

15 Accounts of the National Treasury Management Agency

- 15.1** Section 12 of the National Treasury Management Agency Act 1990 (as amended) (the 1990 Act) requires the National Treasury Management Agency (the NTMA) to keep accounts of all moneys it receives or expends in the form approved by the Minister for Finance (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 2020 under that section of the 1990 Act.

Accounts of the NTMA 2020

- 15.3** The accounts audited under section 12 of the 1990 Act are
- National debt of Ireland
 - NTMA administration account
 - Post Office Savings Bank Fund
 - State Claims Agency
 - Ireland Strategic Investment Fund (ISIF)
 - Ireland Apple escrow fund¹
 - 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 2020 have been audited. My reports on the audits were issued on 11 May 2021.

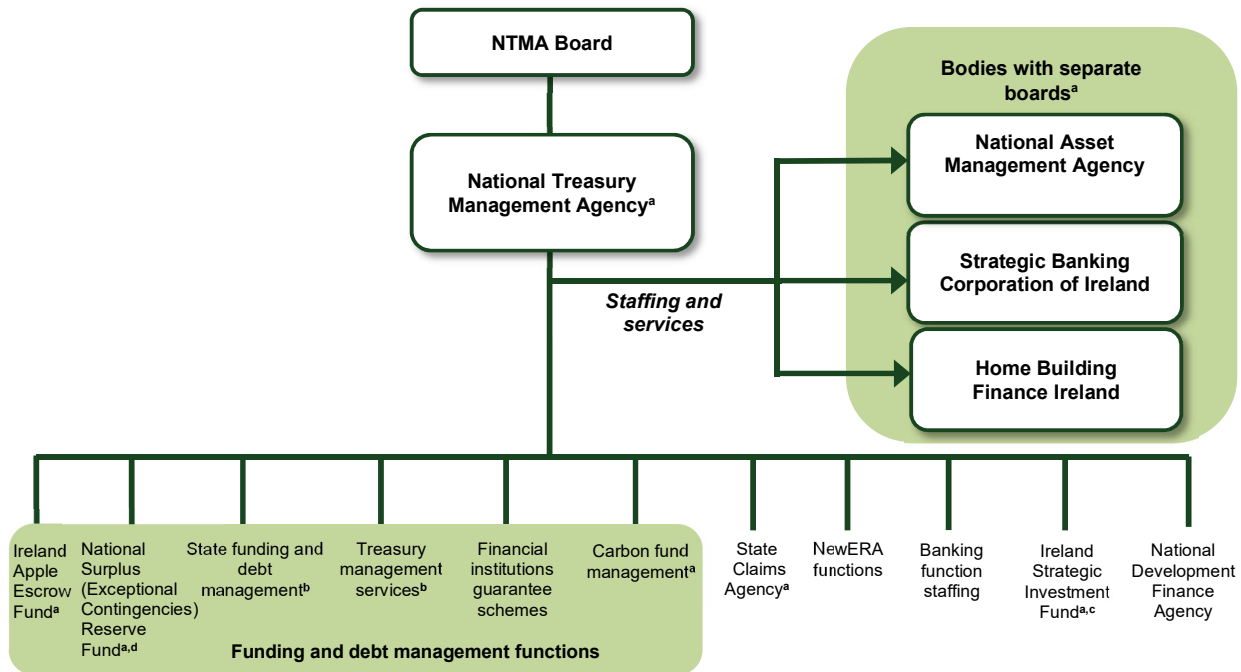
¹ See Chapter 16 *Ireland Apple escrow fund* for details on the establishment of the fund, and on the accounting for it.

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 (see Figure 15.1). Figure 15.2 summarises the distribution of the NTMA’s costs across the functions.
- 15.7 At the end of 2020, NTMA staff numbers totalled 787 on a whole time equivalent basis. The assignment of staff to the various functions and activities is shown in Figure 15.3.
- 15.8 The NTMA senior management team comprises the Chief Executive, the Chief Financial and Operating Officer, the Director of the State Claims Agency, the Chief People Officer, the Chief Legal Officer, the Director of ISIF, the Director of Funding and Debt Management, the Director of the National Development Finance Agency and NewERA, and the Head of Banking.¹

¹ The Head of Banking is seconded to the Department of Finance.

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 2020, foreign assets valued at €18,000 (2019: €51,000) remained in the NPRF.
 - d Dáil Eireann passed a resolution on 13 October 2020 approving payment of moneys out of the National Surplus (Exceptional Contingencies) Reserve Fund to allow for public expenditure to mitigate the impact of the Covid-19 pandemic. On 28 October 2020, €1,500 million was transferred from the Fund to the Central Fund of the Exchequer.

Figure 15.2 Cost of operations, by business area, 2017 to 2020

	2017	2018	2019	2020
	€m	€m	€m	€m
NTMA business units				
Funding and debt management	12.5	12.3	12.3	12.6
Ireland Strategic Investment Fund	12.5	14.5	15.2	16.0
State Claims Agency	20.8	25.0	28.5	28.1
NewERA	5.4	6.1	6.0	5.8
Banking Unit (Shareholding and Financing Advisory Division, Department of Finance)	4.3	3.8	3.9	1.8
National Development Finance Agency	10.1	11.3	12.6	11.3
Supported bodies				
National Asset Management Agency	38.1	40.8	40.7	33.9
Strategic Banking Corporation of Ireland	5.2	5.9	5.9	6.2
Home Building Finance Ireland ^a	—	—	5.3	5.0
Total payments	108.9	119.7	130.4	120.7

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, 2017 to 2020^a

	2017	2018	2019	2020
NTMA business units				
Funding and debt management	24	24	23	23
Ireland Strategic Investment Fund	44	42	47	53
State Claims Agency	138	148	156	166
NewERA	21	26	25	26
Banking Unit (Shareholding and Financing Advisory Division, Department of Finance)	11	11	11	9
National Development Finance Agency	67	63	64	67
NTMA corporate functions				
Finance, technology and operations	138	138	133	145
Legal, compliance, HR and internal audit	41	46	43	48
Risk	20	21	20	20
Other	4	9	3	1
Supported bodies				
National Asset Management Agency	264	236	210	174
Strategic Banking Corporation of Ireland	18	17	23	28
Home Building Finance Ireland	—	5	21	27
Total	790	786	779	787

Source: National Treasury Management Agency

Note: a 2018 to 2020 numbers are based on whole time equivalent. 2017 numbers are based on headcount.

Supported agencies

15.9 In addition to its own operations, the NTMA assigns staff to the National Asset Management Agency (NAMA), the Strategic Banking Corporation of Ireland (SBCI) and Home Building Finance Ireland (HBFI), and provides them with business and support services and systems on a cost recoupment basis. Each of the supported entities has its own board and is separately accountable to Dáil Éireann.

Banking system functions staffing

15.10 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. At the direction of the Minister, costs of the Banking Unit, comprising staff costs and certain professional advisor costs, are met by the NTMA. Costs incurred by the NTMA in 2020 in relation to the Banking Unit totalled €1.8 million (2019: €3.9 million). There were no professional advisor costs incurred during 2020 (2019: €1.3 million).

Key NTMA operations in 2020

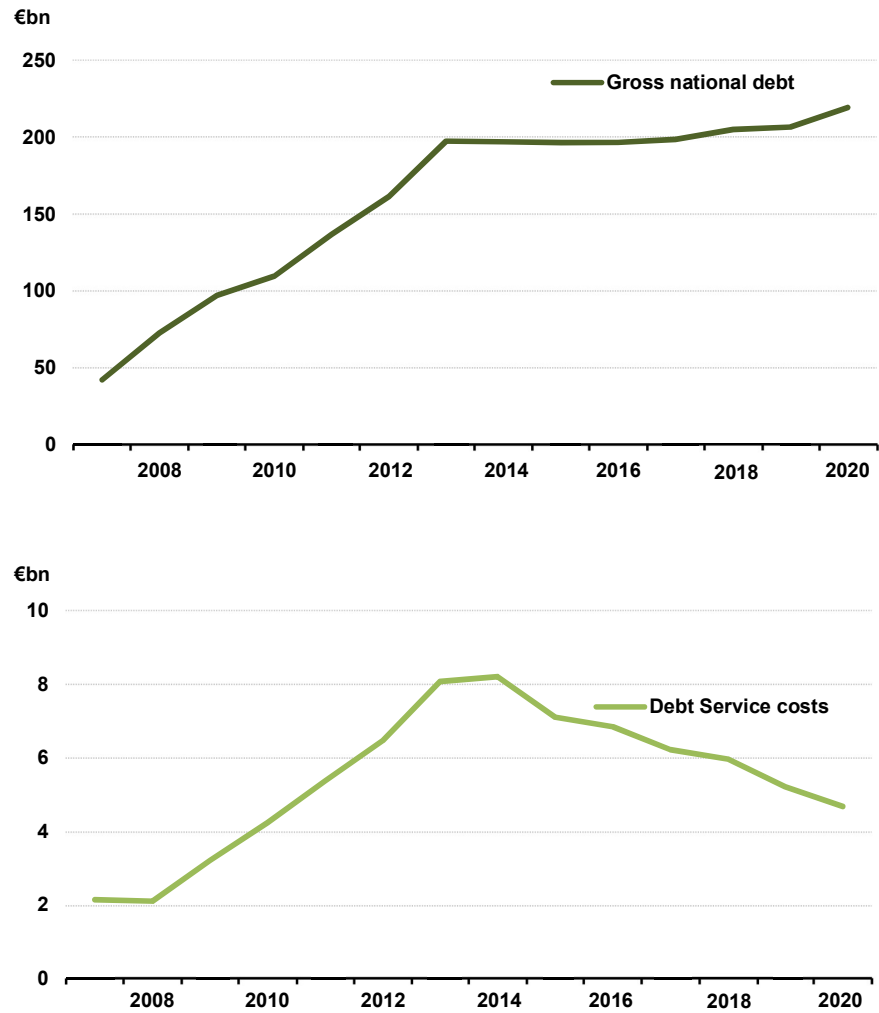
- 15.11** Key developments in the NTMA's operations in 2020 relate to
- a €12.75 billion (6.2%) increase in the level of the gross national debt
 - a decline of €2.3 billion in the estimated value of the net assets of the Ireland Strategic Investment Fund
 - continuation of the upward trend in the estimated liability of the claims being managed by the State Claims Agency
 - depletion of the net assets of the National Surplus (Exceptional Contingencies) Reserve Fund (the Exchequer's 'rainy day' fund).

Exchequer borrowing in 2020

- 15.12** The NTMA's primary function is to borrow on behalf of the Minister and to manage Ireland's national debt. This is the debt outstanding for the time being of the Exchequer.¹
- 15.13** At 31 December 2020, Ireland's gross national debt stood at €219,482 million (2019: €206,730 million). The increase of €12,752 million (or almost 6.2%) in 2020 was largely attributable to the additional funding requirements of the State, as a result of the deterioration in public finances related to the response to the Covid-19 pandemic.
- 15.14** Debt service costs paid in 2020 were €4,676 million and included net interest paid, transaction fees and operating expenses. This was down from €5,220 million in 2019, and represented a continuation of the downward trend occurring since 2014. This relates mainly to the NTMA's on-going re-financing of Ireland's national debt in the context of an international low interest rate environment.
- 15.15** The NTMA initially planned to raise between €10 billion and €14 billion in bond funding during 2020, in line with its debt re-financing objectives. However, as a result of the Covid-19 pandemic, the target range for borrowing in the year was increased to between €20 billion and €24 billion. Over the course of the year, the NTMA completed €24 billion of benchmark bond issuance. A further €0.6 billion was issued in non-competitive bond auctions, bringing total bond issuance in the year to €24.6 billion.
- 15.16** The NTMA held six bond auctions during 2020, issuing bonds to the value of €8.6 billion. In addition, the NTMA undertook three bond syndications during the year, issuing €4 billion of a new 15-year bond, €6 billion of a new 7-year bond and €6 billion of a new 10-year bond. The coupon rates associated with the three new bonds issued by way of syndication were in the range of 0.2% – 0.4%.²

¹ See section 1 of the 1990 Act.

² Bond syndications involve assembling a syndicate of primary dealers from a network of primary dealers. Bonds sold through a syndicate are sold to end investors who may choose to hold the bonds to maturity or trade them themselves.

Figure 15.4 Gross national debt and debt service costs, 2007 to 2020

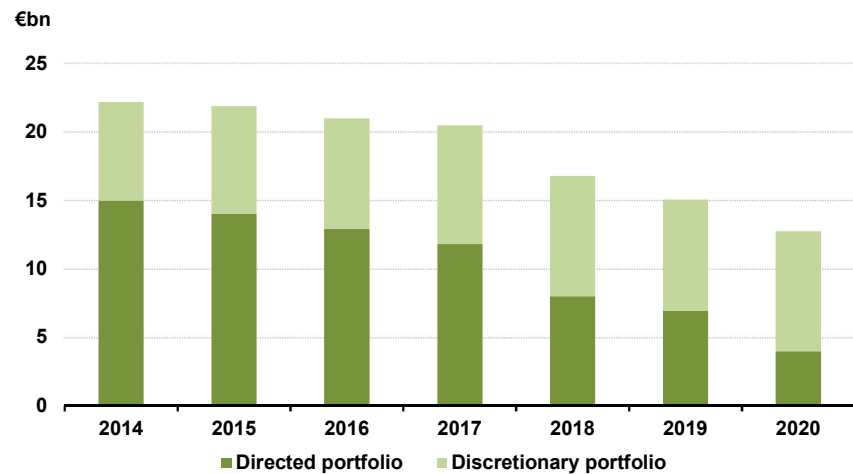
Source: National Treasury Management Agency

- 15.17** There were two bond redemptions in 2020. In April 2020, bonds first issued in January 2004 with a coupon of 4.5% were redeemed to the value of €10.6 billion. In October 2020, bonds first issued in January 2010 with a coupon of 5% were redeemed to the value of €6.5 billion.
- 15.18** The NTMA raised a further €1.4 billion in 2020 through private placements issued under the NTMA's Euro Medium Term Note Programme. There were seven placements with maturities ranging from 58 to 100 years and coupon rates ranging from 0.7% – 1.2%. This brought total long-term issuance in 2020 to €26 billion; the most in a single year since 2009.

Ireland Strategic Investment Fund

- 15.19** The Ireland Strategic Investment Fund (ISIF) was established in December 2014, pursuant to the National Treasury Management Agency (Amendment) Act 2014.¹
- 15.20** The assets of the ISIF are held in two portfolios.
- The **directed investment portfolio** is subject to directions given by the Minister for Finance.² The assets in the portfolio comprise investments in a number of banks. The Minister has directed that any interest or other income received in respect of deposits and/or securities held in the directed 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.
- 15.21** At 31 December 2020, the ISIF held net assets of €12.7 billion (2019: €15.0 billion). The net assets comprised €3.9 billion in the directed portfolio, down from €6.9 billion at the end of 2019; and €8.8 billion in the discretionary portfolio, up from €8.1 billion at the end of 2019 (see Figure 15.5).
- 15.22** The €3 billion decrease in the value of the directed portfolio is largely attributable to a decline in the market value of Allied Irish Bank (AIB) and Bank of Ireland (BOI) shares. At end 2020, shares in AIB were valued at €1.678 per share (2019: €3.104 per share) and BOI shares were valued at €3.296 per share (2019: €4.882 per share).

Figure 15.5 Value of ISIF net assets, 2014 to 2020



1 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 (now reduced to c €18,000) of foreign assets and liabilities which are still being worked out.

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

Source: Financial Statements of the Ireland Strategic Investment Fund, 2014 to 2020. Analysis by the Office of the Comptroller and Auditor General

Pandemic Stabilisation and Recovery Fund

- 15.23** In May 2020, the Minister for Finance instructed the ISIF to make a €2 billion fund available, known as the Pandemic Stabilisation and Recovery Fund (PSRF). The PSRF seeks to support (on a commercial basis) medium and large enterprises affected by the Covid-19 pandemic in Ireland, with a focus on enterprises employing more than 250 employees or with annual turnover in excess of €50 million. The PSRF investment activity takes place within the ISIF's discretionary portfolio.
- 15.24** In 2020, the PSRF portfolio supported four businesses affected by the pandemic. This included investments in Aer Lingus (€150 million), Dublin Airport Authority (€40 million), Staycity (€30 million) and Finance Ireland (€17 million).

Loan facility made available to the Strategic Banking Corporation of Ireland

- 15.25** The Strategic Banking Corporation of Ireland (SBCI) was established in September 2014 pursuant to the Strategic Banking Corporation of Ireland Act 2014. The role of the SBCI is 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/or from investors).¹
- 15.26** In 2015, on the direction of the Minister for Finance, the ISIF provided a loan facility of up to €240 million to SBCI. In 2016, SBCI drew down €25 million of this facility. During 2017, the €25 million loan was converted into shares (at €1 each) in SBCI which were issued to the Minister in accordance with the 2014 Act.²
- 15.27** In October 2020, the Minister subscribed for an additional 50 million shares of €1 each in SBCI. The subscription was paid for by the immediate conversion of a €50 million loan advanced by the ISIF from the directed portfolio to the SBCI.³ All shares issued by SBCI are held directly by the Minister for Finance.
- 15.28** At 31 December 2020, the balance of the available commitment under the ISIF-SBCI loan facility is €165 million (2019: €215 million).

¹ SMEs are defined in accordance with Article 2 of EC Recommendation 2003/361/EC (6 May 2003).

² An initial €10 million in capital (shares valued at €1 each) was provided to SBCI by the National Pension Reserve Fund in 2014.

³ Pursuant to Section 11(7)(a) of the Strategic Banking Corporation of Ireland Act 2014.

State Claims Agency

15.29 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 claims exposure. 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).

Extension of scope of claims (due to Covid-19 response)

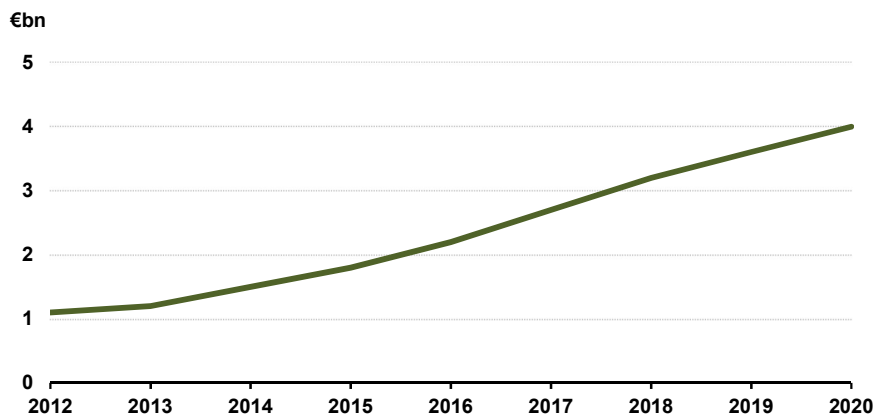
15.30 During 2020, the management of claims against private healthcare facilities and clinicians providing facilities and additional professional medical services resources to the public health system in the management of Covid-19 cases and the delivery of acute hospital care more generally during the pandemic, was delegated to the SCA. The management of claims against a private sector company assisting with the Covid-19 testing programme was also delegated to the SCA in 2020.

Claim settlement in 2020

15.31 Awards and associated claim costs of the SCA in 2020 amounted to a total of €430 million (2019: €431.4 million).¹ These costs are recoupable from the relevant State authorities availing of the SCA services. In addition, the NTMA incurred €28.1 million (2019: €28.5 million) in administrative costs in the performance of its SCA functions. These administrative costs are included in the administration expenses of the NTMA, which are charged on the Central Fund.

15.32 The estimated cost of settling outstanding claims has been steadily increasing.² The estimated outstanding liability at the end of 2020 has been estimated by the SCA at €4.03 billion — over 3.5 times the estimated outstanding liability at the end of 2012 (see Figure 15.6).

Figure 15.6 Estimated outstanding liability, at end-2012 to 2020



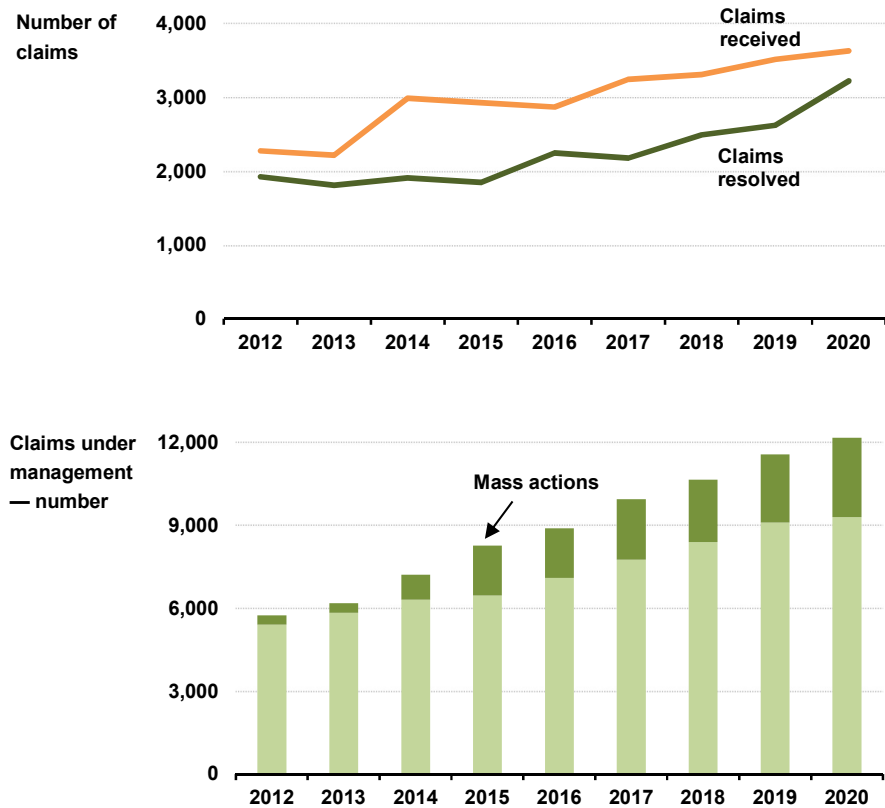
¹ Includes all awards and costs paid under the general and clinical indemnity schemes and all other costs paid by the Legal Costs Unit — including Tribunal costs.

² Of the €4.03 billion outstanding estimated liability at year-end, €518.7 million relates to interim payment orders and 'periodic payment orders'.

Source: National Treasury Management Agency

15.33 The number of claims under management has increased significantly since 2012. At the end of 2020, there were 12,175 claims under management including 2,877 claims in mass actions (general and clinical). In 2020, 3,221 claims were resolved, an increase of 22.9% over the previous year (see Figure 15.7).

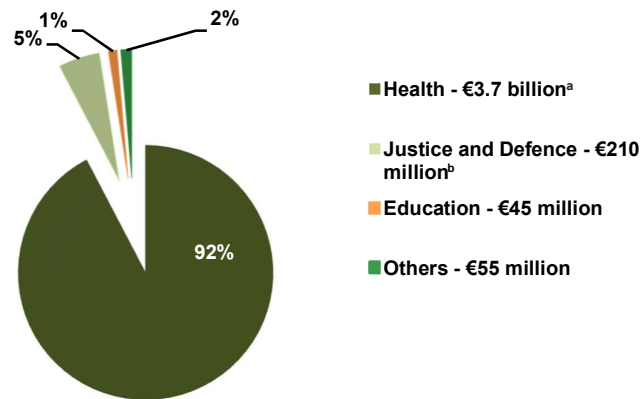
Figure 15.7 Claims received and resolved annually, and claims under management, at year end, 2012 to 2020.



Source: National Treasury Management Agency

15.34 Health sector bodies (including the HSE, Tusla and the Department of Health) accounted for 92% of the estimated outstanding liability at the end of 2020. Two other sectors (Justice and Defence, and Education) accounted for a further 6% (see Figure 15.8).

Figure 15.8 Proportion of estimated outstanding liability for each State authority sector, at end-2020



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.

Cervical cancer litigation

- 15.35** At end-2020, the SCA had received notification of 234 claims against the HSE's CervicalCheck programme (end-2019: 134 claims).¹ This includes 44 psychological injury claims from members of the families of the women concerned. There were 12 claims concluded during 2020, bringing the total number of claims concluded as at end-2020 to 22. Of these 22 claims, 19 claims were settled while one claim was the subject of a court judgement. The other two claims were not pursued. Mediation was offered in 17 of these claims and took place in 12.

¹ A CervicalCheck Tribunal has been in operation since December 2020, as an alternative system to the courts for processing claims arising.

Depletion of National Surplus (Exceptional Contingencies) Reserve Fund

- 15.36** 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.
- 15.37** The fund is controlled and managed by the Minister for Finance. Upon commencement of the NSRF Act, the Minister delegated the functions under section 8 of the NSRF Act to the NTMA.¹ In addition, the Minister directed the NTMA 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.
- 15.38** On 7 November 2019, the Minister directed the NTMA to transfer assets to the value of €1.5 billion from the ISIF to the rainy day fund.
- 15.39** On 20 October 2020 the Minister for Finance revoked certain of the 7 November 2019 directions and directed the NTMA, inter alia, to convert assets of the rainy day fund into cash and to transfer the balance to the Exchequer. The Minister also directed the NTMA to preserve an account for the rainy day fund. On 28 October 2020, €1.5 billion was transferred from the fund to the Central Fund of the Exchequer. As a result, there was a zero balance in the fund account at the end of 2020.
- 15.40** Notwithstanding the depletion of the fund's assets, the rainy day fund will continue in existence, and will be available to hold any assets which may be transferred into it in the future. The NTMA will continue to produce an annual account for the fund.

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