

23 Accounts of the National Treasury Management Agency

- 23.1** 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 to the Minister, who in turn must present the accounts to the Houses of the Oireachtas.
- 23.2** 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 2016 under that section of the 1990 Act.

Accounts of the NTMA 2016

- 23.3** 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
 - State Claims Agency financial statements
 - Ireland Strategic Investment Fund financial statements.
- 23.4** 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 Fund¹
 - National Asset Management Agency.
- 23.5** The accounts of the NTMA for 2016 have been audited. My reports on the audits were issued on 12 May 2017. Copies of the accounts, together with my reports on the audits, were presented by the Minister to the Houses of the Oireachtas on 10 July 2017.
- 23.6** I am satisfied that the accounts properly present the transactions of the NTMA for 2016 and its balances at year end.
- 23.7** The NTMA also prepares the financial statements of the Dormant Accounts Fund under the Dormant Accounts Act 2001.²

¹ The NTMA did not incur expenses in relation to its activities in respect of the National Pensions Reserve Fund in 2016.

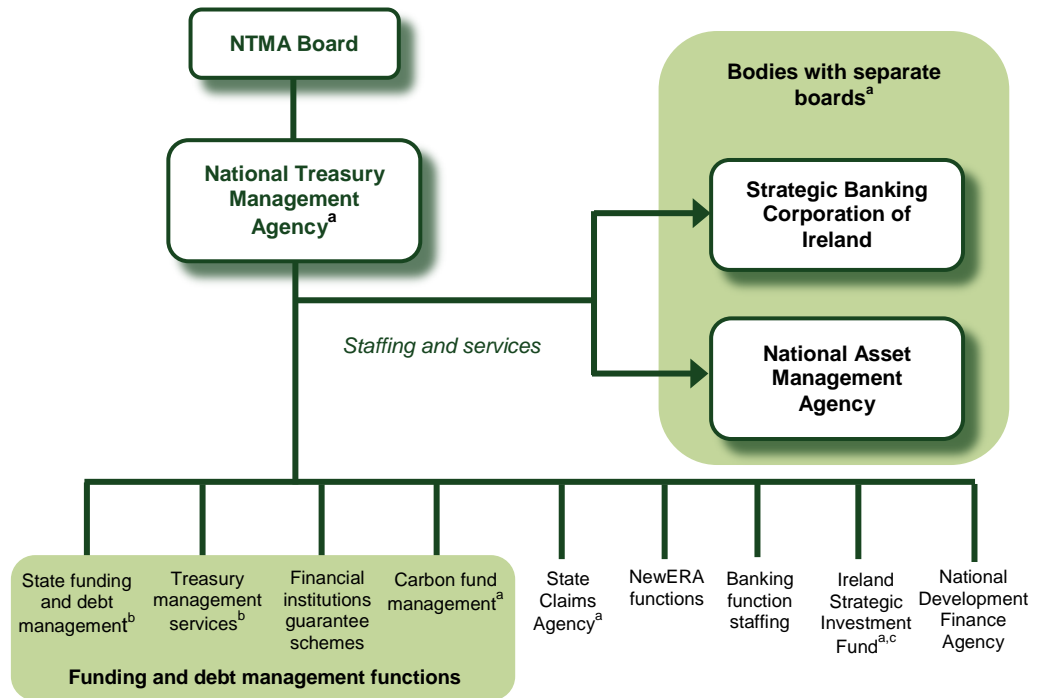
² The report on the audit of the Dormant Accounts Fund was issued on 12 May 2017.

Functions, roles and staffing of the Agency

23.8 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 23.1.

23.9 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. Both NAMA and SBCI have their own boards and are separately accountable to Dáil Éireann.

Figure 23.1 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 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 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 2016, foreign assets valued at €0.4 million (2015: €1 million) remained in the NPRF.

Funding, debt and treasury management

23.10 The NTMA borrows on behalf of the Exchequer and manages Ireland's national debt. Details of the structure of the national debt and trends in Government debt are included in Chapter 2.

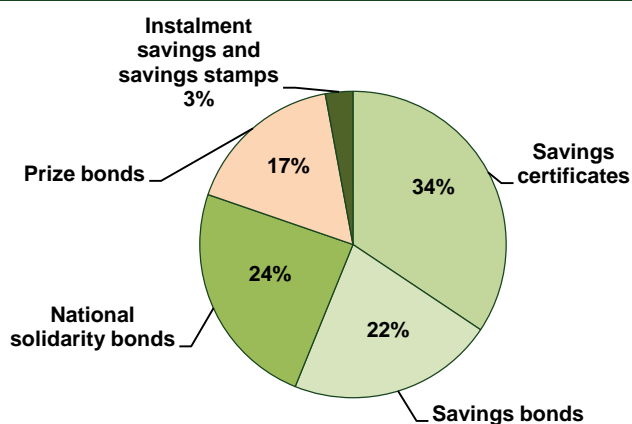
23.11 The NTMA performs a number of other debt management and treasury functions, including

- 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 Fund¹ and the Post Office Savings Bank Fund.

State savings

23.12 State savings is the brand name used by the NTMA to describe the range of Irish Government savings products offered to personal savers. State savings at end-2016 amounted to €17.2 billion, a 28% increase from end-2012. This is part of the gross national debt of €196.7 billion at end-2016. The composition of state savings products at end-2016 is shown in Figure 23.2.

Figure 23.2 Composition of State savings, at end 2016



Source: National Treasury Management Agency

¹ See also Chapter 7, *Dormant Accounts Fund*.

23.13 In June 2016, the NTMA announced new issues of State savings products and changes to the interest rates paid to savers (see Figure 23.3).

Figure 23.3 Products and interest rates

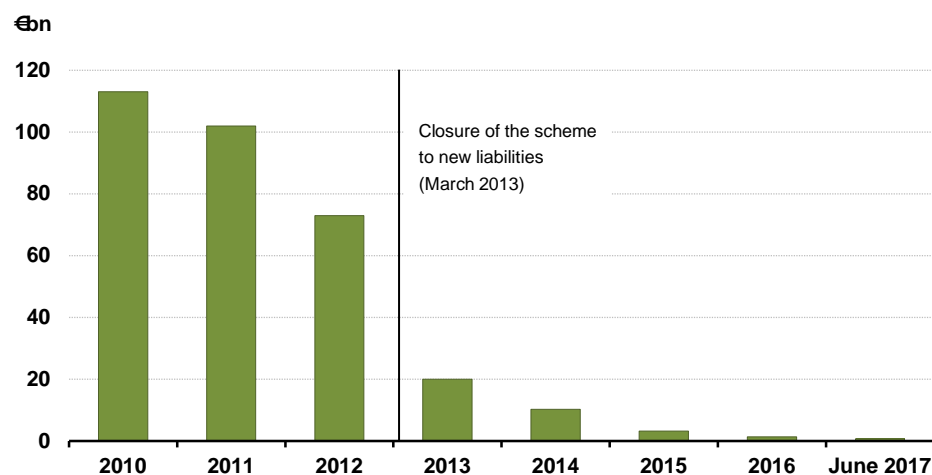
Products	Revised interest rates June 2016 ^a	Previous interest rates ^a
3 year saving bond	0.33%	0.83%
4 year national solidarity bond	0.5%	0.99%
5 year savings certificate	0.98%	1.24%
6 year instalment savings	0.98%	1.24%
10 year national solidarity bond	1.5%	2.26%
Prize bonds	0.85%	1.25%
Deposit accounts	0.15%	0.25%

Source: National Treasury Management Agency

Note: a Annual equivalent rate (AER).

Financial institutions guarantee schemes

- 23.14** Certain eligible liabilities in financial institutions, including deposits and debt securities of up to five years maturity 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.¹
- 23.15** Each institution with liabilities guaranteed under the scheme is required to pay a fee. The amount received in 2016 was €47 million (2015: €76 million).² The Accounting Officer of the Department of Finance is accountable for the fees received.
- 23.16** At end February 2013, the Minister announced the closure of the scheme to all new liabilities with effect from midnight on 28 March 2013. At end-2016, amounts covered by the scheme were around €1.4 billion. This had reduced to €755 million at end-June 2017 (see Figure 23.4).

Figure 23.4 Covered liabilities under the Eligible Liabilities Guarantee Scheme, at year end 2010 to 2016, and end-June 2017

Source: Department of Finance

1 SI No. 490 of 2009.

2 Fees are recognised on a cash basis and received quarterly in arrears. Fees in respect of 2016 on an accruals basis were €42 million (2015: €53 million).

- 23.17** Following the liquidation of IBRC in February 2013, a number of claims were made under the scheme and, in March 2013, the Minister delegated further functions to the NTMA¹
- 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.
- 23.18** The NTMA, as the scheme operator, continues to process payments under the scheme as claims are submitted and verified. Payments under the scheme to end 2016 totalled just over €1.1 billion (see Figure 23.5).
- 23.19** The State has lodged claims totalling €1,116.5 million with the joint special liquidators of IBRC²
- €1,079 million claimed by the NTMA in respect of payments to bondholders, depositors and expenses³
 - €37.5 million claimed by the Department of Finance in respect of derivatives.³
- 23.20** In 2016, the joint special liquidators paid its first (interim) dividend of 25% of all admitted unsecured creditors of the liquidation. The Exchequer received approximately €280 million — €270.6 million in respect of the NTMA's claims, and €9.4 million in respect of the Department's claim.

Figure 23.5 IBRC payments under financial institutions guarantee schemes, 2013 to end 2016

	2013	2014	2015	2016	Total
Payment type	€m	€m	€m	€m	€m
Deposits ^a	63.9	74.6	4.5	4.2	147.2
Bond holders ^a	933.8	—	—	—	933.8
Derivatives ^b	37.5	—	—	—	37.5
Total payments	1,035.2	74.6	4.5	4.2	1,118.5
Payment from special liquidators					(280.0)
Balance of claims outstanding					838.5

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.

1 SI No. 85 of 2013.

2 The amounts claimed from the joint special liquidators may differ from amounts paid under the schemes due to timing and associated costs claimed.

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

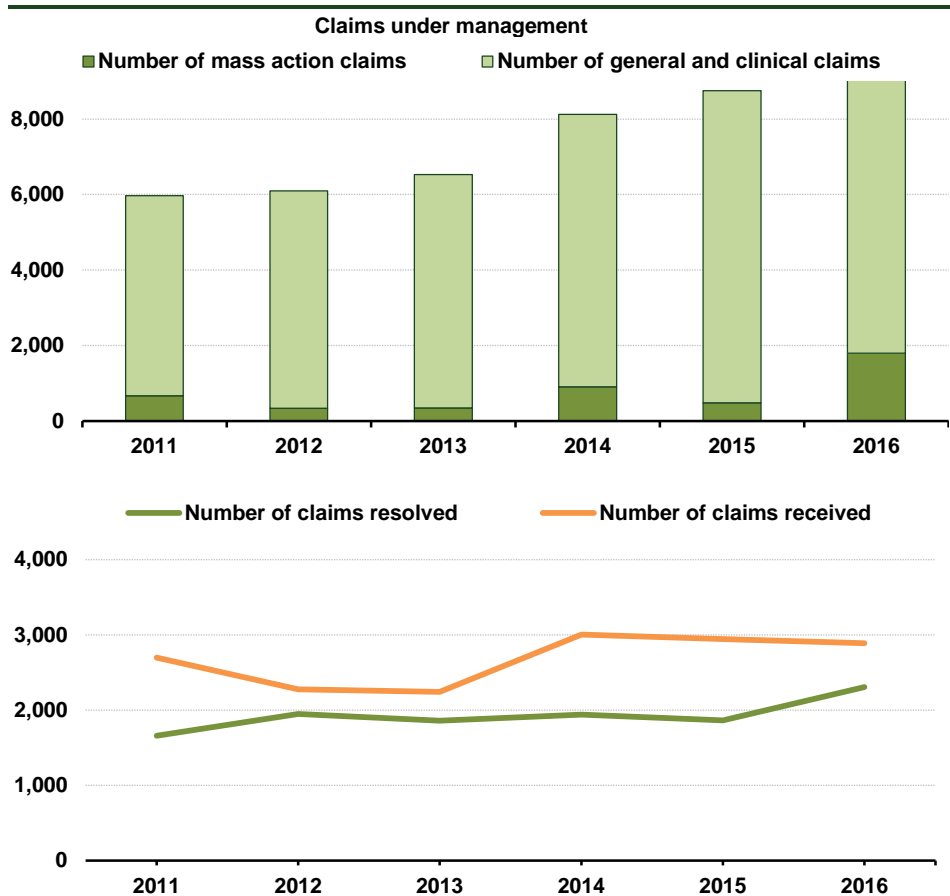
State Claims Agency

- 23.21** 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 2016, the SCA's remit covered 139 State authorities.

- 23.22** Awards and associated claim costs of the SCA in 2016 amounted to a total of €256.2 million (2015: €219.3 million). These costs are recoupable from the relevant State authorities availing of the SCA services. In addition, the NTMA incurred €19.4 million (2015: €15.7 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.

- 23.23** The number of claims under management has increased significantly since 2011. At end-2016, there were almost 8,900 claims under management including around 1,800 claims in mass actions (general and clinical). In 2016, almost 2,300 claims were resolved, an increase of 24% over the previous year (see Figure 23.6).

Figure 23.6 Claims received and resolved annually, and claims under management, at year end, 2011 to 2016

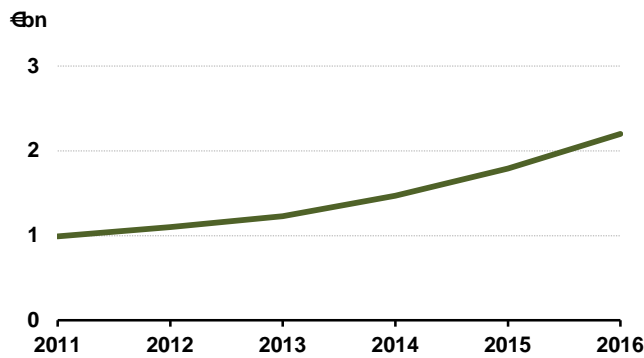


Source: National Treasury Management Agency

23.24 The estimated cost of settling outstanding claims has been steadily increasing. The liability at end-2016 has been estimated by the SCA at €2.2 billion, more than twice the liability at end-2011 (see Figure 23.7).

23.25 A key factor in the increase in the estimated liability from €1.8 billion in 2015 to €2.2 billion in 2016 is the impact of a reduction in the assumed future real rate of return used, from 3% to 1% or 1.5% on foot of a determination by the Supreme Court in February 2017.¹ This results in a higher net present value being placed on projected future cash flows. The impact of this change on the estimated liability as at 31 December 2015 had been estimated by the SCA as approximately €300 million.

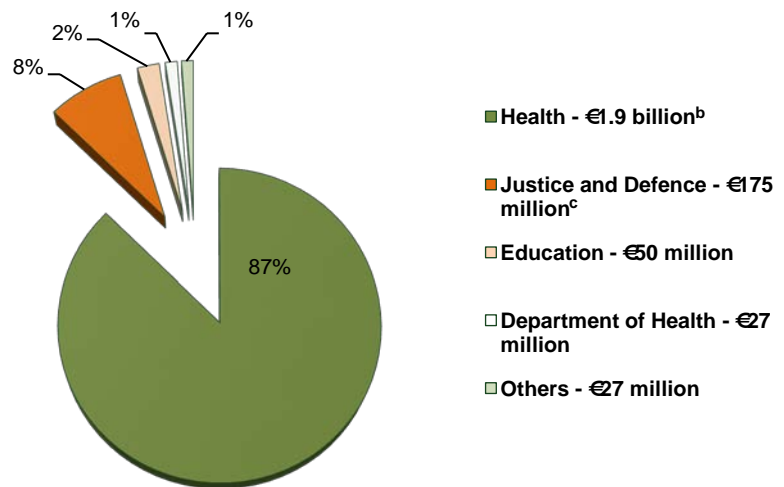
Figure 23.7 Estimated cost of settling outstanding claims, at year end, 2011 to 2016



Source: National Treasury Management Agency

23.26 Health sector bodies (including the HSE and Tusla) accounted for 87% of the estimated outstanding liability at end-2016. Three other sectors accounted for a further 11% (see Figure 23.8).

Figure 23.8 Proportion of estimated liabilities for each State authority sector, at end-2016^a



Source: National Treasury Management Agency

- Notes:
- a Figures do not add to 100% due to rounding.
 - b Health includes the HSE and claims relating to bodies under its aegis and also to claims relating to Tusla.
 - c Justice and Defence includes the Irish Prison Service, An Garda Síochána, Defence Forces and others.

¹ The Court ruled that claims for the cost of future care should be calculated at a real rate of return of 1% and claims for future pecuniary loss should be calculated at a real rate of return of 1.5%.

23.27 In February 2013, a State legal cost unit was set up within the SCA to deal with third-party costs arising from the Mahon, Moriarty and Smithwick Tribunals of Inquiry. The NTMA (Amendment) Act 2014 (the 2014 Act) put the SCA legal costs function on a statutory basis. In 2015, the Government extended the responsibilities of this unit to management of all third party legal costs claims against 139 specified State entities.¹

23.28 The SCA reviews legal costs claimed by plaintiffs' legal representatives. If agreement on the amounts claimed is not reached, the claims are referred to a Taxing Master of the High Court. In 2016, the SCA settled 284 claims for legal costs. The claims, totalling €49.2 million were settled for €27.2 million (55%). None of the settled claims were referred to a Taxing Master.

Carbon Fund management

23.29 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-2016, the Carbon Fund held assets with an acquisition value of €90 million.

23.30 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 2007.²

NewERA

23.31 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.³

23.32 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.⁴ Also, 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 also provide similar services in relation to such bodies.

23.33 Expenditure incurred by the NTMA on NewERA activities in 2016 was around €5.3 million and is separately disclosed in the NTMA's administration account. This expenditure mainly represents the operating costs of the NTMA in providing financial and commercial advice to relevant Ministers, on a total of 74 submissions made by commercial State bodies. In 2016, this included advice relating to

- bond issuance (ESB and Gas Networks Ireland), credit facilities (Irish Water, Bord na Móna and Coillte) and European Investment Bank loans (Coillte)
- capital expenditure budgets, the majority relating to regulated electricity, gas and water network assets
- specific capital expenditure projects including Irish Water infrastructure projects and Coillte joint venture wind farms.

¹ SI No. 505 of 2015 NTMA (Delegation of Claims for Costs Management Functions) Order 2015.

² The report on the audit of the Carbon Fund was issued on 12 May 2017.

³ The New Economy and Recovery Authority (NewERA) was initially set up on a non-statutory basis following a Government announcement in September 2011.

⁴ 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 designated body has an interest.

Banking system functions staffing

- 23.34** The NTMA's Banking Unit has been seconded to the Department of Finance since August 2011.¹ 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 2016 in relation to the Banking Unit totalled €2.8 million and are separately disclosed in the NTMA's administration account in 2016. €394,000 of these costs related to professional advisor costs.

Ireland Strategic Investment Fund

- 23.35** The Ireland Strategic Investment Fund (ISIF) was established in December 2014 pursuant to the 2014 Act. On its establishment, the assets and the liabilities of the National Pensions Reserve Fund (NPRF) became the assets and liabilities of the ISIF, apart from some residual foreign assets and liabilities which are still being worked out.²
- 23.36** At 31 December 2016, the ISIF held net assets of €21 billion (2015: €21.9 billion). The net assets comprised €12.9 billion (2015: €14 billion) in the directed investment portfolio and €8.1 billion (2015: €7.9 billion) in a discretionary portfolio.
- 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.
 - 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 economic activity and employment in the State.

1 SI No. 395 of 2011.

2 At end 2016, a small number of foreign assets valued at €0.4 million 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.

4 Further information about this shareholding is included in Chapter 3, *Cost of Banking Stabilisation Measures as at end-2016*.

Directed investment portfolio

- 23.37** At 31 December 2016, the net assets of the portfolio comprised
- Allied Irish Bank (AIB) – 99.9% shareholding valued at €11.6 billion (€4.28 per share)⁴
 - Bank of Ireland – 13.9% shareholding valued at €1.1 billion (€0.23 per share)
 - €215 million held in cash committed for lending to the Strategic Banking Corporation of Ireland
 - €25 million loan to the Strategic Banking Corporation of Ireland.
- 23.38** In June and July 2017, the State realised €3.45 billion from the sale of almost 29% of the shares in AIB in an Initial Public Offering (IPO). The estimated value of the State's remaining shareholding at the IPO price is just under €8.5 billion.

Discretionary portfolio

- 23.39** 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. 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. In July 2015, the ISIF published an Investment Strategy which set out the long-term strategic direction of the Fund. This included
- investing on a commercial basis to support economic activity and employment in Ireland
 - utilising ISIF's key differentiating features of flexibility, long-term timeframe and being a sovereign investment partner to enable transactions which would not otherwise easily be completed
 - targeting 80% allocation to 'high economic impact' investment opportunities which will generate economic additionality over time and have low levels of displacement and deadweight
 - deploying capital over a three to five year period, subject to availability of commercial investment opportunities
 - earning a portfolio return over the medium term in excess of the average cost of Irish Government debt
 - seeking co-investment where possible to leverage the economic impact that can be obtained from ISIF resources.
- 23.40** When this investment strategy was finalised in mid-2015, it was agreed that a formal review of the strategy would take place after 18 months and that this would include consultation with the Minister for Finance and the Minister for Public Expenditure and Reform. This review is currently underway.
- 23.41** In 2016, the ISIF reported an investment return of 2.9%.
- 23.42** The NTMA incurred costs of €10.4 million (2015: €8.7 million) in its role as controller and manager of the ISIF in 2016. This excludes fund operating costs discharged directly by the ISIF.

National Development Finance Agency

- 23.43** When performing certain infrastructure investment activities the NTMA describes itself as the National Development Finance Agency (NDFA). The functions of the NDFA include acting as the statutory financial advisor to State authorities for all public investment projects with a capital value over €20 million.
- 23.44** The NDFA also has responsibility for
- the procurement and delivery of public private partnership (PPP) projects in sectors other than transport and the local authorities¹
 - the direct procurement of certain education projects
 - the provision of contract management for the operation and maintenance of certain PPP schools
 - monitoring of operations on the Convention Centre Dublin PPP under a service level agreement.

¹ Further information on PPP projects being procured is included in Chapter 4 *Overview of Public Private Partnerships*.

23.45 Projects where the NDFA is currently an advisor, including the provision of financial advice, are

- the Dublin Waste to Energy PPP (debt refinancing)
- social housing initiatives for the Department of Housing, Planning and Local Government
- development of a mixed tenure housing project at Kilcarberry Grange for South Dublin County Council
- delivery of mixed tenure housing developments for Dublin City Council
- the Forensic Science Laboratory
- traditional build schools projects
- the National Broadband Plan
- various motorway projects.

23.46 In addition, the NDFA provides assistance in sourcing European Investment Bank (EIB) funding for both traditionally funded and PPP projects.

National Asset Management Agency

23.47 As in previous years, the NTMA assigned staff and provided services to the National Asset Management Agency (NAMA) during 2016. The NTMA incurred costs of €47 million (2015: €54 million) in that regard, which was recharged to NAMA.¹

- €41 million (2015: €47 million) was incurred in respect of staff costs. This comprised staff directly employed by the NTMA and assigned to NAMA (302 staff at 31 December 2016) and the apportioned remuneration cost of NTMA employees operating shared services including IT, human resources and finance.
- €6 million (2015: €7 million) in respect of other costs was incurred by the NTMA on behalf of NAMA, including rent, office services and consultancy costs.

23.48 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

23.49 The Strategic Banking Corporation of Ireland (SBCI) was established in September 2014 as a company under the Strategic Banking Corporation of Ireland Act 2014, to make low-cost credit available to Irish small and medium enterprises (SMEs) by sourcing funds from national and international lenders (and investors).³

23.50 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 €4.2 million for the provision of these services in 2016 (2015: €3.6 million) which were recharged to the SBCI.⁴

23.51 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).⁵

¹ The total administrative costs of NAMA were €80 million in 2016 (€112 million in 2015).

² The report on the audit of NAMA issued on 28 April 2017.

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

⁴ Section 10 of the Strategic Banking Corporation of Ireland Act 2014.

⁵ The report on the audit of the SBCI for 2016 issued on 13 April 2017.

Head office move to North Wall Quay

- 23.52** On 11 January 2017, the NTMA entered into an agreement for lease and associated arrangements in respect of new office accommodation at North Wall Quay in Dublin. The NTMA anticipates moving into the new building in early 2019 and is considering its options for its existing leases.
- 23.53** The NTMA currently has lease agreements of varying duration until 2017, 2026 and 2027, in respect of its current office accommodation. The 2016 gross annual rental cost under these leases amounts to €2.8 million.

Staff distribution

- 23.54** At end-2016, NTMA staff numbers totalled 782 (2015: 781). The assignment of staff to the various functions and activities at year end for 2012 to 2016 is set out in Figure 23.9.

Figure 23.9 NTMA staffing distribution at year end, 2012 to 2016

	2012	2013	2014	2015	2016
NTMA business units					
Funding and debt management	14	15	19	21	20
Ireland Strategic Investment Fund	13	15	33	36	41
State Claims Agency	69	77	91	109	128
NewERA	12	13	14	19	19
Banking Unit (in Department of Finance)	12	14	13	12	13
National Development Finance Agency	44	52	63	60	61
NTMA corporate functions					
Finance, technology and operations	73	95	112	121	125
Legal, compliance, HR and internal audit	21	24	22	33	35
Risk	12	15	14	18	20
Other	6	6	6	2	2
Subtotal	276	326	387	431	464
Supported bodies					
National Asset Management Agency	224	331	369	341	302
Strategic Banking Corporation of Ireland	—	—	3	9	16
Total	500	657	759	781	782

Source: National Treasury Management Agency