



**Gníomhaireacht Bainistíochta an Chisteáin Náisiúnta
National Treasury Management Agency**

**MINUTES OF MEETING OF THE
NATIONAL TREASURY MANAGEMENT AGENCY
HELD AT 10.30AM ON 28 MARCH 2018 AT
TREASURY BUILDING, LOWER GRAND CANAL STREET, DUBLIN 2**

PRESENT: Willie Walsh, Chairperson
Maeve Carton
Gerardine Jones
Derek Moran
Martin Murphy
Conor O’Kelly
Mary Walsh
Robert Watt
Susan Webb

IN ATTENDANCE: Adrian O’Donovan, Secretary
Ian Black, Chief Financial and Operating Officer (CFOO)
Andrew O’Flanagan, Chief Legal Officer (CLO)
Eugene O’Callaghan, Director, ISIF (Items 4.3 and 5 only)
Frank O’Connor, Director, Funding and Debt Management (Items 6 and 7 only)
Rossa White, Chief Economist (Item 6 only)
Donal Steele, Senior Programme Manager (Item 9.2 only)
Breda Macnamara, Head of Compliance (Item 9.3 only)

1. NOTICE AND QUORUM

The Chairperson noted that notice of the meeting and of the nature of the business to be conducted had been given to all members entitled to attend the meeting and a quorum was present. The meeting then proceeded to business. He noted that Item 8 of the Agenda, ISIF Investment Proposal, was being deferred.

2. DISCLOSURES OF INTEREST

For the purposes of Section 13A of the National Treasury Management Agency Act 1990 (as amended) and Section 17 of the Ethics in Public Office Act 1995, there were no material interests declared by members in the business to be transacted at the meeting.

3. MINUTES AND MATTERS ARISING

The Chairperson noted that draft minutes of the meeting of 30 January had been circulated to the members in advance of the meeting. **IT WAS RESOLVED** that the minutes be approved and that they be signed by the Chairperson.

The Secretary updated the Agency on the status of items arising from the minutes. He noted that, at its January meeting, the Agency had discussed the level and costs of claims being managed by the SCA and agreed that it would be worth comparing the amounts awarded in respect of claims and associated legal costs with those arising in other countries and under other models. This work was in hand.

4. COMMITTEE REPORTS

4.1 Audit and Risk Committee

The Audit and Risk Committee Chairperson, Martin Murphy, presented and summarised the Report of the Committee meeting held on 20 March and also briefed the Agency on the Committee meeting held that morning (27 March). He noted that the Committee had reviewed the key changes in the draft 2017 NTMA financial statements compared to the prior year. The main changes related to new disclosures required under the revised Code of Practice for the Governance of State Bodies 2016. The 2017 financial statements would be presented to the Committee in April for review. The Committee had also reviewed a number of items for inclusion in the Annual Report: the draft Governance Statement and Agency Member's Report, the Risk Section, and the Committee's own report and, subject to inclusion of a number of comments, the Committee was satisfied with these items. The Committee had also reviewed the Strategic Risk Assessment. The Strategic Risk Assessment, incorporating the Committee's comments, would be reviewed under Agenda Item 4.1.1.

The Committee Chairperson advised the Agency that the Committee had approved the proposed appointment to the Head of Risk (Financial, Investment and Enterprise) role, subject to the Committee being involved in the setting of the goals and development plan in relation to the role. He noted that the Committee had also discussed the process for approval of exceptions to counterparty credit rating limits as permitted under the Ministerial Debt Management Guidelines and would consider this matter in the context of its review of the Counterparty Credit Risk Policy at its May meeting.

The Committee Chairperson advised the Agency that, at its meeting of 20 March, the Committee had reviewed the effectiveness of the system of internal control, as set out in the paper presented with the Committee Report to the Agency meeting, and had recommended the Statement on Internal Control for inclusion in the financial statements of the NTMA and the Carbon Fund, subject to no issues arising during the audit process.

The Agency noted the system of internal control. On the recommendation of the Audit and Risk Committee and subject to no issues arising during the audit process, **IT WAS RESOLVED** that the Statement on Internal Control as presented to the Agency for inclusion in the financial statements of the NTMA and the Carbon Fund be approved.

4.1.1 Strategic Risk Assessment

The CFOO presented the Strategic Risk Assessment (SRA). He noted that since the SRA had last been reviewed by the Agency it had been updated to include risk mitigants as required under the Code of Practice for the Governance of State Bodies.

The Agency reviewed the principal risks and mitigants as set out in the SRA. It discussed the extent to which risks such as economic, geopolitical and market risk had heightened since last year and how this could be best brought out in the SRA. It was suggested that indicating the risk trend compared with previous iterations of the SRA might prove a suitable approach in this regard. While the Agency was satisfied for the principal risks and mitigants as set out in the SRA to be published in the Annual Report, it agreed that the Head of Risk should be asked to review this matter for the next iteration of the SRA.

4.2 New Premises Working Group

Gerardine Jones reported on the first two New Premises Working Group meetings held on 19 February and 13 March and noted that a schedule of monthly meetings has been agreed for the rest of 2018. The format of a standardised report by the New Premises Programme Board to each meeting had also been agreed by the Working Group.

She advised the Agency that a revised Practical Completion date (for handover of the building to the NTMA) of 20 April 2018 with increased penalties for delays beyond this date had been agreed by the NTMA with the landlord. The revised Practical Completion date did not materially affect the fit-out programme. She noted that management had submitted a separate paper on the award of the fit-out contract under Agenda Item 9.2.

She said that, at its March meeting, the Working Group had agreed terms of reference to guide it in its work – as set out in the written report circulated with the meeting papers. The Agency noted the Working Group terms of reference.

4.3. Investment Committee

The Investment Committee Chairperson, Susan Webb, reported on the Committee meetings held on 26 February and 26 March. She briefed the Agency on the investment proposals reviewed at the March meeting and noted a summary of the investments approved at the February meeting was set out in the Chief Executive's Report. She briefed the Agency on the Committee's quarterly reviews of the Irish Portfolio, the Global Portfolio, the Portfolio Diversification Framework and the Sustainability and Responsible Investment Report and the six monthly review of the implementation of the Investment Strategy. She noted that the Committee was awaiting finalisation of the Investment Strategy Review.

Arising out of the Investment Committee Report, the Director, ISIF updated the Agency on the amounts committed to Irish investment and amounts draw down as well as investments approved but not yet finalised.

5. CHIEF EXECUTIVE'S REPORT

The Chief Executive presented his Report. He updated the Agency on the steps being taken to resolve the issues around Schools PPP Bundle 5 following the liquidation of Carillion. He noted that the other member of the PPP consortium, the Dutch Infrastructure Fund (DIF) had been working closely with the funders to put in place a plan to rectify the project as expediently as possible. Key to the finalisation of the rectification plan was identifying the contractors who would complete the outstanding works and replace the previous facilities management provider (Carillion AMBS). The Agency discussed the delay in the completion of the PPP and the steps that might be taken to ensure that it was completed as quickly as possible. It emphasised the importance of all the schools being open for the new school year.

The Chief Executive also briefed the Agency on progress on the NDFA Director recruitment competition which was at final round interview stage and on the draft HBFI legislation.

The Agency noted the Report on Delegated Matters Notifiable to the Agency. The Secretary advised the Committee that the DIT Grangegorman PPP had achieved financial close that morning, 28 March.

6. BREXIT AND MARKET UPDATE

The Chief Economist briefed the Agency on trends in trade in goods and tourism for 2017. While it appeared that exports to the UK had performed well in 2017, a considerable proportion of this performance was due to pharmaceuticals, where the UK was the final destination in only a small proportion of cases. Excluding pharmaceuticals, the year-on-year trend was flat.

The Director, Funding and Debt Management briefed the Agency on recent developments in Irish and other European bond yields, noting that though they increased from late-January through mid-February, they had since fallen back to late-January levels. He also updated the Agency on the funding carried out year-to-date, noting that €100m of a 57-year bond at a yield of just over 2% had been issued through a private placement. The Agency discussed the longer-term outlook for bond yields as the market considered further Federal Reserve rate increases and the potential ending of quantitative easing by the ECB.

The Agency also discussed the flow of funds into the State Savings products, given the announced closure of a major retail deposit taker in Ireland. The Agency asked that the Funding and Debt Management team continue to monitor the position and revert to it on this point.

7. APPLE RECOVERY UPDATE

The Director, Funding and Debt Management updated the Agency on the recovery by the State from Apple of State aid which the European Commission has decided that Ireland provided to Apple. He noted that the public procurement competitions for the escrow agent/custodian and investment managers had been concluded but that the contracts would not be signed until the Escrow Framework Deed had been executed.

8. ISIF INVESTMENT PROPOSAL

This item was deferred.

9. GOVERNANCE ITEMS

9.1 Review of Schedule of Reserved Matters

The Secretary briefed the Committee on a number of proposed amendments to the Schedule of Matters Reserved for Decision by the Agency as set out in the meeting paper. The main item for consideration was a proposed threshold of €5m at or above which key terms of contracts for professional and/or operating services and capital expenditure entered into by the NTMA to be charged to the NTMA or ISIF expenditure budgets would be referred to the Agency.

The Agency was satisfied to proceed on the basis of a €5m threshold. It asked that a template be developed with regard to any future contracts that might be referred to the Agency.

IT WAS RESOLVED that the Schedule of Matters Reserved for Decision by the Agency be amended as presented to the Agency.

9.2 New Premises – Fit-Out Contract

The CFOO said that, following a tender process under public procurement rules, the Programme Board established to provide oversight of the workstreams for the move to the NTMA's new premises was recommending the award of the contract for the fit-out of the new premises to mac-interiors Ltd, subject to satisfactory completion of due diligence. He briefed the Agency on the tender evaluation process, the value and other key terms of the contract and a number of previous projects on which mac-interiors had been engaged. He noted that the form of contract proposed for these works was the Government standard public works contract.

The Agency reviewed the contract amount and proposed risk contingency, noting the overall sum proposed was within the New Premises Budget agreed at its September 2017 meeting. The Senior Programme Manager detailed the costs involved against budget. The Chairperson asked that a note on this breakdown be provided to the New Premises Working Group. The Agency noted that management should clarify if mac-interiors had any other large projects at the moment and ensure they had the capacity to carry out the work within the required timeframe. The CFOO said this would be done as part of the due diligence.

IT WAS RESOLVED that the contract for the fit-out works of No. 1 Dublin Landings, North Wall Quay be awarded to mac-interiors Ltd, subject to:

- (i) the terms and conditions being consistent, in all material respects, with the "Key Terms of Approval" contained in the Agency paper;
- (ii) completion of further financial due diligence to assess financial robustness on updated financial information, to the satisfaction of the Programme Board;
- (iii) compliance with all pre-contract technical requirements to the satisfaction of the Programme Board; and
- (iv) completion of legal due diligence and finalisation of all necessary legal agreements, to the satisfaction of the Programme Board and the Chief Legal Officer.

9.3 Statutory Obligations Update

The Head of Compliance made a presentation to the Agency on the material statutory obligations relevant to the NTMA. She noted that, overall, there had been very little change in the applicable obligations since she last briefed the Agency on the NTMA's obligations in January 2017. She advised the Agency that further detail on the obligations contained in the various pieces of legislation covered in the presentation could be found on BoardPad.

The Head of Compliance noted that Section 1.3 of the Code of Practice for the Governance of State Bodies provided that the Board should review the controls and procedures adopted by the State body to provide itself with reasonable assurance that such controls and procedures are adequate to secure compliance by the State body with their statutory and governance obligations. In this regard, she noted the various sources of assurance in place: the Annual Compliance Assurance Attestation by Obligation Owners, the Annual Statement on Internal Control and also the confirmation by management of the representations set out in the C&AG Letter of Representation.

10. AOB

The Secretary noted that it was planned to have an external evaluation of the Agency's effectiveness carried out in 2018 in line with the guidance in the Code of Practice for the Governance of State Bodies that such an external evaluation be carried out at least every three years. He would liaise with the Chairperson regarding the appointment of the person/body to carry out this evaluation. The Agency was satisfied to proceed on this basis.

There being no other items under AOB, the Chairperson brought the meeting to a close.

Willie Walsh
Chairperson

29 May 2018