



Ms Sarah Cremin
Committee Secretariat,
Committee of Public Accounts
Leinster House,
Dublin 2

Ref: S0920 PAC33

22 July 2022

Dear Ms Cremin,

I refer to your letter dated 8 July 2022, following my correspondence to the Committee dated 2 June 2022.

The below information note will provide an overview of the progress to date on the separation of Irish Water from the Ervia Group and how Irish Water's borrowings will be impacted by this development.

If more information or detail is required, please do not hesitate to contact my office.

Yours sincerely,

John Hogan

Secretary General

Information Note- Separation of Irish Water from Ervia Group

1. Overview of the current status of the separation process

On 12 July, the Government approved the publication of the Water Services (Amendment) (No. 2) Bill 2022, which will provide for the separation of Irish Water from the Ervia Group. The Bill will be progressed through the Houses of the Oireachtas during the autumn with a view to it being enacted before the end of 2022. The Department is currently liaising with the Bills Office for the Bill and its Explanatory Memorandum to be published on the Oireachtas website in the coming weeks.

As background, in July 2018, the Government decided that Irish Water would become a standalone, publicly owned, commercial, regulated utility separated from the Ervia Group during 2023. It is intended to achieve legal separation on 1 January 2023. Of relevance to the Public Accounts Committee is that post separation, Irish Water will be accountable to the Committee of Public Accounts.

2. Overview of the Memorandum for the Water Services Bill

- The Water Services (Amendment) (No. 2) Bill 2022 gives effect to the Programme for Government commitment of retaining Irish Water in public ownership as a national, standalone, regulated utility. The Bill comprises 30 Sections, arranged in 3 parts and 1 Schedule.

Part 1 – Preliminary and General outlines the purpose of the Bill which is to provide for the separation of Irish Water from the Ervia Group.

Part 2 – Reorganisation of Uisce Éireann. This section provides that:

- Irish Water will be known only as Uisce Éireann
- The character of Uisce Éireann is the national authority for water services with responsibility for the functions assigned to it by or under the Water Services Acts 2007 to 2022.
- Share ownership arrangements change, such that the shares are held by both the Minister for Public Expenditure and Reform and the Minister for Housing, Local Government and Heritage. The Minister for Finance will no longer hold shares in Irish Water- these shares are being cancelled.
- A new non-executive Board of Uisce Éireann and its Chief Executive are now being prescribed in primary legislation rather than in Uisce Éireann's Constitution.
- Appointments to the new Board will be made by the Minister for Housing, Local Government and Heritage with the consent of the Minister for Public Expenditure and Reform.
- Accountability and auditing arrangements are revised, such that Uisce Éireann will be subject to a dual audit by both the Comptroller and Auditor General and its commercial statutory auditor under the Companies Acts.

- Uisce Éireann will be accountable to the Committee of Public Accounts.
- Staff, rights and liabilities, contracts and records which relate to functions of Uisce Éireann are transferred from Ervia to Uisce Éireann.

Part 3 – Amendment of other Acts deals with consequential amendments to other legislation including legislation which comes within the remit of the Minister for Finance.

3. Proposed funding structure following separation

The Bill does not provide for any change to Irish Water's funding structure post separation. The revised funding arrangements put in place for Irish Water in 2018 mean that the large majority of Irish Water's funding is provided each year through voted current and capital funding from the Department of Housing, Local Government and Heritage (e.g. State subvention comprised 75% of Irish Water's Revenue in 2021).

4. Potential impact on Irish Water Loans

The Bill does not provide for any change to Irish Water's loans post separation. Having engaged with NewERA and the Department of Housing, Local Government and Heritage the position is that there will be no impact to Irish Water's loans as the loan agreements have been made with Irish Water and Ervia is not a party to them. Therefore, those facilities should continue in place following the separation.