

National Treasury Management Agency
Annual Report and Accounts for the year ended
31 December 2013





Gníomhaireacht Bainistíochta an Chisteáin Náisiúnta
National Treasury Management Agency

30 June 2014

Mr Michael Noonan TD
Minister for Finance
Government Buildings
Upper Merrion Street
Dublin 2

Dear Minister

I have the honour to submit to you the Report and Accounts of the National Treasury Management Agency for the year ended 31 December 2013.

John C. Corrigan
Chief Executive



About the NTMA

The National Treasury Management Agency (NTMA) is a State body which operates with a commercial remit to provide asset and liability management services to Government. It has evolved from a single function agency managing the National Debt to a manager of a complex portfolio of public assets and liabilities. Businesses managed by the NTMA include borrowing for the Exchequer and management of the National Debt, the State Claims Agency (SCA), NewERA, the National Pensions Reserve Fund (NPRF) and the National Development Finance Agency (NDFA). The NTMA assigns staff to the National Asset Management Agency (NAMA) and also provides it with business and support services and systems.

Funding and Debt Management

The NTMA is responsible for borrowing on behalf of the Government and managing the National Debt in order to ensure liquidity for the Exchequer and to minimise the interest burden over the medium-term. The Funding and Debt Management Directorate also performs a number of other functions including NAMA and NPRF treasury operations, providing a Central Treasury Service for State bodies and local authorities and managing the assets of the Dormant Accounts Fund.

State Claims Agency

Acting as the State Claims Agency, the NTMA manages personal injury, property damage and clinical negligence claims brought against certain State authorities, including Government ministers and health enterprises. It also has a risk management role, advising and assisting State authorities in minimising their claim exposures. In addition, it deals with third-party costs arising from certain Tribunals of Inquiry.

NewERA

The core role of NewERA involves the oversight of the financial performance, corporate strategy, capital and investment plans of the following commercial State entities - ESB, Ervia (formerly Bord Gáis Éireann), EirGrid, Bord na Móna and Coillte. NewERA's role also involves, where requested, advising on the disposal or restructuring of State assets. In addition, NewERA works with relevant stakeholders to develop proposals for investment in energy, telecommunications, water and forestry to support economic activity and employment.

National Pensions Reserve Fund

The NTMA is Manager of the National Pensions Reserve Fund which was established with the objective of meeting as much as possible of the costs of social welfare and public service pensions from 2025 onwards. The Government has published legislation to establish the Ireland Strategic Investment Fund which will fully absorb the NPRF and have a statutory mandate to invest on a commercial basis in a manner designed to support economic activity and employment in Ireland.

National Development Finance Agency

The National Development Finance Agency is the statutory financial advisor to State authorities in respect of all public investment projects with a capital value over €20 million. It also has full responsibility for the procurement and delivery of Public Private Partnership (PPP) projects in sectors other than transport and the local authorities.

National Asset Management Agency

The National Asset Management Agency was established in 2009 as one of a number of initiatives taken by the Government to address the serious crisis in Irish banking which had developed as a result of excessive lending to the property sector. It has acquired certain loan assets (land and development and associated loans) with a nominal value of €74.2 billion for a consideration of €31.8 billion paid in the form of Government-guaranteed securities issued directly to the institutions. NAMA's mandate is to manage acquired assets to obtain the best achievable financial return for the State.

Further information on the NTMA is available at www.ntma.ie.



NTMA

Report & Accounts

For the year ended 31 December 2013

Contents

Chief Executive's Review	4
Executive and Advisory Committee	6
Funding and Debt Management	8
State Claims Agency	20
NewERA	27
National Pensions Reserve Fund	30
National Development Finance Agency	33
National Asset Management Agency	35
Governance	36
Financial Statements	41

Chief Executive's Review



2013 was a very significant year for Ireland and the NTMA as we emerged successfully and on schedule from the EU/IMF programme and, in the first half of 2014, have returned to participating normally in the sovereign debt markets. Our successful exit was based on a number of factors – both domestic

and international – including the Government's steadfast delivery on its programme commitments, the February 2013 promissory note transaction, the extension of the maturities on the European portion of our programme loans, and the interventions by the ECB to calm the wider euro crisis.

The success of the ECB in calming the euro crisis since July 2012 has seen an increased investor appetite for riskier assets generally and Irish Government bonds have been a major beneficiary of this trend. Irish bond yields are now at record lows – a sharp contrast with the situation just three years ago when the yield on our two-year bond peaked at over 22 per cent and 10-year yields peaked at over 14 per cent. The NTMA has taken advantage of these benign market conditions and to date has completed over 80 per cent of its €8 billion funding target for 2014. Most importantly we have turned from the opportunistic and syndicated issuance through which we first returned to the markets to a series of scheduled bond auctions – the final step in gaining what would be regarded as normal market access.

More favourable market conditions have also assisted NAMA greatly in its programme of disposal of loans and property assets which it acquired from the banks in 2009 and 2010. NAMA has met its first debt repayment milestone – the repayment of €7.5 billion or 25 per cent of its senior debt by end-2013 and expects to redeem 50 per cent of its senior debt by end-2014. The NAMA bonds are a contingent liability of the State and NAMA's work in removing that contingent liability in a progressive, but commercially astute, manner has been an important factor in restoring our market credibility. Although our debt dynamics have improved dramatically over the last few years, risks to debt sustainability still represent a significant exposure for the economy. This factor is recognised in the draft National Risk Assessment published by the Government in April 2014 which notes that Ireland's debt/GDP ratio remains high by historical standards and further consolidation is needed in coming years to put the debt ratio firmly on a downward path.

While I have focused particularly on debt management in my comments in this annual report and in its counterparts over the last few years, debt management is but one of the asset and liability management functions performed by the NTMA. This focus is, of

course, a result of the extraordinary situation in which Ireland has found itself through our entry into an EU/IMF programme and our subsequent efforts to exit that programme. Indeed, much of the specialist language of the bond markets has become daily currency in the news over the last few years in a way that none of us working in the area could ever have envisaged. One of the signals of the complete normalisation of our debt management activities is that our bond auctions are no longer deemed newsworthy events and generate no more than a few lines in the business pages. There are encouraging signs in recent months that we are returning to that normality.

A further sign of a return to a normal capital market environment was the successful financial close in April 2014 of the N17/N18 (Gort to Tuam) road PPP project – the first PPP deal to include institutional investor debt funding since the onset of the financial crisis. The NDFA, another part of the NTMA family, was financial adviser on the project. Building renewed investor confidence and interest in Ireland's PPP programme has been a major strategic objective for the NDFA over the last two years and it has undertaken an active investor engagement programme to that end.

I have already mentioned NAMA – to which the NTMA assigns staff and provides business and support services. However, this is but one of a number of new functions the NTMA has been asked to perform in recent years. The NTMA (Amendment) Bill 2014, currently before the Oireachtas, provides for the putting of these other new functions on a statutory basis. These are our NewERA functions; the conversion of the National Pensions Reserve Fund into the Ireland Strategic Investment Fund (ISIF) with a mandate to invest on a commercial basis in a manner designed to support economic activity and employment in Ireland; and the State Claims Agency's legal costs accounting function to deal with third-party costs arising from certain Tribunals of Inquiry.

The NTMA has already made considerable progress on these functions.

The NewERA Unit is up and running since September 2011 taking a commercial approach to the oversight of the semi-State companies with an emphasis on return on capital and providing a dedicated source of corporate finance expertise to Government. To this end it has developed a Shareholders' Expectations Framework intended to aid in establishing clarity and alignment of objectives of the shareholder and the relevant commercial State entity. It has also provided advice and project management services to the Government in relation to the sale of BGE's energy business with an enterprise value of up to €1.1 billion.

The NTMA has been working to develop a pipeline of potential investments for the ISIF. A number of these have been concluded and as a result, the NPRF now has some €1.3 billion invested or committed to areas of strategic importance to the Irish economy including infrastructure, venture capital and long-term financing for SMEs. A draft ISIF business plan has been brought to an advanced stage in anticipation of the legislation. This draft business plan is based on an Economic Impact Framework developed by the NTMA which seeks to identify areas for investment with a higher potential economic and employment impact as well as categories of investment that would be expected to assist and accelerate normalisation of capital markets in Ireland following the financial crisis. Indeed, one of the potential advantages of the ISIF is that it is in a position to provide equity finance and thus reduce the disproportionate reliance of Irish businesses on bank credit as a source of finance.

The Legal Costs Unit became operational in February 2013 and seeks to resolve bills of costs by way of negotiation and, where necessary, through the taxation of costs system, in an effort to deliver significant savings to the Exchequer. It has secured savings of 47 per cent on the €6.4 million of legal expense claims from the Mahon and Moriarty tribunals it has negotiated and agreed since it became operational.

The NTMA (Amendment) Bill also provides for the establishment – based on proposals put forward by the NTMA – of an overarching NTMA Board to oversee all of the NTMA's functions, other than NAMA which will continue to have its own separate governance structure, and which will replace the various boards and committees currently in place.

This new governance structure is a very significant development in terms of the role the NTMA will play in post-crisis Ireland. Across the NTMA's functions – in particular, its ISIF, NewERA and NDFA functions there is an implicit “invest in Ireland” objective.

By replacing separate boards that have distinct and narrowly defined mandates with one overarching board, the new governance structure will allow the NTMA work in a more integrated manner and take a strategic view across our mandates towards the achievement of that objective.

The past few years have presented a major challenge to the NTMA as we have sought to re-establish Ireland's presence in the sovereign debt markets and, from a standing start, to establish NAMA as a fully operational entity with a €32 billion balance sheet and a staffing complement of over 300 people. We were also asked to establish a banking unit to manage the State's interest and holdings in the financial institutions and which has been on secondment to the Department of Finance since August 2011. In 2013 this unit was involved in the sale of Irish Life for €1.3 billion, the sale of €1 billion of Bank of Ireland contingent convertible notes, the sale of Bank of Ireland preference shares for €2 billion (including accrued interest), the IBRC Special Liquidation and the promissory note transaction.

I am proud of the role the NTMA has played in meeting the challenges over these last few very demanding years and I would like to thank our staff across all our business units and corporate functions for the energy and commitment they have shown. The challenges facing us in the medium term in delivering on the new mandates which Government has assigned to us are of a different order as we move from crisis to recovery. I believe the NTMA business model, designed to perform commercial and market facing functions while being funded from the Exchequer, has served us well in delivering on the additional functions that have been assigned to us to date and will continue to serve us well as we seek to recruit and retain the specialist skills necessary to the successful performance of these new mandates.

Finally, while I have talked of the advantages to the NTMA of reporting to one overarching board, this is not in any way to seek to diminish the contribution made by the members of the various boards and committees under our current governance structures. I would, therefore, like to take this opportunity to thank the members of the NTMA Advisory Committee, the State Claims Agency Policy Committee, the NPRF Commission, the NDFA Board and the various sub-committees of these bodies for giving so generously of their time and for their hard work, counsel and support.

John Corrigan
Chief Executive

Executive and Advisory Committee

Senior Management Team

(as of 30 June 2014)



John Corrigan
Chief Executive



Ian Black
Director, Finance,
Technology and Risk



Ciarán Breen
Director, State Claims
Agency



Sinéad Brennan
Head of Human
Resources



Des Carville
Head of Banking
(on secondment
to Department of
Finance)



Eileen Fitzpatrick
Director, NewERA



**Brendan
McDonagh**
Director, NTMA
and Chief
Executive, National
Asset Management
Agency



Brian Murphy
Director, NTMA and
Chief Executive,
National Development
Finance Agency



Eugene O'Callaghan
Director, National
Pensions Reserve Fund



**Andrew
O'Flanagan**
Chief Legal Officer



Oliver Whelan
Director, Funding and
Debt Management

Our Mission and Values

The NTMA has formulated a mission statement to encapsulate the central purpose of the organisation across its business areas and a set of core values to guide staff behaviour and decision-making.

Mission Statement

To manage public assets and liabilities commercially and prudently.

Core Values

We act commercially while fulfilling our public service responsibilities.

We act with honesty and integrity.

We are results focused and are each accountable for the work we do.

We are adaptable and proactive.

We value our people and treat each other with dignity and respect.

Advisory Committee

(as of 30 June 2014)



Willie Walsh – Chairperson

Willie Walsh is Chief Executive of International Airlines Group (IAG), the parent company of British Airways, Iberia and Vueling. Previously he was Chief Executive at British Airways and Aer Lingus. He is president of the London Chamber of Commerce and Industry.



Brendan McDonagh

Brendan McDonagh is Chairman and Chief Executive Officer of the Bank of N.T. Butterfield & Son Limited, Hamilton, Bermuda. He is a former CEO of HSBC North America Holdings Inc with responsibility for the Group's banking and consumer finance operations in the US and Canada. He was also Group Managing Director for HSBC Holdings Inc and a member of the HSBC Group Management Board.



John Moran

John Moran is Secretary General of the Department of Finance. Previously he served as Second Secretary General at the Department of Finance where he was Head of Banking and responsible for all banking policy matters, management of the State's shareholding in banks and reform and reorganisation of the Irish banking sector. Formerly, he was Head of Wholesale Bank Supervision in the Central Bank of Ireland and worked with Zurich Capital Markets, McCann FitzGerald, GE Capital Aviation Services, GPA Group and Sullivan & Cromwell.



Tytti Noras

Tytti Noras is co-chair of the Working Group on Governance of the European Investment Bank. She was previously Legal Counsellor, Financial Markets Department, Ministry of Finance, Finland, a member of the Board of Directors of the European Investment Bank and a member of the Board of Directors of the European Investment Fund.



Donald C Roth

Donald C Roth is former Managing Partner of EMP Global LLC and former Vice President and Treasurer of the World Bank.

State Claims Agency

The NTMA is designated as the State Claims Agency (SCA) when performing the claims management and risk management functions delegated to it under the *National Treasury Management Agency (Amendment) Act 2000*.

The SCA's principal objectives are:

- To ensure that the State's liabilities in relation to personal injury and property damage claims, and the expenses of the SCA in relation to their management, are contained at the lowest achievable level; and
- To implement targeted personal injury and property damage risk work programmes to mitigate litigation risk, in State authorities and healthcare enterprises, in order to reduce the costs of future litigation against the State.

The SCA's remit covers personal injury and third-party property damage risks and claims relating to certain State authorities including the State itself, Government ministers, the Attorney General, healthcare enterprises, the Commissioner of An Garda Síochána, prison governors, community and comprehensive schools and various other bodies.

In October 2013 the Government delegated to the SCA the management of personal injury claims concerning the ingestion of the medicinal products, Celvepan and Pandemrix. In April 2014 the SCA's remit was further extended with the delegation to it by Government of the management of personal injury and third-party property damage claims in respect of an additional 61 public bodies, bringing the total number within the SCA's remit from 56 to 117.

Claims Management

The SCA's claims management objective is that claims should be managed so as to ensure the State's liability is contained at the lowest achievable level. This has the following practical implications:

- In cases where the State is considered liable or which involve an apportionment of liability, the SCA's approach is to settle such claims expeditiously, in so far as it is possible to do so and on fair and reasonable terms; and
- In cases where liability is fully disputed by the State, all necessary resources are applied in the defence of such claims.

The SCA manages claims from their initial notification through to final resolution. Claims are investigated in a thorough and timely fashion in order to facilitate early decision-making in relation to liability and strategy.

In 2013 the SCA resolved 1,861 claims at a cost of €80.6 million and received 2,242 new claims. At end 2013 the SCA had 6,188 claims under management, an increase of 7.5 per cent from a year earlier. The estimated liability against all active claims was €1.2 billion, broken down as follows:

Active Claims at End 2013		
	Claims	Estimated Outstanding Liability €m
Personal injury (clinical)	3,061	1,037
Personal injury (non-clinical) and third-party property damage	3,127	186.7
Total	6,188	1,223.7

Source: NTMA

Personal Injury (Clinical) Claims

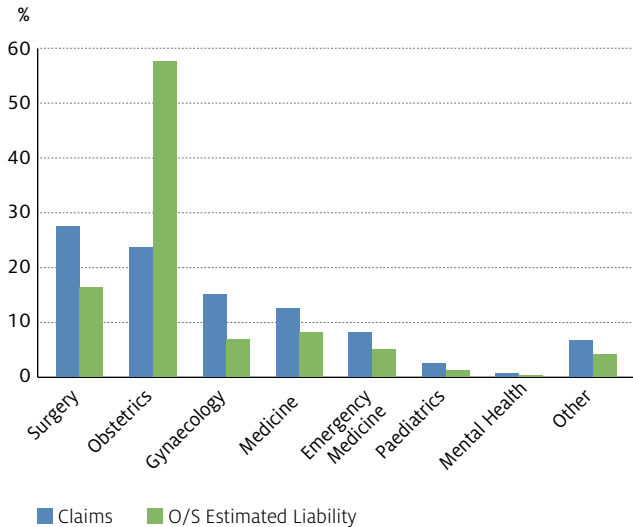
Clinical claims are managed under a number of separate schemes managed by the SCA. Under the main scheme – the Clinical Indemnity Scheme – the State has assumed responsibility for the indemnification and management of clinical negligence claims arising from the diagnosis, treatment and care of patients in public healthcare enterprises.

The SCA resolved 419 personal injury (clinical) claims during 2013 at a cost of €63 million.

The SCA achieved significant savings in the management of personal injury (clinical) claims in 2013. An independent actuarial assessment projected that €154 million would be required in 2013 to cover both the cost of resolving claims and managing ongoing active claims. The net cost, taking account of successful recoveries from third parties, was €119.7 million – a saving of €34.3 million or 22 per cent.

The SCA received 783 new claims in 2013. Surgery and obstetrics-related claims together accounted for approximately half of all new claims and three quarters of the estimated liability of all new claims due to the high values associated with obstetric-related claims.

Clinical claims received in 2013 - by speciality



Source: NTMA

At end 2013 the SCA had 3,061 clinical claims under management, with an estimated liability of €1 billion, compared with 2,652 active claims at end 2012.

This increase reflects a large number of claims relating to the Lourdes Hospital Payment Scheme and symphysiotomies in 2013.

Lourdes Hospital Payment Scheme

In July 2013 the Government approved the establishment of a new Scheme to compensate former patients of Dr Neary (Consultant Obstetrician) who underwent unnecessary bilateral oophorectomies in Our Lady of Lourdes Hospital, Drogheda. In order to qualify for redress the applicants must have undergone a bilateral oophorectomy, or the removal of a remaining single functioning ovary, performed when they were aged 40 years or over. The operation must also have rendered the applicant immediately menopausal and must have been medically unwarranted. The State Claims Agency was requested by the Minister for Health to draft and administer the Scheme.

One hundred applications were received by the SCA which has made 40 awards to date. Thirty-two applications were turned down as the applicants did not fulfil the eligibility criteria and five were withdrawn. Twenty-three further applications are outstanding, pending the submission of supporting documentation. Awards of redress of €60,000 - €100,000 were made to successful applicants. Legal and/or applications costs were paid to a number of successful applicants. These payments averaged €3,500 per applicant. A number of applicants chose not to seek legal advice and assistance was provided to these applicants by a SCA solicitor. It is expected that the Scheme will be concluded by end summer 2014.

Symphysiotomy Cases

Approximately 200 women have made claims against hospitals/ maternity units seeking damages in respect of symphysiotomy operations carried out between 1945 and 1982. A symphysiotomy is a surgical operation, typically carried out by obstetricians, to enlarge the size of a mother's pelvis in order to facilitate childbirth in cases of minor obstruction. The women's claims allege that the symphysiotomies were wrongfully carried out and/or were carried out without proper consent and have led to long-term side effects. Currently, the SCA is managing approximately 111 symphysiotomy claims.

Cost of Claims Resolved

The average cost of personal injury (clinical) claims resolved in 2013 (including awards/settlements and related legal and other costs) was €154,000 compared with €56,000 in 2009. This increase is mainly due to the fact that claims affecting 2,500 consultants, which previously would have been handled by medical defence organisations, were admitted by the Minister for Health to the SCA's Clinical Indemnity Scheme from February 2004. Inevitably, this has resulted in a significant increase in the number and severity of claims. In obstetric cases, particularly those involving brain injury to infants, there is typically a period of five to seven years between the date of the adverse event which gives rise to a claim and the date of resolution of the claim.

An additional factor in the higher average cost per claim was the High Court decision, in a 2009 precedent case, to increase by 38.5 per cent the level of general damages in catastrophic injuries cases from €325,000 to €450,000. Legal fee costs have increased in conjunction with award/settlement costs. The table overleaf reflects costs relating to the Clinical Indemnity Scheme (CIS) only.

Cost of CIS claims resolved 2009–2013

Cost Element	2009 €000	2010 €000	2011 €000	2012 €000	2013 €000
Cost for all claims resolved					
Awards/settlements	13,150	30,161	36,630	35,630	36,430
Legal fees - SCA	4,570	7,710	8,610	9,270	9,060
Legal fees - plaintiff	4,600	11,070	14,250	13,530	15,480
Other	380	880	1,030	1,010	1,170
Total	22,700	49,821	60,520	59,440	62,140

Average cost per claim resolved

Awards/settlements	33	68	87	87	90
Legal fees - SCA	11	17	20	23	22
Legal fees - plaintiff	11	25	34	33	38
Other	1	2	2	2	3
Total	56	113	143	145	154

Figures may not total due to rounding.
Source: NTMA

How Claims are Resolved

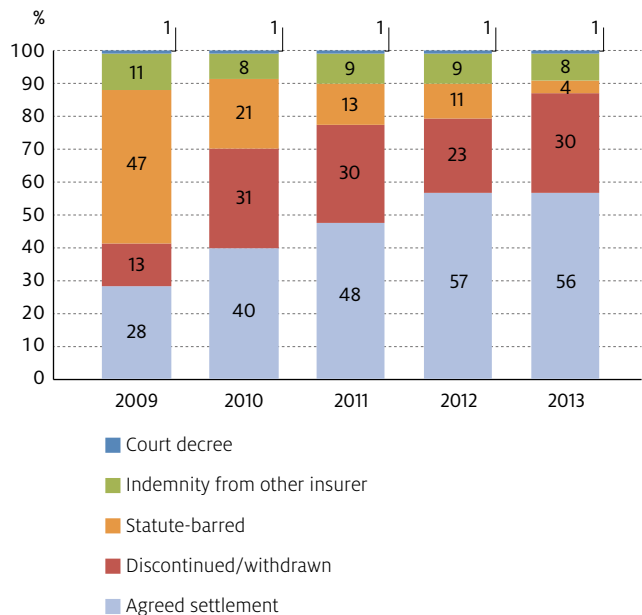
In cases where the SCA investigation concludes that the relevant State authority bears some or all liability, it seeks to settle claims expeditiously on fair and reasonable terms. If it considers that the State is not liable, the SCA’s policy is to apply all necessary resources to defend the claims.

The SCA resolves the majority of cases by negotiating a settlement, either directly with the plaintiff’s legal team or through a process of mediation: fewer than 3 per cent of clinical negligence cases handled by the SCA result in a contested court hearing.

The SCA advocates mediation as a preferable alternative to the adversarial courts system for resolving clinical negligence cases. In 2013 the SCA settled 19 clinical negligence cases by mediation, representing a three-fold increase on the prior year.

As the portfolio of clinical claims matures year on year, the number of agreed settlements as a proportion of the total is expected to continue to rise as it has done between 2009 and 2013.

How CIS claims were resolved 2009 to 2013



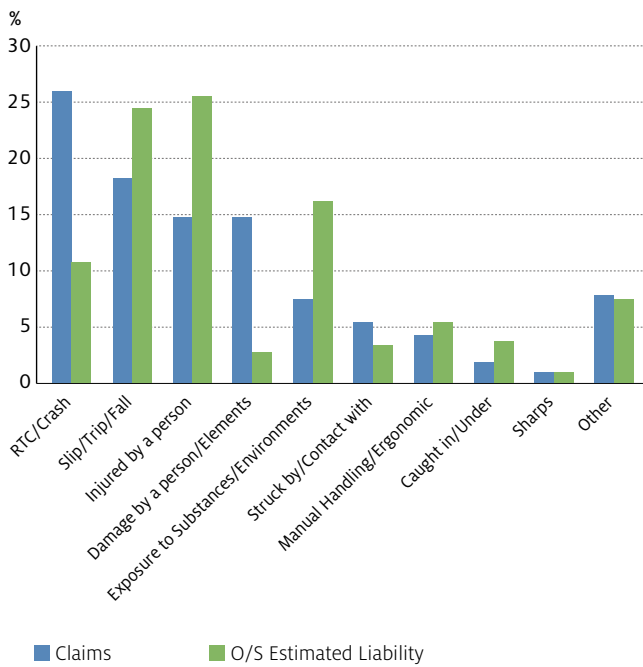
Figures may not total due to rounding.
Source: NTMA

Personal Injury (Non-Clinical) and Third-Party Property Damage Claims

The SCA resolved 1,442 personal injury (non-clinical) and third-party property damage claims during 2013 at a cost of €18 million.

The SCA received 1,459 new claims in 2013, the primary causes of which were road traffic accidents; slips, trips and falls; and injuries caused by a person. These categories together accounted for some 60 per cent of new claims received and a similar proportion of the estimated liability of all new claims.

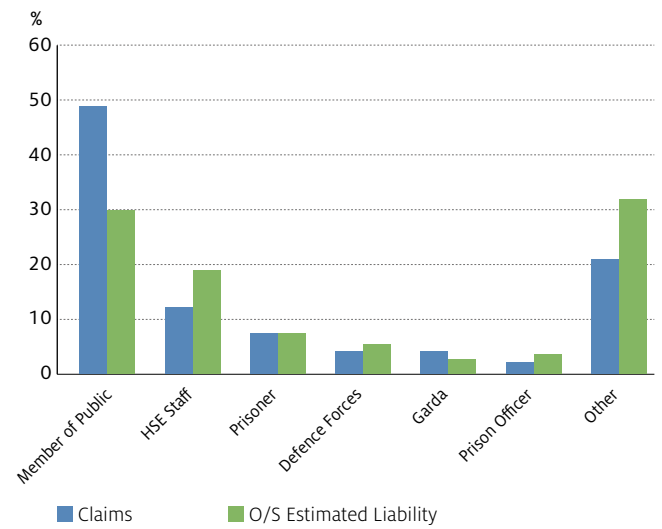
Personal Injury (non-clinical) and third-party property damage claims received in 2013 – by category of primary cause



Source: NTMA

Claims by members of the public constitute the largest public liability category. Claims by HSE staff constitute the largest employer liability category.

Personal Injury (non-clinical) and third party property damage claims received in 2013 – by category of injured person



Source: NTMA

At end 2013 the SCA had 3,127 claims under management, with an estimated liability of €186.7 million. The level of claims under management has remained broadly stable since 2011.

Cost of Claims Resolved

There was an increase in the average cost per claim in 2013 relative to previous years due to the effect of the maturing of HSE claims which were delegated to the SCA in 2010 (see table overleaf). A number of high value HSE claims were resolved in 2013.

Cost of Personal Injury (non-clinical) and third-party damage claims resolved 2009–2013

Cost Element	2009 €000	2010 €000	2011 €000	2012 €000	2013 €000
Cost for all claims resolved					
Awards/settlements	8,136	7,225	5,972	6,634	10,526
Legal fees - SCA	1,632	1,838	1,537	1,597	2,510
Legal fees - plaintiff	2,713	2,960	2,456	2,304	3,883
Other	483	522	476	473	778
Total	12,964	12,545	10,441	11,008	17,697

Average cost per claim resolved

Awards/settlements	7	5	5	4	7
Legal fees - SCA	1	1	1	1	2
Legal fees - plaintiff	2	2	2	2	3
Other	0	0	0	0	1
Total	10	10	9	7	12

Figures may not total due to rounding.
Source: NTMA

Voluntary Hospitals move to State Indemnity

As of April 2014 the Voluntary Hospitals' Group (VHG) no longer purchases commercial insurance to cover its employer liability, public liability and property damage exposures. Instead, these claims are managed by the SCA on a "pay-as-you-go" basis, in keeping with Government policy of achieving Exchequer savings by self-funding these claims instead of paying insurance premiums.

The cost of VHG claims in the short term is expected to be minimal, mirroring the experience of the HSE following its move to State indemnity cover in 2010/2011. Between 2010 and 2013 the HSE would have paid premiums of circa €84 million but actual claims in the same period have amounted to just €10.8 million, representing cash flow savings of approximately €73 million. Based on the HSE's current profile of its claims liability over the next decade, a saving of at least €30 million is expected to be achieved for the State from the management of those claims by the SCA.

It is estimated that the move to State indemnity by the VHG will provide an immediate cash flow saving of €4 million to the State and as the claims portfolio matures a saving of €2 million per year thereafter.

Cost Saving Initiatives

The level of legal costs paid to plaintiffs' legal representatives is carefully examined and, wherever possible and by means of negotiations, the SCA seeks to achieve the maximum possible reduction in legal costs. If the SCA cannot successfully agree the level of legal costs to be paid to plaintiffs' legal representatives, the matter is determined by a Taxing Master.

Negotiated Legal Cost Savings

	2011	2012	2013
Total negotiated savings	€6.9m	€7.9m	€8.3m

Source: NTMA

The SCA vigorously pursues all available money recoveries in accordance with best claim practices and as permitted by law. One such example is the recovery of monies by means of third party/co-defendant contributions. Whether by adjudication of the court or agreement with the third party/co-defendant, a specified percentage contribution in relation to a particular claim may be paid by the third party/co-defendant to the SCA. Additionally, in certain cases, an indemnity in full may be received from a third party/co-defendant.

Recoveries			
	2011	2012	2013
Total recoveries	€15.2m	€3.9m	€1.7m

Source: NTMA

The State Claims Agency, in an initiative designed to reduce barristers' fees, invited barristers to tender competitively for their services in 2012. This tender competition follows the success of a similar initiative by the SCA in 2011 which reduced the costs of fees paid to solicitors by some 25 per cent.

Some 1,000 individual tenders were received across six panels and twelve Circuits countrywide, in response to the tender competition. The new barristers' panels were put in place in January 2013 and are expected to yield legal costs savings in excess of 25 per cent, on an annual basis.

Legal Costs Unit

In 2012 the Government decided to establish a Legal Costs Unit (LCU) within the State Claims Agency to deal with third-party costs arising from certain Tribunals of Inquiry. Pending the enactment of the NTMA Amendment Bill 2014, the LCU has been established on an administrative basis to consider and adjudicate on bills of costs presented for payment by third parties who were awarded their costs by the Mahon and Moriarty Tribunals.

Approximately 220 costs orders have been made in respect of the Mahon Tribunal. The LCU received 104 costs claims to end May 2014 with a total value of €8.53 million. Seventy-three of these claims amounting to €3.53 million have been negotiated and agreed at €1.96 million without the necessity for taxation, representing a saving of approximately 44 per cent.

A further 125 costs orders have been made in respect of the Moriarty Tribunal. The LCU received 27 costs claims to end May 2014 with a total value of €8.55 million. Twenty-four of these claims amounting to €2.86 million have been negotiated and agreed at €1.41 million without the necessity for taxation, representing a saving of approximately 50 per cent.

The Legal Costs Unit continues its robust approach to the management and resolution of bills of costs by way of negotiation and, where necessary, through the taxation of costs system, in an effort to deliver significant savings to the Exchequer.

Risk Management

The "risk universe" indemnified by the State and managed by the SCA is extensive. For example, it includes over 200,000 State employees and all public healthcare service users (public healthcare has approximately 7 million contacts with members of the public per annum). It also includes public services that, by their nature, constitute higher risk activities such as the provision of clinical care in hospitals, Defence Forces personnel on operations overseas, members of An Garda Síochána on operational duty, customs inspections, emergency response services and custody of prisoners.

The SCA's risk management objective, and statutory duty, is to advise and assist State authorities and healthcare enterprises on measures to be taken to prevent the occurrence, or to reduce the incidence, of acts or omissions that may give rise to personal injury, property damage or medical negligence adverse events that could subsequently result in claims. The SCA's clinical risk management programme focuses on collaboration with risk managers and other personnel in healthcare enterprises to support patient safety. The personal injury and property damage risk management programme focuses on providing advice and support to State authorities and healthcare enterprises within its remit in relation to risk management structures, maintenance of buildings, fire safety, health and safety and environmental management.

Specifically, the SCA provides a range of practical risk management services and advice to include:

- The hosting of the National Adverse Events Management System (NAEMS), a web-based database which facilitates direct reporting of adverse events by State authorities and healthcare enterprises;
- The analysis of adverse events and claims data and the provision of this analysis to State authorities and healthcare enterprises in order to identify risk clusters;
- Publication of risk management guidance and the provision of practical risk management tools;
- The provision of information and training by means of seminars and publications, including the SCA website and newsletters;
- The provision of risk management solutions directly to State authorities and healthcare enterprises in respect of specific risk issues;
- Carrying out risk management reviews and assisting with the development and implementation of State authorities' risk management policies and procedures;

- Supporting the implementation of SCA's recommendations issued to State authorities; and
- The provision of insurance, indemnity and liability advices to State authorities and healthcare enterprises.

Each year, the SCA carries out litigation risk management work programmes in association with client State authorities and healthcare enterprises. Some significant risk management projects undertaken during 2013 are summarised below.

Open Disclosure

The SCA, in conjunction with the HSE, piloted a significant Open Disclosure project in two major acute hospitals. This is a patient-focused project which seeks to establish an open and consistent approach to communicating with patients and their families when things go wrong in healthcare. It includes expressing regret for what has happened and keeping the patient informed. It also provides feedback on investigations and the steps taken to prevent a recurrence of the adverse event.

Following widespread consultation, the National Policy and Guidelines on Open Disclosure were published by the Minister for Health at a national launch on 12 November 2013 at Farmleigh House.

Open Disclosure has now been rolled out to 47 healthcare enterprises countrywide. E-Learning training is being developed for publication on the HSE intranet and formal external evaluation of the pilot project has commenced.

Visitor Safety in the Countryside Group

The SCA and a number of State bodies responsible for the management of national monuments, parks, historic houses, recreation sites and inland navigable waterways across the island of Ireland, as well as for policy development, have joined forces in a new initiative to improve the safety of visitors to their sites. The bodies have become members of the Visitor Safety in the Countryside Group, now a cross-border and UK organisation which aims to enhance safe access to the countryside and hundreds of sites across the country in ways that do not spoil the landscape and heritage or lessen visitors' sense of exploration and adventure.

National Adverse Events Management System

All State authorities and healthcare enterprises within the SCA's remit are legally obliged to report all adverse events that have occurred to the SCA. To facilitate this, all adverse personal injury, clinical and third party property damage adverse events can be reported by means of the web-based National Adverse Events Management System (NAEMS) which is hosted by the SCA for the benefit of State authorities and healthcare enterprises under its remit. NAEMS is the primary recording and management system for all adverse events that occur throughout the public healthcare system.

The NAEMS database provides key information at national and local level to assist in identifying and managing personal injury, clinical and third-party property damage risks. It helps the SCA to identify and analyse developing adverse trends and patterns and assists with claims investigation and management. It is also used by the SCA's actuaries to calculate the current and future monetary liabilities of the various claims schemes. State authorities and healthcare enterprises with access to the NAEMS web portal use the system to identify clusters of adverse events and perform root-cause analysis at a local level.

The NAEMS underpinned the establishment of the SCA and its various indemnity schemes and provided a national clinical adverse event reporting and management system that was the first of its kind in Europe.

The SCA, in conjunction with the Department of Health, HSE, voluntary health enterprises, Irish Prison Service (IPS), Defence Forces, An Garda Síochána and other key stakeholders commenced a project in 2013 to significantly upgrade NAEMS.

The upgraded system will provide the SCA with an enhanced claims management system and all of the SCA's client authorities and health enterprises with a "state of the art" end-to-end adverse event management system. The system has powerful data reporting and analytical tools that will allow for initial incident reporting, capture of investigation recommendations and their assignment and tracking to close. It will provide a national, standardised and cost effective solution across the State bodies to enable them to report and manage adverse events.

The project went live for 117 of the 119 State authorities within the SCA's remit in June 2014. The roll-out to healthcare locations and the IPS commenced in June 2014 and is expected to be complete in Q2 2015.

National Treasury Management Agency

Treasury Building

Grand Canal Street

Dublin 2

Ireland

Tel: +353 1 238 4000

www.ntma.ie