



Subsidy and the GWS

Contents

Introduction:	2
Points to note in subsidy term & conditions introductory section.....	2
General terms and conditions of eligibility for subsidy:	3
Additional conditions of eligibility for subsidy B:.....	7
Additional conditions of eligibility for subsidy C:.....	8
Other important points to note	9
Further documentation to be submitted with the Subsidy Claim	9
Subsidy and Planning for Group Water Schemes	10
Appendix - template letter to be submitted by GWS secretary with Subsidy Claim.....	13

Revised: October 2018

Introduction:

The 'Terms and Conditions' (T & C's) for subsidy towards the operational costs of Group Water Schemes (GWS) was issued by the Department of Housing Planning & Local Government (DHPLG) on the 8th August 2018. Subsidy continues to be available from the State towards costs associated with supplying domestic water, to ensure equivalent financial support between public supplies and GWSs. The T & C's replace previous explanatory memorandum. This document has been developed by the National Federation of Group Water Schemes (NFGWS) to assist GWSs understand and comply with subsidy conditions and should be read in tandem with the DHPLG document.

Points to note in subsidy term & conditions introductory section

CLARITY AROUND DEFINITION OF A DOMESTIC CONNECTION

Domestic only connections include properties that are being used solely for domestic purposes as a person's 'normal place of residence'. This excludes domestic properties that are not being lived in or are not habitable, commercial holiday homes and second homes that are not the owners primary place of residence. Such properties for the purposes of the subsidy are classified as non-domestic properties.

INTRODUCTION OF SPOT CHECKS BY THE LOCAL AUTHORITY

A local Authority can carry out a spot check on any application to verify that the terms and conditions are being implemented fully.

INTRODUCTION OF AN APPEALS MECHANISM

Should a GWS be unsatisfied with a decision taken on their subsidy claim, or where it can be clearly demonstrated that the subsidy is not covering the full cost of supplying domestic water, an appeal can be made to the Local Authority.

RENEWED FOCUS ON WATER CONSERVATION & UNACCOUNTED FOR WATER (UFW)

The T & C document has a renewed focus on the ensuring that any scheme claiming subsidy, is implementing water conservation measures (range of measures listed in the T & C's)

METERING

Any consumer of a GWS that does not have a meter in place can request that a meter be installed on their connection at no cost to the consumer. Given the emphasis on water conservation and reducing UFW, every GWS that is not universally metered, should apply for capital funding under the MARWP to carry out such works.

INTRODUCTION OF SUBSIDY C

This is a new additional subsidy for GWSs with less than 100 houses that agree to progress an approved amalgamation or rationalisation project with another GWS or GWSs.

General terms and conditions of eligibility for subsidy:

The T & C set down ten general conditions for payment of subsidy which apply to all GWSs. Documentary evidence of compliance with the conditions listed may be requested on a spot check basis by the local authority to enable evaluation of the subsidy application.

CONDITION 1

Is providing a supply of water for domestic purposes that, in the opinion of the local authority is satisfactory (i.e. meets with the quality standards of the Drinking Water Regulations)

This is considered to be a primary and overriding condition for eligibility. The Local Authority will decide whether this condition is being met. Information that may be taken into consideration would include drinking water quality results. A scheme that is not providing a satisfactory supply of water will still qualify for subsidy under this condition, so long as it undertakes to prepare and implement a remedial action programme that is satisfactory to the Local Authority. Obviously schemes in this category would have to show some advancement of such a programme from year to year to ensure continuing compliance. GWSs not coming under the threshold for the drinking water regulations will for the first time have to provide evidence demonstrating the water being supplied is compliant.

CONDITION 2

Is properly constituted in a way that recognises the GWS members as the owners of the scheme:

- a. *in the case of medium sized and larger schemes (typically regulated schemes under the Drinking Water Regulations) this must be through a legal structure of either a Co-operative or Company Limited by Guarantee in which members are equal shareholders,*
- b. *in the case of smaller schemes (typically exempted schemes under the Drinking Water Regulations) this may be as a Trusteeship, Co-operative or Company Limited by Guarantee.*

This condition recognises that the subsidy entitlement is paid in respect of the supply of water to a number of domestic consumers sharing a common source of supply and distribution system. The subsidy is paid to an organisation or an entity which is owned and controlled by the members and whose number will affect the amount of subsidy payable. It is essential, therefore, that the setup and control of the organisation or entity claiming the subsidy recognises this ownership. Any regulated supply must be structured in a way where the members of the scheme are clearly the owners and have full beneficial control of their scheme. In general, schemes are constituted in one of three ways as follows:

- Trust – generally an un-registered trust set up at the time of the original formation of the GWS. This un-registered trust would have been formalised in the original Department of Environment grant aid application, (GW 41) a copy of which might be available from the Local Authority.
- Co-operative Society – registered with the Registrar of Friendly Societies.
- Limited Company – registered with the Companies Registration Office.

Trusts will only be acceptable hence forth for unregulated and very small GWSs (typically less than 20 houses). In the cases of Co-operative Societies and Limited Companies, the GWS is required to submit evidence that the members' ownership is reflected by the Society or Company. This evidence can take the form of a registered list of shareholders or members, or an annual return to the

Registrar of Friendly Societies or the Companies Registration Office clearly showing the number of shareholders or members. It may also take the form of audited accounts if they give a clear indication that the members are shareholders or owners and controllers of the entity. It is not expected that the number of registered shareholders or members in such documentary evidence will correspond exactly with the number of connections on the scheme, but it would be expected that these numbers would be broadly in line with each other.

CONDITION 3

Conducts its affairs properly in accordance with its Constitution/Rules and relevant legal requirements.

This condition refers to the governance of the scheme and particularly to the involvement of the members in the decision making of the GWS. It also seeks to ensure that the group is complying with legislation governing its corporate entity and a copy of the annual return to the Registrar of Friendly Societies or Companies Office as detailed above will generally be sufficient documentary evidence for this purpose.

In general, the inclusion of a copy of the notice and agenda for the most recent AGM of the GWS will be sufficient additional documentary evidence to submit in respect of this condition. However, if there are signs of poor governance in the GWS, the Local Authority may seek further documentary evidence (e.g. copy of Co-operative Rules, Articles and Memorandum of Association, or in the case of smaller schemes the GWSs constitution) before being satisfied that this condition is being met.

CONDITION 4

Has adopted the Charter of Rights and Responsibilities for members of GWSs developed by the National Rural Water Services Committee.

All schemes claiming subsidy, have been expected for some time now, to have adopted this Charter of Rights and Responsibilities and to have circulated its contents to all members as GWS policy. A letter (preferably on GWS headed notepaper) from the scheme's secretary confirming that the Charter of Rights and Responsibilities for Consumers on GWSs has been adopted as policy by the scheme, the date of the meeting at which it was adopted and confirmation that the Charter has been circulated to all members will generally be sufficient documentary evidence to submit in relation to this condition (see appendix).

CONDITION 5

Has, in the case of private GWSs, agreed to implement a quality assurance system which, at a minimum, meets the standard of the Hazard Analysis Critical Control Points (HACCP) based Quality Assurance System (QAS) developed by the NFGWS and approved by the National Rural Water Services Committee, or an appropriate system approved by the National Standards Authority of Ireland (NSAI), or equivalent.

The implementation of a QA System is generally considered to be a significant step in ensuring that the requirements of the European Community (Drinking Water) Regulations are being met. At a minimum, a letter of confirmation from the NFGWS that the scheme has applied for or has completed training in the implementation of the NFGWS HACCP based QAS, will be sufficient

documentary evidence for this condition. However, the Local Authority may seek further documentary evidence (e.g. QAS records incl. chlorine residuals, identified critical control points etc.) before being satisfied that this condition is being met. GWSs implementing an NSAI equivalent QAS will have to submit similar supporting documentation. It is not expected that small schemes not within the remit of the Drinking Water Regulations will be expected to comply with or submit documentary evidence in relation to this condition.

CONDITION 6

Is actively engaged in implementing requisite measures to conserve water and to reduce UFW as set out under Water Conservation and Unaccounted for Water in T & C's.

Documentary evidence may already be on file in Local Authorities in relation to a schemes water conservation measures taken under the Multi-Annual Rural Water Programme (MARWP) such as:

- Assessment of un-accounted for water carried out in the context of developing an upgrading plan (completion of a water audit).
- The installation of water conservation and demand management tools.
- Critical mains replacement.

On Part 2 of the application form, the scheme is asked to confirm that water conservation measures are being implemented and to give a summarised detail of such measures. On Part 3 of the application form, details of water consumption must be provided.

In general, it is not expected that additional documentary evidence will be required unless it is clear to the Local Authority that the scheme is not progressing approved network improvements or, having completed such upgrading, is not making satisfactory progress in relation to controlling unaccounted for water. In such cases the Local Authority may seek further documentary evidence (e.g. detailed water demand/consumption records, water audit results, assessments based on demand management tools installed etc.) before being satisfied that this condition is being met.

CONDITION 7

Has, in the case of private GWSs, completed (or is in the process of completing), as a first phase of implementing source protection planning, a ground water Zone of Contribution/ surface water preliminary catchment report.

The vast majority of privately sourced GWSs have completed the delineation of groundwater Zone of Contribution (ZOC) or surface water catchment mapping since 2013 under the MARWP. In general, it is not expected that additional documentary evidence will be required for this condition unless it is clear to the Local Authority that this work has not been completed. For schemes yet to complete this work a letter from the NFGWS or appointed professional outlining when this work will be completed will be sufficient. In such cases, progress must be demonstrated in the subsequent year.

CONDITION 8

Is charging domestic members for excessive usage only, based on metered usage or otherwise. There can be no flat rate or standing charge regime in place for domestic consumers.

A standing or flat charge for domestic customers will not be permitted in any circumstances. GWS are permitted to have a standing charge on non-domestic connections and for the non-domestic element of mixed-use customers. However, the only operational charge that can be levied on a domestic consumer is an excessive usage charge, over and above a domestic allowance threshold that is based on metered usage. Documentary evidence, such as a copy of a random sample of a domestic invoice issued to the member, will be required by the local authority to demonstrate that there is no standing charge being applied. A Local authority may carry out spot checks on GWS consumers to establish that an appropriate charging system is in place.

CONDITION 9

Is providing a threshold of 160m³ per domestic connection per annum, under which no water charges apply and over which excessive usage charges may apply.

This is one of the core new conditions of subsidy, the detail of which is clearly outlined in the T & C's. The documentary evidence required by the local authority will include a copy of a random sample of a domestic invoice as was issued to the members, showing the domestic threshold of 160m³ per year, below which no water charge applies.

Only in exceptional circumstances and for clearly documented financial reasons, will a threshold of less than 160m³ (but no less than 115m³) be permitted. In these exceptional circumstances, a scheme must provide additional documentary evidence including:

- A financial assessment demonstrating the necessity to reduce the threshold,
- A notice of the Special General Meeting (SGM) called by the scheme to seek the approval of the wider scheme membership
- A copy of signed resolution approved by the members at the SGM
- A copy of the minutes of the SGM noting the decision that was taken

Under no circumstances will a threshold of less than 115m³ per domestic member per annum be permitted. A Local Authority may carry out spot checks on GWS consumers to establish that an appropriate charging system is in place.

CONDITION 10

Is fully applying usage-based charges to non-domestic consumers so that they are not cross-subsidised by the domestic customer sector of the scheme.

Under no circumstances should the subsidy be subsidising the cost of supplying non-domestic water. Appropriate non-domestic charges should be applied based on metered usage. Any scheme that does not have universal metering in place should contact their local authority for a capital funding under the MARWP.

Additional conditions of eligibility for subsidy B:

Schemes claiming Subsidy B must comply with a number of additional conditions. Documentary evidence that the scheme is fulfilling these conditions will be required.

CONDITION 1

The scheme must *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).*

Generally, the Local Authority will have sufficient documentary evidence on file to satisfy itself that this condition is being met or otherwise. It is not expected that the GWS will be required to submit any additional documentary evidence in this regard.

CONDITION 2

The scheme must *be constituted as a Co-Operative or Limited Company.*

The documentary evidence as outlined under general condition 2 will form part of the necessary documentation for submission in this instance. The GWS audit account which will be in the name of the Co-operative or Limited Company and which will provide some details of directors will be further evidence that the scheme is constituted as a Co-operative or Limited Company.

CONDITION 3

The scheme must *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.*

The scheme is required to give full particulars of this account in part 1 of the application form.

CONDITION 4

The scheme must *have arrangements in place for payments to the O&M contractor.*

The scheme is required to confirm in part 1 of the application form that such arrangements are in place. It is not expected that any additional documentary evidence will be required in normal circumstances. However, if the Local Authority is aware of payment issues between the contractor and the scheme it may request that further evidence such as electronic banking arrangements or otherwise, such as a bank statement for the dedicated bank account, be submitted.

Additional conditions of eligibility for subsidy C:

Subsidy C is a new subsidy payable to private GWSs, of less than 100 houses, for a three-year period, that agree to advance and progress an amalgamation and/or rationalisation strategy involving their merger into a new entity. Subsidy C will provide, up to, an additional €50 per house in addition to Subsidy A, subject to a maximum ceiling of €281 (Subsidy A of €231 plus Subsidy C of €50). To qualify for Subsidy C, a GWS must comply with the general terms and conditions set out in A2. A number of additional conditions must be complied with. Documentary evidence of compliance with the requirements set out below will be required by the Local Authority in conjunction with the subsidy application.

CONDITION 1

Formally agree in writing to take part in and progress amalgamation and/or rationalisation in accordance with the local authority approved strategy.

In order to comply with the above condition, a GWS must provide a letter, signed by an officer of the scheme, outlining its' willingness to progress and advance an amalgamation or rationalisation cluster which has been formally recognised by Local Authority. Local Authorities with significant potential for GWS rationalisation and amalgamation, will be required to complete a feasibility study, in consultation with the NFGWS and the GWSs within their functional area, of the most sustainable long-term options available to these schemes. As part of this process viable rationalisation and amalgamation clusters will be formally identified.

CONDITION 2

The approved strategy for the GWS will set targets to be met over the three-year period, including timeframes to advance the following;

- a. Establishment of a project steering committee, with proportional representation from each participating scheme including representatives from the local authority and the NFGWS, to progress the targets and timeframes identified,*
- b. Appointment, where relevant, of an engineer to develop a detailed report outlining any necessary enabling capital works that might be required to facilitate the amalgamation/rationalisation project, including budget estimates etc. and to oversee its implementation,*
- c. Finalise and agree equitable financial contributions (if any) required from each participating scheme,*
- d. Secure approval of the wider membership by way of Special General Meetings to progress the project and establish and register the proposed new rationalised entity,*
- e. Subject to the approval of the membership, the new entity will then apply to local authority for approval of any appropriate grant aid towards identified capital works.*

This step by step process will be facilitated by the NFGWS and the relevant Local Authority through the formation of a steering committee for such projects, representing each of the schemes in the potential cluster, that will follow a step by step process on a pathway towards establishing an amalgamation or rationalised entity. The new entity can only be established with the agreement of the majority of members from each participating GWS in accordance with their rules. A Local Authority can withdraw from paying subsidy C if they feel sufficient progress is not being made by a particular GWS.

Other important points to note

- Specific conditions for GWSs in receipt of subsidy that provide a water supply to Irish Water or another GWSs are detailed in section A2 of the T & C's. These relate specifically to water charges levied by a scheme in such instances. Under no circumstances should a scheme be generating a profit from supplying water to Irish Water or another GWS where the State has already subsidised the cost of producing this water. The maximum charge allowable for water supplied to Irish Water or to another GWS, must be based on the 'net production costs' of supplying this water. To calculate the 'net production costs', for a scheme, the total subsidy received (subsidy A, B & C) in the previous year must be deducted from the total annual running costs on that scheme for the same period.

Total Annual Operating Costs – Total Annual Subsidy Received = Net Production Costs

The net production costs can be expressed as a rate per cubic meter by dividing it by the total amount of water produced by the scheme for the same period. This will be the maximum rate a GWS can charge for water supplied to such entities.

- A full list of qualifying expenditure is detailed in section A4 of the T & C's. Eligible expenditure also includes emergency capital works (e.g. replacement of faulty infrastructure such as valves and fittings). Any GWS completing such works are advised to speak with the Local Authority in advance where possible, to ensure the works qualify for subsidy.
- Apportionment of expenditure is detailed in section A5 of the T & C's. A minimum of 85% funding is now available towards the cost of qualifying expenditure, subject to the relevant ceilings per domestic connection. A significant number of expenditure items qualify for funding at 100% and are detailed in this section. Any GWS wishing to claim these items at the higher rate must ensure that these expenditure items are listed separately in the audited accounts as outlined in section A7 of the T & C's.

Further documentation to be submitted with the Subsidy Claim

Apart from the documentary evidence in relation to compliance with the conditions of eligibility as outlined above the following must also be submitted with each annual subsidy claim:

- Approved and signed audited accounts must be enclosed in accordance with section A7 of the T & C's which clearly outline how expenditure items must be listed in the GWS audited accounts. Every scheme must ensure that this list is provided to their auditor and in addition, the final audited accounts must be presented in a way clearly demonstrating the following:
 - the Auditor's opinion
 - adoption by the GWS membership at its AGM;
 - completion on the basis of a calendar year January – December

For smaller schemes where audited accounts are not required (e.g. schemes below the drinking water monitoring threshold), a statement of accounts together with supporting documentation (paid invoices or receipts) will be acceptable to the local authority, having regard to the nature and amount of the expenditure involved.

- A listing of all members of the GWS at the end of the year to which the claim relates must be provided. This listing should contain the name, address and Eircode¹ of each member and should clearly distinguish the type of member i.e. Domestic only, Domestic and Business/land, Business/land only or Other (school, community centre, church etc.). The box provided to confirm that this is the persons 'normal place of residence' must be ticked for any domestic or mixed-use connection to be eligible. Where a scheme is unsure, they should seek written confirmation from the owner/person residing in the property. The address included must be the address of the property supplied and not the billing address (if different for example in the case of some long-term rentals).
- Documentary evidence of the schemes tax clearance, if not already on file with the Local Authority, must also be provided

Subsidy and Planning for Group Water Schemes

As the operational subsidy is one of the main sources of income for the GWS it is essential that considerable planning be in place to ensure smooth claims and payments.

Cash flow is essential for any business to survive in a sustainable fashion and the GWS is no different. Payments to suppliers and service providers fall due throughout the year and it is essential that sufficient funds are in place to meet these payments in a timely manner and without incurring significant overdraft costs. Generally, GWSs issue bills in respect of water usage once or twice a year. The scheme should ensure that the annual subsidy claim is submitted in good time each year to ensure funds are always available and particularly at times of low member-based income.

The annual subsidy claim can be submitted any time up to 30th June each year. However, schemes should not wait until the last day to submit their claims as it will take time for the local authority to process claims and, assuming all relevant material is submitted with the application, it should be assumed that the claim will take up to six weeks to be processed to payment stage.

In planning the subsidy claim submission, several items should be borne in mind and attended to even before the claim is compiled;

- The audit accounts must be completed as outlined above. This will require consultation with the scheme's accountant/auditor. This requirement should be brought to the attention of the accountant/auditor in good time to ensure that the accounts are presented as required.
- The audit account itself must accompany the subsidy claim and it can be difficult to have this completed early in the year. GWSs should ensure that day to day books of account are maintained on a regular basis so that in January the books and records for the previous year can be presented to the scheme's accountant / auditor for early processing. Any

¹ An Eircode is only required for GWS connections with a domestic element and the Eircode provided must be for the domestic property being supplied by the scheme.

clarifications sought during the audit process should be attended to promptly to ensure delays are avoided.

- The audit account will have to be certified as having been adopted by the GWS members at Annual General Meeting. This will necessitate having the AGM before completion and submission of the subsidy claim. The AGM itself requires considerable planning and preparation and it should be remembered that sufficient notice of the AGM must be given to members.
- A copy of the annual return to the registry of friendly societies or company's office must be included with the subsidy claim and this must reflect the membership as being the owners of the GWS. Once again this will require consultation with the auditor to ensure that the shareholding on the balance sheet and/or the number of members/shareholders on the company's office return reflects this position.
- An up-to-date list of scheme members and their usage status (as outlined above) must accompany the annual subsidy claim. The compilation of such a list can be a difficult task if care isn't taken to ensure that the membership listing is maintained throughout the year.
- The application for any advance subsidy payments must be clearly indicated on the WS1 subsidy application form. This is particularly relevant for subsidy B advance payments as the Operational & Maintenance (O&M) quarterly payments to the contractor are likely to be the four largest payments to be made by schemes in this situation each year. It is therefore essential that all necessary paperwork is submitted in good time each year to ensure that these quarterly advance payments of subsidy continue.
- The GWS should familiarise itself with all documentation it needs to submit with its subsidy claim well in advance of the date it intends to make the application so that it will be in a position to compile a fully completed application in good time.
- Towards the end of each year the scheme should, as part of its overall budgetary planning, examine its annual expenditure to date and estimate what its expenditure to the year end is likely to be. This will give an indication of how expenditure and potential subsidy entitlement compare for the year. There may be some room for the scheme to incur additional necessary expenditure before the year-end which might be recoupable under the subsidy scheme for that year.

The following table could be used as a template for GWSs in planning their subsidy claim.

Month	Subsidy Related Action
January	Compile books and records and submit to accountant / auditor. Ensure separate items can be shown on income/ expenditure account as necessary.
February	Work with accountant / auditor to ensure they have all necessary information. Organise Board meeting to approve audit accounts
March	Plan AGM for mid-month to ensure return to Registrar is submitted on time. Ensure all relevant material for subsidy claim is available.
April	Complete subsidy claim and submit by month end
May	Deal with any follow up queries from L.A.
June	30 th June is final date for subsidy claim if not already claimed
July	Maintain member listing and status up to date. Keep day to day books and records in order. Assess income from all sources in the previous year to ensure that the scheme's charging policy is adequate to ensure that all expenditure will be covered and that a reasonable surplus will be attained.
August	Maintain member listing and status up to date. Keep day to day books and records in order.
September	Maintain member listing and status up to date. Keep day to day books and records in order.
October	Maintain member listing and status up to date. Keep day to day books and records in order. Ensure that proof tax clearance is up to date.
November	Check on expenditure to date and compile a year-end expenditure estimate. Decide on any additional necessary expenditure that may be made in the current year.
December	Ensure financial books and records are up to date and ready for early submission to accountant / auditor.

Appendix - template letter to be submitted by GWS secretary with Subsidy Claim.

ABC GWS Co-operative Society Limited

Registered Address: _____

Date: _____

Rural Water Programme Liaison Officer

_____ County Council

Co. _____

Re: Annual Subsidy Claim in respect of 20__.

I refer to the above claim and I wish to certify the following on behalf of the GWS.

1. The Charter of Rights and Responsibilities for Consumers on GWSs was adopted as policy by this GWS on _____. The Charter was circulated to all members.
2. The accounts submitted with this claim were adopted by the scheme's membership at an Annual General Meeting on _____.
3. The charging policy of this GWS in relation to Domestic consumers is as follows
 - Free water allocation of 160 m³ per annum per domestic connection
 - No standing or flat rate charge is levied in respect of domestic consumers

Yours sincerely,

_____ (Secretary)