

# 19 Accounts of the National Treasury Management Agency

- 19.1** 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.
- 19.2** 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 2018 under that section of the 1990 Act.

## Accounts of the NTMA 2018

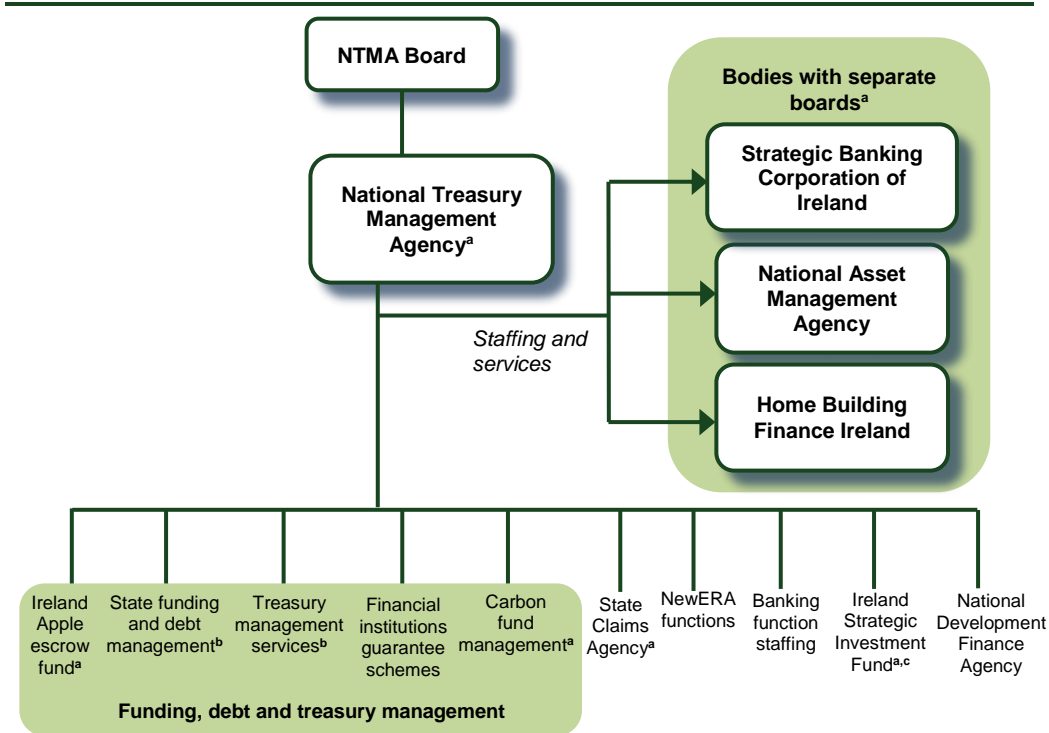
- 19.3** The accounts audited under section 12 of the 1990 Act (as amended) are as follows
- National debt of Ireland
  - NTMA administration account
  - Post Office Savings Bank Fund financial statements
  - State Claims Agency financial statements
  - Ireland Strategic Investment Fund (ISIF) financial statements
  - Ireland Apple escrow fund.<sup>1</sup>
- 19.4** 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.
- 19.5** The accounts for 2018 have been audited. My reports on the audits were issued on 16 May 2019.

<sup>1</sup> See Chapter 20 *Ireland Apple escrow fund* for details on the establishment of the fund, and on the accounting thereof.

## Structure, costs and staffing of the agency

- 19.6** 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 19.1.
- 19.7** 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 19.2.<sup>1</sup> Each of the entities has its own board and is separately accountable to Dáil Éireann.
- 19.8** Home Building Finance Ireland (HBFI) was established under the Home Building Finance Ireland Act 2018 for the purpose of funding residential development in Ireland. The HBFI is a commercial entity wholly owned by the Minister for Finance. In 2019, at the direction of the Minister for Finance, the ISIF entered into a loan facility agreement with Home Building Finance (Lending) Ireland DAC, a subsidiary company of HBFI, and made available a loan facility of €730 million under the terms of the agreement.
- 19.9** At the end of 2018, NTMA staff numbers totalled 786 on a whole time equivalent basis. The assignment of staff to the various functions and activities at year-end for 2015 to 2018 is set out in Figure 19.3.

**Figure 19.1 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 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 2018, foreign assets valued at €50,000 (2017: €95,000) remained in the NPRF.

<sup>1</sup> No costs were charged to HBFI in 2018.

**Figure 19.2 Cost of operations, 2015 to 2018<sup>a</sup>**

	2015	2016	2017	2018
<b>NTMA business units</b>	€m	€m	€m	€m
Funding and debt management	10.1	11.5	12.5	12.3
Ireland Strategic Investment Fund	8.7	10.4	12.5	14.5
State Claims Agency	15.7	19.4	20.8	25.0
NewERA	6.2	5.3	5.4	6.1
Banking Unit (Shareholding and Financing Advisory Division, Department of Finance)	2.4	2.8	4.3	3.8
National Development Finance Agency	9.1	9.5	10.1	11.3
<b>Supported bodies</b>				
National Asset Management Agency	53.5	46.7	38.1	40.8
Strategic Banking Corporation of Ireland	3.6	4.2	5.2	5.9
<b>Total payments</b>	<b>109.3</b>	<b>109.8</b>	<b>108.9</b>	<b>119.7</b>

Source: National Treasury Management Agency

Note: a Costs of operations were not attributed to all NTMA business units prior to 2015.

**Figure 19.3 NTMA staffing distribution at year-end, 2015 to 2018<sup>a</sup>**

<b>NTMA business units</b>	2015	2016	2017	2018
Funding and debt management	21	20	24	24
Ireland Strategic Investment Fund	36	41	44	42
State Claims Agency	109	128	138	148
NewERA	19	19	21	26
Banking Unit (Shareholding and Financing Advisory Division, Department of Finance)	12	13	11	11
National Development Finance Agency	60	61	67	63
<b>NTMA corporate functions</b>				
Finance, technology and operations	121	125	138	138
Legal, compliance, HR and internal audit	33	35	41	46
Risk	18	20	20	21
Other	2	2	4	9
<b>Supported bodies</b>				
National Asset Management Agency	341	302	264	236
Strategic Banking Corporation of Ireland	9	16	18	17
Home Building Finance Ireland	—	—	—	5
<b>Total</b>	<b>781</b>	<b>782</b>	<b>790</b>	<b>786</b>

Source: National Treasury Management Agency

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

### ***NTMA office move to North Wall Quay***

- 19.10** In May 2018 the Agency entered into leases for office accommodation at Treasury Dock, North Wall Quay, Dublin 1, until May 2033. Staff moves to Treasury Dock were completed in August 2019.
- 19.11** The NTMA has 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 has engaged an external property advisor regarding the sub-let, disposal or assignment of existing leases in respect of the office accommodation at Treasury Building.

## **Operations in 2018**

### ***Funding, debt and treasury management***

- 19.12** The NTMA borrows on behalf of the Exchequer and manages Ireland's national debt.<sup>1</sup>
- 19.13** 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
  - oversight of the investment and management of the Ireland Apple escrow fund on behalf of the Minister for Finance.
- 19.14** In October 2018, in its third bond syndication of the year, the NTMA issued Ireland's first sovereign Green Bond which had been almost two years in planning. Funds of €3 billion were raised at a yield of 1.399%. This was a move by the NTMA to further diversify its investor base, allowing it to access a new category of investor to lend to Ireland.

### ***Financial institutions guarantee schemes***

- 19.15** 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.<sup>2</sup>
- 19.16** Each institution with liabilities guaranteed under the scheme is required to pay a fee. The amount received in 2018 was almost €1.06 million (2017: €12 million).<sup>3</sup> The Accounting Officer of the Department of Finance is accountable for the fees received.
- 19.17** In advance of 28 March 2018, being the final end date for all remaining liabilities under the scheme, the NTMA wrote to each of the participating institutions requesting assurance that there were no outstanding issues and that all appropriate fees had been paid. This was confirmed by each participating institution.

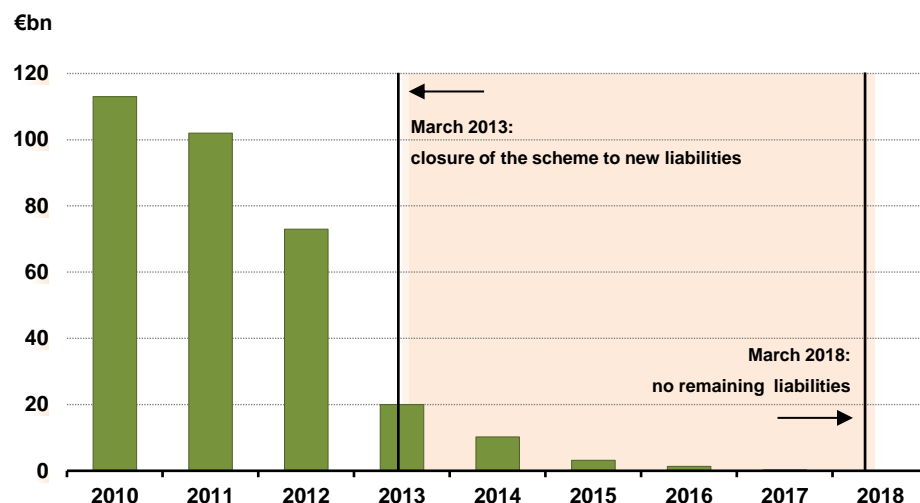
<sup>1</sup> Summary details of the structure of the national debt and trends in Government debt are included in chapter 1, *Exchequer Financial Outturn for 2018*.

<sup>2</sup> SI No 490/2009.

<sup>3</sup> Fees are recognised on a cash basis and received quarterly in arrears and are paid into the Central Fund of the Exchequer. Fees in respect of 2018 on an accruals basis were €0.4 million (2017: €8 million).

**19.18** 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 (see Figure 19.4).

**Figure 19.4 Covered liabilities under the Eligible Liabilities Guarantee Scheme, at year-end 2010 to 2018**



Source: Department of Finance

**19.19** 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<sup>1</sup>

- 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.

**19.20** The State has lodged claims totalling €1,126 million with the joint special liquidators of IBRC. These comprise

- €1,088 million claimed by the NTMA in respect of payments to bondholders, and depositors. This figure also includes expenses of €7.2 million.<sup>2</sup>
- €37.8 million claimed by the Department of Finance in respect of derivatives.<sup>2</sup>

<sup>1</sup> SI No 85/2013.

<sup>2</sup> Interest is payable on amounts claimed from the date of each claim to the date of payment by the joint special liquidators.

<sup>3</sup> See chapter 2 *Cost of banking stabilisation measures at end 2018*.

**19.21** 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 February 2019 in relation to these payments.<sup>3</sup>

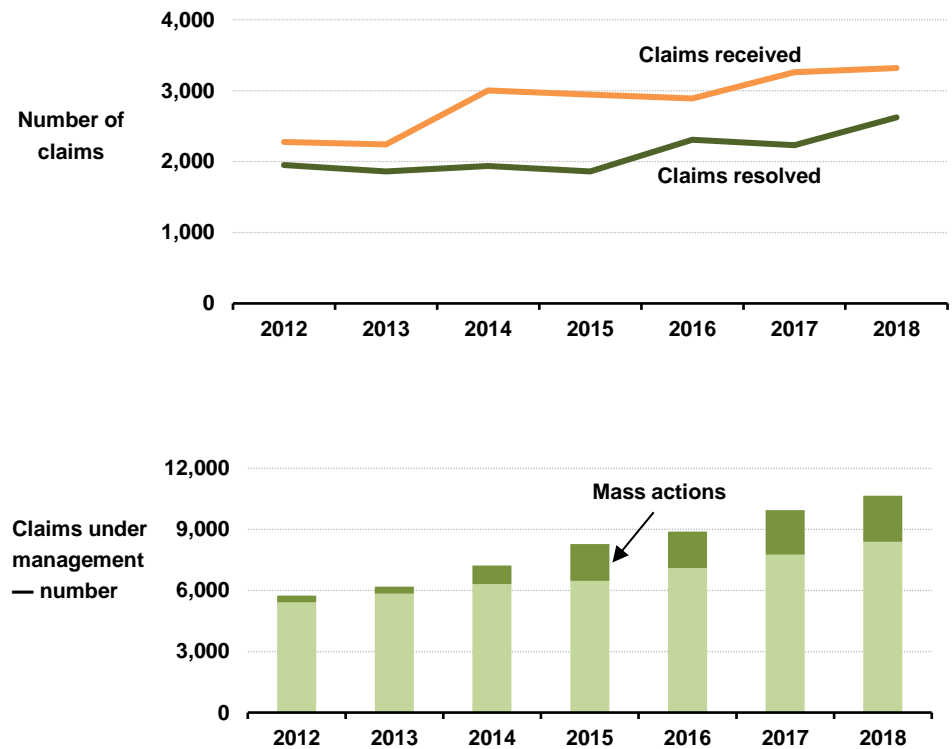
**State Claims Agency**

**19.22** 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 and claims for legal costs by parties who have successfully sued the State in respect of personal injury and other non-personal injury related actions. When performing these functions, the NTMA is known as the State Claims Agency (SCA). At 31 December 2018, the SCA's remit covered 146 State authorities.

**19.23** Awards and associated claim costs of the SCA in 2018 amounted to a total of €354.6 million (2017 €316.8 million). These costs are recoupable from the relevant State authorities availing of the SCA services. In addition, the NTMA incurred €25 million (2017: €20.8 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.

**19.24** The number of claims under management has increased significantly since 2012. At the end of 2018, there were 10,658 claims under management including 2,267 claims in mass actions (general and clinical). In 2018, 2,623 claims were resolved, an increase of 17% over the previous year (see Figure 19.5).

**Figure 19.5 Claims received and resolved annually, and claims under management, at year end, 2012 to 2018**

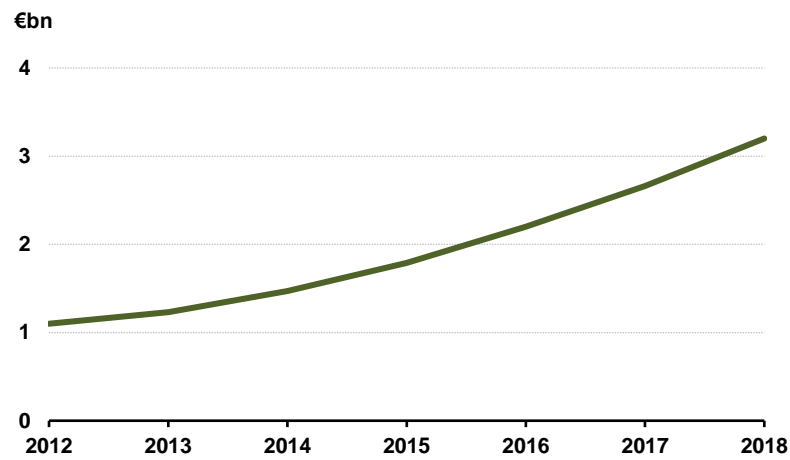


Source: National Treasury Management Agency

**19.25** The estimated cost of settling outstanding claims has been steadily increasing. The liability at the end of 2018 has been estimated by the SCA at €3.15 billion — about three times the estimated liability at the end of 2012 (see Figure 19.6). A key factor in the increase in the estimated liability since 2015 is the impact of a reduction in the real rate of return used, from 3% to 1% or 1.5% on foot of the determination by the Court of Appeal.

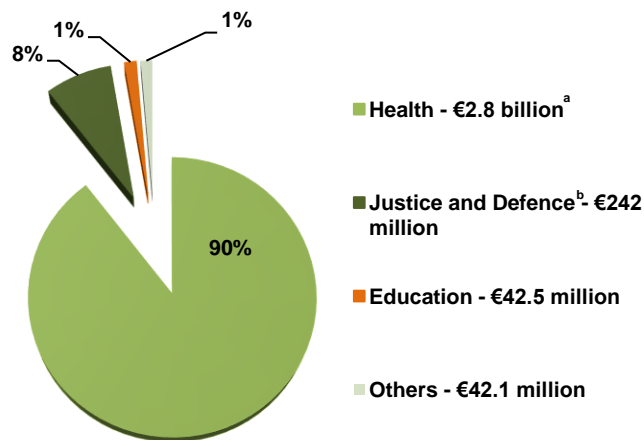
**19.26** Health sector bodies (including the HSE, Tusla and the Department of Health) accounted for 90% of the estimated outstanding liability at the end of 2018. Two other sectors (Justice and Defence, and Education) accounted for a further 9% (see Figure 19.7).

**Figure 19.6 Estimated cost of settling outstanding claims, at end-2012 to 2018**



Source: National Treasury Management Agency

**Figure 19.7 Proportion of estimated outstanding claims for each State authority sector, at end-2018**



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.

### ***Third party legal costs claims***

- 19.27** 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.<sup>1</sup> In 2015, the Government extended the responsibilities of this unit to management of all third party legal costs claims against delegated State authorities.<sup>2</sup>
- 19.28** The SCA reviews legal costs claimed by plaintiffs' legal representatives. If agreement on the amounts claimed is not reached, the claims are referred to the Taxing Master of the High Court. In 2018, the SCA settled 556 claims for legal costs. The claims — totalling €90.6 million — were settled for €53.7 million (41% reduction in amounts claimed). A large proportion of this saving was from high reductions in Tribunal costs (58%).
- 19.29** 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.

### ***Insurance Compensation Fund***

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

### ***Carbon Fund***

- 19.31** 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.
- 19.32** The assets held in the Carbon Fund are not held for trading purposes but to be submitted as parts of Ireland's compliance under the Kyoto Protocol and its obligations under European Union legislation.<sup>3</sup>
- 19.33** 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.

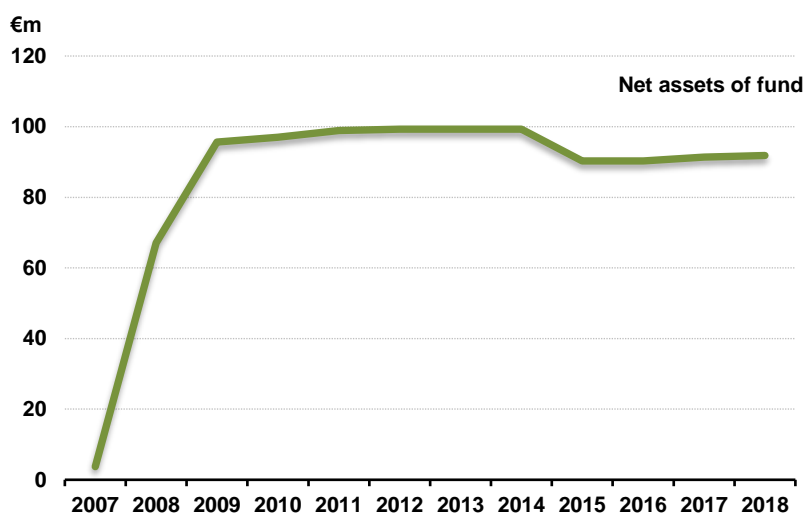
<sup>1</sup> The NTMA (Amendment) Act 2014 (the 2014 Act) put the SCA legal costs function on a statutory basis.

<sup>2</sup> SI No. 505 of 2015 NTMA (Delegation of Claims for Costs Management Functions) Order 2015.

<sup>3</sup> See also chapter 9, *Greenhouse gas related financial transactions*.

- 19.34** Since the final settlement in 2015 of obligations for the period 2008 – 2012, no assets have been purchased or surrendered. The remaining assets in the Carbon Fund have been carried forward towards meeting Ireland's 2020 commitments under the European Union's 2020 Climate and Energy Package. At the end of 2018, the Carbon Fund held assets with an acquisition cost of €91.8 million (see Figure 19.8).

**Figure 19.8 Net assets value of the Carbon Fund, 2007 to 2018**



Source: Financial Statements of the Carbon Fund, 2007 to 2018. Analysis by the Office of the Comptroller and Auditor General.

- 19.35** In November 2018, 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. There have been no purchases to date.

### **NewERA**

- 19.36** 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.<sup>1</sup>
- 19.37** 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.<sup>2</sup> 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 or assets, NewERA may also provide similar services to that Minister.

<sup>1</sup> The New Economy and Recovery Authority (NewERA) was initially set up on a non-statutory basis following a Government announcement in September 2011.

<sup>2</sup> At 31 December 2018, the designated bodies were the Electricity Supply Board, Ervia, Bord na Mona plc, Coillte Teoranta, Eirgrid plc, Irish Water, An Post and any of their subsidiaries or any company in which any of the designated bodies has an interest.

**19.38** Expenditure incurred by the NTMA on NewERA activities in 2018 was around €6.1 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, including on 132 submissions for Ministerial consideration made by commercial State bodies in 2018. This included advice relating to

- bond issuance by ESB, credit facilities for Irish Water, EirGrid and Shannon Group, and a European Investment Bank (EIB) credit facility for Gas Networks Ireland
- capital expenditure budgets, the majority relating to regulated electricity, gas and water network assets
- specific capital expenditure projects including infrastructure projects by Gas Networks Ireland and Irish Water, a VHI healthcare project and an ESB/Bord na Mona wind farm project.

### ***Banking system functions staffing***

**19.39** 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.<sup>1</sup> 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 2018 in relation to the Banking Unit totalled €3.8 million and are separately disclosed in the NTMA's administration account in 2018.

### ***Ireland Strategic Investment Fund***

**19.40** 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.<sup>2</sup>

**19.41** The assets of the fund are held in two portfolios.

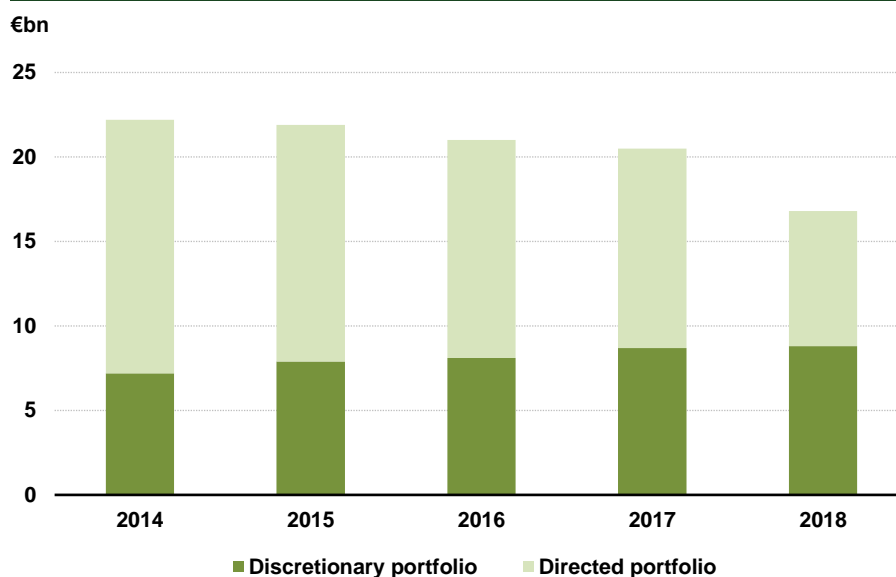
- The directed investment portfolio is subject to directions given by the Minister for Finance.<sup>3</sup> The Minister has directed that any interest or other income received in respect of deposits and/or securities held in the directed investment portfolio are transferred to the discretionary investment 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.

**19.42** At 31 December 2018, the ISIF held net assets of €16.8 billion (2017: €20.4 billion). The net assets comprised €8 billion (2017: €11.7 billion) in the directed investment portfolio and €8.8 billion (2017: €8.7 billion) in the discretionary portfolio (see Figure 19.9).

<sup>1</sup> SI No 395/2011.

<sup>2</sup> At end 2018, a small number of foreign assets valued at €50,000 had not transferred to the ISIF.

<sup>3</sup> 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.

**Figure 19.9 Value of ISIF net assets, 2014 to 2018**

Source: Financial Statements of the Ireland Strategic Investment Fund, 2014 to 2018. Analysis by the Office of the Comptroller and Auditor General.

### *Directed investment portfolio*

**19.43** In 2018, the value of the directed investment portfolio fell by over €3.5 billion. This drop in value was almost all due to the decrease in the market price of AIB shares during the year.

**19.44** At 31 December 2018, the net assets of the directed investment portfolio comprised

- AIB — 71% shareholding valued at €7.05 billion (€3.65 per share).
- Bank of Ireland — 13.95% shareholding valued at €733 million (€4.87 per share).
- €215 million held in cash and committed for lending to the Strategic Banking Corporation of Ireland.

### *Discretionary portfolio*

**19.45** 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.<sup>1</sup>

**19.46** The discretionary portfolio value has grown since inception from €7.1 billion to €8.8 billion, comprised of investment gains of €600 million and cash injections of €1.1 billion, arising from AIB dividends €761 million, Bank of Ireland dividends €17 million and the sale of the State's shareholding in Aer Lingus €335 million. The discretionary portfolio is comprised of an Irish portfolio (€2.6 billion) and a global portfolio (€6.2 billion).

**19.47** Since inception, the ISIF has generated an annualised return of 1.9% per annum, comprising a return of 7.1% per annum from the Irish portfolio and a return of 0.7% per annum from the global portfolio.

<sup>1</sup> Section 39 National Treasury Management Agency (Amendment) Act 2014.

**19.48** 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 in the following categories

- 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
- 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.

**19.49** The ISIF has also reserved €3.5 billion for investment in other government priority areas, which include

- €1.5 billion — National Surplus (Exceptional Contingencies) Reserve Fund (rainy day fund). In June 2019, the legislation to establish the rainy day fund completed its passage through the Oireachtas. Following commencement of the legislation and issue of the relevant Ministerial order, the rainy day fund will be given an initial injection of €1.5 billion from the ISIF followed by annual exchequer contributions of €500 million from 2019 to 2023 to bring its balance up to the total value of €4 billion in 2023. The rainy day fund is intended to be used as an instrument to address severe, unanticipated events, as opposed to the normal fluctuations within the economic cycle.<sup>1</sup>
- €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 — HBF1. During 2018 under the direction of the Minister for Finance, €20 million was transferred from ISIF to provide initial capital for HBF1.<sup>2</sup>

### **Targeted funds**

**19.50** 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 2018 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.

<sup>1</sup> National Surplus (Reserve Fund for Exceptional Contingencies) Act 2019.

<sup>2</sup> ISIF backed residential housing platforms completed over 2,000 units at 31 December 2018 and have funding committed or sites acquired to deliver a further 10,000 homes.

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

**19.51** 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 with a capital value over €20 million.

**19.52** 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.

**19.53** Progress in relation to PPP projects that were ongoing at the end of 2018, is as follows

- Primary care centres PPP — the development of 14 new primary care centres, designed to provide health and social care services in local communities across a number of locations. Four facilities became operational in 2017 and the remaining ten in 2018.
- Courts PPP — this involves the development of new court houses and the refurbishment of existing courthouses in seven locations. Three courthouses became operational in 2017 and the remaining four in 2018.
- 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. Three of the schools are completed and the remaining two schools and one Institute for Further Education are targeted for completion in Q3 2019.
- Technology University campus Grangegorman PPP — the contract award and the financial close was completed in March 2018. Following a two-year construction period, the buildings are expected to become operational in 2020.
- Social housing PPP programme — this involves the development of 1,500 social housing units in three bundles. Bundle one procurement commenced in 2017 (534 homes), bundle two commenced in 2018 (465 homes) and tender evaluation was completed in May 2019. Bundle three (c. 500 homes) is currently finalising sites with a decision on site selection by the Department of Housing, Planning and Local Government awaited.

**19.54** Key projects where the NDFA provided financial advice during 2018, 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.
- Motorway service areas: Design, construction, operation and maintenance of two service areas located on the M6 motorway east of Athlone and on the M9 motorway south of Kilcullen together with the fit-out, operation and maintenance of a third service area on the M11 motorway north of Gorey.
- Schools PPP bundle four: refinancing of the project.

**19.55** In addition, the NDFA provides assistance in sourcing European Investment Bank (EIB) funding for both traditionally funded and PPP projects. The NDFA facilitated the signing of a €225 million loan from EIB for e-health projects in October 2018.

**19.56** 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 2018, 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).

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

**19.57** As in previous years, the NTMA assigned staff and provided services to the National Asset Management Agency (NAMA) during 2018. The NTMA incurred costs of €40.8 million (2017: €38 million) in that regard, which was recharged to NAMA.<sup>1</sup>

- €30.8 million (2017: €34 million) was incurred in respect of staff costs. This comprised staff directly employed by the NTMA and assigned to NAMA (236 staff at 31 December 2018) and the apportioned remuneration cost of NTMA employees operating shared services including IT, human resources and finance.
- €10 million (2017: €4 million) in respect of other costs was incurred by the NTMA on behalf of NAMA, including rent, office services and consultancy costs.

**19.58** 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).<sup>2</sup>

### ***Strategic Banking Corporation of Ireland***

**19.59** The Strategic Banking Corporation of Ireland (SBCI) was incorporated 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).<sup>3</sup>

**19.60** 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.<sup>4</sup> The NTMA incurred costs of €5.9 million for the provision of these services in 2018 (2017: €5.2 million) which were recharged to the SBCI.

**19.61** 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).<sup>5</sup>

<sup>1</sup> The total administrative costs of NAMA were €75 million in 2018 (€67 million in 2017).

<sup>2</sup> The report on the audit of NAMA issued on 7 May 2019.

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

<sup>4</sup> Section 10 of the Strategic Banking Corporation of Ireland Act 2014.

<sup>5</sup> The report on the audit of the SBCI for 2018 issued on 18 April 2019.