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**An Coiste um Chuntais Phoiblí**

**Tuarascáil maidir le Liúntais Earnála Poiblí**

**Samhain 2012**

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**Houses of the Oireachtas**

**Committee of Public Accounts**

**Report on Public Sector Allowances**

**November 2012**



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## **Chairman's Preface**

I welcome the publication today of the Committees Report on public sector allowances.

The Report is based on the evidence taken by the Committee at seven public hearings in October and November this year. It is an important piece of work which will assist the public service reform agenda as the recommendations of the Report, which revolve around making the pay structures more transparent and streamlined, can now feed into that process.

The Report finds that the pay structures, which have built up over time with a range of allowances attached on to pay- scales, are no longer fit for purpose. A root and branch reform is necessary which should see many allowances transferred into core pay and a plethora of allowances that are paid for extra duties being reduced to a small number of generic type payments that will pay the same amount to those doing this extra work. Our Report also shows that the majority of allowances go to front line staff and that for many of the low paid workers in the public service, allowances can represent a significant portion of take-home pay.

On the review of Oireachtas allowances, the Committee agreed that these allowances should be the subject of similar public scrutiny. The findings and recommendations in Chapter 2 show that the systems put in place in 2009 require significant change. The Report calls for greater transparency with all payments being vouched or verified. An independent system that sets rates of payment is required and the entire system of administration needs to be overhauled.

I would like to thank all Accounting Officers and their staff for the work undertaken in supplying very detailed information to the Committee. The level of detail supplied enabled Committee Members to follow the spend as it showed not only what is being paid but also details of the recipients of these payments. I would also like to thank ICTU and the other staff associations and workers representatives for their input into our examination. Their

involvement was extremely helpful in explaining the complex structures of public sector pay.

Finally I want to acknowledge the contribution of all Members of the Committee and the Secretariat for their hard work over the past six weeks which has culminated in the publication of this Report today.

John Mc Guinness TD

Chairman.

## **Executive Summary**

### **Matters arising from the Committee Review**

The current system of public sector allowances is not fit for purpose. It brings discredit to the legitimate expectations of public servants for proper pay and recognition. In addition, the proliferation of allowances does not meet the expectation of the taxpayer for a modern, transparent and flexible pay system capable of meeting the many challenges facing our country. The following extracts from the Committee debates highlight this point. The structure was described by the Secretary General of the Department of Public Service and Reform as follows:-

*“Members will be aware that the allowances review conducted by the Department is the first comprehensive public service-wide attempt to address outdated allowance-based pay structures across the public service, many of which date back to the 1920s and have built up progressively over the years to address many different issues at particular times”*

The views of the Irish Congress of Trades Union can be summarised in the words of Ms Patricia King, Deputy General Secretary of SIPTU when she stated:

*“It is probably untenable to run a public sector pay structure to which 1,100 allowances are attached. That is an issue that should be dealt with as soon as possible. Our argument is that there should be high quality engagement on consolidated pay rates sooner rather than later.”*

A core learning of this report is that many allowances accrue to lower wage public servants. Many of the recipients of allowances in local authorities are general operatives who earn a basic wage of between €27,000 and €28,000. The salary scale for a private in the Permanent Defence Force starts off at €244.86 per week. Figures put on the record by ICTU which were based on a reply to a Parliamentary Question show that 82% of public servants earn less than €60,000 including allowances and more than 40% of public servants earn less than €40,000 including allowances.

The term 'allowances' is of itself a source of confusion and masks separate and distinct groups of compensation. The use of single term to describe completely different payments is bringing the entire system into disrepute. The distinct groups are:

1. A number of generic type allowances that form a significant portion of the pay of recipients. These allowances are nearly exclusively paid to lower wage public servants and are pensionable. Examples include the Military Service Allowance or the eating on site allowance that is paid to most general operatives who work "on the shovel".
2. A number of allowances are for higher duties of a permanent nature. These allowances replace increased base pay for increased responsibility. Certain allowances for example in the education sector would fall into this category.
3. A large number of allowances are paid to a small number of recipients: many of these are for extra duties and there is a legitimate basis as to why the payment should be made by way of an allowance. At Committee meetings this was regularly described as "the long tail" that attaches to the allowance system.
4. Some allowances are premium payments, for instance those for working unsocial hours, on-call and weekend work. The term 'allowance' is most likely not the most appropriate title for these types of premium payment.
5. There are a certain number of allowances that are now the subject of discussion with a view to being eliminated following on from the review of business cases. In the case of these allowances, they are not being paid to new appointees. *The total annual cost of those allowances is €27 million.*

The complex matrix of allowances is the result of old agreements at sectoral level, previous national wage agreements and local decisions to secure service improvements. The exact cause of many allowances was the need to isolate pay increases to particular duties or grades and avoid triggering wage increase claims across broader sections of the public service.

There is a degree of inconsistency across the public sector in terms of what constitutes an allowance. For example, Gardaí who work weekends and public holidays receive an allowance whereas a nurse who is working similar patterns in an acute hospital receives a premium payment that is not called an allowance.



## **Main Recommendations**

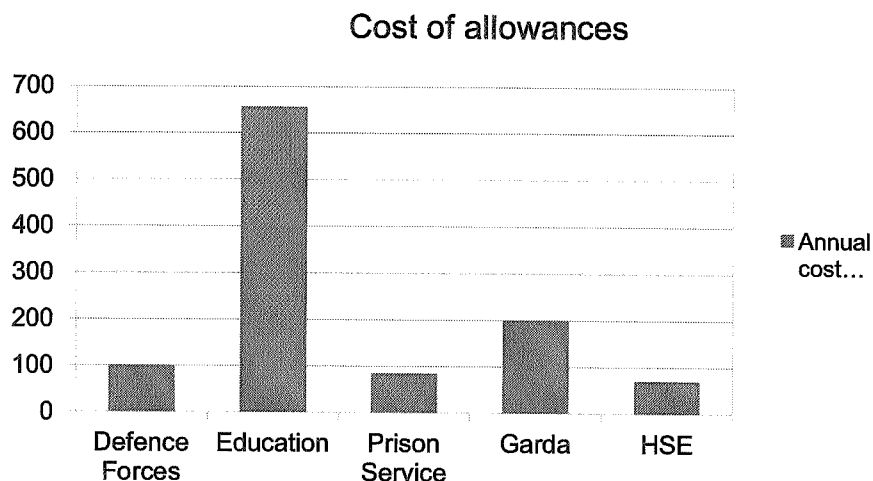
In the chapters dealing with each of the areas examined by the Committee in public sessions in October and November, there are numerous recommendations which seek to improve the current systems and structures of pay in the public sector. These recommendations can be summarised as follows:

1. Universal allowances that are paid to all members of a grade should be incorporated into core pay.
2. The number of allowances should be consolidated.
3. The long tail of allowances, where small allowances in monetary terms are paid to small numbers of staff, must be replaced by a small number of generic allowances that recognise specific duties.
4. All expenses should be vouched or verified, including those allowances paid to Members of the Oireachtas.
5. The level and manner of payment of Oireachtas allowances should be determined by an independent authority.

## Overview of Public Sector Allowances

### Background to the review of allowances

The Government is committed as part of its budgetary strategy to reducing the current budget deficit to 3% by 2015 and a key element of this policy is reducing the cost of public sector pay by 20% from its 2008 level. This commitment will see a reduction of €2.5 million being taken from the public sector wage bill. Under the Public Service Agreement (commonly known as the “Croke Park Agreement”), the Government and the trade union movement are co-operating in delivering efficiencies in the way public services are delivered which has seen significant savings as fewer numbers in the public service cope with increased demand for services. A key part in delivering the savings is the moratorium in recruitment which, along with some incentives given to staff to retire early, has seen the number of staff in the public service fall from 320,000 to 292,000 and the target number by end 2013 is 285,000. One of the foundation stones of the Croke Park Agreement is a commitment by Government to retain current pay rates of public servants. Since 2011, the review of pay has focused on the extent and quantum of allowances that are paid to public servants and, as part of that process, the Committee agreed that its role in examining the accounts of public bodies and its track record in evaluating public expenditure in public session would assist the work of the Minister. The outcome of that review is contained in this Report. The cost of allowances in 2011 was approximately €1.4 billion and represented 8% of the overall public service pay bill. The Committee examined the main set of allowances by cost and these are set out in Chart 1 below. For the five public sector bodies that had the highest number of allowances where the cost was €1.1 billion in 2011:



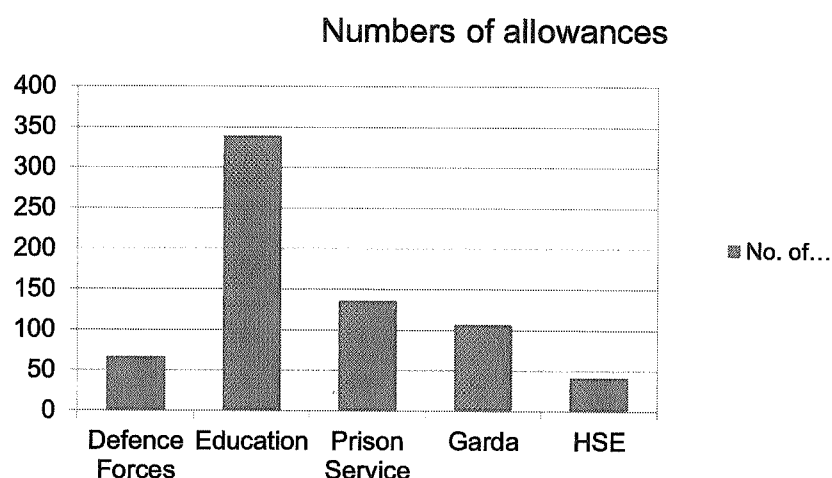
## **Payment Structures in the public service**

The pay structures pertaining to the public service have, since the foundation of the State, evolved into a complex system of hierarchical grades and pay systems that centralise around incremental pay-scales with attachments that are generally referred to as allowances that are paid to recipients as an addition to basic pay. Pay structures have been the subject of on-going reviews as part of negotiations between unions and management, primarily with the Department of Public Expenditure and Reform (and previously the Department of Finance) as part of pay agreements, including general pay awards which became a strong feature of social partnership arrangements since 1987 and also in respect of special pay awards that were a feature of the system prior to the whole centralisation of pay agreements under social partnership. The alternative to centralised pay agreements, where increases were generally conceded in line with cost of living increases, was what is commonly known as the *free for all system* where individual unions pursued pay claims on behalf of their members. Some of these claims, as will be outlined in this Report, were based around what was known as relativities, where a pay increase in one area of the public service had a ripple effect in that it was used as basis for claims by others. One of the ways of getting around this relativity clause, which was referred to in hearings as “the tyranny of repercussive effects”, was to isolate the pay increase to a specific grade by awarding an allowance that could then be red-circled to that specific grade or cadre of public servants.

### **The number of allowances**

As part of a management review by the Department of Public Expenditure and Reform in 2011, over 1,100 allowances were notified to it and over 800 business cases, some covering more than one allowance, were made to retain allowances in their existing or an altered format. The list of over 1,100, which was published on the Departments website along with the business cases, is not, as the Committee found out in its examination of this issue, a complete list as details of some allowances, especially in the area of local government, was not returned to the Department. The Committee accepts that the cost of these unreported allowances and the rates that are paid to recipients are likely to be relatively low.

Chart 2 below sets out the number of allowances that belong to the five main parts of the public service that were subject of examination by the Committee: The number of allowances in these five organisations was 688.



As will be outlined in this Report, the allowances fall into a number of broad categories and the job of the Committee was first of all to get an understanding of the allowances as they are the subject of oft times inaccurate public comment and secondly to examine the key allowances in the context of the containment of the public sector pay bill. The initiative undertaken by the Minister in bringing transparency to the review by publishing the business cases is very welcome. However without a full examination of allowances in the proper context and in public, which would look at all relevant aspects of the allowances paid to the different sectors, there was a risk of reputational damage to certain employees and the sector as a whole. The public sessions conducted by the Committee, which also allowed for an input from the representatives of the public service staff, ensured that this reputational risk was addressed and minimised.

### **Types of allowance**

The majority of allowances, especially in terms of monetary value, are paid to front-line staff and relate to the specific nature of the public service. Some are generic in that payment at the same rate is made to all members of the grade or grades and some are for specific members of a grade who do extra work. Some are legacy payment that may even have existed prior to the foundation of the State and some arose as a response to industrial unrest. In broad terms, what the Committees review has shown is that allowances fall into the following categories:

1. Allowances that relate to specific higher duties that are not performed by everyone in the grade. These range from a teacher who is promoted to a principal in a primary

or second level school to a medical consultant who is appointed as clinical director in one of our major acute hospital.

2. Allowances paid to staff working atypical hours or for being on-call. These are allowances paid to staff who provide round the clock services, such as Gardaí and prison officers. The allowances reflect that fact that only a percentage of the members of the grade would at any one time be rostered for these duties and, when they are rostered for such duties, they get a premium payment which is often paid by way of an allowance
3. Payments in respect of qualifications or expertise, such as those paid to teachers.
4. Payments that reflect the onerous nature of the work, such as the military service allowance paid to almost all members of the Permanent Defence Forces, nurses who have to work in prisons etc.
5. Allowances for expenses commonly or necessarily incurred in the course of employment. These can include footwear allowances, the cleaning of uniforms and an allowance for eating on site which is paid to general operatives, especially those employed by local authorities.

Two features of the review by the Committee and based on the written evidence given by public bodies are the extent to which allowances form a higher percentage of the take home pay of lower paid workers and the position of allowances for new recruits, especially teachers. In the evidence given by the Unions and staff representatives it was stated that certain low paid workers in the public service cannot afford to lose allowances and that the focus should not be on these groups. The issue here may be that any savings made in allowance payments may not be a saving to the State as the loss of earnings may push staff into the welfare system and in particular into eligibility for the Family Income Supplement payment. The second point relating to new recruits is that some of the big allowances, that form a significant portion of the pay of those already in the grade, are not being paid to new recruits which creates a danger of creating a two tier system which may become problematical in the future. While these are policy matters for the Minister, the Committee will ask that appropriate cognisance is taken of these concerns.

### **The Public Service Reform Plan**

As part of the Public Service Reform Plan, an extensive review of public service allowances is now under way and the Minister, in evidence to the Committee at a meeting on 11th

October, 2012, outlined what had happened to date and also the next steps in terms of this review. In summary and as outlined above, following on from the Minister's budget statement in December 2011, the Department of Public Expenditure and Reform sought a review of all allowances and pending that review, it suspended the payment of allowances to new recipients. The 800 plus business cases were reviewed and following on from that:

1. One allowance, commonly known as *the delegates' allowance*, was abolished for existing recipients and this has the potential to save €800,000 per annum.
2. It is proposed that 235 allowances will continue to be paid to those serving in the grade prior to February 2012 but will not be paid to new recruits. The overall cost of allowances that fall into this category is approximately €395 million.
3. A list of allowances (initially 88, which has now grown to 98 with a cost in 2011 of €27 million) will become the subject of intensive negotiations with a view to early elimination. This list was published prior to the commencement of hearing by the Committee. This process is to be completed by February 2013.
4. A further and wider review of allowances is also to be put in train in respect of those allowances which are not being paid to new recruits and which do not form a significant part of the take-home pay of current recipients.
5. It was agreed that there was justification in paying a number of allowances to new recruits.

In his evidence to the Committee the Minister outlined the context of the current review, namely that it was the first time that anyone has drilled down in to the allowances and the structures of pay in the public sector. The decisions taken to date will over a period of time result in savings as those promoted or those newly recruited will not be paid allowances. The bigger issue relates to current beneficiaries and any decisions to take away allowances. The Minister outlined his position on this when he informed the Committee:

*“Turning to the cases of existing beneficiaries, it is clear that the allowances for which, in modern eyes, the business case cannot be justified fall into two distinct categories. The first, representing the largest allowances in terms of spend, forms a significant element of the overall taxable and often pensionable remuneration of the staff involved, especially for certain groups of public servants such as gardai, firefighters, prison officers and members of the Defence Forces, teachers in schools and certain support grades across the public service. It would neither be practical*

*nor reasonable, as I said when I made the announcement, to attempt to take away unilaterally such a large portion of these public servants' pay, in effect applying an additional pay cut to specific groups of public servants purely on the basis of how their wages had been built over a period of years. What the review has highlighted are structural weaknesses and a lack of transparency in the way in which these groups are paid and how their pay was constructed over decades. Addressing these issues will require preparatory work and discussions involving the relevant sectoral management, my Department and the relevant staff interests. The aim will be to achieve a simplification of the way in which we pay these staff for their services and to ensure the pay regime for these groups supports efficient and cost effective public services. As I indicated privately to the Chairman, what is at issue is looking at incorporating allowances into a proper pay structure in order that as people get a grade of promotion the work practices now paid by way of allowances will be incorporated into the core pay.*

*The second category of allowances is made up of payments that do not form a significant element of the overall remuneration of the beneficiary. In these cases, my Department has written, as has been widely reported today, although it was done at the end of last month, to all sectors of the public service asking that, where there is no business case to pay an allowance to a new beneficiary, the sectoral management immediately engage with staff interests to secure early agreement to eliminate payment of these allowances to existing recipients. We have also asked that all allowances falling into this category be identified to my Department in terms of their priority for elimination. My Department has also indicated its views as to those that should be tackled first - the 88 referenced today, which is not an exhaustive list. It is what we put on the table, but sectors can add to it from the list published. My Department suggests the 88 allowances would be suitable for elimination. I remind members of the committee that the Croke Park agreement provides for speedy and binding third party findings on these issues”.*

It is clear that a major job needs to be done, as confirmed by the Minister, in order that the structural weaknesses in the payment systems are addressed. The Committee in holding hearings, which examined the bulk of allowances in terms of cost, was mindful that this was

a job that could be started in a very public way through its hearings. It may be useful at this stage to outline the Committee function in this issue.

### **The role of the Committee of Public Accounts in reviewing allowances**

The primary function of the Committee is to examine accounts of public bodies audited by the Comptroller and Auditor General and also any reports arising from audits undertaken by the C&AG or reports examining value for money issues. In regard to allowances, the Committee undertook this review as it wanted to examine in greater detail an element of the accounts of public bodies relating to the pay bill and the pay structures and in particular the extent of payments made by way of allowances so that it could get an understanding of what is being paid and to whom. The Committee was clear that it would not become a forum whereby the future of any current allowance would be negotiated and therefore it was particularly mindful of the impending negotiations on the allowances that are on the list for early elimination. The Committee has built up a reputation with the general public through its sometimes robust review of expenditure and resolute intolerance of waste. In the context of the allowances, the fact that only one allowance had been removed from payment to current recipients led to a huge degree of misgiving on the part of the general public and that coupled with an incorrect view that some allowances were deemed perks in the public mind made the review by the Committee particularly necessary.

The Committee report examines the structural weaknesses that are inherent in the current pay systems and makes recommendations accordingly. In addition the Committee was mindful that discussion on public sector pay has been undertaken in private either in bilateral negotiations or as part of the confidential social partnership discussions and that there is a need to have a public examination and discussion on public sector pay especially as there is as great deal of misinformation in the public domain. That public debate has been an important by-product of the Committees hearing as it has demystified a lot of the issues that surround the debate on public service pay. The Committee was of the strong view that any review of public sector allowances should also encompass the range of allowances paid to Oireachtas Members. Finally, in order to get a comprehensive overview of allowances, the Committee also heard evidence from the staff associations and unions representing the staff who are recipients of allowances.



## **The structure of this Report**

The content of this report is based on the evidence taken by the Committee at its hearings in October and November 2012. These hearings commenced with an overview given by the Minister for Public Expenditure and Reform at a Committee meeting on 11<sup>th</sup> October and ended when the HSE gave evidence to the Committee on 8<sup>th</sup> November, 2012. In addition to the direct evidence, which is accessible on the Committee's website, the Committee also received a detailed analysis of the allowance payments from Departments and while key elements of this analysis is published in this Report, the full set of correspondence is also being published on the Committee's website. The background information supplied by public bodies provided a great degree of clarity on pay structures and was of immense help to the Committee and at its hearings the Committee acknowledged this fact.

A chapter of the Report is devoted to each hearing and, arising from the Committee's examination, the Committee makes certain findings and for each finding the Committee will make a recommendation to improve or remedy the situation.



## Chapter Six:

### Health Service Executive Allowances

#### Introduction

Total employment in the health sector is 104,392 full-time equivalent staff who are employed in approximately 600 staff grades. This figure is broken down into 67,722 directly employed by the HSE and the 36,670 in the voluntary sector. The total pay cost (which includes the voluntary sector) in 2011 was €6.4 billion and allowances were €166.5 million (2.6%). This figure for allowances does not include payments for overtime, sessional payments and on-call payments, none of which are treated as allowances in the health sector. (The Comptroller and Auditor General's 2011 Appropriation Accounts for the HSE (Vote 40) states a total cost for HSE employees of €170 million for overtime, €74 million for night duty, €182 million for weekend pay and €50 million for on-call pay. These amount to 7.4% of total pay). Because the HSE is still reliant on eight legacy payroll systems it was limited in the level of it could provide to the Department of Public Expenditure and Reform and to the Committee in respect of allowances. While overall figures for the annual payroll costs and expenditure on allowances were supplied, detailed particulars of the breakdown in the voluntary sector were not available the Committee.

#### The main allowances paid to HSE staff

In relation to staff employed directly by the HSE, Table 4 shows the allowances having the largest cost in 2011. In this context, total cost of allowances which, as outlined above, amounted to €166.5 million, €86.9 million was spent on allowances paid to nursing staff, with €36.3 million being paid to care and support staff and €29.3 million to medical and dental staff. The remaining €14 million was paid to management and administration staff who received €9.2 million and health and social care professionals who received €4.7million.

**Table 4**

Name	No. of recipients	Annual Cost (€m)
Acting-Up Allowance	8,765	17.7
Specialist Qualification Allowance	5232	14.5
Location Allowance	6164	9.1
Living Out Allowance	5251	8.2
Consultants' Continuing Medical Education	2,650	7.9
Community Allowance	719	3.4
Clinical Director Allowance	59	2.5
Midwifery Qualification Allowance	924	2.3
Advanced Paramedic Allowance	264	1.8
<b>Total</b>		<b>67.4</b>



## Current status

Table 5 shows the status of the 41 allowances reviewed by the Department of Public Expenditure and Reform. These allowance do not include payments to staff in the voluntary sector, however the Committee was informed that the voluntary sector apply consolidated salary scales approved by the Department of Health which means that pay scales and allowances are similar for both the voluntary sector and the HSE.

**Table 5**

Status	Number	Annual cost (€m) (excludes voluntary sector)
Approved for new beneficiaries	9	2.7
Approved subject to review/modification	5	44.4
Not approved for new beneficiaries	20	23.2
Legacy	7	0.02
<b>Total</b>	<b>41</b>	<b>70.32</b>

## Allowances for early elimination

Of the 20 allowances not approved for new beneficiaries, those listed in Table 6 have been prioritised for early elimination.

**Table 6**

Status	Annual cost (€m) (excludes voluntary sector)
Island Inducement Allowance	€14,598.00
Cardiac Allowance	€899,433.00
Second Opinion	[No data]
Consultants' Continuing Medical Education	€7,950,000.00
Gaeltacht Allowance	€296,439.00
Travel for Non-Nursing Personnel	[No data]
Co-ordination and Overseeing Undergraduate Student Therapists	[No data]
<b>Total</b>	<b>€9,160,470.00</b>

## Issues arising from the examination

The following issues emerged during the Committee's hearing on 8 November 2012 in relation to the payment of allowances:

- the differentiation between the health and other sectors in respect of the definition of allowances
- payroll systems
- allowances paid in the voluntary sector

- Clinical Director Allowance

### **Definition of allowances**

An issue around definition of what constitutes an allowance emerged when considering the allowances paid in the HSE. The HSE provides an 24 hour and 365 day service in the same way as Gardaí and Prison Officers. Given that there are 600 different grades in the health sector, the Committee would have expected quite a complex structure of allowances and yet the number of allowances reported to the Department of Public Expenditure and Reform was only 41 whereas the Gardaí had 108 allowances and there are 136 allowances in the Irish Prison Service. Part of the explanation for this is that the health sector allowances had their origin in the Labour Court and the LRC whereas the other sectors of State employees did not have access to these. On-call payments and extra payments for working at weekends and night shifts are not deemed allowances in the health sector whereas, and as seen in Chapters Four and Five, such attendances attract allowances for prison officers and Gardaí. The Committee has made recommendations that these type of extra payments should not be deemed allowances and will recommend that, in reviewing pay structures, the Department of Public Expenditure and Reform work toward having a common system of definitions.

### ***Payroll systems***

The lack of a national integrated financial management system which includes payroll was again raised by the Committee. The Committee was informed of proposals to develop an enterprise wide ICT solution for finance, payroll and HR issues so that management information in particular would be easily retrievable and analysed on line. One of the issues that arose in respect of the examination of allowances was that payroll systems could not identify with precision the number of staff and costs associated with allowances. The eight legacy systems used by the HSE were able to quantify the allowance payments for the direct HSE staff but information on the 36,370 staff in the voluntary service was not to hand and was still being worked on at the time of the meeting on 8<sup>th</sup> November, 2012. The previous Committee of Public Accounts had made recommendations in relation to reliance on old systems inherited from the Health Boards. The Committee notes that the development of a national system appears to be a step nearer and will recommend that necessary solution be put in place at the least possible cost.

### ***Allowances paid to the voluntary sector***

The voluntary sector represents a diverse group of organisations that employ 36,370 staff that are paid indirectly by the HSE through service level agreements with the organisations. As outlined above, the majority of staff in the sector are on common pay scales that were developed by the Department of Health and a condition of funding of these organisations is that they abide by these levels of pay. Some allowances that are paid in the paid by the HSE are unique to directly provided services, especially in the area of psychiatric health provision. The Committee notes the efforts that are being made to ensure that returns from these voluntary bodies are delivered to the HSE but has concerns that the oversight role of the HSE needs to be enhanced through the development of structured returns based on payroll role data; that the audit model for all bodies receiving funding from the HSE still needs to be addressed; and that the service level agreements with such bodies be developed so that they are used to measure efficiency and effectiveness of service delivery.

### ***Clinical Director Allowance***

The role Clinical Director attracts an annual allowance of €46,000 and was paid to 59 hospital consultants who are required to manage and lead their peers in the delivery of health care. The Accounting Officer outlined the importance of the role when he stated

*“The role of clinical directors has been one of the most significant and critical developments in the introduction of contemporary leadership models to Irish hospitals which has been a feature of high-performing hospital services elsewhere. The point Mr. O’Brien made was not about their general ability as high-flying medics but their ability to provide leadership to their medical colleagues as well as for the changes necessary in models of care and so on. Notwithstanding the valid points Deputy McDonald has made about the scale of the fee and so on, clinical directors are a critical component of achieving better value and efficiency in our hospital system. They are also a critical part of the way hospitals are being reformed.”*

This is the largest single allowance in terms of the rate of an allowance paid to a public servant in the State and the recipients fall into the highest cohort of earners in the public service. The Committee noted that not all clinical directors are full time State employees as their contracts are not Type A contracts. The issue for the Committee is that the management

and leadership obligations of the role should entail that those clinical directors are wholly focussed on the delivery of services within the public health system. The Committee recommends that the HSE review the contract of clinical directors to establish the minimal time commitments required of the post holder and whether such commitments are compatible with involvement in private practice.

A second and related issue relates to the management role of clinical directors in respect of the cohort of medical consultants whose delay in submitting claims has resulted in an indefinite hold-up of €74 million of income that should derive to the HSE from the private health insurers. The Committee was informed that the management of this issue was more likely to be fall to be dealt with by senior hospital managers if the on-going issue was not resolved and will ask that if necessary the matter be also referred to the clinical directors.

### **Findings**

1. Allowances make up 2.61% of the HSE pay bill; however there appears to be a different definition of allowances used which does not include for example weekend work.
2. The HSE identified 41 allowances, 31 of which are legacy allowances that predate 2000. Many of these legacy allowances are a result of Labour Court agreements, especially in respect of the nursing profession: 9 allowances are red-circled that have not been paid to new employees.
3. The HSE operates eight legacy payroll systems which do not facilitate the automated reporting of information.
4. Information on the allowances that are paid to health workers in the voluntary sector was not available.
5. The Clinical Director Allowance of €46,000 per annum was paid to 59 Medical Consultants in 2011. Some Clinical Directors can, under the terms of their contracts, also engage in private practice.

### **Recommendations**

1. The HSE payroll and information systems should be capable of providing detailed information on pay, overtime and allowances paid to HSE personnel and to those funded by it in the voluntary sector. Oversight of the voluntary sector must be



improved significantly and with a degree of urgency as at present there is a lack of accountability in respect of a significant portion of the annual budget of the HSE.

2. The HSE should now submit a timeframe for the introduction of an enterprise wide financial management system to the Department of Health and the Department of Public Expenditure and Reform with a view to having agreement to proceed with its introduction in early 2013.
3. The Department of Public Expenditure and Reform should, in reviewing pay structures across the public sector, adopt a consistent approach defining allowances as against extra pay associated with attendance, having regard to the returns made to it by the HSE as against those of other public bodies.
4. The HSE should review role and performance of clinical directors in the context of commitments of post holders to private practice and should seek, where possible, to have post holders commit fully to public service.

