

Opening Statement

Secretary General of the Department of Health

Committee of Public Accounts

12 June 2014

Mr Chairman,

Members of the Committee,

I am here today with my colleagues, Fiona Prendergast and Matt Collins to deal with the 2012 Annual Report and Appropriations Accounts of the Comptroller and Auditor General in relation to Vote 38, the Department of Health. The Director General of the Health Service Executive, Tony O'Brien, will address Vote 39 and Chapters 21 and 22 of the C&AG's report.

I will set out the main points of the 2012 accounts as they pertain to Vote 38 in my opening statement.

Funding is allocated to the Department of Health under Vote 38. Through this Vote, funding is also allocated to bodies under the aegis of the Department, such as the Mental Health Commission, the Food Safety Authority, and the Health Information and Quality Authority.

The 2012 provision – current and capital - for Vote 38 was almost €330 million and the 2012 outturn was €244.5 million, a saving of over €85 million overall.

The 2012 provision for current expenditure was €314 million and the outturn was €237 million, a saving of €77 million. In 2012, some €70 million of this saving was used to offset the Supplementary Estimate requirement in Vote 39, the Health Service Executive, thereby reducing the call on the Exchequer.

The 2012 provision for capital expenditure was some €16 million and the 2012 outturn was €7 million, a saving of €9 million. The majority of this saving was due to a delay in progressing the Clinical Research Facility in Galway University Hospital.

Of the 2012 provision for current expenditure, almost €130 million was provided for bodies under the aegis of the Department. Savings of some €42 million were made in this area, mainly due to the change in the remit of the National Treatment Purchase Fund.

The 2012 provision for the administration of the Department of health was just over €32 million but the outturn was just over €29 million, a saving of some €3 million or almost 10%.

The 2012 provision for compensation payments for people affected by Hepatitis C and for statutory and non-statutory inquiries and legal fees was underspent by just over €30 million. This can be attributed to the difficulty in determining when settlements will be made or paid but also simply to other legal costs not materialising when envisaged.

In 2014, there is a provision of €190 million for current expenditure and €16 million for capital expenditure under Vote 38. This is a reduction of 17% or €42 million on the 2013 provision and 38% or €124 million less than the 2012 provision.

I can point out, for information, that the overall 2014 provision for the Health Service Executive is almost €13 billion. This comprises an exchequer contribution of over €11.5 billion and Appropriations-in-Aid of just over €1.4 billion. The capital expenditure portion of the 2014 provision is €374 million.

There are a number of reasons for the reduction in budget provision for Vote 38. Obviously, like all Departments and Government agencies, further efficiency savings were required and these have been factored into allocations to agencies under the aegis of the Department.

Furthermore, the Department's administrative budget provision has been reduced to take account of the Haddington Road Agreement and the provision for legal costs and statutory inquiries has similarly been reduced, again taking account of the need for efficiencies and bearing in mind previous underspends.

Finally, in 2013, the purchasing functions of the National Treatment Purchase Fund were transferred to the Special Delivery Unit in the Health Service Executive. Thus, the budget provision remaining in Vote 38 relates mainly to the administration of the offices, pending consideration of its future role in the context of the structural reforms set out in *Future Health*.

In addition to these changes, €22 million was transferred to the Health Service Executive for the Drugs Initiative as part of the 2014 Revised Estimates Volume. The funding will support around 220 Drugs Task Force projects. Up to now, the HSE was a channel through which the Department allocated the funding with separate reporting, accountability and monitoring arrangements. The allocations will continue to be based on Drugs Task Force recommendations and they will continue to focus on tackling the drug problem. Transfer of operational responsibility for funding administration of Drugs Task Force Projects to the HSE is a key priority in the HSE Primary Care Operational Plan 2014.

To conclude, as members will be aware, the Health Service Executive (Financial Matters) Bill 2013 is expected to be enacted before the summer recess. It provides for the disestablishment of the Health Service Executive Vote and the funding of the HSE from the Vote of the Minister for Health with effect from 1 January 2015. The Department is making preparations for this change, together with the Health Service Executive. The return of the Vote to the Office of the Minister for Health will enhance accountability and is one part of the reform of the health services, as set out in *Future Health*.

In addition, I am pleased to advise the members that a detailed business case for a new finance operating model, including the procurement of a new Integrated Financial Management System (IFMS) for the wider health service has recently been submitted to my Department. The business case has been endorsed by the Department for further consideration by the Department of Public Expenditure and Reform. The project is a top priority for my Department and the HSE.

Finance reform is the highest non-clinical priority of the HSE. The health system is committed to introducing new financial management practices to improve efficiency and effectiveness and enable increased transparency across the health economy.

This new model will fundamentally transform how financial management is delivered. The successful delivery of the reforms set out in *Future Health* is largely dependent on having robust financial systems, reporting and organisational design in place to meet future requirements, as current practices are not fit for purpose or sustainable in the merging landscape.

I am happy to take any questions.