



Circular L9/17

19 December 2017

To each Director of Services (Water Services)

To each Rural Water Liaison Officer

**Re: Revision of Subsidy towards the Operational Costs of Group Water Schemes
Providing Water for Domestic Use.**

The Minister has announced increased and additional annual subsidies for group water schemes aimed at improving rural water services. The changes, which will come into effect from 01 January 2018, are intended to bring greater equity and fairness for rural water users and ensure that domestic members of group water schemes receive comparable benefits to those receiving their water supply from Irish Water.

Following discussions on the matter between the Department and the National Federation of Group Water Schemes (NFGWS), the representative body of the group water sector, the subsidies have been increased, streamlined and new incentives introduced for smaller schemes. The current and new subsidy arrangements, as well as the rationale behind the changes, are outlined in Appendix A attached.

The Department's "*Explanatory Memorandum - Subsidy Towards the Operational Costs of Group Water Schemes*" is currently being revised, in consultation with stakeholders, to take account of the revised subsidies. The revised Explanatory Memorandum will be issued under a further Circular early in the New Year.

As the changes apply from 01 January, 2018, local authorities can proceed with the usual arrangements for recoupment of subsidies due up to the end of 2017.

Your authority should ensure, in the case of Subsidy A, that for 2018 any advance subsidies paid do not exceed 70% of the full annual subsidy paid to the group for 2017.

Please arrange to bring the forgoing information to the attention of all group water schemes in your functional area.

Any queries in relation to this circular and the recoupment of subsidy payments made to group water schemes can be directed to Mary Smyth at 096-24460 (mary.smyth@housing.gov.ie) or the undersigned.

Mise, le meas,



Luke Varley
Assistant Principal Officer
Water Finance (Rural Water)
Tel: 096 24367
Email: luke.varley@housing.gov.ie

Circular L09/17 - Appendix A – Current and New Annual Subsidies towards Operation and Maintenance Costs of Group Water Schemes.

(This table is intended as an outline to the current and new subsidy only. A revised ‘*Explanatory Memorandum - Subsidy Towards the Operational Costs of Group Water Schemes*’ giving the full terms and condition for the new subsidy arrangements will be issued early in 2018).

Description of Subsidy.	Current Subsidy Levels (apply to 31 December 2017).	New Subsidy Levels (apply from 01 January 2018).	Rationale for Change.
<p>Subsidy A</p> <p>This subsidy is provided at two levels, depending on whether the scheme is a private group water scheme (i.e. with its own water treatment plant) or a public group water scheme (i.e. provided with water from Irish Water).</p> <p>There are certain categories of expenditure which qualify for recoupment under the subsidy regime (current and new). The group water scheme also has to meet various other criteria.</p>	<ul style="list-style-type: none"> The maximum subsidy per domestic connection in private group water schemes: €140 per annum. The maximum subsidy per domestic connection in public group water schemes: €70 per annum. The amount of subsidy paid within the limit is dependent on the qualifying costs incurred and their apportionment between domestic and non-domestic users – currently this works out at approximately 60% (based on a complex apportionment mechanism). 	<ul style="list-style-type: none"> The maximum subsidy per domestic connection in private group water schemes: €231 per annum. The maximum subsidy per domestic connection in public group water schemes: €115 per annum. A more streamlined approach whereby the maximum recoupable costs threshold will be set at 85% of the qualifying costs incurred (similar to the percentage recoupment generally applying for capital grants). 	<p>The new subsidy levels have been derived from analysis of survey data on operational costs per domestic connection and reflect the growth in operational costs associated with increased regulatory burden and the need for more professional management of the schemes. The new approach is more streamlined and represents a fair package to ensure that domestic users on group water schemes receive comparable benefits to those receiving their water supply from Irish Water.</p>

Description of Subsidy.	Current Subsidy Levels (apply to 31 December 2017).	New Subsidy Levels (apply from 01 January 2018).	Rationale for Change.
<p>Subsidy B</p> <p>This subsidy is payable to private group water schemes, that are operating under a long-term “bona fide” operational and maintenance contract (e.g. as part of a Design, Build and Operate project), towards the costs of providing water for domestic use.</p>	<p>The current subsidy covers:</p> <ul style="list-style-type: none"> • A fixed charge applicable to services for domestic users of up to €220 per domestic connection. • Volumetric charge, based on the contract, for water supplied to domestic customers, only calculated as 60% of the costs. 	<p>The new subsidy covers:</p> <ul style="list-style-type: none"> • A fixed charge applicable to services for domestic users up to €220 per domestic connection. • Volumetric charge, based on the contract, for water supplied to domestic customers, only calculated at 85% of the costs. 	<p>The change ensures that domestic customer costs are more accurately taken into account in the level of recoupment. It brings consistency between the capital grant and levels of subsidy recoupments.</p>
<p>Subsidy C</p> <p>A new incentive available to small private group water schemes (of less than 100 houses) to progress amalgamation/rationalisation with other schemes. The incentive is limited to three years.</p>	<p>No current equivalent.</p>	<p>An additional €50 subsidy ceiling per domestic connection for small private group water schemes bringing total maximum subsidy to €281 per domestic connection. Various criteria will have to be met, which will be outlined in a revised Explanatory Memorandum.</p>	<p>A new incentive to ensure the long-term viability and sustainable water quality improvements in these small group water schemes.</p>