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Lead topic: Irish Water	Sub-topic: Charges/Funding Update	Contact: Andy Conlon Ext 4020
FAST FACTS		
<ul style="list-style-type: none">• Intensive work is underway to give effect to the recommendations of the Joint Oireachtas Committee Report on Future Funding of Domestic Water Services.• Government has approved Min HPC&LG request to draft a new Water Services Bill to reflect recommendations, and the intention is to secure passage through Oireachtas prior to the summer recess.• A Working Group (including CER, NewERA, Irish Water) is currently reviewing funding implications of JOC recommendations in detail.• The full year cost of abolishing domestic water charges, as recommended by the JOC, is €239m per annum.• The cost of the funding the initial suspension of Water Charges of €125m was provided for in REV in 2017, but an additional Exchequer subvention of €114m will be required to meet the full cost this year of the discontinuance of domestic charges. This will most likely require a supplementary estimate, the timing of which will depend on the cash flow situation of Irish Water.• The estimated cost of refunding people who paid the water charges - nearly a million Irish Water customers made payments to Irish Water - would be €170m approximately (€165m plus an estimated cost of administering the refunds in the order of €3m-€4m).		
Q&A'S		
What is the Current funding Model for IW and how will it be impacted following abolition of charges?		
<ul style="list-style-type: none">• There are a number of components to the current funding model reflecting the charging regime set in place by the 2014 Water Services Act and IW's 2015-2021 Business Plan:<ul style="list-style-type: none">– Subvention to meet the costs of capping charges, providing free allowance for children and subsidy on the tariff rate for domestic customers;		

- Working capital loans; and
 - Equity.
- The subvention and working capital loans are paid by DHPCLG through the Local Government Fund. The equity provision is provided by MFIN and can be in the form of either a capital contribution or share capital.
 - The table below sets out the subvention required following abolition of domestic water charges

	2017 (€m)	2018 (€m)
Subvention per business plan	475	474
Working Capital per business plan	39	29
Total Current State Support (Opex)	514	503
Additional subvention (abolition of charges)	239	217
Total Revised Current State Support	753	720

Irish Water debt facilities

- It was decided to move Irish Water’s debt facilities to state borrowing as part of Government decision of 18 October 2016.
- This decision was made as it will allow for borrowings to be made at a less expensive rate of interest. The process of moving Irish Water’s borrowing from commercial facilities to state facilities is currently being discussed between the relevant stakeholders

What are the principles underpinning the likely revised funding strategy for Irish Water?

- A working group is currently examining this issue, but it is envisaged that key components of the funding/regulatory model will be designed to
 - ensure compliance with the Water Framework Directive;
 - support the economic regulatory process;
 - improve transparency of funding arrangements;
 - avoid unnecessary circular flows of funds;
 - avoid cross-subsidisation between sectors (a requirement of the WFD);
 - drive operational efficiencies in line with the regulatory regime; and
 - provide the necessary clarity to facilitate the appropriate capital investment by IW.

What is the impact of IW on the General Government Balance and fiscal space?

- As IW is classified within General Government, IW's expenditure (net of any revenue from non-General Government sources such as non-domestic revenue) already impacts on the GGB, irrespective of the source of its funding and the form of its funding.
- However, the decision to abolish domestic charges will result in a negative impact on the GGB which will have to be managed.
- In addition, the cost of water charge repayments will fully impact on the fiscal space in the year the repayments are made. If this happens in 2017, it will worsen our compliance by c.€170m or if this happens over a couple of years in it will impact in each year as it is repaid.

What have been the benefits of Irish Water?

- Investment in water core infrastructure has risen from the approximate €300 million invested by local authorities in 2013 to projected €533m in 2017.
- Improvements to water quality and supplies:
 - Prioritised the elimination of boil water notices, with its work resulting in the lifting of long-term boil water notices affecting thousands of people
 - Removed the threat of contamination from four drinking water supplies in Dublin that were serving 220,000 people
 - Increased the spare supply capacity in Dublin, from 2% to approximately 10% of water supplied to the region. In most European capital cities, headroom is about 15%.
- Focus on reducing leakage 77 million litres (the water supply of 210,000 homes) already saved by the end of Quarter 3 2016 thanks to the First Fix scheme.
- Communication to households about lead in drinking water - information to over 36,000 households with probable lead piping, identified through the national metering programme;
- A new approach to asset management and infrastructural delivery, including central strategic planning and investment planned consistently across the asset base rather than by large-scale, one-off investments.
- Greater economies of scale and standardisation of operations leading to benefits improved performance and reduced energy costs.