



Committee of Public Accounts

8th November 2012

Opening Statement

by
Mr. Tony O' Brien

Director General Designate
Health Service Executive

Good afternoon Chairman and members of the Committee.
Thank you for the invitation to attend the Committee meeting today.

I am joined today by Mr Barry O'Brien, National Director Human Resources and Mr. John Delamere and Ms Paula Lawler from Human Resources Department. Members will have received as requested detailed documentation on allowances and I therefore intend to be brief in my opening remarks.

In 2011 the HSE Vote Outturn was **€13.9 bn**. Of this **€6.4 bn** represented expenditure on direct pay costs (excluding superannuation). At the end of 2011 Health Service employment stood at 104,392 staff in whole time equivalents (wte). In addition to basic pay the health service incurs pay costs in the areas of Night Duty, Weekend payments, Overtime, On-call, Locum costs, PRSI and Allowances. For 2011 the total cost of Allowances in the health sector amounted to **€166.5 m** or **2.61%** of the total pay bill. Of this **€86.9 m** was spent on allowances paid to Nursing Staff, with **€36.3m** paid to Care & Support staff and **€29.3 m** paid to Medical/Dental staff.

The remaining €14m was paid to Management Admin (€9.2m) and Health and Social Care Professionals (€4.7m) (Table 1 illustrates below).

Table 1*

Staff Category	Basic Pay €	Allowances €	Total €	Allowances as % of Total Pay Costs
Nursing	1,645,163,814	86,916,891	2,266,588,613	3.83%
Support Staff	943,262,488	36,288,639	1,290,218,041	2.81%
Medical/Dental	774,295,335	29,270,740	1,135,104,987	2.58%
Management Admin	714,509,882	9,257,147	807,156,948	1.15%
Health & Social Care Professionals	728,481,670	4,748,608	885,777,909	0.54%
TOTAL	4,805,713,190	166,482,026	6,384,846,498	2.61%

**Pay costs for the Statutory and Voluntary Sector*

A total of 41 Allowances were identified as payable in the HSE as part of the Review of Allowances and of these 12 allowances are particular to the Nursing Profession who account for 34% of all staff employed.

A significant number of the allowances involved stem from the resolution of a protracted period of industrial unrest in the nursing profession in the second half of the 1990's. This process also involved a number of Labour Court recommendations on the allowance issue during this period. The main thrust of the granting of these allowances was to recognise the nursing staff working in areas where specialised skills were required or in areas where the nature of the work was particularly arduous. There was also a severe shortage of nurses in Ireland at that time with employers recruiting from countries such as the Philippines and South Africa. Members will note from the detailed information provided that the basic salary of a new entrant Staff Nurse is on a scale of €27,211 - €39,420.

It is worth noting that of the 41 allowances identified, 31 of these are legacy allowances predating the year 2000 with the majority having their origins in the 1970's and 1980's through long standing agreements and/or custom and practice which developed over the life of the former health board structure. Of these, 9 allowances are historic red circled arrangements that have not been paid to new employees for a considerable period of time.

In more recent times the necessity to remunerate staff for service development has changed and in most cases allowances have been sanctioned only where legislative or regulatory changes have dictated. An example of an allowance approved in 2011 is the Forensic Psychiatry Out of Hours Service, which was put in place on the recommendation of the Barr Report following the Abbeylara Seige.

Due to the challenges posed by the legacy Payroll Systems predating the HSE it has been difficult to quantify with precision the exact number of staff and costs associated to individual allowances. However the information available shows an estimated total of 36,887 staff in the HSE in receipt of an allowance.

Of this number the greatest number of staff in receipt of allowances relate to two specific allowances paid to Nursing staff, namely the Location Allowance payable to 6,164 staff at an estimated cost of **€9.1m** and the Specialist Qualification Allowance paid to 5,232 staff at an estimated cost of **€14.5m**

These allowances have been approved as part of the Department of Public Expenditure and Reform (DPER) Review, subject to further review, and my colleague Mr Barry O'Brien, National Director of HR, will explain in more detail the background to these and the other allowances payable in the health sector.

It should be noted that the information provided to the Committee today reflects national allowances paid across the health sector with the detail on costs and staff numbers provided for the HSE only. An exercise to capture the detail of allowances paid in the Voluntary Sector is currently being finalised for submission to DPER.

An area of high expenditure which has been an ongoing concern to management and is subject to current negotiation with the staff representatives is the area of Acting Up Allowances. The estimated cost of Acting Up allowances for 2011 in the HSE is **€17.7m**. As a 24 hour 7 day a week service it is essential to have the flexibility of staff to cover in a higher capacity, often at short notice, to ensure continued patient safety and minimal clinical risk.

The cost associated with providing this high quality standard of care while working within a decreasing employment control framework has necessitated the need to reassess the viability of the HSE to continue to pay such costs into the future. In this regard our current negotiations with the staff representatives is seeking to secure agreement that acting will only be payable where the acting up period exceeds 84 days. These negotiations are in keeping with the decision made by DPER on the outcome of the Review in relation to Acting Up. We anticipate that negotiations will be concluded shortly and the new arrangement implemented with immediate effect thereby facilitating considerable savings to the exchequer.

Finally, I think it is worth acknowledging that there are approximately 600 different grades of staff employed across the health sector with the majority of staff not in receipt of an allowance. Health Services have evolved and developed over the past number of decades to meet the growing demands of our ageing population and the diversity of the health and social services now required, and this has been achieved through the dedication and commitment of all staff working in the health services.

The Health Reform agenda under the Programme for Government continues to be progressed through active engagement with the Representative Organisations in line with the Public Service Agreement with resulting development of efficiencies, increased productivity in the use of resources and the generation of savings.

This concludes my opening statement.

Thank You

ADDITIONAL

I wish to take the opportunity to clarify that the schedule of allowance provided for the purpose of the DPER Review of Allowances and Premium Payments is a subset of allowances as reported in the HSE Statutory Financial Statements (Appropriation Account and AFS). There is a wider interpretation of allowances in the financial statements, which use the classifications contained in the Department of Health's Consolidated Pay Scales. For example, the Department of Health's Consolidated Pay Scales classify sessional payments and on-call payments as allowances. These types of payment are not allowances in the strict sense and have therefore been excluded, with the agreement of DPER, from our submission prepared for the purpose of the DPER Review of Allowances and Premium Payments.

Further work is underway to refine the data provided to DPER. The HSE operates multiple legacy payroll systems which do not facilitate the automated reporting of the information required by DPER and the exercise required significant manual analysis within a very challenging timeframe and as a result the information provided has been estimated and extrapolated where necessary. A full reconciliation to the statutory financial statements will be completed shortly and this can be provided to the Committee if required.