Colm Desmond: I do not have that figure to hand.

Deputy Jonathan O'Brien: How soon will we know that figure?

Mr. Colm Desmond: It will be a matter for the development board to finalise that with the contractor.

Deputy Jonathan O'Brien: Is it likely we will know before budget day because it would have an impact?

Mr. Colm Desmond: I agree with the Deputy that it would, and I would be surprised if we did not have an indication. In respect of the timeframe he mentioned, I agree we require significant clarity on those figures as quickly as possible.

Deputy Jonathan O'Brien: In terms of where we are today, how deep of a hole are is the State in at the moment?

Mr. Colm Desmond: The figures are as given in the opening statement. At this point in time, certain pressures are emerging in respect of spending in the HSE, which are a matter of concern for the Government. As outlined recently at the Committee of Public Accounts, the HSE has committed to addressing those pressures and it is working actively to do so within the framework of the budgetary oversight process I mentioned to the Deputy. We are anticipating significant savings, which are profiled for later in the year, but on current trends, taking account of the pressure in certain areas, the HSE will have a deficit at the end of 2019, so it is a matter of concern for the Government.

Deputy Jonathan O'Brien: How much of a deficit?

Mr. Colm Desmond: We have no particular figure-----

Deputy Jonathan O'Brien: Surely the Department is projecting.

Mr. Colm Desmond: We have a view that there are deficit drivers currently in acute hospitals, for example, in the primary care reimbursement scheme, PCRS, demand-led schemes, and in disability services and in the treatment abroad scheme. There are pressures in those areas and we are able to identify them at this point in time. We would do scenario planning with our colleagues in the HSE but at this time, on current trends, we see the risk of a deficit. That is a matter of concern for the Minister and for the Government and we are working actively to manage the process with our colleagues.

Deputy Jonathan O'Brien: What kind of work is the Department doing?

Mr. Colm Desmond: The budgetary oversight group was established by the Department of Public Expenditure and Reform, on which both the Department and the HSE are represented. That meets monthly and actively to manage the process of trends in expenditure during the year to date.

Deputy Jonathan O'Brien: If the HSE is trending towards a deficit, savings have to be found somewhere to prevent that. Can the HSE or the Department outline the areas they are examining to try to achieve those savings?

Mr. Colm Desmond: By way of introduction, they are in the service plans.

Mr. Stephen Mulvany: At the end of April, the operations area, which includes the disability community services and acute hospitals, covered approximately €12 billion of the overall €16 billion. We are approximately €80 million over. That is the area most inside our control. It is amenable to management control. In terms of the savings measures we are targeting in that respect, first, we are looking to live within the affordable level of staffing.

Deputy Jonathan O'Brien: The HSE has announced some of those savings.

Mr. Stephen Mulvany: We have, so-----

Deputy Jonathan O'Brien: Rehabilitative training is being scrapped.

Mr. Stephen Mulvany: I am not aware of that. I had not heard that as a specific measure but if I could answer the question, under about 48 headings and three main categories we set out in the service plan a much greater level of detail on how we would try to either reduce costs or limit cost growth where we had some technical areas. To try to bring back that €80 million on the operational services we have to grow the head count, but within the affordable levels; manage agency and overtime costs down as much as we can; and then operate within budget. In some cases that means not being able to respond to demand or looking for efficiencies that do not have an impact on activity.

Deputy Jonathan O'Brien: What impact does that have on patients?

Mr. Stephen Mulvany: What we are focusing on doing is-----

Deputy Jonathan O'Brien: Are any services being cut?

Mr. Stephen Mulvany: We do not use the word "cut". We say we are operating to budget. How that is experienced by an individual is a different matter. What we are saying is that more money is going into our services this year than last year. More money is going into home help and disability services. Can we respond to the full demand? No. What we are trying to do is make best use of the resource we have to bring services in as close to budget as we can, albeit there are areas where there are excessive pressures, on the basis that this is the best way we hope to secure sustainable investment in the future. It is to demonstrate that we can-----

Deputy Jonathan O'Brien: The Government is still cutting services.

Mr. Stephen Mulvany: I would not accept that we are cutting services.

Deputy Jonathan O'Brien: I just identified a specific cut. From 1 September 2019, the rehabilitative training allowance for new entrants will be scrapped. That allowance is for people with a disability who leave school and who are trying to access training programmes, and it is being scrapped.

Mr. Stephen Mulvany: I am happy to send in a note on that. I am not aware of that specific one. I know that in the service plan we have an additional €12.5 million specifically for new school entrants who now need day services. That includes rehabilitative training as well as ordinary day services. I am definitely aware that we are investing €12 million in the final quarter of the year in new day services for the new cohort. I will come back to the Deputy on the specific point.

Deputy Michael McGrath: I welcome Mr. Desmond and Mr. Mulvany and thank them both for being here. I will start by trying to reconcile the fact that the HSE's figures up to the end of April this year show a revenue deficit of €116 million. Can the witnesses put that in context for us in respect of the fiscal monitor, which shows the overall performance of the health Vote? It shows a total underspend - it is a combination of current and capital expenditure - of approximately €20 million up to the end of April. Can the witnesses reconcile the difference?

Mr. Colm Desmond: Specifically, the figure of €116 million represents the position for the first three months of the year; it is up to April.

Deputy Michael McGrath: Four months, yes.

Mr. Colm Desmond: That represents 2.3% of the available budget, and the main drivers of that are outlined. What clarification is the Deputy seeking?

Deputy Michael McGrath: Can Mr. Desmond reconcile that with the fact that the official overall Exchequer figures in health up to the end of April show an underspend of €20 million? The HSE has an overspend of €116 million versus budget so the health Vote, which includes more than the HSE, although the HSE is a predominant element, shows an underspend. I am trying to reconcile the difference.

Mr. Stephen Mulvany: We will have to set that out for the Deputy, probably by way of a reply to a parliamentary question.

Mr. Colm Desmond: That would be safer.

Mr. Stephen Mulvany: As the Deputy said, we are comparing two different time periods, albeit one is later.

Deputy Michael McGrath: The April figure for the Exchequer represents a €20 million underspend. The HSE figure is €116 million.

Mr. Stephen Mulvany: It is the capital and revenue figure for the entire Vote which covers more than simply the HSE. The figure of €116 million to which Mr. Desmond referred is the figure for revenue and current expenditure for the HSE. The HSE current expenditure figure is prepared on an income or accruals basis, as opposed to a cash or Vote basis. We would have to line up the two to show the committee how they reconcile. That can be done.

Deputy Michael McGrath: On the current expenditure side, as opposed to the capital side, the health underspend to the end of April in the Exchequer returns was €38 million. I am trying to compare it with the figure the HSE has reported of €116 million. Which assessment records the figure on a cash basis and which records it on an accruals basis?

Mr. Stephen Mulvany: The underspend is recorded in the Vote on a cash basis. It is behind the figure of €116 million which is an income and expenditure figure which is on an accruals basis. I am not saying it is a reconciliation, but if we take one month's worth of accruals and one month's worth of payments in a €16 billion system, in which we have a figure of €3 billion or €4 billion in a period of three or four months, we can start to see why we have differences. The way cash may be profiled and the way the budget may be profiled will be part of the difference, too. It can be reconciled at an overall level, but the HSE systems operate on an income and expenditure basis, while the Vote is based on cash. We are not quite comparing apples with apples, but we can reconcile it at a high level. It is difficult to do it verbally here, but we can set it out.

Deputy Michael McGrath: Would it be possible to send the high-level reconciliation to the committee? The way we account for expenditure has come in for criticism in the recent OECD report on public accounting in Ireland. This makes it difficult for policy-makers and legislators such as us to get a proper handle on the numbers. What I hear Mr. Mulvany saying is the single biggest reason is the Exchequer returns are cash based - money in and money out - whereas the figure the HSE reported of a deficitof €116 million is actually a more accurate measure because it takes account of known liabilities that have not yet been paid. It is based on accruals.

Mr. Stephen Mulvany: Yes, it is accruals based.

Deputy Michael McGrath: It includes bills the HSE received before the end of April but that have not yet been paid. They are accounted for in the HSE's estimated deficit of €116 million. That is the figure at which we should be looking at more.

Mr. Stephen Mulvany: It is one of the bigger factors in the difference. We can reconcile the difference at a high level for the committee.

Deputy Michael McGrath: What are the other main elements of the overall health Vote apart from the HSE?

Mr. Colm Desmond: We have the capital plan, as mentioned by the Deputy. As well as that, we have various payments for pensions and the State Claims Agency and to cover matters of that nature. They also have to be taken into account.

Deputy Michael McGrath: If we could receive that information, it would be really helpful. I am keen to pick up from Deputy Jonathan O'Brien's questioning on the capital plan. In

what month typically has the capital plan been adopted in recent years? When was the capital plan adopted?

Mr. Colm Desmond: A capital plan was not formally adopted in recent years. It is not a requirement under legislation that it be formally adopted. The HSE operated with capital allocations. It would be desirable to have a capital plan formally agreed to.

Deputy Michael McGrath: When was the last HSE capital plan formally adopted?

Mr. Stephen Mulvany: I will have it checked. As my colleague said, it is some time since one was formally adopted or approved by the Department. Obviously, the capital plan we submit is adopted by the HSE beforehand.

One key point to be noted is that of the €640 million in capital we have this year, approximately 75% is for construction and pre-committed. It is rolling and the projects are proceeding. The buildings are being refurbished or built and equipment is being bought. The new capital plan or the new iteration of it - they are all multi-annual in a given year - is about moving on new projects or existing ones from one phase to the next. The vast bulk of the money is already contractually committed for an existing series of projects which are not being delayed or waiting for approval. They are moving ahead.

Deputy Michael McGrath: Is there a rolling HSE capital plan?

Mr. Stephen Mulvany: Yes, there is. That is the reality of capital plans everywhere. They are multi-annual.

Deputy Michael McGrath: It is not adopted by the Department or approved by the Minister. Is that the case?

Mr. Colm Desmond: It can be approved by the Minster. The ideal is that it be approved, but it is not an absolute requirement.

Deputy Michael McGrath: When is the last time one was adopted by the Minister?

Mr. Colm Desmond: I do not think I recall one being formally adopted by the Minister in the past two years, but that is the nature of it.

Deputy Michael McGrath: What purpose is served in adopting the 2019 capital plan in July 2019?

Mr. Colm Desmond: It would be a good advantage to us because we have not done so in recent years. It would be desirable to do so, except for the fact that certain additional costs arose, as we are aware. That required considerably more work to reconcile and put the plan in place. It would be desirable to have the plan adopted by the Minister. It is his intention to do so.

Deputy Michael McGrath: If it was to be adopted, would it be the 2019 capital plan or the capital plan for the period 2019 to 2022?

Mr. Colm Desmond: It would be the 2019 capital plan, but, as Mr. Mulvany explained, it is always a rolling three-year plan. We have the challenge of reconciling the plan in each year to ensure we come in on-budget, as we did in 2018, and at the same time ensuring all projects under way are funded. Significant management of projects is required on a three-year basis.

Deputy Michael McGrath: Does it not all seem loose, ad hoc and amount to making it

up as we go along? There seems to be no real structure to it. The Department cannot even tell us for sure when the last HSE capital plan was approved, although Mr. Desmond thinks it was perhaps two years ago. We are more than half way through 2019 and we still do not have an approved capital plan for 2019.

Mr. Colm Desmond: We have an approved capital allocation.

Deputy Michael McGrath: I know that.

Mr. Colm Desmond: The projects are under way and all money is allocated against them where there are contractual commitments.

Deputy Michael McGrath: To what plan is the HSE working in spending the money?

Mr. Colm Desmond: The allocation from the Government for 2019 was €742 million. It is made up of €642 million, plus the additional-----

Deputy Michael McGrath: To what capital plan is the HSE working in spending the capital allocation?

Mr. Colm Desmond: As explained, a considerable number of projects have been running from previous years. Large capital projects, smaller infrastructural works and medium-sized projects are under way. The HSE indents the relevant amount of funding required and is enabled under Exchequer rules to spend a certain amount of the funding on a rolling basis.

Deputy Michael McGrath: It does not necessarily come under a capital plan but under the HSE's rolling investment programme. That is what I am trying to figure out.

Mr. Colm Desmond: In fairness, the HSE has submitted a draft capital plan. It is a question of ensuring the Exchequer can provide the necessary funding. The recent summer economic statement provided much-needed clarity to enable the plan to be finalised.

Mr. Stephen Mulvany: There is a great deal of rigour in the HSE and between the HSE and the Department on the capital plan. The draft plan submitted is the plan to which we are working. As we said, 75% of the funding is contractually committed. It is proceeding. It is absolutely preferable to have a plan that is formally signed-off on, but we are working to a plan and there is a high degree of rigour. I do not want to give the impression that there is not. There is considerable rigour in public procurement. As Mr. Desmond said, we have not had an issue with overspends under the HSE capital plan in any recent year. It is tightly managed.

Deputy Michael McGrath: To put it mildly, would it not be preferable for the HSE to be working to an agreed capital plan that we would know had been signed off on early in the year? In that way we would know what we were going to put into the pipeline by way of projects and it would be approved by the Department and the Minister. Neither the HSE nor the Department seems to have it.

Mr. Colm Desmond: There was a fair degree of change in the past year in the finalisation of the national development plan and, prior to it, the media review.

Deputy Michael McGrath: Another issue I wish to discuss is the national development plan and the national children's hospital. A memorandum on funding from the Secretary General of the Department of Public Expenditure and Reform, Mr. Robert Watt, was published. It was dated from May and covered his assessment of the broadband plan. He said the extra fund-

ing needed for the national children's hospital project in the period 2020 to 2022 was €385 million. Can the Department account for that figure? The summer economic statement includes a figure of €200 million for 2020. It is for the hospital project and any potential expenditure under the national broadband plan above and beyond what was provided for. How much of the €200 million relates to the national children's hospital project in 2020? Does the Department have an estimate? From where will the balance to meet the shortfall come?

Mr. Colm Desmond: At this point I do not have an indication of from where the €200 million provided by the Minister for Public Expenditure and Reform will actually break out. The Deputy quoted a figure of €385 million. A certain amount of the capital plan was already funded from the capital allocation for 2019 at the beginning. When the additional cost transpired for the national children's hospital project, a process ensued whereby there was a 75% contribution and a 25% contribution from the Health Service Executive. It is to accommodate the additional costs. That is why the Minister has announced-----

Deputy Michael McGrath: Can the Department tell us today the amount required above and beyond what is included in the base or provided for in the future allocation about which it knows? How much extra is required for the national children's hospital project?

Mr. Colm Desmond: I do not have the breakdown with me but we can provide it to the Deputy.

Deputy Michael McGrath: Does Mr. Desmond accept that an additional €385 million was required as of May according to the Department of Public Expenditure and Reform?

Mr. Colm Desmond: I am using broad figures from the original figures. The children's hospital was funded up to the tune of the €980 million before the guaranteed maximum price, or GMP, process. There was, therefore, an annual amount within that each year for the children's hospital. That is what would be in the figures for 2020 to 2022. When the GMP process was concluded an additional €450 million was the cost agreed by the Government. The figure the Deputy cited may have different components within it. It would be best, therefore, if we provided the Deputy with a breakdown of that.

Deputy Michael McGrath: Can Mr. Desmond come back to the committee with that breakdown?

Mr. Colm Desmond: Yes.

Deputy Richard Boyd Barrett: Following on from the previous set of questions, the key issue is that the extra money required for the national children's hospital has, if I understand Mr. Desmond correctly, delayed the publication of the capital plan. Presumably, that is because it impacts on other parts of that plan and the Department is trying to figure out how much extra money it will get from the Government and then cover the shortfall. Consequently, the Department is trying to figure out how it will impact on other capital projects. Am I right? If it will have such an impact, will Mr. Desmond indicate what projects will be affected?

Mr. Colm Desmond: Looking at the capital investment plans for the health sector, in addition to the children's hospital there are many other capital projects already under way and they are at various stages of development. The Deputy will be aware of some of those. These are ongoing and will be completed in various timeframes. These projects are broadly on target and include, for instance, the radiation oncology centres in Cork, Galway and Dublin, the new forensic hospital in Portrane and the rehabilitation hospital in Dún Laoghaire. There are signifi-

cant projects under way and at various stages of completion.

Deputy Richard Boyd Barrett: I accept that. Will the extra money required for the children's hospital impact on the timeline of other capital projects? Will it delay them? For example, Deputy Bríd Smith asked me about the Drimnagh primary care centre which has been due since June 2009. People in Drimnagh are wondering what the position is with it. Will the overspend on the national children's hospital impact on that and the timeline for the delivery of other such capital projects?

Mr. Colm Desmond: The Government has committed that where projects are contractually committed, it will proceed with those projects. It will also proceed with a broad range of necessary infrastructural work that is always needed on an annual basis. It is then incumbent on the Government to examine the funding that is available to it to see when additional projects can proceed.

Deputy Richard Boyd Barrett: If Mr. Desmond does not mind me saying, that is a politician's answer. His unwillingness to answer the question seems to give away that the children's hospital overrun will impact on the timeline for the delivery of other capital projects.

Mr. Stephen Mulvany: There is an issue here about what is a capital project.

Deputy Richard Boyd Barrett: I gave an example. The Drimnagh primary care centre is a capital project.

Mr. Stephen Mulvany: Unfortunately, I do not know the specifics of that project, where it is at in the overall approval process or if it has been approved. There is a simple reality. The more capital funding one has, the more ideas can become proposals or projects on a list and can move through the various stages of approval and subsequent stages. No doubt the more capital one has, the greater the number of projects that progress. As to whether any project will be delayed, the HSE - this has been in the media and here in the Committee of Public Accounts - was clear that we saw timing issues with the availability of capital cash, particularly in the next couple of years. The summer economic statement provided a welcome buffer, contingency or overall resource of €200 million for broadband and the children's hospital, which makes that much more straightforward arithmetic.

Deputy Richard Boyd Barrett: It does not cover the whole shortfall and, therefore, the timelines for other capital projects had to be changed.

Mr. Stephen Mulvany: For the unit in question, depending on its allocation, it will depend on what the overall shortfall is for next year. However, the figure we were grappling with, from memory, was a cashflow figure of a share of €100 million for next year.

We will progress with our contractually committed projects. Those are moving ahead and have been all year. The question of how many other projects can advance and to what stage will be a product of the total available cash. It is wrong to say this is being delayed because of that. One could say they are all being delayed because there is not €100 million more or €300 million more.

Deputy Richard Boyd Barrett: I will not labour the point. I read from what has Mr. Mulvany said that the reason for the delays has been the need to change the timelines for the delivery of other projects because of the children's hospital.

I will ask one specific question about the children's hospital. Who made the decision that there should be a private section to the national children's hospital? Given the Government commitment to universality and removing private practice from public hospitals, who made that decision? Will Mr. Desmond tell us about the economics of it? How much did it cost to put in a private section?

Mr. Colm Desmond: I do not know the specific answer. It is a factual question and we can find a specific answer. If I had to surmise, I would suggest it was probably Children's Health Ireland, which is the main customer for the development board that is building the children's hospital.

The Deputy made a point about Government references to universality and removing private practice, and Sláintecare talks about that. Sláintecare talks about a process initially to look at what would that involve. However, the reality today, tomorrow and next week is that we have consultants who have contracts and those contracts allow for an element of private practice. I do not know if it is fair to say yet that it is Government policy.

Mr. Colm Desmond: That is the position. The chief executive of Children's Health Ireland explained the position at length at a recent committee hearing of the Joint Committee on Health. It was to reflect within the children's hospital the structure of the health service as it is at this point in time, with a very limited amount of private space within the overall hospital. If there is a change from the Sláintecare perspective and other work ongoing in the public versus private issue, that will take its course.

Deputy Richard Boyd Barrett: It is extraordinary that a state-of-the-art hospital which is pointing towards the future of healthcare in this country will have a private section when there is a Government commitment to have universality and eliminate the two-tier system. A brand-new hospital will have two tiers for ever and a day. I do not accept the contract argument. Will Mr. Mulvany clarify whether that means the HSE had no role whatever in a decision about whether there should be a private part to the national children's hospital? Could the HSE not have simply told paediatricians who wanted to work in that hospital that the only jobs available in it are public-only contracts?

Mr. Colm Desmond: My recollection from that other committee hearing which I attended was that there are entitlements on practice and those entitlements are naturally honoured until such time as the entitlements of practice of public or private consultants change by way of an agreed policy change. In fairness, when the hospital was at the planning stage it would have to adhere to those contractual structures that exist.

Deputy Richard Boyd Barrett: These are new contracts.

Chairman: The Deputy is entering his final minute. We are straying into the area of the Joint Committee on Health, rather than the budget side.

Deputy Richard Boyd Barrett: I asked how much it will cost. We need to know how much public money it is costing to have a two-tier system. It has budgetary implications.

Chairman: Absolutely.

Deputy Richard Boyd Barrett: The contracts of the consultants also have budgetary implications. In the existing hospitals where there are existing contracts, one can make that argument but I do not see how one can make that argument about new contracts. Surely there will

be new contracts for the consultants in the national children's hospital.

Mr. Stephen Mulvany: I do not know the specifics of the contractual piece. There is a danger we are straying into commenting on policy, which I will not do. However, the vast bulk of the paediatricians who will be the staff of that new hospital on day one are, I would imagine, the paediatricians who are currently the staff of Crumlin, Tallaght and Temple Street hospitals. It is those paediatricians and other staff who will largely form the staff of the new hospital. They may be given a new contract but they are existing staff members.

Deputy Richard Boyd Barrett: I have one more question. I would like to know if there will be new contracts. If there are to be new contracts, we would have the power to stipulate public-only contracts. We would not have to have it in a two-tier form. I would appreciate if Mr. Mulvany could get back to us on that.

The HSE does not want to call them cutbacks because of the impact of the deficit. When talking about the savings that may be necessary, they are referred to as "interventions". That is a nice euphemism for cuts. The interventions to deal with the deficit of staffing and savings will be in the areas where most of the overruns occur, which are listed as disability services, acute hospitals, the primary care reimbursement service, PCRS, and overseas treatments. Is that correct? Are those the areas in which the interventions, which the HSE does not want to call cuts, will take place in order to meet the deficit? Will that not inevitably worsen the situation for patients in those areas?

Mr. Stephen Mulvany: In terms of some of the areas the Deputy mentioned, going back to the €16 billion, €4 billion of it is in the areas of PCRS, pensions, State claims and overseas treatment, treatment abroad and the cross-border directive. They are largely matters of Government policy and legislation. We do not have specific interventions we can make in those areas unless somebody changes policy. There are some exceptions around probity and PCRS. PCRS is focused on making sure people get the eligibility they are entitled to as quickly as possible. The bit we can control is ensuring there is probity, that is, no breaking of the rules by a small minority of contractors who might be tempted to do so, in respect of the €2.7 billion we are handing out. That allows us to make some savings that do not impact on patients and in fact are to the benefit of patients, because the money tends to stay in PCRS and gets used for services. Through PCRS, we are also encouraging hospital consultants to prescribe biosimilar drugs where appropriate. That is a positive thing and we hope it will save us a lot of money next year in the sense that it will provide space for effectively neutral costs. That is a cost saving measure that is not negative in any way around services. Neither of those could be called cuts. They are just the right thing to do. We are assume that we are expected to live within the resources where we can.

On the operational service areas, yes, there is an element of operating within budget. In home help services, for example, there has been about €150 million extra invested in home help over the last three or four years. We are requiring our services to live within their budgets for home help. There is more demand for home help services on which, if we had the money, we would want to spend it. Home help is a valuable service and it is excellent for patients. However, if we do not have the money, are we going to spend it on something we do not have, rather than simply making best use of what we have? We are not. Our intention is to live within the home help budget and home support budget on the basis that doing so should assist us to secure greater investment in future years. Is that a cut?

Deputy Richard Boyd Barrett: Yes.

Mr. Stephen Mulvany: That depends on one's perspective.

Deputy Richard Boyd Barrett: If somebody is entitled to something and they are given it but they are not given it-----

Chairman: Thank you, Deputy.

Mr. Stephen Mulvany: It is not that we are not giving it. It is not that we are taking it away. We are just not able to respond to demand that we do not have money for.

Chairman: I am going to move on to Deputy Breathnach.

Deputy Declan Breathnach: I am reminded of Brian Cowen's description of the Department of Health as being a bit like Angola. Things are still not good in the state of Angola. There is a budget of €17.107 billion with an 11.6% increase on the budget of 2018. How does the HSE's current budget position compare to its position at the same point last year? We have been informed that it is currently running at 6.8% over budget and that there could be a deficit of up to €150 million by the end of the year. How is the HSE going to plug that hole? Is the figure correct or is the overrun anticipated to be even greater?

I am particularly interested in the issue of the budgetary oversight group. There was reference to positive steps to ensure better management and health expenditure. Can Mr. Mulvany talk us through how these work? He has just referred to homecare packages not being provided and to living within the budget. I will be raising a Topical Issues matter within the next half hour on callous cuts that have already been implemented. Are those cuts being suggested by the budgetary oversight group? I refer to a proposal to close a disability service for respite and holidays serving up to 50 clients in the north east later this year. Does this group make such decisions and how are they made? As with the homecare packages, it is the vulnerable and disabled who are being impacted. Assuming these contingencies are in place for expenditure that is higher than anticipated, how will the cuts be decided? Is information available to elected representatives, local and national, or will the cuts just be foisted upon communities? I understand the constraints the HSE is under but if it cannot live within its budget, why should we be discussing new services? Politically, we should not even be suggesting them if we cannot deliver to the most vulnerable in our society.

Mr. Stephen Mulvany: It is a valid question as to the extent to which we should ensure we fund fully what is already running before we establish new services. That is a matter for the Minister and the political system on an annual basis in terms of allocation of total resource. I do not have the figures from last year to hand but I can send on a note. Having checked them previously, my recollection of the figures at the end of April is that they are 2.3% over on the HSE's current account, so €116.2 million as per the opening statement made by my colleague. We are €116 million over, €80 million of which is in the operational service area and about €40 million in pensions, demand-led services and primary care services, where we do not have as much management control in terms of the components. Both of those were higher last year. The proportion that was in the operational services was higher as a portion of the total last year. We are better than we were last year. We could take €116 million at four months and extrapolate to guess what it would be at year end. Obviously we are not planning to have that level of deficit; we are planning to reduce any deficit as much as possible, particularly focusing on operational service areas where we have more direct controls. We have fewer direct controls in pensions and demand-led services.

I am not aware of the specific example in the north east. The budget oversight group *per se* does not, in my understanding, make specific decisions around specific measures. It is an early warning and oversight mechanism for the Departments of Public Expenditure and Reform and Health to gauge the HSE's progress to date, progress around savings, where are we against the overall budget and what it looks like towards the year end. It does not go into that specific level of detail.

We have given budgets out to managers. The CEO, as he is now, has been very clear in his public pronouncements that he accepts our managers do not have sufficient budget to meet all the demands they face and he will support them where they have to make difficult prioritisation decisions, as long as they make and communicate them properly. That includes communicating properly with local communities. The notion of an entire respite service in the north east closing does sound strange to me but we can certainly check in on it if the Deputy can share some of the details.

Deputy Declan Breathnach: Mr. Mulvany is clearly saying that he does not make the decisions and nor does the budgetary oversight group. It is delegated to managers to live within their budget and therefore they make the suggestion of cuts. While I will not bore him with what I will be discussing in the Dáil Chamber later on, is clear that those managers are identifying services that are greatly needed in their communities, effectively, if a service cannot come in on budget. We can agree to disagree on the figure but I would like Mr. Mulvany to come back to the committee. I have no reason to disbelieve the figures we are presenting. Mr. Mulvany is saying the HSE hopes to come in on budget and we are suggesting the HSE certainly will be €150 million over at a minimum and, if that is delivered in the form of cuts, the people who will suffer will be the vulnerable. That must be communicated to those communities and that is not happening. I heard Deputy O'Brien refer to them as interventions. Mr. Mulvany said they are not cuts as the service is operating to a budget. I understand that but the issue is the impact that this is having and will have. I stand over what I said. For financial reasons, a local manager has indicated that a respite service has been totally removed in order for him to come within budget and the service will discontinue at the end of 2019. It is unacceptable to me, as a national public representative, that this was communicated to the clients of the service by letter.

Mr. Stephen Mulvany: If I could make a general point, the national service plan provision 2019 had considerable additional funding in the amount of approximately €1 billion provided by the Government. We also had the benefit of the Supplementary Estimate agreed at the end of last year and the additional €625 million for the current year also went into the base. The Government provided handsomely for the health system this year in the national service plan, which is up by that amount compared with the previous year. There have also been increases in previous years, which was the subject of a previous discussion at this committee. It is very challenging to meet the demand for the services but the context is important to understand when considering what the Minister delivered for the 2019 national service plan.

Mr. Colm Desmond: If I can clarify for the Deputy, I am not saying we expect to break even, I am saying we are not planning for a deficit. We are absolutely planning to mitigate any deficit insofar as we can.

I am also not implying that because the budget oversight group, which involves senior colleagues from the Departments of Public Expenditure and Reform and Health, does not make that kind of specific decision, we simply leave it up to the local managers and therefore, in some way, it is all their faults. We are saying to local managers to look for efficiencies first. They then must live within their overall budgets. If that means they cannot meet all the demand, then

that is the reality. We mean it when we say we must support them to make difficult decisions as long as they make and communicate them properly. Not communicating such a decision to families well in advance, as Deputy Breathnach indicated, would not be communicating properly. I do not know the details so I do not know if that is accurate.

Deputy Declan Breathnach: I am not expecting Mr. Desmond to know the details but it is not the way to do business. I apologise for coming back in, but I understand that considerable moneys have been given by the Government. We should not be suggesting new services if we cannot deliver for the most vulnerable in the community. I wait with interest to see how many more services will be curtailed or stopped as a result of the overruns.

Deputy Louise O'Reilly: I thank our guests for their submissions. I have particularly noted three phrases used so far, namely, the references to mitigating the deficit, re-profiling and making interventions. All of those phrases mean the same thing, which is cuts. That is what they mean to people who will not get the service. Whether that is a service that was expected and not delivered or an actual cut, the net effect on the people who need the services is the same.

I refer to a letter that was sent by Mr. Desmond on 11 April 2019 in which he makes reference to the savings measurement plan of 31 March 2019 and the monitoring groups. I had a look for those reports and could not find them. Are they published and, if so, where will I find them? Forgive me if they are available but I could not find them.

Mr. Colm Desmond: They would, I presume, constitute documentation discussed in the Committee on Budgetary Oversight and I imagine that is ongoing work. I am not immediately familiar with the correspondence but we can clarify exactly what reports may be available.

Deputy Louise O'Reilly: This letter is from Mr. Desmond to Ms Anne O'Connor, dated 11 April 2019. In it, Mr. Desmond states, referring to the value improvement programme, that the Department is acutely aware of the different approaches required in 2019 and that it is evident, from the submission, that there has been considerable engagement at operational level to develop and formulate a monitoring and reporting arrangement around it. I am wondering about that monitoring and reporting arrangement. Are there reports on that?

We are all trying to get a handle on how the deficit mitigation, re-profiling or interventions - cuts, as we might call them for shorthand - will impact on the people we represent. If there is a series of reports out there that indicate where some of that re-profiling, or whatever, might be going on, it seems unfair that such information would not be available. I see no reason why it would not be published on an ongoing and interim basis.

Mr. Colm Desmond: I am clearer on the correspondence now. When the service plan was published at the end of last year, with significant additional funding for the range of areas I mentioned, it did indent a series of savings that needed to be achieved to balance that service plan against the provision from the Government. That is set out in the service plan, as published.

The budgetary oversight group was set up at roughly the very beginning of the year and the purpose of that group, in a collaboration between ourselves and colleagues in the Department of Public Expenditure and Reform and the HSE, is to work through how we would actually achieve what the service plan sets out to do in delivering significant additional funding across a range of areas but also recognising that the level of funding available is, regrettably, never enough for the scale of demand facing the sector. The process I was writing to Ms O'Connor about was simply deepening to the level of how we might engage within that process and

maybe get greater clarity on how those savings might be achieved. If there is documentation that can be made available, we can look into that, but the process of work of the oversight group is continuing.

Deputy Louise O'Reilly: Is the monitoring group referred to in that correspondence the oversight group?

Mr. Colm Desmond: I would have to look at the correspondence but I imagine so. We are doing our work within a collaborative process under the budget oversight group which is chaired by the Department of Public Expenditure and Reform and that is where we are progressing the implementation of service plan provisions.

Deputy Louise O'Reilly: I understand the Department must have its procedures - I get that - but I have to say sometimes the Department does not help its own cause with its groups and committees, etc. I am perfectly willing to accept that information is publicly available but, as a public representative who has a small degree of experience dealing with the health service, it should be available to me and I cannot find it. When I cannot find information like that, which is referenced in documentation and obviously exists in some form, that naturally raises the question as to what the Department does not want me to know. There might be nothing to see here but, if there is nothing to see, the Department should just publish it. We all know that cuts are coming to the services for the people who need them in our communities. We want to know where those cuts will come and what will be their impact. If this is being monitored on an ongoing basis, and the Department has oversight, that information should be shared.

Mr. Colm Desmond: I take that point.

Deputy Louise O'Reilly: Mr. Mulvany and I have spoken previously about what are known as stretch income targets for private income into the public health service. His colleague, Mr. Woods, and I have also had some discussions about it at the Joint Committee on Health. Are the stretch income targets still in place?

Mr. Stephen Mulvany: I had a conceptual difficulty the last time as to what was meant by "stretch income targets". I assure the Deputy that the last thing we have done this year in the national service plan 2019 was to invest €85 million. We had to put money into hospitals, effectively, to reduce their income targets largely because of the impact of the campaign by insurers to encourage people not to use their private insurance if they are going the emergency department route, which people are entitled to do. We have lower income targets this year than we had last year. Some people are still off those targets and, if they are choosing to call that a stretch, I would say that is inaccurate. They have income targets which are lower than they were last year. I am not quite so sure what is meant by stretch but it is so they have targets to control costs.

Deputy Louise O'Reilly: Mr. Mulvany knows those were not my words. They were the words contained in correspondence between a chief executive officer and the HSE.

Mr. Stephen Mulvany: They may well have been.

Deputy Louise O'Reilly: Stretch income targets were not something that I invented or had a dream about. That phrase came from a very senior person in the HSE and Mr. Mulvany knows that. I did not make it up. The perception is certainly that stretch income targets were imposed on people and hospital chief executive officers. If Mr. Mulvany is telling me now that those no longer exist, I am happy to accept that.

The private wing, unit or part of the new national children's hospital was raised already but it warrants another mention. Bearing in mind that the building of this private facility-----

Chairman: The Deputy has had her five minutes.

Deputy Louise O'Reilly: I apologise and will conclude with one more question after this one.

Chairman: Just to explain to the Deputy, there is no problem but we do a round of questions and then she can come back.

Deputy Louise O'Reilly: I am sorry, Chair. I thought it was a ten-minute slot, as in the Joint Committee on Health. I thought I had twice what I had.

Chairman: The Deputy can come back in. There is no problem.

Deputy Louise O'Reilly: The private wing has its own entrance. It sounds like it will be lovely, if one can afford to pay for it. One way or another, we will all be paying for it. We were given an assurance that somehow the money would be recouped. Is there a separate budget within the budget for the national children's hospital, the capital spend on that, for the private wing, so that we could be assured that not just the ongoing costs but the actual cost of building it could be recouped? Do the witnesses know exactly how much it will cost, so they know exactly how much will be recouped from it?

Mr. Stephen Mulvany: I understand the question, but I do not have the answer. Perhaps my colleague, Mr. Desmond, knows. We can get an answer.

Mr. Colm Desmond: We can get an answer. The matter was dealt with in a lot of detail by the chief executive of Children's Health Ireland, CHI. I am not sure it is a separate wing, as such. I think there was simply management-----

Deputy Louise O'Reilly: It has its own entrance.

Mr. Colm Desmond: We can pose the question. I am not aware of any separation of costs within the overall budget for the hospital, which is being built by a vast budget across a range of construction headings. The construction, equipping and medical laboratory equipping is the structure within which this significant project is being driven.

Deputy Louise O'Reilly: My point was a very simple one, namely, that if the witnesses do not know how much we are spending on this, then they cannot be sure that we will recoup the cost of it from the private paying patients. If we do not know how much it is, we will never know if the money has been recouped. It is fairly simple mathematics.

Mr. Colm Desmond: The question of recoupment is something I would have to clarify for the Deputy.

Mr. Stephen Mulvany: Recoupment is a separate thing. There is no part of this project where we cannot estimate the cost, but we just do not have the information to hand. I am fairly sure both CHI and the development board know within a reasonable figure what the cost is. Recoupment is a separate question.

Deputy Louise O'Reilly: Okay, I will come back in.

Deputy Pearse Doherty: I am sorry but I have had to work between committees. The wit-

nesses are very welcome. I have a couple of short questions on the national children's hospital, which many of my colleagues have raised. What is the square footage of the national children's hospital?

Mr. Colm Desmond: That is a very specific question. We will have to come back to the Deputy on that.

Deputy Pearse Doherty: Roughly.

Chairman: This is the Committee on Budgetary Oversight. We have invited in the witnesses on the basis that they are discussing the budget situation. We must be reasonable to the witnesses. There was no indication that there would be questions about the square footage of the hospital. We must be fair.

Deputy Pearse Doherty: Of course, I will be fair. This is not a case of trying to get the witnesses. I was trying to google it myself to see. My question relates to the location of the national children's hospital compared with the previous version of the hospital at the Mater Hospital site. Is the size roughly the same or is it significantly different?

Mr. Stephen Mulvany: I was going to respond to the Deputy's first question by saying that the hospital has approximately 6,000 rooms, so it is a big building. I do not know whether it is a different size in overall square footage compared with what was planned for the Mater Hospital site. It is not a question I expected to hear, although it is a perfectly valid question.

Deputy Pearse Doherty: The reason I ask the question is because we have spent a lot of time discussing the overruns with the national children's hospital, but once it is built another issue will arise, namely, the running of the hospital. Has the Department looked at the annual cost of running the national children's hospital, given the size and scale of the hospital compared with the previous version that was planned for the Mater Hospital site? Has that been budgeted in?

Mr. Stephen Mulvany: We have looked at that, or rather Children's Health Ireland has, as has the HSE, and they have shared it with the Department. There is a programme of trying to put through a number of service plans so that both the staffing and the other ancillary costs are known. By the time the hospital opens, the biggest single driver of the overall scale will be the number of beds and the fact that it is almost fully, if not entirely single bedded, with a capacity for an individual parent or family member to stay in most rooms. I am not sure of the details. The rooms are big and the site covers a big area. We are trying to make the hospital as efficient as possible. The chair of CHI would be better able to respond, but a lot of work is going on to try to make sure, for example, that it has a logistics system that does not require the hospital to have its own big store, which would take up a lot of space, but that it is serviced by one of our centralised distribution hubs. Yes, is the answer.

We can come back with the information or one of my colleagues can set out what is known to date about that. A lot of work has been done on what it would cost to run the hospital itself. The hospital will only work if it fits within an overall model of paediatric care for Ireland, which must also be marshalled. The biggest part of Ms Hardiman's role is to be ready to bring the hospital live and then fit it into the overall construct of paediatric care in Ireland. Her role is not to build the hospital. There are costings for those bids, well beyond what the actual building construction and equipment terms cost. Attention has turned to the revenue cost of operating the hospital, even though it is years from opening. Estimates are available for that.

Deputy Pearse Doherty: Have those estimates increased in recent years?

Mr. Colm Desmond: There is a governance process around all of the different components of the hospital, which confirms the point made by my colleague. That is going through all of those different components that Mr. Mulvany set out in a structured way. We have the three existing sites, which are now merging into one hospital group. We have those running costs and the salary costs of all of the individuals working in those hospitals at clinical and other levels, which are within the current base of expenditure for the system. Therefore, clearly that advantage is there when three hospitals are merged into one new site. There will be that in the base to bring forward.

Given that we are now moving to a state-of-the-art hospital in world terms, however, it will inevitably give rise to additional costs over time and it will be a challenge for the health sector, but those aspects are all part of the overall governance structure, which is co-ordinated by the children's hospital project and programme steering group, for example, with membership from the Department, the HSE, the development board and CHI across all of the different components. That includes the equipment piece, the IT electronic records piece, the digital supply piece that was mentioned, and the sheer practical aspects of combining all of the staffing from the three existing hospitals into one group under CHI.

That legislation has also been passed. The Minister has done his work in that area, so it is now one unified legislative structure for that purpose. It is a very big project along all of those streams. Deputy Doherty is right to raise the fact that running costs and revenue are a factor that require significant planning, but we have the advantage of having three existing sites and the cost is built into the base for those.

Deputy Pearse Doherty: If we were to look at the documentation, which we do not have here at this committee, at the estimates for the running of the new national children's hospital, and at what was estimated four years ago, would we be looking at the same estimates today?

Mr. Colm Desmond: The recent changes were to the capital building costs and they were fully documented and publicised following the Government decision.

Deputy Pearse Doherty: Mr. Desmond can forget about capital costs.

Mr. Colm Desmond: We would have to supply Deputy Doherty with more documentation on the running costs. I do not have the details available to me here today.

Chairman: As Chairman, I am going to make the point again to Deputy Doherty that when we invite witnesses in to talk to us about a topic, if we have not given any advance notice of the questions, we can keep asking questions but they will not have the information. We are not the Joint Committee on Health. The witnesses are in before us to discuss budget management and control of health expenditure in the context of budget 2020. I am conscious of our time and of the witnesses' time and of the new strictures on committees trying to operate within the context. I am not trying to restrict Deputy Doherty and I hope he appreciates that. We are moving to an area where the answer is that the witnesses do not have the information but they will send it to us.

Deputy Pearse Doherty: I was going to move to that point. This is crucial because with a national capital project that takes bricks and mortar to build but also costs money every year thereafter to keep the lights on, clean the building, staff the building and all the rest of it, we need to make sure that the runaway costs that we are seeing on the capital side are not repeated

with the current expenditure. If they are repeated, then lights will be going off somewhere else in the health service. The issue is important in terms of budgetary management.

Is it possible to supply the committee with the initial estimates, the first estimates, the Department received regarding the running costs of the national children's hospital, and the estimates as they stand?

Mr. Colm Desmond: I will take that question away and come back to the committee.

Mr. Stephen Mulvany: There were initial estimates going back some years that were drafted at the time and were being worked on. We have to make sure that where something is drafted and then changes, we are not looking to declare it is a scandal. We can set out what the costs are-----

Deputy Pearse Doherty: It depends why it changed.

Mr. Stephen Mulvany: Absolutely. However, things do change, drafts are drafts, estimates are at a point in time based on certain assumptions, and assumptions change. On that basis, we can certainly ask Children's Health Ireland to provide the current and previous estimates.

Deputy Pearse Doherty: To be helpful, if there is significant deviation or change in them, the HSE can add a commentary as to why it believes those changes took place. Again, there may have been none. I just want to know.

In regard to the health overrun, I asked the Minister for Finance why he believes we are going to buck the trend in 2019 compared with any other year and why the health budget will not see a significant increase in the last two quarters. It is projected that it would peak in May, then reduce and then stabilise for the rest of the year, whereas the trends year-on-year have been that there would be an increase in the latter half of the year. Will Mr. Mulvany explain why this year will be different from any other year?

Mr. Stephen Mulvany: There is certainly more focus on enhanced financial management control this year. Clearly, the position we ended up in last year does not do anybody a service and is not sustainable. The directorate of the HSE, as it was at the start of this year, decided that its first priority in implementing the service plan was to maximise the safety of the services we could deliver within the budget, and then to make the other improvements that we could without breaching that first priority. We have been working on that for some time. The new CEO has added an additional focus to that. He has been very clear that we cannot spend money we do not have and that the route to sustainable investment is to demonstrate we can live within the resources, albeit this can be difficult. Our aim is to tighten and not to allow loosened controls as we move into the third quarter and particularly into the fourth quarter of the year. We will be growing our overall staffing this year but we are looking to do it in a way that is planned-----

Deputy Pearse Doherty: Excuse me, what was that?

Mr. Stephen Mulvany: We will be growing our overall staffing this year in health but we are looking to do it in a way that is planned and affordable.

Deputy Pearse Doherty: Talking about planning of staff, I am sure other Deputies will have the same experience as my own. Mr. Mulvany talked about planning, growing staff and so on. Is it not the case that in the "living within your means" part of what he is saying, what we are seeing now is that acute hospitals and community hospitals are not replacing staff who

are on maternity leave in many cases? This can be planned for. I do not believe there is a baby boom this year and there is always a certain percentage of staff in the health service who will be taking maternity leave during the course of the year. Is it not the case that what is happening is because of the new policy of not sanctioning replacements for maternity leave cover and other cover, which means we now have major gaps in services?

Mr. Stephen Mulvany: What we are doing is living within the resources that we have and growing the number overall within the resources that we have. The control we have in place at the moment effectively states that no additional staff can be put in and that agency and overtime levels, which are in the hundreds of millions, are capped. We have 54,000 staff in the acute hospital sector alone. Within that totality of staff, at the level it is at, other than for specific Department of Health-funded new developments, which can proceed and are proceeding, that is the resource that is available until we get the thing onto some sort of a sustainable footing, unless-----

Deputy Pearse Doherty: What happens when somebody goes on maternity leave?

Mr. Stephen Mulvany: What is going to have to happen is that, somewhere else within the 54,000 staff, hospitals will have to rejig or, somewhere within the €300 million worth of agency and overtime staff, they are going to have to swap some hours and move it around.

Deputy Pearse Doherty: This is the point. In terms of budget planning, the Department of Education and Skills has a predominantly female workforce.

Mr. Stephen Mulvany: As we do.

Deputy Pearse Doherty: That is why I am using the comparison. The Department of Education and Skills has a budget that it does not breach every year, yet many of its staff take maternity leave. How can it sort it out and the Department of Health cannot? I have parents coming to me whose child has speech and language issues and there is no speech and language service in west Donegal because the individual is on maternity leave and no cover provided because of this cost-cutting and the attempt to remain within budget. Podiatry services are not available since December of last year because the individual is on maternity leave.

I can understand this. If one is looking at a spreadsheet instead of humans and the impact upon them, there is a percentage of a workforce that will be on maternity leave in any given year. How come the HSE cannot budget for the fact those individuals will need to be replaced? It is not just a terrible situation for the patients and children who require the service but also for the staff of the HSE, given that if a person is going on maternity leave, her patients are not going to get the cover and care they need. How come that cannot be budgeted for?

Mr. Stephen Mulvany: There are two things. First, I do not think we are disagreeing that we need to live within the budget. I do not think the Deputy can blame the fact the budget has to be lived within for the fact that, in some cases, we do not seem to be able to manage maternity leave. The issue is we need to manage maternity leave better so that individual services are not affected. The only solution to somebody going on maternity leave is to break the budget or not to provide the service.

Deputy Pearse Doherty: Or budget for it in the first place.

Mr. Stephen Mulvany: Within the budget for the 54,000, we have a budget of €7 billion for pay. We can argue about what people are doing with the overall budget if they are not set-

ting aside some of it for maternity leave. That is a reasonable question but they cannot just overspend because-----

Deputy Pearse Doherty: Who is sanctioning the numbers? They are sanctioning the numbers.

Chairman: Thank you. Deputy Doherty's first round is over. I call Deputy Boyd Barrett.

Deputy Richard Boyd Barrett: On reflection, I would like Mr. Mulvany to clarify one point in regard to the private part of the children's hospital. The HSE provides the money for the national children's hospital. Is Mr. Mulvany saying that although the HSE provides the money, it has no idea what is going into the hospital?

Mr. Stephen Mulvany: We are not saying the latter. The money is voted by the Oireachtas, it is given to the Department and the HSE physically gives the money to the National Paediatric Hospital Development Board, or in fact we probably now give it to Children's Health Ireland, which is a separate entity to the board. I am not in any way saying the HSE or the Department are unaware of what goes on in regard to the specific decisions and how they get made. I am not saying that for a minute.

Deputy Richard Boyd Barrett: They do not say this is what we want. I am trying to get my head around the fact that if the HSE provides the money, surely it says what sort of hospital it wants.

Mr. Stephen Mulvany: Yes.

Deputy Richard Boyd Barrett: In that context, did it say it wanted a public and private part, or did the people it gave the money to make that decision?

Mr. Stephen Mulvany: Again, I do not know the specifics of the decision but, absolutely, the funder would have been involved in that decision. Who initiated the question as to whether we should have public and private is a different thing. However, will that decision have been-----

Chairman: Thank you, Mr. Mulvany. Again, to be consistent, this is a discussion on the implications for budget 2020 of the public expenditure overrun. If Deputy Boyd Barrett wishes to pursue this through the health committee, that is grand, but he has gone down a route which is outside of our committee area.

Deputy Richard Boyd Barrett: I am just trying to understand the connections between the funding and what that funding delivers.

Chairman: We have a commitment on areas the Deputy has asked on before but we are now outside those areas. Has the Deputy another question he wants to ask?

Deputy Richard Boyd Barrett: I do not see how it is outside the area to ask what is the connection between the funding and the thing that it funds. Is that not a reasonable question about funding?

Chairman: It must relate to the implications for budget 2020 of public expenditure overruns in health.

Mr. Colm Desmond: The business case and all of the tendering documentation for the

children's hospital were detailed and extensive and covered all of the various areas that I listed in response to a different question. That process has also been subject to detailed governance. The Deputy asked a specific question on funding flows. The Government initially approved the funds for the capital project, for example, the €980 million in early 2017, on the basis of a detailed business case that was put forward. As time moved on, we saw that additional costs began to emerge and the figure had to be revisited. There is no question but that funding is not provided other than where there are extensive planning processes under way for that purpose.

The Deputy's concern about the private element is a slightly more detailed question. At this point in time, there are certain rights attaching to practice. Therefore, they were probably accommodated within the overall project. I am not sure of the scale or extent of that, though, so we will have to provide the Deputy with more detail on that. However, I recall that it was set out by Children's Health Ireland at the health committee in some detail.

Deputy Richard Boyd Barrett: I have asked the question. Hopefully, the witnesses will revert with the answer. For the record, I was informed after stepping out following our earlier discussion that consultants could change from one contract to another. It is difficult to understand why we would not have discussed with those consultants the fact that we do not want a two-tier system in the national children's hospital.

Mr. Stephen Mulvany: We may well have, but consultants can change at their request and our decision. It is not the same as us imposing-----

Deputy Richard Boyd Barrett: We do not have to employ them in the hospital if they do not want to play ball.

In the case of home care, which was mentioned, is it fair to say that, because of the need in the Government's view to live even more stringently within the budget - more will be done to live within the budget this year than last year - people who need and have been approved for home care packages will not get them? Is that not the truth of it? The allocation of home care packages will not be driven by medical need.

Mr. Stephen Mulvany: Reference was made to targets being imposed on people. Unless we get to the stage of individual services deciding their own budgets, there will be an ultimate level of resource. Sitting before the Committee on Budgetary Oversight, I assume that it is not seen as a negative to try to live within the resource. It is a question of making the best use of the resource we have and, given the demands facing us, determining whether we are prioritising and giving that resource to patients, families and service users as best we can. That is what we seek to do. We would like to, and could usefully, spend more on home support than we have this year, but there has also been a substantial extra investment of €150 million in home support in the past three or four years. More would be appropriate and of good value to the economy. The fundamental issue is that we have a budget of approximately €450 million for home support, which supports approximately 53,000 people across nearly 18 million hours.

Deputy Richard Boyd Barrett: I will refine my question. When the Department gives the HSE its allocation for 2020 or any year, surely the latter knows that its allocation will not be sufficient to provide a home care package to everyone who is approved. Does it not tell the Department this and that, if the Department wants everyone who needs a package to get one, it will have to allocate more?

Mr. Stephen Mulvany: The simple answer is "Yes". As we set out in our briefing, we

determine at the start of what is an extensive process the cost of keeping the existing level of service going, of additional demographic pressures and of the developments that the Department would like to put in place to go beyond meeting the current level of need and ensure that the difficulty being faced by one individual in trying to access that service pool does not worsen year on year due to demographics. There is also the question of pent-up or latent demand in the form of people who are on waiting lists and even those who are not.

We know how much it would cost or how much could be usefully invested in home supports. We share that information with colleagues in the Department on an annual basis. However, the State has a certain amount of total resources. It allocates those resources and we must operate within that. In fairness to the State, it asks whether there could be greater efficiency for the €16 billion plus being spent.

Deputy Richard Boyd Barrett: Based on estimates of demographic changes, demand, maintaining services and so on, does the HSE not know at the beginning of the year that there will be a deficit at the end of the year?

Mr. Stephen Mulvany: Those are two different questions. The first is whether we know that we could usefully spend more in a particular area, there are more demands in that area or, if we were providing the service-----

Deputy Richard Boyd Barrett: The HSE actually does spend more. That is the deficit.

Mr. Stephen Mulvany: There are some areas where one cannot control costs or it is difficult to do so. The most difficult is 24-7 services. Unfortunately, in areas like home support, we can live within an overall budget. We may not like the consequences of that, though. We have more than €445 million. That is what we are seeking to spend and we are trying to get the best value out of it. We could spend a further €10 million, €50 million or €100 million and would like to do so, but there is a separate question of whether we could gear up sufficient staff for home support services.

More investment in some areas would be useful. A part of the reason we are trying to live within the budget is to get external credibility with our funders, as well as their trust and confidence, so that they will be happy to invest more. There is €150 million more being spent on home support than there was three or four years ago. That is not insubstantial. We would use more, of course.

Deputy Richard Boyd Barrett: My apologies, but I have to fly. Is that okay?

Chairman: Yes.

Deputy Louise O'Reilly: I will ask a few questions. I will also keep an eye on the time, so I apologise for my previous contribution.

We are here to discuss the budget. Members will know that what I am about to raise is one of my hobby-horses, so there will be no surprises. Even the Minister for Health has agreed with me that directly employed home help assistants and home help assistants who work for not-for-profit agencies represent significantly better value for money than agency staff. I will couple this with a further question on the increasing spend on expensive agency staff. Is any attempt being made to convert those numbers? I am referring to the setting of targets. The witnesses and I know that, at local level, managers want directly employed staff, but we are increasingly hearing from constituents that they are finding it difficult or even impossible to get offered per-

manent contracts. There are permanent vacancies and jobs and there is work that needs to be done, so it strikes me as counter-intuitive to spend money on agency staff when there are people who want to work. Via social media and direct contacts with my office, I have encountered qualified healthcare professionals, including doctors and nurses, who have left jobs abroad on the promise of jobs here only to come to Ireland and be unable to get work. There have been delays in processing the jobs they were offered. They must eat, pay their rent and so on just like the rest of us. They are working, but for agencies. They are making more money doing so, but they would have accepted lower rates. There is no logic in keeping them as agency staff when they are willing to work as directly employed staff. They will get themselves established on a higher rate of pay. One's expenditure expands to meet one's income. I have asked this question several times, but I have never been able to get an answer. Does the HSE have targets? We know that it does not hit all of its targets. Even if those targets are missed is anyone setting targets for the conversion of agency and overtime into directly employed staff?

Mr. Stephen Mulvany: Yes.

Deputy Louise O'Reilly: What are they?

Mr. Stephen Mulvany: In the savings measures for this year, specifically in the service plan on page 82 as far as I remember it the target for a combination of agency conversion or doing without is approximately €17 million. Hospital groups and CHOs have said they will aim for more than that. People have said that in the past and it can be difficult to do. Even though the WT controls we have in place now do not allow people to be replaced they encourage people to come forward to their national director with well thought through plans to convert agency posts. While 94% of our pay costs are not agency but directly employed, we have no interest in maintaining people on agency. It does not suit the health service. It has a use for the odd short-term temporary vacancies here and there. It does not suit filling standard slots and rosters. There is not the continuity generally that comes with directly employed staff. In some cases in the west where they are medical staff we end up paying more than our contracts because the market is such that there are only a few people with the qualifications and they charge much higher rates. It is neither our policy, nor in our interests, to keep people on agency. We would like to see that reduced and there are some areas where there are unsustainable levels of agency, not just financially but that is not what we want in respect of quality of service.

Deputy Louise O'Reilly: I agree. The targets have been set. We see from the correspondence that the Department gets reports but the officials may not have them here today. Does the Department report on how those targets are being achieved?

Mr. Stephen Mulvany: We report in several ways. We are reporting on people who have said they will save on agency and how they are doing against those savings targets. We also report on the overall level of agency and overtime. Several of the CHOs or hospital groups have had the lowest or second lowest agency and overtime numbers over the past five to seven months. We are monitoring it.

Deputy Louise O'Reilly: Where can I get those reports?

Mr. Stephen Mulvany: If the Deputy asks we can provide them.

Deputy Louise O'Reilly: Very well, I am asking. Mr. Mulvany can send them to me.

Mr. Mulvany knows that home help is a cause very close to my heart. The directly employed not for profit organisations represent significantly better value for money yet an increas-

ing amount goes into the corporate private sector where the hourly cost is higher.

Mr. Stephen Mulvany: I was not aware there was such a difference in favour of the directly employed versus the for-profit or private organisations. The costs depend on the mix of hours they cover, daytime Monday to Friday versus evenings or weekends. In our public voluntary and private services, for example, nursing homes, it is not always as straightforward as saying in simple unit costs that the public is cheaper. The broad definition of value for money might make a difference to that. I do not have information that tells me that uniformly the private cost per hour for home support is higher than the public or voluntary cost.

Deputy Louise O'Reilly: According to a response to a parliamentary question it is coming in higher. Let us say I am right and it is higher, would Mr. Mulvany not think it would make more sense to reorientate the service towards directly employed and not for profits and away from the most expensive forms? It is the same as agency staff. I understand that the Department does it when it has to but there is a difference when it becomes more reliant.

Mr. Stephen Mulvany: If it was more expensive we would change. There is more than cost to consider, there is the value and the overall quality and so on. There is a market for home help and home support. When we got substantial additional investment in home support not all areas were able to expand into that through directly employed or voluntary agencies at the time. We now have a market and a requirement to go to tender. Part of the market will be driven by private organisations or at least by competition. The not for profits are competing with the private organisations for the home support market but I agree we want to get a balance.

Deputy Louise O'Reilly: The balance is going out of kilter.

It stretches credibility that at this stage there is no capital plan, yet we know that capital projects will proceed. In the absence of a plan, who is making those decisions and would Mr. Mulvany not accept that there is also a perception that a capital plan exists somewhere but it has not been published?

Mr. Stephen Mulvany: The HSE has submitted a draft plan to the Department. We are working to the contractually committed elements of that plan. They represent 75% of the money we have. It is not that we are not working to something and there is no clarity between the Department and the HSE on what we are working to. The real difference in getting to a preferred position of having a signed off and approved final capital plan is that it helps to know where the elements around that balance of 25% can move and at what pace. This year we are spending practically the full allocation of capital money but not over it on capital projects that provide value. That is not being prevented. The summer economic statement assisted with the arithmetic on the overall decisions.

Chairman: We have gone over this quite extensively already.

Deputy Louise O'Reilly: I appreciate that but I was not here.

Chairman: The Deputy has half a minute.

Deputy Louise O'Reilly: One final question, while I fully understand this is a budget meeting, where people are not offered permanent contracts where permanent jobs exist and where agency workers have been converted to directly employed staff do they break the ceiling? For example, if an agency worker costs €15 an hour and a directly employed person costs €10 an hour and two agency staff are converted can an organisation say that because it has a €10

surplus it will convert another agency post to bring in another person, or can that conversion happen only below the ceiling? There is no benefit in converting if the money is not recycled into paying personnel.

Mr. Stephen Mulvany: Some of the conversion of agency is to try to close the financial gap and live within the budget. It is not necessarily the two agency individuals but, for example, if there are 100 hours of agency we say we will recruit two or two and a half people, preferably permanent, on direct payroll to provide those 100 hours. That will make some saving. The first call on the saving is to live within the overall pay budget. That is one of the reasons we do it. The capacity of the health service to spend money is not in question. We are sitting at the budgetary oversight committee to discuss how we can close the gap.

Chairman: I think we could all agree on that .

Deputy Louise O'Reilly: There is not a great incentive for management in that case to do that conversion, if they are short of personnel.

Mr. Stephen Mulvany: It means they do not have to talk to me. They could see that as an incentive.

Chairman: I thank Mr. Desmond and Mr. Mulvany for coming in and engaging with the committee. We appreciate the engagement because sometimes people do not turn up when we invite them.

The select committee adjourned at 5.59 p.m. sine die.