

21 Accounts of the National Treasury Management Agency

- 21.1** 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 the accounts annually 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.
- 21.2** 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 2021 under that section of the 1990 Act.

Accounts of the NTMA 2021

- 21.3** 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 Agency¹
 - Ireland Strategic Investment Fund (ISIF)
 - Ireland Apple escrow fund²
 - National Surplus (Exceptional Contingencies) Reserve Fund.
- 21.4** 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.
- 21.5** The accounts for 2021 have been audited. My reports on the audits were issued on 16 May 2022.

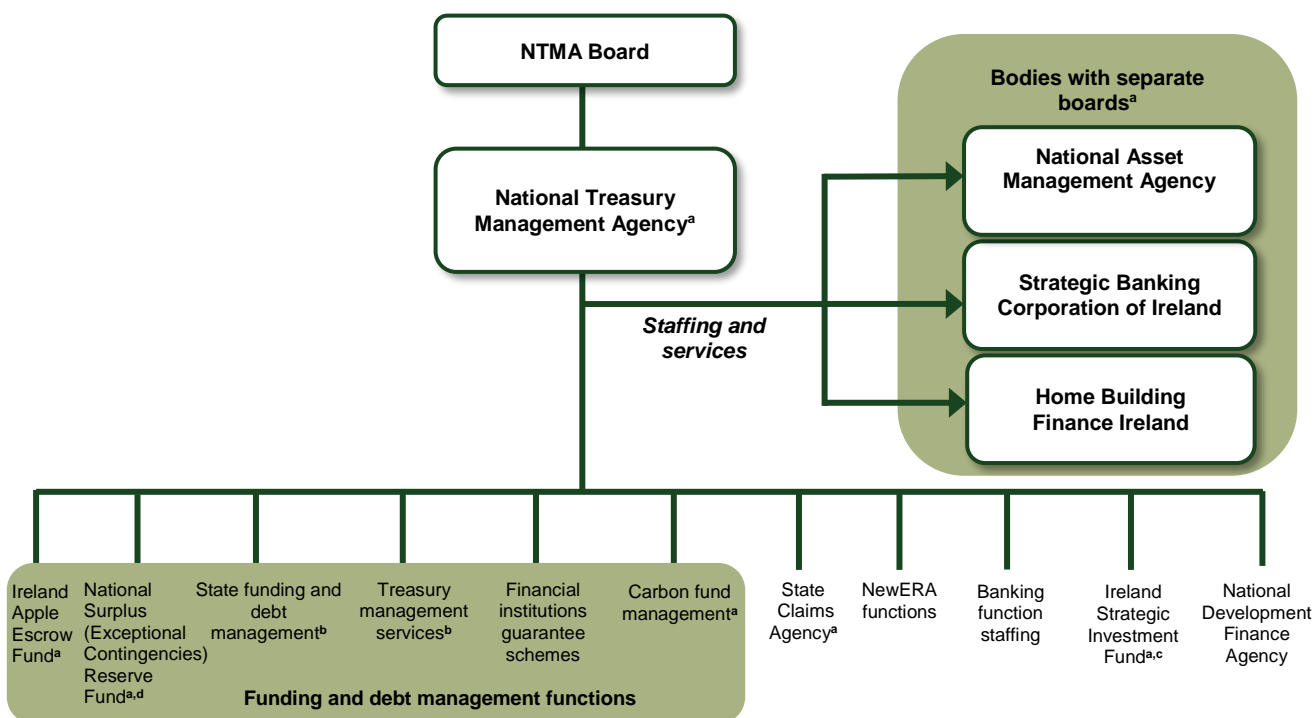
¹ See Chapter 20 *Management of the Clinical Indemnity Scheme* for details on the State Claims Agency's management of that scheme.

² See Chapter 22 *Ireland Apple escrow fund* for details on the establishment of the fund, and on the accounting thereof.

Structure, costs and staffing of the agency

- 21.6 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 21.1). Figure 21.2 summarises the distribution of the NTMA’s costs across the functions.
- 21.7 At the end of 2021, NTMA staff numbers totalled 783 on a whole time equivalent basis. The assignment of staff to the various functions and activities is shown in Figure 21.3.
- 21.8 The NTMA Executive 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 (who is seconded to the Department of Finance).

Figure 21.1 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. At 31 December 2021, there were no assets remaining in the NPRF. The NPRF Commission was dissolved on 31 December 2021. NPRF 2021 accounts were prepared and audited for that period.
 - d €1,500 million was transferred from the National Surplus (Exceptional Contingencies) Reserve Fund to the Central Fund of the Exchequer in October 2020, to allow for public expenditure to mitigate the impact of the Covid-19 pandemic. The Fund has had a nil balance since that transfer was completed.

Figure 21.2 Cost of operations, by business area, 2018 to 2021

	2018	2019	2020	2021
	€m	€m	€m	€m
NTMA business units				
Funding and debt management	12.3	12.3	12.6	12.4
Ireland Strategic Investment Fund	14.5	15.2	16.0	17.2
State Claims Agency	25.0	28.5	28.1	29.2
NewERA	6.1	6.0	5.8	6.1
Banking Unit (Shareholding and Financing Advisory Division, Department of Finance)	3.8	3.9	1.8	2.2
National Development Finance Agency	11.3	12.6	11.3	11.6
Supported bodies				
National Asset Management Agency	40.8	40.7	33.9	30.2
Strategic Banking Corporation of Ireland	5.9	5.9	6.2	6.5
Home Building Finance Ireland ^a	—	5.3	5.0	6.0
Total payments	119.7	130.4	120.7	121.4

Source: National Treasury Management Agency

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

Figure 21.3 NTMA staffing distribution at year-end, 2018 to 2021^a

	2018	2019	2020	2021
NTMA business units				
Funding and debt management	24	23	23	23
Ireland Strategic Investment Fund	42	47	53	59
State Claims Agency	148	156	166	170
NewERA	26	25	26	29
Banking Unit (Shareholding and Financing Advisory Division, Department of Finance)	11	11	9	8
National Development Finance Agency	63	64	67	67
NTMA corporate functions				
Finance, technology and operations	138	133	145	143
Legal, compliance, HR and internal audit	46	43	48	55
Risk	21	20	20	20
Other	9	3	1	1
Supported bodies				
National Asset Management Agency	236	210	174	145
Strategic Banking Corporation of Ireland	17	23	28	32
Home Building Finance Ireland	5	21	27	31
Total	786	779	787	783

Source: National Treasury Management Agency

Note: a Numbers are based on whole time equivalent.

Performance-related pay

- 21.9** The provision for a discretionary performance-related payment is included in the majority of NTMA employee's contracts. The Remuneration Committee of the NTMA is responsible for approval of the overall amount of performance related pay in a year and for the approval of individual proposed awards to members of the Executive Management Team (EMT). Awards of performance-related payments to employees below EMT level are approved by the CEO following a review by a sub-committee of the EMT.
- 21.10** Performance-related payments of €2.22 million were made to 231 employees for 2021, of which €195,000 was paid to six members of the EMT. No performance-related payments were made for 2020. The CEO of the NTMA did not receive a performance-related payment in respect of 2021.

Supported agencies

- 21.11** 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.
- 21.12** Performance-related payments of €511,000 were awarded to NTMA staff members assigned to other agencies for 2021 — NAMA €371,000, SBCI €85,000 and HBFI €55,000. No performance-related payments were made to NTMA staff assigned to supported agencies for 2020.

Banking system functions staffing

- 21.13** 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 2021 in relation to the Banking Unit totalled €2.2 million (2020: €1.8 million).

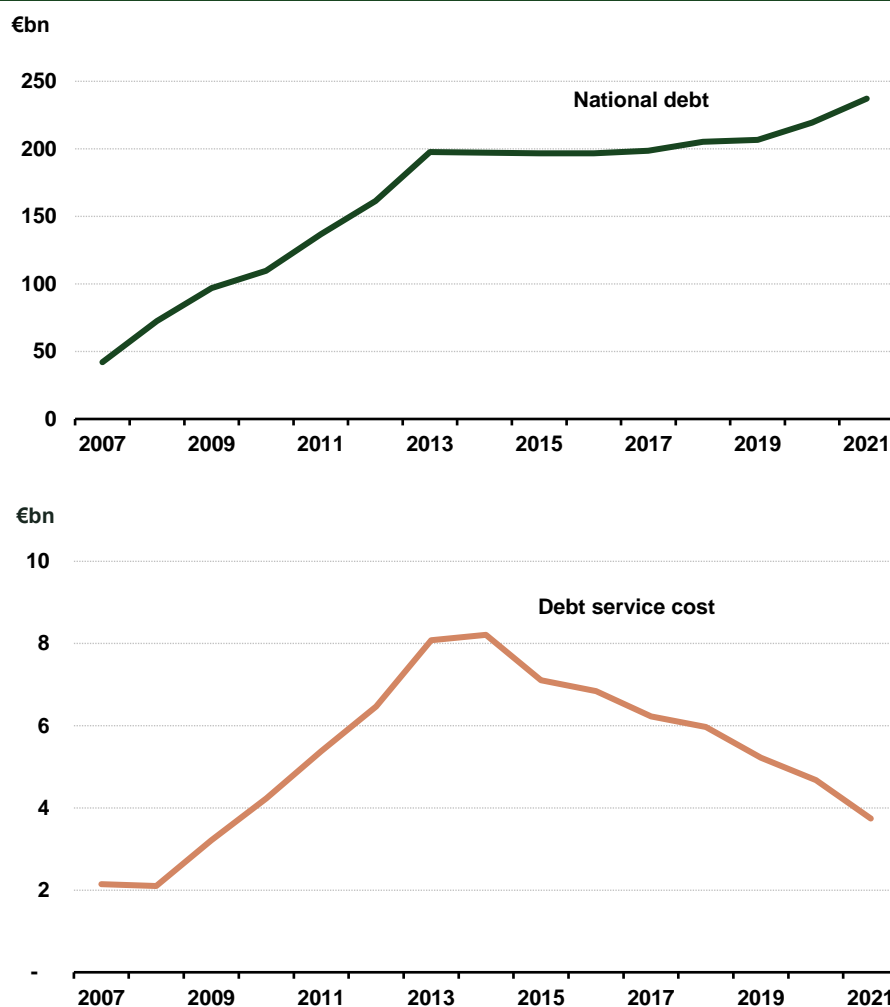
Key NTMA operations in 2021

- 21.14** Key developments in the NTMA's operations in 2021 relate to
- a €17.7 billion (8.1%) increase in the level of the national debt
 - an increase of €1.7 billion in the estimated value of the net assets of the Ireland Strategic Investment Fund
 - disposal of 67 million shares (6.1%) of the State's shareholding in Bank of Ireland
 - continuation of the upward trend in the estimated contingent liability of the claims being managed by the State Claims Agency.

National debt

- 21.15** The NTMA's primary function is to borrow on behalf of the Minister and to manage Ireland's national debt. This is defined in the NTMA Act 1990 as the total debt outstanding for the time being of the Exchequer.¹
- 21.16** At 31 December 2021, the national debt stood at €237,177 million (2020: €219,482 million) (see Figure 21.4). The increase of €17,695 million (or 8.1%) in 2021 was largely attributable to the net additional funding requirements of the State as a result of the ongoing response to the Covid-19 pandemic.
- 21.17** Debt service costs paid in 2021 were €3,745 million and included net interest paid, transaction fees and operating expenses. This was down from €4,676 million in 2020, and represented a continuation of the downward trend occurring since 2014. This relates mainly to the NTMA's re-financing of the debt over a number of years in the context of an international low interest rate environment.

Figure 21.4 National debt and debt service costs, 2007 to 2021



¹ See section 1 of the 1990 Act.

Source: National Treasury Management Agency

21.18 The NTMA initially planned to raise between €16 billion and €20 billion in bond funding during 2021, in line with its debt re-financing objectives. Following the publication, in July 2021, of the Government's Summer Economic Statement, the NTMA revised the funding range to between €18 billion and €20 billion. Over the course of the year, the NTMA completed €18.5 billion of benchmark bond issuance. A further €0.8 billion was issued in non-competitive bond auctions, bringing total bond issuance to €19.3 billion.

21.19 The NTMA held seven bond auctions during 2021, issuing bonds to the value of €10.3 billion. In addition, the NTMA undertook two bond syndications during the year, issuing €5.5 billion of a new 10-year bond and €3.5 billion of a new 20-year bond. The yields associated with the two new bonds issued by way of syndication were in the range of -0.257% to 0.585%.¹

21.20 The NTMA also raised the following during 2021

- €1 billion in other long-term debt issued under the NTMA's Euro Medium Term Note Programme. There were eight fixed-rate private placements with maturities ranging from 65 to 100 years and one 30-year inflation linked bond.
- A €2.5 billion loan was drawn down by the NTMA from the European Commission's temporary Support to Mitigate Unemployment Risks in an Emergency programme (SURE programme). The SURE loan is intended to support member states in dealing with the employment impact of the Covid-19 pandemic.
- A €0.2 billion European Investment Bank loan was drawn down.

21.21 This brought total long-term borrowing in 2021 to €23 billion.

¹ A syndicated bond sale is the issue of a new or existing bond through a syndicate of primary dealers in Irish government bonds. The NTMA currently recognises 14 primary dealers — mostly international financial institutions — which are responsible for market-making and the sale and distribution of Ireland's government bonds to end investors.

Ireland Strategic Investment Fund

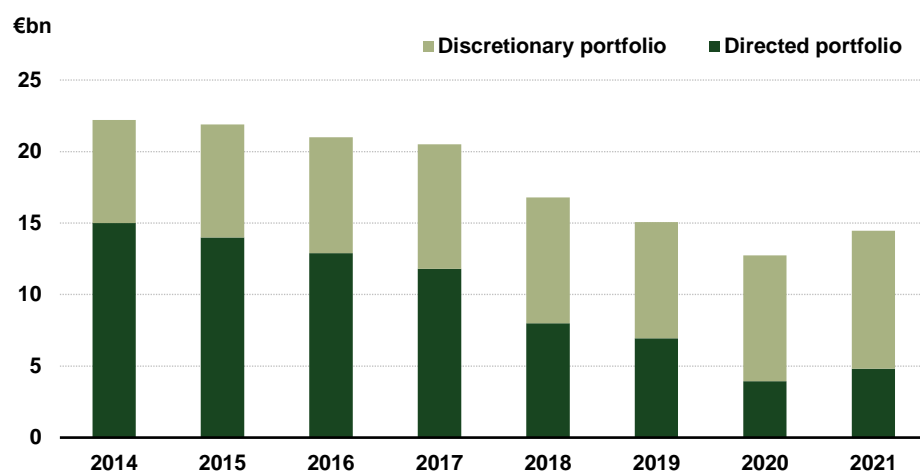
21.22 The Ireland Strategic Investment Fund (ISIF) was established in December 2014, pursuant to the National Treasury Management Agency (Amendment) Act 2014. On its establishment, the assets and liabilities of the National Pension Reserve Fund (NPRF) became assets and liabilities of the ISIF.

21.23 The assets of the ISIF are held in two portfolios.

- The **directed investment portfolio** is subject to directions given by the Minister for Finance.¹ The assets in the portfolio primarily 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 (see below).
- 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.

21.24 At 31 December 2021, the ISIF held net assets of €14.4 billion (2020: €12.7 billion). The net assets comprised €4.8 billion in the directed portfolio, up from €3.9 billion at the end of 2020; and €9.6 billion in the discretionary portfolio, up from €8.8 billion at the end of 2020 (see Figure 21.5).

Figure 21.5 Value of ISIF net assets, 2014 to 2021



Source: Financial Statements of the Ireland Strategic Investment Fund, 2014 to 2021. Analysis by the Office of the Comptroller and Auditor General.

¹ 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, or the disposal of a directed investment.

Directed investment portfolio

21.25 The €900 million increase in the value of the directed portfolio is largely attributable to the improvement in market value of Allied Irish Bank (AIB) and Bank of Ireland (BOI) shares. At end 2021, shares in AIB were valued at €2.084 per share (2020: €1.678 per share) and BOI shares were valued at €4.986 per share (2020: €3.296 per share).

- 21.26** On 23 June and 4 November 2021, the Minister for Finance directed the NTMA to facilitate the sale of part of the State's shareholding in BOI, via a share trading plan and to subsequently transfer the net proceeds of sale to the Exchequer. A total of 67 million BOI shares were disposed of during 2021. Net proceeds of €249 million from the share disposals were transferred to the Exchequer on 10 November 2021. ISIF's direct shareholding in Bank of Ireland had reduced to 7.81% by 31 December 2021 (2020: 13.95%).
- 21.27** On 21 December 2021, the Minister for Finance directed the NTMA to facilitate the sale of part of the State's shareholding in AIB, via a share trading plan over a period of up to six months and to transfer the net proceeds of the sale to the Exchequer.

Pandemic Stabilisation and Recovery Fund

- 21.28** In May 2020, the Minister for Finance instructed the ISIF to make a €2 billion fund available, to be known as the Pandemic Stabilisation and Recovery Fund (PSRF). The PSRF seeks — on a commercial basis — to support 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 is a sub-portfolio of the ISIF's discretionary portfolio and operates within the existing ISIF statutory mandate.
- 21.29** The NTMA has stated that, as the economy transitions from a stabilisation phase to a recovery phase, the particular focus of the PSRF is on regional redevelopment, indigenous businesses, housing, climate change, food and agriculture, and Brexit. It has continued to use the PSRF to support new indirect and existing direct investments including certain investment funds, where the funds' strategies are pandemic related, throughout 2021.
- 21.30** The NTMA has stated that 32 new PSRF investments were approved, comprising cumulative capital of €1 billion. Of this amount, €670 million was committed to 25 separate investments during 2021, with an average investment size of €27 million.

Urban investment programme and new investment strategy

- 21.31** In June 2022, ISIF announced a €500 million investment programme for Ireland's 5 regional cities (Cork, Galway, Limerick, Waterford and Kilkenny). The programme is targeted at new places to work, places to live and the regeneration of regional city centres. The Minister for Finance stated at that time that the flexibility of ISIF's new investment strategy would allow the PSRF, established in response to the pandemic, to be wound down.

State Claims Agency

21.32 The NTMA manages personal injury, including clinical negligence, and third-party property damage claims on behalf of the State and 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 litigation. When performing these functions, the NTMA is known as the State Claims Agency (SCA).

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

21.33 During 2020, the management of certain claims against private healthcare facilities and clinicians was delegated to the SCA. This arose from a temporary arrangement for private hospitals and clinicians to provide facilities and 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. The management of claims against a private sector company assisting with the Covid-19 testing programme was also delegated to the SCA in 2020.

21.34 The SCA has stated that a relatively small number of claims relating to Covid-19 had been received by the end of 2021.

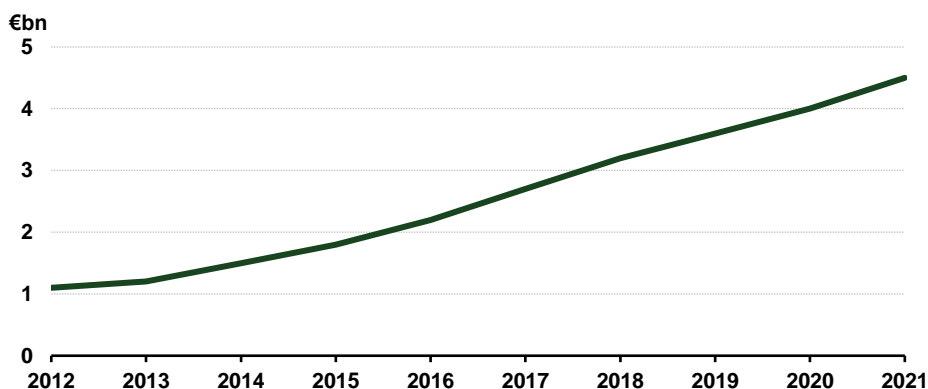
Claim settlement in 2021

21.35 Awards and associated claim costs of the SCA in 2021 amounted to a total of €513 million — an increase of 19% in the year (2020: €430 million).¹ These costs are recoupable from the relevant State authorities availing of the SCA services.

21.36 In addition to the settlement costs, the NTMA incurred €29.2 million (2020: €28.1 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.

21.37 The estimated cost of settling outstanding claims has been steadily increasing.² The estimated outstanding liability at the end of 2021 has been estimated by the SCA at €4.53 billion — over four times the estimated outstanding liability at the end of 2012 (see Figure 21.6).

Figure 21.6 Estimated outstanding claims liability at year end, 2012 to 2021

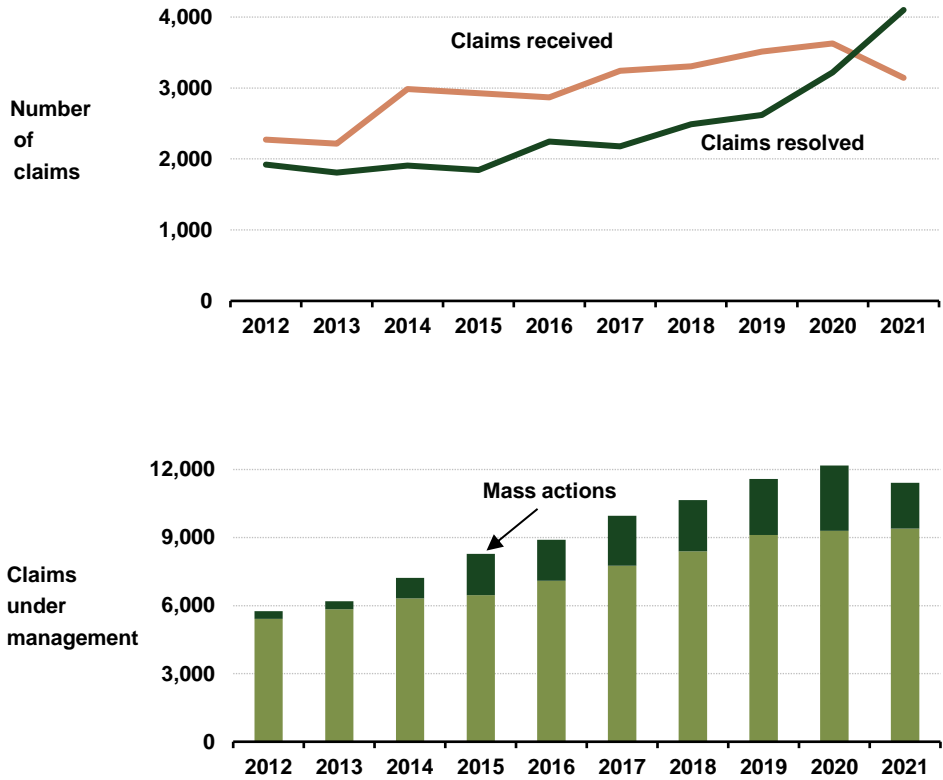


¹ Includes all awards and costs paid under the general and clinical indemnity schemes and all other costs paid by the Legal Costs Unit — including Tribunal costs.

² Of the €4.53 billion outstanding estimated liability at year-end, €562.1 million relates to interim payment orders and 'periodic payment orders'.

21.38 Around 4,100 claims were resolved in 2021 — an increase of 27% over the previous year. The number of claims under management by the SCA at the year-end declined, but nevertheless remains high (see Figure 21.7). At the end of 2021, there were 11,408 claims under management including 2,016 claims in mass actions (general and clinical).

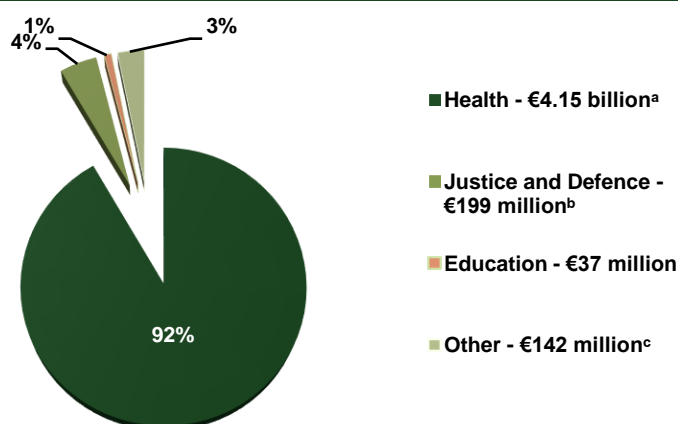
Figure 21.7 Claims received and resolved annually, and claims under management, at year end, 2012 to 2021



Source: National Treasury Management Agency

21.39 Health sector bodies (including the HSE and the Department of Health) accounted for 92% of the estimated outstanding liability at the end of 2021. Two other sectors (Justice and Defence, and Education) accounted for a further 5% (see Figure 21.8).

Figure 21.8 Proportion of estimated outstanding liability for each State authority sector, at end-2021



Source: National Treasury Management Agency

- Notes:
- a The health sector includes the HSE, Department of Health and bodies under its aegis.
 - b Justice and Defence include the Irish Prison Service, An Garda Síochána, Defence Forces and certain others.
 - c Tusla claims included within Other category given that they now sit under the Minister for Children, Equality, Disability, Integration and Youth.

Cervical cancer litigation

- 21.40** At end-2021, the SCA had received notification of 340 claims against the HSE's CervicalCheck programme (end-2020: 234 claims).¹ This includes 68 psychological injury claims from members of the families of the women concerned.
- 21.41** There were 42 CervicalCheck claims concluded during 2021, bringing the total numbers of claims concluded as at end-2021 to 64. Mediation is offered in almost every CervicalCheck case.

Erroneous payments

- 21.42** The NTMA's statement on internal control for the year ended 31 December 2021 discloses that a number of erroneous payments were made during the year to service providers of the SCA. Fifteen erroneous payments occurred, with a combined value of €345,666. The payees returned the payments and no net losses to the Exchequer have arisen.
- 21.43** Some of the business processes used by the SCA in making payments to suppliers are partly manual, and errors in the implementation of checks on those transactions resulted in erroneous payments.
- 21.44** The NTMA has enhanced its controls and procedures to mitigate this business risk in 2020 and 2021 and is working to identify any further required enhancements to the relevant controls and procedures.

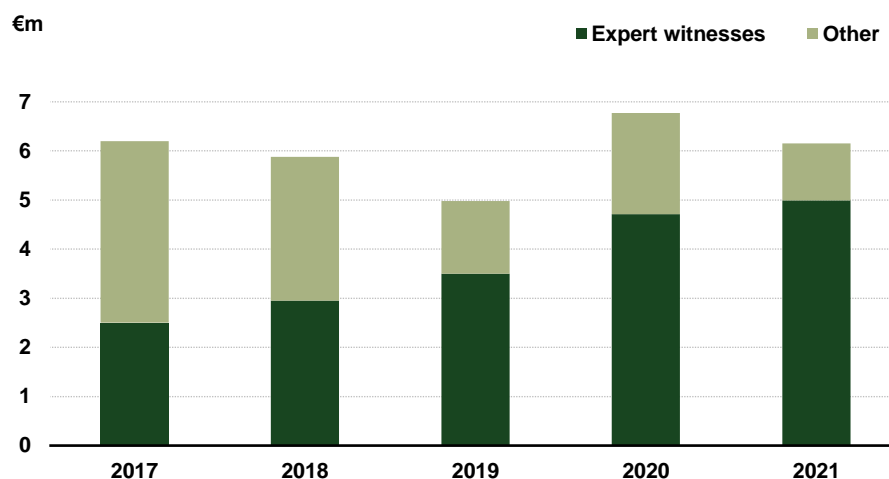
Procurement exceptions and expert witnesses

- 21.45** During 2021, the NTMA made payments with a total value of €6.15 million (ex VAT) (2020: €6.77 million) in respect of goods/services that were the subject of procurement exceptions approved in accordance with the NTMA's Procurement Policy and Procurement Procedure.

¹ A CervicalCheck Tribunal has been in operation since December 2020, as an alternative system to the courts for processing claims arising. It is a matter for the plaintiffs in each case as to whether they wish to bring claims to the Tribunal or pursue them through the courts. Plaintiffs who submit claims to the Tribunal retain a right of appeal to the High Court.

- 21.46** The overall level of non-competitive procurement by the NTMA has remained at a relatively consistent level over the last five years. However, the proportion of expenditure associated with expert witnesses retained by the SCA has increased year-on-year over the same period (see Figure 21.9). Non-competitively procured expert witness costs have increased from 40% of total procurement exceptions in 2017, to 81% in 2021. The SCA's claims portfolio has also increased in size and complexity over that time.
- 21.47** The SCA categorises its expert witnesses in two broad categories — witnesses as to causation and liability (e.g. medical and engineer witnesses), and witnesses as to quantum and fact (e.g. actuarial witnesses). The SCA does not competitively procure witnesses as to causation and liability on the basis that it considered that such a procurement process would be likely to give rise to an added level of litigation risk in relation to the independence of such witnesses.
- 21.48** Expert witness costs of €4.99 million (2020: €4.71 million) were incurred by SCA in 2021. 90% of those costs related to causation and liability witnesses, with the remaining 10% being attributed to quantum and fact witnesses.
- 21.49** A panel of two service providers was procured in 2021 for the provision of actuarial expert witness services. SCA has indicated that it plans to go to tender for certain other expert witness services as to quantum and fact (private investigators and architects) in 2022.

Figure 21.9 NTMA procurement exceptions, 2017 to 2021



Source: Financial Statements of the National Treasury Management Agency, 2017 to 2021. Analysis by the Office of the Comptroller and Auditor General.