



Comhshaol, Pobal agus Rialtas Áitiúil
Environment, Community and Local Government

Explanatory Memorandum

Subsidy towards the Operational Costs of Group Water Schemes

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GENERAL

This Memorandum sets out the terms and conditions applicable to the annual subsidy payable by local authorities towards the operational costs of group water schemes supplying water for domestic use.

For subsidy purposes, a group water scheme is defined as:

“A scheme providing a private supply of water to two or more houses by means of a common or shared source of supply and distribution system”

Houses with individual connections to a common source of supply using separate abstraction and distribution systems do not constitute a group water scheme for the purposes of the subsidy.

ADMINISTRATION OF SUBSIDY SCHEME

The subsidy scheme is administered by local authorities. All matters relating to the day-to-day operation of the subsidy scheme, including applications and payments, are a matter for the relevant local authority.

Any enquiries about the subsidy should be addressed to the relevant local authority's Rural Water Programme Liaison Officer.

IMPLEMENTATION DATE

The terms and conditions of the subsidy set out in this Memorandum apply with effect from 1st January 2015.

WATER CONSERVATION AND UNACCOUNTED FOR WATER

High levels of Unaccounted for Water (UFW) will substantially increase the cost of producing water and of managing a group water scheme. This, in turn, gives rise to affordability problems and jeopardises the long-term sustainability of the water supply source itself.

The subsidy is intended to ensure that a well-managed group water scheme with optimal levels of Unaccounted for Water is financially viable. Pro-active

implementation of Water Conservation Measures is, therefore, a general condition of eligibility.

In order that the subsidy, along with other income, will allow a group water scheme to provide and maintain an economic service for its membership, there must be a strong focus on identifying and reducing water leakage and wastage.

To promote sustainable use of water and to enhance water conservation in households, the Department of Social Protection will administer, on behalf of the Department of the Environment, Community and Local Government, a €100 water conservation grant for households (principal private dwellings) that complete a valid response to Irish Water's customer registration process. It is proposed that the grant will be paid in one instalment to all eligible households (including group water scheme households) in September 2015 and on an annual basis thereafter.

SUBSIDY TYPES

A group water scheme may obtain a water supply from either an Irish Water main or from a private source such as a lake, well, borehole, etc. The subsidy is divided into two parts that are structured to take account of the differing operational arrangements and costs arising in each case.

Subsidy A: This subsidy is payable towards the general operational and management costs of all group water schemes. Detailed terms and conditions are set out in Part A of this Memorandum.

Subsidy B: This subsidy is payable towards Operational and Maintenance (O&M) costs associated with "bona fide" Design/Build/Operate (DBO) contracts for group schemes that have their own water treatment facilities. Detailed terms and conditions are set out in Part B of this Memorandum.

PART A

SUBSIDY A

SUBSIDY TOWARDS THE GENERAL OPERATIONAL AND MANAGEMENT COSTS OF A GROUP WATER SCHEME

A1: SUBSIDY RATES

Eligibility for the subsidy is subject to compliance with all requirements set out below.

The subsidy will not exceed:

- €95.00 per annum for each house supplied from a private source.
- €40.00 per annum for each house supplied from an Irish Water main.

A2: GENERAL TERMS AND CONDITIONS OF ELIGIBILITY

A group water scheme may qualify for a subsidy only if it:

1. is providing a supply of water for domestic purposes that, in the opinion of the local authority, is satisfactory,
2. is properly constituted (i.e. it must be a trust, co-operative or limited company. Co-operatives and limited companies must be constituted in a way that recognises the Group Water Scheme members as the owners of the group water scheme),
3. conducts its affairs properly in accordance with its Constitution/Rules and relevant legal requirements,
4. has agreed to implement a quality assurance system which, at a minimum, meets the standard of the HACCP based Quality Assurance System developed by the National Rural Water Services Committee (formerly the National Rural Water Monitoring Committee), or a system approved by the NSAI, or equivalent,
5. has adopted the Charter of Rights and Responsibilities for Consumers on group water schemes developed by the National Rural Water Services Committee,

6. is actively engaged in implementing requisite measures to conserve water and to reduce unaccounted for water.

Where a water supply provided by a group water scheme:

- is not considered by the local authority to be satisfactory in terms of quality or quantity, and
- the group has been required by the local authority to prepare a water improvement plan,

the group may, subject to the terms and conditions at A2 (1 to 6 above), still be eligible for a subsidy, provided it undertakes to prepare and implement a water improvement plan that is approved by the local authority. The objective of the water improvement plan will be to bring the water supply into compliance with the requirements of the European Union (Drinking Water) Regulations, 2014 (S.I. No. 122 of 2014) at the earliest possible date.

Documentary evidence of compliance with the terms and conditions at A2 (1 to 6 above), may be requested by the local authority in conjunction with the subsidy application.

A3: ELIGIBILITY OF EXPENDITURE

To be eligible for subsidy purposes, where expenditure incurred by a group water scheme relates to:

- **water supplied for both domestic and non-domestic uses;** the expenditure will be apportioned in accordance with the provisions of A7 and A8 below;
- **the supply of goods and services by contractors;** such contractors must be registered for VAT and hold a current Form C2 or tax clearance certificate issued by the Revenue Commissioners;
- **the payment of a wage or salary to a person;** such person must be properly registered for tax purposes and the group water scheme must be a registered employer operating the PAYE/PRSI system.

A4: NON-ELIGIBLE EXPENDITURE

Expenditure is not eligible for subsidy purposes where, in the opinion of the local authority, it relates to:

- the provision and distribution of a supply of water solely for non-domestic purposes – such as the supply of water to farms, commercial or industrial premises;
- the provision of a treated water supply to other entities (e.g. public water schemes, other group water schemes, large commercial users);
- capital works (including planning and design costs) for the up-grading or extension of a group water scheme;
- costs associated with the provision of new connections to a group water scheme;
- depreciation of assets.

A5: QUALIFYING EXPENDITURE

Subsidy may only be claimed in respect of non-capital expenditure incurred by a group water scheme in respect of the operational costs of supplying domestic water to the members of the group during the financial year to which the subsidy application relates. Eligible expenditure may include costs relating to:

- maintenance and repair of buildings, equipment and fittings associated with the abstraction (including source protection), treatment, storage and distribution of water;
- electricity/energy;
- materials used in the treatment/disinfection of water;
- wages and salaries of full or part-time managers, administrators, operatives or maintenance personnel;
- insurance (including public liability, employers liability, PRSI, property/assets);
- reasonable administrative and audit costs;
- monitoring of water quality;

- costs associated with the implementation of a Quality Assurance System (see A2.4);
- non-capital costs associated with the implementation of water conservation and demand management measures;
- preparation and implementation (non-capital element) of a water improvement plan;
- relevant training of personnel in the management and operation of water supply systems, quality assurance, leak detection and control, distribution network management and maintenance, Health and Safety, etc.;
- affiliation fees for membership of the National Federation of Group Water Schemes;
- costs associated with the operation of the Performance Management System (PMS) for schemes in “bona fide” O&M contracts, viz.:
 - Retention of employer’s representative;
 - Independent compliance auditor.
- costs associated with the supply of water by Irish Water.

A6: WATER QUALITY RELATED EXPENDITURE

Since water produced for domestic consumers is required to comply with mandatory minimum quality standards, expenditure incurred by group water schemes in respect of the following items will be allowed in full (subject to the maxima set out under A1 above) when calculating the cost of supplying water to domestic members:

- monitoring of water quality;
- charges in respect of monitoring, levied by Supervisory Authorities on Group Water Schemes in the context of the European Union (Drinking Water) Regulations 2014 (S.I. No. 122 of 2014);
- treatment and disinfection consumables;
- implementation of a Quality Assurance System (see A2.4);
- relevant training of personnel on programmes necessary to ensure compliance with the Drinking Water Regulations;
- maintenance of source protection measures;
- affiliation fees for membership of the National Federation of Group Water Schemes.

All other costs will be apportioned between domestic and non-domestic members in accordance with A7 and A8 below.

A7: APPORTIONMENT OF EXPENDITURE

To facilitate the local authority in determining a subsidy application, the application must:

- include details of the total volume of water supplied to all the members of the group water scheme, and
- apportion usage between domestic and non-domestic consumers based on meter records.

A8: INTERIM ARRANGEMENTS

As an interim measure pending full metering, the apportionment of water usage between domestic and non-domestic consumers for subsidy purposes may be determined on the basis of the ratio of domestic and non-domestic connections within the overall number of connections to the scheme. A mixed use (domestic and non-domestic) connection will be counted as one domestic and one non-domestic connection for this purpose.

In the case of group water schemes claiming the additional subsidy B, eligible expenditure under subsidy A will be apportioned on a ratio of 60/40 domestic/non-domestic.

A9: APPLICATION FOR SUBSIDY

Application Form - The same Application Form should be used to apply for Subsidy A and B. The additional information required for Subsidy B need not be supplied where a group water scheme is only applying for Subsidy A.

Annual Subsidy Claim - Applications for payment of the Annual Subsidy should be submitted by group water schemes on Form WS1 Sub by 30 June of the year following the year to which the subsidy claim relates.

Advance Subsidy Claim

To assist the financial management of group water schemes, an Advance Subsidy Payment may be claimed each year. The standard advance payment will not exceed 70% of the full Annual Subsidy paid to the group in respect of the previous year, or:

- €28.00 per house supplied from an Irish Water main,
 - €66.50 per house supplied from a private source,
- whichever is the lesser.

First and subsequent Advance Subsidy Payments will only be available where Annual Subsidy for the previous year has been claimed and paid. Applications for Advance Subsidy Payments should be made by completing the relevant portion of Form WS1 Sub and submitting it by 30 June of the year to which the claim relates.

Should an advance payment exceed the final amount of the Annual Subsidy properly due to the group water scheme, the excess will be recovered from subsequent claim(s).

A10: APPLICATION REQUIREMENTS

An application for Annual Subsidy must be accompanied by audited accounts providing details of actual costs incurred by the group in supplying water to its members. Such accounts must be audited by a person who is entitled to audit the accounts of a corporate body. The accounts should show that they have been:

- certified as being consistent with the group scheme's annual income and expenditure,
- adopted by the group scheme membership at its AGM.

For smaller schemes, a statement of accounts together with supporting documentation (e.g. paid invoices) may otherwise be acceptable to the local authority, having regard to the nature and amount of the expenditure involved.

The following items (where relevant and applicable) should be separately identified in the accounts:

- costs incurred on monitoring of water quality;
- charges in respect of monitoring levied by the local authority in accordance with the 2014 Drinking Water Regulations (S.I. No. 122 of 2014);

- cost of treatment and disinfection consumables (which are not related to a DBO contract);
- charges levied (Fixed and Volumetric) under the terms of the DBO/O&M contract;
- costs associated with the implementation of a Quality Assurance System;
- cost of relevant training of personnel on programmes necessary to ensure compliance with statutory drinking water standards;
- costs associated with the maintenance of source protection measures;
- affiliation fees for membership of the National Federation of Group Water Schemes;
- costs associated with the implementation of the Performance Management System;
- cost of retaining an Employer's Representative when needed under the operational phase of a "bona fide" O&M contract;
- Independent compliance Audit in relation to the performance of a "bona fide" O&M Contract ;
- costs associated with the supply of water by Irish Water.

The eligibility of applications for Annual and Advance Subsidies will be determined by the local authority in accordance with the terms and conditions set out in this Memorandum. However, a local authority may seek any further information, documentation or other evidence it may reasonably require to enable it to determine the application.

Following examination of the application, the local authority will inform the group water scheme of the amount of subsidy payable, if any. Any Advance Subsidy payment already received by the group in respect of the year in question, or any overpayment from a previous year, will be deducted and the remaining amount due will be paid into the group's bank account.

PART B

SUBSIDY B

SUBSIDY TOWARDS THE COSTS OF “BONA FIDE” OPERATIONAL & MAINTENANCE (O&M) AND DESIGN BUILD OPERATE (DBO) CONTRACTS

B1: GENERAL

This subsidy is payable to group water schemes towards the costs of providing water for domestic use under a “bona fide” Operational and Maintenance (O&M) contract [e.g. as part of a Design Build Operate (DBO) project]. See B4.1 below.

B2: SUBSIDY AMOUNT

The amount of subsidy payable will be as determined by the local authority in accordance with the terms and conditions set out in this Memorandum. The subsidy will cover:

- the **Fixed Charge** (including indexation) applicable to the provision of services to the domestic consumers/houses, where the charge set out in the contract documents is less than or equal to €220 per house.
- the **Volumetric Charge** (including indexation), as specified in the contract, in respect of water supplied to domestic consumers only.

Where water is supplied to other entities (e.g. public water schemes, other group water schemes, large commercial users), the full O&M costs accrued in respect of such external services should be deducted from the amount of subsidy claimed.

If, in exceptional circumstances (e.g. approved contract variations), the qualifying domestic component of the **Fixed Charge** exceeds the €220 maximum subsidy above, approval should be sought from the Department of the Environment, Community and Local Government to pay the increased amount.

Subject to the interim arrangements under B3 below, the cost of water supplied will be apportioned for subsidy purposes on the basis of domestic and non-domestic usage.

B3: INTERIM ARRANGEMENTS

As an interim measure, pending the completion of full universal metering by group water schemes, the apportionment of costs between domestic and non-domestic consumers for subsidy purposes will be determined:

- in the case of the Fixed Cost element, in accordance with the contract provisions, subject to the limits specified in B2 above;
- in the case of the Volumetric Charge, by applying a 60/40 domestic/non-domestic ratio up to the maximum design throughput of the water treatment plant.

Where water is supplied to other entities (e.g. public water schemes, other group water schemes, large industrial users) the full O&M costs in respect of this supply should be deducted from the subsidy claim.

This interim arrangement will be subject to periodic review.

B4: GENERAL TERMS AND CONDITIONS OF ELIGIBILITY

To qualify for the O&M subsidy, a group water scheme must comply with the general terms and conditions set out in A2 of this Memorandum. In addition, the group must:

1. be contractually bound to an Operational & Maintenance contract that has been procured in strict accordance with the Guidance Document for the Procurement of Small Water Services Schemes, Part A – Rural Water Module (Design, Build & Operate Contracts);
2. be constituted as a Co-Operative or Limited Company (see A2.2 above);
3. maintain a separate dedicated bank account to which all payments under this part of the subsidy will be lodged and from which all O&M payments to the contractor will be made;
4. have arrangements in place for payments to the O&M contractor;

5. charge for water on the basis of metered usage only i.e. no “standing” or “flat rate” charges for domestic users;
6. have adopted and agreed to implement a quality assurance system which, at a minimum, meets the standard of the HACCP based Quality Assurance System developed by the National Rural Water Services Committee or a system approved by the NSAI, or equivalent;
7. have adopted the Charter of Rights and Responsibilities for Consumers on Group Water Schemes developed by the National Rural Water Services Committee;
8. be actively engaged in implementing specific and adequate measures to conserve water and to reduce unaccounted for water.

Documentary evidence of compliance with the requirements at 1 to 8 above, may be requested by the local authority in conjunction with the subsidy application.

Where expenditure incurred relates to the supply of goods and services by contractors, such contractors must be registered for VAT and hold a current Form C2 or tax clearance certificate issued by the Revenue Commissioners.

B5: NON-ELIGIBLE EXPENDITURE

Expenditure does not qualify where, in the opinion of the local authority, it is incurred on:

- the provision and distribution of a supply of water solely for non-domestic purposes – such as the supply of water to farms, commercial or industrial premises;
- the provision of a treated water supply to another entity (e.g. a group water scheme or local authority).

B6: APPLICATION FOR SUBSIDY

Annual Subsidy Claim

Applications for payment of the Annual Subsidy B should be submitted by group water schemes on Form WS1 Sub by 30 June each year following the year to which the subsidy claim relates.

Advance Subsidy Claim

To assist the financial management of group water schemes, advances on Subsidy B may be paid on a quarterly basis in March, June, September and December. The maximum quarterly advance payment will be 25% of the subsidy paid in the previous year in respect of Fixed and Volumetric Charges.

First and subsequent Advance Subsidy payments will only be available where Annual Subsidy for the previous year has been claimed and paid. Application for Advance Subsidy payments should be made by completing the relevant portion of Form WS1 Sub and submitting it to the local authority as early as possible.

Should an advance payment exceed the final amount of the Annual Subsidy properly due to the group water scheme, the excess will be recovered from subsequent claim(s).

B7: APPLICATION REQUIREMENTS

The eligibility of applications for Annual and Advance Subsidies will be determined by the local authority in accordance with the terms and conditions set out in this Memorandum. However, a local authority may seek any further information, documentation or other evidence it may reasonably require to enable it to determine the application.

Following examination of the application, the local authority will inform the group water scheme of the amount of subsidy payable, if any. Any Advance Subsidy payment already received by the group in respect of the year in question, or any overpayment from a previous year, will be deducted and the remaining amount due will be paid into the group's bank account.