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NI Water Article 161 Sewer Bond Incentivisation and Surety Policy Consultation Document

April 2026



NORTHERN IRELAND WATER

ARTICLE 161 SEWER BOND INCENTIVISATION AND SURETY POLICY

CONSULTATION DOCUMENT

Background and Rationale

Northern Ireland currently faces significant challenges with unadopted sewer infrastructure. There are approximately 600 unadopted developments across NI, with over 400 sites remaining unadopted for more than five years. This situation poses legal, environmental, and financial risks to homeowners and to NI Water, including difficulties in property resale, increased health and safety risks, and potential reputational and financial exposure for NIW.

Purpose and Policy Intent

Northern Ireland Water ('NIW' thereafter) is proposing a new Sewer Adoption Bond Policy under Article 161 of the Water and Sewerage Services (Northern Ireland) Order 2006 ("the 2006 Order"). These proposals are intended to strengthen our administration of Article 161 agreements under the Water and Sewerage Services (Northern Ireland) Order 2006 ("the 2006 Order"). This policy introduces a structured Incentivisation Framework designed to achieve strategic objectives which are:

Compliance and Incentivisation: Developers who meet NIW timelines and compliance standards will benefit from financial incentives. The framework encourages timely completion, technical compliance, and collaborative engagement, reducing reliance on enforcement mechanisms.

Differentiation Based on Developer

Performance: A tiered system (Tiers 1-3) will differentiate bond requirements based on a developer's track record. Developers with a history of compliance and successful adoptions will be eligible for reduced bond rates, while those with enforcement actions or director-level defaults will be subject to higher requirements.

Protection of NIW and the Public: The policy aims to safeguard NIW, customers, and the wider public from the risks associated with unadopted infrastructure. It includes robust due diligence, minimum bond thresholds, and clear triggers for enforcement and bond release.

The proposed framework has been legally reviewed and is deemed lawful, proportionate, and in the public interest for the Northern Ireland Consumer, provided it is applied fairly, transparently, and with an auditable evidence base.

The framework is designed to prioritise sewer adoptions and introduces a structured incentivisation mechanism that rewards responsible developer performance and discourages high-risk behaviour, while preserving NIW's ability to manage and recover remediation costs in cases of non-compliance, while simultaneously promoting residential development across Northern Ireland.

This consultation document is intended for a broad range of stakeholders with an interest in the NI Water Sewer Bond Incentivisation Scheme. The primary audience includes homeowners, landlords, tenants, developers, architects, engineers, local authorities, civil servants, legal professionals, and other parties who may be affected by or have expertise in the sewer adoption process. Both individuals and organisations are invited to participate, ensuring that feedback is gathered from those with direct experience, professional involvement, or a vested interest in the future of sewer infrastructure and policy in Northern Ireland.

NIW is seeking feedback from stakeholders on this proposed policy. Your views will help shape the final approach, ensuring it supports development while protecting customers, infrastructure, and public finances.

A Glossary of terms is provided in Appendix 2 at end of this document.

This framework outlines NIW's policy for requiring a surety in the form of a bond or cash bond under Article 161 of the 2006 Order.

1. RATIONALE FOR THE POLICY REVIEW AND INCENTIVISATION FRAMEWORK – THE BACKDROP

- 1.1. NIW has recently undertaken a review of the Article 161 Bond Security with a view to revamping the current process and implementing a bond incentivisation scheme which is primarily focused on incentivising developers with a proven track record to work collaboratively with NIW to progress site adoptions in a prompt manner.
- 1.2. NIW believe that developing a bond incentivisation scheme for developers will foster positive relationships, while simultaneously safeguarding NIW's interests which will protect the interests of the NIW consumer/householder and of course the public interest.
- 1.3. Article 161 of the 2006 Order provides that NIW may enter into an agreement with any person constructing or proposing to construct a sewer or drain, to adopt that sewer or drain at a future date.
- 1.4. When a developer plans to build a drain or sewer that will eventually connect to the public sewer system, they typically contact NIW to agree on the design and construction specifications. Thereafter that person, usually a developer, applies to NIW for an Article 161 Agreement. NIW issues an Article 161 Agreement setting out the terms under which NIW will, upon completion of the work, at some specified date or on the happening of some future event, declare that the sewerage infrastructure is vested. Under Article 161 NIW has a wide discretion in respect of the terms it may impose in the Article 161 agreement and may require adjoining landowners to be made parties to the agreement.
- 1.5. If the developer is agreeable to the terms set out in the Article 161 Agreement and can provide the necessary security, the applicant signs and returns the Article 161 Agreement to NIW for execution. Thereafter, when all the conditions set out in the Article 161 Agreement are met, NIW will adopt the sewer or drain in question and will issue the final Certificate of Adoption (Vesting Declaration).
- 1.6. A key component of the current Article 161 process is NIW's requirement for a surety bond. Such a bond is provided for and on behalf of a property developer or house builder which provides a method of securing funds to complete sewers to an appropriate standard for adoption by NIW in the event that the developer becomes insolvent or fails to complete the sewers to an adaptable standard. While the bond is one of the essential components of the Article 161 process it is also the one that has also caused NIW a number of significant strategic risks where the sewer network has not been adopted and the Developer has ceased trading. The un-adoption of sewers and associated wastewater assets within a particular development site pose the following significant strategic risks to NIW: -
 - Potential Health and Safety risk to NIW employees and members of the public
 - Potential risk of pollution incidents from sub-standard sewers and pumping stations
 - Increased difficulty for customers living in sites which remains unadopted for more than 5 years to sell their properties due to potential "blight".
 - NIW intervention may lead to potential ownership / liability issues resulting in reputational damage and financial loss and cost.

- 1.7. The terms imposed by NIW in an Article 161 Agreement must be reasonable as Article 162 of the 2006 Act allows for a statutory appeal mechanism for any dissatisfied developer / applicant to the Utility Regulator (“the UR”), who could reasonably amend any Article 161 Agreement.
- 1.8. Prior to 2007, the Bond for Sewers was linked with a Road Bond at a fixed level of 100% of construction costs. However, after 2006, the risk profiles were separated and while Transport NI Street Works is still set at 100% of construction costs, this is primarily due to street works having a high public safety and operational impact if roads and footpaths were left in an unsafe and perilous condition. For roads, liability remains high until adoption, but reductions occur at key milestones: typically, a 50% reduction when roads and footpaths are kerbed and fully made up with all services installed, and up to 90% when roads are fully completed. Importantly, this final stage also requires NI Water Article 161 approval to have reached preliminary adoption. Similarly, NI Water bonds reduce as network works advance, with risk generally limited to final remedial or completion works rather than full construction costs.
- 1.9. The 40% level of the bond fixed since 2007, reflects anticipated costs for NIW to complete or repair outstanding works and does not make provision for a total rebuild. It is therefore, proportionate by balancing risk mitigation with ensuring that developers are not overburdened which in turn could result in a housing shortage or crisis. In summary, NIW primarily needs enough security to manage the risk of non-compliance or minor remedial works and not full system installation.
- 1.10. The present level of sewer bond is currently reported in NIW’s Scheme of Charges, which is agreed between NIW and the UR on a yearly basis. The sewer bond presently stands at 40% of the total estimated cost for sewers and 50% for pumping stations. The 40% level for the sewer bonds has recently been benchmarked by NIW and is currently the highest level of all water and sewage companies in the United Kingdom with alternative levels ranging from 10% to 33%. The Bond Construction rates, which had remained unchanged since 2011, were reviewed and found to be relatively low. To address this, an initial uplift of 25% of the gap was applied on 1 April 2024, followed by a further 33% of the remaining gap on 1 April 2025. Additional corrections will be implemented on 1 April 2026 and 1 April 2027, with construction rates continuing to be reviewed annually.
- 1.11. In recent times NIW has become very concerned about the number of cases where certain legal entities have entered into Article 161 Agreements and then failed to comply with its terms with catastrophic financial consequences for homeowners. NIW has therefore sought legal advice on the feasibility of applying differentiated fees or bond limits based on whether an applicant, or any associated directors or shareholders, had previously entered into an Article 161 Agreement and failed to honour its terms.
- 1.12. In response to the challenges posed by insolvent developers and unadopted development sites NIW has developed the incentivisation scheme which will hopefully satisfy the strategic objectives mentioned above.
- 1.13. The incentivisation scheme will introduce eligibility tiers, allowing developers with a proven quality track record to qualify for reduced bond requirements. These tiers will be structured into performance levels, as outlined in Section 4 below.
- 1.14. The Scheme will enable NIW to work in partnership with developers by applying a discretionary sliding scale policy when calculating the Bond amount. The standard Bond will be set at 40% for all developer applications. However, for developers with a proven track record—such as no defaults, delays, or other relevant factors—the Bond level may be adjusted downward using the sliding scale.

2. STRATEGIC RATIONALE AND RISKS ADDRESSED BY THE INCENTIVISATION POLICY

- 2.1. The proposed incentivisation policy therefore directly addresses legacy issues where:
- Developers have ceased trading, leaving sites unadopted and housing developments blighted throughout Northern Ireland as there are approximately 600 unadopted developments across NI, with over 400 sites remaining unadopted for more than five years (including some which have a bond shortfall).
 - Unsafe or substandard sewers have created environmental and Health & Safety risks.
 - Homeowners are left in legal limbo, impacting property resale and customer confidence.
 - NIW has encountered difficulty in recovering costs from bonds due to unregulated or insolvent sureties.

3. ARTICLE 161(6)(A) OF THE 2006 ORDER - NIW DISCRETION TO IMPLEMENT THE INCENTIVISATION POLICY

- 3.1. The provision in the 2006 Order, provides NIW a discretion to require “such terms as to the provision of such security as the undertaker may reasonably require and “with regard to all the circumstances of the case” and in particular the factors that are referred to in Article 159(5) (a) to (c) of the 2006 Order, when agreeing an Article 161 Agreement”. (See Article 162)

3.2. NIW considers the proposed Policy to be lawful as:

- The policy reflects **public interest priorities**, such as preventing site blight, pollution, and financial exposure due to developer insolvency.
- Recognition of **director and corporate history** in tiering is lawful if supported by objective data and procedural fairness.

- 3.3. The Policy therefore is compliant with Article 159-162 of the 2006 Order, and if a developer wishes to dispute the terms of the proposed Agreement, it can appeal to the Utility Regulator under Article 162 of the 2006 Order.

4. BOND REQUIREMENTS AND RISK-BASED INCENTIVISATION

- 4.1. Proposed Standard Surety Rates and requirements under the Incentivisation Scheme which NIW consider to be appropriate are:

Under the A161 Agreement:

- **Civil works:** Standard surety rate is 40% of estimated construction costs.
- **M&E works:** Fixed at 40%.
- **Minimum bond:** £2,000.

Surety may be provided as either:

- A **cash bond**, or
- A **bond from a third-party surety provider** meeting NIW's strict approval criterion (see Appendix 1).
- **Bonds must be signed directly by the surety** (not via power of attorney).

4.2. Enhanced due diligence requirements will be required if the monetary threshold for a Surety on large scale developments will exceed £500,000.

4.3. Incentivisation Tiers (Sliding Scale for the payment or requirement of the Surety)

NIW intends to operate a risk-based sliding scale for determining the surety percentage required.

Sliding scale approach summary under Incentivisation Tiers

Tier 1 Low Risk	25% Bond	Proven track record of full compliance with A161 processes . Consistent adoption history with a minimum of 5 completed agreements and no overdue infrastructure adoptions >5 Years. Bond value reduced to 25%.
Tier 2 Standard	40% Bond	New or unproved developers Art 161, bond value will remain set at 40%.
Tier 3 High Risk	70% Bond	Customers which have previously defaulted, enforcement action is ongoing will have their surety bond increased to 70%.

Sewer bond incentivisation tier matrix determination

This matrix defines the tiering system for NIW’s Sewer Bond Incentivisation Policy, including standard conditions, enforcement actions, enforcement history, and “Traffic Light Indicator”.

Tier	Bond (%)	Standard Conditions	Enforcement Action Terms	Current Enforcement History	Traffic Light Indicator
Tier 1 Low Risk	25%	<ul style="list-style-type: none"> - Proven track record of full compliance with Article 161 processes. - Minimum 5 completed agreements (100 properties). - No unadopted sites >5 years. - No enforcement actions or legal proceedings in last 10 years. - No director-level defaults (current or historic). 	<ul style="list-style-type: none"> - No history of enforcement action. - No defects or failures to comply in last 10 years. - No outstanding non-adopted sites. 	<ul style="list-style-type: none"> - No enforcement actions or legal proceedings in last 10 years. - No director-level defaults (including resigned directors during period of default). 	Green Light (Clean record, eligible for incentives)
Tier 2 Standard Risk	40%	<ul style="list-style-type: none"> - New or untested developers. - <5 completed agreements (100 properties). - May have outstanding unadopted sites >5 years. - No significant compliance risks identified. - No recent enforcement actions. 	<ul style="list-style-type: none"> - May have minor defects or compliance failures, but not persistent. - No major enforcement actions or legal proceedings. - Outstanding unadopted sites allowed but monitored. 	<ul style="list-style-type: none"> - No major enforcement actions or legal proceedings in last 10 years. - No director-level defaults in last 10 years. 	Amber Light (Warning, monitored for improvement)
Tier 3 High Risk	70%	<ul style="list-style-type: none"> - History of past/current enforcement actions or legal proceedings. - Director-level defaults (within last 10 years). - Evidence of non-compliance, including unauthorised infrastructure interference or illegal connections. - Criminal convictions related to sewer adoption. 	<ul style="list-style-type: none"> - Any enforcement action or legal proceeding in last 10 years. - Director-level defaults (even if resigned, or across companies). - Subsidiaries assessed with reference to parent company’s director history. - Prosecution for infrastructure tampering or illegal connections. 	<ul style="list-style-type: none"> - Any enforcement action, legal proceeding, or director-level default in last 10 years. - Criminal conviction or prosecution for infrastructure tampering/illegal connections. 	Red Light (Automatic Immediate penalty, highest bond required)

Tier Matrix - Definitions & Triggers

Defects & Failures to Comply: Any instance where the developer fails to meet the technical, legal, or procedural requirements of the Article 161 Agreement, including incomplete works, substandard construction, or failure to rectify issues within agreed timescales. It also includes providing any misleading information to NIW as part of its Article 161 application / or in relation to its remedial proposals (“the Application”).

Enforcement Action: This formally commences when NIW issues its Notification of Enforcement Letter (as referred to in the Article 161 Agreement) and also includes any legal proceedings, prosecution or any regulatory intervention by NIW or other statutory authority arising from any non-compliance, defects or other illegal activity carried on by the developer within the last 10 years prior to the date of the Application (Enforcement Action).

Current Enforcement History: Any Enforcement Action commenced against the developer within the last 10 years prior to the date of the Application.

Director Level Defaults: Any Enforcement Action taken against any limited company in which a director of the developer or any director of any related or any group company of the developer was involved with at the time of the default leading to the Enforcement Action against that company or any relates company or group company related or within the last 10 years prior to the date of the Application. This will also include any successful application made against any director of the developer or any company of the developer pursuant to the Company Directors Disqualification (Northern Ireland) Order 2022 within the last 10 years prior to the date of the Application. Subsidiary and Group companies will be assessed on parent company history.

Movement Between Tiers: Developers can move up or down tiers based on ongoing performance. A ‘red light’ event (major enforcement action or prosecution) moves a developer to Tier 3. Consistent compliance over time (5 completed agreements, 100 properties, no outstanding unadopted sites >5 years) allows movement up to Tier 1.

4.4. Tier Determination Factors & Considerations that NIW will take into Account

- Historic compliance with A161 process.
- Evidence of non-compliance, director history (including resigned and cross-company patterns).
- Performance across current and completed sites.
- A **director-level history of non-compliance** (even under a different company name) will influence the applicable tier.
- Directors with a positive history **do not offset** negative records of other directors.
- **Resigned directors** will still be considered if they were involved during the period of default.
- Subsidiaries or related companies with common directors and share ownership will be assessed with reference to the **parent company’s director history** where applicable.
- Developers prosecuted for infrastructure tampering or illegal connections **will be treated as Tier 3 (high risk)**.
- Directors must confirm, by way of declaration, that no shadow director or third parties are involved in the application and that full control and ownership lie with the named directors and shareholders.

4.5. Measurement Metrics

To ensure a consistent and fair approach, tiering decisions by NIW will be informed by:

- Total number of live/adopted sites.
- Number of properties/phases completed and adopted.
- Enforcement actions and non-adoption compliance history (A161).
- Past **legal proceedings**, including those involving unauthorised infrastructure interference or illegal water connections.

4.6. Movement Across Tiers

- Developers **can move between tiers** based on ongoing performance.
- A developer incurring an enforcement event **slides down** the scale to Tier 3 but may move back up to Tier 2 through **consistent compliance** over a defined period (5 completed agreements, 100 properties min and no outstanding unadopted sites >5years).
- Movement **up the scale** from Tier 2 to Tier 1 is as per matrix requirements.

5. APPROVED SURETY CRITERIA WHICH A DEVELOPER MUST COMPLY WITH (SEE APPENDIX 1)

5.1. NIW will only accept bonds from approved third-party sureties who must meet all the following criteria:

- Have a Creditsafe **score** ≥ 70 (UK and International).
- Insurance must be their **core business** and are authorised to provide Suretyship in the UK by the Bank of England.
- Are Financial Conduct Authority (FCA)/ Prudential Regulation Authority (PRA) regulated or provide a legal opinion (if a non-UK provider – see appendix 1).
- The provider must not be part of the same group of companies as the developer customer or affiliated with the developer group.
- Bond value must not exceed their **Creditsafe** contract limit. Creditsafe recommend a 'minimum contract limit' to extend. The surety provider's contract limit with Creditsafe **MUST** be equal to or exceed the value of the required surety bond.
- Agree to use NIW Digital functionality for **electronic execution** of bonds and be able to do so under legislation in the jurisdiction in which they are based.
- Bonds must be signed by the surety directly (not via power of attorney) or similar arrangements.

This change follows previous failures (unenforceable bonds) and seeks to align NIW with regulated bond assurance practices.

6. TRANSITION ARRANGEMENTS AND LEGACY CASES

6.1. Upon implementation of the policy by NIW:

- All developers will enter at Tier 2 (40%) unless evidence supports another tier.
- Historic projects with >5 years of inactivity will be ineligible for incentivisation.
- Developers with criminal convictions or enforcement history within the last 10 years prior to the Article 161 Application will be automatically classified as Tier 3 (High Risk)

7. BOND RELEASE SCHEDULE/TRIGGERS AND PAYMENTS (SEE APPENDIX 3)

- 7.1. In accordance with the A161 Agreement:
- 50% of the bond will be released once certain conditions are satisfied.
 - 70% of the bond will be released at the Preliminary Adoption stage.
 - The remaining 30% will be released post Final Adoption (after all defects have been rectified and final inspection).

8. OPERATIONAL ADMINISTRATIVE MANAGEMENT AND GOVERNANCE

- 8.1. NIW will ensure that:
- **Developer tiering** is tracked via a **Developer Performance Register (“the DPR”)**.
 - **The NIW Servicing Team** maintains the DPR which will assign the incentivisation tier.
 - Bond % assignments will be **validated by the Adoptions Lead** prior to issue of A161 Agreements.
 - All data, decisions, and tier movements are **fully auditable** and housed by NIW within D365 or linked systems/monitoring tools.
 - A **risk matrix** will be maintained by NIW to support tier movement decisions and to ensure consistency.
 - All personal data will be handled securely and in line with GDPR requirements.

9. APPEALS PROCEDURE ON TIERING CATEGORISATION

9.1. Summary

This section sets out the procedure by which a developer may appeal the tiering categorisation assigned under the NIW Sewer Bond Incentivisation Policy. The procedure is designed to ensure fairness, transparency, and consistency, and is aligned with NIW’s Complaints Procedure Code of Practice. It provides for an internal review, the opportunity to seek independent advice, and escalation to the Utility Regulator where appropriate.

9.2. Procedure

A. Notification of Tiering Decision

Upon determination of the developer’s tiering categorisation, NIW shall notify the developer in writing, specifying the assigned tier and the rationale for the decision.

B. Submission of Notice of Appeal

Should the developer wish to appeal the tiering categorisation; a Notice of Appeal must be submitted in writing to the Adoption Manager within twenty-one (21) days of receipt of the tiering notification. The Notice of Appeal must be accompanied by all relevant supporting documentation.

C. Internal Review by Adoption Manager

The Adoption Manager shall review the Notice of Appeal and all supporting documentation. The review shall be conducted on the basis of written submissions, unless the developer requests an oral hearing, which shall be limited to one hour. The Adoption Manager shall issue a written determination within fourteen (14) days of receipt of the Notice of Appeal and/or the date of any oral hearing.

D. Further Internal Review

If the developer remains dissatisfied with the determination of the Adoption Manager, the developer may request a further internal review by a senior manager with authority to override or uphold the original decision. Such request must be made within ten (10) working days of receipt of the Adoption Manager's determination. The senior manager shall issue a written decision within ten (10) working days of receipt of the request for further review.

E. Independent Advice

At any stage of the appeals process, the developer may seek independent advice or assistance from the Consumer Council for Northern Ireland.

F. Escalation to Utility Regulator

If the developer remains dissatisfied following completion of the internal review(s), the developer may appeal to the Utility Regulator pursuant to Article 162 of the Water and Sewerage Services (Northern Ireland) Order 2006.

G. Communication and Transparency

NIW shall provide clear explanations for all decisions, maintain transparent communication throughout the process, and ensure that all appeals are handled fairly, promptly, and in accordance with NIW's Complaints Procedure Code of Practice.

10. REGULATORY APPEALS – ARTICLE 162 OF THE 2006 ORDER

10.1. If a Developer is unhappy with any determination made by NIW in relation to any aspect of the Incentivisation or the Article 161 Agreement, then it may appeal directly to the Utility Regulator.

11. CONCLUSION

11.1. NIW proposed Article 161 Bond and Incentivisation Policy represents a strategic evolution of its developer engagement framework. By balancing the need for development enablement with its statutory duty to safeguard customers, infrastructure, and public finances, the policy addresses historic risks posed by non-compliant developers. Supported by legal confirmation of proportionality and compliance, this approach ensures robust governance while promoting sustainable growth.

11.2. Benefits

- **Enhanced Collaboration:** Creates a streamlined process for genuine developers to work effectively with NIW.
- **Risk Mitigation:** Protects homeowners and public infrastructure from the consequences of unadopted development sites.
- **Performance Incentives:** Implements a sliding-scale framework that rewards responsible developer behaviour and deters high-risk practices.
- **Strategic Advancement:** Strengthens NIW ability to enable development responsibly while safeguarding public finances.
- **Legal Assurance:** Backed by legal support, ensuring compliance and proportionality in implementation.

How to Respond to this Consultation

Consultation Period:

The consultation will run for a period of three months, from 1st April 2026 to 30th June 2026.

How to Submit Your Response:

You can submit your feedback by completing the online questionnaire, which is available on the NIW website at:

www.niwater.com/services-for-developers/a161-bond-incentivisation-consultation

If you are unable to access the online questionnaire, you may request a paper copy or submit your response by email or post:

Post:

Fao: Customer Engagement Team,
Developer Services
Northern Ireland Water
Westland House
Old Westland Road
Belfast
BT14 6TE

Email: A161SewerBondConsultation@niwater.com

What Happens Next:

All responses received during the consultation period will be carefully reviewed by NIW. We will consider all feedback and, where appropriate, make changes to the proposed policy. Any agreed changes will be subject to internal approval and sign-off.

Following approval of the final policy by the NIW Executive Council, the approved policy will be published on the NIW website. This publication will occur prior to the commencement of the proposed implementation phase.

If you have any questions about this consultation or require the document in an alternative format, please contact us at A161SewerBondConsultation@niwater.com.

Appendix

APPENDIX 1

MINIMUM REQUIREMENT FOR BOND PROVIDERS

Criteria:

1. UK based Bond Provider

The bond provider must meet all the following criteria:

- Have a credit score with Creditsafe of at least 70.
- Creditsafe recommend a 'minimum contract limit' to extend. The surety provider's contract limit with Creditsafe MUST be equal to or exceed the value of the required surety bond.
- The usual business of the proposed surety provider must be the provision of insurance and is authorised to provide Suretyship in the UK by the Bank of England.
- The provider must not be part of the same group of companies as the developer customer.
- The provider should be regulated by the Financial Conduct Authority (FCA) and either (i) be based in the UK, or (ii) have an office in the UK.
- Agree to use NIW Digital functionality for electronic execution of bonds and be able to do so under legislation in the jurisdiction in which they are based.
- The Bond is required to be signed by the authorised officers of the surety directly and not by a third party acting on their behalf through power of attorney or similar arrangements.

2. Non-UK Bond Provider

The bond provider must meet all the following criteria:

- Have a credit score with Creditsafe of at least 70 and an International Score of A
- Creditsafe recommend a 'minimum contract limit' to extend. The surety provider's contract limit with Creditsafe MUST be equal to or exceed the value of the required surety bond.
- The usual business of the proposed surety provider must be the provision of insurance and is authorised to provide Suretyship in the UK by the Bank of England.
- Or, if the surety provider is not authorised to provide Suretyship in the UK by the Bank of England;
- The provider must not be part of the same group of companies as the developer customer.
- Required to provide a legal opinion (to be provided together with the bond) from a lawyer based in the same jurisdiction as the Surety to ensure that the Surety is legally entitled to issue a valid and binding guarantee bond in accordance with its constitution and the applicable law of the country where the Surety is constituted.
- Agree to use NIW Digital functionality for electronic execution of bonds and be able to do so under legislation in the jurisdiction in which they are based.
- The Bond is required to be signed by the authorised officers of surety directly and not by a third party acting on their behalf through power of attorney or similar arrangements.

APPENDIX 2 GLOSSARY OF TERMS

Article 161 Agreement A legal agreement between a developer and NIW that sets out the conditions for NIW to adopt new sewers or drains built by the developer.

Article 162 of the 2006 Order A section of the law that allows developers to appeal to the Utility Regulator if they disagree with the terms set by NIW in an Article 161 Agreement.

Bond A financial guarantee (usually money or a promise from a bank or insurer) provided by a developer to ensure that sewer works will be completed to the required standard.

Bond Provider A bank, insurance company, or other approved organisation that supplies the financial guarantee (bond) on behalf of the developer.

Bond Rate/Percentage The proportion of the estimated construction cost that must be covered by the bond (for example, 40% of the total cost).

Cash Bond A bond provided in the form of cash, rather than a guarantee from a third party.

Creditsafe Score A credit rating used to assess the financial strength of a bond provider.

Developer Performance Register (DPR)
A record kept by NIW of each developer's history and performance in relation to sewer adoption agreements.

Director-level Default A situation where a company director has been involved in a company that failed to meet its obligations under an Article 161 Agreement.

Enforcement Action Steps taken by NIW or another authority when a developer does not comply with the terms of an agreement, which may include legal proceedings.

Enhanced Due Diligence A deeper level of customer and transaction scrutiny applied in high-risk situations, such as large-value bond surety checks.

Final Adoption (Vesting Declaration)
The formal process where NIW takes over responsibility for the sewer or drain after all conditions have been met.

**Group Company/Related Company/
Subsidiary/Associated** Companies that are connected through common management, ownership or control, such as parent companies and their subsidiaries.

Incentivisation Scheme/Incentivisation Policy
A system designed to encourage good behaviour by offering rewards (such as reduced bond rates) to developers with a positive track record.

Legal Proceedings Formal legal actions taken in court or by a regulatory body.

Minimum Contract Limit The lowest amount of financial cover that a bond provider must be able to guarantee, as recommended by Creditsafe.

Performance Tier/Tiering A system that places developers into different categories (tiers) based on their past performance, which affects the bond rate they are required to provide.

Pumping Station A facility that moves wastewater from lower to higher ground, often needed in sewer systems.

Remedial Works Repairs or improvements needed to bring sewer works up to the required standard.

Risk-based Sliding Scale A method where the bond rate changes depending on the level of risk associated with the developer's track record.

Scheme of Charges A document that sets out the fees and charges for NIW services, including bond rates.

Security (in the context of bonds) The financial guarantee (bond or cash) provided to ensure that sewer works will be completed.

Sewer Adoption The process by which NIW takes over responsibility for new sewers built by developers.

Sewer Bond The financial guarantee required from developers to ensure completion of sewer works.

Surety/Surety Provider A third party (such as a bank or insurer) that guarantees payment of the bond if the developer fails to meet their obligations.

Third-party Surety Provider An independent organisation (not connected to the developer) that provides the bond guarantee.

Transition Arrangements/Legacy Cases
Special rules for handling existing or ongoing projects when a new policy is introduced.

Utility Regulator (UR) The independent body that oversees water, electricity, and gas services in Northern Ireland.

Vesting Declaration The official document confirming that NIW has taken over ownership and responsibility for the sewer or drain.

Water and Sewerage Services (Northern Ireland) Order 2006 The main law governing water and sewerage services in Northern Ireland.

APPENDIX 3

BOND RELEASE SCHEDULE/TRIGGERS AND PAYMENTS



Process for Adoption of Sewers and Facilities in New Housing Developments

Authorised copy of Article 161 Agreement issued to applicant who may now commence construction of the sewers.

On completion of the construction of the sewers, the developer applies to commence the adoption process via Northern Ireland Water's online portal.

Developer applies for 50% bond reduction via the Article 161 Portal (optional).
 The following are required:

- The sewers are constructed to an approved standard. 50% reduction will not be considered for sites
 - that have 50% or greater occupancy OR
 - with a waste water pumping station, waste water treatment works or geocellular structure.
- Please see online for current required standard of site works
- Please see online for all required documents to be submitted with application
- Assessment of CCTV survey and site visit by technical advisor to confirm that bond reduction is applicable

To apply for this, the sewers must be substantially completed in line with approved drawings but are not yet eligible for preliminary adoption (less than 50% occupancy). Sites with Wastewater Pumping Stations and / or Treatment Works are not eligible for 50% adoption.

NIW release 50% of the bond.

Developer Applies for Preliminary Adoption of the Sewers via the Article 161 Portal.
 The following are required:

- The sewers are constructed to an approved standard
- Please see online for all required documents to be submitted with application
- Assessment of CCTV survey and site visit by technical advisor to confirm that bond reduction is applicable
- Commencement of land transfer where there is a Waste Water Pumping Stations or Waste Water Treatment Works
- Any receiving / downstream site drainage must be adopted prior to the upstream being adopted.

NIW release 70% of bond (20% if 50% has already been released).

Certificate of preliminary adoption issued and 12 month maintenance period begins from date of preliminary adoption*.

On completion of Maintenance Period NI Water Automatically raise an Application for Final Adoption of the Sewers.
 The following are required:

- The sewers are constructed to an approved standard and no defects have arisen during the maintenance period
- Further CCTV may be required at this stage if it suspected / or known that any defects have occurred during the maintenance period
- Site will be inspected by an NI Water Technical Advisor to confirm that adoption of the sewers is applicable Completion of land transfer where there is a Waste Water Pumping Station or Waste Water Treatment Works
- Any receiving / downstream site drainage must be adopted prior to the upstream being adopted.

NI Water issue Final Adoption Certificate, sewers and WWPS / WWTWs transfer to the ownership of NI Water. Developer's liability ends.

NIW release remaining bond.

PROCESS COMPLETE

*Sites with Wastewater Treatment Works and Pumping Stations must go through the 12 month maintenance period after preliminary adoption before final adoption will be granted.