

RehabGroup

Investing in People, Changing Perspectives

Ms Niamh Maguire
Committee of Public Accounts
Leinster House
Dublin 2

11th March 2014

Dear Ms Maguire,

Thank you for your letter of 4th March.

The Rehab Group is pleased to provide the Committee with the following additional information following the Committee meeting on Thursday 27th February. A number of these additional items are not matters that pertain to public expenditure, and are being provided in the interest of being as fulsome as possible in our response to the Committee.

1. A note on consultancy work undertaken by Mr Frank Flannery for the Rehab Group.

In 2011, Mr Flannery became a member of the Rehab Group Board, and of some of its subsidiary companies. He has, on request, provided consultancy services to the Rehab Group and its subsidiary companies. The consultancy fees paid to Mr Flannery for his work, which are not related to his membership of the Group Board or any subsidiary boards, are, therefore, disclosed in the Rehab Group's consolidated accounts.

The nature of the work has varied, including contributions to the Rehab Group's international work, and particularly, its membership and representation on two international bodies, the European Platform for Rehabilitation and Workability International. Mr Flannery's work for the Group includes preparation and delivery of conference presentations, chairing and participating in working groups and committees and delivering on workplans related to these. It also includes preparation of policy documents and briefing material, developing the knowledge of executives of the Group in areas in which he holds expertise, including the workings of the charitable lotteries scheme, and briefing officials in relation to issues of importance to Rehab. Other work conducted for Rehab has included the preparation of position papers on labour market activation in Ireland and lobbying on these matters.

We also note Mr Flannery's resignation from the Rehab Group Board and its subsidiaries as of March 10th 2014

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2. Request for access to the Towers Watson Report to Rehab Group Board

The salaries of the executive team members of the Rehab Group are set by the Remuneration Committee of the Rehab Group Board, which commissions independent reports by companies such as Hay and Towers Watson on salary levels in general Irish industry to advise it in carrying out its work. As part of the process the responsibility of each post is individually and independently assessed, internally and externally. In developing a policy for setting remuneration, the Board has traditionally looked to the “market median”, or middle of the general pay market, to guide decisions making on pay level and individual pay positioning. Independent reviews of the posts within the executive team take place regularly, most recently in 2014.

In line with best practice and as per its established practice for over a decade, the Rehab Group Board Remuneration Committee commissioned a review of the posts at senior management level within the Rehab Group. As noted at the committee, the Rehab Group is happy to make available the most recent Towers Watson report to the Committee, with the permission of Towers Watson. Please see Appendix 1 letter and report from Towers Watson.

3. Request for copies of Accounts

Please see attached Appendix 2 Care Trust Limited Accounts. Attached as Appendix 3 is a copy of Rehab Lotteries statutory accounts for 2012 as requested. These accounts are not filed in the company’s office as Rehab avails of the exemptions granted under section 17 of the Companies (Amendment) Act 1986. We have also included a copy of the schedule of lottery sales included in our application to the Charitable Lottery Fund in 2013 and a summary page reconciling this sheet back to the statutory accounts of Rehab Lotteries. (ref p15 of the Rehab Lotteries) accounts. Rehab Lotteries is a company which manages some of the lottery activity of the Rehab Group.

4. National Learning Network Outcomes

At the Public Accounts Committee Meeting of 27 February 2014 the Health Service Executive noted the governance arrangements in place for the delivery of services and the payment of public monies in respect of those services, and stated that the HSE is satisfied that both National Learning Network and RehabCare are discharging their roles and responsibilities under their respective service arrangements to an acceptable standard in terms of service delivery, quality and cost-effectiveness. SOLAS also confirmed that they have systems in place to ensure that National learning Network meets its approved quality control systems.

The National Learning Network (NLN) is focused on achieving targets and measured outcomes as agreed with its funders in Service Level Agreements and negotiated contracts. The organisation achieves and exceeds these targets annually. The National Learning Network compiles annual figures for students who progress to work in the open labour market, open labour market with supports, further education and training.

Over the past five years, 90% of people who have completed their courses with NLN have progressed to employment or further education or training; however outcomes vary depending on the course in question and the client group.

Targets and Outcomes

- SOLAS**

The courses run under the auspices of SOLAS, Introductory Skills Training (IST) and Specific Skills Training (SST), focus on the development of vocational and employability skills. The Agreement between SOLAS and NLN to collaborate for provision of a specialist training centre sets targets for progression rates. The following table provides details of the targets set by this agreement for both IST and SST. It also provides details of NLN's outcomes in respect of these targets

Overall	Target for Introductory Skills Training (IST)	NLN's Outcome for IST 2013	% of target over achieved	Target For Specific skills Training (SST)	NLN's Outcome for SST 2013	% of target over achieved
% Placements to Employment	10%	14%	140%	25%	44%	176%
% Progression to further education/training	40%	79%	198%	25%	41%	164%

Overall in 2013, 85% of people who completed SOLAS training with NLN achieved employment or progression to higher training and education.

- HSE**

Courses run under the auspices of the HSE naturally have a more person-centred and rehabilitative focus. The programmes are designed to assist students in improving the quality of their lives through greater inclusion and involvement with the local community and through learning new skills which will enable the student to participate in their own community as fully as possible. Employment might be included as part of their outcome, to enable increased participation within the community. No specific targets are set for progression to education, training and employment in HSE-funded Rehabilitative Training Courses; notwithstanding this, many people undertaking Rehabilitative Training (RT) with NLN progress to further education, training and employment with NLN's assistance. The following are National Learning Network's outcomes in relation to HSE-funded RT training.

Outcome	Percentage rate of progression from NLN Rehabilitative Training
Employment	16%
Further education/training or other placement.	77%
Total progression to employment, further education, training or other placement.	93%

In summary, in 2013, NLN's total outcomes were as follows:

- **SOLAS-funded Introductory Skills Training:** a total 85% of people completing training progressed to further education, training or employment
- **SOLAS-funded Specific Skills Training:** 93% of people completing training progressed to further education, training or employment
- **HSE-funded Rehabilitative Training:** 93% of people completing training progressed to employment, further education, training or other placement.

Outcomes over the last five years

Of particular note, over the period 2009 – 2013, on average 48% of students who completed Specific Skills Training (SST) vocational training went on to access employment in the open labour market. More than 42% progressed to undertake further training or education. These rates of progression are high despite the impact on the labour market of the recession.



5. Further information on the remuneration of the Rehab Group Chief Executive

Ms Kerins made it clear at the committee meeting on several occasions that she had already made significant disclosures in relation to her personal remuneration and that she did not intend to provide any further information. The Chief Executive of the Rehab Group has a contract provision under the terms of which it is possible to earn performance-related pay of up to 35% of base-pay. The Chief Executive has waived the performance-related pay element of her contract for the last four years. It is important to note that performance-related pay is not guaranteed but may be awarded for exceptional performance against agreed criteria.

6. Query re related party disclosures

The Rehab Group and its subsidiaries have, as both the Rehab Group and relevant subsidiary financial statements state, availed of the exemption under financial reporting standard No.8 (FRS 8) "Related Party Disclosures". This exemption permits qualifying subsidiaries of an undertaking not to disclose details of transactions between group entities that are eliminated on consolidation. FRS 8 only allows non disclosure of transactions between group entities (for example recharges from Rehab Group to RehabCare or cross charges between one group entity and another). The exemption does not apply to people (or their companies) who are deemed to be related parties. These were disclosed in the appropriate financial statements and in the consolidated financial statements of the Rehab Group.

In the specific instance regarding RehabCare (y/e 31.12.2012) the total charges not disclosed amounted to €4,582,899. These transactions related to the recharge of shared central services, for example finance, human resources services, recruitment/resourcing services, payroll, company secretarial, insurances, staff pensions, information technology services, internal audit, procurement services and costs for properties/facilities occupied by RehabCare.

7. Rehab Group Memorandum and Articles of Association

Please see Appendix 4

8. Memorandum regarding the CLF

Please see Appendix 5 for a copy of this memorandum within the Department of Finance.

Please note the date of this memo is actually July 2010 not August 2012, two years before the Department of Justice Audit was conducted.

9. Pension entitlements of former CEO

Rehab has informed Mr Frank Flannery of the request from the Public Accounts Committee that he provide certain information to the Committee.

Under the Data Protection Acts 1998 and 2003, without the consent of the individual concerned, Rehab is precluded from providing information on Mr Flannery's pension to the committee or any other body.

Mr. Flannery retired from his position as Chief Executive of the Rehab Group more than seven years ago.

10. Details re: involvement with Complete Eco Solutions

Rehab Enterprises regularly market tests new products and services to develop its business and grow and sustain employment for people with disabilities. Rehab set up a coffin business on a trial basis in January 2010 to see if it could sustain employment within Rehab Enterprises' Kilkenny facility. Some market research had been done and it was believed an opportunity existed to supply Chinese coffins to the Irish market. Ms Kerins was asked by an executive of Rehab Enterprises to see if she would have any objection to Rehab Enterprises asking for help from her brother, who had significant business in China, to help source the

materials to test the market. Ms Kerins agreed on the basis that the matter was brought to the Rehab Group Board for approval, which was duly done on 23 November 2009. At this Board meeting Ms Kerins fully declared her family's interest. In line with corporate governance, Ms Kerins absented herself from any Rehab Enterprises or Rehab Group Board meeting where this decision or activity was discussed.

Ms Kerins informed the Rehab Group Board from the outset that her husband and brother were involved in the Complete Eco Solutions (CES) company, from which Rehab Enterprises had asked for assistance. Later that year Ms Kerins' husband resigned as a director of the company due to its involvement with Rehab. Ms Kerins wishes to make it clear that it was her belief that Mr Kerins had stepped down as both a director and shareholder. There was no attempt on the part of Ms Kerins to mislead the committee.

A once-off purchase in 2010 of two containers of coffins was made by Rehab Enterprises through Complete Eco Solutions. CES sourced and delivered the coffins for Rehab Enterprises. A delivery of 252 coffins was received and payments to the total of €70,400 + VAT were made to CES, at a net cost of €279 per unit. No further orders were placed. It is Rehab's understanding that no profit was made by CES on the transaction. This trial proved unsuccessful for Rehab Enterprises and the operation was ceased in February 2012. Mr Frank Flannery was also involved in the CES company, and was not a director of the Rehab Group at the time of this trial.

11. Rehab Enterprises in the West of Ireland

In 2012, Rehab Enterprises was left with no option but to take the extremely difficult and regrettable decision to make 18 staff redundant at its facility in Galway. This action was necessary due to the economic downturn and poor market conditions. Rehab had significantly subsidised the loss-making activity in Rehab Enterprises in Galway, of more than €250,000 per annum for a number of years. These losses were subsidised to maintain employment numbers, while making exhaustive efforts to secure new business for the facility to place it on a sustainable footing. Unfortunately, this proved unsuccessful and it was not possible to continue to subsidise losses in the Galway Rehab Enterprises facility.

The Wage Subsidy Scheme, which is operated by the Department of Social Protection, provides a subsidy of €5.30 per hour up to a maximum of 39 hours per week, for workers with disabilities who have a perceived productivity shortfall of between 50% and 80%, compared to other staff doing the same job. The Wage Subsidy Scheme is open to all private sector employers. The level of productivity shortfall that will be provided under the WSS is capped at 50%. An additional subsidy payment of €2.65 per employee is provided to contribute towards additional supervisory, management and other work based costs borne by the company as an employer of people with disabilities once you employ over 30 people with disabilities. All general workforce at operative level received salary of upwards of €9.09 per hour and the subsidy contributed to this.

The first stage of the redundancy process began with a meeting of management with the entire workforce where they were informed of the possibility of redundancies at the facility

and that a consultation process would be undertaken. Following this, the workers who had been selected for redundancy were each met with twice on a one to one basis to explain the decision process and supports that would be available to them. The selection was not made on the basis of whether each employee had a disability or did not have a disability but on the basis of matching the available work that the facility would be undertaking with the skills and competencies of the workforce.

These meetings were facilitated by both the management and a human resource representative. Employees were encouraged to have a family member present or, if this was not possible, the option was also given to each employee to have a Workpath facilitator, a union representative or an external advocacy representative present at these meetings.

In addition to this, a sign language interpreter was also made available to those employees who required them. Employees who were selected for redundancy received a letter to inform them of the decision after the consultation meetings had taken place.

Rehab Enterprises employs people with disabilities and people without disabilities on an equal basis. Any decisions on redundancy were based on an agreed set of criteria which applied to all employees.

Rehab Enterprises provided all staff affected with a redundancy package, which far exceeded the statutory norms, and worked closely with the staff to move them to new opportunities for employment and training or to avail of appropriate support services.

As one of Ireland's major employers of people with disabilities, Rehab Enterprises is acutely aware of the difficulties that people with disabilities encounter in accessing employment. It was also aware of the need to support its former staff to develop their employability and independent living skills and move forward with their lives.

Rehab provided, out of its own resources and at a cost of €80,000 a comprehensive and specially tailored programme called Options, which was made available to support all individuals who were affected in the transition. Two staff members from within the Rehab Group were allocated to the provision of the programme which focused on personal development, independent living and job search, as well as looking at any new opportunities for employment and participation in the local community. Rehab continues to provide ongoing access to support when required.

When the programme was completed, Rehab Enterprises continued to support people to access their entitlements to medical cards, pensions and social welfare payments. It also facilitated opportunities for former staff to meet up regularly to keep in contact.

From a Data Protection perspective, it is not possible for Rehab to disclose details of individual progression from this programme as individuals may be identifiable. However, it is possible to disclose that nearly two thirds of those who were affected have moved on to new opportunities, including part and full-time employment, local community activities and

volunteering. Some have found part-time employment in less physically demanding environments to suit their individual needs.

Rehab Enterprises is committed to operating sustainable businesses to provide employment opportunities to people with disabilities. In 2012, we held an open day to which local business and the local community were invited, including all local politicians, many of whom attended. The event sought to highlight the skills and the work possibilities in Rehab Enterprises Galway. As a result of strenuous efforts to gain new business and strong local support, the Galway facility is now a viable business on a sound financial footing. There are now 29 staff members, including 17 people with disabilities, undertaking kitting and assembly work for manufacturing businesses and some recycling activities.

12. Note on the remuneration of staff paid the equivalent of or above Grade 8 of the consolidated pay scales

During the Committee meeting Ms Kerins, Ms Keane and Ms Kelly indicated that Rehab intends to disclose details of the remuneration of its senior management in 2014. The PAC requested details of the salaries paid to staff who are paid remuneration equivalent of, or above, Grade 8 of the consolidated pay scales. The Rehab Group has today published this information.

The Rehab Group had previously committed to publishing details of the salaries of the eight senior executives, which comprise the executive management team of the organisation, along with the Chief Executive Officer. This information is included in the table below and its presentation has been guided by the Accounting and Reporting by Charities Statement of Recommended Practice (SORP) accounting standards.

The Rehab Group has also been asked by the Public Accounts Committee to provide information on the “remuneration levels paid to all staff whose salary are equivalent or above Grade 8 of the consolidated pay-scales”. This information has been provided below for the Irish divisions of the Rehab Group. The presentation of this information has also been guided by the SORP accounting standards.

SORP is not a requirement in Ireland, but is recommended best practice, and requires disclosure of salaries in excess of GBP £60,000 in bands of GBP£10,000. The Rehab Group will adapt this method and publish salary information in bands of €10,000 starting at €65,000; equating to grade 8 of the Department of Health consolidated pay scales, which is the level at which salaries are required to be disclosed to the HSE under its service level arrangements. This information will be published annually by the Rehab Group.

There are 2,470 staff members currently employed in the Rehab Group’s Irish entities. A total of 77 posts are paid at the rate of €65,000 or above, which equates to 3% of staff.

The Rehab Group executive management team of eight members plus the Chief Executive is collectively responsible for the national and international operations of the Rehab Group, This encompasses all service delivery and commercial activity, as well as the corporate services functions, such as finance, property, facilities, human resources, health and safety,

clinical governance, marketing, communication, information technology and public affairs across all the international jurisdictions in which the Group operates. Each post has specific and significant responsibilities under this remit.

The remainder of the management and professional posts which come into this category of remuneration are posts of significant responsibility and seniority, encompassing a wide range of duties, and requiring technical, professional and clinical expertise and experience, and management responsibility.

Salary Level	Numbers Employed
€65,000-69,999	26
€70,000-79,999	26
€80,000-89,999	6
€90,000-99,999	7
€100,000-109,999	4
€130,000-139,999	2
€140,000-149,999	1
€150,000-159,999	3
€170,000-179,999	1
€240,000-249,999	1

The salaries of the executive team members are set by the Remuneration Committee of the Rehab Group Board, which commissions independent reports by companies such as Hay and Towers Watson on salary levels in general Irish industry to advise it in carrying out its work. As part of the process the responsibility of each post is individually, and independently, assessed, internally and externally. In developing a policy for setting remuneration, the Board has traditionally looked to the “market median”, or middle of the general pay market, to guide decision making on pay level and individual pay positioning. In line with best practice and as per its established practice for over a decade, independent reviews of the posts within the executive team take place regularly, most recently in 2014.

All of the executive team members have a contractual entitlement to performance-related pay elements, which are not guaranteed but which may be awarded for exceptional performance against agreed criteria. Performance related payments were waived by all members of the executive team in 2010 and 2011. An element of performance-related payment was awarded by the Remuneration Committee, of between €6,000 and €14,200 to executive team members based on performance in 2012. The Chief Executive, Director of Finance and Director of

Human Resources waived any performance-related payment. No performance-related payments were paid for 2013.

Currently all staff including the executive team are entitled to membership of a defined contribution pension scheme, with an employer's contribution of 6%. The Rehab Group Defined Benefit Pension scheme commenced a wind-up process in early 2013.

Within their contract of employment certain staff have company vehicles on which they pay the relevant taxes as a benefit in kind.

The Rehab Group does not make any contribution to private health insurance on behalf of any staff members.

Expenses incurred for as a direct result of company business are authorised to staff members once vouched for.

13. The Committee has asked whether Ms Kerins made Mr Flannery and the Remuneration Committee of the Board aware of the invitation to attend the Public Accounts Committee meeting.

Ms Kerins discussed with Mr Flannery and with the Remuneration Committee their possible attendance at the committee. It was felt that the best people to attend, having regard to the items on the agenda: payments made by the HSE to Rehab under Section 39 of the Health Act, 2004; the operation of the Charitable Lotteries Scheme and payments made to Rehab from the Vote of the Department of Justice and Equality; payments made by SOLAS to Rehab for the provision of Specialist Vocational Training, were those who ultimately did attend the committee meeting.

Additional Information/Errata

1. During the committee meeting Dr. John McGuire stated that the proceeds from the Care Trust were remitted to the Friends of the CRC, Rehab and the Mater Foundation. This is incorrect; the third beneficiary is actually the Mater Misericordiae University Hospital. Dr McGuire would like to correct this inadvertent error.
2. During the committee meeting, in error Ms Kelly stated that a fee received by National Learning Network for services delivered on behalf of the Department of Social Protection was over €7 million. This was incorrect and the total estimated figure receivable by the National Learning Network from the Department of Social Protection is €1.9m for the period 1 September 2012 to 30 April 2015.
3. In response to the query raised regarding other government income, (excluding SOLAS/FÁS and the HSE as previously discussed), NLN was paid €200,000 by the Department of Justice and Equality for the delivery of its Stepping Out programme in 2013, and €634,000 from the Department for Education and Skills for the payment of Remedial Teachers within National Learning Network's services during 2013.

4. During the Committee Meeting information was requested relating to the note at 4(a) of the Rehab Group 2012 Accounts regarding the Settlement obligation related to the Defined Benefit Pension Scheme.

As noted at the Committee meeting last week, the Rehab Group had a defined benefit pension scheme which was available to staff in Irish divisions who joined the organisation before 2005. The scheme was established in 1975. As with a large number of such schemes it had a significant deficit which stood at €33 million at the end of 2011.

A decision was made by the Pensions Board in late 2011 to reject a funding proposal which had been submitted to them to repair the deficit by 2023. The organisation had to reconsider how to deal with the significant deficit on the scheme. In June 2012 the Government re-introduced the Funding Standard for private pensions. There was an additional requirement for a risk reserve. This added a significant cost to providing Defined Benefit Pensions.

In December 2012 the Rehab Group gave formal notice to the Trustees of the Defined Benefit Pension Scheme of its decision to cease its sponsorship of the Defined Benefit Scheme with an effective date of 31 December 2012, in accordance with the scheme rules. Given this decision the Trustees informed members of their decision to commence wind up of the scheme with effect from 17th March 2013.

1. The settlement obligation noted as €7.082 m in the Rehab Group's 2012 accounts arises from two items:
2. The payment of employer contributions during a three month notice period which ended on 17 March 2013
3. An amount to be paid over the next six years, which was agreed with the Trustees following lengthy negotiations with trade union and staff representatives and is reflected in a Deed of Compromise which was signed on 22 August 2013.

Yours sincerely,



Angela Kerins
Chief Executive

