

**Meeting of the Joint Oireachtas Committee on Housing, Planning
and Local Government**

Thursday, 22 February 2018 at 9.30am

**Opening Statement by Maria Graham, Assistant Secretary, Water Division,
Department of Housing, Planning and Local Government**

Cathaoirleach and Committee members, thank you for the opportunity to appear before the Committee to deal with the matter of Irish Water's proposed move to a single public utility model by 2021, and the future delivery of water services.

I am joined by my two colleagues Eamonn Waters, Principal, Water Policy and Rural Water Programme and Martin Vaughan, Assistant Principal.

The issue that is the focus of discussion today was previously raised at the Committee's meeting on 15 November 2017 which considered the Department's Estimates, and there have been some developments since then. I will provide the Committee with an update on where matters currently stand and background details to inform today's discussion.

The context for this discussion is the major reform of the water sector initiated in 2012, which saw the transfer of statutory responsibility for public water services to Irish Water. The current delivery model, put in place in 2013, is based on Irish Water working with local authorities through Service Level Agreement (SLA) arrangements. This collaborative approach was enabled by the Water Services (No.2) Act, 2013, which also sets out the statutory protections for the terms and conditions and pensions of workers, should these agreements come to an end.

Working with local authorities through these SLAs, Irish Water has made significant progress in establishing the utility's capability, which has included investing over €2 billion in the system to date. The Minister has gone on record many times in acknowledging the role played by local authorities and their staff in the provision of water services over this period; a period which has been at times very challenging. The ongoing commitment of water services staff to ensuring both continuity of service and service improvement remains the hallmark of water services in Ireland.

Over this time, some key components of the operating environment for Irish Water have changed from that envisaged in the Water Sector Reform Implementation Strategy published in December 2012. Irish Water is now reflected on the Government's balance sheet and the funding model has changed. These changes flow from the Report of the Joint Committee on the Future Funding of Domestic Water Services, and the enactment of the Water Services Act, 2017. Irish Water is now funded largely through the Vote of the Department of Housing, Planning and Local Government. Irish Water's commercial debt will be replaced with State debt over time. This places new demands on Irish Water in terms of accountability, governance and delivering value for money for taxpayers.

However, the central commitment to a single regulated water services utility in public ownership remains at the heart of the reform programme, a position which has been confirmed by the Confidence and Supply Arrangement in support of the minority Government.

Within this new funding environment, it is considered critical that Irish Water, which now has full statutory responsibility for the delivery of water services, is appropriately equipped to carry out its statutory functions as efficiently and effectively as possible. It was a central understanding of the Joint Oireachtas Committee report, approved by the Oireachtas, that the change in funding structure should not impede in any way the delivery of the requisite level of investment and operational projects in line with the Irish Water Business Plan.

The current Business Plan is the Irish Water Business Plan to 2021, published in 2015. This Plan was considered by Government and was approved subject to budgetary and regulatory review. The Plan sets out the priorities of the utility to 2021 and underpins the transformation plan for the water sector.

During the course of 2017, Ervia examined the options to meet its regulatory and business plan targets and concluded that the public water system would benefit from greater integration of operations into a single utility. Following this consideration, the Department was informed that the Ervia Board had decided in principle not to renew the SLAs post 2025 and to work with local authorities and unions to move to the integrated model within the life of the current plan. The Government noted this position.

Subsequently, the Minister met with the key stakeholders in the delivery of water and waste water services, namely the County and City Management Association, the Irish Congress of Trade Unions and relevant trade unions, and of course Ervia and Irish Water. The Minister has since written to the parties, and asked them to engage with the proposals in an open and constructive manner. He has asked the parties to examine the issues in developing the appropriate national framework for the Irish Water Transformation Programme.

These letters have been provided to the Committee for information and I might highlight a couple of key elements:-

- The need for a significant programme of transformation is highlighted, as is the positive experience of other utilities such as Scottish Water from the implementation of a single way of working, both in terms of efficiency gains and opportunities for staff;
- Assurance is provided that the current SLAs remain in place until such time as an alternative is agreed;
- Assurance is provided that no compulsory redundancies would arise as an outcome from the transformation process; and

- There is a recognition that the process of transformation needs to be cognisant of the potential impacts on the wider local government system to ensure that stranded costs do not arise for local authorities which would impact on other services.

In his recent correspondence with key stakeholders, the Minister also advised that he is open to considering other governance, accountability and structural changes which improve the delivery of public water services by Irish Water. Furthermore, the Water Services Act 2017 provides for the establishment of a new statutory Water Advisory Body (WAB) which will make recommendations to improve the transparency and public accountability of Irish Water and also report to the Oireachtas on the implementation of the Irish Water Business Plan. The process for the establishment of the WAB is now in train.

Arrangements for the process of dialogue on the transformation programme are currently being put in place and the Minister has asked the parties to provide him with an update on progress by Easter. Therefore, you will appreciate that, in addressing the Committee, I do not want to prejudge what might be said in these discussions, or to pre-determine the outcome on particular aspects.

The Department looks forward to open and constructive engagement between the trade unions, local authorities and Ervia/Irish Water and is of the view that these parties are best placed in the first instance to examine relevant issues in developing the appropriate national framework for the next stage in the Water Services transformation programme.