15 Accounts of the National Treasury Management Agency

15.1 Section 12 of the National Treasury Management Agency Act 1990 (the 1990 Act) (as amended) 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 (the Minister), and to submit them for audit by the Comptroller and Auditor General. Following completion of the audit, the NTMA must submit the accounts and the related audit reports to the Minister, who in turn must present them to the Houses of the Oireachtas.

15.2 Separately, section 12 of the 1990 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 2019 under that section of the 1990 Act.

Accounts of the NTMA 2019

15.3 The accounts audited under section 12 of the 1990 Act (as amended) are as follows

- National debt of Ireland
- NTMA administration account
- Post Office Savings Bank Fund financial statements[1]
- State Claims Agency financial statements
- Ireland Strategic Investment Fund (ISIF) financial statements
- Ireland Apple escrow fund[2]
- National Surplus (Exceptional Contingencies) Reserve Fund.

15.4 Separately, the NTMA prepares the financial statements of the Dormant Accounts Fund (under the Dormant Accounts Act 2001) and of the Carbon Fund (under the Carbon Fund Act 2007). These are published by the NTMA together with the other (section 12) accounts it publishes.

15.5 The accounts for 2019 have been audited. My reports on the audits were issued on 13 May 2020.

1 See Chapter 16 *Post Office Savings Bank Fund* for details on the functions and performance of the fund.

2 See Chapter 17 *Ireland Apple escrow fund* for details on the establishment of the fund, and on the accounting thereof.

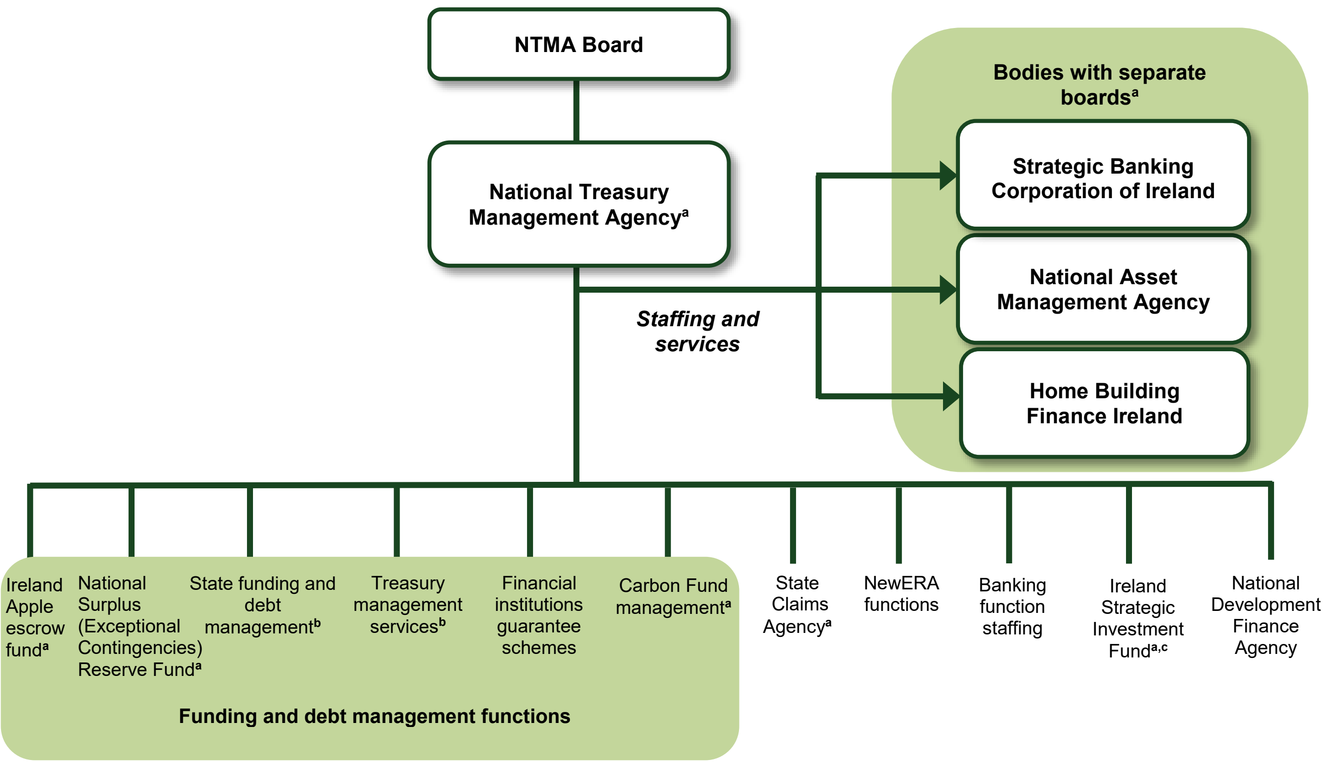
Structure, costs and staffing of the agency

15.6 The NTMA was originally set up in 1990. It has since evolved into a complex organisation with multiple functions that extend beyond its original and core role in managing Ireland's national debt. The structure of the NTMA is outlined in Figure 15.1.

15.7 The NTMA assigns staff to the National Asset Management Agency (NAMA), the Strategic Banking Corporation of Ireland (SBCI) and Home Building Finance Ireland and also provides them with business and support services and systems on a cost recoupment basis. These costs are outlined in Figure 15.2. Each of the entities has its own board and is separately accountable to Dáil Éireann.

15.8 At the end of 2019, NTMA staff numbers totalled 779 on a whole time equivalent basis. The assignment of staff to the various functions and activities at year-end for 2016 to 2019 is set out in Figure 15.3.

Figure 15.1 Functions of the National Treasury Management Agency



Source: National Treasury Management Agency

Notes:

a Separate financial statements are prepared for the activities of each of these functions/entities.

b In the case of State funding, debt management and treasury management services, separate financial statements are prepared for the Dormant Accounts Fund, the Post Office Savings Bank Fund and the national debt.

c The Ireland Strategic Investment Fund (ISIF) took over the assets and liabilities of the National Pensions Reserve Fund (NPRF) in 2014. Financial statements for the NPRF will continue to be prepared until all remaining assets are legally transferred to the ISIF. At 31 December 2019, foreign assets valued at €51,000 (2018: €50,000) remained in the NPRF.

Figure 15.2 Cost of operations, 2016 to 2019

NTMA business units	2016 €m	2017 €m	2018 €m	2019 €m
Funding and debt management	11.5	12.5	12.3	12.3
Ireland Strategic Investment Fund	10.4	12.5	14.5	15.2
State Claims Agency	19.4	20.8	25.0	28.5
NewERA	5.3	5.4	6.1	6.0
Banking Unit (Shareholding and Financing Advisory Division, Department of Finance)	2.8	4.3	3.8	3.9
National Development Finance Agency	9.5	10.1	11.3	12.6
Supported bodies				
National Asset Management Agency	46.7	38.1	40.8	40.7
Strategic Banking Corporation of Ireland	4.2	5.2	5.9	5.9
Home Building Finance Ireland[a]	—	—	—	5.3
Total payments	**109.8**	**108.9**	**119.7**	**130.4**

Source: National Treasury Management Agency

Note: a No costs arose in relation to HBFI prior to 2019.

Figure 15.3 NTMA staffing distribution at year-end, 2016 to 2019[a]

	2016	2017	2018	2019
NTMA business units				
Funding and debt management	20	24	24	23
Ireland Strategic Investment Fund	41	44	42	47
State Claims Agency	128	138	148	156
NewERA	19	21	26	25
Banking Unit (Shareholding and Financing Advisory Division, Department of Finance)	13	11	11	11
National Development Finance Agency	61	67	63	64
NTMA corporate functions				
Finance, technology and operations	125	138	138	133
Legal, compliance, HR and internal audit	35	41	46	43
Risk	20	20	21	20
Other	2	4	9	3
Supported bodies				
National Asset Management Agency	302	264	236	210
Strategic Banking Corporation of Ireland	16	18	17	23
Home Building Finance Ireland	—	—	5	21
Total	**782**	**790**	**786**	**779**

Source: National Treasury Management Agency

Note: a 2018 and 2019 numbers are based on whole time equivalent. Previous years are based on headcount.

NTMA office move to North Wall Quay

15.9 In May 2018, the Agency entered into leases for office accommodation in the Dublin Docklands until May 2043, with an option to terminate in 2033. Staff moves to the new premises were completed in August 2019.

15.10 The NTMA had lease agreements of varying duration until 2025 and 2026 in respect of its previous office accommodation at Treasury Building, Grand Canal Street, Dublin 2. The Agency engaged an external property advisor regarding the sub-let, disposal or assignment of existing leases in respect of the office accommodation at Treasury Building. The Treasury Building leases were surrendered to a third party in February 2020. Costs of €0.8 million reflecting the lease commitment and a once off payment to the third party in relation to the surrenders were recognised in the 2019 NTMA administration account.

Performance-related pay

15.11 Provision for a discretionary performance-related payment is included in the majority of NTMA employee's contracts. The Remuneration Committee of the NTMA is responsible for approval of the overall amount of performance-related pay in a year and for the approval of individual proposed awards to members of the Executive Management Team (EMT). Awards of performance-related payments to employees below EMT level are approved by the CEO following a review by a sub-committee of the EMT.

15.12 Performance-related payments of €2.05 million were made to 200 employees for 2019, of which €200,000 was paid to seven members of the EMT. For 2018, performance-related payments of €1.78 million were paid to 184 employees, of which €145,000 was paid to four members of the EMT. The CEO of the NTMA did not receive a performance-related payment in respect of 2018 or 2019.

Voluntary redundancy scheme

15.13 During 2019, payments were made to 33 employees of the NTMA who participated in a voluntary redundancy scheme. Redundancy payments totalling €2.5 million and 'garden leave' costing €0.1 million were incurred. NTMA has stated that the payments were made subject to normal statutory and public sector terms for redundancy payments.

15.14 Of the vacancies created following the departure of the 33 employees who participated in the redundancy scheme, ten employee positions were not subsequently filled, twelve positions were filled at a lower annual cost and eleven positions were filled at the same or an increased annual cost. The NTMA has stated that although the redundancy scheme was not introduced as a cost saving exercise, the projected annual cost savings on staff salaries was expected to be €1 million. This would mean that the cost of the scheme should be recouped in two and a half years following its implementation. However, the examination team has not seen any evidence of a report to the NTMA Board documenting the actual savings resulting from the redundancy scheme.

Operations in 2019

Funding, debt and treasury management

15.15 The NTMA borrows on behalf of the Exchequer and manages Ireland's national debt.[1]

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

- treasury operations for NAMA, ISIF, SBCI, HBFI and 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
- oversight of the management and investment of the National Surplus (Exceptional Contingencies) Reserve Fund
- oversight of the investment and management of the Ireland Apple escrow fund on behalf of the Minister for Finance.

Financial Institutions Guarantee Schemes

15.17 Certain eligible liabilities in financial institutions, including deposits and debt securities of up to five years maturity were guaranteed by the Minister for Finance (the Minister) under the Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009 (the scheme). The NTMA was appointed as scheme operator by the Minister.[2]

15.18 Each institution with liabilities guaranteed under the scheme was required to pay a fee. The Accounting Officer of the Department of Finance was accountable for the fees received.

15.19 As at 29 March 2018, there were no remaining liabilities guaranteed under the scheme, with the exception of minor residual liabilities resulting from the liquidation of IBRC.[3]

15.20 Following the liquidation of IBRC in February 2013, a number of claims were made under the guarantee scheme and, in March 2013, the Minister delegated the following further functions to the NTMA[4]

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

1 Summary details of the structure of the national debt and trends in government debt are included in Chapter 1, *Exchequer Financial Outturn for 2019.*

2 SI No 490/2009.

3 The final end date for all remaining liabilities under the scheme was 28 March 2018.

4 SI No 85/2013.

15.21 The State has lodged claims totalling €1,235 million with the joint special liquidators of IBRC.[1] These comprise

- €1,197 million claimed by the NTMA in respect of payments to bondholders, and depositors. This figure also includes expenses of €7.2 million and interest of €109 million.
- €37.8 million claimed by the Department of Finance in respect of derivatives.

15.22 In 2016 and 2017, the joint special liquidators of IBRC paid two dividends totalling €560 million (50% of all admitted unsecured creditors of the liquidation). The special liquidators announced the remaining dividend payment of 50% to admitted unsecured creditors of the liquidation in December 2018. This was received in separate payments in December 2018 and early 2019. The Exchequer received approximately €341 million in 2018 and a further €225 million in January and February 2019 in relation to these payments. A further €109 million was received by the Exchequer in December 2019 which relates to the interest owed on the claims made by the State.

15.23 On the commencement of the Anglo Irish Bank Corporation Act 2009, all shares in the bank were transferred to the Minister for Finance, and remained in the ownership of the Minister at the date of the liquidation of IBRC in February 2013. Included in this was £300 million (GBP) of preference shares for which the State received €348 million in December 2019.

State Claims Agency

15.24 The NTMA manages personal injury, property damage and clinical negligence compensation claims on behalf of the State and certain delegated State authorities. In addition, it has a risk management role, advising and assisting those State authorities in minimising their claim exposures. It also considers and manages third party cost claims against the State and delegated State authorities, arising from all categories of claims. When performing these functions, the NTMA is known as the State Claims Agency (SCA).

15.25 The scope of the SCA's remit has broadened in two ways since the start of 2019.

- In 2019, Government delegated the management of claims against foster parents and former foster carers who carry out functions under the Child Care Act 1991, to the SCA.
- The NTMA has stated that, in 2020, the Government provided a State indemnity to private healthcare facilities and clinicians who were contracted to provide facilities and additional professional medical services resources to the public health system, in the management of COVID-19 cases and the provision of acute hospital care more generally. Government also provided an indemnity to a private sector technology company that is assisting with the COVID-19 testing programme. Management of claims arising from these indemnities has also been delegated to the SCA.

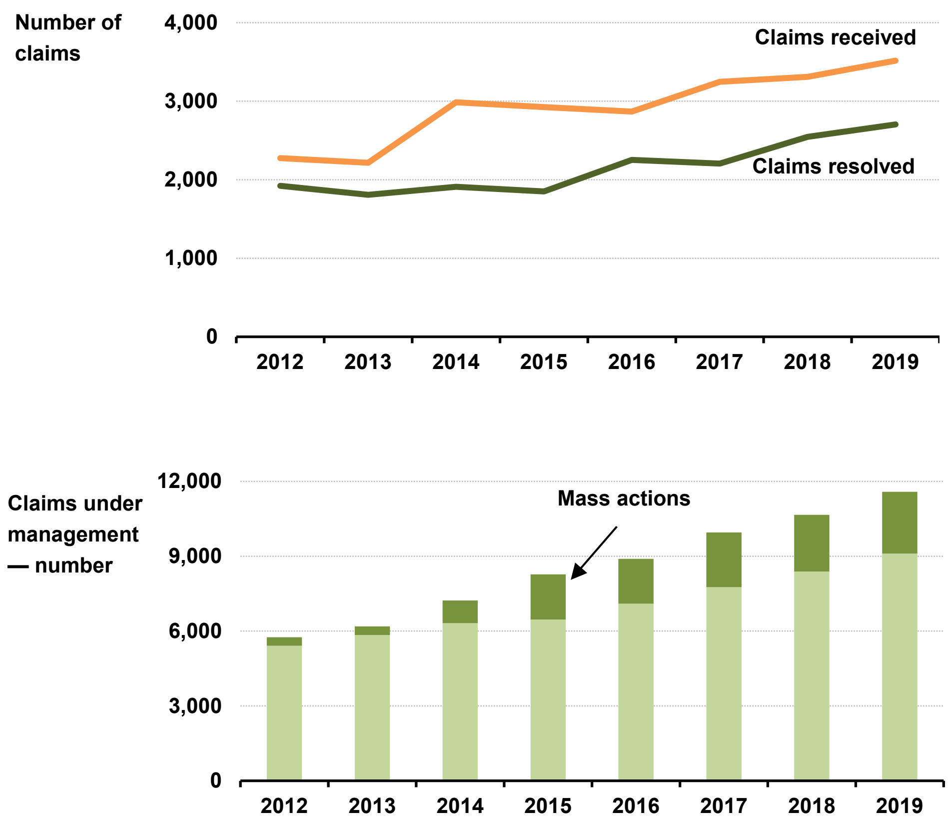
15.26 Awards and associated claim costs of the SCA in 2019 amounted to a total of €431.4 million — up 21.7% year on year (2018: €354.6 million). These costs are recoupable from the relevant State authorities availing of the SCA services. In addition, the NTMA incurred €28.5 million (2018: €25 million) 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.

1 Interest is payable on amounts claimed from the date of each claim to the date of payment by the joint special liquidators.

15.27 The number of claims under management has increased significantly since 2012. At the end of 2019, there were 11,580 claims under management including 2,472 claims in mass actions (general and clinical). In 2019, 2,704 claims were resolved, an increase of 6% over the previous year (see Figure 15.4).

15.28 The estimated cost of settling outstanding claims has been steadily increasing.[1,2] The estimated outstanding liability at the end of 2019 has been estimated by the SCA at €3.63 billion — over three times the estimated outstanding liability at the end of 2012 (see Figure 15.5). A key factor in the increase in the estimated outstanding liability is the impact of a reduction in the real rate of return used, from 3% to 1% or 1.5% on foot of a determination by the Court of Appeal in 2015.

Figure 15.4 Claims received and resolved annually, and claims under management, at year end, 2012 to 2019

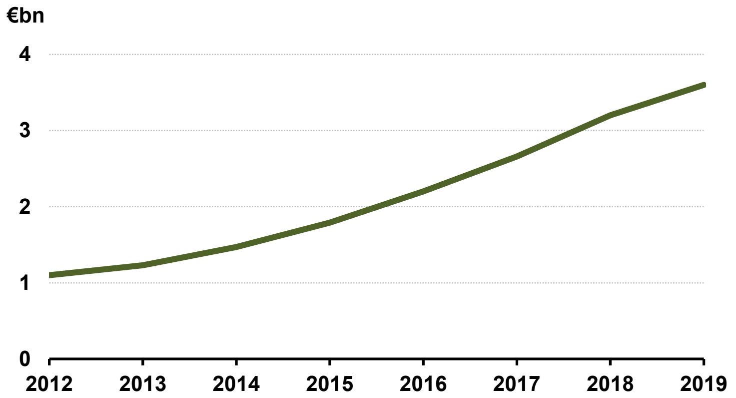


Source: National Treasury Management Agency

1 Of the €3.63 billion outstanding estimated liability at year-end, €452.3 million relates to interim payment orders and 'periodic payment orders'.

2 No amounts for incurred but not reported claims are included within the estimated outstanding liability at year-end.

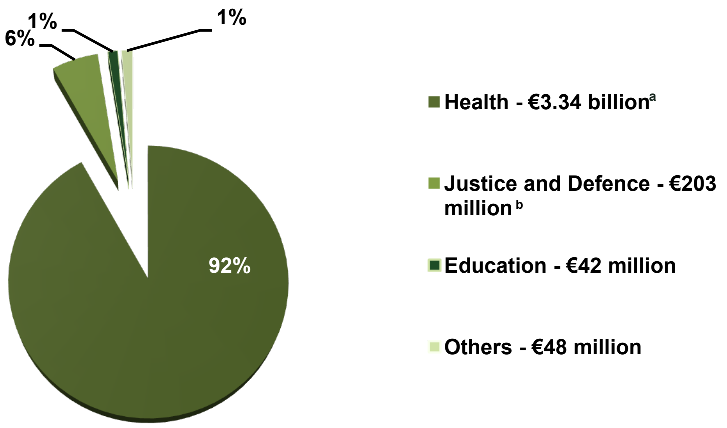
Figure 15.5 Estimated outstanding liability, at end-2012 to 2019



Source: National Treasury Management Agency

15.29 Health sector bodies (including the HSE, Tusla and the Department of Health) accounted for 92% of the estimated outstanding liability at the end of 2019. Two other sectors (Justice and Defence, and Education) accounted for a further 7% (see Figure 15.6).

Figure 15.6 Proportion of estimated outstanding liability for each State authority sector, at end-2019



Source: National Treasury Management Agency

Notes: a The health sector includes the HSE, Department of Health and bodies under its aegis, and Tusla.

b Justice and Defence include the Irish Prison Service, An Garda Síochána, Defence Forces and certain others.

Periodic payment orders

15.30 Part 2 of the Civil Liability (Amendment) Act 2017 commenced in October 2018 and introduced periodic payments orders (PPOs) as an alternative to lump sums paid to compensate persons who have suffered catastrophic injuries. PPOs guarantee that such victims will receive annual fixed payments in respect of treatments and care, thereby reducing worries associated with lump-sum payments that may run out for families affected by catastrophic injuries. The total value of PPOs paid in 2019 was €10.8 million.[1]

1 Initial payments in cases to which PPOs apply include settlement of all categories of damages. These are mainly settled on a full and final basis, other than claims for future care in respect of which payments are made on an annual basis under the PPO.

15.31 In November 2019, the High Court delivered its judgment in a directions hearing in a catastrophic injury case and determined that PPOs in their current form are unfair towards plaintiffs.[1] The Court considered the statutory provisions of the Civil Liability Amendment Act 2017, and noted that with compensation payments linked to the harmonised index of consumer prices (HICP), claimants would be undercompensated for their care in the long term. The Court stated that there is potential within the legislation for agreement on PPOs to be linked to an index other than the HICP.[2] As a result of this ruling, the SCA now expects most claims to be settled on a lump-sum or interim payment order basis, unless there is a change to the index.

Insurance Compensation Fund

15.32 The Insurance (Amendment) Act 2018 sets out the separate roles of the SCA and the Central Bank of Ireland (CBI) in the event of an insurance company liquidation or receivership. In such events, the SCA will make an application to the High Court, on behalf of the liquidator, to approve payments from the Insurance Compensation Fund (ICF), on completion of a due diligence examination of the relevant claims. Once approved by the High Court, the CBI will pay the specified amount to the SCA for distribution to the claimants in respect of an insurance company authorised in an EU member state other than Ireland. In cases where an insurance company is authorised in Ireland, the CBI will pay the specified amount to the liquidator for distribution to the claimants.

15.33 The SCA made its first application to the High Court in November 2018, arising from the liquidation of Setanta Insurance Company Ltd., where the Court agreed to release €20.6 million to 1,300 claimants.

15.34 During 2019, applications to the High Court for disbursements from the Insurance Compensation Fund were successfully made and dispatched to some 780 applicants, in respect of Setanta Insurance Company Ltd (in liquidation) authorised in Malta (€15.2 million) and of Enterprise Insurance Company plc (in liquidation) authorised in Gibraltar (€4.8 million).

Carbon Fund

15.35 The Carbon Fund was established by the Carbon Fund Act 2007 in order to purchase carbon credits to meet Ireland's commitments under the Kyoto Protocol — an international climate change agreement. Under the 2007 Act, the NTMA has responsibility for the purchase, through the Carbon Fund, of carbon credits required to meet Ireland's climate change obligations.

15.36 The assets held in the Carbon Fund are not held for trading purposes but to be submitted as part of Ireland's compliance under the Kyoto Protocol and its obligations under European Union legislation.

15.37 In 2009, in the light of the slowdown in the Irish economy and the subsequent revised estimate of Ireland's need to purchase carbon credits, it was decided to cease the purchase of credits. The final accounting transactions for the commitment period 2008 — 2012 of the Kyoto Protocol were carried out in 2015, during which time assets worth €9.4 million were surrendered to fulfil Ireland's obligation. At that time, the remaining assets in the Carbon Fund were carried forward towards meeting Ireland's 2020 commitments under the European Union's 2020 Climate and Energy Package.

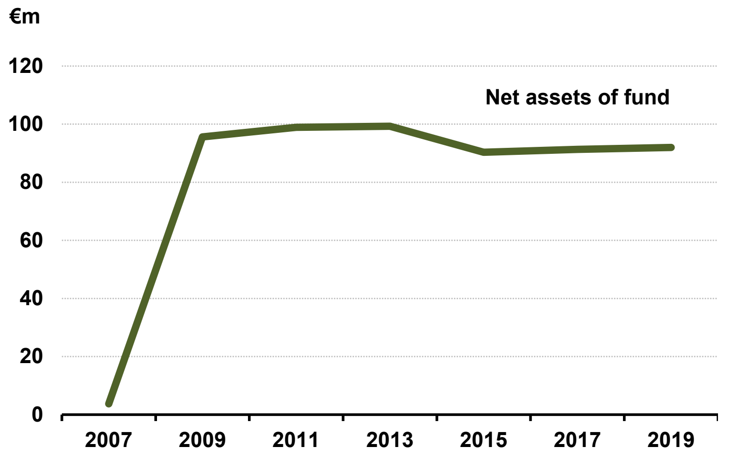
1 Hegarty & anor -v- HSE [2019].

2 Subsection 51I (3) of the Civil Liability Act 1961 (as inserted by the Civil Liability (Amendment) Act 2017).

15.38 In November 2019, the Government decided to re-commence the purchase of greenhouse gas emissions allowances for compliance with Ireland's obligations under the EU Effort Sharing Decision on targets for 2013 – 2020. During 2019, the NTMA purchased 400,576 carbon credits at a total cost of €100,144 (excluding VAT). At the end of 2019, the Carbon Fund held assets with an acquisition cost of €91.9 million (see Figure 15.7).

15.39 Ireland's obligations under the Effort Sharing Decision will end in 2020. This will be replaced by the Effort Sharing Regulation which sets binding annual emissions targets for Ireland for the period 2021 – 2030.[1]

Figure 15.7 Net assets value of the Carbon Fund, 2007 to 2019



Source: Financial Statements of the Carbon Fund, 2007 to 2019. Analysis by the Office of the Comptroller and Auditor General.

NewERA

15.40 The New Economy and Recovery Authority (NewERA) functions of the NTMA were established on a statutory basis in December 2014 on commencement of the relevant sections of the 2014 Act.[2]

15.41 The NewERA functions include the provision of financial and commercial advisory services on a range of issues to a relevant Minister of the Government in respect of a designated body under his/her remit.[3] Also, where any Minister holds assets or shares in a body that is not designated for NewERA purposes, or has general responsibility for, or has any function in relation to such a body, NewERA may also provide similar services to that Minister.

15.42 Expenditure incurred by the NTMA on NewERA activities in 2019 was around €6 million and is separately disclosed in the NTMA's administration account. During 2019, NewERA provided detailed financial analysis and, where appropriate, recommendations to government Ministers/departments, on a total of 138 submissions for Ministerial consideration made by commercial State bodies. This included advice in relation to a range of critical infrastructure investment plans presented by commercial State bodies, including €4.1 billion in debt financing related requests, €2.7 billion in relation to capital budgets and commitments and €0.8 billion in relation to specific capital projects.

1 Regulation (EU) 2018/842 of the European Parliament and of the Council of 30 May 2018.

2 The New Economy and Recovery Authority (NewERA) was initially set up on a non-statutory basis following a Government announcement in September 2011.

3 At 31 December 2019, the designated bodies were the Electricity Supply Board, Ervia, Bord na Mona plc, Coillte CGA, Eirgrid plc, Irish Water, An Post and any of their subsidiaries or any company in which any of the designated bodies has an interest.

15.43 Advice provided relating to the €4.1 billion debt financing requests, included

- €500 million green bond issuance by ESB, which was Ireland's first corporate green bond to help finance eligible green projects including renewable energy, network connections for onshore wind farms and electric vehicle charging infrastructure.
- €300 million bond issued by Gas Networks Ireland, to support continuing investment in gas network infrastructure which is expected to play a key role in the transition to a low carbon energy system.
- €300 million private placement facility raised by Dublin Port Company, to help fund its capital investment programme.
- €350 million facility raised by the DAA (Dublin Airport Authority) from the European Investment Bank to support its capital investment programme.
- Short-term extension of Irish Water's €1.25 billion of commercial borrowing facilities pending refinancing with State funding, which is to be implemented over three phases. The first phase of the refinancing of Irish Water's commercial borrowings with State funding was completed in December 2019, through a capital contribution of €758 million from the Minister for Finance.

15.44 NewERA advice on the €2.7 billion capital expenditure budgets and commitments was primarily related to the regulated electricity, gas and water network assets of the relevant commercial state bodies.

15.45 The advice provided in respect of the €0.8 billion of specific capital expenditure projects included, water and wastewater infrastructure projects in line with Irish Water's ongoing investment plans, to address the deficits in Ireland's public water infrastructure. It also included an acquisition by ESB of a 50% stake in a pre-construction offshore wind farm off the coast of Scotland, as the ESB continues to develop its experience in offshore wind with a view to developing projects off the coast of Ireland in the future.

15.46 NewERA undertook a financial and commercial review of RTÉ's revised strategy in 2019, to assist government in its consideration of the revised strategy. NewERA also reviewed an agreement between Coillte and the ESB, to form a joint venture development company that was announced during 2019. The purpose of the joint venture is to deliver 1000 MW of renewable energy by 2030.

15.47 NewERA, through the financial advisory services it provides to government Ministers and departments, also has a role to play in assisting the Ministers at their request in understanding the financial implications of its climate objectives. The role of commercial State bodies in helping to meet the State's climate objectives is an area of focus for the State and by extension, for NewERA's advisory work in this area. NewERA was allocated a number of actions for delivery in the Climate Action Plan including the development (in conjunction with the Department of Communications, Climate Action and Environment and the Department of Public Expenditure and Reform) of a framework for the commercial semi-state sector to address climate action objectives. During Q4 2019, NewERA commenced the development of this framework.

Banking system functions staffing

15.48 The NTMA's Banking Unit has been seconded to the Department of Finance since August 2011, where it now forms part of the Department's Shareholding and Financial Advisory Division.[1] At the direction of the Minister, costs of the Banking Unit, comprising staff costs and certain professional advisor costs, continue to be met by the NTMA. Costs incurred by the NTMA in 2019 in relation to the Banking Unit totalled €3.9 million and are separately disclosed in the NTMA's administration account in 2019. The NTMA incurred professional advisor costs of €1.3 million in relation to assessor fees for IBRC. These payments will be recouped by the NTMA from the liquidator of IBRC. At end 2019, €826,000 has been received from the liquidator.

Ireland Strategic Investment Fund

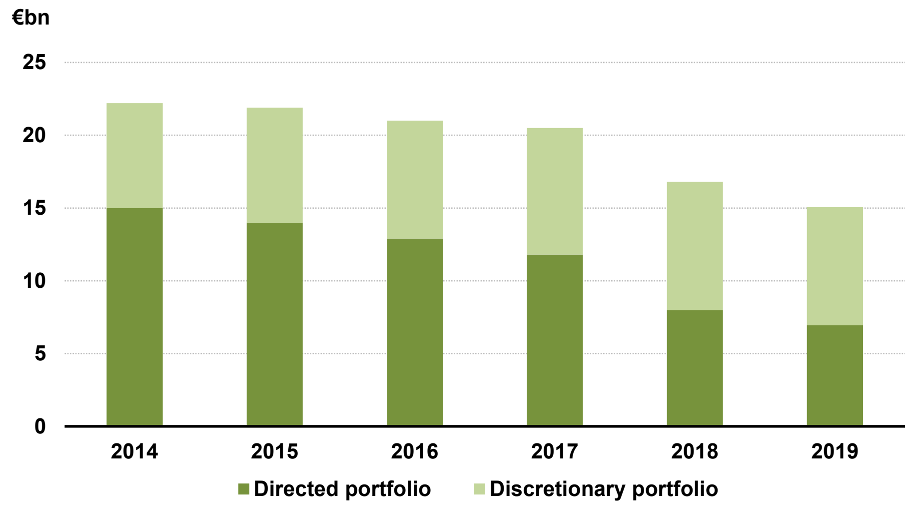
15.49 The Ireland Strategic Investment Fund (ISIF) was established in December 2014, pursuant to the 2014 Act. On its establishment, the assets and liabilities of the National Pensions Reserve Fund (NPRF) became assets and liabilities of the ISIF, apart from a small residual amount of foreign assets and liabilities which are still being worked out.[2]

15.50 The assets of the fund are held in two portfolios.

- The directed investment portfolio is subject to directions given by the Minister for Finance.[3] The Minister has directed that any interest or other income received in respect of deposits and/or securities held in the directed investment portfolio are transferred to the discretionary investment portfolio and are held or invested by the NTMA.
- The discretionary investment portfolio consists of investments made in accordance with the relevant sections of the 2014 Act, where the NTMA holds or invests the assets of the ISIF (other than directed investments) on a commercial basis.

15.51 At 31 December 2019, the ISIF held net assets of €15.1 billion (2018: €16.8 billion). The net assets comprised €6.9 billion (2018: €8 billion) in the directed investment portfolio and €8.1 billion (2018: €8.8 billion) in the discretionary portfolio (see Figure 15.8).

Figure 15.8 Value of ISIF net assets, 2014 to 2019



Source: Financial Statements of the Ireland Strategic Investment Fund, 2014 to 2019. Analysis by the Office of the Comptroller and Auditor General.

1 SI No 395/2011.

2 At end 2019, a small number of foreign assets valued at €51,000 had not transferred to the ISIF.

3 Section 43 of the 2014 Act provides that the Minister may give a direction to the NTMA in relation to the holding and management of a directed investment, the exercise of any voting or other rights attaching to a directed investment, and the disposal of a directed investment.

Directed investment portfolio

15.52 In 2019, the value of the directed investment portfolio fell by over €1 billion. This drop in value was due to the decrease in the market price of AIB shares during the year.

15.53 At 31 December 2019, the net assets of the directed investment portfolio comprised

- AIB — 71% shareholding valued at €6 billion (€3.10 per share).
- Bank of Ireland — 13.95% shareholding valued at €734 million (€4.88 per share).
- €215 million held in cash and committed for lending to the Strategic Banking Corporation of Ireland.
- €7 million in loans drawn down by Home Building Finance Ireland (Lending) DAC, a subsidiary of Home Building Finance Ireland.

Discretionary portfolio

15.54 The statutory mandate of the ISIF, in respect of the discretionary portfolio, is to invest on a commercial basis in a manner designed to support economic activity and employment in the State. The NTMA Board is required to determine, monitor and keep under review an investment strategy for the assets of the ISIF, in consultation with the Minister for Finance and the Minister for Public Expenditure and Reform.[1]

15.55 The discretionary portfolio value has grown since inception from €7.1 billion to €8.1 billion, comprised of investment gains of over €1.0 billion and cash injections of €1.5 billion, arising from AIB dividends €1.1 billion, Bank of Ireland dividends €41 million and the sale of the State's shareholding in Aer Lingus €335 million. These have been off-set by a €1.5 billion transfer from the discretionary portfolio to fund the National Surplus (Exceptional Contingencies) Reserve Fund.[2] The discretionary portfolio is comprised of an Irish portfolio (€2.7 billion) and a global portfolio (€5.4 billion).

15.56 Since inception, the ISIF has generated an annualised return of 2.5% per annum to the end of 2019, comprising a return of 6.7% per annum from the Irish portfolio and a return of 1.7% per annum from the global portfolio.

15.57 In July 2018, the Minister for Finance announced that the ISIF would focus on priorities that will support Project Ireland 2040. In February 2019, the ISIF published a new investment strategy which aims to invest €3 billion over the next five years. The aim is to invest in areas that have a substantial and lasting economic impact in Ireland, guided by the objectives of Project Ireland 2040. This will include investments primarily in the following priority themes

- regional — enabling regions, regional businesses, food and agri focus to encourage balanced economic growth
- housing — delivering mass market housing through unlocking land, building for sale and long term rental[3]
- indigenous business — long term capital to scale to international levels
- climate change — investment in renewable electricity and heat, food and agri and transport, subject to State market support regimes
- Brexit — supporting long-term diversification and sectors adversely affected by Brexit.

1 Section 39 National Treasury Management Agency (Amendment) Act 2014.

2 National Surplus (Reserve Fund for Exceptional Contingencies) Act 2019.

3 ISIF backed residential housing platforms have sold over 3,000 units at 31 December 2019 and have funding committed or sites acquired to deliver a further 12,000 homes.

15.58 In May 2020, due to the impact of Covid-19 on the Irish economy, the Minister for Finance and Public Expenditure & Reform announced that the ISIF will make available a €2 billion fund to support medium and large enterprises in Ireland affected by the Pandemic. The new fund, known as the Pandemic Stabilisation and Recovery Fund, will be made available through a sub-portfolio within the ISIF.

15.59 The ISIF has also reserved €2 billion for investment in other government priority areas, which include

- €1.25 billion — proposed by the Minister to support the Land Development Agency in its acquisition of a portfolio of lands, for housing and other purposes.
- €750 million — to HBFI. During 2018 under the direction of the Minister for Finance, €20 million was transferred from ISIF to provide initial capital for HBFI. At the end of 2019, €7 million in loans were drawn down by HBFI (Lending) DAC leaving a balance of €723 million on the loan facility.

Targeted funds

15.60 In 2015, €335 million was transferred from the Exchequer to the ISIF for the purpose of a new Connectivity Fund within the discretionary portfolio. The Connectivity Fund is restricted to investment in projects that enhance Ireland's physical, virtual or energy connectivity. The total deployed by ISIF under the Connectivity Fund up to the end of 2019 amounted to over €90 million. These investments and commitments comprised

- €26 million ($28 million) equity investment committed to Aqua Comms — supporting subsea fibre-optic network interconnecting New York, Dublin and London via Killala, County Mayo
- €35 million committed to the Dublin Airport Authority
- €18 million committed to the Port of Cork to assist it to relocate from its existing location near the city centre to a redeveloped site in Ringaskiddy
- €14 million committed to Shannon Airport to support the upgrade of the existing runway.

National Surplus (Exceptional Contingencies) Reserve Fund

15.61 The National Surplus (Exceptional Contingencies) Reserve Fund (NSRF) — also known as the 'rainy day' fund — was established in October 2019 with the commencement of the National Surplus (Reserve Fund for Exceptional Contingencies) Act 2019 (the NSRF Act). The fund is designed to help mitigate the impact of a severe economic shock, beyond what are considered normal fluctuations of the economic cycle.

15.62 The fund is controlled and managed by the Minister for Finance (the Minister). Upon commencement of the NSRF Act, the Minister delegated the functions under section 8 of the NSRF Act, to the NTMA by way of Ministerial Order.[1] In addition, the Minister directed the NTMA to

- to prepare an annual investment plan and submit a copy of the plan to the Minister before the end of October each year (or as soon as reasonably practicable thereafter)
- prepare and keep all proper and usual accounts in relation to the fund to be audited by the Comptroller and Auditor General and to submit the audited accounts to the Minister as part of the NTMA's annual report

1 S.I. No. 535/2019 - National Treasury Management Agency (Amendment) Act 2000 (Delegation of Investment Functions) Order 2019.

- incur any such costs as is necessary in connection with its performance of the functions delegated to it and to charge and pay such costs out of the fund.[1]

15.63 The financial statements of the fund for the period 31 October 2019 to 31 December 2019 have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the UK and Ireland.

15.64 The investment objective of the fund is to conserve, to the greatest extent possible, the full nominal value (as of the date of such placing or investing) of the fund. In line with the investment plan, the fund is invested in a portfolio of Exchequer notes with maturities between one and 12 months. At the end of 2019, the fund held assets valued at €1.5 billion.[2]

15.65 The maximum amount that may stand to the credit of the fund is €8 billion.[3] A schedule of funding is identified in the NSRF Act whereby the Minister may contribute €500 million to the fund from the Central Fund each year from years 2019 to 2023, unless a resolution is passed by Dáil Éireann authorising the Minister not to pay the funds in a particular year.[4] In addition to these annual transfers, Dáil Éireann may also pass a resolution approving the transfer of a specified amount into the fund.

15.66 A drawdown from the fund may only occur after the passing of a resolution by Dáil Éireann, following a proposal by the Minister.[5] Moneys from the fund may only be released to the Exchequer in order to

- remedy or mitigate the occurrence in the State of exceptional circumstances
- prevent potential serious damage to the financial system in the State and ensure the continued stability of that system; or
- support major structural reforms which have direct long-term positive budgetary effects on the State.

15.67 The Stability Programme Update of April 2020 provides for the drawdown of the fund in 2020 in order to mitigate the impact of Covid-19 on the Irish economy.

National Development Finance Agency

15.68 When performing certain infrastructure investment activities, the NTMA describes itself as the National Development Finance Agency (NDFA). The functions of the NDFA include providing financial advice to State authorities for public investment projects which are referred to it with a capital value over €75 million. The NDFA also provides financial advice to State authorities on some projects below this threshold.

15.69 The NDFA also has responsibility for

- the procurement and delivery of public private partnership (PPP) projects for State authorities with certain exceptions such as transport
- the direct procurement of certain education projects
- the provision of contract management services and support for the operation and maintenance of certain PPP education projects
- contract management support on the Convention Centre Dublin PPP under a service level agreement.

1 No such costs were incurred in 2019.

2 In November 2019, under the direction of the Minister for Finance, €1.5 billion was transferred from the ISIF to the fund.

3 Section 3 (1) of the National Surplus (Reserve Fund for Exceptional Contingencies) Act 2019.

4 A resolution passed by Dail Éireann in December 2019 agreed not to pay €500 million into the fund for 2019.

5 In the event that the Dáil is not sitting and the criteria for releasing moneys from the fund has been met, the Minister may, with prior approval of the Government, pay moneys out of the fund to the Exchequer.

15.70 Progress in relation to PPP projects that were ongoing at the end of 2019, is as follows

- Schools PPP bundle five — this involves five schools and one institute of further education providing 4,870 student places. It was delayed following the liquidation in January 2018 of Carillion Construction Ltd. The final remaining two schools and one institute of further education were completed in 2019.
- Technology University Dublin at Grangegorman PPP — the contract award and financial close was completed in March 2018. Following a two-year construction period, the buildings were expected to become operational for the academic term 2020/2021. However, this schedule is expected to be impacted by measures introduced to tackle the spread of Covid-19.
- Social housing PPP programme — this involves the development of c.1,500 social housing units in three bundles. Bundle one construction commenced in March 2019 (534 homes) and while delayed by the impact of measures introduced to tackle the spread of Covid-19, 205 homes are now completed with the remainder to be completed over 2020/2021. Bundle two construction commenced in late 2019 (465 homes) with all homes due for completion in 2021.[1] Pre-procurement work has recently commenced on Bundle three (441 homes).
- Higher education PPP — this involves the development of eleven higher education facilities in two bundles. Bundle one launched to the market in November 2019; tender documents issued in August 2020 and it is expected to reach financial close in 2021. Bundle two is expected to come to the market later in 2020.

15.71 Key projects where the NDFA provided financial advice during 2019, are

- Housing — the NDFA is providing advice in relation to a number of housing projects including social housing leasing, mixed tenure residential developments and mortgage to rent schemes. Together these will account for circa 7,000 homes. One of the projects is expected to reach contract close in 2020.[1]
- Climate Action Fund — the NDFA is advising the Department of Communications, Climate Action and Environment on the selection of suitable projects for its €500 million Climate Action Fund.
- Refinancing of PPPs — the NDFA advised three State authorities in relation to the refinancing of three PPP projects in 2019 which realised savings estimated at around €24 million for the State. Projects refinanced were the Schools PPP Bundle 3, the N7/N11 PPP road scheme and the Convention Centre Dublin PPP.

15.72 The NDFA undertakes contract management services and provides support under service level agreements involving monitoring the relevant PPP companies in the performance of their obligations under the PPP contract and seeking to ensure the long-term value of these contracts is achieved. The NDFA provides the following services

- contract management to all operational PPP schools (at the end of 2019, the NDFA was managing the contracts for six projects with a capital value of c. €500 million)
- contract management support on the Convention Centre in Dublin
- contract management support to the higher education PPPs (Cork School of Music and Cork Maritime College).

1 This timing may be impacted due to the measures introduced to tackle the spread of Covid-19.

National Asset Management Agency

15.73 As in previous years, the NTMA assigned staff and provided services to the National Asset Management Agency (NAMA) during 2019. The NTMA incurred costs of €40.7 million (2018: €40.8 million) in that regard, which was recharged to NAMA.[1]

- €32.5 million (2018: €34 million) was incurred in respect of staff costs. This comprised staff directly employed by the NTMA and assigned to NAMA (210 staff at 31 December 2019) and the apportioned remuneration cost of NTMA employees operating shared services including IT, human resources and finance.
- €8.2 million (2018: €6.8 million) in respect of other costs was incurred by the NTMA on behalf of NAMA, including rent, office services and consultancy costs.

15.74 Performance-related payments of €479,000 were awarded to 56 staff members in respect of 2019 (2018: €955,000 to 107 staff). These payments are subject to approval by the NAMA Remuneration Committee. The CEO of NAMA was entitled to be considered for performance-related payments for 2019 but cited that in view of the economic challenges facing the country, he would waive his entitlement to be considered for these payments.

15.75 NAMA is accounted for separately and does not form part of the NTMA's accounts for the purposes of section 12 of the 1990 Act (as amended).[2]

Strategic Banking Corporation of Ireland

15.76 The Strategic Banking Corporation of Ireland (SBCI) was established in September 2014 as a company under the Companies Acts pursuant to the requirements of the Strategic Banking Corporation of Ireland Act 2014, to promote the provision of additional credit to enterprises and other persons in the State, in particular to small and medium enterprises (SMEs) by sourcing funds from national and international lenders (and investors).[3]

15.77 In 2015, under the direction of the Minister for Finance, the ISIF provided a loan facility of up to €240 million to SBCI. In 2016, €25 million of this facility was drawn down. During 2017, the €25 million loan was converted into shares in SBCI and transferred to the Minister in accordance with the 2014 Act.[4] At the end of 2019, the outstanding commitment on the loan facility with the ISIF remains unchanged since 2017 at €215 million. These amounts are held as cash by ISIF and committed for use only by the SBCI.

15.78 The NTMA provides the SBCI with business and support services and systems, staff and treasury services and advice in connection with debt securities and borrowings.[5] The NTMA incurred costs of €5.9 million for the provision of these services in 2019 (2018: €5.9 million) which were recharged to the SBCI.

15.79 Performance-related payments of €103,000 were awarded to seven SBCI staff members in respect of 2019 (2018: €85,000 to 6 staff). These payments are subject to approval by the SBCI Remuneration Committee. The CEO of SBCI received performance-related pay of €25,000 for 2019 (2018: €25,000).

15.80 The SBCI is accounted for separately and does not form part of the NTMA's accounts for the purposes of section 12 of the 1990 Act (as amended).[6]

1 The total administrative costs of NAMA were €67 million in 2019 (€75 million in 2018).

2 The report on the audit of NAMA issued on 27 April 2020.

3 SMEs are defined in accordance with Article 2 of EC Recommendation 2003/361/EC (6 May 2003).

4 Section 11(7)(a) of the Strategic Banking Corporation of Ireland Act 2014.

5 Section 10 of the Strategic Banking Corporation of Ireland Act 2014.

6 The report on the audit of the SBCI for 2019 issued on 23 April 2020.

Home Building Finance Ireland

15.81 Home Building Finance Ireland (HBFI) was incorporated in December 2018 as a company under the Companies Acts pursuant to the requirements of the Home Building Finance Act 2018 (the HBFI Act), to lend money on commercial terms for the purpose of funding commercially viable residential developments in the State. HBFI is a commercial entity wholly owned by the Minister for Finance (the Minister). Its establishment was part of a wider response to Ireland's housing supply shortage that, over recent years, has seen supply falling short of the estimated demand. Home Building Finance Ireland (Lending) DAC (HBFIL) is a wholly owned subsidiary of HBFI and is its operating (lending) entity.

15.82 In May 2019, pursuant to a direction from the Minister, the ISIF entered into a facility agreement with HBFIL, and made available a loan facility of €730 million to HBFIL under the terms of the agreement.[1] At the end of 2019, HBFIL had drawn down €7 million in loans from this facility.

15.83 In its first year of operation, HBFI has approved the extension of €108 million in credit facilities to borrowers. The developments HBFI is funding are located in 12 counties, and will allow for the delivery of 537 units, in housing developments which range in size from 10 to 76 units.

15.84 Five approved facilities had active construction sites at the end of 2019. HBFI provided funding to developers in 2019 through its Standard Development Funding product offering. The maximum HBFI can lend through this product is €35 million.

15.85 The NTMA assigns staff, and provides business and support services and systems to HBFI. The NTMA incurred costs of €5.3 million for the provision of these services in 2019 which were recharged to HBFI.

15.86 No performance-related pay was paid to HBFI staff in respect of 2019.

15.87 HBFI is accounted for separately and does not form part of the NTMA's accounts for the purposes of section 12 of the 1990 Act (as amended).[2]

1 In December 2018, under the direction of the Minister for Finance, €20 million was transferred from the ISIF to HBFI for settlement of the Minister's subscription for shares in HBFI.

2 The report on the audit of HBFI for 2019 issued on 5 June 2020.