Comhshaol, Pobal agus Rialtas Áitiúil
Environment, Community and Local Government

Circular Fin 04/2015

Chief Executive
cc. Head of Finance

30th March 2015

Accounting for Development Contributions following the transfer of water services functions to Irish Water in the financial statements of the local authorities.

A Chara,

I am directed by the Minister for the Environment, Community and Local Government to refer to the accounting for development contributions following the transfer of water services functions to Irish Water and reporting in the Annual Financial Statements (AFS) of the local authorities for the year ended 31 December 2014.

1. Overview

The Water Services Act 2013 and the Water Services (No. 2) Act 2013 provided for the establishment of Irish Water as an independent subsidiary within Ervia (formerly Bord Gáis Éireann Group). From 01 January 2014, the legislation provides:

- For the transfer of Local Authority water services assets and liabilities to Irish Water
- That all functions of a Local Authority relating to water services, shall transfer to Irish Water other than those related to flood alleviation, rural water services, notably group water schemes and individual domestic wastewater treatment systems
- Those Local authorities will operate services on behalf of Irish Water through service level agreements in line with agreed annual service plans. It is provided that these agreements will run for an initial 12 year period with reviews after two years and seven years. This has been reflected in Local Authority revenue budgets adopted for 2015

The Water Services Act 2014 states that the transfer of property is not a disposal but a statutory transfer.

2. Development Contributions Accounting Treatment & AFS Disclosure

Circular Fin 02 2015 "Accounting for the transfer of water services functions to Irish Water in the financial statements of the local authorities" outlined the accounting treatment to be applied to reflect the transfer of water services functions to Irish Water and reporting in the Annual Financial

Statements (AFS) of the local authorities for the year ended 31 December 2014 with the exception of accounting for development contributions.

Following clarification on some outstanding policy issues, the General Accounts Working Group (GAWG) have now agreed the accounting treatment for development contribution debtors and related cash in hand. The following additional journals are required at year end.

a. Development Contribution Short Term Debtors

Cr. Creditor Account with Irish Water related gross debtors less bad debt provision as at 31 December 2014

Dr. Capital Job (Income)

b. Development Contribution Cash collected from 1 January 2014 and not paid over to Irish Water

Cr. Creditor Account

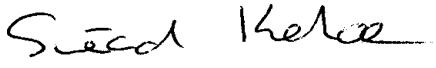
Dr. Capital Job (Income)

c. Disclosure Requirements

The following disclosure is to be included as a note in AFS 2014.

Short Term water related development contribution debtors balances (less bad debt provision) as at 31 December 2014 are being shown with an equivalent creditor in the AFS to reflect the transfer of water and waste water services to Irish Water. Cash collected in 2014 but not paid over to Irish Water in 2014 is also shown as a creditor.

Mise, le meas,



Sinead Kehoe

Local Government Finance