Delivering what matters

# NI Water Article 161 Sewer Bond Incentivisation and Surety Policy

Consultation Document

# **Article 161 sewer bond incentivisation and surety policy** Consultation Document

## Background and Rationale

Across Northern Ireland, many homeowners live on housing developments where sewer infrastructure has not yet been formally adopted by Northern Ireland Water. While most new developments progress through construction and adoption as expected, there remains a significant number of completed housing developments where sewer adoption has been delayed for many years.

NI Water is particularly concerned about developments that have remained unadopted for more than five years, as these present the greatest risks and impacts for customers. Current records show that there are approximately c600 Article 161 development sites that have remained unadopted for over five years across Northern Ireland.

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### Residents

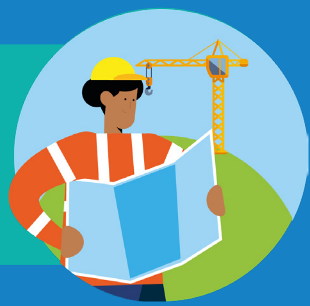
For residents living on these developments, the consequences can be very real.

Homeowners often experience:

- Difficulty selling or remortgaging their homes
- Uncertainty over responsibility for maintaining sewer infrastructure
- Anxiety about long term repair and replacement costs
- Concerns about environmental, health and safety risks

These are not issues customers expect to face when buying a home, particularly as householders have no role in the design, construction or handover of sewer infrastructure.

### Developers



Developers are also impacted by the current arrangements. Those with a strong track record of delivering compliant, high quality developments have raised concerns that sewer bond levels in Northern Ireland are higher than elsewhere in the UK, tying up capital for long periods and reducing their ability to reinvest in new housing schemes. Importantly, the existing approach does not distinguish between good performing developers and those with a history of non compliance.

Together, these factors have contributed to:

- A persistent backlog of long term unadopted developments
- Customer dissatisfaction and uncertainty
- Increased risk to sewer infrastructure and the environment
- Slower delivery of new homes across Northern Ireland.

**NI Water recognises that the current system needs to change to better protect customers while supporting responsible development.**

## Purpose and Policy Intent

The purpose of this policy is to introduce a Bond Surety Incentivisation arrangement that is clearer, fairer and easier to understand, particularly for customers who are directly affected by delayed sewer adoption.

The policy is designed to:

1. **Encourage the timely adoption of new housing developments**
   By rewarding good performance, the policy aims to reduce the number of developments that remain unadopted for long periods and provide greater certainty for homeowners.

2. **Reduce the future risk of long term unadopted developments**
   A more targeted, risk based approach helps prevent a repeat of historic issues and protects customers from being left with unresolved infrastructure.

3. **Differentiate between developers based on performance and risk**
   Developers with a proven track record of timely adoption and compliance will benefit from lower bond requirements, while higher risk developers will be required to provide stronger financial protection.

## Benefits for Customers, Communities and the Wider Economy

This policy is not only about managing risk — it is also about supporting communities and economic growth across Northern Ireland.

A clearer and more proportionate bond framework can:

- Give homeowners greater confidence when buying, selling or remortgaging their homes
- Reduce stress and uncertainty for residents living on unadopted developments
- Encourage faster completion and handover of infrastructure
- Support increased housing delivery by allowing responsible developers to reinvest sooner
- Improve confidence and investment within the construction sector

By reducing long term adoption delays and rewarding good performance, the policy helps to speed up construction, improve housing supply and strengthen confidence in the development system.

## Who This Consultation Is For

This consultation is intended to be accessible to anyone with an interest in housing and sewer infrastructure, including:

- Homeowners, landlords and tenants
- Developers and construction professionals
- Architects, engineers and legal advisors
- Local councils, housing bodies and public sector organisations

NI Water welcomes feedback from individuals and organisations alike. Views from those directly affected will help shape a policy that better supports customers, communities and the wider economy.

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

# What NI Water Is Currently Doing to Address Unadopted Developments

NI Water recognises that unadopted housing developments continue to cause concern for homeowners, local councils, the Department for Infrastructure and elected representatives. Customers regularly contact NI Water about difficulties selling or remortgaging homes, uncertainty over responsibility for repairs, and long standing adoption delays.

These issues are frequently raised through customer correspondence, council engagement, Freedom of Information requests and media coverage. NI Water acknowledges that residents living on unadopted developments are often placed in challenging situations through no fault of their own.

In response, NI Water is taking a more structured and proactive approach to reducing unadopted developments. This includes targeted action on historic sites, changes to how new developments are managed through the adoption process, and a review of the bond framework to prevent similar issues arising in the future. The proposed Bond Surety Incentivisation Policy forms part of this wider programme of action.

## Targeted Action on Historic Unadopted Article 161 Developments

NI Water has identified that the greatest customer impacts arise from historic Article 161 developments that have remained unadopted for more than five years. These sites present increased risks for residents, infrastructure and the environment.

To address this, NI Water is progressing a targeted programme focused on historic Article 161 developments, which includes:

- Reviewing legacy sites through inspections and technical assessments
- Engaging with developers to progress remedial works
- Using enforcement powers where necessary
- Adopting as many sites as possible through a managed and structured process

This work builds on previous initiatives which successfully reduced historic backlogs and strengthened enforcement arrangements. The current programme is intended to close remaining gaps, improve oversight of legacy risks, and reduce the likelihood of developments remaining unadopted for extended periods in the future.

## Moving from a Reactive to a Proactive Adoption Model

Historically, sewer adoption within new developments operated largely on a developer led basis, with adoption progressing only when initiated by the developer. In some cases, this led to long delays and developments being overlooked.

NI Water has since moved to a proactive, NI Water led adoption model, supported by improved digital systems and governance. This approach allows NI Water to:

- Track developments through construction
- Identify when sites are due for adoption
- Intervene earlier where issues arise
- Reduce reliance on developers to trigger adoption

This proactive model significantly reduces the risk of future unadopted developments and provides greater certainty for customers. It also supports housing delivery and economic growth by helping to reduce delays to wastewater connections and enabling development to progress more quickly where capacity is available. The proposed bond incentivisation policy complements this approach by encouraging timely adoption and responsible developer behaviour.

**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.**

When new housing developments are built, sewer infrastructure such as pipes, manholes and pumping stations is constructed by the developer before being taken over by Northern Ireland Water. This transfer of responsibility happens through a formal sewer adoption agreement, which includes a requirement for the developer to provide a financial surety, known as a bond.

The purpose of the bond is simple: it protects customers and NI Water by ensuring that funds are available to complete, repair or make safe sewer infrastructure if a developer fails to do so. The bond remains in place until sewer infrastructure is completed to the required standard and formally adopted.

While the bond has always been a core part of the adoption process, experience over time has shown that the current approach does not always encourage timely completion or adoption, and does not sufficiently distinguish between low risk, high performing developers and those with a history of delay or non compliance.

This framework sets out NI Water's approach to strengthening how bonds are applied, managed and incentivised, in order to better protect customers and reduce the risk of developments remaining unadopted for long periods.

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## Rationale for the policy review and incentivisation framework – the backdrop

NI Water has reviewed its existing sewer bond arrangements in response to the increasing number of housing developments that have remained unadopted for many years. In these situations, homeowners can be left facing uncertainty, difficulty selling their homes and concern about responsibility for sewer infrastructure they do not own or control.

The experience of historic unadopted developments has also highlighted risks for the environment, public health and NI Water, particularly where developers have ceased trading or failed to complete required works. In such cases, bond arrangements have not always been sufficient to resolve issues quickly or prevent long term delay.

At the same time, NI Water recognises that many developers work constructively, comply with requirements and progress adoption responsibly. The current bond framework does not adequately recognise this good performance and can place the same financial requirements on low risk developers as on those with a poor track record.

The policy review therefore aims to:

- Encourage earlier completion and adoption of sewer infrastructure
- Reduce the number of developments remaining unadopted in the long term
- Protect homeowners, communities and public infrastructure
- Apply bond requirements more fairly based on risk and performance

By introducing an incentivisation framework alongside existing legal protections, NI Water intends to promote responsible development, reduce future backlogs of unadopted sites, and support the timely delivery of housing across Northern Ireland.

# Strategic rationale and risks addressed by the incentivisation policy

The proposed incentivisation policy is designed to address longstanding issues that have affected homeowners, communities and the wider housing system across Northern Ireland.

In some cases, developers have ceased trading before sewer infrastructure has been completed and formally adopted. This has resulted in housing developments remaining unadopted for many years, leaving communities affected by uncertainty and, in some instances, visible site blight. A significant number of these developments have been unadopted for over five years, including sites where the available bond has not been sufficient to resolve outstanding issues.

Unadopted or poorly constructed sewer infrastructure can also give rise to environmental, health and safety risks, particularly where defects remain unresolved or assets are not maintained to an adoptable standard.

For homeowners, the consequences can be personal and distressing. Living on an unadopted development can create legal and practical uncertainty, reduce confidence in the safety and reliability of infrastructure, and make it difficult to sell or remortgage a home.

NI Water has also experienced challenges in recovering costs where developers or bond providers are no longer trading or where surety arrangements have proven to be weak or unregulated. This can delay resolution and prolong the impact on customers.

By introducing a risk based incentivisation approach, the policy aims to reduce these risks by encouraging timely completion and adoption of sewer infrastructure, strengthening protection for customers, and reducing the likelihood of similar issues arising in the future.

# Policy Intent

## 1. ARTICLE 161(6)(A) OF THE 2006 ORDER – NIW DISCRETION TO IMPLEMENT THE INCENTIVISATION POLICY

1.1. 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)

**1.2. 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.

1.3. 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.

## 2. BOND REQUIREMENTS AND RISK-BASED INCENTIVISATION

2.1. 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).

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

**2.3. 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 'X' 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 | Developers 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% | - Proven track record of full compliance with Article 161 processes.<br>- Minimum X completed agreements and X No. properties (tbc following consultation)<br>- No unadopted sites >5 years.<br>- No enforcement actions or legal proceedings in last 10 years.<br>- No director-level defaults (current or historic). | - No history of enforcement action.<br>- No defects or failures to comply in last 10 years.<br>- No outstanding non-adopted sites. | - No enforcement actions or legal proceedings in last 10 years.<br>- No director-level defaults (including resigned directors during period of default). | Green Light<br>(Clean record, eligible for incentives) |
| Tier 2 Standard Risk | 40% | - New or untested developers.<br>- <X completed agreements and X No. properties (tbc following consultation)<br>- May have outstanding unadopted sites >5 years.<br>- No significant compliance risks identified.<br>- No recent enforcement actions. | - May have minor defects or compliance failures, but not persistent.<br>- No major enforcement actions or legal proceedings.<br>- Outstanding unadopted sites allowed but monitored. | - No major enforcement actions or legal proceedings in last 10 years.<br>- No director-level defaults in last 10 years. | Amber Light<br>(Warning, monitored for improvement) |
| Tier 3 High Risk | 70% | - History of past/current enforcement actions or legal proceedings.<br>- Director-level defaults (within last 10 years).<br>- Evidence of non-compliance, including unauthorised infrastructure interference or illegal connections.<br>- Criminal convictions related to sewer adoption. | - Any enforcement action or legal proceeding in last 10 years.<br>- Director-level defaults (even if resigned, or across companies).<br>- Subsidiaries assessed with reference to parent company's director history.<br>- Prosecution for infrastructure tampering or illegal connections. | - Any enforcement action, legal proceeding, or director-level default in last 10 years.<br>- Criminal conviction or prosecution for infrastructure tampering/illegal connections. | Red Light<br>(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 (X completed agreements, X No. properties, no outstanding unadopted sites >5 years) allows movement up to Tier 1.

**2.4. 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.

**2.5. 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.

### 2.6. 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 (X completed agreements, X No. properties, no outstanding unadopted sites >5 years).
- Movement **up the scale** from Tier 2 to Tier 1 is as per matrix requirements.

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

3.1. 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.

These provisions are intended to clarify and strengthen existing expectations for surety providers, helping to ensure that bonds remain reliable, enforceable, and aligned with recognised financial and regulatory standards. The proposed approach reflects current NI Water practice and has been informed by benchmarking against arrangements adopted by other UK water companies and DfI Roads, as well as by independent legal and commercial reviews undertaken by external law firms.

# 4. TRANSITION ARRANGEMENTS AND LEGACY CASES

4.1. 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)

# 5. BOND RELEASE SCHEDULE/TRIGGERS AND PAYMENTS

5.1. 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).

# 6. OPERATIONAL ADMINISTRATIVE MANAGEMENT AND GOVERNANCE

6.1. 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.

# 7. APPEALS PROCEDURE ON TIERING CATEGORISATION

**7.1. 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.

**7.2. 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.

# 8. REGULATORY APPEALS – ARTICLE 162 OF THE 2006 ORDER

8.1. 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.

# 9. CONCLUSION

9.1. 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.

**9.2. 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 20th July 2026 to 20th October 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.