

# 17 Accounts of the National Treasury Management Agency

- 17.1** Section 12 of the National Treasury Management Agency Act 1990 (the Act) requires the National Treasury Management Agency (the NTMA) to keep accounts of all moneys it receives or expends in the form approved by the Minister for Finance, and to submit them for audit by the Comptroller and Auditor General. Following completion of the audit, the NTMA must submit the accounts to the Minister, who in turn must present the accounts to the Houses of the Oireachtas.
- 17.2** Separately, the Act requires the Comptroller and Auditor General to report to Dáil Éireann with respect to the correctness of the sums brought to account by the NTMA each year. This is the report for 2013 under that section of the Act.

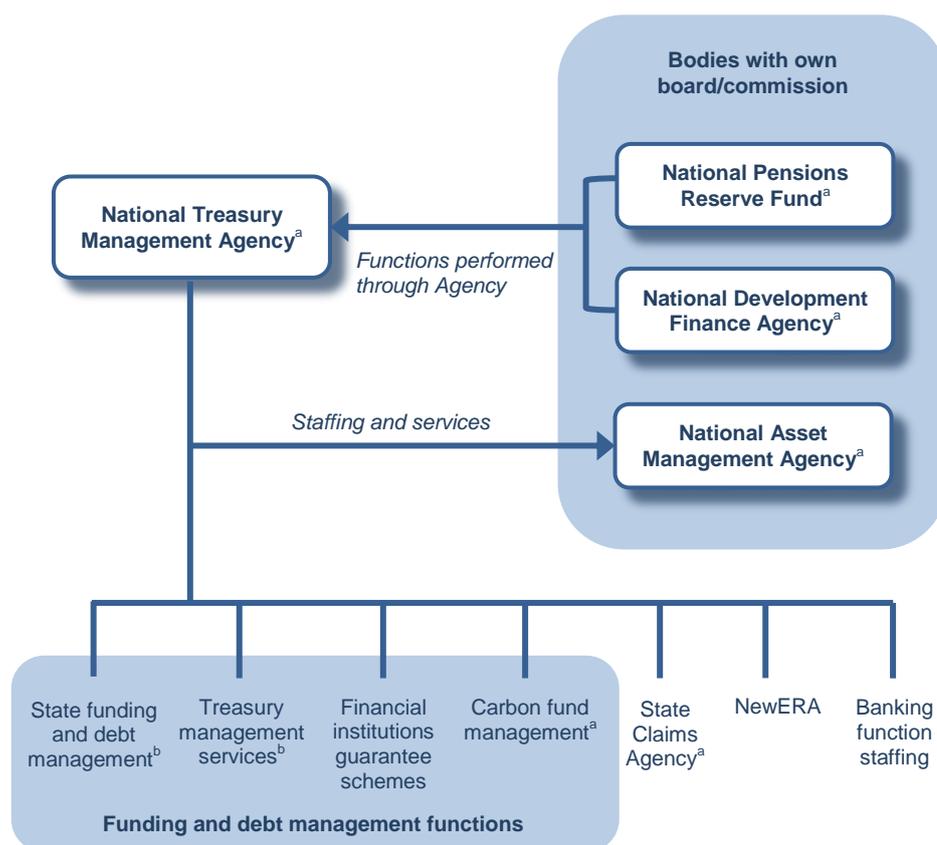
## Accounts of the NTMA 2013

- 17.3** The accounts of the NTMA for 2013 have been audited. My reports on the audits were issued in June 2014. Copies of the accounts, together with my reports on the audits, were presented by the Minister to the Houses of the Oireachtas on 28 July 2014.
- 17.4** I am satisfied that the accounts properly present the transactions of the NTMA for 2013 and its balances at year-end.
- 17.5** The accounts audited under Section 12 of the Act (as amended) are as follows
- National Debt of Ireland
  - National Treasury Management Agency administration account
  - Post Office Savings Bank Fund financial statements
  - State Claims Agency financial statements
  - Small Savings Reserve Fund account.
- 17.6** In accordance with Section 12 of the Act (as amended), the accounts of the NTMA are required to note a record of expenses incurred by it in relation to the
- National Pensions Reserve Fund
  - National Development Finance Agency
  - National Asset Management Agency.

## Functions, Roles and Staffing of the NTMA

- 17.7 The NTMA is a complex organisation with multiple functions and roles that now extend beyond its original function of managing Ireland's national debt. A summary of the NTMA's main functions and roles is outlined in Figure 17.1.

**Figure 17.1 Main functions and roles of the National Treasury Management Agency**



Source: National Treasury Management Agency

Notes: a Separate financial statements are prepared for each of these bodies/functions.

b In the case of State funding and debt management and treasury management services, separate financial statements are prepared for the Dormant Accounts Fund, the Small Savings Reserve Fund, the Post Office Savings Bank Fund, the Capital Services Redemption Account and the National Debt.

### **Funding, Debt and Treasury Management**

- 17.8 The NTMA borrows on behalf of the Exchequer and manages Ireland's national debt. At the end of 2013, this amounted to €173.9 billion (2012: €137.6 billion) after taking account of cash and other financial assets.
- 17.9 Details of the structure of the national debt are included in chapter 2 which deals with trends in Government debt.

**17.10** The NTMA performs a number of other debt management and treasury functions, including

- treasury operations for the National Asset Management Agency (NAMA), the National Pensions Reserve Fund (NPRF) and the Irish Bank Resolution Corporation Limited (in special liquidation) (IBRC)
- providing a central treasury service for State bodies and local authorities
- managing the assets of the Dormant Accounts Fund and the Post Office Savings Bank Fund
- overseeing the Small Savings Reserve Fund and the Capital Services Redemption Account.<sup>1</sup>

### **Financial Institutions Guarantee Schemes**

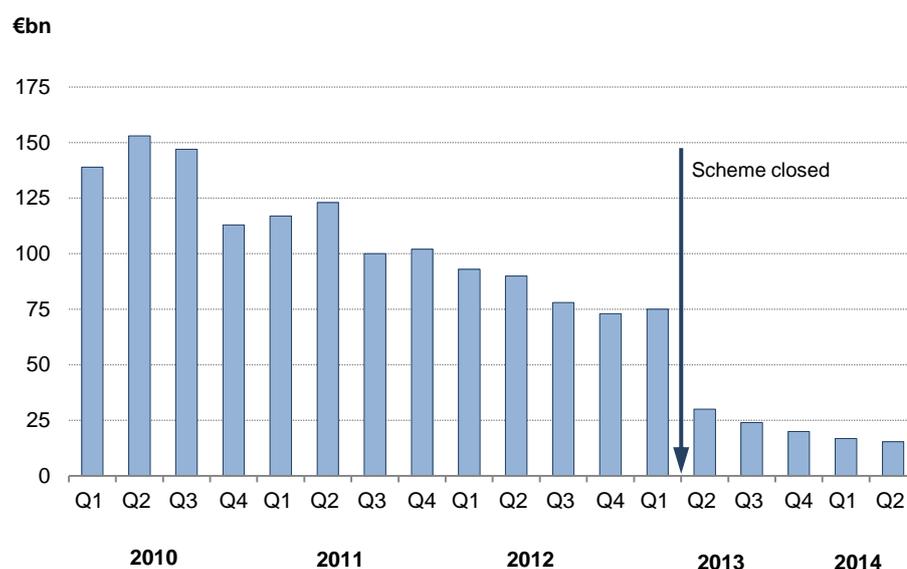
**17.11** Under the Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009 certain eligible liabilities, including deposits and debt securities of up to five years maturity in participating institutions are guaranteed by the Minister. The NTMA was appointed as scheme operator by the Minister for Finance.<sup>2</sup> In addition, the Minister delegated the following functions to the NTMA in 2013<sup>3</sup>

- verification of claims for payment in respect of a deed of guarantee made on 29 November 2010 in relation to certain derivative contracts entered into by IBRC
- payment of amounts due under the deed of guarantee.

**17.12** A fee is payable by each participating institution with guaranteed liabilities. The Accounting Officer of the Department of Finance is accountable for the fees received.

**17.13** On 26 February 2013, the Minister announced the closure of the scheme to all new liabilities with effect from midnight on 28 March 2013. Amounts covered by the scheme when it closed totalled €74.6 billion (see Figure 17.2).

**Figure 17.2 Covered liabilities under the Eligible Liabilities Guarantee Scheme, 2010 – 2014**



<sup>1</sup> The report on the audit of the Capital Services Redemption Account, audited under section 22 of the Finance Act 1950, issued on 28 June 2014.

<sup>2</sup> Statutory Instrument No. 490 of 2009.

<sup>3</sup> Statutory Instrument No. 85 of 2013.

- 17.14** A number of claims under the scheme were made following the liquidation of IBRC in February 2013. Total claim payments at 31 December 2013 were €998 million (€934 million for bonds and €64 million for deposits). Payments for the first six months of 2014 in respect of IBRC deposits amounted to €61 million.<sup>1</sup>
- 17.15** At 31 December 2013, derivative-related payments totalling €37.5 million had also been made by the NTMA as a result of the liquidation of IBRC. All liabilities under the IBRC deed of guarantee have now been settled.

### ***Carbon Fund Management***

- 17.16** The NTMA administers the purchase of carbon credits required to meet Ireland's climate change obligations through the Carbon Fund, which was established by the Carbon Fund Act 2007. However, the purchase of carbon credits has been suspended since February 2009. At the end of 2013, the Carbon Fund held assets with an acquisition value of €99 million (2012: €99 million).
- 17.17** The Carbon Fund is accounted for separately and does not form part of the NTMA's accounts for the purposes of section 12 of the Act (as amended). The financial statements of the Carbon Fund are audited under the Carbon Fund Act 2007.<sup>2</sup>

### ***State Claims Agency***

- 17.18** The NTMA manages personal injury, property damage and clinical negligence compensation claims on behalf of certain State authorities. When performing those functions, the NTMA is known as the State Claims Agency (SCA). The cost of settling the claims that were outstanding at 31 December 2013 has been estimated by the NTMA at €1.2 billion (2012: €1.1 billion).
- 17.19** Awards and associated claim costs of the SCA in 2013 amounted to just under €140 million (2012: €100 million). These costs are recoupable from the relevant State authorities availing of SCA services. In addition, the NTMA incurred €11.5 million in administrative costs in the performance of its SCA functions. These administrative costs are included in the administration expenses of the NTMA and are charged on the Central Fund.

### ***NewERA***

- 17.20** The New Economy and Recovery Authority (NewERA) was initially set up within the NTMA on a non-statutory basis following a Government announcement in September 2011.
- 17.21** Expenditure incurred by the NTMA in 2013 in relation to NewERA functions was mainly in relation to the provision and/or procurement of<sup>3</sup>

<sup>1</sup> While the NTMA processed the payments, they are reflected in the Finance Accounts.

<sup>2</sup> The report on the audit of the Carbon Fund was issued on 27 June 2014.

<sup>3</sup> The costs of NewERA functions are not separately disclosed in the NTMA's administration account.

- financial and commercial advice to Government in relation to the proposed disposal of State assets, including the sale by Ervia (formerly Bord Gáis Éireann) of its Bord Gáis Energy business
- corporate finance and governance advice in relation to the governance and financial and commercial aspects of certain State bodies/assets
- advice in relation to activities to facilitate investment in economic infrastructure.

- 17.22** The National Treasury Management Agency (Amendment) Act 2014<sup>1</sup> will establish the NewERA functions on a statutory basis. These functions will include provision of financial and commercial advisory services to a relevant Minister of Government in respect of a designated body under his/her remit or in relation to any other State body or assets held.<sup>2</sup> The relevant Ministers will retain their current responsibilities and shareholdings in such bodies. The financial and commercial advisory services will (inter alia) cover the following matters
- exercise of rights attaching to shares held by a relevant Minister in a designated body
  - corporate governance
  - financial and commercial operation
  - protecting, enhancing or realising value of any interest held
  - corporate strategy and capital and investment plans
  - acquisitions, disposals, reorganisations and restructurings
  - appointment and remuneration of the chairperson, members, directors or chief executive.
- 17.23** NewERA may also, in consultation with Ministers of the Government, develop proposals for investment in specified key economic infrastructure sectors in order to support economic activity and employment.

### ***Banking System Functions Staffing***

- 17.24** In March 2010, the Minister delegated certain banking system functions to the NTMA.<sup>3</sup> The delegation related, in particular, to management of the State's interest in the credit institutions covered by the banking guarantees and the negotiation of capital support to those institutions. The delegation was revoked in August 2011<sup>4</sup> and the NTMA's Banking Unit has since then been seconded to the Department of Finance.
- 17.25** At the direction of the Minister, costs of the Banking Unit, comprising staff costs and certain consultancy costs, continue to be met by the NTMA. The level of costs incurred is not disclosed separately in the NTMA's administration account or in the allied services note of Vote 7 for the Office of the Minister for Finance.

### ***National Pensions Reserve Fund***

- 17.26** The NTMA is Manager of the National Pensions Reserve Fund (NPRF). The legislative remit for the NPRF allows the Minister for Finance to direct the NPRF Commission to make certain investments and certain payments to the Exchequer.<sup>5</sup> The NPRF held net assets of €19.9 billion at the end of 2013. The net assets comprised €6.8 billion in the discretionary portfolio and €13.1 billion in the directed investments portfolio.<sup>6</sup>
- 17.27** The NTMA incurred costs of €3.9 million in its role of Manager of the Fund. This is disclosed in the NTMA's administration account but is not recouped by the NTMA.
- 17.28** The National Treasury Management Agency (Amendment) Act 2014 provides for the establishment of the Ireland Strategic Investment Fund (ISIF) which will absorb the assets of the NPRF. The funds in the NPRF discretionary portfolio will be made available for investment on a commercial basis in a manner designed to support economic activity and employment in the State.

1 Enacted in July 2014. The Act will come into operation by Ministerial Order of the Minister for Finance.

2 Currently, the designated bodies are the Electricity Supply Board, Ervia, Bord na Móna plc, Coillte Teoranta, EirGrid plc, Irish Water and any subsidiaries or any company in which such a designated body has an interest.

3 Statutory Instrument No. 115 of 2010.

4 Statutory Instrument No. 395 of 2011.

5 National Pension Reserve Fund Act 2000.

6 The report on the audit of the NPRF issued on 28 June 2014.

### ***National Development Finance Agency***

- 17.29** The National Development Finance Agency (NDFA) is the statutory financial advisor to State authorities in respect of all public investment projects with a capital value over €20 million. It also has responsibility for the procurement and delivery of public private partnership projects in sectors other than transport and the local authorities and the direct procurement of certain education projects.
- 17.30** The NDFA performs its functions through the NTMA. Fees and expenses incurred by the NDFA in the performance of its financing and advisory functions amounted to €5.7 million in 2013. These expenses are recoupable from the relevant State authorities availing of NDFA services. A further €7.1 million was incurred by the NTMA in the performance of its other NDFA functions. This is disclosed in the NTMA's administration account but is not recouped by the Agency.<sup>1</sup>

### ***National Asset Management Agency***

- 17.31** The NTMA assigned staff and provided services to the National Asset Management Agency (NAMA) during 2013 for which a cost of €40.8 million (2012: €36.9 million) was incurred and recharged to NAMA.<sup>2</sup>
- €33.6 million (2012: €30.2 million) was incurred in respect of staff costs. This comprised €31.1 million for staff directly employed by the NTMA and assigned to NAMA (331 at 31 December 2013), and €2.5 million in respect of the apportioned cost of NTMA employees operating shared services including IT, human resources and finance.
  - €7.2 million in respect of other costs incurred by the NTMA, including rent, office services and consultancy costs.<sup>3</sup>

<sup>1</sup> The report on the audit of the NDFA issued on 27 June 2014.

<sup>2</sup> The total administrative costs of NAMA were €124 million in 2013 (€119 million in 2012).

<sup>3</sup> See NAMA financial statements 2013. The report on the audit of NAMA issued on 9 May 2014.

## NTMA Staff Distribution

- 17.32** Staff numbers in the NTMA continue to rise as a result of the NTMA's additional responsibilities. At end 2013, staff numbers totalled 657 (2012: 500). The assignment of staff to the various functions of the NTMA at end-2012 and 2013 is set out in Figure 17.3.

**Figure 17.3 NTMA staffing distribution at end-December 2012 and 2013**

	2012	2013
<b>Programme areas</b>		
Funding and debt management	14	15
State Claims Agency	69	77
NewERA	12	13
Banking Unit <sup>a</sup>	12	14
National Pensions Reserve Fund	13	15
National Development Finance Agency	44	52
National Asset Management Agency	224	331
<b>Support services</b>		
Finance, Technology and Risk	74	98
HR and Corporate Services	8	10
Legal, Control and Compliance	16	18
Other	14	14
<b>Total</b>	<b>500</b>	<b>657</b>

Source: National Treasury Management Agency

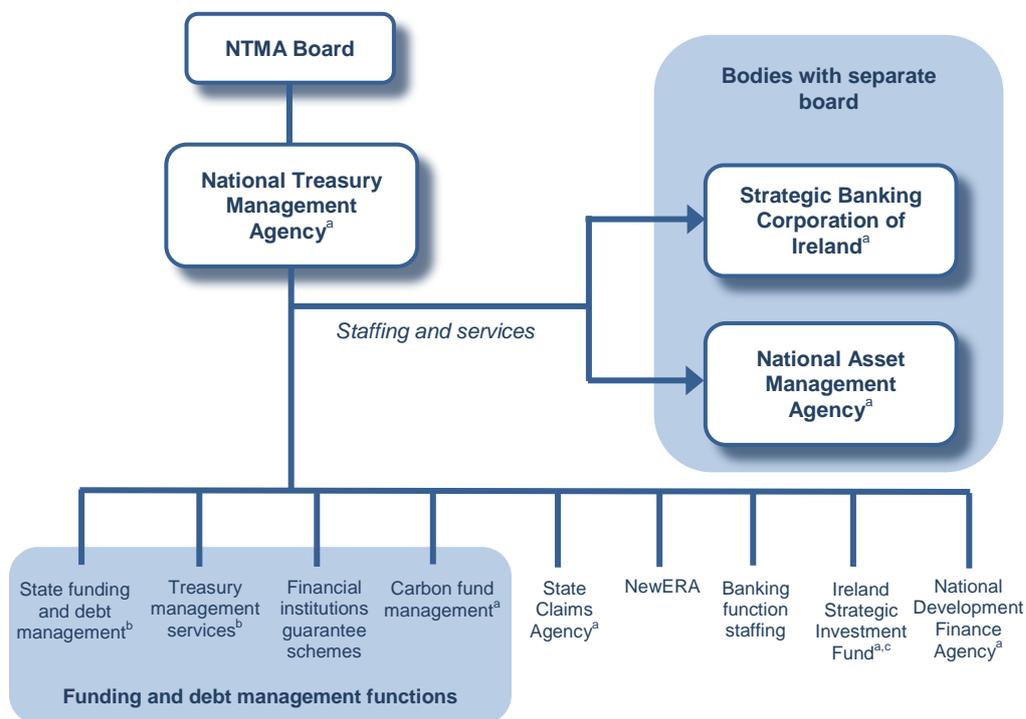
Note: a On secondment to the Department of Finance.

## Structure of the NTMA

- 17.33** The Chief Executive of the NTMA reports directly to the Minister. The NTMA currently operates without a board but has an Advisory Committee to assist and advise on matters the NTMA refers to the Committee.
- 17.34** As outlined earlier, the National Treasury Management Agency (Amendment) Act 2014 provides for restructuring of the NTMA's functions. It also proposes a revised corporate governance structure for the NTMA and establishment of a new overarching Board. In addition to its existing functions, the NTMA will be directly responsible for ISIF and NewERA, and the functions of the NDFA. This will involve the dissolution of the NPRF Commission and the NDFA Board. The reorganisation of the services will require restructuring of the financial statements and accounts.
- 17.35** The Strategic Banking Corporation of Ireland Act 2014 provides for the formation of the Strategic Banking Corporation of Ireland which will make credit available within the State.<sup>1</sup> The NTMA will assign staff and provide certain services to the Strategic Banking Corporation of Ireland. However, the corporation is a separate legal entity to the NTMA.
- 17.36** The revised functions and roles of the NTMA, following these amendments, are outlined in Figure 17.4.

<sup>1</sup> Enacted and commenced in July 2014.

**Figure 17.4 Revised functions and roles of the National Treasury Management Agency**



Source: National Treasury Management Agency

- Notes:
- a Separate financial statements will be prepared for each of these bodies/functions.
  - b In the case of State funding and debt management and treasury management services, separate financial statements will continue to be prepared for the Dormant Accounts Fund, the Small Savings Reserve Fund, the Post Office Savings Bank Fund, the Capital Services Redemption Account and the National Debt.
  - c Formerly National Pensions Reserve Fund. Financial statements for the NPRF will continue to be prepared until all assets are transferred to the Ireland Strategic Investment Fund.

## Conclusion

- 17.37** The NTMA has evolved into a complex organisation with consequent complex financial reporting, and the development of variation in the level of disclosure about the costs of the different services and functions within the NTMA's remit. In some cases, the full costs of individual services and functional areas are disclosed in the financial statements. In other cases, full costs are not disclosed. This is not consistent with the movement that is occurring more generally towards programme-based accounting for public services.
- 17.38** The 2014 Act will result in a substantial reorganisation and re-orientation of functions, with significant implications for the scope and format of the financial statements. This presents an opportunity for the NTMA to eliminate anomalies and to streamline its financial reporting.

### Recommendation 17.1

In the context of the reformatting of the NTMA's financial statements, a consistent approach should be taken to disclosure of the overall costs associated with each of the key services and functions the NTMA undertakes.

#### Chief Executive's response

The NTMA discloses administrative costs in accordance with its statutory obligations. These require separate disclosure where the NTMA is acting as agent of a separate corporate entity. The NTMA (Amendment) Act 2014 will change the basis of this agency relationship and bring these functions directly under the management of the NTMA and its new overarching Board. In this context, I will bring the recommendation to the attention of the incoming Board.

