



Annual Report 2014



National Development
Finance Agency

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Gníomhaireacht Bainistíochta an Chisteáin Náisiúnta
National Treasury Management Agency

19 June 2015

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

Dear Minister,

Under the provisions of the National Treasury Management Agency (Amendment) Act, 2014, as commenced by S.I. 22 of 2015, the National Development Finance Agency was dissolved on 27 January 2015 and its functions transferred to the NTMA. Under that Act the NTMA is also responsible for preparing the Final Report and Accounts of the National Development Finance Agency.

I, therefore, have the honor to submit to you the Report and Accounts of the National Development Finance Agency for the period 1 January 2014 to 26 January 2015.

Yours sincerely,

Willie Walsh
Chairperson

Board Members



Conor O'Kelly*
Chairperson
Chief Executive,
National Treasury Management Agency



John Corrigan*
Chairperson
Chief Executive,
National Treasury Management Agency



Brian Murphy
Chief Executive Officer
Director,
National Treasury Management Agency



Gerry Murray
Chief Executive Officer,
Institutes of Technology Ireland



Petrina Smyth
Tax Partner,
Walkers Ireland Law Firm



Robert Watt
Secretary General of the Department of
Public Expenditure and Reform

* Conor O'Kelly, Chairperson (ex officio) (Appointed 5 January 2015)
John C. Corrigan, Chairperson (ex officio) (Retired 4 January 2015)

The board met on 5 occasions in the period

National Development Finance Agency Functions

The National Development Finance Agency (NDFA) was established on 1 January 2003 to advise State Authorities on the optimal financing and associated risk management of public investment projects by applying commercial standards in evaluating financial risks and costs. The NDFA's overriding objective in providing expert financial advice to Government Departments and State Agencies is to maximise value for money for the Exchequer.

The NDFA's role includes advising on the financial aspects and risk evaluation of Public Private Partnership (PPP) projects such as road, rail and social infrastructure.

In July 2005, the NDFA established a Centre of Expertise for the procurement of PPP projects. This excluded PPPs in the transport and local authority sectors.

After formal handover by the Sanctioning Authority/Sponsoring Agency, the NDFA is responsible for all aspects of delivering the procurement of relevant projects. Completed PPP projects are handed over to relevant Departments after construction is complete and the asset is operational.

Sponsoring Departments/Agencies continue to be responsible for all aspects of the assessment and approval of projects, including the decision to procure the project as a PPP, the setting of project budgets, output specifications, other service requirements and agreeing the Public Sector Benchmark (PSB), which is compiled with the assistance of the NDFA. Upon handover the NDFA is responsible for procuring the projects within the parameters set out by the Sponsoring Department/Agency and defined in the formal handover letter.

In 2013, the NDFA's functions were extended to include the provision of contract management of the operations and maintenance of certain operational PPP schools, and the direct procurement of certain Exchequer funded projects on behalf of the Department of Education and Skills.

The integrated finance, procurement and project delivery model established within the NDFA enables the Agency to bring a unified commercial approach to the procurement and project management of new public sector projects, including Public Private Partnerships.

Up to 27 January 2015, the NDFA had its own board and performed its functions through the NTMA. On that date, the NDFA was dissolved and its functions transferred to the NTMA who will continue to use the NDFA brand to fulfil the various statutory mandates transferred from the NDFA.

The key services provided to State Authorities by the NDFA include:

1. Financial Advisory Services

- financial, risk and insurance advice;
- preparation of Public Sector Benchmarks (the PSB is a comprehensive risk-adjusted, whole-life costing of a project under traditional procurement conditions, expressed as a single monetary figure);
- tender evaluation;
- PPP fund raising;
- value for money assessments;
- liaison, negotiation and arrangement of miscellaneous debt funding from multilateral agencies, e.g. EIB and CEB;
- financial advice on operational PPPs; and
- miscellaneous advice to State authorities on financial matters associated with public capital investments.





Architect Design, Schools PPP Bundle 5, Carlow

2. PPP and Traditional Project Delivery

- co-ordinating final user requirements and PSB input costs;
- preparing tender and contract documents;
- managing the public procurement process;
- compliance checking and evaluation of tenders;
- selection of preferred and successful tenderers;
- contract negotiations and award processes;
- signing PPP contracts on behalf of State Authorities;
- direct monitoring of the construction of projects and administering the contract as Client/Authority Representative until building completion; and
- handing back the completed facility to the State Authority over a staged transition period.

3. PPP Contract Administration (Services Period)

- post-handover management of Schools PPP contracts (Pilot Schools and PPP Bundles 1, 2 and 3) on behalf of the Department of Education and Skills;
- checking and approving the monthly invoices from PPP companies and assessment of deductions/penalties;
- periodic audits of PPP companies' business systems;
- review of annual accounts of PPP companies;
- liaison with school management teams and the Department of Education and Skills on the performance of the PPP contracts; and
- agreement of annual maintenance programmes and service delivery plans (to meet contract requirements).



In performing its duties, the NDFA is required to have due regard to the guidance and directions issued by the Ministers for Finance and Public Expenditure and Reform in relation to the financing and procurement of public investment projects, in particular the *Framework for Public Private Partnerships* (2001), *Guidelines for the Appraisal and Management of Capital Expenditure Proposals in the Public Sector* (2005), the *National Procurement Policy Framework* (2005), the *Guidelines for the Provision of Infrastructure and Capital Investments through Public Private Partnerships* (2006), the *Guidelines to State Authorities regarding the National Development Finance Agency* (2007), *The Public Spending Code* and *Contracts and Guidance under the Capital Works Management Framework*.

Overview

In 2014, the key strategic goal of the NDFA was to continue to progress delivery of the Infrastructure Stimulus Programme announced by the Government in July 2012 (accommodation and roads PPP projects) against the ambitious timetable set out to the market in March 2013.

Significant progress has been made on the PPP projects within the Infrastructure Stimulus Programme. The NDFA is responsible for delivering three education PPP projects (DIT campus at Grangegorman, Schools PPP Bundles 4 and 5), one Health PPP project (Primary Care Centres PPP Programme) and one Justice PPP project (Courts Bundle PPP Programme), with an estimated capital value of c. €650 million. The National Roads Authority (NRA) is responsible for procuring the various road PPP projects, amounting to c. €750 million. The NDFA is financial adviser across the entire PPP programme.

Key events on PPP projects in 2014 include:

- The **N17/N18 road PPP project** (a 57 km stretch of motorway in Co. Galway) reached financial close in April 2014 and construction is underway. This was the first Irish PPP to include institutional investor debt funding since the start of the financial crisis in 2008 and was voted European PPP Deal of the Year at the 2014 Project Finance International Awards. (The NDFA was financial adviser).
- Construction of **Schools PPP Bundle 3** – providing a total of 5,700 school places at eight schools in Donegal, Galway, Leitrim, Limerick, Westmeath, Waterford and Wexford – was completed on time and on budget in April 2014. (The NDFA was procuring authority and financial adviser).
- The **N7 Newlands Cross PPP road project** opened to traffic in November 2014, three months ahead of schedule. The N11 part of this project is on schedule for delivery in 2015. (The NDFA was financial adviser).
- Financial close on **Schools PPP Bundle 4** – providing 3,000 pupil places at 4 schools in Clare, Cork, Louth and Tipperary – was achieved on 22 December 2014 with construction commencing shortly afterwards. (NDFA is the procuring authority and financial adviser).

Procurement is well advanced on the other PPP projects where the NDFA is both procuring authority and financial adviser:

- **DIT Campus at Grangegorman** – Preferred Tenderer appointed and financial close expected in 2016. In March 2015, legal proceedings were initiated against the NTMA and the Minister for Education and Skills in respect of the public procurement competition for this project. The NTMA and the Minister are defending the proceedings.

- **Primary Care Centres PPP Programme** – Preferred Tenderer appointed and financial close expected in Q4 2015.
- **Courts Bundle PPP** – Preferred Tenderer appointed and financial close expected in Q4 2015.
- **Schools PPP Bundle 5** – Invitation to Tender issued, tenders expected in Q3 2015.

The NDFA is providing financial advice to the NRA on the following projects which are currently in procurement:

- **M11 Gorey / Enniscorthy** – Preferred Tenderer appointed, financial close expected in Q3 2015.
- **N25 New Ross by-pass** – Preferred Tenderer appointed, financial close expected in Q3 2015.
- **Tranche 2 Motorway service areas** – Tenders received in Q1 2015, financial close expected in Q3 2015.

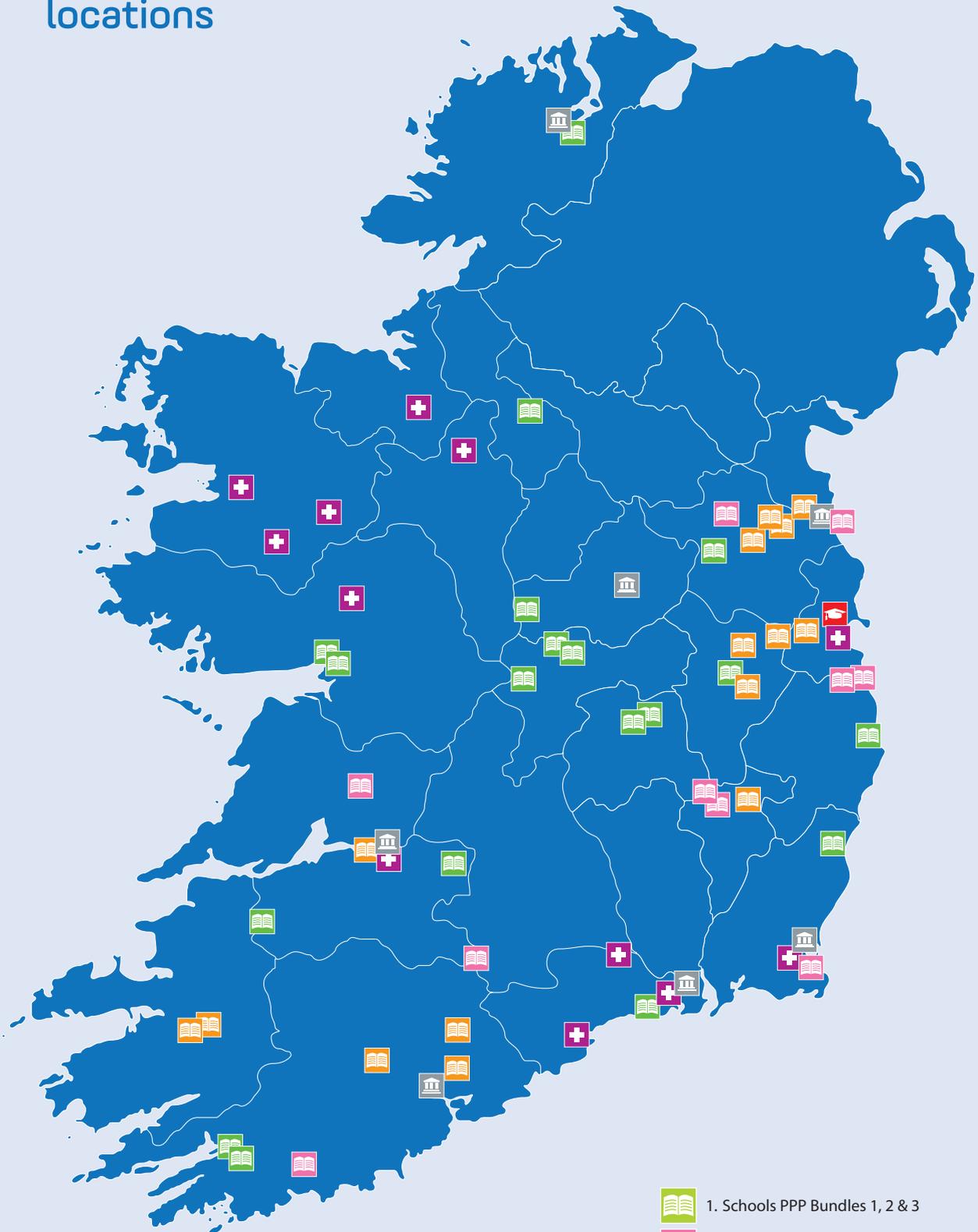
In addition, the NDFA is providing advice to the Railway Procurement Agency (RPA) on the Luas Cross City (City Centre Link) project.

All PPP contracts will be 'availability based' where payment to the PPP Co. relies on the provision of facilities and services to a defined standard with financial deductions being incurred for unavailability and service performance failures.

Separately, the NDFA is delivering 15 non-PPP school projects with a combined value of c. €80 million on behalf of the Department of Education and Skills. Three "Design & Build" contracts were awarded at the start of 2014, construction is progressing on all sites and is on schedule to be completed in 2015.

As part of a programme wide initiative with Enterprise Ireland, a series of "Meet the Buyer" events have been held around the country offering small and medium sized enterprises the opportunity to meet directly with shortlisted bidders for the various projects. Over 950 representatives from SMEs attended 4 events held at different locations in 2014 and 2015. An "enterprise zone" with support offered by local and county Enterprise Boards and by Intreo (the employment service of the Department of Social Protection) was a key feature at the events. Further events will be held in 2015 in connection with the Stimulus Programme.

Project locations



-  1. Schools PPP Bundles 1, 2 & 3
-  2. Schools PPP Bundles 4 & 5
-  3. Primary Care Centres PPP Programme
-  4. Courts Bundle PPP Programme
-  5. Devolved Schools Building Programme
-  6. DIT Campus at Grangegorman PPP

Infrastructure Debt Funding

The NDFA maintained its engagement throughout 2014 with multilateral funders such as the European Investment Bank (EIB) and Council of Europe Development Bank (CEB) in order to maximise the availability of cost effective funding for Irish infrastructure.

The NDFA continues to liaise with the Department of Public Expenditure and Reform and the Department of Finance in seeking ways to streamline the PPP process and attract new project sponsors and investors.



Aerial view of site for DIT Campus at Grangegorman

Suir Bridge, N25, Waterford



European Investment Bank

The NDFA provided financial advice to the Government in the EIB's provision of a €150m direct loan to the Exchequer to part-finance the LUAS Cross City Project being developed by the Railway Procurement Agency. The financing was formally signed in March 2014.

In 2012, the EIB agreed to provide €200 million to support improvements in Ireland's Water Services Investment Programme (WSIP) by financing 23 projects in Dublin and 10 counties around the country to provide new water mains, water and wastewater treatment facilities and reservoirs, as well as measures to improve water conservation. In October 2014, the EIB provided a €100 million direct loan to the Exchequer to finance the second tranche of these projects. Direct EIB lending to the Exchequer is managed by the NTMA.

In 2014, the EIB increased its lending in Ireland by 37% and provided a total of €932 million for eight new projects, including support for new roads, social housing, university investment, energy, telecommunications and investment in SMEs. This follows a 35% increase in lending in Ireland, amounting to €680 million, by EIB in 2013.

For PPPs, where the NDFA is financial adviser to the NRA, the EIB provided €144 million of debt funding for the N17/ N18 roads PPP project (April 2014).

The N25 New Ross By-Pass PPP project is availing of the *EIB Project Bonds Credit Enhancement (PBCE)*. This initiative enables the EIB to provide eligible infrastructure projects with PBCE in the form of a subordinated instrument – either a loan or contingent facility – to support senior project bonds issued by a project company. The core benefit of PBCE is the enhancement it brings to the credit rating of senior bonds. The objective of the initiative is to widen access to sources of finance and minimise overall funding costs.

In October 2013, following discussions led by the NDFA, "approval in principle" was received from the Board of the EIB for up to 50% of the senior debt funding to be provided to the successful tenderer for the DIT Campus at Grangegorman PPP Project. The successful tenderer was appointed in March 2015 and has commenced discussions with potential funders, including EIB.

In addition, "approval in principle" was received from the Board of the EIB in April 2015 for up to 50% of the senior debt funding to be provided to the successful tenderer for the Primary Care Centres PPP project, who was appointed in May 2015. This project is one of the first of four projects earmarked to receive funding through the *European Fund for Strategic Investment (EFSI)*, an initiative between the European Commission and the EIB, established to stimulate growth and enhance European competitiveness.



EIB contract signing, October 2014

Council of Europe Development Bank

The NDFA continues to develop its relationship with the CEB, a multilateral development bank which grants loans to its 41 member States with the aim of promoting social cohesion. It provides low cost funding for projects in primarily social-based sectors including health, education, justice and housing.

In January 2014, the CEB provided a €41 million loan direct to the Exchequer to finance up to half of the capital costs of the new Cork Prison and the National Children Detention Facility in Oberstown, Co. Dublin. The NDFA arranged this financing in consultation with the Irish Prison Service, the Irish Youth Justice Service, the Department of Public Expenditure and Reform and the Department of Finance.

European PPP Market continues to improve

2014 saw a continued improvement in the European PPP market with the aggregate value of transactions reaching financial close being €18.7 billion, a 15% increase from 2013 (€16.3 billion). 82 PPP transactions reached financial close in the period which is in line with 2013 during which 80 transactions closed, an overall increase of 17% since 2012. The biggest users of PPP procurement by number of contracts were the UK, France and Germany – with the highest volume of deals by value in 2013 being in the UK and Italy. Over 85% of these projects were “availability-based” PPPs.

23 transactions involved the provision of debt by institutional investors (e.g. insurance companies, pension funds) through a variety of financing models. Overall, institutional investors lent c. €2.8 billion to European PPPs at very long maturities (on average 24 years). Ireland was one of six countries to close a transaction including institutional investors’ debt.

The following chart illustrates the trend in the PPP market in Europe over the last 10 years.

European PPP Market 2004-2014 by Value & No. of Projects



Source: European PPP Expertise Centre

Progress on projects where NDFA acts as Procuring Authority, Financial Adviser and Contract Manager

While the NDFA only assumes legal responsibility for procurement of a project upon receipt of a formal handover letter from the relevant Secretary General/Accounting Officer, it assumes a highly supportive role in the pre-procurement process which is led by the Sponsoring Agency immediately upon announcement of a PPP project. The NDFA assists the Sanctioning Department and Sponsor in establishing a suitable project governance regime, defining project outputs, preparing the PSB and generally guiding relevant parties in preparation for a robust public procurement process.



Construction commenced, Schools PPP Bundle 4, Dundalk, Co. Louth

Architect design, primary care centre, Tuam, Co. Galway



Department of Education & Skills

Schools PPP Programme

The Schools PPP Programme was first announced in 2005 with a target of 27 schools planned for delivery. The NDFA provides financial advice to the programme and is responsible for all aspects of the procurement and construction delivery of the individual PPP contracts. To date 18 schools, providing over 12,000 school places, with an aggregate capital value of circa €240 million, have been delivered by the NDFA in three separate PPP bundles. All projects were delivered on time and within budget. Two further PPP bundles comprising 10 schools were included in the 2012 Infrastructure Stimulus Programme, with one currently in construction (Schools PPP Bundle 4) and the other in procurement (Schools PPP Bundle 5).

In October 2012, at the request of the Minister for Education and Skills, the NDFA took over the PPP contract management of the operations and maintenance of 15 operational PPP Schools from the Pilot Schools PPP and Schools PPP Bundles 1 & 2. This arrangement was extended to include Schools PPP Bundle 3, and the NDFA is currently managing the operations and maintenance of 23 operational PPP schools.

St. Mary's CBS, Portlaoise, Schools PPP Bundle 1



Coláiste Áiligh, Letterkenny, Schools PPP Bundle 3



Abbeyfeale Community College, Co. Limerick, Schools PPP Bundle 2

First and Second PPP Bundles of Schools

The first PPP bundle consisted of four schools located in Laois and Offaly. The contract was awarded to Macquarie Partnerships for Ireland in March 2009 with Service Commencement achieved in September 2010.

The contract for the second bundle of PPP schools, consisting of six schools in counties Cork, Limerick, Kildare, Wicklow and Meath was awarded to Macquarie Partnerships for Ireland in June 2010. Delivery of all schools in 2011 was ahead of programme.

Third PPP Bundle of Schools

The third PPP bundle of schools comprised eight schools and included a combination of new and replacement schools and provides accommodation for approximately 5,700 students.

The project achieved financial close in November 2012 with BAM PPP PGGM Infrastructure Cooperatie being awarded the contract. Construction work commenced immediately and the first school, Coláiste Áiligh, in Letterkenny opened on 7 November 2013, just 52 weeks after the contract was awarded. The final school in the bundle, Athlone Community College, was completed and opened on 28 April 2014.

This project has received a number of awards including *World Finance PPP Award's Best Education Project in Europe 2013* for its innovative funding solution which included the National Pensions Reserve Fund. Coláiste Áiligh won the RIAI's 2014 award for *Best Architecture in an Education Project*, and Athlone Community College won the Irish Building and Design Awards *School Building of the Year Award* in 2014 and the RIAI's 2015 award for *Best Architecture in an Education Project*.

Athlone Community College, Co Westmeath, Schools PPP Bundle 3



Fourth & Fifth Bundles of PPP Schools

In June 2013 the contract notice was published in the Official Journal of the European Union (OJEU) for both the fourth and fifth PPP bundles following which six expressions of interest were received. Three consortia were subsequently shortlisted to receive tender documents for the two bundles.

Fourth Bundle of PPP Schools

The fourth bundle of PPP schools comprises four post-primary schools in Clare, Cork, Louth and Tipperary. The project will provide new accommodation for approximately 3,000 students. The project was handed over to the NDFA by the Department of Education and Skills in October 2013 on approval of the PSB, and Invitation to Negotiate documents were issued to the shortlisted candidates in November 2013.

Tenders were received as scheduled in April 2014 and BAM PPP PGGM Infrastructure Cooperatie was selected as preferred tenderer in June. Financial close was reached in December 2014 and construction is currently underway with expected completion in 2016.

Fifth Bundle of PPP Schools

This bundle will provide new accommodation for approximately 4,650 students and includes a primary school and post-primary school in Wicklow and two post-primary schools in Meath and Wexford. An Education Training Board (ETB) college in Carlow town that provides post-Leaving Certificate courses and mainstream second-level education will be replaced with two new institutions. The joint campus will comprise a post-primary school and a further education college, each catering for 1,000 students.

Tender documents for this fifth PPP bundle were issued to the shortlisted tenderers in March 2015. A preferred bidder is expected to be appointed in Q3 2015 with financial close scheduled for Q1 2016.

Third Level Education PPP Programme

DIT Campus at Grangegorman: East & Central Quads

In September 2010 the Government launched a major new infrastructure development project which will include a purpose-built campus for the Dublin Institute of Technology (DIT), state-of-the-art mental health facilities and a range of public amenities – all to be built on the grounds of St. Brendan's Hospital in Grangegorman, Dublin 7. The site will be served by the planned extension of the LUAS Cross City line for which planning has been secured. A significant component of this campus development is the construction of two major new buildings that will provide 50,000m² of teaching space. Together, the East and Central Quads are to be undertaken as a single PPP contract with a capital value of circa €200 million.

The Sanctioning Authority for this project is the Department of Education and Skills and the Grangegorman Development Agency (GDA) is the Sponsoring Agency. The NTMA is the procuring body acting for and on behalf of the Minister for Education & Skills and is the financial adviser for this Project. The DIT will be the end user of the facilities.

The East Quad will be a centre of excellence for the creative arts and media including the National Conservatoire of Ireland. It will accommodate academic activities and facilities for five of the seven schools within the College of Arts and Tourism.

The Central Quad will be a centre of excellence for the sciences as well as incorporating facilities for electrical engineering, culinary arts, hospitality management and tourism programmes at DIT. It will accommodate academic

activities and teaching facilities required for a total of ten schools from the College of Sciences & Health, College of Engineering & the Built Environment and the College of Arts & Tourism. These schools will be grouped to maximise the benefits and efficiencies to DIT from co-locating related disciplines and functions.

The Grangegorman Campus site is approved as a Strategic Development Zone (SDZ) under Part IX of the Planning and Development Act. The planning scheme was adopted by Dublin City Council and approved by An Bord Pleanála in 2011.

The Invitation to Negotiate documents were issued in April 2014. Following the pre-tender consultation process, tenders were submitted by three consortia in November 2014. In February 2015, the Eriugena consortium was appointed as the preferred tenderer.

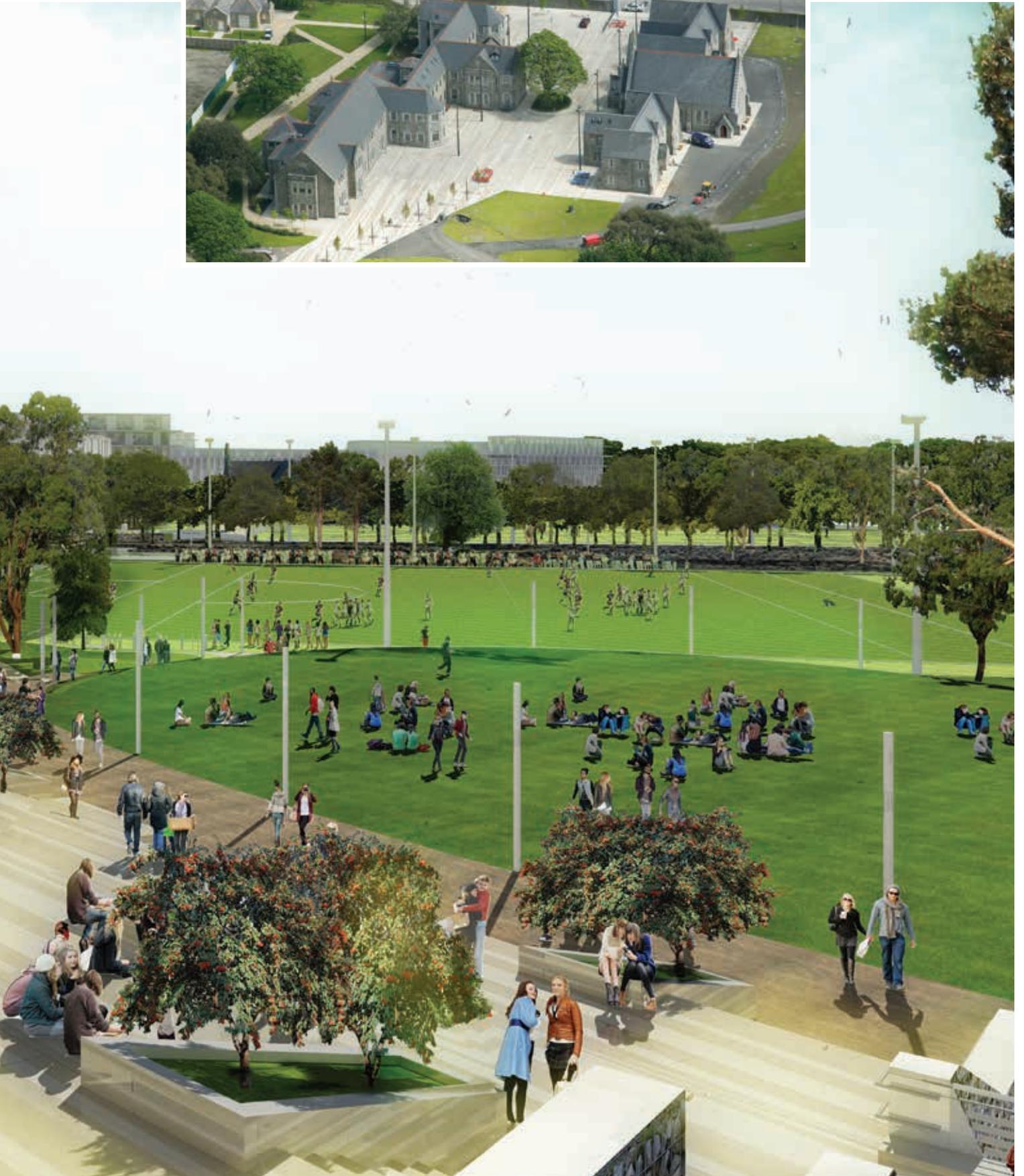
Following the receipt of planning permission (by the preferred tenderer) and the selection of preferred debt funders, both scheduled for mid-2015 it is anticipated that financial close and contract award will occur in 2016. It is expected that DIT will be fully operational in advance of the 2018/2019 academic year.

In March 2015, legal proceedings were issued against the NTMA and the Department of Education & Skills in respect of the public procurement competition for this project. The NTMA and the Minister are defending the proceedings.





DIT Campus at Grangegorman



Health Service Executive (HSE)

Primary Care Centres PPP Programme

The Primary Care Centres PPP Project involves the proposed procurement of a network of primary care centres throughout Ireland. The delivery of this project is part of the national programme of establishing around 300 primary care centres of which 14 are being procured as a single PPP contract. The remaining facilities are being procured by other means.

The project involves the design, build, finance and maintenance for 25 years of the primary care centres together with the provision of facility management services. The operation of the primary care centres will continue to be the responsibility of the HSE, including the provision of GPs.

A contract notice was published by the NDFA in the OJEU in December 2013, with four pre-qualification submissions received in March 2014. Three candidates were shortlisted in June 2014.

The Invitation to Negotiate documents were issued in September 2014 and a preferred bidder was selected in April 2015. Contract award and financial close are currently scheduled for Q4 2015 with construction likely to take between 13 and 23 months at each of the centres.



Department of Justice and Equality

Courts PPP Bundle Project

The Courts PPP Bundle Project was announced in July 2012 as part of the wider Infrastructure Stimulus package. The project involves the development of new court house buildings in Drogheda, Letterkenny, Limerick and Wexford and the refurbishment and extension of courthouses in Cork, Mullingar and Waterford. The projects are being procured in a single PPP contract comprising the design, build, finance and maintenance of the facilities for 25 years. Planning permission was secured for all of the courthouse developments prior to commencing the procurement process.

These priority projects, as identified by the Courts Service, are being developed to deliver improvements that will lead to reduced waiting times and reduced costs of litigation. Also, the improvements in court buildings in city and county town locations around the country will allow the rationalisation of court sittings and will help to achieve efficiencies in delivering services through the use of improved facilities and technologies.

The Sanctioning Authority for this project is the Department of Justice and Equality, the Courts Service is the Sponsoring Agency and the Office of Public Works is the lead technical adviser. Specialist technical and cost consultancy advisers, together with legal advisers were appointed for the project in 2013.

The Contract Notice for the overall project was published by the NDFA in the OJEU in April 2014. Four candidates were shortlisted and issued with the Invitation to Negotiate documents in 2014. Tenders were received in March 2015 and following the evaluation, a preferred tenderer was appointed in June 2015. Financial close and contract award is scheduled for Q4 2015 and it is expected that works will be complete and that all of the facilities will be fully operational by October 2017.



Architect designs, Courts PPP Bundle



Procuring authority for non-PPP school building projects

NDA Devolved Schools Building Programme

In March 2012, the Minister for Education and Skills, announced details of 219 new major school building projects for delivery in the period 2013-2017 as part of a €2 billion capital investment programme. These new projects are in addition to the 56 major school building projects that were previously announced for 2012. The investment is anticipated to create about 15,000 direct and 3,000 indirect jobs over the period of the programme.

The NDA, the Office of Public Works (OPW), Education Training Boards (ETBs) and some County Councils will assist the Department with the delivery of over 80 major school projects within the 5-year plan.

The NDA were requested to procure and deliver an initial 15 schools (including new and replacement building, extensions and refurbishments) under provisions included with the ETB Act 2013. This Devolved Schools Programme is in addition to the PPP programme of Schools for which the NDA is procuring and delivery agent.

In May 2013, the NDA appointed five building contractors to a three year "Design and Build" framework following an open tender competition. Tenders were issued in the second half of 2013 in respect of three contract bundles of between four and six schools each covering the north-east, west midlands and south-west. The awarding of contracts from this framework was concluded in Q1 2014. Construction commenced on all 15 schools, and the first of the schools was completed in late December 2014. It is expected that all 15 schools will be operational for the start of the 2015-2016 school year.

The NDA is acting as the Employer's Representative under the contracts and has an ongoing role in monitoring the contractors' performance against their contract obligations.

Trial Provision of Social Clauses for the long-term unemployed within the Public Works Contract

A pilot scheme for "Social Clauses for Apprentices and the Long-term Unemployed" is being managed by the NDA within its Devolved Schools Programme. These social clauses, which are also being incorporated within the PPP projects that form part of the Stimulus Programme, include mandatory targets to ensure that:

- At least ten percent of those working on the sites are drawn from the live register and have been unemployed for more than 12 months; and
- At least 2.5% of workers on the sites will be engaged in an approved registered training or apprenticeship scheme.

The pilot scheme includes monitoring arrangements and provides for data collection to establish its effectiveness in achieving the stated objectives.

The NDA and the Department of Education and Skills have been assisted with the drafting and inclusion of these clauses within the public works form of contract by the Department of Public Expenditure and Reform. In June 2014, the Minister for Public Expenditure and Reform announced the establishment of a Social Clauses Project Group within the Office of Government Procurement, to build on the experience of this pilot initiative.

The three contracts that have been awarded to date have an aggregate total capital value of around €80 million. The NDA anticipates a peak construction site work force across each of the contracts of the order of between 150 and 250 persons.

The NDA is working closely with the appointed contractors, the Department of Social Protection and with the relevant local *Intreo* offices (the employment offices of the Department of Social Protection) in the application of the contract requirements, all of whom are fully engaged in supporting the pilot initiative.

At the end of 2014 some 50 persons meeting the requirements of the social clauses had been employed across the three contracts with further appointments pending and interviews being arranged for more positions.



Encouraging and supporting wider SME Participation

The NDFA has engaged with Enterprise Ireland on a number of initiatives in support of the SME sector including hosting two “Meet the Buyer” events for the Devolved Schools Building Programme. Members of the SME sector affiliated with the construction sector had the opportunity to hear about the individual contracts within the programme and to engage directly with representatives of the five design and build contractors appointed to the framework.

Over 300 businesses participated during the course of the two events held in Drogheda, Co. Louth and in Charleville, Co. Limerick. The Department of Social Protection together with representatives of the local County and Enterprise Boards also attended the events as a part of an enterprise support zone.



Progress in the Devolved Schools Building Programme



Progress on projects where NDFA acts as Financial Adviser



Criminal Courts of Justice

Convention Centre Dublin



Health Service Executive

National Forensic Mental Health Services

St. Ita's Portrane has been established as the preferred site for the new National Forensic Mental Health Services facilities (NFMHS) which will comprise:

- A new Adult Forensic Hospital (120 beds);
- A Forensic Mental Health Intellectual Disability Unit (10 beds);
- A Forensic Child & Adolescent Unit (10 beds);
- Forensic Intensive Care Rehabilitation Units (30 beds); and
- Two 30-bed Forensic Intensive Care Rehabilitation Units to be developed at appropriate locations across the country.

The HSE is proceeding with this project on a phased, two-stage basis, with the Intensive Care Rehabilitation Units to be constructed separately in the second phase.

The NDFA is the financial adviser to the HSE on this traditionally procured project. Planning permission is expected to be received in Q2 2015, with tender documents scheduled to be issued thereafter. A contractor is expected to be appointed, with construction commencing in Q1 2016 for the first phase of the development.

Aerial view, site at St. Ita's Hospital, Portrane



Centre of Excellence for Successful Ageing

St James's Hospital was given approval to proceed with development of the 'Care of the Elderly Programme' at St. James's Hospital by the HSE. The objective of this project is to develop a new facility for the Mercer's Institutes for Successful Ageing on the southern part of the hospital site and for this to be a 'Centre of Excellence for Successful Ageing'.

The NDFA was the financial adviser to the HSE on this traditionally-procured project. Following advertisement of the tender for the project in June 2013, the contract was awarded in February 2014 to BAM. Construction commenced in March 2014 with expected completion in early 2016.

This project is funded jointly by Atlantic Philanthropies and the HSE.

National Paediatric Hospital (NPH)

The new children's hospital is one of the largest, most complex and significant capital investment projects ever undertaken in healthcare in Ireland. It will enhance how acute health services are delivered and will result in better clinical outcomes for children and young people.

The planned development will bring together the three existing children's hospitals at Our Lady's Children's Hospital Crumlin, Temple Street Children's University Hospital and the National Children's Hospital at Tallaght Hospital. The central objective is to provide a hospital that will deliver excellence in clinical care, teaching and research in a high quality environment, co-located with an adult academic teaching hospital.

In November 2012, St. James's Hospital was selected as the new site for the NPH and a new Development Board was appointed by the Minister for Health.

The NDFA is acting as statutory financial adviser to the HSE in relation to the project. In addition, during 2014, the NDFA provided financial advice to the Development Board in relation to the appointment of a design team for an employer-led contract proposed to be tendered in 2015 for the construction of the new hospital, subject to planning permission.

Department of Transport, Tourism & Sport

Second Roads PPP Programme

The NDFA is financial adviser to the National Roads Authority (NRA) in respect of the Second Roads PPP programme of which there are three PPP schemes forming part of the Infrastructure Stimulus Programme – the N17/18 (Gort to Tuam) PPP; the N25 (New Ross Bypass) PPP; and the M11 Scheme (Gorey to Enniscorthy) PPP. The NRA is also procuring a second tranche of the Motorway Services Areas project on which the NDFA also provides financial advice.

N11 Scheme (Arklow, Rathnew and N7 Newlands Cross)

The NDFA provided financial advice to the NRA on the €282 million N11/Newlands Cross PPP scheme which was the final project in the First Roads PPP programme that reached contract award and financial close in April 2013.

A key strategic link in the national road network, the upgrade to the N11 is being developed along with the Newlands Cross junction upgrade as a single PPP contract. The N11 upgrade will improve road safety on a notoriously dangerous stretch of road and will also include the first on-line service station on the N11, at Gorey. The recently completed Newlands Cross fly-over has removed the last traffic light between Cork, Limerick, Waterford and the border with Northern Ireland. Some 80,000 vehicles pass through Newlands Cross every day.

Debt funding of more than €160 million was provided by Bank of Ireland and EIB, with the National Pensions Reserve

Fund acting as a standby lender. The contract was awarded to a consortium comprising BAM PPP and Dutch pension fund administrator PGGM Infrastructuur Cooperatie. Construction of the entire project is due to be completed in 2015.

N17/N18 Scheme (Gort to Tuam)

The N17/N18 scheme (Gort to Tuam), which will provide 57 kilometres of non-tolled motorway and dual carriageway as part of a high quality road link between Letterkenny and Waterford (the Atlantic Corridor), successfully reached contract award and financial close in April 2014 with the contract awarded to the Direct Route consortium. At an estimated capital cost of €330 million, this is the largest project of the Infrastructure Stimulus Programme and is expected to create up to 450 jobs, boost local economies in the west of Ireland and ease traffic congestion.

As the largest scheme in Phase 1 of the PPP Stimulus Programme, the successful fundraising marked an important milestone in the continuation of the Irish PPP programme and confirmed the international project finance markets' renewed confidence, at both a bank and institutional level. The NDFA played a key role in managing the complex funding solution developed for this PPP Project.

The EIB will provide €144 million over 26 years for the scheme – the bank's third engagement to support PPP projects since 2010. Construction of the scheme is currently underway.

Construction underway on N17/N18





N25 New Ross Bypass

The N25 New Ross Bypass will provide high quality links within the south east region and ease traffic congestion by providing a bypass of New Ross town on the N25 and N30.

The NRA commenced the procurement process for the PPP scheme in March 2013 and the Preferred Tenderer (BAM Iridium consortium) was appointed in December 2014.

The scheme has been approved “in principle” by EIB for inclusion in the pilot phase of the European Commission / EIB 2020 Project Bond Initiative. The NDFA will manage this innovative new funding source to ensure the State achieves value for money and a successful outcome from the State’s perspective.

Financial close is targeted for Q3 2015.

M11 Scheme (Gorey to Enniscorthy)

The M11 Gorey to Enniscorthy will comprise the construction of three new sections of road, including the M11, N30 and an N80 link. The scheme comprises:

- M11 Enniscorthy Bypass - 26km of mainline to motorway standard, starting at Frankfort and continuing to Roperstown on the existing N11.
- N80 Link - 4km dual carriageway connecting the Ballydawnmore junction to the existing N11/ N80 junction at Scarawalsh.
- N30 Western Link - 8km of single carriageway connecting the N11/ N80 junction at Scarawalsh to Jamestown, passing west of Enniscorthy Town.

The NRA commenced the procurement process for the PPP scheme in July 2013 and the Preferred Tenderer (BAM Iridium consortium) was appointed in February 2015. The scheme has been approved “in principle” by EIB for up to 50% of the senior debt. Financial close is targeted for Q3 2015.

Tranche 2 Motorway Service Areas

This project comprises the design, construction, operation, maintenance and financing of two service areas located on the M6 motorway east of Athlone and on the M9 motorway south of Kildcullen, together with the fit-out, operation and maintenance of a third service area on the M11 motorway north of Gorey.

The NRA commenced the procurement process for the scheme in March 2014. Tenders were received in Q1 2015 and financial close is targeted for Q3 2015.

LUAS Cross City

The Railway Procurement Agency (RPA) is responsible for the procurement of the LUAS Cross City scheme (formerly known as LUAS BXD), involving the provision of a link between the existing LUAS Red and Green Lines and extending the network onwards through the city centre to Cabra (Broombridge) via Broadstone and Grangegorman. The line will also connect to the Maynooth and Dunboyne suburban rail line. With a total project budget of €368 million, the scheme will be funded directly by the Exchequer. The main construction contract was signed in Q1 2015 with Sisk Steconfer consortium and construction of the scheme is currently underway.

The NDFA provides financial advice to the RPA and the National Transport Authority in respect of this scheme. As part of its role, the NDFA coordinated an EIB (traditional) loan financing to the project in an arrangement which was signed in March 2014.

Environment, Community & Local Government

Dublin Waste to Energy Plant

The Dublin Waste to Energy project is a PPP between Dublin City Council (acting on behalf of four Dublin Local Authorities) and Covanta, to provide a thermal treatment plant to treat municipal waste that cannot be reused or recycled.

The Dublin Waste to Energy Plant will provide the Dublin region with a long-term sustainable waste management solution, enabling it to divert post-recycled waste from landfills and become locally self-sufficient in managing waste, consistent with regional, national and EU waste policies. When complete, the facility will generate clean renewable energy to supply 80,000 homes, reducing Ireland's reliance on imported fossil fuel, and has also been designed with technology and infrastructure to provide enough heat to meet the equivalent needs of over 50,000 homes if a district heating system is implemented in the future.

The project reached financial close in September 2014. Construction is expected to take approximately three years, with commencement of operations targeted for late 2017.

Social Housing

In *Budget 2015*, the Minister for Public Expenditure and Reform announced a €300 million PPP programme to invest in social housing. The programme will deliver up to 1,500 social housing units and utilise the standard availability-based design, build, finance and maintain model to deliver social housing developments in multiple locations. This model has been used successfully to deliver a variety of projects, principally schools and roads, and is currently being used to procure primary healthcare centres, court houses and a third level educational facility.

The NDFA is currently actively engaged with the Department of Environment, Community and Local Government and Local Authorities to identify suitable sites for the programme.



Other NDFA Advisory Work

Financial advice

The NDFA provides financial advice to Government Departments on a number of operational PPP projects including the Criminal Courts of Justice and the Convention Centre Dublin.

PPP Contract Administration Services for Department of Education and Skills

At the request of the Department of Education and Skills, the NDFA took over the PPP contract management of the operations and maintenance of 15 operational PPP Schools in October 2012. This agreement was extended in March 2014 and March 2015 for a further 12 months with the consent of the Department of Public Expenditure and Reform. The agreement in 2014 was extended to incorporate the contract management of an additional bundle (Schools PPP Bundle 3) into the service.

The NDFA is now managing the contracts for four operational schools projects: Schools PPP Bundle 1 (4 schools), Schools PPP Bundle 2 (6 schools), the Pilot Schools PPP (5 schools) and Schools PPP Bundle 3 (8 schools) on behalf of the Department. Working under a Service Level Agreement, the support provided involves monitoring the relevant PPP Companies in the performance of their obligations under the PPP contract.

In managing the contracts the NDFA liaises with the Department, the schools and the PPP Companies to ensure that the facilities are maintained and lifecycled in accordance with the service and contract requirements. In undertaking this role, the NDFA is also responsible for:

- Managing the delivery of services by the PPP companies, and ensuring compliance with the contract requirements;
- Reviewing monthly reports and PPP companies performance;
- Applying relevant deductions (for service and availability failures) to the monthly invoices;

- Ensuring that any required changes (either by the schools or the PPP Companies) are managed in accordance with the contract;
- Undertaking annual condition surveys of the facilities;
- Review of annual / 5 yearly proposed plans and programmes for service delivery, maintenance and lifecycle and ensuring compliance with the requirements; and
- Managing the 5 yearly market testing and benchmarking of services in accordance with the contract requirements.

The total amount of availability and service performance deductions made in 2014 was €48,658 (2013: €187,500).

Government Construction Contracts Committee

The NDFA is represented on the Government Construction Contracts Committee (the GCCC).

Following a request from the GCCC, the NDFA has been working with it on developing a guidance document for the financial appraisal of contractors under the various public works forms of contract. In the final stages of approval with the Committee, it is expected that this document will form the basis of new guidance to be issued by the Department of Public Expenditure and Reform in respect of the financial appraisal of GCCC contract documents.

The NDFA has also made contributions to the Committee in respect of guidance issued by the GCCC on the level of bonding to be set in public construction works, the adoption of the Building Control (Amendment) Regulations and its impact on the public works suite of contracts as well as in the more general review of the public works contracts launched by the Minister for Public Expenditure and Reform in December 2013.

PPP Contracts under NDA Management

PPP Project	PPP Co.	School	Address	Service Commencement Date
Schools PPP Programme Bundle 3	BAM Schools Bundle 3 Ltd.	Scoil na Tríonóide Naofa	Doon, Co. Limerick	Feb 2014
		Ballinamore Community School	Ballinamore, Co. Leitrim	Feb 2014
		Coláiste Áiligh	Letterkenny, Co. Donegal	Nov 2014
		Ardscoil na Mara	Tramore, Co. Waterford	Mar 2014
		Creagh College	Gorey, Co. Wexford	Mar 2014
		Athlone Community College	Athlone, Co. Westmeath	Apr 2014
		Merlin College	Doughiska, Galway	Mar 2014
		Merlin Woods	Doughiska, Galway	Mar 2014
Schools PPP Programme Bundle 2	Pymble Schools Ltd.	Coláiste Phobail Bheantraí	Bantry, Co. Cork	Oct 2011
		Gaelscoil Bheantraí	Bantry, Co. Cork	Jul 2011
		Kildare Town Community College	Kildare Town, Co. Kildare	Oct 2011
		Coláiste Ide agus Iosef	Abbeyfeale, Co. Limerick	Aug 2011
		Athboy Community College	Athboy, Co. Meath	Oct 2011
		Coláiste Cill Mhantain	Wicklow Town, Co. Wicklow	Sep 2011
Schools PPP Programme Bundle 1	MPFI Schools 1 Ltd.	Scoil Chríost Rí	Portlaoise, Co. Laois	Jul 2010
		St. Mary's CBS	Portlaoise, Co. Laois	Aug 2010
		Gallen Community School	Febane, Co. Offaly	Oct 2010
		Coláiste na Síonna	Bannagher, Co. Offaly	Oct 2010
Pilot PPP Schools Project	Schools Public/Private Partnerships (Ireland) Ltd.	Largy College	Clones, Co. Monaghan	Dec 2002
		St. Caimin's Community School	Shannon, Co. Clare	Nov 2002
		St. Attracta's	Tubbercurry, Co. Sligo	Nov 2002
		Maria Immaculata Community College	Dunmanway, Co. Cork	Dec 2002
		Ballincollig Community College	Ballincollig, Co. Cork	Dec 2002

Governance

NDA Board and governance arrangements

The NDA Act 2002, as subsequently amended, provided for a Board which consisted of a Chairperson and seven ordinary members. The Chief Executive of the NTMA was the ex officio Chairperson of the Board. The Chief Executive of the NDA was a Board member. Ordinary members were appointed by the Minister for Finance for no more than two terms of five years.

Under the provisions of the National Treasury Management Agency (Amendment) Act, 2014, as commenced by S.I. 22 of 2015, the NDA was dissolved on 27 January 2015 and its functions transferred to the NTMA.

Prior to dissolution, the Board was required to ensure that the functions of the NDA were being performed effectively. It set the strategic objectives and targets to be met by the NDA and ensured they were met.

The following matters were reserved for Board approval during the period:

- a) Delegated Signing Authorities
- b) Approval of Major Contracts
- c) Corporate Policies and Plans
- d) Risk Management Policy
- e) System of Internal Financial Control
- f) NDA Annual Report and Accounts
- g) Participation in NTMA Audit Committee

Board members during the period 1 January 2014 to 26 January 2015 were as follows:

John Corrigan

Chairman (ex-officio) (Retired 4 January 2015)
Chief Executive, National Treasury Management Agency

Conor O'Kelly

Chairman (ex-officio) (Appointed 5 January 2015)
Chief Executive, National Treasury Management Agency

Brian Murphy

Chief Executive Officer
Director, National Treasury Management Agency

Gerry Murray

Chief Executive Officer, Institutes of Technology Ireland

Petrina Smyth

Tax Partner, Walkers Ireland Law Firm

Robert Watt

Secretary General of the Department of Public Expenditure and Reform

The Board met on five occasions during the period from 1 Jan 2014 to 26 Jan 2015. Attendance by members is set out below.

Board Member	Meetings Attended
John Corrigan	5
Brian Murphy	5
Gerry Murray	5
Petrina Smyth	5
Robert Watt	5

Audit Committee and Internal Audit

The NTMA has an Audit Committee which operates in accordance with the principles in the Code of Practice for the Governance of State Bodies. The NTMA's internal audit function is overseen by this Audit Committee. The work of the internal audit function is informed by an analysis of the risks to which the NDFA is exposed, and annual internal audit plans are based on this analysis. The internal audit plans are agreed with the Chief Executive and management of the NTMA and approved by the NTMA's Audit Committee. On a regular basis, the internal audit function provides the management of the NTMA and the NTMA's Audit Committee with reports of internal audit activity. These reports outline any findings and recommendations in relation to internal controls that have been reviewed. Progress against recommendations is monitored and reported to the Audit Committee.

Members of the Audit Committee during the period 1 January 2014 to 22 December 2014 were as follows:

Brendan McDonagh (Chairperson)

Gerry Murray – Member of the NDFA Board

Michael O'Grady – External Member

Corporate Governance Codes

The Code of Practice for the Governance of State Bodies ('the Code') is modelled on a typical corporate structure consisting of a Board of Directors which has legal responsibility for the body, and an executive management team and staff, who carry out the functions delegated to them by the Board.

The NDFA Board had implemented the Code, adapted to its specific circumstances. A code of business conduct and a travel policy was in place for Board members. Board members were expected to ensure that all their activities are governed by the ethical standards reflected in the code.

The NDFA was a prescribed public body for the purposes of the Ethics in Public Office Acts, 1995 and 2001. In addition, there were specific disclosure of interest requirements during the period under the National Development Finance Agency Act.

Auditors

In accordance with statutory requirements, the NDFA was audited by the Comptroller and Auditor General.

Appendices

List of State Authorities

The following is a list of the State Authorities that were obliged to consult the NDFA for financial advice in respect of major public investment projects during the financial period:-

State Authorities as listed in the Schedule to the NDFA (Amendment) Act 2007

1. A Minister of the Government
2. A local authority
3. The Commissioners of Public Works in Ireland
4. The National Roads Authority
5. The Health Service Executive
6. A university within the meaning of the Universities Act 1997, other than Trinity College and the University of Dublin
7. The Dublin Institute of Technology
8. A college within the meaning of section 2 of the Regional Technical Colleges Act 1992
9. A vocational education committee within the meaning of section 7 of the Vocational Education Act 1930
10. Courts Service
11. A harbour authority within the meaning of the Harbours Acts 1946 to 1976
12. Bus Átha Cliath – Dublin Bus
13. Bus Éireann – Irish Bus
14. Córas Iompair Éireann
15. The Railway Procurement Agency
16. Digital Hub Development Agency
17. Any public authority standing prescribed by order

Financial Statements

The NDFA provides advice to State Authorities on the procurement, delivery and financing of projects. The allocations for the relevant Departments for PPP projects are found in the multi-annual allocations in the Budget.

Section 20 of the National Development Finance Agency Act, 2002 obliged it to keep, in such form, as may be determined by the Minister for Finance, all proper and usual accounts up to 26 January 2015. The accounts had to include a separate account of the administration fees and expenses incurred by the NDFA in the performance of its functions.

The administration expenses incurred by the NDFA in the period ended 26 January 2015 and in the year ended 31 December 2013 are as follows.

	1 Jan 2014 to 26 Jan 2015 €	1 Jan 2013 to 31 Dec 2013 €
Fees of Board	13,459	12,600
Audit Fees	7,800	7,800
	21,259	20,400

In addition to the above expenses, the administrative costs incurred by the NTMA in the performance of the NDFA's functions in the period ended 26 January 2015 amounted to €9,000,122 (2013: €7,113,551). These costs are included in the administration expenses of the NTMA and are charged to the Central Fund. The NTMA does not seek reimbursement of these costs from State Authorities.

Financial Statements
of the National Development
Finance Agency
For the period from 1 January
2014 to 26 January 2015

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Board Members and Other Information

Board Members

John C. Corrigan
Chairperson (ex-officio) (Retired 4 January 2015)

Conor O'Kelly
Chairperson (ex-officio) (Appointed 5 January 2015)

Brian Murphy
Chief Executive Officer

Gerry Murray

Petrina Smyth

Robert Watt

Under the provisions of the National Treasury Management Agency (Amendment) Act 2014, as commenced by Statutory Instrument (S.I.) No. 22 of 2015, the National Development Finance Agency ("NDFA") was dissolved on 27 January 2015 and the NDFA legislation was repealed. On this date the relevant statutory functions were given to the National Treasury Management Agency (the "Agency") and all property, rights and liabilities of the NDFA transferred to the Agency.

Auditors

Comptroller and Auditor General

Dublin Castle

Dublin 2

Bankers

Allied Irish Banks plc

1-4 Lower Baggot Street

Dublin 2

Statement of the National Development Finance Agency's Responsibilities

The National Development Finance Agency (the "NDFA") was established under the National Development Finance Agency Act, 2002. In accordance with section 11 of the NDFA Act (which applied during the period to which these financial statements relate), the NDFA performed its functions through the National Treasury Management Agency (the "Agency"). Section 20 of the NDFA Act required the NDFA to prepare financial statements in respect of its operations for each financial year.

Under the provisions of the National Treasury Management Agency (Amendment) Act 2014, as commenced by Statutory Instrument (S.I.) No. 22 of 2015, the NDFA was dissolved on 27 January 2015 and the NDFA legislation was repealed. On this date the relevant statutory functions were given to the Agency and all property, rights and liabilities of the NDFA transferred to the Agency. These financial statements are prepared in accordance with the NDFA Act, as amended, and cover the period prior to dissolution, from 1 January 2014 to 26 January 2015.

As the activities of the NDFA are continuing under the Agency, it is deemed appropriate to prepare these financial statements on a going concern basis.

In preparing these statements, the Agency:

- Selects suitable accounting policies and then applies them consistently;
- Makes judgements and estimates that are reasonable and prudent;
- Prepares the financial statements on a going concern basis unless it is inappropriate to do so;
- Discloses and explains any material departure from applicable accounting standards.

During the period to which these financial statements relate, the NDFA Board was responsible for:

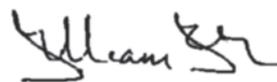
- Keeping in such form as may be approved by the Minister for Finance all proper and usual accounts of all monies received by it or expended by it and all financial and other transactions undertaken in the performance of its functions;
- Maintaining accounting records which disclose with reasonable accuracy at any time the financial position of the NDFA;
- Safeguarding assets under its control and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the Agency



Conor O'Kelly, Chief Executive
National Treasury Management Agency

15 June 2015



Willie Walsh, Chairperson
National Treasury Management Agency

Statement on Internal Financial Control

Responsibility for the System of Internal Financial Control

As provided for under the National Treasury Management Agency (Amendment) Act 2014, the National Development Finance Agency ('NDFA') was dissolved on 27 January 2015. On this date the relevant statutory functions were given to the National Treasury Management Agency (the "Agency") and all property, rights and liabilities of the NDFA transferred to the Agency. Prior to the date of dissolution, the NDFA Board was responsible for ensuring that an effective system of internal financial control was maintained and operated.

The system can only provide reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected in a timely manner.

Key Control Procedures

In accordance with section 11 of the National Development Finance Agency Act, 2002, the NDFA performed its functions through the Agency throughout the period 1 January 2014 to 26 January 2015.

The NDFA Board in conjunction with the Agency took steps to ensure an appropriate control environment with respect to the NDFA by:

- Clearly defining management responsibilities;
- Establishing the NDFA Code of Conduct for the Management of Conflicts of Interest;
- Establishing formal procedures for reporting significant control failures and ensuring appropriate corrective action;
- Establishing an Audit Committee to advise us on discharging our responsibilities for the internal financial control system.

The NDFA and Agency established processes to identify and evaluate business risks by:

- Identifying the nature, extent and financial implication of risks facing the organisation;
- Assessing the likelihood of identified risks occurring;
- Assessing the organisation's ability to manage and mitigate the risks that do occur;
- Assessing the costs of operating particular controls relative to the benefit obtained.

The system of internal financial control was based on a framework of regular management information, administrative procedures including segregation of duties, and a system of delegation and accountability. In particular it included:

- A comprehensive budgeting system for the administration costs of the NDFA which (other than NDFA Board fees and external audit fees) were borne by the Agency;
- Setting targets to measure financial and other performance;
- Formal project management disciplines;
- Clearly defined procedures on procurement;
- Adoption of an Anti-Fraud policy and the Reporting of 'Relevant Wrongdoing' and Protected Disclosures Policy (formerly the Good Faith Reporting Policy).

The Agency has an Audit Committee which operates in accordance with the principles in the Code of Practice for the Governance of State Bodies. The Agency's internal audit function is overseen by this Audit Committee. The work of the internal audit function is informed by an analysis of the risks to which the NDFA is exposed, and annual internal audit plans are based on this analysis. The internal audit plans are agreed with the Chief Executive and management of the Agency and approved by the Agency's Audit Committee. On a regular basis, the internal audit function provides the management of the Agency and the Agency's Audit Committee with reports of internal audit activity. These reports outline any findings and recommendations in relation to internal controls that have been reviewed. Progress against recommendations is monitored and reported to the Audit Committee.

The Agency has a Code of Practice on Confidentiality and Professional Conduct which sets out the agreed standards of principles and practice in relation to confidentiality, conflicts of interest, insider dealing, market manipulation and personal account transactions.

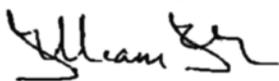
The Agency has put in place an appropriate framework to ensure that it complies with the Data Protection Acts. As part of this framework, the Agency has implemented systems and controls to restrict the access to confidential data. Under the framework, where the Agency becomes aware of breaches or alleged breaches of confidential data, these are fully investigated and where necessary reported to the appropriate authorities.

The Agency's monitoring and review of the effectiveness of the system of internal financial control is informed by the management within the Agency who have responsibility for the development and maintenance of the financial control framework, the findings from the work of the internal audit function and comments made by the Comptroller and Auditor General in his management letter or other reports.

Annual Review of Controls

We confirm that, in respect of the period from 1 January 2014 to 26 January 2015, the Agency members, having taken advice from the Agency's Audit Committee, conducted a review of the effectiveness of the system of internal financial control.

On behalf of the Agency members



Willie Walsh, Chairperson
National Treasury Management Agency

15 June 2015



Martin Murphy, Chairperson, Audit Committee
National Treasury Management Agency

Comptroller and Auditor General

Report for presentation to the Houses of the Oireachtas

National Development Finance Agency

I have audited the financial statements of the National Development Finance Agency (dissolved) for the period ended 26 January 2015 under the National Development Finance Agency Act 2002. The financial statements, which have been prepared under the accounting policies set out therein, comprise the accounting policies, the income and expenditure account, the administration account, the balance sheet and the related notes. The financial statements have been prepared in the form prescribed under section 20 of the Act, and in accordance with generally accepted accounting practice in Ireland.

Responsibilities of the National Treasury Management Agency (the Agency)

The Board of the National Development Finance Agency was responsible for the preparation of the financial statements, for ensuring that they give a true and fair view of the state of the National Development Finance Agency's affairs and of its income and expenditure, and for ensuring the regularity of transactions.

The National Development Finance Agency was dissolved on 26 January 2015 under the National Treasury Management Agency (Amendment) Act 2014 and its functions, property, rights and liabilities were transferred to the Agency as outlined in the Statement of Responsibilities.

The Agency is responsible for the preparation of the final financial statements of the dissolved body in accordance with Schedule 4 of the National Treasury Management Agency (Amendment) Act 2014.

Responsibilities of the Comptroller and Auditor General

My responsibility is to audit the financial statements and report on them in accordance with applicable law.

My audit is conducted by reference to the special considerations which attach to State bodies in relation to their management and operation.

My audit is carried out in accordance with the International Standards on Auditing (UK and Ireland) and in compliance with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements, sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of

- whether the accounting policies are appropriate to its circumstances, and have been consistently applied and adequately disclosed
- the reasonableness of significant accounting estimates made in the preparation of the financial statements, and
- the overall presentation of the financial statements.

I also seek to obtain evidence about the regularity of financial transactions in the course of audit.

In addition, I read the National Development Finance Agency's annual report to identify if there are material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

Opinion on the Financial Statements

In my opinion, the financial statements, which have been properly prepared in accordance with generally accepted accounting practice in Ireland, give a true and fair view of the state of the National Development Finance Agency's affairs at 26 January 2015 and of its income for the period to that date.

In my opinion, proper books of account have been kept by the Agency. The financial statements are in agreement with the books of account.

Matters on Which I Report by Exception

I report by exception if

- I have not received all the information and explanations I required for my audit, or
- my audit noted any material instance where public money has not been applied for the purposes intended or where the transactions did not conform to the authorities governing them, or
- the information given in the National Development Finance Agency's annual report is not consistent with the related financial statements, or
- the statement on internal financial control does not reflect the National Development Finance Agency's compliance with the Code of Practice for the Governance of State Bodies, or
- I find there are other material matters relating to the manner in which public business has been conducted.

I have nothing to report in regard to those matters upon which reporting is by exception.



Seamus McCarthy
Comptroller and Auditor General
16 June 2015

Accounting Policies

(a) Background

The National Development Finance Agency (the "NDFA") was established by order of the Minister for Finance on 1 January 2003 under the National Development Finance Agency Act, 2002.

Under the provisions of the National Treasury Management Agency (Amendment) Act 2014, as commenced by S.I. No. 22 of 2015, the NDFA was dissolved on 27 January 2015 and the NDFA legislation was repealed. On this date the relevant statutory functions were given to the National Treasury Management Agency (the "Agency") and all property, rights and liabilities of the NDFA transferred to the Agency. Staff assigned to the NDFA by the Agency continue to be employed by the Agency.

(b) Basis of preparation

The financial statements have been prepared in accordance with the National Development Finance Agency Act, 2002 (which applied during the period to which these financial statements relate) in a format approved by the Minister for Finance, and have been adopted by the Agency pursuant to the National Treasury Management Agency (Amendment) Act 2014.

The financial statements have been prepared for the period 1 January 2014 to 26 January 2015, being the period prior to the dissolution of the NDFA. The financial statements recognise:

- All income and expenditure up to the date of dissolution;
- All assets and liabilities at the date prior to dissolution which are included in the Balance Sheet and which transferred to the Agency upon dissolution.

As the functions and activities carried out by the NDFA will continue under the Agency, assets and liabilities have transferred at book value and as such, no adjustments are made to the carrying values of these assets and liabilities.

The following is a summary of the assets and liabilities that transferred to the Agency:

	26 Jan 2015
	€
Cash at Bank	760,844
Debtors	1,019,535
Creditors	(1,780,379)
Net Assets	-

The financial statements summarise the transactions and financial position of the NDFA. As the activities of the NDFA are continuing under the Agency, it is deemed appropriate to prepare these financial statements on a going concern basis.

(c) Reporting Period

The reporting period is 1 January 2014 to 26 January 2015. The comparative reporting period is 1 January 2013 to 31 December 2013.

(d) Reporting Currency

The reporting currency is the euro which is denoted by the symbol €.

(e) Income Recognition

Income is accounted for on an accruals basis.

(f) Expenses

Expenses are accounted for on an accruals basis.

Under the National Development Finance Agency Act, 2002 (which applied during the period to which these financial statements relate), only direct costs incurred by the NDFA are charged to the Income and Expenditure Account. All other administration costs are incurred by the Agency and are disclosed by way of note only.

Fees and expenses incurred in respect of the NDFA's financing and advisory functions are charged to the Income and Expenditure Account and are re-imbursed by the relevant State Authority.

Income and Expenditure Account

For the Reporting Period

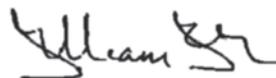
	Notes	1 Jan 2014 to 26 Jan 2015 €	1 Jan 2013 to 31 Dec 2013 €
Income	1	4,974,723	5,720,150
Project fees and expenses	2	(4,953,464)	(5,699,750)
Transfer to Administration Account	3	(21,259)	(20,400)
Net income for the period		Nil	Nil

Notes 1 to 12 form part of these financial statements.

On behalf of the Agency



Conor O'Kelly, Chief Executive
National Treasury Management Agency



Willie Walsh, Chairperson
National Treasury Management Agency

15 June 2015

Administration Account

For the Reporting Period

	Notes	1 Jan 2014 to 26 Jan 2015 €	1 Jan 2013 to 31 Dec 2013 €
Transfer from Income and Expenditure Account	3	21,259	20,400
Administration expenses of NDFA	4	(21,259)	(20,400)
Net income / (expenditure)		Nil	Nil

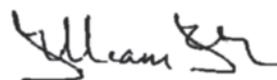
Notes 1 to 12 form part of these financial statements.

On behalf of the Agency



Conor O'Kelly, Chief Executive
National Treasury Management Agency

15 June 2015



Willie Walsh, Chairperson
National Treasury Management Agency

Balance Sheet

For the Reporting Period Ended

	Notes	26 Jan 2015 €	31 Dec 2013 €
Assets			
Cash at Bank		760,844	349,855
Debtors	5	1,019,535	1,407,015
		1,780,379	1,756,870
Liabilities			
Creditors	6	1,780,379	1,756,870
Total Assets less Liabilities		Nil	Nil
Representing			
Accumulated Reserves		Nil	Nil

Notes 1 to 12 form part of these financial statements.

On behalf of the Agency



Conor O'Kelly, Chief Executive
National Treasury Management Agency



Willie Walsh, Chairperson
National Treasury Management Agency

15 June 2015

Notes to the Financial Statements

1. Income	1 Jan 2014 to 26 Jan 2015 €	1 Jan 2013 to 31 Dec 2013 €
Reimbursement of advisory expenses from State Authorities	4,953,464	5,699,750
Central Fund (Note 7(a))	21,259	20,400
	4,974,723	5,720,150

2. Project Fees and Expenses

Under the National Development Finance Agency (Amendment) Act 2007 (which applied during the period to which these financial statements relate), fees and expenses incurred by the NDFA in the performance of its financing and advisory functions in relation to specific public investment projects are charged to expenditure.

	1 Jan 2014 to 26 Jan 2015 €	1 Jan 2013 to 31 Dec 2013 €
Consultancy fees	4,159,926	5,028,473
Legal fees	787,263	581,497
Other project expenses	6,275	89,780
	4,953,464	5,699,750

Consultancy fees incurred for the period are analysed as follows:

	1 Jan 2014 to 26 Jan 2015 €	1 Jan 2013 to 31 Dec 2013 €
Technical	3,561,743	4,764,281
Financial	598,183	239,818
Other	-	24,374
Total consultancy fees	4,159,926	5,028,473

Notes to the Financial Statements

(continued)

2. Project Fees and Expenses (continued)

Technical consulting includes costs of architects, engineers, quantity surveyors, planning consultants and other technical advisors associated with the Public Private Partnership ("PPP") and Devolved Schools Programmes. Costs also include topographical surveys, ground investigations, archaeology surveys and related matters. All of these expenses are reimbursed by the relevant Sponsoring Departments. Technical costs incurred in relation to Health PPP Projects are met directly by the Health Services Executive.

Financial consulting includes the costs of financial advisors who provide services in relation to tender evaluations, financial model reviews and the preparation of financial reports for the Roads programme only. In addition, advisors are engaged to provide insurance advice, tax advice and specialist financial advice in relation to financial close for all projects in procurement. All of these expenses are reimbursed by the relevant Sponsoring Departments.

Further information on the allocation of technical costs incurred is set out below:

	1 Jan 2014 to 26 Jan 2015 €	1 Jan 2013 to 31 Dec 2013 €
PPP Schools (Bundles 3, 4 and 5)	1,241,275	950,071
Grangegorman PPP	1,148,506	2,375,543
Devolved (Non-PPP) Schools	746,030	1,276,149
Department of Justice PPPs	425,932	162,518
	3,561,743	4,764,281

3. Transfer to Administration Account from Income and Expenditure Account

This amount of €21,259 (2013: €20,400) represents the amount required to cover certain administration costs of the NDFA, as per note 4(a).

Notes to the Financial Statements

(continued)

4. (a) Administration Expenses

The administration expenses of the NDFA are detailed below on an accruals basis:

	1 Jan 2014 to 26 Jan 2015 €	1 Jan 2013 to 31 Dec 2013 €
Fees of the Board (Note 4(b))	13,459	12,600
Audit fees	7,800	7,800
	21,259	20,400

In addition to the above expenses, the administrative costs incurred by the Agency in the performance of the NDFA's functions amounted to €9,000,122 (2013: €7,113,551). These Agency costs, including the NDFA's Chief Executive Officer's remuneration referred to below, are included in the administration expenses of the Agency and are charged to the Central Fund. The Agency does not seek reimbursement of these costs from State Authorities.

The total cost of the operation of the NDFA in the period was as follows:

	1 Jan 2014 to 26 Jan 2015 €	1 Jan 2013 to 31 Dec 2013 €
Project fees and expenses (Note 2)	4,953,464	5,699,750
Administration cost of the NDFA	21,259	20,400
Administration fees and expenses borne by the Agency and charged to the Central Fund	9,000,122	7,113,551
	13,974,845	12,833,701

Notes to the Financial Statements

(continued)

4. (a) Administration Expenses (continued)

The breakdown of administration fees and expenses borne by the Agency and charged to the Central Fund in respect of the period ended 26 January 2015 was as follows:

	1 Jan 2014 to 26 Jan 2015 €	1 Jan 2013 to 31 Dec 2013 €
Employment costs (including share of support functions)	6,978,134	5,307,782
Professional fees	159,047	215,211
Operating expenses (including overheads)	1,862,941	1,590,558
	9,000,122	7,113,551

The cost analysis above comprises the following elements:

- direct costs incurred by the Agency in respect of staff assigned to the NDFA;
- indirect overheads allocated to the NDFA function;
- the relevant share of costs of the shared service functions of the Agency providing services to the NDFA (e.g. Finance, Technology, Risk, Legal, Compliance, HR, Facilities, the Office of the Chief Executive etc.).

(b) Remuneration and Expenses

Remuneration of Board members is set by the Minister for Finance at €12,600 per annum for each eligible Board member. This takes into account a 10% reduction in fees agreed by the Board at the request of the Minister for Finance in 2009.

The Chairperson and Chief Executive Officer did not receive any remuneration in respect of their membership of the Board. Robert Watt, appointed in his capacity as Secretary General of the Department of Public Expenditure and Reform, did not receive any remuneration in respect of his membership. Gerry Murray waived his fees as a Board member in the period.

No Board member related expenses were paid in the period ended 26 January 2015, and in respect of 2013.

Chief Executive Officer's remuneration for the period 1 January 2014 to 26 January 2015:

Salary:	€321,725
Taxable benefits:	€23,045

The Chief Executive Officer's pension entitlements do not extend beyond the standard entitlements in the model public sector defined benefit superannuation scheme.

The remuneration of the Chief Executive Officer was determined by the Agency after consultation with the NTMA Advisory Committee.

The remuneration of the Chief Executive Officer consists of basic salary, taxable benefits (car and health insurance) and a performance related payment of up to 60% of annual salary. The Chief Executive Officer waived any consideration for performance related pay in respect of the financial period 1 January 2014 to 26 January 2015, and in respect of 2013.

Notes to the Financial Statements

(continued)

5. Debtors

	26 Jan 2015 €	31 Dec 2013 €
Receivable from State Authorities	967,755	1,369,942
Receivable from the Central Fund (non project related)	51,780	37,073
	1,019,535	1,407,015

6. Creditors

	26 Jan 2015 €	31 Dec 2013 €
Amounts due to Central Fund (project related) (Note 7(b))	1,053,574	1,078,416
Consultancy and legal fees payable	688,304	439,590
Professional Services Withholding Tax payable	28,330	223,912
Accrued expenses	8,247	13,440
Payroll taxes payable	1,924	1,512
	1,780,379	1,756,870

Notes to the Financial Statements

(continued)

7. Central Fund

(a) The Administration expenses of the NDFA are drawn from the Central Fund. The financial statements are prepared on an accruals basis. Central Fund income is reconciled to cash drawn for expenses as follows:

	26 Jan 2015 €	31 Dec 2013 €
Amounts drawn from Central Fund	6,552	6,521
Increase in Central Fund debtor	14,707	13,879
Administration expenses (non project related) (Note 4)	<u>21,259</u>	<u>20,400</u>

(b) Amounts are advanced from the Central Fund to fund the payment of external advisory fees and expenses incurred by the NDFA in the performance of its financing and advisory functions in relation to specific public investment projects. These fees and expenses are reclaimed from State Authorities and the amounts advanced are then repaid to the Central Fund. The movement in amounts advanced to the NDFA during the period is explained as follows:

	26 Jan 2015 €	31 Dec 2013 €
Due to Central Fund at beginning of period	1,078,416	544,045
Advanced during the period	4,535,332	5,034,371
Repaid during the period	(4,560,174)	(4,500,000)
Due to Central Fund (project related) at end of period (Note 6)	<u>1,053,574</u>	<u>1,078,416</u>

Under the provisions of the National Treasury Management Agency (Amendment) Act 2014, as commenced by S.I. No. 22 of 2015, the NDFA was dissolved on 27 January 2015 and the NDFA legislation was repealed. On this date the relevant statutory functions were given to the Agency and all property, rights and liabilities of the NDFA transferred to the Agency. Amounts owing to the Central Fund at the end of the period will be repaid by the Agency.

Notes to the Financial Statements

(continued)

8. Contingent Liabilities

The National Development Finance Agency had no contingent liabilities at 26 January 2015.

9. Related Parties

Minister for Finance

The ordinary members of the NDFA Board, as set out in Board Members and Other Information, were appointed by the Minister for Finance under section 12 of the National Development Finance Agency Act, 2002.

Under section 7 of the National Development Finance Agency Act, 2002 (which applied during the period to which these financial statements relate) the Minister may guarantee the repayment of borrowings of the NDFA or any special purpose company formed by the NDFA in the performance of its activities. No such guarantees were given during the period.

National Treasury Management Agency

In accordance with section 11 of the National Development Finance Agency Act, 2002 (which applied during the period to which these financial statements relate) the NDFA performed its functions through the Agency.

Under the provisions of the National Treasury Management Agency (Amendment) Act 2014, as commenced by S.I. No. 22 of 2015, the NDFA was dissolved on 27 January 2015 and the NDFA legislation was repealed. On this date the relevant statutory functions were given to the Agency and all property, rights and liabilities of the NDFA transferred to the Agency. All functions and activities carried out by the NDFA will continue under the Agency.

10. Board Members - Conflict of Interest

In cases where a conflict of interest has been declared, NDFA Board members do not receive Board documentation on the proposed transactions nor do the members participate in or attend Board discussions relating to the matters. All such instances are recorded in the Board Minutes. On no occasion during the period 1 January 2014 to 26 January 2015 did members recuse themselves from Board Meetings in relation to a conflict of interest.

11. Post Balance Sheet Event

In March 2015 legal proceedings were initiated against the Agency and the Minister for Education and Skills in respect of a public procurement competition for the DIT Grangegorman PPP project. The Agency and the Minister are defending the proceedings.

12. Approval of Financial Statements

The financial statements were approved by the Agency on 26 May 2015.





**National Development
Finance Agency**

National Development Finance Agency, Treasury Building, Grand Canal Street, Dublin 2, Ireland
Tel: 353 1 283 4000 Email: info@ndfa.ie Web: www.ndfa.ie

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