ABSTRACT OF ACCOUNTS

ARC21 JOINT COMMITTEE

FINANCIAL REPORT FOR THE YEAR ENDED

31 MARCH 2009

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Explanatory Foreword

Introduction

This report sets out the financial performance of arc21 for the year ended 31 March 2009 as can be seen in the Income and Expenditure Account and Balance Sheet on pages 19 and 22.

These financial statements have been prepared in line with the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (SORP) and the Department of the Environment Accounts Direction, Circular LG 06/09 dated 6 April 2009. It is the purpose of this foreword to explain the financial facts in relation to the Joint Committee. Comparative figures have been re-stated to take account of changes in accounting treatment as a result of the SORP.

This Statement of Accounts explains the Joint Committee's finances during the financial year 2008/09 and its financial position at the end of that year. It follows approved accounting standards and is necessarily technical in parts.

Group Accounts

The SORP requires local authorities to consider all their interests and to prepare a full set of group financial statements where they have material interests in subsidiaries, associates or joint ventures. The Joint Committee does not have material interests in such bodies and accordingly is not required to prepare group financial statements.

Financial Report

Background

By way of background information, arc21 Joint Committee is a partnership of eleven Councils who have agreed, pursuant to Terms of Agreement dated July 2003, to collaborate in implementing the Waste Management Plan to develop an integrated network of regional waste management facilities which would be cost effective to the public.

arc21 was incorporated as a body corporate, pursuant to Section 19 of the Local Government Act (NI) 1972, on the 13th February 2004.

The principles outlined in the Terms of Agreement have been enhanced with a Supplementary Agreement which was approved by the Joint Committee on the 9th October 2008.

The participant Councils of arc21 are as shown in Note 7 on page 36.

Financial Information

The organisation achieved another year of substantial growth, in financial terms, due to the significant developments in contracting for waste facilities and the stepped increase in the procurement activity for the Residual Waste Treatment Project. The income for the year was £27,122,893 compared to £23,548,095 in 2007/08, an increase of 15%. The expenditure for the same period was £27,030,535 compared to £23,517,724 in 2007/08, resulting in a surplus of £92,358 for the year to March 2009.

In addition, the sum of £80,916 was incurred funding capital expenditure with the acquisition of computer equipment and furniture and fittings associated with the move to the new offices in July 2008.

After taking into account the charge for depreciation on fixed assets, there was a net increase to the General Reserves of £26,732 for the year bringing the cumulative reserves at 31 March 2009 to £591,753 or 2% of annual turnover.

Contract Activity

All three major waste contracts, Landfill, Materials Recovery Facility and Bring Service, performed satisfactorily during the year, representing £23,481,130 or 87% of the total income for the year.

The level of growth in contract activity continued in the current year and is expected to increase further in the 2009/10 year. The Organic Waste Treatment contract, our largest awarded to date with a whole life cost in excess of £70m over a 15 year service period, became operational in December 2008 with the first deliveries of organic waste being made. Pending the development of permanent facilities, interim start up arrangements were put in place during the year and Councils are delivering materials to this contract on a phased basis. In 2009/10 the permanent facilities at Antrim, Down and Belfast are expected to be in place thus enabling the contractor to provide a full service by accepting waste from all Councils.

The initial contract period for Landfill services came to an end on 31 March 2009 and, in accordance with the terms and conditions for this service, arc21 exercised its option to extend the contract for a further period of 18 months.

Landfill Tax Escalator

The Materials Recovery Facility, Bring Service and Organic Waste contracts also generate substantial savings to participant Councils by way of Landfill Tax being avoided. The Landfill Tax Escalator, the level at which the rate of landfill tax increases annually, has been rising at a rate of £8 per tonne per annum since 2007/08 and the Government recently announced that the escalator will continue rising at this rate through to at least 2014.

This means that the rate of Landfill Tax per tonne will have risen from £24 in 2007/08 to £72 in 2014, i.e. a three fold increase. The cost of sending waste to landfill sites also involves a gate fee payable to the contractor for treating the waste.

Taking into account the total cost of landfill , the gate fee and Landfill Tax combined, Councils are facing a per tonne charge in excess of £100 within a few years, thus making it more critical, on economic grounds alone, to have alternative facilities in place to achieve the maximum landfill diversion. The Residual Waste Treatment Project is aimed at providing such facilities and more information regarding this project is shown below.

Market Conditions for Mixed Dry Recyclate Materials

An important financial benefit of the Materials Recovery Facility (MRF) contract is the income earned from the sale of the materials to the market place. arc21 share, on a 50/50 basis, the revenue earned from the sale of the materials.

In line with the global economic downturn, the sale of materials from the MRF facility were dramatically affected during the latter part of the year, primarily due to the collapse in the previously strong Far Eastern markets. Overall the revenue share earned is up on the previous year, in spite of the downturn, due mainly to the very strong market conditions up to November 2008.

A key contributing factor to the higher prices received by Bryson Recycling for the materials, has been the successful completion of a capital investment programme to upgrade the plant and enable better quality materials to be provided to the market. This capital investment programme is a joint venture between arc21 and Bryson Recycling, at a cost of £860,000 and, in the severe downturn in the market place experienced this year, has proved to be invaluable.

This capital investment programme started in November 2006 and was completed, in three phases, up to March 2008 and has strengthened the market position of Bryson Recycling which in turn has benefited arc21. Taking into account the severe downturn in the market conditions in late 2008, the capital investment has proved to have been timely. Bryson Recycling have been able to continue supplying the market during the current global crisis due to the quality of their recyclate materials whilst other similar MRF facilities in the UK have had to stockpile materials due to lower quality.

Residual Waste Treatment Project

In terms of the procurement phase for the treatment of residual waste (black bin waste), substantial progress was made during the year.

To assist arc21 in successfully implementing the residual waste project, professional external expertise has been put in place to provide support in key areas such as Technical, Financial, Insurance, Legal and Public Relations. In addition, the staff resources of arc21 have been supplemented, on a temporary basis, pending the outcome of a review of the organisation structure which was carried out during the year. Recommendations on a new structure will be presented to the Joint Committee for approval in the next financial year.

The Department established a Programme Delivery Support Unit (PDSU) to further assist the waste management groups, in addition to existing central government resources, such as the Department of Finance and Personnel and the Strategic Investment Board, and this central government support proved invaluable during the year.

The Outline Business Case for the project was completed and approved by the Department in August and this approval enabled arc21 to proceed with the next key stage of the process, a formal peer review, called a Gateway Review.

The Office of Government Commerce guidance on Public Sector procurement for major infrastructure, requires formal reviews to be undertaken at key stages of the project and the first one applicable to arc21was Gateway Review 2: Delivery Strategy, which was carried out in August 2008.

The primary purpose of this Gateway Review was to confirm the outline business case now that the project is fully defined and ensure that the procurement and delivery strategy is robust and appropriate. The conclusion of the Gateway Review team was very encouraging with the following being a direct quote from their report;

" The Review Team finds a project that is well-structured, well-managed and informed by a good, detailed awareness of issues that impact on its successful delivery.

The Project benefits from strong and effective governance arrangements, allied to the good use of a comprehensive range of external advice. We find a sound, well-developed approach to both internal and external communications and to stakeholder management and engagement. Consistent support exists for the arc21 Waste Management Plan and the Project's proposals for residual waste treatment. These factors suggest a project that enjoys strong leadership."

Indeed, the Gateway Review Team found that the approach by arc21 to key areas of the project, The Communications Strategy, The development of the Council Terms of Agreement and The proactive approach to Market Sounding, represent instances of significant good practice that may be transferable to other programmes and projects.

The facilities required, Mechanical Biological Treatment (MBT) and Energy From Waste (EFW), are substantial in cost and complexity and bring with them the most challenging procurement process to date. MBT and EFW have been identified in our strategic waste document, the Waste Management Plan, as being required in order to enable Councils to successfully meet the EU Landfill Directive targets.

The target years are 2010, 2013 and 2020 and the EU Directive limits the amount of waste that can be landfilled, with substantial fines for failing to meet the targets, in addition to the significant costs of landfilling waste, both Gate Fee and Landfill Tax, alluded to earlier.

The procurement option most appropriate for this type of infrastructure is the Competitive Dialogue procedure in accordance with the European Union Procurement regulations.

During the year, the first two critical stages of this process got underway;

- Pre Qualification and;
- Invitation to Submit Outline Solutions

In response to requests from service providers to bid for the arc21 Residual Waste Treatment Project, there has been a high level of interest expressed by the market, locally, nationally and internationally. The procurement process will continue over the next two financial years in order to get to the stage of identifying a preferred bidder, awarding the contract and allow the facilities to be constructed.

Funding Support – Capital and Revenue

The level of funding required for waste facilities has been recognised by central government as being beyond the means of local government and during the year arc21 received significant support from the Department in terms of financial support, both capital and revenue funding, to the value of £820,000, the majority of which was for the Residual Waste Treatment Project.

In addition, arc21 were able to benefit from the expertise available through the Programme Delivery Support Unit (PDSU) which was established jointly by the Department and the Strategic Investment Board, to provide further support to the three Waste Management Groups in Northern Ireland in the delivery of the projects for the treatment of residual waste.

arc21 would like to take the opportunity to formally acknowledge the support from the Department, the Strategic Investment Board and the Department of finance and Personnel, which is critical to the successful delivery of the project.

Looking ahead, funding support will continue to bring its own challenges throughout the procurement of the Residual Waste Treatment Project and arc21 is working very closely with the Department to maximise the level of funding support required.

Accounting Regulatory and Policy Changes

The Accounts Direction issued by the Department to arc21 for the 2008/09 year, reflects the standard Council accounting format and these financial statements have been prepared in accordance with the Accounts Direction.

In addition, the new Local Government (Accounts and Audit) Regulations (Northern Ireland) 2006 have replaced the Statement on the System of Internal Financial Control and the Statement of Internal Control with an Annual Governance Statement. From 1 April 2009, arc21 are fully compliant with the requirements of the Governance Statement and further information in this regard has been incorporated within this report, on page 8.

The Review of Public Administration

In terms of the implications on arc21 of the Review of Public Administration (RPA), the announcement by Minister Arlene Foster on 13 March 2008 of the new Local Government arrangements in Northern Ireland are of particular interest.

The proposed boundaries for the new Council structure broadly follow the outline of the existing Constituent Councils of arc21, with the exception of Down District Council, and accordingly it is anticipated that five new Councils will form the core of arc21 post RPA.

The position regarding Down District Council has yet to be decided and this matter will continue to be kept under review.

Downturn in Financial Markets

As can be seen from the Income and Expenditure report on Page 19, investment income generated from bank interest has made a healthy contribution during the last two years, with interest earned exceeding £100,000 in each year.

However, given the serious downturn in global financial markets it is anticipated that the level of interest estimated to be earned in the 2009/10 year will be significantly reduced.

Conclusion

In general, the 2008/09 year was a particularly challenging one but the financial results presented in this report reflect an overall satisfactory position for the Joint Committee.

Once again the cash position remained strong throughout the year and arc21 have been able to increase the level of reserves at the end of the year leaving the organisation in a better position to meet the financial challenges ahead.

Certificate of the Chief Executive

I certify that:

(a) the Statement of Accounts for the year ended 31 March 2009 on pages 19 to 23 has been prepared in the form directed by the Department of the Environment and under the accounting policies set out on pages 24 to 47.

(b) in my opinion the Statement of Accounts presents fairly the income and expenditure and cash flows for the financial year and the financial position as at the end of the financial year.

…………………………………………………….….
John R Quinn B.Sc., C.Eng., C.Env., M.I.C.E., F.C.I.W.M., M.C.I.P.S
Chief Executive

Date

Joint Committee Approval of Statement of Accounts

These accounts were approved by resolution of the arc21 Joint Committee on the 25th June 2009.

……………………………………………………...
Alderman Hubert Nicholl
Chairman

Date

Statement of the Joint Committee's and Chief Executive's Responsibilities for the Statement of Accounts

The Joint Committee's Responsibilities

Under Section 54 of the Local Government Act (Northern Ireland) 1972 a council shall make safe and efficient arrangements for the receipt of money paid to it and the issue of money payable by it, and those arrangements shall be carried out under the supervision of such officer of the council as the council designates as its Chief Financial Officer. The Joint Committee has adopted a similar arrangement and its Chief Executive undertakes equivalent duties to those of a Chief Financial Officer in a Council.

Under Regulation 5 of the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2006 the Joint Committee is required by resolution, to approve the accounts.

These accounts were approved by the Joint Committee on the 25th June 2009.

The Chief Executive's Responsibilities

Under Regulation 4(1) of the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2006, the Chief Financial Officer is responsible for the preparation of the Joint Committee's Statement of Accounts in the form directed by the Department of the Environment. For arc21 this is the responsibility of the Chief Executive.

The accounts must present fairly the income and expenditure and cash flows for the financial year and the financial position as at the end of the financial year.

In preparing this Statement of Accounts, the Chief Executive is required to:

- observe the Accounts Direction issued by the Department of the Environment including compliance with the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (SORP) as amended and augmented from time to time.
- follow relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis.
- make judgements and estimates that are reasonable and prudent.

The Chief Executive is also required to:

- keep proper accounting records that are up-to-date.
- take reasonable steps for the prevention and detection of fraud and other irregularities.

Annual Governance Statement 2008/2009

Scope of Responsibility

The Joint Committee is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiency and effectively. The Joint Committee also has a duty under Local Government (Best Value) Act (Northern Ireland) 2002 to make arrangements for continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Joint Committee is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions which includes arrangements for the management of risk.

The Joint Committee has prepared an Annual Governance Statement which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government and which sets out its intention to achieve full compliance with the Framework for the year commencing 1 April 2009. This statement explains how the Joint Committee is progressing towards this and also meets the requirements of Regulation 2A of the Local Government Accounts and Audit (Amendment) Regulations (Northern Ireland 2006) in relation to the publication of a statement on internal control.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values, by which the Joint Committee is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Joint Committee to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Joint Committee’s policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

In 2007 CIPFA withdrew its guidance relating to Statements on Internal Control with the publication of the joint CIPFA/SOLACE “Delivering Good Governance: Framework”. This requires the publication of an Annual Governance Statement rather than a Statement on Internal Control.

Some aspects of the Statement on Internal Control are carried forward to the Annual Governance Statement and the Joint Committee has undertaken the necessary preparatory work. Where the Annual Governance Statement provides additional requirements the Joint Committee will include with its disclosure one of the following:

Compliance as at 1 April 2009

Intention to comply by 1 April 2009 (or earlier)
Intention not to fully comply and reasons why.

Arrangements towards achieving full compliance commenced in the 2007/08 and continued in 2008/09 in order that the Joint Committee was fully compliant by 1st April 2009.

The Governance Framework

The key elements of the systems and processes that comprise arc21's governance arrangements include the following:

identifying and communicating the Joint Committee's vision of its purpose and intended outcomes for citizens and service users

arc21 has developed a 3 year corporate plan (2006-2009) which was informed by consultation with our main stakeholders, including member councils, at a range of workshops. Following wide consultation, issues such as staff structure, funding, political representation, consensus, critical mass, economies of scale and the benefits of collaborating in a strategic partnership were raised, all of which helped shape the corporate plan. An annual plan is also in place setting out clear objectives and targets for the coming year.

The corporate plan was circulated to all key stakeholders, continues to be distributed to relevant third parties as required and is available on the arc21 website.

A new corporate plan is currently under development to cover the period 2009-2012.

reviewing the Joint Committee's vision and its implications for the Joint Committee's governance arrangements

The corporate plan and the arrangements in place to deliver the plan are subject to continuous review to ensure currency and progression towards the achievement of arc21's objectives. This is reflected in the production of the annual business plans.

arc21 is a member of the Waste Strategy Board, Chaired by the Minister. This Board was established by the Executive to support Local Government in relation to the implementation of Major Waste infrastructure facilities in Northern Ireland. From this cascades the Waste Infrastructure Programme Board and the arc21 Project Board, all of which is formulated in accordance with Office of Government Commerce Guidelines measuring the quality of services for users, for ensuring they are delivered in accordance with the Joint Committee's objectives and for ensuring that they represent the best use of resources

arc21 regularly engage with member councils to present progress reports and invite continuous feedback. We provided ten bulletins to Chief Executives, have published and widely distributed a magazine called Wasteline and held an annual presentation to which the Chief Executives of member councils were invited.

Performance reports are presented monthly to the senior officers and elected members from member councils. These include performance in relation to arc21's key contracts and progress towards further infrastructure contracts which have not been let.

defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication

Terms of Agreement approved by all member councils in July 2003 defines the roles and responsibilities of the Joint Committee and the operational functions carried out under the direction of the Chief Executive. The Terms of Agreement set out the five principles under which arc21 is governed and these are:

Principle of Consensus
Principle of Limit of Delegation
Principle of Functional Responsibilities
Principle of Equitable Shared Funding
Principle of Equal Committee Representation

A Supplementary Agreement to the Terms of Agreement has been developed to further enhance the legal robustness of the arrangements between arc21 and member councils.

A Scheme of Delegation is also in place, approved by the Joint Committee which applies to the functions delegated to the Chairman of the Joint Committee. The levels of authority and responsibility are set out in the Scheme of Delegation.
Standing Orders are in place which deals with the conduct of the formal business of the meetings of the elected members at the Joint Committee.

developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff

The individual elected members of the Joint Committee are bound by the codes of conduct from their own council. In addition the members are bound by Standing Orders in relation to the regulation of business at the formal Joint Committee meetings.

arc21 has adopted the Local Government Staff Commission model code of conduct for local government employees. The staff code of conduct for arc21 establishes guidance to staff on how they should behave. It touches on areas such as staff integrity, roles and responsibilities, use of resources, conflicts of interests and other issues which all influence how effective internal financial controls are in place. All staff receive induction training which includes an introduction to the Code of Conduct.

reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks

The Standing Orders were developed from existing models in place within NI local government and are updated as and when required. These were reviewed and updated during the year to take account of the Joint Committee decision to nominate substitute Committee members.

The Terms of Agreement, approved by member councils in July 2003 are kept under continuous review. Any changes require the approval of all 11 member councils of arc21.

A Scheme of Delegation is also in place, approved by the Joint Committee which applies to the functions delegated to the Chief Executive by the Joint Committee. Arc21's Financial Regulations are incorporated within this.

Audit, Governance and Risk Services continue to facilitate the development of risk management processes throughout the organisation. A risk management framework is embedded throughout the organisation. This includes risks being identified and actively managed at corporate and operational level and for major projects.

Risk action plans are in place to manage the risks identified. The risk register and action plans are reviewed by the management team on an ongoing basis to ensure currency. All risks have been evaluated on the basis of likelihood and impact and have been allocated a risk owner. In addition, all risks related to major contracts/procurement exercises are identified as part of the ongoing project management process within arc21.

A system of assurance reporting by Directors within arc21 continues to be in place and these signed assurance statements form part of the evidence to enable the sign off of the governance statement by the Accounting Officer.

undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities

arc21 have an Audit Committee (established during 2007-08) with an established terms of reference and agreed programme of work. The Audit Committee provide an independent assurance on the adequacy of arc21's risk management framework and associated control environment. It provides an independent scrutiny of the organisations financial and non-financial performance to the extent that it exposes it to risk and weakens the control environment. The Committee also oversee the financial reporting process.

ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful

In accordance with the functions delegated to the Chief Executive in the Scheme of Delegation the Chief Executive and Directors are responsible for, within their area of responsibility, ensuring that staff conduct its business in accordance with the law and proper standards, and that public money, for which they are responsible, is safeguarded and properly accounted for, and used economically, efficiently and effectively.

The Financial Regulations include an explicit reference to management responsibility for internal control. The Chief Executive is the designated officer responsible for the proper administration of the Joint Committee's financial affairs. They set out the delegated powers of the Chief Executive in ensuring expenditure is lawful.

The Code of Conduct for Local Government Employees provides guidance on a wide range of areas in relation to policies and procedures for staff. For example, arc21 have a Register of Interests in place.

Ongoing legal advice is received from one of the arc21 member councils (Belfast City Council's Legal Services department) to provide relevant legal advice. In addition a client side team of professional consultants are in place to provide advice on financial, technical, legal, communications and planning issues etc.

whistle-blowing and for receiving and investigating complaints from the public

A Public Interest Disclosure ("Whistleblowing") policy is in place and has been communicated to all staff and this matter is also included in the Code of Conduct for Local Government Employees. This is based on the Local Government Staff Commission model.

The staff have been made aware of the policy and arrangements are in place to remind them of the policy at staff meetings. In addition, should the policy be updated, all staff will receive an updated copy of the policy document.

identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training

In terms of the needs of elected members on the Joint Committee and senior officers from the Joint Committee, regular monthly meetings are held to ensure that they are kept up to date with issues as they emerge.

The members of the audit committee, who are drawn from member councils, have received specific audit committee training provide by CIPFA.

A series of ongoing briefings on the Residual Waste Treatment Project have been provided and are scheduled to ensure stakeholders are adequately briefed on the progress of the Procurement.

In relation to officers within the organisation personal training and development plans are in place and kept under review. All staff attend relevant seminars and conferences on a regular basis.

All staff receive induction training which includes an introduction to the Code of Conduct on joining the organisation.

The Chair and vice Chair of the Joint Committee are members of the Waste Strategy Board and have received "On Board" training provided by CIPFA facilitated by the Department.

establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation

arc21 regularly communicate with key stakeholders, including the member councils, contractors, Central Government departments and local government bodies.

arc21 regularly engage with member councils to present progress reports and invite continuous feedback. We provided ten bulletins to Chief Executives, have published and widely distributed a magazine called Wasteline and held an annual presentation to which the Chief Executives of member councils were invited. arc21 meet monthly with senior officers and elected members of member councils.

Review of Effectiveness

The Joint Committee has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the Joint Committee who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors.

The Audit Committee provides an independent assurance on the adequacy of the arc21's risk management framework and associated control environment. It provides an independent scrutiny of the council's financial and non-financial performance to the extent that it exposes it to risk and weakens the control environment.

The aim of Audit, Governance and Risk Services is to provide an independent assurance and advisory service which will help arc21 achieve its objectives and improve the effectiveness of its risk management, control and governance processes. Audit, Governance and Risk Services produce an annual audit plan and the Head of Audit, Governance and Risk Services provides an annual assurance statement on the Council's internal control environment within the annual report.

During the year Belfast City Council's Audit Governance and Risk Services reviewed the effectiveness of the governance framework in place within arc21 against the requirements under the Audit and Accounts Legislation 2006 and against the guidance provided within DOE Circular LG/04/08. This review identified the need for:

Implementing an overall risk management strategy for arc21
The need to complete an annual review of the effectiveness of the Internal Audit Function
The need to complete an annual review of the effectiveness of the Audit Committee

A risk management strategy setting out arc21's overall approach to risk management was developed in line with best practice and approved by the audit committee in December 2008

A review of the effectiveness of Internal Audit has therefore been completed against CIPFA best practice standards. This has been reported to the Audit Committee along with an action plan to address the issues raised.

In addition, a review of the effectiveness of the Audit Committee was completed against CIPFA guidance 'Audit Committees: Practical Guidance for Local Authorities. The results of the review were presented to the Audit Committee. In addition, the Audit Committee has taken steps to augment the membership from three members to five members and are keeping under review the issue of the appointment of independent membership of the Audit Committee.

Local Government Audit have also provided a level of assurance through the provision of the annual external audit and provision of the management letter. An action plan is in place to address the issues identified.

Other sources of assurance include assurances from management and external review bodies.

The executive and the audit committee have been advised on the implications of the result of the review of the effectiveness of the governance framework and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Significant Governance Issues

During the year 2008/09 a number of required improvements to the overall governance framework were identified and action was taken to address these issues:

Risk Management Strategy

Significant progress has been made in terms of implementing risk management within arc21 in terms of:

- The identification and evaluation of the organisation's key risks
- The inclusion of these risks into a corporate risk register
- The implementation of risk action plans for each of the identified risks
- The implementation of a system of assurance reporting by Directors within arc21, whereby Directors sign statements testifying to their arrangements for managing risk and ensuring effective internal control.
- The dedication of part of the AGRS annual audit plan to facilitating the development of risk management

- The establishment of an Audit Committee whose terms of reference include a requirement to monitor the effective development and operation of risk management and corporate governance in the organisation.

In October 2008, Internal Audit issued a report on internal financial control within arc21. A follow up report was produced in August 2009 which highlighted that six of the seven recommendations were partially implemented. arc21 continue to address these matters and Internal Audit have confirmed that the risk status remains amber which means that risks are controlled to an acceptable level by a robust system of controls.

However the need for an overall risk management strategy was also identified and this was therefore developed in line with best practice and approved and implemented by the audit committee in December 2008.

Segregation of Duties

While arc21 have made progress during 2008/09 in addressing the need to ensure appropriate segregation of duties within its financial processes through the temporary secondment of an additional member of staff in the Finance Department, this remains an issue as of 31st March 2009. The organisation underwent a structural review during 2008-09 facilitated by the Local Government Staff Commission and the new post of Project Accountant has been recommended. This additional post will address further the issue of segregation of duties.

Code of Governance

It is our intention to develop and adopt a Code of Governance during the first quarter of 2009/10 based on the six principles set out in the CIPFA/Solace 'Good Governance in Local Government: A Framework'.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements and ensure continuing compliance. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed: ………………………………………………………………………………..

On behalf of the committee of the Joint Committee or the members of the body meeting as a whole and by the Chief Executive

Local Government Auditor's Report to the Members of Joint Committee

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARC21

I have audited the statement of accounts of arc21 for the year ended 31 March 2009 under the Local Government (Northern Ireland) Order 2005. The statement of accounts comprises the Income and Expenditure Account, Statement of Movement on the General Reserves Balance, Statement of Total Recognised Gains and Losses, Balance Sheet, and Cash Flow Statement. The statement of accounts has been prepared under the accounting policies set out within them.

This report is made solely to the Members of arc21 in accordance with Local Government (Northern Ireland) Order 2005 and for no other purpose, as specified in the Local Government Code of Audit Practice issued by the Chief Local Government Auditor.

Respective Responsibilities of the Chief Financial Officer and the Independent Auditor

The Chief Financial Officer's responsibilities for preparing the statement of accounts in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the statement of accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the statement of accounts present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the local government body and its income and expenditure for the year.

I review whether the Annual Governance Statement reflects compliance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008. I report if it does not comply with proper practices specified by the Department of the Environment or if the statement is misleading or inconsistent with other information I am aware of from my audit. I am not required to consider, nor have I considered, whether the Annual Governance Statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the local government body's corporate governance procedures or its risk and control procedures.

I read other information published with the statement of accounts and consider whether it is consistent with the audited statement of accounts. This other information comprises only the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the statement of accounts. My responsibilities do not extend to any other information.

Basis of Audit Opinion

I conducted my audit in accordance with the Local Government (Northern Ireland) Order 2005, the Local Government Code of Audit Practice issued by the Chief Local Government Auditor and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the statement of accounts. It also includes an assessment of the significant estimates and judgments made by the local government body in the preparation of the statement of accounts, and of whether the accounting policies are appropriate to the local government body's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the statement of accounts is free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the statement of accounts.

Opinion

In my opinion the Statement of Accounts presents fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of arc21 as at 31 March 2009 and its income and expenditure for the year then ended.

Certificate

I certify that I have completed the audit of the accounts arc21 in accordance with the requirements of the Local Government (Northern Ireland) Order 2005 and the Local Government Code of Audit Practice issued by the Chief Local Government Auditor.

Local Government Auditor
106 University Street
Belfast
BT7 1EU

Date

Income and Expenditure for the Year To 31 March 2009

	NOTE	2008/09	2007/08
INCOME:		£	£
Participating Councils	**7**	669,500	**650,014**
Government Grant		820,390	**210,854**
Bank Interest	**6b**	102,699	**102,932**
Contract Income :	**4a**		
Landfill Service		20,395,863	**18,827,315**
Materials Recovery Facility- MRF		1,638,180	**1,576,800**
MRF Revenue Share		1,230,635	**1,176,807**
Bring Service		216,452	**191,662**
Supply of Bins and Bring Banks		721,952	**399,545**
Other Contract Income		1,323,111	**411,955**
Other Income		4,111	**211**
TOTAL INCOME		27,122,893 ==========	**23,548,095** ==========
EXPENDITURE:			
Employee Costs	**5**	453,585	**406,904**
Bank Interest	**6a**	-558	**1,123**
Other Operating Costs		1,358,851	**528,032**
Contract Expenditure :	**4b**		
Landfill Service		20,112,388	**18,827,315**
Materials Recovery Facility- MRF		1,638,180	**1,576,800**
MRF Revenue Share		1,230,635	**1,176,807**
Bring Service		216,452	**191,662**
Supply of Bins and Bring Banks		721,952	**399,545**
Other Contract Costs		1,299,049	**409,535**
Other Costs		1.00	**1.00**
TOTAL EXPENDITURE		27,030,535 ==========	**23,517,724** ==========
SURPLUS		92,358 ==========	**30,371** ==========

Statement of Movement on the General Reserves Balance for the Year Ended 31 March 2009

	Notes	2008/09 £		2007/08 £
Surplus for the year on the Income and Expenditure Account	*3*	92,358		30,371
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Reserves Balance for the year	*3*	65,626		7,100
Movement on the General Reserves Balance for the year	***3/22***	**26,732**		**23,271**
Balance Brought Forward	***22***	565,021		541,750
Balance Carried Forward	***22***	**591,753**		**565,021**

Statement of Total Recognised Gains and Losses for the Year Ended 31 March 2009

	Notes	2008/09 £	2008/09 £		2007/08 £	2007/08 £
Surplus on the General Reserves - Income and Expenditure Account for the year	***3***		26,732			30,371
Surplus/(Deficit) arising on revaluation of fixed assets	***8***		0			0
Surplus/(Deficit) arising on revaluation of available-for-sale financial assets			0			0
Revaluation of pension reserve/provision	***18/22***		0			0
Any other gains and losses required to be included in the Statement of Total Recognised Gains and Losses			0			0
Other			0			0
Total recognised gains and losses for the year (Change in Net Worth)			**26,732**			**30,371**
Prior period adjustments made during the year			0			0
Total gains recognised since last annual report (Change in Net Worth)			**26,732**			**30,371**

Balance Sheet as at 31 March 2009

	Notes	2008/09 £		2007/08 £
FIXED ASSETS				
Tangible Fixed Assets				
Operational Assets:				
Land & Buildings	***8***	0		0
Infrastructure Assets	***8***	0		0
Vehicles, Plant, Furniture and Equipment	***8***	72,726		7,100
Non-Operational Assets:				
Investment Properties		0		0
Assets under Construction	***8***	0		0
Surplus Assets held for Disposal		0		0
TOTAL FIXED ASSETS	***8***	**72,726**		**7,100**
Long Term Investments		0		0
Long Term Debtors	***12a***	0		0
TOTAL LONG TERM ASSETS		**72,726**		**7,100**
CURRENT ASSETS				
Stocks	***11***	0		0
Debtors	***12b***	2,951,543		4,034,236
Short Term Investments	***13/21a***	2,709,329		2,173,237
Cash and Bank	***13/21a***	4,460		65,936
		5,665,332		6,273,409
CURRENT LIABILITIES				
Borrowing repayable on demand or within 12 months	***14***	0		0
Creditors	***14***	5,073,579		5,708,388
Bank Overdraft		0		0
		5,073,579		5,708,388
TOTAL ASSETS LESS CURRENT LIABILITIES		**664,479**		**572,121**
LONG TERM LIABILITIES				
Borrowing repayable within a period in excess of 12 months	***15***	0		0
Deferred Liabilities	***16***	0		0
Government Grants – deferred	***19***	0		0
Provisions	***18***	0		0
NET ASSETS		**664,479**		**572,121**
RESERVES:				
Capital Adjustment Account	***22***	72,726		7,100
Financial Instruments Adjustment Account	***22***	0		0
Revaluation Reserve	***22***	0		0
Available-for-sale Financial Instruments Reserve	***22***	0		0
Pensions Reserve	***22***	0		0
Capital Receipts Reserve	***22***	0		0
Capital Fund	***22***	0		0
Renewal and Repairs Fund	***22***	0		0
Other Balances and Reserves	***22***	0		0
General Reserves	***22***	591,753		565,021
Net Worth		**664,479**		**572,121**

Cash Flow Statement as at 31 March 2009

	Notes		2008/09 £		2007/08 £
REVENUE ACTIVITIES					
Net Cash Inflow/(Outflow) from Operating Activities	***20***		**452,275**		**-302,338**
Returns on Investments and Servicing of Finance					
Cash Outflows					
Interest paid		558		-1,123	
Interest element of finance lease payments		0		0	
Cash Inflows					
Interest received		102,699		105,470	
Net Cash Inflow from Returns on Investments and Servicing of Finance			103,257		104,347
CAPITAL ACTIVITIES					
Cash Outflows					
Purchase of fixed assets		-80,916		-9,000	
Purchase of long term investments		0		0	
Other capital cash payments		0		0	
Cash Inflows					
Sale of fixed assets		0		0	
Capital Grants received	***21d(i)***	0		0	
Other capital cash receipts		0		0	
Net Cash Outflow from Capital Expenditure before Financing			-80,916		-9,000
Management of Liquid Resources					
Net increase/decrease in short term deposits		0		0	
Net increase/decrease in other liquid resources		0		0	
FINANCING					
Cash Outflows					
Repayment of amounts borrowed	***21c***	0		0	
Capital element of finance lease rental payments	***21c***	0		0	
Cash Inflows					
New loans raised	***21c***	0		0	
New short term loans		0		0	
			0		0
Increase/(Decrease) in Cash and Cash Equivalents	***21a***		**474,616**		**-206,991**

Notes to the Financial Statements

1. Accounting Policies

1a) General Principles

The financial statements have been prepared under the historical cost convention, modified by the revaluation of land and buildings, and are in accordance with directions and guidance contained in the *'Code of Practice on Local Authority Accounting in the United Kingdom 2008 : A Statement of Recommended Practic*e' (SORP) and in a form directed by the Department of the Environment in accordance with regulations 4 (1) and (2) in the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2006. The general principles adopted in compiling and presenting the financial statements are those specified within the SORP. The SORP is based on approved accounting standards for the preparation of financial statements for the financial year beginning 1 April 2008. These financial statements comply with accounting standards issued or adopted by the Accounting Standards Board insofar as these are applicable to local government.

Following from this, the financial statements are presented on the basis that the Joint Committee will continue to operate for the foreseeable future, the going concern concept. The accounts also reflect the concept of the primacy of legislative requirements in that, where an accounting treatment is prescribed by law, it must be applied even if it contradicts another accounting concept. In addition the Chartered Institute of Public Finance and Accountancy (CIPFA) publish a number of bulletins dealing with capital finance and Best Value accounting, which have been followed when preparing these financial statements.

The Income and Expenditure Account on page 19 has been prepared using the requirements of the Best Value Accounting Code of Practice.

1b) Accounting Concepts

In general, the financial statements are prepared on the basis of historical cost modified by the revaluation of land, buildings, vehicles and plant subject to and in accordance with the fundamental accounting concepts set out below:

Relevance

The financial statements are prepared so as to provide readers with information about the Joint Committee's financial performance and position that is useful for assessing the stewardship of public funds.

Reliability

The financial statements are prepared on the basis that the financial information contained within them is reliable, i.e. free from material error, deliberate or systematic bias, complete within the bounds of materiality and represent faithfully what they intend to represent. Where there is uncertainty in measuring or recognising the existence of assets, liabilities, income and expenditure then prudence has been used as a basis to inform the selection and application of accounting policies and estimation techniques.

Comparability

The financial statements are prepared so as to enable comparison between financial years. To aid comparability the Joint Committee has applied its accounting policies consistently both during the year and between years.

Understandability

Every effort has been made to make the financial statements as easy to understand as possible. Nevertheless, an assumption has been made that the reader will have a reasonable knowledge of basic accounting and local government finance. Where the use of technical terms has been unavoidable, an explanation has been provided in the body of the financial statements.

Materiality

Certain information may be excluded from the financial statements on the basis that the amounts involved are not material either to the fair presentation of the financial position and transactions of the Joint Committee or to the understanding of the accounts.

Accruals

With the exception of the Cash Flow Statement, the financial statements have been prepared on an accruals basis. The accruals basis of accounting requires the non-cash effect of transactions to be reflected in the financial statements for the year in which those effects are experienced and not in the year in which the cash is actually received or paid.

1c) Fixed Assets

i) Tangible Assets

arc21 is primarily funded by way of contributions from participant Councils and revenue grants from Government. As a consequence, the activities of arc21 were deemed to be of a revenue nature with expenditure on assets such as computer equipment, office furniture and office equipment being charged to the Income and Expenditure Account.

From 1 April 2007, with the significant growth in the organisation and in preparation for future substantial organisational developments, specifically in relation to the treatment of Residual Waste, the Joint Committee has changed its policy on tangible assets. Under the new policy the acquisition of tangible assets will be accounted for in the Balance Sheet. This policy will bring arc21 into line with that of councils in Northern Ireland.

This policy requires the utilisation of a Revaluation Reserve and a Capital Adjustment Account respectively.

All expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis in accordance with Financial Reporting Standard 15 Tangible Fixed Assets (FRS 15). The Joint Committee applies a de-minimis level of £5,000 to all fixed assets (on an individual asset basis), meaning only assets over £5,000 are capitalised. Expenditure on the acquisition of a tangible asset, or expenditure which adds to, and not merely maintains, the value of an existing asset, is capitalised and classified as a tangible fixed asset, provided that it yields benefits to the Joint Committee and the services it provides for a period of more than one year.

Assets acquired on terms meeting the definition of a finance lease are capitalised and included together with a liability to pay future rentals. If a fixed asset is acquired for other than a cash consideration or if payment is deferred, the asset is recognised and included in the Balance Sheet at fair value.

All fixed assets are initially capitalised at cost, but only those costs that are directly attributable to bringing the asset into working condition for its intended use. Fixed assets are included in the Balance Sheet as follows:

- Operational land and properties and other operational assets are included at the lower of net current replacement cost or net realisable value in existing use

- Infrastructure assets are included in the Balance Sheet at historical cost, net of depreciation, where appropriate

- Other non-operational assets, such as assets under construction, are included at historical cost.

If an asset is included at current value, it will formally be revalued, by either a qualified external or internal valuer, at intervals of not more than five years. The revised amount will then be included in the Balance Sheet.

If a fixed asset is included in the Balance Sheet at current value, the increase over the previous carrying amount at which that asset was included in the Balance Sheet immediately prior to the latest (re-)valuation will be credited to the Statement of Total Recognised Gains and Losses and taken to the Revaluation Reserve except to the extent it reverses revaluation losses (after adjusting for depreciation) on the same asset that were previously recognised in the General Reserves, when it should be recognised in the General Reserves. If, on revaluation, there has been a decrease over the previous carrying amount an impairment loss has occurred. If the loss has been occasioned by clear consumption of economic benefits, any such loss will be recognised in the General Reserves. The amount of the decrease in value not associated with a clear consumption of economic benefit will be recognised in the Statement of Total Recognised Gains and Losses until the asset's carrying amount reaches its depreciated historical cost and taken to the Revaluation Reserve and thereafter in the General Reserves.

If a fixed asset is acquired under a finance lease, at the inception of the lease the amount to be recorded both as an asset and as a liability will be the present value of the minimum lease payments derived by discounting them at the interest rate implicit in the lease in accordance with Statement of Standard Accounting Practice 21 (minimum lease payments and the interest rate implicit in the lease are defined in paragraphs 20 and 24 of SSAP 21).

A review for impairment of a fixed asset whether carried at historical cost or valuation should be carried out if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. If no such events or changes in circumstances are identified, and there are no other indications that a tangible fixed asset has become impaired, there is no requirement for an impairment review. Impairment will therefore be a relatively infrequent addition to depreciation. Tangible fixed assets other than non-depreciable land should be reviewed at the end of each reporting period for impairment when either:

- no depreciation charge is made on the grounds that it would be immaterial (either because of the length of the estimated remaining useful life or because the estimated residual value of the fixed asset is not materially different from the carrying amount of the asset), or

- the estimated remaining useful life of the fixed asset exceeds 50 years.

If an impairment loss on a tangible fixed asset carried at historical cost caused by a clear consumption of economic benefit occurs, it will be written down for the impairment and the impairment loss should be recognised in the General Reserves.

With any gain or loss on disposal of tangible assets, the disposal proceeds are credited to the General Reserves and the net book value credited to fixed assets and debited to the General Reserves. In order to comply with statutory/proper practices restrictions on the use of capital receipts, if the asset disposed of was at carried at historical cost, then, it is necessary to reverse out the gain or loss credited or debited to the General Reserves with an amount equal to the gain or loss on disposal of the tangible fixed asset, as follows:

- credit the Capital Receipts Reserve of an amount equal to the disposal proceeds

- debit the Capital Adjustment Account of an amount equal to the carrying amount of the fixed asset disposal.

The gain or loss on disposal of the tangible asset should be a reconciling item in the Statement of Movement on the General Reserves Balance. If, in exceptional circumstances the tangible asset disposed of was carried at current value, in addition to the entries mentioned above the balance on the Revaluation Reserve in respect of the asset disposal should be written off to the Capital Adjustment Account.

In accordance with FRS 15, depreciation is provided for on all tangible fixed assets with a finite useful life, which can be determined at the time of acquisition or revaluation. Assets under construction are not depreciated until completed but they may nevertheless suffer impairment. Surplus assets held for sale are depreciated under FRS 15. Provision for depreciation has been calculated using the straight line method by allocating the cost (or revalued amount) less estimated residual value of the assets evenly to the periods expected to benefit from their use.

The useful lives of assets are estimated on a realistic basis, reviewed regularly and, if necessary, revised. If the useful life of a fixed asset is revised, the carrying amount of the fixed asset will be depreciated over the revised remaining useful life. Freehold land (both operational and non-operational) is not depreciated. Depreciation is based on the amount at which the asset is included in the Balance Sheet, whether at net current replacement cost or historical cost.

Depreciation is charged on a straight-line basis on each main class of tangible asset as follows:

- buildings, installations, and fittings are depreciated on their historic value over the estimated remaining life of the asset as advised by the valuer. Depending on the type of building, installation or fitting the maximum useful life will be in the range of 15 to 50 years.

- plant, vehicles and equipment (excluding IT equipment) are depreciated on historic cost using a standard life in the range of 5 to 10 years. IT equipment is depreciated using a standard life in the range of 3 to 5 years.

- a full year's depreciation is charged in the year of acquisition and none in the year of disposal.

General Reserves, as defined in CIPFA's *Best Value Accounting Code of Practice*, are charged with depreciation and where required, any related impairment loss (due to a clear consumption of economic benefits), for all fixed assets used in the provision of the service.

In respect of all gains and losses resulting from revaluations, the Statement of Total Recognised Gains and Losses and therefore Revaluation Reserve should be:

- credited with revaluation gains, except to the extent that they reverse previous revaluation losses (after allowing for depreciation) on the same asset that were charged to the General Reserves

- debited with revaluation losses not associated with an impairment related to a clear consumption of economic benefit up to the balance on the Revaluation Reserve in respect of that asset.

The General Reserves should be:

- credited with any revaluation gains that reverse revaluation losses (after allowing for depreciation) on the same asset that were charged to services

- debited with revaluation losses associated with an impairment related to a clear consumption of economic benefit

- debited with revaluation losses not associated with a clear consumption of economic benefit in excess of the balance on the Revaluation Reserve in respect of that asset (i.e. in excess of the amount allowed to be debited to the Statement of Total Recognised Gains and Losses).

Assets held under finance leases are capitalised at the fair value of the asset with an equivalent liability categorised under deferred liabilities in the Balance Sheet. The asset is depreciated on its current fair value over the shorter of the lease term and its useful economic life. Rentals under operating leases are charged to the Income and Expenditure Account in the year in which they arise.

Any grant contribution towards the purchase of a fixed asset is taken to the deferred grants account in the Balance Sheet. The balance is then written-off to the General Reserves over the useful life of the asset.

1d) Debtors and Creditors

The accounts of the Joint Committee are maintained on an accruals basis in accordance with the SORP and Financial Reporting Standard 18 Accounting Policies (FRS18). This ensures that provision has been made for known outstanding debtors and creditors at the year-end, estimated amounts being used where actual figures are not available.

A general provision for doubtful debts is included in the financial statements based on an appropriate level of the revenue share due in relation to the Materials Recovery Facility (MRF) contract. The MRF contractor is responsible for the collection of commercial debts and arc21 is entitled to 50% of the revenue collected, after the deduction of bad debts, if any. This is in addition to the specific provision for those debts that are identifiable as potentially not fully collectable. Provisions in respect of bad debts have been estimated in accordance with recommended practice, past experience and current market conditions. Uncollectable debts are only written-off to the General Reserves - Income and Expenditure Account after all recovery avenues open to the Joint Committee have been exhausted and the Joint Committee has formally approved the write-off.

1e) Stocks

Stocks are valued on the basis of the latest invoiced price. This is not materially different from valuation on a First In First Out (FIFO) basis as recommended by Statement of Standard Accounting Practice 9 Stocks and Long-Term Contracts (SSAP 9).

1f) Value Added Tax

All expenditure and income, irrespective of whether it is revenue or capital in nature, is shown net of Value Added Tax, unless it is irrecoverable.

1g) Provisions

Provisions for liabilities have been established in accordance with Financial Reporting Standard 12 Provisions, Contingent Liabilities and Assets (FRS 12). These are sums set aside for liabilities which will probably occur.

1h) Pensions

The Joint Committee charges the General Reserves - Income and Expenditure Account with an amount equal to the retirement benefits payments which it made for that financial year in accordance with discretionary compensation regulations.

Joint Committees in Northern Ireland contribute to the Northern Ireland Local Government Officers Superannuation Committee (NILGOSC) scheme. It is a multi-employer defined benefit scheme, which is treated as a defined contribution scheme under Financial Reporting Standard 17 Retirement Benefits (FRS17). This scheme provides the relevant information within its own accounts. The Joint Committee provides further information on discretionary benefits awarded to employees. The Joint Committee’s contribution rate is determined by NILGOSC’s actuary every three years and is set to maintain the solvency of the fund. The Joint Committee's current contribution is 15%, rising to 16% on 1 April 2009. At the last actuarial valuation, dated 31 March 2007, the Fund’s assets as a whole were sufficient to meet 89% (2004: 85%) of the liabilities accrued up to that date.

1i) Post Balance Sheet Events

The Joint Committee complies with the requirements of Financial Reporting Standard 21 Events After the Balance Sheet Date (FRS21). Changes are made to the financial statements where a material post balance sheet event occurs that either provides additional evidence relating to conditions existing at the balance sheet date or indicates that the application of the going concern concept to a material part of the Joint Committee is not appropriate.

There are no material post balance sheet events to report in these financial statements at the date when the financial statements were approved by the Joint Committee.

The financial statements may subsequently be adjusted up to the date when they are authorised for issue. This date will be recorded on the financial statements and is usually the date the Local Government Auditor issues his certificate and opinion. Where material adjustments are made in this period they will be disclosed.

1j) Foreign Currency Translation

Income received and payments made in foreign currency are translated at the rate prevailing when lodged to the bank or when payment is made. Whilst this is contrary to the Statement of Recommended Practice, due to the sums involved, the effect of the different treatment would be immaterial.

1k) Financial Instruments

The accounting treatment of a financial instrument (i.e. how its subsequent carrying value is measured and gains and losses recognised) depends on its classification on initial recognition.

Financial liabilities are recognised in the balance sheet under amortised cost using the effective interest rate method and financing costs and the gain or loss on de-recognition are both taken to the General Reserves.

1l) Insurance

The organisation has a range of Insurance Policies in place to meet its operational requirements and costs incurred are charged to the Income and Expenditure Account.

The major policies in place are:

- Employers Liability Insurance
- Professional Indemnity Insurance
- Public Liability Insurance
- Business Interruption Insurance
- Motor Vehicle Insurance
- Office Contents Insurance
- Personal Accident and Travel Insurance

The level and type of insurance in place to meet the operational needs of the organisation is kept under review.

1m) Government Grants

Government grants are accounted for on an accruals basis and are recognised when the conditions for their receipt have been complied with and there is reasonable assurance that the grant will be received. Government grants will be recognised in the revenue account and are matched with the expenditure to which they relate.

1n) Reserves

The policy of the organisation is to maintain an adequate level of reserves subject to the approval of the Joint Committee.

2 Significance of the Statement of Movement on the General Reserves Balance

The movement on the General Reserves balance adjusts the surplus or deficit generated by the Joint Committee in accordance with Generally Accepted Accounting Principles (GAAP). The closing balance is available to fund Joint Committee services.

3 Analysis of the Movement on the General Reserves Balance

	Notes	2008/09 £	2008/09 £		2007/08 £	2007/08 £
Surplus/(Deficit) for the year on the General Reserves - Income and Expenditure Account	***20***		**92,358**			**30,371**
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Reserves Balance for the year:						
Transfer to Capital Financing Account:						
Direct revenue financing of Capital Expenditure	***9,22***	80,916			9,000	
Deferred grants amortised in the year	***19,20,22***	0			0	
Loans fund principal/depreciation adjustment:						
Depreciation charged in the year	***8,20***	15,290			1,900	
Loans fund principal repayments during the year	***22***	0			0	
			65,626			7,100
Transfers to/from earmarked reserves:						
Capital Fund	***22***	0			0	
Renewal and Repairs Fund	***22***	0			0	
Pension Reserve	***22***	0			0	
Gain/(loss) on disposal of fixed assets	***20,22***					
Difference in Finance costs		0			0	
Difference in Pension costs		0			0	
Net adjustments to Income & Expenditure Account			**0**			**0**
Movement on the General Reserves Balance for the year	***22***		**26,732**			**23,271**
General Reserves Balance Brought Forward	***22***		565,021			541,750
General Reserves Balance Carried Forward	***22***		**591,753**			**565,021**

4. Operating Income and Expenditure

4a) Contract Income

The year on year analysis of contract income for the main contracts in place is shown in the Income and Expenditure Account on page 19.

4b) Contract Expenditure

The year on year analysis of contract expenditure for the main contracts in place is shown in the Income and Expenditure Account on page 19.

4c) External Audit Fees

	2008/09	2007/08
	£	£
External Audit Fees	11,000	11,041
Grant Fees	0	0
Other Fees	0	0

There were no other fees payable in respect of any other services provided by the appointed auditor over and above those described above (2007/08 £NIL).

4d) Leases

There was no expenditure incurred during the year on finance lease rentals (2007/08 £NIL) and there were no outstanding finance lease rentals at 31 March 2009.

5. Employee Costs

5a) Staff Costs

	2008/09	2007/08
	£	£
Salaries and wages	352,088	326,148
Employers National Insurance	30,380	28,727
Employers pension costs	52,921	42,399
TOTAL	**435,389**	**397,274**

In addition, agency costs during the year amounted to £18,196 (2007/08 £9,630).

5b) Average Number of Employees - where FTE represents fulltime equivalent employees

	2008/09	2007/08
	FTE	FTE
	Actual Numbers	Actual Numbers
Full-time numbers employed	10	11
Part-time numbers employed	0	0

5c) Senior Employees' Remuneration

	2008/09	2007/08
	Number	**Number**
£50,001 to £60,000	0	0
£60,001 to £70,000	0	0
£70,001 to £80,000	1	1
£80,001 to £90,000	0	0

6a) Interest Payable and Similar Charges

	2008/09	2007/08
	£	**£**
Loan Interest	0	0
Bank Interest*	-558	1,123
Other Interest (please specify)	0	0

*interest charges refunded in 2008/09

6b) Interest and Investment Income

	2008/09	2007/08
	£	**£**
Current account interest	9,338	4,746
Short-term deposit interest	93,361	98,186
TOTAL	**102,699**	**102,932**

7. Related Party Transactions

Financial Reporting Standard 8 Related Party Disclosures (FRS 8) requires the Joint Committee to disclose all material related party transactions arising during the year. Related parties are bodies or individuals that have the potential to control or influence the Joint Committee or be controlled or influenced by the Joint Committee. Disclosing these types of transactions in financial statements permits readers to assess the extent to which the Joint Committee might have constrained its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Joint Committee. Transactions with related parties not disclosed elsewhere in these financial statements are set out below.

Councillors have direct control over the Joint Committee's financial and operating policies. In the 2008/09 financial year the Joint Committee did not commission any works and services from companies in which Councillors had an interest.

The Joint Committee did not pay grants to any organisations in which Councillors and Council officers had an interest.

The Joint Committee provides support to the eleven participant Councils, in relation to the procurement and management of waste related contracts and the services provided are recharged on the basis of Population, for Establishment Costs, and for Waste Related Services, on a per tonne or units bought basis. During 2008/09, the level of income and expenditure between arc21 and participant Councils was £24,964,452, compared to £22,361,967 in 2007/08. The amount owed by participant Councils to arc21 at 31 March 2009 was £2.36m and the amount owed by arc21 to participant Councils was £1.1m.

The year on year Establishment Costs charged, as shown in the Income and Expenditure Account on page 19, is shown below.

		2008/09	**2007/08**
Name		**£**	**£**
Antrim Borough Council		36,908	35,352
Ards Borough Council		54,609	52,716
Ballymena Borough Council		44,003	42,492
Belfast City Council		191,634	187,620
Carrickfergus Borough Council		28,451	27,444
Castlereagh Borough Council		47,013	45,996
Down District Council		48,948	47,184
Larne Borough Council		22,431	21,768
Lisburn City Council		80,910	78,060
Newtownabbey Borough Council		58,192	56,568
North Down Borough Council		56,401	54,814
Total		**669,500** =========	**650,014** =========

8. Fixed Assets

	Land £	Buildings £	Infrastructure Assets £	Vehicles & Equipment £	Assets Under Construction £	Non-Operational £	TOTAL £
Cost or Valuation							
At 1 April 2008	0	0	0	9,000	0	0	**9,000**
Revaluation	0	0	0	0	0	0	**0**
Additions (Note 9)	0	0	0	80,916	0	0	**80,916**
Transfers	0	0	0	0	0	0	**0**
Disposals (Note 22)	0	0	0	0	0	0	**0**
At 31 March 2009	0	0	0	89,916	0	0	**89,916**
Depreciation							
At 1 April 2008	0	0	0	1,900	0	0	**1,900**
Revaluation	0	0	0	0	0	0	**0**
Disposals (Note 22)	0	0	0	0	0	0	**0**
Provided for year	0	0	0	15,290	0	0	**15,290**
At 31 March 2009	0	0	0	17,190	0	0	**17,190**
Net Book Value							
At 31 March 2008	**0**	**0**	**0**	**7,100**	**0**	**0**	7,100
At 31 March 2009	**0**	**0**	**0**	**72,726**	**0**	**0**	72,726

9. Capital Expenditure

	Note	2008/09	2007/08
Expenditure		**£**	**£**
Capital Expenditure	8	80,916	9,000
Financed By			
Borrowings:			
Loans	***21[c]***	0	0
Finance leases	***21[c]***	0	0
Grants receivable	***19***	0	0
Capital receipts	***22***	0	0
Revenue contributions to capital	***3,22***	80,916	9,000
(Surplus)/Deficit			
Balance at 1 April 2008		0	0
At 31 March 2009		**0**	**0**

The financing of capital expenditure has been completed on an accruals basis.

10. Future Capital Commitments

In relation to the Residual Waste Treatment Project, arc21 expect to be in a position to acquire land and property for the construction of facilities to provide the necessary waste treatment services. Such acquisitions will be subject to independent valuations undertaken by the Land and Property Services Agency of the Department of Finance and Personnel and will be accounted for in the relevant financial year.

11. Stock

There are no stock items other than immaterial items of stationery and computer consumables which are charged to the Income and Expenditure Account.

12. Debtors

	2008/09	**2007/08**
	£	**£**
a) Long Term Debtors: *amounts falling due*		
in more than one year		
Employee car loans	0	0
b) Debtors: amounts falling due in less than		
One year		
Government Departments	513,552	161,477
Other Councils (Note 7)	2,358,558	3,123,143
Value Added Tax	220,313	71,510
Payments in advance	5,230	328,883
Other	104,652	439,223
less: provision for doubtful debts	250,762	90,000
Total debtors	**2,951,543**	**4,034,236**

13. Short-Term Investments

	2008/09	**2007/08**
	£	**£**
Bank deposits – general	2,709,329	2,173,237
Bank deposits - repairs and renewals	0	0
Bank deposits - capital fund	0	0
Money market deposits	0	0
Current account deposits	4,460	65,936
Total Short-Term Investments	**2,713,789**	**2,239,173**

14. Creditors

	2008/09	2007/08
	£	**£**
Amounts falling due in less than one year		
Government Departments	0	65,938
Other Councils (Note 7)	1,114,214	2,962,286
Receipts in advance	0	0
Trade Creditors	3,459,858	2,519,667
Other	499,507	160,497
Borrowing re-payable within one year	0	0
Total creditors	**5,073,579**	**5,708,388**

15. Borrowing Re-Payable within a Period in Excess of One Year

arc21 have not yet entered into any borrowing arrangements.

16. Deferred Liabilities

This account represents the principal outstanding for assets acquired under finance leases, and, to date, arc21 have not entered into any such arrangements.

17. Financial Instruments

The Joint Committee has no material exposure to any of the risk types identified below in its dealings with Financial Instruments.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Joint Committee's customers. Customers are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Joint Committee. The provision for bad and doubtful debts reflects the Joint Committee's assessment of the risk of non-payment by trade debtors and, as such, there is no further additional estimated exposure to default and inability to collect.

Trade debtors, inclusive of VAT, can be analysed by age as follows:

	£
Less than three months	2,928,693
Three to six months	15,468
Six months to one year	11,065
More than one year	Nil

There is no historical experience of default in relation to deposits with banks and other financial institutions and therefore there is no estimated exposure to risk of default.

Liquidity Risk

As the Joint Committee has ready access to borrowings from the Department of Finance and Personnel Consolidated Fund, there is no significant risk that it will be unable to raise finance to meet its commitments under Financial Instruments. To date, arc21 have not required the use of borrowing facilities.

Market Risk

Interest rate risk

The Joint Committee is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Further comment on this issue has been made in the Explanatory Foreword

Foreign exchange risk

The Joint Committee has no financial assets or liabilities denominated in foreign currencies and thus have no material exposure to loss arising from movements in exchange rates.

18. Provisions

This relates to the Joint Committee's pension provision, which is an estimated liability in respect of discretionary payments awarded to employees granted early retirement. This pension provision is matched in the balance sheet by a reserve of the same amount.

There were no movements on this provision during the year.

19. Deferred Grants

All capital grants received for the purchase of fixed assets are taken to the Government Grants Deferred Account, and this amount is written off to the General Reserves - Income and Expenditure Account over the useful life of the asset. There were no transactions in relation to Deferred Grants during the year.

20. Contingencies

arc21 is not aware of any possible obligation which may require payment or a transfer of economic benefits under the provisions set out in FRS12.

21. Reconciliation of Surplus to Net Cash Inflow from Operating Activities

	Note	**2008/09 £**	**2008/09 £**	**2007/08 £**	**2007/08 £**
Surplus/Deficit for year	***3***		92,358		30,371
Non-cash transactions					
Depreciation	***3,8***	15,290		1,900	
Deferred Grants amortised in year	***3,19,22***	0		0	
			15,290		1,900
Adjustment for items reported separately on Cashflow					
Interest and Investment Income	***6b)***		-102,699		-102,932
Interest payable and similar charges including gains or losses on the repurchase or early resettlement of borrowings	***6a)***		-558		1,123
Gain or loss on disposal of fixed assets	***3,22***		0		0
Items on an accruals basis					
Increase in stock			0		0
Increase (decrease) in debtors			1,082,693		-2,543,777
Increase in creditors			-634,808		2,310,977
Net Cash Inflow from Operating Activities			**452,275**		**-302,338**

21a) Analysis of Changes in Cash and Cash Equivalents During the Year

	Note	2008/09	2007/08	Change in the year	2006/07
		£	£	£	£
Temporary Investments		0	0	**0**	0
Cash		2,713,789	2,239,173	474,616	2,446,164
Total		**2,713,789**	**2,239,173**	**474,616**	**2,446,164**

The Joint Committee classes liquid resources as short-term deposits, which do not have a fixed-term investment date. Only current asset investments are included.

The level of cash balances held are directly related to the level of contracting activity and participant Councils are invoiced in advance to ensure that sufficient cash is available to meet the contractual requirements of arc21, which run at around £2m per month. The level of cash held at the year end is deemed to be prudent to meet the short term obligations of the organisation and represents around 10% of turnover.

21b) Analysis of Net Debt

	Cash £	Temporary Investments £	**Cash at Bank and in hand £**	Loans due within one year £	Loans due after more than one year £	Finance Leases £	**Net Debt £**
Balance at 1 April 2008	2,239,173	0	**2,239,173**	0	0	0	**2,239,173**
Change in Year	474,616	0	**474,616**	0	0	0	**474,616**
Other non cash changes - new finance leases	0	0	**0**	0	0	0	**0**
Balance at 31 March 2009	**2,713,789**	**0**	**2,713,789**	**0**	**0**	**0**	**2,713,789**

21c) Reconciliation of Changes in Cash to Movements in Net Debt

	Note		2008/09		2007/08
			£		£
Increase / Decrease in cash in year			474,616		-206,991
Cash inflow from new loans raised	*9*		0		0
Cash outflow from:					
Loans repaid			0		0
Finance lease repayments			0		0
Change in net debt resulting from cash flows			**474,616**		**-206,991**
New finance leases	*9*		0		0
Net debt b/fwd			2,239,173		2,446,164
Net debt c/fwd			**2,713,789**		**2,239,173**

21d) Analysis of Government Grants shown in the Cash Flow Statement

	2008/09	2007/08
	£	£
Capital Grants		
Central Government Grants	462,242	0
(i) Sub-total		
Revenue Grants		
Waste Management	358,148	49,378
(ii) Sub-total		
Total Grants	**820,390**	**49,378**

Government grants are included within in the ‘Net Cash Inflow from Operating Activities’ figure in the Cash Flow Statement.

22 Movement on Reserves

	Note	Capital Adjustment Account	Financial Instrument Adjustment Account	Revaluation Reserve	Available-for-sale Financial Instruments Reserve	Pensions Reserve	Capital Receipts Reserve	Capital Fund	Renewal and Repairs Fund	Other Balances and Reserves	General Reserves	TOTAL
		£	£	£	£	£	£	£	£	£	£	£
	Note	*22a)*	*22b)*	*22c)*	*22d)*	*18, 22e)*	*22f)*	*22g)*	*22h)*		*3*	
At 1 April 2008		7,100	0	0	0	0	0	0	0	0	565,021	**572,121**
Movements on reserves during the year:												
Capital Grants Released	***3,19,20***	0	0	0	0	0	0	0	0	0	0	**0**
Direct Revenue Financing	***3,9***	80,916	0	0	0	0	0	0	0	0	0	**80,916**
Loans fund principal/depreciation adjustment	***3***	15,290	0	0	0	0	0	0	0	0	0	**15,290**
Receipts		0	0	0	0	0	0	0	0	0	26,732	**26,732**
Interest received		0	0	0	0	0	0	0	0	0	0	**0**
Receipts Applied	***3***	0	0	0	0	0	0	0	0	0	0	**0**
Payments to NILGOSC	***3,18***	0	0	0	0	0	0	0	0	0	0	**0**
Disposal of Fixed Assets/Capital Sales	***3,8,20***	0	0	0	0	0	0	0	0	0	0	**0**
Capital Receipts used to finance capital expenditure	***9***	0	0	0	0	0	0	0	0	0	0	**0**
												0
Revaluation	***8,18***	0	0	0	0	0	0	0	0	0	0	**0**
Total movements on reserves during the year: (Change in Net Worth)		65,626	0	0	0	0	0	0	0	0	26,732	**92,358**
At 31 March 2009		**72,726**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**591,753**	**664,479**

22a) Capital Adjustment Account

The Capital Adjustment Account replaced the Capital Financing Account on 1 April 2007. The balance on the former Fixed Asset Restatement Account and the balance on the former Capital Financing Account were combined to form this new account. The purpose of this new account is to aggregate the amount of capital expenditure that has been financed from revenue and capital receipts excluding sums received in respect of loans negotiated to finance capital investment. This account is debited or credited with the adjustment made in the General Reserves for principal debt repaid less than or in excess of the provision for depreciation already debited to revenue and credited against fixed assets, to adjust the provision in line with statutory requirements. The account is also debited with an amount equal to the carrying amount of assets held at historic cost when they are disposed of. If the asset disposed of was held at current value, the balance held on the Revaluation Reserve is written off to the Capital Adjustment Account.

22b) Financial Instruments Adjustment Account

The Joint Committee had no transactions during the year that would require the use of this account.

22c) Revaluation Reserve

This new Revaluation Reserve replaced the former Fixed Asset Restatement Account on 1 April 2007 where the balance was transferred to the new Capital Adjustment Account. This account cannot be used to support spending. The purpose of this account is to build up a balance based on the revaluation (upwards or downwards) of individual assets. All such revaluations (excluding impairment losses that have been debited to the General Reserves) are mirrored in the Statement of Total Recognised Gains and Losses. It is a fundamental principal of this new account that it never becomes negative. If the asset disposed of was held at current value when it is disposed of, the balance held on the Revaluation Reserve is written off to the Capital Adjustment Account.

22d) Available-for-Sale Financial Instruments Adjustment Reserve

The Joint Committee has no transactions that would require use of this reserve.

22e) Pension Reserve

Refer to Note 18.

22f) Capital Receipts Reserve

This reserve has been renamed the Capital Receipts Reserve, having previously being named the Useable Capital Receipts Reserve. These are capital receipts which have originated primarily from the sale of assets which have not yet been used to finance capital expenditure.

22g) Capital Fund

The Joint Committee can establish a Capital Fund under section 56 of the Local Government Act (NI) 1972.

22h) Renewal and Repairs Fund

The Joint Committee can establish a Renewal and Repairs Fund under section 56 of the Local Government Act (NI) 1972.

Accounts Authorised for Issue Certificate

In accordance with Financial Reporting Standard 21 (FRS 21), Events after the Balance Sheet Date, this Statement of Accounts which contains a number of minor amendments from the Accounts approved on 25 June 2009 are at today's date hereby authorised for issue.

FRS 21 sets out

* The period during which an entity should adjust its financial statements for events after the balance sheet date as being the period between the date the financial statements were prepared and the date of this authorisation; and

* In the event of adjustments the disclosures that should be made.

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John R Quinn B.Sc., C.Eng., C.Env., M.I.C.E., F.C.I.W.M., M.C.I.P.S.
Chief Financial Officer

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Date