



Rialtas na hÉireann
Government of Ireland

Water Sector Transformation Policy Paper

Irish Water - Towards a National,
Publicly-Owned, Regulated Water Services Utility

Prepared by the Department of Housing, Local Government and Heritage

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Overview

Irish Water was established in 2013 and provides water services to some 3.3 million people in Ireland. This involves producing some 608 billion litres of water each year and taking wastewater away for treatment before it is returned to our rivers and seas. Water services are essential to the daily lives of our citizens and to our economy. They are critical in achieving sustainable development and a clean environment.

Our Shared Future, the Programme for Government, includes a commitment to “retain Irish Water in public ownership as a national, standalone, regulated utility”. The Programme further commits to ensuring that Irish Water is sufficiently funded to make the necessary investment in drinking water and wastewater infrastructure. In addition, the Programme mandates Irish Water to develop plans to ensure security of supply and sufficient capacity in drinking and wastewater networks to allow for balanced regional development.

The realisation of this Government commitment will complete the broad policy and legislative reforms which have seen the public water system embark on a journey of transformation, from a structure based on locally-organised water services authorities, towards a single, national, water utility.

The objective is to ensure that modern and effective arrangements are in place for the delivery of water services, that:

- meet the needs and expectations of citizens and users,
- comply with domestic and international legal obligations,
- represent good value for money,
- support the principles of social, economic and environmental sustainability, and
- are retained in public ownership and control.

Key aspects of the reform process have been successfully implemented to date. This includes the formation of Irish Water, as the public water services authority operating on a nationwide scale, through a series of service level agreements (SLAs) with local authorities. A funding model has been agreed which sees water services funded from an appropriate mix of Exchequer funding, for domestic services and capital investment, and user charges, for services provided to the non-domestic sector, which includes industry and business. The independent regulation of Irish Water by the Commission for Regulation of Utilities (CRU) ensures that the interests of citizens and customers are protected, while striking the necessary balance between operational efficiency and ongoing capital investment.

Since 2013, working through the SLAs with the local authorities, Irish Water has made significant progress in establishing the capability of the utility. This includes investing over €3 billion in the system to date. Local authorities and their staff have played a key role in the provision of water services over this period, sometimes during very challenging periods. The ongoing commitment of water services staff to ensuring both continuity of service and service improvement remains a hallmark of water services in Ireland.

The transformation programme has now reached a point where it is critical that Irish Water, having already assumed statutory responsibility for the delivery of water services, is now appropriately equipped to carry out those statutory functions fully, in an efficient and effective manner.

In this regard, this policy paper builds on, and is complementary to, the Water Services Policy Statement 2018-2025, agreed in 2018, which followed on from a period of national deliberation on the funding and delivery of water services, in light of the water charges controversy. As set out in the 2018 Policy Statement, water services policy in Ireland is underpinned by four high-level principles:

- One single, publicly-owned, national water services authority;
- Fair and efficient delivery, with a customer focus;
- Priority health and environmental quality outcomes across the sector; and,
- Ways of working to support partnership and excellent stakeholder engagement.

The Water Services Policy Statement 2018-2025 further provides that Ireland's policy on the delivery of water services, and related investment, is focused on addressing the three interrelated objectives of:

- **Quality**, to improve compliance with public health and environmental standards;
- **Conservation**, as a key part of a responsible environmental, social and economic policy, on the understanding that clean, usable water requires considerable investment of resources, energy, capital and labour.
- **Future Proofing**, which recognises that public water supplies face long term pressures from increasing demand, due to anticipated economic and population growth and the impacts of climate change.

Consistent with this overarching policy framework, this paper now sets out the Government's expectations on the transformation of Irish Water to operate as the national, standalone, regulated, water services utility. This needs to happen swiftly. A modern, effective, environmentally compliant and efficiently delivered water services system is central to our national interests.

Despite owning the assets and paying for service delivery through the SLAs, Irish Water does not have direct control over the majority of service staff or assets. However, it is responsible and accountable for the delivery of public water and wastewater services nation-wide. This separation between responsibility and control needs to be addressed as a priority.

The Government is mindful that the interests and views of key stakeholders must be considered and addressed within the transformation process. These stakeholders include the water services workers throughout the country, who through their dedication and commitment have developed the water services on which so many of us rely today; the local government sector, which is an intrinsic part of the public service and of local communities; and, of course, Irish Water, its parent company Eirvia and their staff.

The next steps in further modernisation and reform of the delivery of water services in Ireland now require the co-operation and collaboration of all stakeholders. In setting out our vision and expectations, the Government looks forward to detailed engagement between stakeholders, so that together as a country we can agree and deliver the best and most appropriate arrangements possible for the delivery of world-class water services in Ireland.

Government Vision

Future for Water Services

As set out above the Government's objective is to ensure that modern and effective arrangements are in place for the delivery of water services, that:

- meet the needs and expectations of citizens and users,
- comply with domestic and international legal obligations,
- represent good value for money,
- support the principles of social, economic and environmental sustainability, and
- are retained in public ownership and control.

In line with this vision, this paper sets out what needs to be done to achieve our objectives.

The Way Forward

In moving to the next stage in the development of Irish Water services, it is now critical that Irish Water prepares for the full integration of water services within its organisational structure. In line with that, the local government system must prepare for the gradual phasing out of the direct involvement of local authorities in the delivery of public water services.

The Government will collaborate with and support all key stakeholders in taking the necessary steps to ensure that this transition is carefully executed, while being mindful of the concerns of all parties.

The Government's expectations in relation to the completion of the transformation of the water services sector are as follows:

- Irish Water will separate from the Ervia Group during 2023. The Government has recently approved the development and drafting of a Bill to give statutory effect to the separation which will be in place well in advance of this date.
- Irish Water will integrate the day-to-day operation and delivery of water services into its own organisational structure, in place of the current SLAs, on a phased basis.
- In preparation for the integration, the current process taking place under the auspices of the Workplace Relations Commission (WRC) which has as its objective, to identify a stable operational framework for the future delivery of water services to replace the SLAs, should be concluded within a period of 6 months or sooner, i.e. by July 2021.

- Irish Water, working with local authorities and current water services workers, will implement a phased plan for the integration of water services into its organisational structure, with implementation to be concluded in 2022.
- The Government will bring forward amending legislation to provide that Irish Water is a publicly-owned, national, standalone, regulated utility, separated from the Ervia Group. The accountability arrangements will include an appropriate role for the Comptroller and Auditor General with respect to Irish Water. Arrangements which would improve the delivery of public water services by Irish Water will be considered in legislative and administrative provisions, as necessary and appropriate.
- Environmental regulation will continue to be performed by the Environmental Protection Agency (EPA), and economic regulation by the CRU.
- Water services provision will continue to be faithful to, and consistent with, the requirements relating to adequate recovery of costs based on economic analysis as set out in Article 9 of the EU Water Framework Directive (2000/60/EC), and otherwise comply with EU law in all respects.
- Reform of the water services sector is a strategic priority. It need not and will not be pursued to the detriment of the local government sector.

This process to replace the SLAs with new structural arrangements to integrate the operations of Irish Water and provide for a stable operational framework for the future delivery of water services must simultaneously address all of the following interlinked elements:

- (1) Provide Irish Water with the necessary control of operations, accountability and capacity to manage risk and communicate and negotiate with all water services workers on the change agenda and provide a single identity for customer facing services;
- (2) Ensure that Irish Water is not left without an appropriately skilled workforce to carry out its statutory functions;
- (3) Ensure that local authorities are not left with stranded costs, where there are expenditure commitments without a corresponding income stream, and that there is an enduring and continuing structured relationship between Irish Water and local authorities, in relation to local authority housing and planning functions to support economic, spatial and social development, and environmental protection; and,

- (4) Address the concerns of workers in relation to the future deployment of the current local authority water staff, whilst not requiring the invoking of Section 19¹ of the Water Services (No.2) Act 2013, other than by collective agreement, on the understanding that a collective agreement would be developed as an outcome of the process of engagement undertaken through the WRC within the timescale outlined above.

Implementation would likewise involve a partnership between all of the key stakeholders, with governance structures agreed to reflect this.

The Future for Water Sector Workers

A key component of identifying a stable operational framework for the future delivery of water services will involve the identification of the most appropriate pay model, including superannuation arrangements for water sector workers subject to the framework to be agreed. No formal discussions on this have taken place to date.

In this context, the public water system has already undergone a fundamental transformation, moving from a local authority based system to one where services are delivered by Irish Water with the support of local authorities through the SLAs.

As a consequence, local authorities continue to be the employers of approximately 3,200 water services workers who are subject to the SLAs with Irish Water.

These include general operatives and related grades, technicians, craftspersons, engineers and administrative staff. The terms and conditions of employment, and superannuation entitlements, of these workers continue to operate in line with local authority pay and pension policies and procedures.

There is an existing group of some 800 staff currently working directly for Irish Water and Ervia in the delivery of water services. Their needs and interests are a factor in the process. Creating opportunities for water services staff currently working under the SLAs, as well as those in Irish Water and Ervia, will be important as the transformation process takes full shape. Irish Water has indicated that it will use a core insourced operating model for day-to-day activity, with its core services being delivered by its own workforce.

Without seeking to pre-empt or determine matters in advance of engagement, the Government's view is that water sector staff can continue to look forward to secure employment and a rewarding career.

¹ Section 19 relates to the process of designation of local authority staff for transfer to Irish Water on termination of a SLA.

All of the key stakeholders, as evidenced by the WRC Report of September 2018², share the view that because of their specialist skills and expertise, the continued involvement of staff currently engaged in the provision of water services within local authorities will be necessary for the effective delivery of public water services and to ensure continuity of service. Indeed, the objective of creating a modern and effective water services system implicitly relies upon and requires the availability of a well-trained, specialist workforce, with progressive career structures, who are appropriately rewarded for their contribution to the public water system, and to the economy and society they serve.

From the Government's perspective it is important and timely that the HR implications of the transformation process be proactively and constructively considered by and between all stakeholders. This will provide a greater degree of clarity and certainty about the future than currently exist for the benefit of all stakeholders, not least the workers.

The most appropriate forum in addressing the stated concerns of workers regarding their status as public sector workers, pay models and terms & conditions, amongst other things, is the WRC. The parties are encouraged to develop approaches to the transfer of staff, operations and capacity to Irish Water control, that have regard for the public service ethos that underpins the current provision of water services under the Water Services Acts and the SLAs. Assurance is given that no compulsory redundancies would arise as an outcome from the transformation process. There is a role within Irish Water for every person who currently works in water services in a local authority.

Originally, it was envisaged that the SLAs were due to conclude and terminate at the end of 2025. However, as set out in this paper, it is important to move now towards the development of a fully integrated single public utility. All parties are asked to work toward having a replacement for the current SLAs in place before the end of 2022.

Policy Issues beyond the WRC's Remit

The Government agrees that there should be engagement between the parties on other issues of concern outside of the scope of the WRC engagement, as set out below. Such engagement will take place in separate strands of dialogue between the Department of Housing, Local Government and Heritage (DHLGH) and, as appropriate, the County and City Management Association / Local Government Management Agency and ICTU and affiliated unions, representing water services workers, and Irish Water.

² WRC Report on issues relating to the transformation programme for Irish Water, presented to Mr Eoghan Murphy, T.D., Minister for Housing, Planning and Local Government, on 19th September 2018. https://www.workplacerelations.ie/en/news-media/workplace_relations_notices/wrc_report_on_issues_relating_to_the_transformation_programme_for_irish_water_presented_to_mr_eoghan_murphy_t_d_minister_for_housing_planning_and_local_government_on_19th_september_2018_.html

This will include engagement with ICTU and relevant affiliated unions on all issues of concern to them, specifically the constitutional referendum on ownership of water; the future sustainability of local government; and the governance arrangements of Irish Water.

Both the referendum question and the future sustainability of local government are separately addressed in the Programme for Government. While the Government agrees that the DHLGH should engage with ICTU and unions on these key strategic matters, such engagement must take place within the context of the wider societal engagement. In this regard, the Programme for Government states that the issue of the environment, including water, and its place in the constitution is to be referred to the relevant Joint Oireachtas Committee for consideration.

These matters are ultimately determined through the political system, independently of any industrial relations and human resource matters affecting water services staff. The policy imperative of ensuring modern and effective arrangements for the delivery of water services stands on its own merit and cannot be contingent on the progress or outcome of these wider public policy concerns.

The overall policy approach of Government is based on a shared understanding that a significant programme of transformation is necessary to ensure that modern and effective systems for the delivery of water and wastewater services develop over time in Ireland.

Programme for Government

Our Shared Future, the Programme for Government, addresses the provision of water services and the role of Irish Water in the following terms:

“Water infrastructure deficits impact on the provision of safe and secure drinking water, lead to pollution and environmental damage and present a challenge in achieving sustainable development across urban and rural Ireland.

Continued investment in infrastructure is required to ensure continued supply of good quality drinking water and appropriate treatment of wastewater to protect our waterways. To achieve this, the Government will:

- Retain Irish Water in public ownership as a national, standalone, regulated utility.
- Ensure Irish Water is sufficiently funded to make the necessary investment in drinking water and wastewater infrastructure.
- Mandate Irish Water to develop plans to ensure security of supply and sufficient capacity in drinking and wastewater networks, to allow for balanced regional development.”

The Programme for Government commitment identifies the range of critical elements that comprise Irish Water, and which are to be reflected in its further development and transformation.

Why a Publicly-Owned utility?

Historically, Ireland’s public water systems have been developed as an essential public service provided by municipal authorities at local level, for the benefit of the communities they serve. Public ownership, reflecting the clear will of the Irish people, is firmly established as a core principle attaching to delivery of water services. Over the years, this principle has been reflected and strengthened in legislation governing the development and delivery of water services.

Most recently, this principle of public ownership has continued to be a core principle at the heart of the reform process. The Water Services Policy Statement 2018-2025, prepared under the Water Services Act 2017, clearly articulates that, as a principle, the public water system is to remain in public ownership. It states that public water services are to be delivered by an efficient single regulated public water services utility, accountable to the Oireachtas. This responsibility is performed by Irish Water.

The Water Services Act 2013 established Irish Water through the amalgamation of the 34 local water services authorities in place at that time into a single, national authority. In doing so, it strengthened and consolidated public ownership by vesting it directly within the hands of Government Ministers for the first time. Public ownership arrangements were strengthened further under the Water Services Act 2014. This Act prevents a current or future Government from initiating any legislative proposals that would seek to transfer Irish Water from public ownership, unless such proposals are first approved by a majority vote of the Irish people in a national plebiscite. It is difficult to imagine any circumstances in which such a proposal would either be contemplated or be likely to succeed, given the strong attachments held by citizens to public ownership, as mirrored in the broad support for public ownership that exists right across the spectrum of the party political system.

Why a National Utility?

The Government has committed to a national approach to water as an essential step towards achieving significant improvements in the quality of service, the cost efficiency associated with water provision, the protection of the environment and the conservation of our unique national water resources. Water services delivered on a national basis are more sustainable.

A national utility tasked with all aspects of planning the delivery of water services at national, regional and local levels offers the advantages of operating at scale and allowing the sector to operate as a unified whole, rather than a diffuse set of geographically separated, localised services. This facilitates a more consistent and targeted approach to investment prioritisation, driving efficiency in the provision of infrastructure, and ensuring the development of best operational practice.

While not yet having direct operational control over many aspects of water services provision, Irish Water has already brought significant benefits through streamlined construction and design processes; the development of fit-for-purpose GIS systems which help Irish Water to more fully understand the state of our water and waste water networks; clear standards for developers in connecting to water and wastewater networks which offer quality assurances for the purchasers of new homes; standardisation of equipment and efficient procurement processes; and so forth.

Strategically, at a national level, the National Planning Framework (NPF) and the National Development Plan (NDP), collectively known as Project Ireland 2040, were published in February 2018. Anticipating that one million extra people will be living in the State 25 years from now, the NPF commits to achieving more balanced growth between the regions, and to improving the State's infrastructure.

The NDP commits to investment of some €8.5bn in public water infrastructure over the 10 years from 2018 to 2027. A further €41m has been allocated up to 2021, for costs related to legacy issues in the areas of lead pipe remediation and standalone developer provided infrastructure, mainly in housing schemes.

Good quality water services are a prerequisite to every aspect of achieving social and economic development in a regionally balanced way. As noted in the NPF, we must ensure the efficient and sustainable development and use of water resources and water services infrastructure in order to manage and conserve water resources in a manner that supports a healthy society, meets economic development requirements and ensures a clean environment. The scale and ambition of the water services capital investment programme is such that it requires a strong and effective national utility to drive and achieve it.

A national utility also strengthens Ireland's capacity to meet our international obligations and commitments, particularly those at EU and UN level relating to the ecological status of our water bodies and the quality and availability of drinking water and sanitation services.

The Water Framework Directive (2000/60/EC) provides the overarching set of arrangements governing the management of water quality across Europe. It requires Member States to manage their water resources on an integrated basis to achieve at least 'good' ecological status and to avoid deterioration in the status of any waters. Related directives, often referred to as 'daughter' directives, deal with matters such as drinking water quality, urban wastewater treatment and bathing water quality. The River Basin Management Plan for Ireland 2018-2021 sets out Ireland's arrangements for meeting its commitment to achieving good ecological status in its waters, as mandated in the Water Framework Directive. The successor to this Plan, which will run from 2022 to 2027, is currently in preparation, and is subject to extensive public consultation.

In relation to Goal 6 (Water and Sanitation) of the UN Sustainable Development Goals, it is worth noting that while Ireland enjoys an enviable position in terms of its capacity to ensure access to safe and affordable drinking water to citizens, there has been a historic pattern of under-investment in water and wastewater infrastructure which is no longer tenable and is being corrected. Equally, there is a need for a strong policy and investment focus on protecting and restoring water-related ecosystems such as forests, mountains, wetlands and rivers. Our water resources offer a unique natural advantage, which properly managed and harnessed, would enable Ireland to become an international exemplar in promoting and encouraging sustainable and efficient management of water resources.

The impacts arising from climate change are addressed in detail in the Water Quality and Water Services Infrastructure Climate Adaptation Plan³ prepared in 2019 under the National Adaptation Framework, which sets out Ireland's strategy to deal with the effects of climate change. This water sector adaptation plan is focused on managing the risks from climate change for water quality and for water services infrastructure, and it describes the key risks arising and proposes necessary adaptive measures. It is of critical national importance that Ireland has a resilient and adaptable water services infrastructure. The most effective way of ensuring that this is the case is to have a single national public water services utility to lead and coordinate all adaptation activity.

Why a Standalone Utility?

While Irish Water has assumed legal responsibility for the public water system, day to day operations continue to be carried out by local authorities who act on an agency basis for Irish Water, by way of SLAs. This arrangement recognised the necessity to ensure continuity of service and retention of expertise, as the public water system transitioned from a municipal to a national system.

From the outset it was equally recognised that longer-term considerations around the efficiency and effectiveness of service delivery would require Irish Water to assume direct control of operational activity, in place of the existing SLA arrangements. This activity involves producing 608 billion litres of water each year serving some 3.3 million people and taking wastewater away for treatment before it is returned to our rivers and seas. In terms of infrastructure, this scale of activity relies on the management and operation of 900 water treatment plants delivering water through a network of over 60,000 kilometres of pipeline, and 1,000 wastewater treatment plants and a wastewater collection network of some 25,000 kilometres of pipeline. Full and clear alignment of statutory responsibility for that network with control of operational activity is key to effective risk management in the long term.

Given that the public water system now receives in excess of 80% of its annual funding requirement from the public through the Exchequer, the existing service delivery model must also be re-configured to suit the requirement for public scrutiny and accountability that is commensurate with such investment.

Irish Water was formed as a distinct entity within the Ervia Group (formerly Bord Gais Éireann). This has ensured that Irish Water's early development as a new utility was supported by direct access to the best available technical knowledge and expertise relevant to the management and operation of a public utility network on a national scale.

³ <https://www.housing.gov.ie/water/water-quality/water-quality-and-water-services-infrastructure-climate-change-sectoral>

Within this approach, flexibility was maintained to allow for the potential separation of Irish Water as a standalone public utility at a future date.

The Government is now satisfied that having benefitted from this strategic placement within the Ervia Group for a number of years, Irish Water has sufficiently developed its own capacity as a national public utility. Decoupling the gas and water utilities is now seen as best serving the long term strategic interests of both utilities i.e. gas, and water services. In 2018, it was decided by Government that Irish Water would separate from Ervia during 2023⁴. That process is currently ongoing and is an important element in fulfilling the Programme for Government commitment that Irish Water be retained as a publicly-owned, national, standalone, regulated utility. In September 2020 the Government gave its approval for the development and drafting of a Bill to make statutory provision for the separation of Irish Water from the Ervia Group well in advance of this date.

Why a Regulated Utility?

Water services by their nature require a considerable level of infrastructure and investment. For this reason, they tend to be delivered in any given geographical area by a single provider which is not subject to competition from other providers. This has been the experience in relation to water utilities in Ireland and abroad, whether services are provided by municipal authorities, state bodies or private operators. While it makes economic sense and is in the public interest for water infrastructure and water services to be delivered by one provider, the lack of competition can lead to inefficiencies and inequities. This situation is common across other utility services, and is something to which water services also are susceptible. Pricing arrangements and service standards, for instance, may tend to suit the provider rather than the customer, and may become subject to undue influence from particular stakeholders, such as the provider itself or its management or staff. Insufficient resources may be committed by the Exchequer in the medium and long term to maintain and develop capital infrastructure. Economic regulation provides an essential counter-balancing influence to overcome the lack of competition and to ensure that service utilities are run in the best interests of the citizens and consumers they serve and in keeping with the long term strategic interests of the State, particularly in relation to economic and regional development, and environmental protection.

⁴ An Inter-Departmental Steering Group was established in February 2019 to oversee and report to the relevant Ministers on the separation of Irish Water from the Ervia Group. The Steering Group is comprised of representatives from the Departments of Housing, Local Government and Heritage; Public Expenditure and Reform; Finance; Communications, Climate Action and Environment; together with NewERA and Ervia, including Irish Water and Gas Networks Ireland.

The Commission for Regulation of Utilities (CRU) has been tasked with the role of independent economic regulator of Irish Water.

Its mandate is to ensure that Irish Water operates in an economic and efficient manner and in the best interests of customers and users, whilst ensuring that water and wastewater services are delivered in a safe, secure and sustainable manner.

Since taking on this role the CRU as regulator has ensured that:

- Equitable, fair and transparent charges and charging arrangements are in place for relevant services to customers;
- Challenging yet realistic performance and efficiency targets are set for Irish Water; and
- Irish Water's performance is measured and reported against an agreed performance assessment framework, covering both service operations and capital investment programmes.

The principle of fair and efficient delivery with a customer focus recognises that water services are important to Ireland's national interests. The provision of competitive and efficient world class water services is vital to supporting long term economic growth, to maintaining and growing a broad enterprise base, to continuing to attract high levels of foreign direct investment, and to retaining and creating jobs. Users of water services should be a paramount consideration in policy and investment decisions, and in the ongoing provision of services.

Efficiency, as a principle, reflects the position that the citizens of Ireland, through their taxes, are the main contributor in meeting the costs of water services. There is an expectation that value for money will be achieved from this investment of public money. Assets must be managed in an economic and efficient manner ensuring that the least cost arises for those paying for water services. There is an expectation that there will be provision of high quality, reliable water services, delivered through resilient systems that are operated economically and efficiently. This expectation applies in relation to individual households and to non-domestic users from the business, industry and agriculture sectors. Efficiency further supports the conservation of water resources, reflecting as it does both the economic and material resources that contribute to the provision of water services.

Independent regulation by the CRU also enables Ireland to demonstrate and report that it is fulfilling its obligations to ensure that water usage costs are assessed in a manner which is conducive to ensuring adequate recovery of water costs and incentivising efficient use of water resources. Article 9 of the Water Framework Directive requires Member States to take account of the principle of recovery of the costs of water services, including environmental and resource costs, taking due account of long range demand and supply patterns and long term investment plans.

It further requires that the costs of water services are fairly distributed across domestic, industrial, agricultural and other water user groups, and that cross subsidisation is avoided.

The regulatory role of the CRU is essential therefore to protecting the interests of current and future customers, by monitoring the performance of Irish Water in delivering services, and providing investment in water and wastewater infrastructure in a cost efficient manner.

The Water Sector Transformation Process

Overview

The past decade has seen significant institutional reform in the delivery of water services. Irish Water was established in 2013 and assumed statutory responsibility for the planning and delivery of all public water and wastewater services at national, regional and local level, with effect from 1 January 2014.

It has brought a new coherent approach to the delivery of water services investment and management. Irish Water is regulated by the Environmental Protection Agency (for environmental compliance) and the Commission for Regulation of Utilities (to ensure the efficient delivery of investment and services).

Irish Water operates within a policy and financial framework laid down by Government, as set out in the **Water Services Policy Statement 2018-2025**, a statutory policy statement required under the Water Services Act 2017, which also sets out the comprehensive oversight and accountability arrangements that govern Irish Water's performance of its functions, including the statutory roles of the Water Advisory Body and An Fóram Uisce.

Greater transparency, performance management and efficiency have been brought to service delivery, and new agreed national charges and operating standards are replacing a myriad of local authority approaches.

However, key operational challenges remain. There are significant and ongoing infrastructure deficits to be dealt with in order to meet basic performance standards. There have been judgments against Ireland in the Court of Justice of the European Union because of inadequacies in our wastewater treatment network. Water leakage rates are unacceptably high. Delays in the provision of additional water and wastewater services can constrain the provision of housing and commercial development, which are critical national priorities.

The Water Advisory Body (WAB)⁵ has focused specifically on the contrast between the historic under-investment in water services and the recent focus of Irish Water on the provision of high-quality public water, which needs to be maintained and accelerated.

⁵ The WAB is an independent body established under the Water Services Act 2017, to report to the Minister for Housing, Local Government and Heritage and to the Oireachtas on Irish Water's performance. Dr. Paul MacGowan, Chairperson, Commission for Regulation of Utilities, is the Chair of the WAB whose members are Dr. Michelle Minihane, Employment Protection Agency; Dr. Tom Collins, Chair of the Water Forum, and Chair of Dublin Technological University; Ms. Miriam McDonald, Marketing & Customer Excellence Specialist; and Mr. Martin Sisk, Solicitor, and Chair of the Irish Auditing and Accounting Supervisory Authority.

In presenting its most recent report to the Oireachtas on 10 March 2020 the Chairperson of the WAB stated that:

“It continues to be the WAB’s view that the management and improvement of the drinking and wastewater infrastructure and network requires significant and sustained action, particularly in the areas of leakages, mains repairs and wastewater treatment. The WAB is of the view that current investment levels need to be maintained, coupled with a strong organisational focus, to enable and deliver a substantial improvement programme. It is firmly our view that increasing public confidence in Irish Water is dependent on visible action in these key areas.”

The transformation process is not yet complete and significant reforms are still required. While the SLAs have worked effectively to get the utility up and running, the limitations of this way of working are beginning to impact on service delivery and are increasingly seen as adding to the risk of service failures. This also impacts on Irish Water’s ability to achieve improved efficiencies that have been identified by the CRU. For these and other reasons, there is a need to move towards greater integration of service delivery arrangements within Irish Water’s organisational structure, in place of the SLAs.

Rationale for the Initial Establishment of Irish Water

The ongoing transformation of the water services sector was initially informed by a need to achieve better outcomes for citizens and water users and the co-ordination of sustained investment to bring about improvements in infrastructure and service delivery. An independent review undertaken in 2011⁶ examined the strengths and weaknesses of the water services arrangements in place at that time from an economic, legal and engineering perspective, having regard to international experience and the views of key stakeholders.

The review showed that the delivery of water services in Ireland at that time was underperforming in comparison with utilities in the United Kingdom (UK) when measured against a number of key indicators:

- Operating expenditure per connection was more expensive than in the UK or Northern Ireland by 50% to 100%;
- Collection rates for water charges were lower than the UK average (53% for non-domestic as compared to 78% for all charges in the UK);

⁶ Irish Water, Phase 1 Report, PWC, November 2011.

<https://www.housing.gov.ie/sites/default/files/migrated-files/en/Publications/Environment/Water/FileDownload%2C29193%2Cen.pdf>

- Leakage levels were double the UK average (41% as compared to 20%) reflecting the low levels of investment in mains rehabilitation and delays on the part of many local authorities in actively progressing work in this area;
- The number of employees involved in water services provision was 25% higher than the UK median;
- The number of employees per water connection and per customer served was significantly higher than the UK median.

The independent assessment also showed that fragmentation in water services provision in most countries had been addressed by the creation of larger service providers, often outside of municipal control. The key trend internationally in the decades preceding the review had been towards the formation of regional or national Public Water Utilities, which evidence indicates had delivered both cost reductions and improvements to the quality of service provided to customers. For example, Scottish Water, which transitioned from local to regional, and then to the national organisation of water services, in public control, achieved operational savings of 40% over a five-year period.

The independent assessment concluded that a public utility offered the best opportunity to improve the efficiency and effectiveness of water services delivery, whilst also providing for improvements in strategic planning for future economic, social and environmental needs, and stronger accountability arrangements.

In the light of this 2011 review it was concluded that the optimum form for Irish Water would be as a public utility, which would assume responsibility for water services functions undertaken by local authorities, on a phased basis over a number of years. These phases were envisaged to include the formal establishment of Irish Water in law, following which it would assume legal responsibility for the delivery of water services, firstly by means of SLAs with local authorities who would continue to act as agents of Irish Water for a transitional period, pending full transfer of operations and staff to Irish Water at a time to be determined.

Subsequently, the Water Services (No. 2) Act 2013 gave statutory responsibility for water services to Irish Water on and from 1 January 2014.

The objective was to ensure that modern and effective arrangements are in place for the development and delivery of water services that meet the needs and expectations of citizens and users, comply with legal obligations, represent good value for money and are in keeping with the principles of social, economic and environmental sustainability.

Key Reforms to Date

Since 2012 the arrangements for the delivery of public water services have been transitioning from a decentralised municipal system to a centralised national water services authority.

Key reforms already in place under the Water Services Acts 2007 to 2017 include:

- The establishment of Irish Water within the Bord Gáis Éireann (now Ervia) Group in order to benefit from the Group's capacity to manage and operate a public utility on a national scale;
- The transfer to Irish Water of statutory responsibility for the planning, delivery and operation of water services at national, regional and local levels from 1 January 2014;
- Through a series of SLAs, 31 local authorities continue to deliver water services in their functional areas on an agency basis for Irish Water, in the interests of service continuity and retention of water sector expertise⁷; and
- The Commission for Regulation of Utilities (CRU) was designated as the economic regulator of Irish Water in order to provide assurance to customers, citizens and the State, that Irish Water is operating efficiently, based on the CRU's independent scrutiny of the costs of water services and the recovery of those costs in keeping with the requirements of the EU Water Framework Directive.
- A funding model, determined in line with the Report of the Joint Oireachtas Committee on the Future Funding of Domestic Water Services, approved by both Houses of the Oireachtas in 2017⁸ following the water charges controversy, sees water services financed primarily from the Exchequer (approximately 80% of funding) with some additional funding from customer charges (service delivery to non-domestic customers and network connection charges). The funding model reflects an agreed set of principles developed by a working group comprising relevant Government Departments, the CRU and Irish Water which required that the funding model should:

⁷ This collaborative approach was set out under the Water Services (No. 2) Act 2013, which enables the SLAs to run for up to 12 years while setting out the statutory protections for the terms and conditions and pensions of the workers, should these agreements come to an end. The actual SLAs now in place are currently timed to run until the end of 2025.

⁸ <https://www.gov.ie/en/publication/ca32e-report-of-the-joint-committee-on-the-future-funding-of-domestic-water-services/?referrer=http://www.housing.gov.ie/sites/default/files/publications/files/recommendations-of-the-jcffdws-of-ffdws-final.pdf>

- Ensure compliance with the Water Framework Directive (WFD);
 - Support the independent economic regulatory process;
 - Improve the transparency and accountability of funding arrangements and ensure compliance with appropriate public financial procedures;
 - Avoid cross-subsidisation between domestic and non-domestic sectors (which is a requirement of the WFD);
 - Drive operational and capital efficiencies in line with the regulatory regime; and
 - Provide the necessary clarity to facilitate the appropriate capital investment by Irish Water.
- Enhanced arrangements for governance, accountability and stakeholder collaboration relevant to the delivery of water services through:
 - the multifaceted regulatory processes set out under the Water Services Acts and the Companies Acts;
 - ongoing Oireachtas scrutiny of policy reforms and water related public expenditure; and
 - statutory advisory roles vested in the Water Advisory Board (WAB) which reports to the Oireachtas and An Fóram Uisce / the Water Forum comprising key stakeholders and non-governmental organisations in the water sector.

Irish Water also comes within the remit of the environmental regulator, the Environmental Protection Agency (EPA), which sets standards and enforces compliance with EU and National Regulations for drinking water supply and wastewater discharge to water bodies.

The next phase of reform will build on this progress, while retaining the strong focus on oversight and accountability to underpin the financial model set out above.

Irish Water – Background to Current Operational Model

The immediate challenge prior to the establishment of Irish Water in 2013 was to create the required organisation, management and processes to assume responsibility for the water services assets of the then 34 local water services authorities, and to begin to manage and operate them in a unified manner on a national scale. The introduction of domestic water charges, as part of a major suite of economic reforms in response to the economic crises, was also a factor in determining the initial financial model for Irish Water.

To meet this challenge Irish Water was initially established as a subsidiary of the Eirvia Group (formerly Bord Gáis Éireann), thus allowing it the benefit of drawing on the experience and expertise of a modern, efficient and customer focused utility while affording it the flexibility to become a standalone water services utility at a future date.

In order to ensure continuity of service and the retention of the expertise of water services staff, once Irish Water became operational in 2014, the company entered into SLAs with all 31 local authorities. Local authorities therefore continue to provide day to day operations on an agency basis for Irish Water. Irish Water did, however, assume direct responsibility for the management and delivery of the capital investment programme throughout the country.

❖ **Building Capacity through Service Level Agreements**

The key objective of the SLAs, as set out in a WRC Framework agreement, was to underpin an enduring and collaborative relationship between Irish Water and local authorities to facilitate the changes necessary to transform the sector.

Working with local authorities through these SLAs, Irish Water has clearly made significant progress in establishing its capability as a national utility. Significant cost reductions and efficiencies have been achieved over the past 7 years, as independently verified by the CRU. Irish Water has also successfully ramped up the delivery of the capital investment programme and has enabled a new capability to manage and report on emergency weather events and critical incidents which threaten the delivery of water services at both national, regional and local level.

❖ **Moving to Full Integrated Delivery of Water Services**

We are at a point now where the public water system would benefit from greater integration of operations into the single authority.

The SLAs of themselves require significant management and administrative resources on the part of both Irish Water and its local authority partners. This limits the degree to which potential efficiencies in the delivery of water services can be achieved. The CRU has confirmed that the scope for further reductions in operational costs is considerably constrained within an operating environment which involves 32 separate organisations (i.e. Irish Water and 31 local authorities) in the delivery of water services.

The SLA model is not conducive to the full delivery of targets around customer service, operational performance, environmental performance and cost efficiency.

The involvement of 32 separate organisations represents a cumbersome way of working, which inevitably leads to differences in operational practices leading to greater inconsistency and increased risks.

While Irish Water is responsible and accountable for the nationwide delivery of public water and wastewater services, the day to day direct control and decision making at ground level remains with local authority management and staff. This fundamental disconnect between service responsibility and operational control represents a systemic risk to the effective management of water services.

The SLA arrangement also makes the further planning, development and improvement of water services by Irish Water more difficult and is incompatible with the level of integration required to build a modern and effective public water utility. Introducing change programmes and service improvements is more challenging across so many organisations, where there are differing priorities and objectives. National programmes are critical to the development and improvement of water services and it is important that the conditions exist for these to be delivered in the most effective and co-ordinated way possible.

Such programmes include:

- the National Leakage Management System, which is a critical system supporting Irish Water to make significant public investment in reducing unacceptably high levels of leakage on the water network,
- Find and Fix which is focused on domestic leakage repair,
- the National Disinfection Programme,
- Reservoir Repair and Cleaning,
- Mains Rehabilitation and Replacement, and
- The roll-out of Standard Operating Procedures.

The involvement of multiple organisations and the division of responsibilities between them makes the management of large-scale incidents, like ones at Leixlip in 2019 that gave rise to boil water notices affecting over 600,000 people, more challenging. It is also important that Irish Water customers, whether individual households or businesses, can be confident of receiving a consistent level of service regardless of where they are in the country.

❖ **Costs of the Current Arrangements**

The operating costs under the SLA-based model are currently some €532m per annum. This is broken down as follows:

- €237m (45%) is charged to Irish Water under the SLAs by the local authorities for Payroll, Central Management Charges and Overheads.
- €118m (22%) is charged under historical Design Build and Operate (DBO) contracts (which pre-date Irish Water) for the operation of water and wastewater treatment plants by third parties.
- €177m (33%) of the cost base consists of Energy costs of €57m (11%), and €120m (22%) of direct costs for goods and services (such as Chemicals, Plant Hire, Sludge Haulage, Emergency Leak Repairs and Plant Maintenance, etc.).

It is important that value for money is achieved for this investment, which is largely paid by Irish people through their taxes. These costs can be reduced, whilst at the same time maintaining and improving services. It is not possible under the SLAs to achieve the full potential economies of scale and benefits of standardisation that are possible by moving to an integrated utility model.

The CRU has set efficiency targets for Irish Water within the 2020-24 Revenue Control period, which is the third such period since the establishment of Irish Water (and is known as RC3). The annual operational efficiency challenge has been set on a rising scale, starting with 2% for 2020 and 2021, increasing to 4% in 2022 and then 6% for 2023 and 2024. In its RC3 decision the CRU acknowledged that achieving these efficiencies is linked to the transition from the SLA-based service delivery model, to the integrated delivery of services by staff working in Irish Water.

Providing New Opportunities for Staff

While there is a co-operative working relationship between Irish Water and local authorities as they work together in the provision of water services, Irish Water currently does not have a direct contractual relationship with local authority water services staff. Irish Water is not therefore in a position to plan for and support their future careers, or their training and development, in what is a highly specialised and technically demanding industry. Irish Water has said that it wants and needs to bring the invaluable experience and capability of local authority water services staff in to work with Irish Water, where it can continue to develop their skills and careers.

The Government endorses this position and welcomes the willingness shown by Irish Water to accommodate everyone who currently works in water services in a local authority within the integrated national water utility.

All in all, the SLA approach has been an essential interim arrangement in the transformation process but it is not considered an appropriate long-term solution to managing Ireland's water services' needs. After seven years of operating successfully and delivering key improvements in the day to day provision of vital waters services, the SLA arrangement is considered to have reached the limits of its potential to deliver on the objective of facilitating the changes necessary to transform the sector. The Government cannot support the position that the SLAs should become a permanent working arrangement in their own right.

Single, publicly-owned water utilities in comparable jurisdictions of Scotland and Northern Ireland, have been capable of achieving greater efficiencies in their operation, whilst successfully providing for network growth and improved regulatory compliance and supporting and developing their staff. A summary of the rationale for Irish Water operating as an integrated public water services utility is set out in the table at Appendix 1.

Role of the Workplace Relations Commission

Throughout the water sector transformation process, the Workplace Relations Commission (WRC) has played a key role in facilitating necessary engagement between management and worker representatives, in relation to the challenges associated with structural and organisational change within the water sector.

❖ **Report on Irish Water Transformation Programme (2018)**

The WRC, at the request of the then Minister, undertook to engage with the parties in relation to exploring their concerns regarding the next phase of transformation. In September 2018, the Director General of the WRC reported on a process of engagement undertaken with the parties involved in the water sector transformation programme, including ICTU and relevant affiliated unions (Forsa, UNITE, SIPTU, and Connect), local government management through the County and City Management Association, Ervia/Irish Water, and the Department of Housing, Planning and Local Government 9.

The report noted that, despite the importance of ensuring a workforce skilled in the effective delivery of water services, uncertainty about the next phase of transformation appears to be causing difficulties in staff retention and recruitment to water and wastewater services at local government level.

⁹ WRC Report on issues relating to the transformation programme for Irish Water, presented to Mr Eoghan Murphy, T.D., Minister for Housing, Planning and Local Government, on 19th September 2018. https://www.workplacerelations.ie/en/news-media/workplace_relations_notices/wrc_report_on_issues_relating_to_the_transformation_programme_for_irish_water_presented_to_mr_eoghan_murphy_t_d_minister_for_housing_planning_and_local_government_on_19th_september_2018_.html

Parties further expressed their concerns that to delay in clarifying the future structure for delivery of water services could exacerbate this situation, and consequently increase risks to the safe and effective delivery of water and wastewater services over the medium term.

In commenting on the outcome of the process of engagement, it was observed by the WRC that the SLA model had delivered many benefits, not least the effective transition of water service delivery to Irish Water. It was further noted that all parties to this process agreed that, because of their specialist skills and expertise, the continued involvement of staff currently engaged in the provision of services within local authorities was necessary for the effective provision, and continuity of service, of public water and wastewater delivery.

The Water Services (No. 2) Act 2013 (as amended) protects the existing terms and conditions and superannuation benefits of staff of local authorities, if the SLAs come to an end and they are transferred to Irish Water. However, the WRC report noted that there are sharply differing views on whether staff should be transferred, in the absence of their agreement, to Irish Water.

The Director General of the WRC gave an assurance that its services would continue to be available to support the parties in working through their issues with regard to the water services transformation process.

In response, the Government tasked the WRC with a further process of engagement between the parties to work towards the development of a stable structural and operational framework for the future to replace the existing system of SLAs between Irish Water and each of the 31 local authorities.

Subsequent to this, and commencing in February 2019, there has been engagement to work towards the development of an operational framework to replace the existing system of SLAs, although progress to date has been slow.

Impact of Water Services Transformation on Local Government System

The transformation of Water Services gives rise to significant challenges for the Local Government sector. It is necessary to ensure that the Local Government sector remains vibrant and sustainable and is well equipped and properly resourced to deliver the key functions within its remit. Local authorities cannot be left with stranded costs arising from the transfer of responsibilities to Irish Water. This could arise where the income currently received from delivering water services is no longer available, but certain financial obligations remain (in relation to staff and infrastructure, for example, or legacy issues relating to developer provided infrastructure or obsolete assets).

Superannuation liabilities arising in the case of staff transferring to Irish Water arise to be resolved appropriately on an Exchequer neutral basis. Equally important, local authorities play a central role in driving economic and social development across the country, both at a strategic level through the planning system and at an operational level through direct involvement in managing investment in economic and social infrastructure. Collaborative and productive relationships between Irish Water and the local authorities have developed over the years, and it is important that these continue and are strengthened.

Structured protocols and arrangements should be in place between Irish Water and local authorities to ensure that critical water services investment plans are aligned with local authority housing and planning functions to support economic, spatial and social development, and environmental protection.

The Government recognises that these concerns are important to the strategic interests of the local government sector. It will work with local authority management and worker representatives as appropriate to ensure that the above issues are appropriately considered and resolved.

Public Ownership of Water Services

The Government has a strong commitment to public ownership of public water services. The principle of public ownership of the public water system is currently reflected in the Water Services Acts. In keeping with this existing legislative position, the water system cannot be moved out of public ownership, without first obtaining the consent of the majority of the people in a national plebiscite.

The Government has an obligation to ensure the appropriate stewardship of the nation's water resources whilst also ensuring that all citizens have access to quality drinking water. Existing legislation provides a statutory prohibition on the privatisation of Irish Water and sets out a range of steps that would need to be taken in the event that the statutory prohibition were to be removed.

The Water Services Act 2013 provides the legislative basis for the establishment of Irish Water. Section 5 in particular vests the shares of Irish Water in the Minister for Housing, Local Government and Heritage; the Minister for Finance; and the Ervia Board; and prevents Ervia/Irish Water from alienating its share without the consent of both Ministers. The Water Services Act 2014 provides that a change to public ownership of Irish Water, its privatisation or the sale of any Irish Water share held by the Government, cannot be initiated unless three specific conditions are met:

- (1) both Houses of the Oireachtas pass a resolution approving such a proposal;
- (2) the approval of a majority of voters in a plebiscite on the proposal;

- (3) the Minister must then initiate legislation to privatise Irish Water or to alienate any share held by the Government.

The Government sees no circumstances arising where any part of Irish Water would be placed in private ownership. There is broad agreement amongst the Irish people and across the political spectrum that public water services should be publicly owned and controlled. It is intended that the forthcoming legislation to facilitate the separation of Irish Water from the Ervia Group will further strengthen the imperative of public ownership of Irish Water.

There must also be recognition that not all water services are provided by Irish Water. The majority of households, totalling some 83% of the population, receive their drinking water from Irish Water. However, in addition, some 17% of drinking water supplies are provided through private arrangements, mainly through Group Water Schemes and from private wells. Some 34% of households have individual or group domestic wastewater treatment systems, mainly in the form of septic tanks.

The Government's policy and stated commitment is to maintain public water services in public ownership, whilst respecting private arrangements for the provision of water services by group water schemes and by individual households, businesses and other bodies.

The concept of a referendum on ownership of the public water system has generated considerable interest. The Government believes this should be explored and progressed more fully in the context of a broader appraisal of the constitutional protection that should apply to the physical environment. **Our Shared Future**, the Programme for Government, includes the following commitment:

“We will refer the issue of the environment, including water, and its place in the constitution to a relevant Joint Oireachtas Committee for consideration.” (p. 135)

Conclusion - Towards an Integrated Public Water Services Utility

Irish Water's legal structure, funding and regulatory model and accountability arrangements have already developed considerably over its short history. There have been some difficult experiences during this time, notably in relation to how we as a country and as citizens pay for domestic water services. Matters relating to the funding model are now settled following the Report of the Joint Oireachtas Committee on the Future Funding of Domestic Water Services and the Water Services Act 2017, and this model is fully operational.

The need to consider the future operational framework for Irish Water is now timely. The Government's expectation is that Irish Water will take direct control of the operation of all public water and wastewater services, for which it has been assigned statutory responsibility since 2014. This means that all operational activity would be integrated into Irish Water, replacing the service level agreements currently in place with the 31 local authorities. Statutory responsibility for public water services will be fully aligned with management and control and Irish Water will be fully accountable for all aspects of the delivery of water services.

The specialist skills and expertise of staff currently engaged in the provision of water services within local authorities, as well as their commitment to the communities they serve, means that their continued involvement is necessary in order to ensure the effective continuity of public water and wastewater services.

The benefits of the amalgamation of water services, including operational efficiencies, economies of scale, sustainable investment, and better quality of services, depend on further integration. Continuing uncertainty about the next phase of transformation also appears to be causing staffing difficulties within the water services sector at local government level. Any deterioration in this situation would have the potential to bring added and unnecessary risk to the safe and effective delivery of water and wastewater services, unless the matter is sufficiently addressed.

There is a compelling case for revising the current operating arrangements and discontinuing the SLAs. A fundamental issue in continuing with the current approach is that the costs of managing and overseeing 31 separate service level agreements would remain as a permanent overhead cost on the delivery of water services. Ultimately this is not consistent with the key public interest which must be at the centre of water policy – the achievement of modern, best practice arrangements for the delivery of water services, that are capable of meeting and exceeding the expectations of citizens and customers, and assuring compliance with environmental obligations.

These benefits can only be fully achieved through integrating water services operational activity under Irish Water. This approach has been proved to work effectively in neighbouring jurisdictions in Scotland and Northern Ireland, where similar publicly-owned utilities are in place with operational activity integrated in the utility. The key strengths of this approach are:

- In governance terms, this approach provides clear and effective lines of authority, responsibility and accountability. In particular, the necessary alignment between operational control and statutory responsibility is achieved, thereby minimising risks to service delivery.
- This approach facilitates the ongoing independent economic and environmental regulation by the CRU and the EPA respectively in keeping with domestic and EU obligations.
- A fully integrated organisational structure will enable quality and consistency in service delivery to be standardised across all customer groups.
- Strategic Human Resources Management (HRM) capability is maximised with the existing knowledge base being maintained; progressive recruitment, retention, and rewards systems can be enabled, centres of excellence and innovation can be optimised to the benefit of the staff working in the organisation.
- In terms of financial management, it ensures that cost efficiencies and economies of scale can be measured in line with best financial practice, and performance can be benchmarked externally against domestic utilities and international water utilities.

The Government recognises that the approach of fully integrating staff and delivery within the utility raises important and valid concerns for water sector stakeholders which must be addressed in the context of a full and effective resolution.

For the workers, clearly, the transformation process raises concerns regarding their status as public sector workers, pay models and terms & conditions, amongst other things.

For local authority management it is imperative to ensure that they retain the capacity to fulfil their other local government functions and their central planning, economic, community and public service role, once the transformation of the water services sector is completed.

The Government's commitment is to retain Irish Water in public ownership as a national, standalone, regulated utility. The Government therefore expects that water services activities will be fully integrated into and delivered by Irish Water and that an appropriate operational framework will facilitate this integrated service delivery model.

A process facilitated by the WRC has been ongoing with a view to assisting the parties to devise a mutually agreed operational framework to replace the SLAs. It is essential that this process now move beyond the sharing of positions and into the detailed and challenging consideration of the key concerns for all parties, for which mutually agreeable resolutions must be found.

The Government therefore requires the key stakeholders to engage to agree a framework for a stable operating structure for the future delivery of Water Services, within six months, to conclude by July 2021. Implementation of the identified Framework on a phased basis will commence immediately thereafter, on a phased basis to be concluded in 2022.

The Government is grateful to the WRC for its support of the process to date and for indicating its willingness to continue to be available to facilitate engagement. The Government has full confidence in the WRC's independence and integrity and believes it is well placed to play a key role as facilitator in this process.

A solution brokered between the key stakeholders will help ensure the buy-in and commitment of all concerned. This is preferable to any solution being imposed out of necessity, should the stakeholders fail to engage and address matters between themselves. The opportunity for an agreed solution currently exists and the Government expects the stakeholders to engage with one another with a view to achieving such an outcome.

The imperative is to ensure that modern and effective arrangements are in place for the delivery of water services and that the public water system enjoys the highest level of public confidence and respect, and where the contribution of those working to provide these services is valued and recognised.

Appendix: Summary of the rationale for Irish Water to operate as an integrated public water services utility

The rationale for the national, publicly-owned, standalone, regulated utility is set out in summary form in the table below.

<p>Efficiency and Effectiveness</p>	<ul style="list-style-type: none"> • Provides an opportunity to build a fit for purpose operating model to deliver water services in the most efficient and effective manner. • Irish Water controls all assets, revenues, costs with better economies of scale. • Better able to ensure security and quality of supply. • Consistent and transparent service quality; more rapidly deploy resources through a national customer service centre. • More efficient cost base; lower unit cost of delivery. • Single entity for regulators (CRU and EPA) to regulate, as opposed to complexity of 31 separate local authorities.
<p>Strategic planning and accountability</p>	<ul style="list-style-type: none"> • Better able to implement national strategies; not curtailed by local authority boundaries or non-water related activities. • One decision making authority as opposed to 31; more coherent and integrated organisation structure. • Clear lines of accountability, authority and responsibility.
<p>Staffing</p>	<ul style="list-style-type: none"> • Single national utility has critical mass to attract further talent. • Efficiencies will allow for staffing reductions, though there would be no compulsory redundancies and there would be a position for all staff currently in water services.

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