

24 Accounts of the National Treasury Management Agency

- 24.1** 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, 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.
- 24.2** 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 2014 under that section of the 1990 Act.

Accounts of the NTMA 2014

- 24.3** The accounts of the NTMA for 2014 have been audited. My reports on the audits were issued on 16 June 2015. Copies of the accounts, together with my reports on the audits, were presented by the Minister to the Houses of the Oireachtas on 27 July 2015.
- 24.4** I am satisfied that the accounts properly present the transactions of the NTMA for 2014 and its balances at year end.
- 24.5** 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
 - State Claims Agency financial statements
 - Ireland Strategic Investment Fund financial statements.¹
- 24.6** For the year ended 31 December 2014, the Capital Services Redemption Account which had been accounted for separately in prior years has been incorporated into the accounts of the national debt of Ireland² and the Small Savings Reserve Fund was dissolved.³ The Minister has approved the revised format of the national debt accounts.
- 24.7** In accordance with section 12 of the 1990 Act (as amended), the accounts of the NTMA are required to note a record of expenses incurred in relation to its activities in respect of the
- National Pensions Reserve Fund
 - National Development Finance Agency (prior to dissolution)
 - National Asset Management Agency.

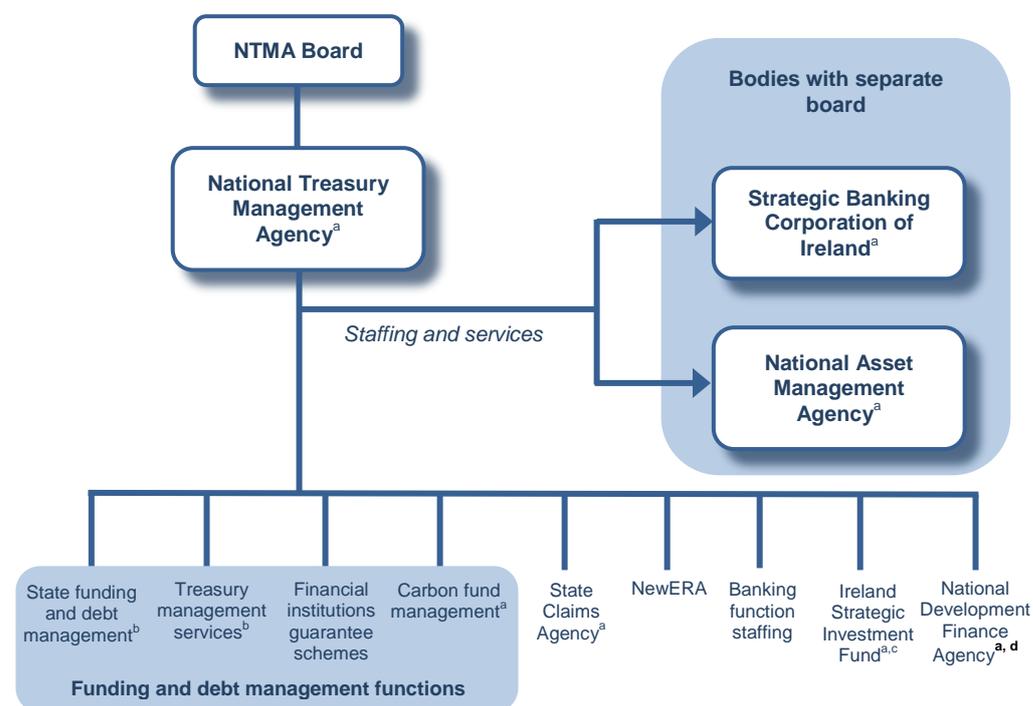
¹ The first reporting period for the Ireland Strategic Investment Fund is the period from 22 December 2014 to 31 December 2014.

² Section 99 of the Finance Act 2014

³ Section 98 of the Finance Act 2014

Functions, Roles and Staffing of the Agency

- 24.8** The NTMA was originally set up in 1990 to manage Ireland's national debt. It has since evolved into a complex organisation with multiple functions. These functions were further expanded under the National Treasury Management Agency (Amendment) Act 2014 (the 2014 Act).
- 24.9** The 2014 Act provided for
- the NTMA's NewERA functions being placed on a statutory basis
 - the establishment of the Ireland Strategic Investment Fund (ISIF) with a mandate to invest on a commercial basis in a manner designed to support economic activity and employment in Ireland
 - the transfer of the National Pensions Reserve Fund's (NPRF's) assets to the ISIF
 - the State Claims Agency's legal costs function being placed on a statutory basis
 - the transfer of the National Development Finance Agency's (NDFA's) functions to the NTMA.
- 24.10** The NTMA assigns staff to the National Asset Management Agency (NAMA) and the Strategic Banking Corporation of Ireland (SBCI) and also provides them with business and support services and systems.
- 24.11** The 2014 Act streamlined the NTMA's governance structures to enable a more integrated approach to the performance of its functions. In December 2014, the NTMA was reconstituted as a board with a Chairperson and eight other members with overarching responsibility for all of the NTMA's functions (not including NAMA and the SBCI which have their own separate boards). The NTMA's former Advisory Committee and State Claims Agency Policy Committee were dissolved in December 2014, and the NDFA was dissolved in January 2015. The NPRF Commission was also reduced to one member (the NTMA's Chief Executive). Once all the NPRF's assets are legally transferred to the ISIF, the NPRF Commission will also be dissolved.
- 24.12** The revised structure of the NTMA, following these amendments is outlined in Figure 24.1.

Figure 24.1 Revised structure 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 will continue to be prepared for the Dormant Accounts Fund, the Post Office Savings Bank Fund and the national debt.
 - c Financial statements for the NPRF will continue to be prepared until all assets are transferred to the Ireland Strategic Investment Fund.
 - d The National Development Finance Agency was dissolved on 26 January 2015 as a separate statutory body.

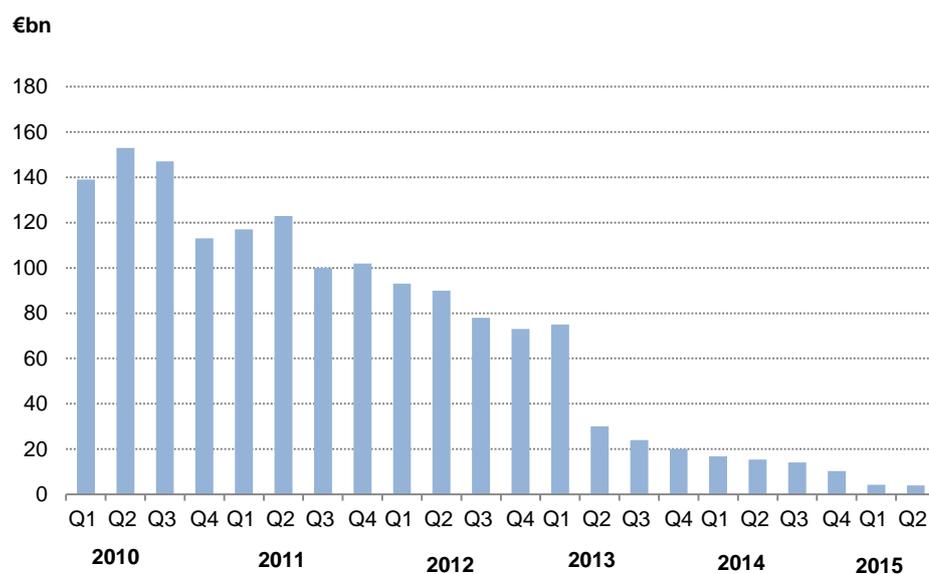
Funding, Debt and Treasury Management

- 24.13** The NTMA borrows on behalf of the Exchequer and manages Ireland's national debt. At end-2014, the national debt – which takes account of cash and other financial assets - amounted to €182.3 billion (2013: €173.9 billion).
- 24.14** Details of the structure of the national debt and trends in Government debt are included in Chapter 2.
- 24.15** The NTMA performs a number of other debt management and treasury functions, including
- treasury operations for NAMA, ISIF, SBCI 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.

Financial Institutions Guarantee Schemes

- 24.16** Certain eligible liabilities, including deposits and debt securities of up to five years maturity in participating institutions are guaranteed by the Minister under the Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009 (the scheme). The NTMA was appointed as scheme operator by the Minister for Finance.¹
- 24.17** Each institution with liabilities guaranteed under the scheme is required to pay a fee. The amount received in 2014 was €179 million (2013: €576 million).² The Accounting Officer of the Department of Finance is accountable for the fees received.
- 24.18** 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. At end-2014, amounts covered by the scheme totalled €10.3 billion. This had reduced further to €4 billion at end-June 2015 (see Figure 24.2).

Figure 24.2 Covered liabilities under the Eligible Liabilities Guarantee Scheme, 2010 to end-June 2015



Source: Department of Finance

- 24.19** A number of claims under the scheme were made following the liquidation of IBRC in February 2013. In March 2013, the Minister delegated further functions to the NTMA.³
- 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 SI No. 490 of 2009

² These are receipts in 2013 and 2014 on a cash basis. Fees are paid quarterly in arrears. Receipts in respect of 2013 and 2014 on an accruals basis were €421 million and €155 million, respectively.

³ SI No. 85 of 2013

- 24.20** Payments under Financial Institutions Guarantee Schemes to end-June 2015 totalled just over €1.1 billion (see Figure 24.3).

Figure 24.3 IBRC payments under Financial Institutions Guarantee Schemes, 2013 to end-June 2015

	2013	2014	January to June 2015	Total
Payment Type	€m	€m	€m	€m
Deposits ^a	63.9	74.6	3.5	142
Bond holders ^a	934	–	–	934
Derivatives ^b	37.5	–	–	37.5
Total payments	1,035.4	74.6	3.5	1,113.5

Source: National Treasury Management Agency

Notes: a Payments made under the Credit Institutions (Eligible Liabilities Guarantee) Scheme.

b Payments made under the IBRC Deed of Guarantee.

24.21 The NTMA as scheme operator has lodged two claims with the Joint Special Liquidators of IBRC for the repayment of amounts paid out under the scheme and estimated accrued interest. The amounts claimed were

- €0.98 billion in respect of payments to bondholders, including expenses and accrued interest up to 31 December 2014
- €0.14 billion in respect of payments to depositors, including expenses, accrued interest and outstanding scheme fees up to 30 March 2015.

24.22 On 30 September 2013, the Department of Finance lodged a claim with the Joint Special Liquidators of IBRC under the IBRC deed of guarantee totalling €37.8 million, which includes accrued interest of €0.3 million up to that date.

Carbon Fund Management

24.23 The Carbon Fund was established by the Carbon Fund Act 2007. The NTMA administers the purchase of carbon credits required to meet Ireland's climate change obligations through the Carbon Fund. The purchase of carbon credits has been suspended since February 2009. At end-2014, the Carbon Fund held assets with an acquisition value of €99 million (2013: €99 million).

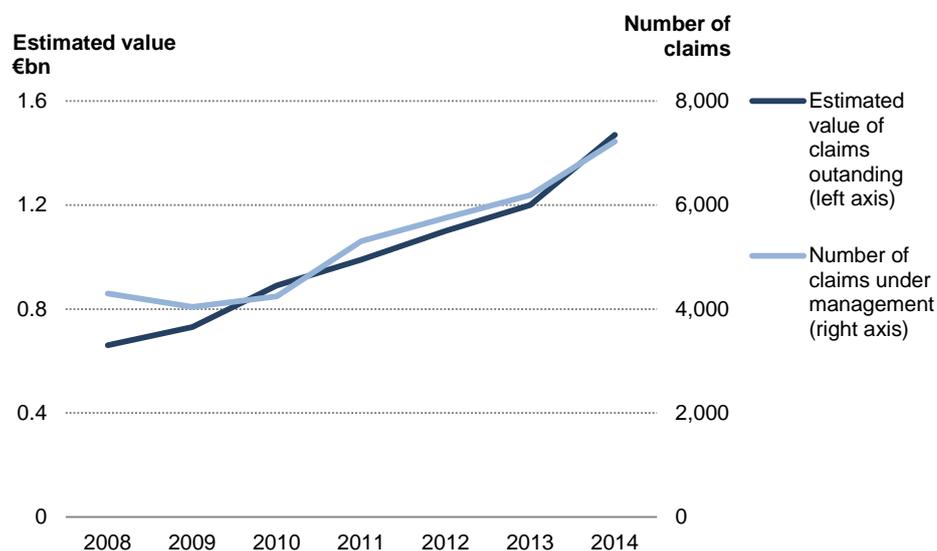
24.24 The Carbon Fund is accounted for separately and does not form part of the NTMA's accounts for the purposes of section 12 of the 1990 Act (as amended). The financial statements of the Carbon Fund are audited under the Carbon Fund Act 2007.¹

¹ The report on the audit of the Carbon Fund was issued on 16 June 2015.

State Claims Agency

- 24.25** The NTMA manages personal injury, property damage and clinical negligence compensation claims on behalf of 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 arising from certain Tribunals of Inquiry. When performing these functions, the NTMA is known as the State Claims Agency (SCA). At 31 December 2014, the SCA's remit covered 117 State authorities. In June 2015, a delegation by Government increased the number of State authorities within the SCA's remit to 129.¹
- 24.26** Awards and associated claim costs of the SCA in 2014 amounted to a total of €141.4 million (2013: €139.6 million). These costs are recoupable from the relevant State authorities availing of the SCA services. In addition, the NTMA incurred €13.5 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.
- 24.27** The cost of settling the claims that were outstanding at 31 December 2014 has been estimated by the SCA at €1.47 billion (2013: €1.2 billion). This estimated cost has been increasing since 2008. The number of claims under management has been increasing since 2009 (see Figure 24.4).

Figure 24.4 Cost of claims outstanding and claims under management for the State Claims Agency, year-end 2008 to 2014



Source: National Treasury Management Agency

NewERA

24.28 The New Economy and Recovery Authority (NewERA) was initially set up on a non-statutory basis following a Government announcement in September 2011. The NewERA functions were established on a statutory basis in December 2014 on commencement of the relevant sections of the 2014 Act. The NTMA describes itself as NewERA when carrying out these functions.

24.29 NewERA's functions include the 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.¹ The relevant Ministers retain their current responsibilities and shareholdings in these bodies. The financial and commercial advisory services provided include advice relating to the following matters

- exercise of rights attaching to shares held by a relevant Minister in a designated body
- governance of a designated body
- financial and commercial operation of a designated body, including rate of return on capital expected from it and appropriate dividend policy
- protecting, enhancing or realising value of any interest held by a relevant Minister in a designated body
- corporate strategy and capital and investment plans
- acquisitions or disposals of any interest in the designated body, and any winding up, reorganisations and restructurings of the designated body
- appointment and remuneration of the chairperson, members, directors or chief executive of the designated body.

24.30 Expenditure incurred by the NTMA in 2014 in relation to NewERA was mainly in relation to the provision and/or procurement of ²

- financial and commercial advice to Government in relation to the disposal of State assets, including the sale by Ervia (formerly Bord Gáis Éireann) of its Bord Gáis Energy business which completed on 30 June 2014, and the sale by the ESB of two non-strategic power plants
- corporate finance and governance advice in relation to the governance, financial and commercial aspects of certain State bodies/assets including Irish Water
- activities to facilitate investment to support economic activity and employment in the energy, water, telecommunications and forestry sectors.

¹ Currently the designated bodies are the Electricity Supply Board, Ervia, Bord na Mona plc, Coillte Teoranta, Eirgrid plc, Irish Water and any subsidiaries or any company in which such designated body has an interest.

² The costs of NewERA functions are not separately disclosed in the NTMA's administration account.

24.31 Dividends to the State arising from the sale of the Bord Gáis Energy business and planned subsequent re-gearing are estimated to be up to €1 billion (€150 million of this was paid in 2014). The sale by the ESB of the power plants had the specific objective of delivering special dividends to the value of €400 million to the Government (€197 million from the sales proceeds were paid as special dividends to the Exchequer in 2014 and the balance of €203 million was paid in January 2015).

24.32 Where any Minister holds shares or assets in a body that is not designated for NewERA purposes, or has general responsibility for, or has any function in relation to a body, NewERA may provide in relation to such bodies

- financial and commercial advisory services
- advisory and project management services for acquisition or disposal of any interest or assets and any winding up, reorganisation or restructuring.

24.33 In 2014, NewERA finalised its financial review of RTÉ (a redacted version of this was published by the Minister for Communications, Energy and Natural Resources in April 2015). The review analysed RTÉ on a group and divisional basis and included a benchmarking exercise of its financial performance relative to selective peer broadcasting organisations.

Banking System Functions Staffing

24.34 The Minister delegated certain banking system functions to the NTMA in March 2010.¹ 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 2011² and the NTMA's Banking Unit has since then been seconded to the Department of Finance.

24.35 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. The total costs incurred are not disclosed separately in the NTMA's administration account or in the allied services note of Vote 7 Office of the Minister for Finance. No professional advisor costs were incurred in 2014.

Ireland Strategic Investment Fund

24.36 The Ireland Strategic Investment Fund (ISIF) was established on 22 December 2014 on the commencement of the relevant sections of the 2014 Act. At that date, the assets and the liabilities of the National Pension Reserve Fund (NPRF) became the assets and liabilities of the ISIF with the exception of certain foreign assets and liabilities which will remain assets and liabilities of the NPRF until their transfer to the ISIF in due course. The statutory mandate of the ISIF is to invest on a commercial basis in a manner designed to support economic activity and employment in the State.

24.37 At 31 December 2014, the ISIF held net assets of €22.2 billion. The net assets comprised €7.2 billion in a discretionary portfolio and €15 billion in the directed investment portfolio.

- The discretionary 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 on a commercial basis in a manner designed to support the economic activity and employment in the State.
- The directed investment portfolio is subject to directions given by the Minister for Finance.³ Any interest or other income received in respect of deposits and or securities held in the directed portfolio are transferred to the discretionary portfolio and are held or invested by the NTMA in accordance with ministerial direction.

¹ SI No. 115 of 2010

² SI No. 395 of 2011

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.

- 24.38** €1.6 billion was transferred to the Exchequer (on 19 March 2015) at the direction of the Minister for Finance, from cash held in the ISIF in the directed investment portfolio. These funds had been held since the disposal of Bank of Ireland preference shares.
- 24.39** The NTMA incurred costs of €182,000 in its role as controller and manager of the ISIF in 2014.

National Pensions Reserve Fund

- 24.40** The NTMA is Manager of the National Pensions Reserve Fund (NPRF). Following commencement of the relevant sections of the 2014 Act on 22 December 2014, all remaining assets and liabilities of the NPRF were derecognised by the NPRF Commission for accounting purposes and presented in the ISIF financial statements for the period ending 31 December 2014.
- 24.41** From 22 December 2014, the NPRF Commission consists of a single commissioner, (the Chief Executive of the NTMA) who is required by the 2014 Act to do everything that is reasonably practicable to give effect to the transfer of any remaining assets governed by foreign law. The legal transfer of foreign assets must be done in conjunction with the relevant counterparty. This process is ongoing and foreign assets valued at €1.8 billion remained in the NPRF at 31 December 2014. At 30 June 2015, the market value of assets remaining to be transferred to the ISIF was €121 million.
- 24.42** The NTMA incurred costs of €6.2 million in 2014 (2013: €3.9 million) in its role as Manager of the NPRF. This is disclosed in the NTMA's administration account but is not recouped by the NTMA.

Ministerial Directions Issued in 2014

- 24.43** Under sections 19 (B) and 20 (B) of the National Pensions Reserve Fund Act 2000 (as amended), the Minister for Finance may give directions to the NPRF Commission in relation to the management of certain investments. The Minister issued the following directions in 2014.
- On 15 May 2014, the Minister directed the NPRF Commission to execute a letter of consent to effect a capital reorganisation in AIB which included a reduction in capital. The AIB shares held by the NPRF Commission transferred to the NTMA on 22 December 2014 on commencement of the relevant sections of the 2014 Act.
 - On 10 September 2014, the Minister directed the NPRF Commission to dispose of certain securities and to provide funds of €10 million to the SBCI for the purpose of funding the Minister's subscription for shares in the SBCI.
 - On 30 October 2014, the Minister directed the NPRF Commission to provide a loan facility of €240 million to the SBCI. To facilitate drawdowns of the loan, the NPRF Commission was also directed to dispose of certain securities and to hold the proceeds of these disposals in short-term securities and/or on deposit. This loan facility transferred from the NPRF Commission to the NTMA on 22 December 2014 on commencement of the relevant sections of the 2014 Act.

National Development Finance Agency

- 24.44** Prior to 27 January 2015, the National Development Finance Agency (NDFA) was a separate statutory body that acted as the statutory financial advisor to State authorities in respect of all public investment projects with a capital value over €20 million. It also had 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.
- 24.45** The NDFA, although a separate statutory body, performed its functions through the NTMA. Third party fees and expenses incurred by the NDFA in the performance of its procurement and advisory functions amounted to €5 million for the period ending 26 January 2015 (2013: €5.7 million). These expenses are recoupable from the relevant State authorities availing of NDFA services. A further €9 million (2013: €7.1 million) was incurred by the NTMA in the performance of its other NDFA functions.¹ The amount incurred is not recouped by the NTMA.
- 24.46** Under the provisions of the 2014 Act, the NDFA was dissolved on 26 January 2015 and the related NDFA legislation was repealed.² At the same time, the relevant statutory functions were given to the NTMA and all property, rights and liabilities of the NDFA transferred to the NTMA. When performing these functions, the NTMA may describe itself as the NDFA.

National Asset Management Agency

- 24.47** The NTMA assigned staff and provided services to the National Asset Management Agency (NAMA) during 2014. NTMA incurred costs of €53.9 million (2013: €40.8 million) in that regard, which was recharged to NAMA.³
- €44.7 million (2013: €33.6 million) was incurred in respect of staff costs. This comprised €40.9 million for staff directly employed by the NTMA and assigned to NAMA (369 staff at 31 December 2014), and €3.8 million in respect of the apportioned remuneration cost of NTMA employees operating shared services including IT, human resources and finance.
 - €9.2 million in respect of other costs was incurred by the NTMA, including rent, office services and consultancy costs.⁴

Strategic Banking Corporation of Ireland

- 24.48** The Strategic Banking Corporation of Ireland (SBCI) was established in September 2014 as a private limited company under the Strategic Banking Corporation of Ireland Act 2014.
- 24.49** The SBCI's purpose is to avail of both national and international sources of funding for the purpose of making low cost credit available to Irish small and medium enterprises (SMEs).⁵

1 In these comparisons, it should be noted that 2013 was a 12-month period and 2014 was an extended period up to 26 January 2015.

2 The report on the audit of the final financial statements of the NDFA issued on 16 June 2015.

3 The total administrative costs of NAMA were €135 million in 2014 (€124 million in 2013).

4 See NAMA financial statements 2014. The report on the audit of NAMA issued on 29 April 2015.

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

24.50 The functions of the SBCI include the following

- to provide, and promote the provision of, additional credit in a prudent manner to enterprises or other persons in the State, in particular SMEs
- to design, or cause to be designed, credit facilities which consistently address the financial needs of borrowers, in particular SMEs, be they related to growth, investment or operational needs
- to facilitate the operation of diverse credit markets and to encourage an increase in the number of providers of finance to borrowers in the State and to contribute to the diversity of the types of finance available in the State
- to source international funding to facilitate lending and provide finance to projects which promote the economic development of the State.

24.51 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. The NTMA incurred costs of €0.7 million for the provision of these services in 2014. These costs were recharged to the SBCI.

24.52 The first set of audited financial statements for SBCI will cover the period from its formation on 12 September 2014 to 31 December 2015.

Staff Distribution

24.53 Staff numbers in the NTMA increased in 2014 as a result of the NTMA's additional responsibilities. At end-2014, staff numbers totalled 759 (2013: 657). The assignment of staff to the various functions and activities of the NTMA at year end for 2011 to 2014 is set out in Figure 24.5.

Figure 24.5 NTMA staffing distribution at year end, 2011 to 2014

	2011	2012	2013	2014
Business units				
Funding and debt management	12	14	15	19
Ireland Strategic Investment Fund/National Pensions Reserve Fund	10	13	15	33
State Claims Agency	63	69	77	91
NewERA	6	12	13	14
Banking Unit ^a	9	12	14	13
National Development Finance Agency	34	44	52	63
National Asset Management Agency	193	224	331	369
Strategic Banking Corporation of Ireland	–	–	–	3
Corporate functions				
Finance, technology and operation	71	73	95	112
Legal, compliance, HR and internal audit	21	21	24	22
Risk	9	12	15	14
Other	5	6	6	6
Total	433	500	657	759

Source: National Treasury Management Agency

Note: a On secondment to the Department of Finance.

Conclusion

- 24.54** The 2014 Act has streamlined the governance arrangements for the NTMA, and has brought about significant changes to its statutory remit. The 2014 Act has also resulted in a substantial reorganisation and re-orientation of functions, with significant implications for the scope and format of the financial statements, and has presented an opportunity for the NTMA to eliminate anomalies and to streamline its financial reporting.
- 24.55** I have previously recommended that the NTMA take a consistent approach to the disclosure of the overall costs associated with each of the key services and functions that it undertakes. The Chief Executive at the time undertook to bring the recommendation to the attention of the Agency members. The audit of the 2014 NTMA financial statements by my staff noted the commitment of management and those charged with governance to address that recommendation as part of the 2015 financial reporting cycle.