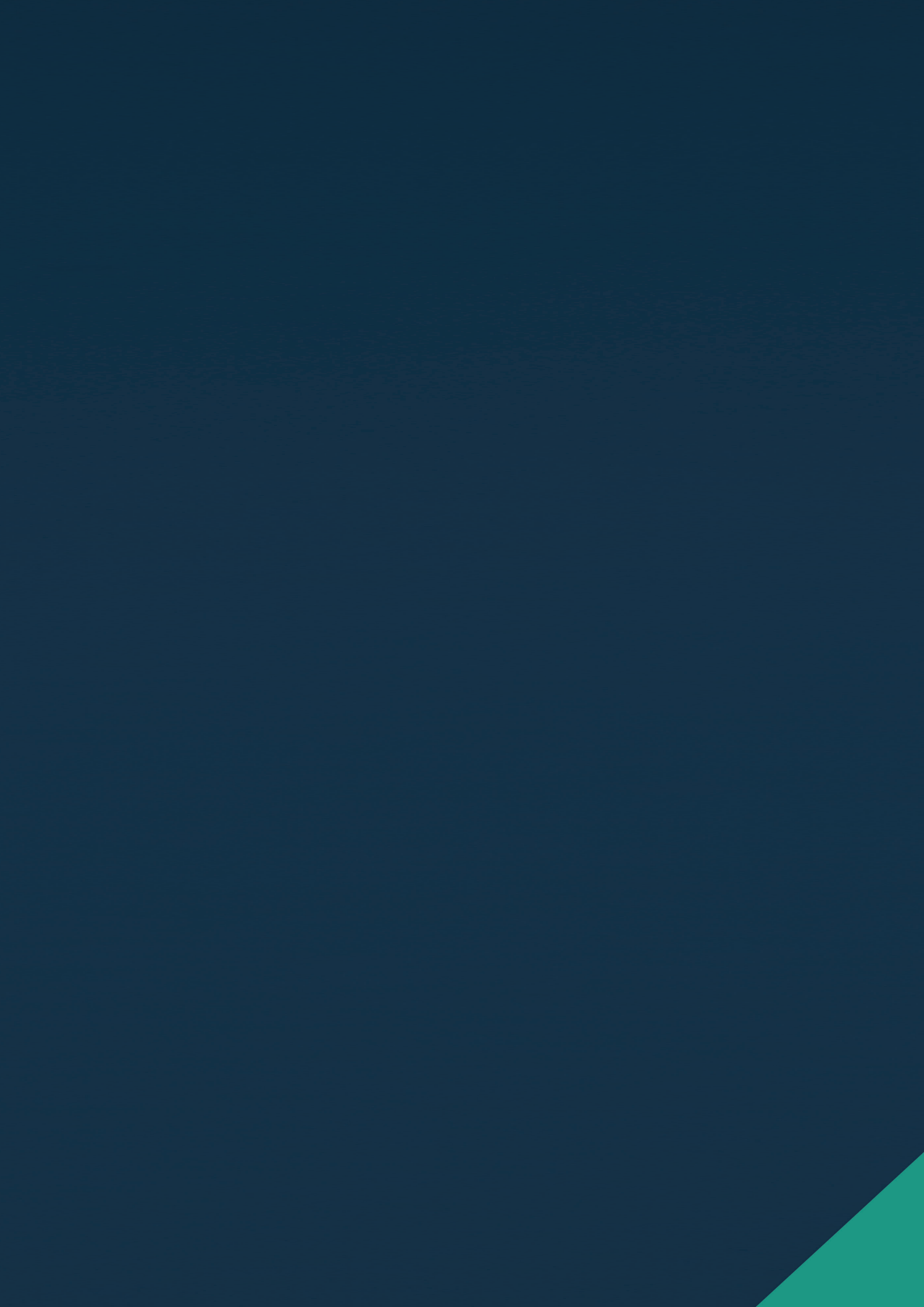


National Treasury Management Agency
Annual Report and Accounts for the year ended
31 December 2014







NTMA

Report & Accounts

For the year ended 31 December 2014

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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. Businesses managed by the NTMA include borrowing for the Exchequer and management of the National Debt, the Ireland Strategic Investment Fund (ISIF), the National Development Finance Agency (NDFA), NewERA and the State Claims Agency (SCA).

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.

Ireland Strategic Investment Fund

The NTMA controls and manages the Ireland Strategic Investment Fund (ISIF), which was established in December 2014 with a statutory mandate to invest on a commercial basis in a manner designed to support economic activity and employment in the State. The ISIF is the successor to the National Pensions Reserve Fund (NPRF) controlled by the NPRF Commission. The assets of the NPRF – which is being dissolved – become assets of the ISIF.

National Development Finance Agency

Acting as the National Development Finance Agency, the NTMA 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.

NewERA

Acting as NewERA, the NTMA provides a dedicated centre of corporate finance expertise to Government, in particular in relation to commercial oversight of certain State bodies. It provides financial and commercial advisory services to Government ministers including in relation to financial performance, corporate strategy, capital and investment plans, proposed acquisitions or disposals, restructuring and board appointments. In addition, NewERA may, in consultation with the relevant Minister, develop proposals for investment in the energy, water, telecommunications and forestry sectors to support economic activity and employment.

State Claims Agency

Acting as the State Claims Agency, the NTMA manages personal injury, property damage and clinical negligence claims brought against 129 State authorities, including the State itself, Government ministers, the Attorney General, the Health Service Executive, the voluntary healthcare sector, An Garda Síochána, the Irish Prison Service, the Defence Forces and community and comprehensive schools. 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.

In addition to the above functions, the NTMA assigns staff to the National Asset Management Agency (NAMA) and the Strategic Banking Corporation of Ireland (SBCI) and also provides them with business and support services and systems. Both NAMA and the SBCI have their own separate boards.

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

NTMA Governance Changes

There were significant changes in the NTMA's governance structure and statutory remit in 2014. Previously, the NTMA did not have a board structure and the Chief Executive reported directly to the Minister for Finance on the NTMA's funding and debt management, State Claims Agency and NewERA functions. The NTMA's governing legislation also provided for an Advisory Committee and a State Claims Agency Policy Committee. The NPRF Commission, NDFA and NAMA were established as statutory bodies under their own governing legislation. The SBCI was established in September 2014 as a private limited company in order to perform certain statutory functions. Each of these bodies had its own board. The NTMA acted as the executive in respect of the NPRF Commission and the NDFA. It assigns staff to NAMA and the SBCI and also provides them with business and support services and systems.

The *National Treasury Management Agency (Amendment) Act 2014* streamlined and simplified the NTMA's governance structures to enable a more integrated approach to the performance of its functions.

In December 2014 the NTMA was reconstituted as an Agency with a Chairperson and eight other members with over-arching responsibility for all of the NTMA's functions (excluding NAMA and the SBCI which will continue to have their own separate boards). The Advisory Committee and State Claims Agency Policy Committee were dissolved in December 2014 and the NDFA was dissolved in January 2015. The NPRF Commission was reduced to one commissioner pending the transfer of all of the NPRF's assets to the ISIF following which the NPRF Commission too will be dissolved. The Act also provided for:

- the putting of the NTMA's NewERA functions on a statutory basis;
- the establishment of the Ireland Strategic Investment Fund with a mandate to invest on a commercial basis in a manner designed to support economic activity and employment in Ireland and the transfer of the NPRF's assets to the ISIF;
- the putting of the State Claims Agency's legal costs function on a statutory basis; and
- the transfer of the NDFA's functions to the NTMA.

Key Facts and Figures

2.8%

The weighted average yield on €11.75bn of long-term bond funding raised by the NTMA in 2014 was 2.8 per cent.

€1.5bn

Between December 2014 and March 2015 Ireland made early repayments totalling just over €18 billion of its IMF loan facility generating interest savings in excess of €1.5 billion over the original lifetime of the IMF loans.

€7.2bn

The value of ISIF assets available for investment in Ireland at end-2014 was €7.2 billion. This includes €1.4 billion in assets committed to Irish investment by the ISIF's predecessor fund – the NPRF.

€3.5bn

The NDFA is currently advising on 20 infrastructure projects with a capital value in excess of €3.5 billion of which €650 million is being procured by the NDFA.

€13.6bn

The capital employed by State companies within NewERA's core remit is some €13.6 billion.

€2.6bn

During 2014 NewERA provided financial analysis and recommendations to Ministers on €2.6 billion in financing-related proposals and €0.6 billion in capital expenditure project proposals from State companies within its core remit.

€9.9m

At end-2014 the SCA had negotiated savings to the Exchequer totalling €9.9 million on €19.3 million of third-party legal cost claims from the Mahon, Moriarty and Smithwick Tribunals.

**NIMS
launch**

The National Incident Management System (NIMS) - an end-to-end risk management tool - was launched by the SCA in 2014. Ireland will be one of the first countries worldwide to have a single ICT system to support the management of risk across its public service.

**€1.1
trillion**

The total value of transactions processed by the NTMA in 2014 was in excess of €1.1 trillion.

Chairperson's Statement



December 2014 saw a significant change for the NTMA with the putting in place of a new overarching board structure to govern the organisation. The rationale behind the new governance structure is to enable the NTMA to execute its mandates in a more integrated manner. Government has asked the

NTMA to carry out a range of new functions over the last few years and there is a common theme across these mandates of investment and economic development in Ireland.

I was very pleased when asked by the Minister for Finance to become Chairperson of the NTMA Advisory Committee in late 2013 to work with NTMA management in the transition to the new governance structure. I have long been an admirer of the way the NTMA has gone about its work and its business model. It has been very successful in the past and I and my fellow board members will do our utmost to ensure that this continues to be the case in the future.

Undoubtedly, the headline event for the NTMA in 2014 was Ireland's successful emergence from the EU/IMF programme and its return to normal participation in the sovereign bond markets. We have seen a remarkable improvement in our debt dynamics and our debt profile – themes the Chief Executive explores in more depth in his review – and our debt is now on a sustainable and declining trajectory.

A priority in early 2015 has been finalisation of the investment strategy for the Ireland Strategic Investment Fund (ISIF). With over €7 billion available to deploy, the ISIF differs from other pools of capital in a number of key respects. It has a long investment time horizon and therefore acts as a permanent source of long-term capital. It has flexibility up and down the capital structure and can therefore meet changing needs and gaps in the marketplace. Its commercial investment mandate allows it to connect public and private capital enabling it to act as a cornerstone investor in funds and projects. This co-investment model will enable us to leverage the ISIF's resources, attract international private sector capital and effectively put a multiple of the committed ISIF capital to work in the Irish economy.

During 2014 the Government established the Strategic Banking Corporation of Ireland (SBCI). Like NAMA, the SBCI has its own independent board. The NTMA assigns staff to both these bodies and also provides them with business and support systems and services. This approach has enabled use of the NTMA's proven business model to get these bodies up and running within a very short timescale and also to achieve economies through utilisation of the NTMA's existing IT, HR, and other shared services to provide corporate support to them.

The last year has seen not only change in the NTMA's governance but also in its management team. In January 2015 Conor O'Kelly joined us as Chief Executive on the retirement of John Corrigan. During his term as Chief Executive John did tremendous work in engaging with international investors to position Ireland for a return to the international debt markets. He played an invaluable and critical role throughout the crisis on behalf of the State. I and my fellow board members thank him and wish him well on his retirement.

Finally, I would like to thank my fellow members of the NTMA Advisory Committee as well as the members of the other boards and committees that were dissolved on the putting in place of the new governance structure. They have left us an organisation with a skilled and dedicated workforce and a strong record of achievement. Our job is to build on that reputation and to develop and position the organisation to deliver on the range of new and existing important mandates Government has entrusted to us.

Willie Walsh
Chairperson

Chief Executive's Review



I was greatly honoured to be appointed Chief Executive of the NTMA in January 2015. As Ireland emerges from the financial crisis and builds for recovery this is a very interesting time for an organisation that plays such a key role in Ireland's economic wellbeing.

2014 saw the NTMA make a full return to the sovereign bond markets with regular auctions and the issue of two new long-term benchmark bonds raising €11.75 billion in long-term bond funding. Due to the measures taken by the Government to improve the public finances, the return of economic growth and the measures taken at a European level to calm the wider euro crisis, we have seen a strong turnaround in Ireland's debt dynamics which are now back on a sustainable and improving path. While Ireland's debt level is still high at 110 per cent of GDP at end-2014, crucially it is on a downward trajectory and is forecast to decline to 100 per cent of GDP by end-2016 and to 85 per cent of GDP by 2020. I would note that these are gross figures and that our debt at end-2014, net of cash balances and other financial assets, was 90 per cent of GDP.

The picture has been further improved with the repayment of just over €18 billion of Ireland's IMF loan facility using cheaper, long-term market funding generating interest savings in excess of €1.5 billion over the original lifetime of the IMF loans. Strong investor demand also enabled the NTMA to issue Ireland's first ever 30 year bond in February 2015 in an amount of €4 billion at a yield of 2.1 per cent. The weighted average maturity of our long-term marketable and official debt has improved from 7.3 years at end-2012 to 13 years at end-May 2015.

The financial crisis has taught us that markets are impossible to predict and we must be prepared for the unexpected. There remain a number of risks to our own economic recovery and to the wider eurozone. For as long as our debt remains at elevated levels our vulnerability to domestic or external shocks should not be underestimated.

The improvement in the funding environment has also been reflected in the long-term debt market for PPPs, and the National Development Finance Agency (NDFA) has seen very substantial reductions in the funding costs available for projects.

There has also been a welcome increase in the number of international institutional investors participating in the Irish market. Overall the NDFA is currently advising on 20 projects with a capital value in excess of €3.5 billion of which €650 million is being procured by the NDFA.

The Ireland Strategic Investment Fund (ISIF) was formally established in December 2014. The double bottom line mandate of the ISIF – to invest in projects which generate commercial investment returns and have an economic impact - represents a new approach to investing. The ISIF's investment strategy is based on developing a broad based long-term portfolio across sectors and asset classes. It will target sectors with a high economic impact and will seek co-investors where possible to leverage the effectiveness of its resources.

Deployment of funds will necessarily take place on a phased basis as investments are sought which (i) achieve the ISIF's double bottom line of commercial return and economic impact and (ii) add to rather than displace other funding sources. The ISIF is a long-term investor and investment returns are likely to be mainly achieved in the later years of an investment rather than in the capital intensive early investment period.

NewERA provides a dedicated centre of corporate finance expertise to Government in respect of commercial State bodies. It brings a commercial focus to the oversight of these companies with an emphasis on shareholder return. The economic importance of the companies within NewERA's remit is underlined by the fact that, on a combined basis, they employ capital of some €13.6 billion.

NewERA has developed a Shareholder Expectations Framework intended to provide clarity and guidance for each of the companies within its remit in relation to the Government's strategic priorities, policy objectives, financial performance and reporting requirements. Shareholder Expectations letters based on this Framework have now been issued by the respective Ministers to the ESB, EirGrid, Bord na Móna and Coillte. One of the key areas addressed by the Framework is the development of a formal dividend policy for State companies.

Much of the work carried out by NewERA has replaced the requirement for external advisors with consequent savings and also enabling the building of a corporate memory. It is noteworthy that in 2014, as its experience and expertise has increased, NewERA was asked to perform a significant amount of work in respect of State bodies outside its core remit.

The State Claims Agency (SCA) carries out claims and risk management functions on behalf of the State. In April 2014 the SCA's remit was significantly 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, doubling the total number within its remit from 56 to 117. Another delegation by Government in June 2015 has further increased the number of public bodies within the SCA's remit to 129.

In carrying out its role the SCA seeks to act in the best interest of taxpayers but also to act ethically and fairly in its dealings with people who have suffered injuries and take legal action against the State. In cases where the State is considered liable the SCA's approach is to settle expeditiously and on fair and reasonable terms. In cases where the State is not considered liable it acts vigorously in defence of such claims. The SCA seeks to resolve claims by negotiation or mediation – fewer than 3 per cent of clinical claims handled by the SCA result in a contested court hearing.

The SCA, in conjunction with key stakeholders, went live in 2014 with the National Incident Management System (NIMS), an end-to-end risk management tool. This tool will support client authorities to better manage their risks so as to reduce the incidence of claims. Ireland will be one of the first countries worldwide to have a single ICT system to support the management of risk across its public service, including the healthcare system. The development and use of this system is critical to the effective management of the SCA's risk universe. The size of this risk universe can be gauged from the fact that it includes over 200,000 State employees and 7 million user contacts with the public healthcare system annually.

In his remarks the Chairperson referred to how the mandates awarded to the NTMA have a common theme of investment and economic development in Ireland. In carrying out these mandates our aim is to work with other stakeholders to deliver long-term value for the State.

The new activities will require the NTMA to build networks and relationships with other State and private sector participants in the Irish economy. This will, for example, include ensuring that the ISIF co-ordinates effectively with IDA Ireland and Enterprise Ireland to align strategies and leverage State resources as well as building relationships with entrepreneurs, funding sources and co-investors.

In my short time as Chief Executive I have been struck by the expertise, dedication and ability of the NTMA's employees. The organisation has played a critical role in Ireland's successful emergence from the economic crisis. I am confident that, as the NTMA's focus switches from crisis management to economic growth and recovery, it will continue to deliver on its mandates to the high standards expected inside and outside the organisation.

Conor O'Kelly

Chief Executive

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:

- While acting in the best interest of taxpayers, to act fairly and ethically in its dealings with people who have suffered injuries and who take legal actions against the State or State bodies, and the families of these people; 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, the Health Service Executive, the voluntary healthcare sector, An Garda Síochána, the Irish Prison Service, the Defence Forces and community and comprehensive schools. It also manages third-party costs arising from certain Tribunals of Inquiry.

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. Another delegation by Government in June 2015 has further increased the number of public bodies within SCA's remit to 129.

Claims Management

The SCA's claims management objective is that claims should be managed efficiently and conscientiously. 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 2014 the SCA resolved 1,939 claims at a settlement cost of €95 million and received 3,003 new claims.

All Claims at End-2014		
	Claims	Settlement Costs €m
Claims received	3,003	N/A
Claims resolved	1,939	95

Source: NTMA

At end-2014 the SCA had 7,221 claims under management, an increase of 16.7 per cent from a year earlier. The outstanding estimated liability against all active claims was €1.47 billion, broken down as follows:

Active Claims at End-2014		
	Claims	Estimated Outstanding Liability €m
Clinical claims	2,844	1,160
General claims	4,377	309
Total	7,221	1,469

Source: NTMA

During 2014 the SCA implemented a newly upgraded National Incident Management System (NIMS) – an end-to-end risk management tool - which is currently being rolled out across its client base.

As part of this upgrade, the data from the legacy STARSWeb system was mapped over to NIMS. This newly upgraded system now adopts the World Health Organisation (WHO) taxonomy for the entire healthcare sector thereby ensuring statistical comparisons can be made regionally, nationally and internationally. The impact of this is that some of the previous claim categorisations have changed to mirror internationally recognised classifications and the claims portfolios are now categorised by reference to clinical and general claims.

Clinical Claims

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 and also a small number of claims through other schemes.

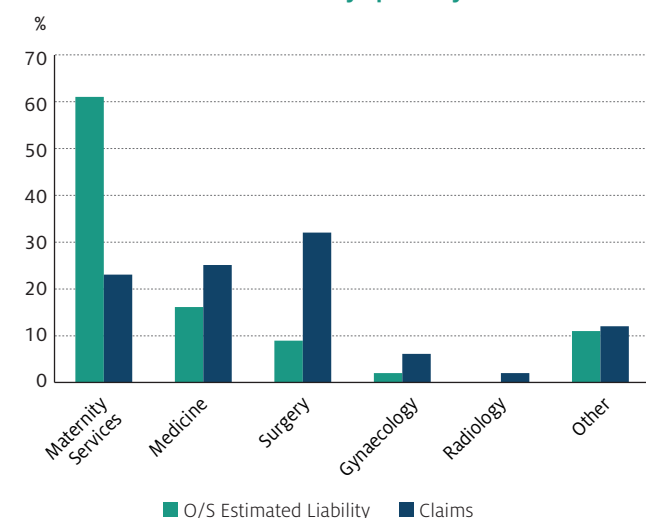
The SCA resolved 488 clinical claims during 2014 at a cost of €70 million. The SCA received 610 new clinical claims in 2014.

Clinical Claims at End-2014		
	Claims	Settlement Costs €m
Clinical claims received	610	N/A
Clinical claims resolved	488	70

Source: NTMA

Maternity services related claims accounted for 23 per cent of all new clinical claims and 61 per cent of the outstanding estimated liability of all new claims due to the high values associated with these types of claims.

Clinical Claims Received 2014 - by Speciality



Source: NTMA

Cost of Clinical Claims Resolved 2010-2014					
Cost Element	2010 €000	2011 €000	2012 €000	2013 €000	2014 €000
Cost for all claims resolved					
Awards/Settlements	33,786	33,512	35,357	37,478	44,455
Legal Fees - SCA	7,848	7,086	8,595	9,840	9,305
Legal Fees - Plaintiff	12,370	12,527	12,964	16,029	14,685
Other	897	848	961	1,300	1,222
Total	54,902	53,973	57,877	64,647	69,667
Average cost per claim resolved					
Awards/Settlements	99	104	101	106	91
Legal Fees - SCA	23	22	24	28	19
Legal Fees - Plaintiff	36	39	37	45	30
Other	3	3	3	4	3
Overall Average	161	168	165	183	143

Figures may not total due to rounding.

Source: NTMA

At end-2014 the SCA had 2,844 clinical claims under management, with an outstanding estimated liability of €1.16 billion, compared with 3,061 active claims at end-2013. This decrease relates to the re-categorisation of claims by reference to the WHO taxonomy.

Thus, some claims which were previously categorised as clinical, e.g. infection control, have now been re-categorised as general claims.

Cost of Clinical Claims Resolved

The average cost of clinical claims resolved in 2014 (including awards/settlements and related legal and other costs) was €143,000 compared with €183,000 in 2013. This decrease is mainly due to:

- DePuy orthopaedic hip replacement implant claims resolved in 2014 at no cost to the State. The SCA secured an indemnity for the State from DePuy in respect of approximately 200 such claims;
- 44 claims resolved under the terms of the Lourdes Hospital Payment Scheme¹¹; and
- The effect of lower legal costs in 2014 when compared with previous years, reflecting earlier mitigating measures taken by the SCA.

¹¹ In July 2013 the Government approved the establishment of a Scheme to compensate former patients of Dr Neary (Consultant Obstetrician) who underwent unnecessary bilateral oophorectomies in Our Lady of Lourdes Hospital, Drogheda. The SCA was requested by the Minister for Health to draft and administer the Scheme.

How Claims are Resolved

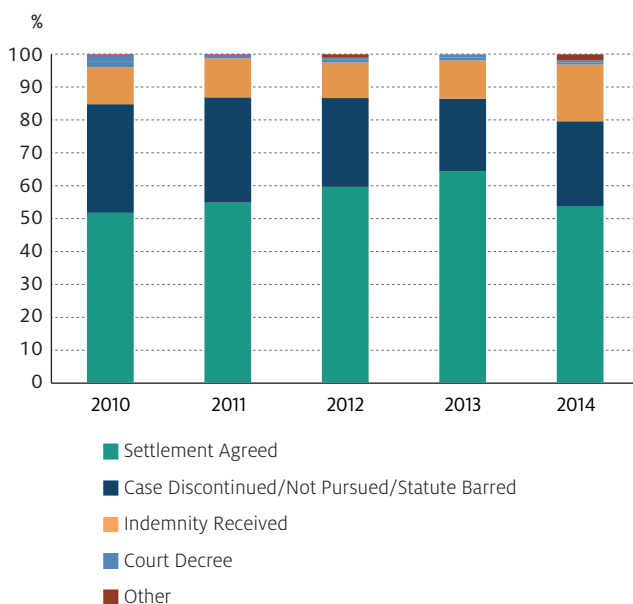
In cases where the SCA investigation concludes that the relevant State authority bears some or all liability, it seeks to settle claims expeditiously and on fair and reasonable terms. If it considers that the State is not liable, the SCA's policy is to apply all necessary resources to defend the claims.

The SCA resolves the majority of claims by negotiating a settlement, either directly with the plaintiff's legal team or through a process of mediation: fewer than three 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. The SCA settled 13 clinical negligence cases by mediation in 2014 and offered mediation in many other cases. Unfortunately some plaintiffs' lawyers are implacably opposed to mediation as a means for resolving these cases.

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. There has been a decrease in the proportion of clinical claims resolved through agreement in 2014. This is largely to do with the diluting effect of the large number of DePuy hip replacement implant claims resolved in 2014. Excluding these types of mass actions, the proportion of claims resolved through agreed settlements for 2014 remains broadly the same as previous years.

How Clinical Claims were Resolved 2010 to 2014



Figures may not total due to rounding.
Source: NTMA

General Claims

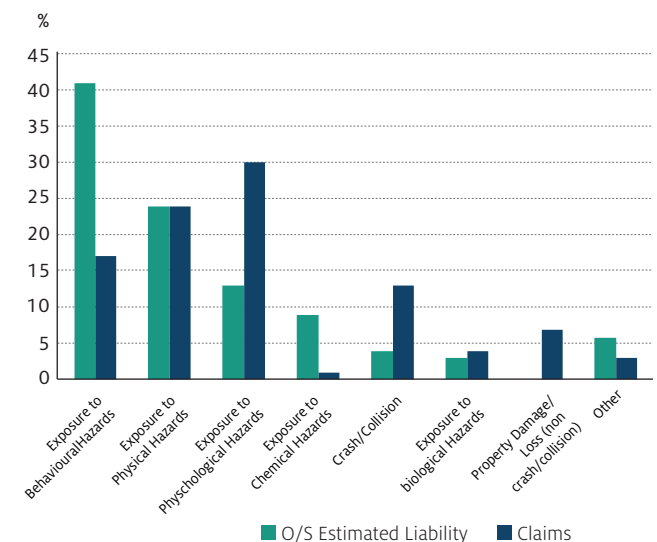
General claims consist of personal injury (non-clinical) and third-party property damage claims. The SCA resolved 1,451 general claims during 2014 at a cost of €25 million.

General Claims at End-2014		
	Claims	Settlement Costs €m
General claims received	2,393	N/A
General claims resolved	1,451	25

Source: NTMA

The SCA received 2,393 new general claims in 2014, the main incident hazard categories of which were exposure to behavioural hazards (e.g. violence/harassment/aggression), exposure to physical hazards (e.g. slips, trips and falls) and exposure to psychological hazards (e.g. a traumatic event). These categories together account for 71 per cent of new claims received and 78 per cent of the outstanding estimated liability of all new claims.

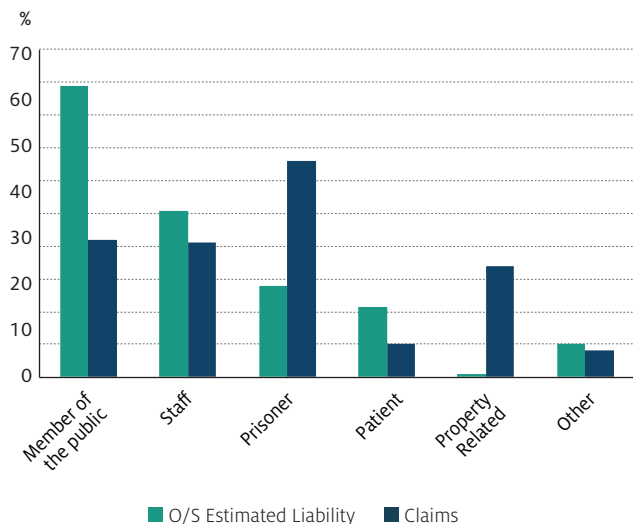
General Claims Received in 2014 – by Hazard Category



Source: NTMA

Claims by members of the public constitute the largest "person" category in terms of outstanding estimated liability. Members of the public include recreational users and visitors to State facilities. Claims by prisoners constitute the largest volume of claims received from a single source. This is due to the receipt of approximately 666 in-cell sanitation claims from former and current prisoners who allege, inter alia, breach of their constitutional rights.

General Claims Received in 2014 –by Who/What Involved



Source: NTMA

At end-2014 the SCA had 4,377 general claims under management, with an outstanding estimated liability of €309.1 million. The increase from the personal injury (non-clinical) and property damage claim portfolio at end-2013 (3,127 claims, outstanding estimated liability of €186.7 million) is due to a number of reasons such as the additional authorities within the SCA's remit, mass torts and re-categorisations of claims on NIMS to align with WHO taxonomy.

Cost of General Claims Resolved

The average cost per claim in 2014 increased relative to previous years due to the effect of the maturing of HSE claims delegated to the SCA in 2010. A number of high value HSE claims were resolved in 2014 thereby raising the average cost per claim.

Cost of General Claims Resolved 2010-2014					
Cost Element	2010 €000	2011 €000	2012 €000	2013 €000	2014 €000
Cost for all claims resolved					
Awards/Settlements	7,783	8,051	8,317	11,289	16,121
Legal Fees - SCA	2,257	2,825	2,506	2,962	3,015
Legal Fees - Plaintiff	3,204	3,929	3,468	4,385	5,297
Other	565	641	571	834	867
Total	13,810	15,447	14,861	19,471	25,300
Average cost per claim resolved					
Awards/Settlements	6	6	5	8	11
Legal Fees - SCA	2	2	2	2	2
Legal Fees - Plaintiff	2	3	2	3	4
Other	0	1	0	1	1
Overall Average	10	12	9	13	17

Figures may not total due to rounding.

Source: NTMA

Actuarial Savings 2014

Each year, the SCA's actuaries project the annual cash flows required to settle claims for the various indemnity schemes handled by the SCA. In the absence of Periodic Payment Order (PPO) legislation and the insistence, therefore, of some families to settle catastrophic injury-related clinical negligence cases by lump sums, the actuaries were required to revalue their assessment of the cash flows required to settle such cases. However, many plaintiffs' families accepted the SCA's offer to settle their cases on a PPO basis.

The revised actuarial assessment projected that €223.1 million would be required in 2014 to cover both the cost of resolving and managing ongoing active claims. The net cost, taking account of successful recoveries from third parties, was €128.8 million – a saving of €94.3 million, or 42 per cent.

State Indemnity

The SCA's analysis has demonstrated that the cost of managing claims on a "pay as you go basis" is significantly lower than the premium cost of insuring the risk. In the last five years the SCA has been given authority to manage claims in this way in respect of the HSE, 17 voluntary hospitals and 44 other State authorities.

It is estimated that insurance premium payments, in the region of €135 million, would have been paid from 2010 to 2014 in respect of these bodies. The SCA has expended less than €35 million resolving claims in the same period resulting in cash savings of €100 million to date (approximately equivalent to 70 per cent of the premiums which would have been paid).

Recoveries and Costs Saving Initiatives

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 percentage contribution in relation to a particular claim may be paid by the third party/co-defendant to the SCA. Additionally, in some cases, an indemnity in full may be received from a third party/co-defendant.

Recoveries and Third Party Contributions by Year Transacted					
	2010	2011	2012	2013	2014
Total Recoveries	€6.1m	€15.1m	€3.8m	€1.8m	€2.8m

Source: NTMA

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 by Year Claim Finalised					
	2010	2011	2012	2013	2014
Total Negotiated Savings	€5.7m	€6.6m	€7.8m	€8.6m	€10m

Source: NTMA

The SCA, in an initiative designed to reduce barristers' fees, invited barristers to tender competitively for their services and barristers' panels were put in place in January 2014. During 2014 this initiative yielded legal costs savings of 22 per cent compared with projected costs for the year. A similar tendering initiative conducted in 2011 with regard to solicitors' panels yielded legal costs savings of 19 per cent in 2014 compared with projected costs for the year.

Legal Costs Precedent Case of Significance

Isabelle Sheehan (An Infant) Suing by her Mother and Next Friend Catherine Sheehan v David Corr

This was a catastrophic injuries case involving an infant. The SCA agreed to make a PPO settlement of €1.9 million in April 2011, the PPO to cover a two-year period. Subsequent to the PPO settlement, the plaintiff's solicitors submitted a Bill of Costs in the sum of €1,046,000. The SCA, in view of the amounts claimed in the overall Bill, decided to proceed to tax the Bill through the Taxation of Costs System. The Taxing Master, on appeal by the plaintiff's solicitor, reduced the plaintiff's solicitor's professional fee from €485,000 to €276,000. Senior Counsel's brief fee of €125,000 was reduced to €65,000 and junior counsel's brief fee was reduced from €90,000 to €32,500.

The plaintiff's solicitor appealed the Taxing Master's decision to the High Court. The High Court Appeal was heard by the President of the High Court who dismissed the appeal and affirmed the Taxing Master's original decision. The President's judgment is particularly helpful in laying out certain principles and guidelines concerning the measurement of costs in catastrophic injury cases.

Legal Costs Unit

In 2012 the Government decided to establish a Legal Costs Unit (LCU) within the SCA to deal with third-party costs arising from certain Tribunals of Inquiry (the Mahon, Moriarty and Smithwick Tribunals).

Legal Cost Unit Claims Negotiated at End-2014				
	Number of Cost Claims Negotiated	Value €m	Cost Claims Agreed €m	Legal Cost Saving %
Mahon Tribunal	103	8.7	4.5	48
Moriarty Tribunal	26	8.0	3.4	58
Smithwick Tribunal	2	2.6	1.5	42

Source: NTMA

Approximately 300 costs orders have been made in respect of the Mahon Tribunal. The LCU received 125 costs claims to end-2014 with a total value of €13 million.

One hundred and three of these claims amounting to €8.7 million have been negotiated and agreed at €4.5 million without the necessity for taxation, representing a saving of approximately 48 per cent.

A further 125 costs orders have been made in respect of the Moriarty Tribunal. The LCU received 33 costs claims to end-2014 with a total value of €9.2 million. Twenty-six of these claims amounting to €8.0 million have been negotiated and agreed at €3.4 million without the necessity for taxation, representing a saving of approximately 58 per cent.

A further 10 costs orders have been made in respect of the Smithwick Tribunal. The LCU received 8 costs claims to end-2014 with a total value of €11.8 million. Two of these claims amounting to €2.6 million have been negotiated and agreed at €1.5 million without the necessity for taxation, representing a saving of approximately 42 per cent.

The LCU 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 Incident Management System (NIMS), 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 macro 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 the 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 2014 are summarised below.

Health and Safety Risk Management Systems

In 2014 the SCA continued to support State authorities to implement best practice health and safety risk management systems in their organisations.

The Defence Forces and Irish Prison Service have fully operational systems in place. These health and safety risk management systems significantly improve the management of risk in an organisation. Measurable outputs include increased incident reporting rates, ability to obtain key claims documentation quickly, improvement in staff communication and greater management oversight.

In 2014 the Department of Agriculture formally launched its system becoming the first Government Department to implement a complete health and safety risk management system across all of its operations. In addition, the Probation Service launched its system at a number of pilot sites. The SCA actively supported the development, roll out and training in connection with these new systems. A number of other agencies are working with the SCA on their health and safety risk management systems with proposed roll outs scheduled for 2015.

Critical Incident Stress Management (CISM) Work Positive Framework

The SCA and CISM Network Ireland have worked collaboratively to produce a new and innovative psychosocial risk assessment tool with specific guidance for dealing with critical incidents and/or traumatic events. The psychosocial risk assessment has been developed in accordance with best practice and will become an accepted tool for stress management, supported by the Health and Safety Authority (HSA). The SCA, as project sponsor, has championed and maintained oversight of the CISM Work Positive Framework to date.

CISM is an internationally recognised approach for managing critical incidents and/or traumatic events. The implementation of CISM risk management strategies will protect workers' health from existing and emerging work related hazards, including psychosocial hazards. It will encourage workplace practices to promote good health, improve employee wellbeing and the wellbeing of others.

The primary goal of the CISM Work Positive Framework is for organisations to adopt the risk reduction methodology through interventions in order to reduce risk, foster wellbeing in the workplace and adhere to national policy and statutory obligations. It will have particular use in high risk occupations such as healthcare services, emergency or rescue services, security agencies etc. The SCA estimate that 70,000 employees in the State have the potential to be exposed to a critical incident.

National Incident Management System

The SCA officially launched the new National Incident Management System (NIMS), the successor to the former STARSWeb system, in June 2014. NIMS is a confidential, highly secure web based system. It is an end-to-end risk management tool that allows enterprises to manage incidents throughout the incident lifecycle. This includes:

- Reporting of incidents (including Serious Reportable Events);
- Management of investigations;
- Recording of investigation conclusions;
- Recording of recommendations;
- Tracking recommendations to closure; and
- Analysis of incident, investigation and recommendations data and other functionality.

NIMS represents a considerable upgrade to the former system and will enable all designated State authorities to report incidents, in accordance with their statutory reporting obligation, to the SCA.

In 2014 NIMS was implemented in a large number of sites:

- The Rotunda Hospital, one of Ireland's largest maternity hospitals;
- All 20 locations in the Irish Prison Service; and
- All five brigades of the Defence Forces and General Headquarters.

In 2015 the SCA intend to roll out the system to a further 36 State Authorities including the healthcare sector which, in itself, comprises over 2,600 locations.

Obstetrics (Maternity Services)

Obstetrics continues to provide the most significant challenge from a clinical risk management perspective. It accounted for 54 per cent of the spend on clinical claims in 2014. In 2015 the SCA will undertake a programme of site visits to each of the 19 maternity units, following pre-site assessments. The purpose of the pre-assessment is to identify those areas of maternity practice, in the 19 units, which require priority risk management measures.

Pre and Post Graduate training

The SCA has agreed with the Head of the Medical School at University of Dublin, Trinity to provide a pilot undergraduate course on clinical risk management issues. The aim is to roll out this pilot course to all universities nationwide in 2015. Similarly, the SCA has reached agreement with the Royal College of Physicians to design and run a pilot course for medical postgraduates. It is hoped to roll out the pilot course to the remaining training bodies such as the Royal College of Surgeons in 2015.

Open Disclosure

Open Disclosure, the open communication with a patient or his/her close relative following an adverse clinical event, has been pioneered nationally by the SCA. In collaboration with the HSE, 200 staff training sessions have been delivered to 47 acute hospitals. Early adopter sites have undergone independent external review and an official, external report is awaited in 2015. Open Disclosure has been identified as a priority project within the HSE Service Plan 2015. Further “train the trainer” programmes, which focus on building capacity and capability within the system, will continue throughout 2015. Evidence in the medical literature – the University of Michigan Health System Early Disclosure and Offer Study - is supportive of Open Disclosure as one of a combination of changes that has led to a reduction in litigation costs in the U.S. over the last 10 years. Legislation is currently being drafted pertaining to the “protection of the apology” which is critical to have in place to protect front line workers and ensure Open Disclosure is fully adopted. While an apology is an expression of regret that a patient safety incident has occurred, it is not an admission of liability. From an indemnifier, patient and front line healthcare worker viewpoint, the mandatory introduction of Open Disclosure nationally is a welcome step forward.

The National Falls Prevention and Bone Health Implementation Project

The AFFINITY (Activating Falls and Fracture Prevention in Ireland Together) collaborative project between the SCA and the HSE aims to prevent harmful falls amongst persons aged 65 years and older, enhance the management of falls and improve health and wellbeing through a focus on bone health.

Falls account for approximately one-third of fatal injuries in persons aged more than 60 years. The annual financial cost currently of dealing directly with the effects of falls and fractures is €520 million, a figure predicted to quadruple to €2 billion by 2031.

The AFFINITY programme will implement the *National Strategy for the Prevention of Falls and Fractures in Ireland's Ageing Population* and is a priority commitment within the European Innovation Partnership on Active and Healthy Ageing. During 2015 four sites will adopt an education package and a “measure and monitor” framework will be developed, followed by site evaluation.

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