



“Successful Waste Management Through Partnership”

**ARC21 JOINT COMMITTEE
FINANCIAL REPORT
FOR THE YEAR ENDED 31 MARCH 2007**

ABSTRACT OF ACCOUNTS

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FOREWORD

arc21 Joint Committee is a partnership of eleven District 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.

Waste Management Plans have been put in place on a sub regional basis across Northern Ireland, covering the East, South and North West of the Province, with arc21 being responsible for waste management in the eastern sub region.

The eleven Councils of arc21 are as shown in Note 1 on Page 14.

arc21 was incorporated as a body corporate, pursuant to Section 19 of the Local Government Act (NI) 1972, on the 13th February 2004. It became established, from an operational point of view, in September 2004 with the appointment of the Chief Executive, Mr John Quinn.

During the year the staff complement was increased to 9 with the appointment of 4 new staff to provide support at the operational level.

The organisation is supported by a Joint Committee, which is comprised of 22 elected Councillors, 2 nominated from each of the eleven Councils, a Steering Group, which is made up of Officers from each Council, and external specialist support.

During the year the next phase of waste management contracts became operational with the introduction of services for Bring Banks and Landfill, being examples of the major ones. The Bring Bank contract is for an initial five year period and is valued at around £1m. The Landfill contract is a shorter one, running for two and a half years, but is the most substantial one arc21 have undertaken to date, valued at around £24m.

The next phase of procurement of waste facilities, and the most significant in terms of value and technical complexity, commenced during the year. Preparations got underway for the procurement of facilities for the treatment of residual waste, Mechanical Biological Treatment and Energy From Waste. In addition, four tenders were received in relation to the Organic Waste Treatment contract and evaluated.

Following the evaluation of the tenders for the treatment of Organic Waste, the award of Preferred Bidder status for the contract was subject to a successful legal challenge by another bidder and, as a consequence, arc21 have had to carry out a further review of the bids submitted. The legal action has delayed the awarding of this contract beyond the financial year but it is now expected to be awarded in the 2007/08 year. The costs involved in defending the legal action are considerable, estimated at around £500,000. However, the preliminary view of our insurance broker, Marsh Limited, indicates that our Professional Indemnity Insurance policy should apply in this case.

A major review of the Waste Management Plan was completed during the year and approved by the Department of the Environment. The original Plan was approved in 2002 by the Department.

In general, the 2006/07 year has been a successful one in terms of enhancing the staff complement with additional required expertise, awarding and implementing waste related contracts, and preparing for future contracts, the continued development of relationships with our partners and demonstrating Best Value and Value for Money through the collective procurement process.

Collaboration is the key factor for the success of arc21 and we are confident that our partnership approach will maintain the organisation as “Fit for Purpose” in terms of the challenges and opportunities ahead.

The financial results show a positive position both in terms of cash and reserves. As shown in the Income and Expenditure Report, arc21 received income of £9,957,217 and incurred expenditure of £9,898,369 during the year, resulting in a surplus of £58,848. The cash position, as shown in the Balance Sheet, reflects a much improved position at the year end, up by £1,956,006 on the previous year. The surplus, when added to reserves, will increase the level to £541,750 at 31 March 2007 and, given the financial challenges ahead, will provide a stronger asset base for the organisation.

The Accounts Direction, issued by the Department of the Environment, requires the Joint Committee to prepare accounts for the 2006/07 year and this financial report has been prepared in compliance with the direction.

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 the 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 27th June 2007.

The Chief Executive's Responsibilities

Under Regulation 4(1) and (2) 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 arc21 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 the arc21 Statement of Accounts, the Chief Executive is required to:

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

The Chief Executive is also required to:

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

STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL

This statement is given in respect of the Statement of Accounts for arc21 Joint Committee. I acknowledge my responsibility for ensuring that an effective system of internal financial control is established and maintained in connection with the resources concerned.

The system of internal financial control provides reasonable assurance that the assets of the organisation are safeguarded, that transactions are authorised and properly recorded and that material errors or irregularities are either prevented or would be detected within a timely period.

The system of internal financial control is based on a framework of regular financial management information, financial regulations, processes and controls appropriate to the size of the organisation. In addition, the Joint Committee and Participating Councils require, in accordance with the Principle of Limit of Delegation in our Terms of Agreement, to approve the acquisition of assets or the incurring liabilities, in circumstances where the value is in excess of £250,000.

An official purchase ordering system is in place and all expenditure must be approved by a senior manager. All cheques require to be signed by two authorised signatories and only senior managers are authorised signatories. The bank accounts of the organisation are reviewed regularly and reconciled on a monthly basis.

The SAGE accounting software package, comprising General Ledger, Sales Ledger, Purchase Ledger and Payroll, has been installed to provide an adequate level of accounting support, management information and control.

The financial transactions are subject to an annual Statutory Audit by the Local Government Auditor and any recommendations arising from such a review will be taken into account. In addition, an Internal Audit service is being provided, using the services of Belfast City Councils Audit Governance and Risk Services (AGRS) and any recommendations arising from their work will also be considered.

The system of internal financial control will be kept under review and any additional measures deemed necessary for the maintenance of proper corporate governance will be implemented on an ongoing basis.

IMPLEMENTATION OF A STATEMENT OF INTERNAL CONTROL

As Chief Executive, I am aware of the recommendation by the Department of Finance and Personnel for Local Government bodies to produce a statement of internal control and am taking reasonable steps to comply with the requirement for this statement to be prepared for the year ended 31 March 2008.

Signature

JOHN R QUINN B.Sc., C.Eng., C.Env., M.I.C.E., M.C.I.W.M.
CHIEF EXECUTIVE

Date

27 JUNE 2007

CERTIFICATE OF THE CHIEF EXECUTIVE

I certify that:-

- (a) the Statement of Accounts for the year ended 31 March 2007 on pages 11-20 has been prepared in the form directed by the Department of the Environment and under the accounting policies set out on pages 8-10 in this document, and
- (b) in my opinion the Statement of Accounts presents fairly the income and expenditure and cashflows for the financial year and the financial position at the end of the financial year.

Signature

JOHN R QUINN B.Sc., C.Eng., C.Env., M.I.C.E., M.C.I.W.M.
CHIEF EXECUTIVE

Date

27 JUNE 2007

ARC21 JOINT COMMITTEE'S APPROVAL OF STATEMENT OF ACCOUNTS

These accounts were approved by resolution of arc21 Joint Committee on the 27th June 2007.

Signature

ALDERMAN HUBERT NICHOLL
CHAIRMAN

Date

27 JUNE 2007

INDEPENDENT AUDITOR'S REPORT TO THE DEPARTMENT OF THE ENVIRONMENT

I have audited the Statement of Accounts of ARC21 for the year ended 31 March 2007 under the Local Government (Northern Ireland) Order 2005, which comprise the Income and Expenditure Account, Balance Sheet, the Cash Flow Statement, and the related notes. The Statement of Accounts has been prepared under the accounting policies set out within them.

Respective responsibilities of Chief Financial Officer and Local Government Auditor

The Chief Financial Officer's responsibilities for preparing the Statement of Accounts in accordance with the form directed by the Department of the Environment, including compliance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, are set out in the Statement of Responsibilities.

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 presents fairly the financial position of the Council in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006 and has been properly prepared in accordance with the Local Government (Northern Ireland) Order 2005.

I review whether the statement on the system on Internal Financial Control reflects compliance with the requirements of the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006. I report if it does not comply with these requirements or if the statement is misleading or inconsistent with other information I am aware of from my audit of the Statement of Accounts. I am not required to consider, nor have I considered, whether the Statement on the System on Internal Financial Control covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Council's corporate governance procedures or its risk and control procedures.

Basis of Opinion

I conducted my audit in accordance with the Local Government (Northern Ireland) Order 2005, the 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 judgements made by the Chief Financial Officer in the preparation of the Statement of Accounts, and of whether the accounting policies are appropriate to ARC21 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 applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial position of ARC21 at 31 March 2007 and its income and expenditure for the year then ended, and have been properly prepared in accordance with the Local Government (Northern Ireland) Order 2005.

Audit Completion

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

Denver Lynn
Local Government Auditor

29th October 2007

STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2007

1. GENERAL PRINCIPLES

The accounts have been prepared in accordance with the Local Government Act (NI) 1972 and the Code of Practice on Local Authority Accounting in the United Kingdom. This Code of Practice has been developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) / Local Authority (Scotland) Accounts Advisory Committee (LASAAC) Joint Committee in accordance with the Accounting Standards Board's (ASB) Code of Practice for the development of Statements of Recommended Practice.

The accounts have also been prepared in accordance with guidance notes issued by CIPFA on the application of accounting standards and the Department of the Environment's Accounts Direction.

2. INCOME AND EXPENDITURE (DEBTORS AND CREDITORS)

The income and expenditure of arc21 is maintained on an accruals basis in accordance with the code of accounting practice and Financial Reporting Standard (FRS) 18. That is, sums due to or from the organisation during the year are included whether or not the cash has actually been received or paid in the year.

3. FIXED ASSETS / CAPITAL CHARGES

arc21 is funded by way of contributions from revenue from the eleven Councils and revenue grant from the Environment and Heritage Service of the Department of the Environment.

As a consequence, the activities of arc21 are deemed to be of a revenue nature and during the year expenditure incurred on computer equipment, office furniture, equipment and refurbishment costs are charged to the general Income and Expenditure Account resulting in capital charges not being applicable.

An analysis of assets currently being used by arc21 which are valued in excess of £500 is provided in Note 18 on Page 18.

4. SUPPORT SERVICES COSTS

All support services costs, provided by participating Councils, are allocated to the specific expense category in the Income and Expenditure Statement.

5. PENSION COSTS

Local Authorities in Northern Ireland, including Joint Committee's, contribute to the Northern Ireland Local Government Superannuation Committee Scheme (NILGOSC). The scheme is fully funded and provides the relevant information in accordance with Financial Reporting Standard (FRS) 17 within its own financial statements.

Details of the Employer's contribution amount and the rate of contribution can be found in Note 5 to the Income and Expenditure Report.

6. INVESTMENTS

arc21 generates Investment Income through placing funds on short-term deposits and through the use of an interest earning current account operated by the Bank of Ireland.

7. VALUE ADDED TAX

VAT is included in income and expenditure only to the extent that it is irrecoverable by the organisation in accordance with Statement of Standard Accounting Practice (SSAP) 5.

8. POST BALANCE SHEET EVENTS

Where a material post balance sheet event occurs which 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 authority is not appropriate then relevant charges have been made to the amounts included in the statement of accounts. Where a material post balance sheet event does not concern the conditions which exist at the balance sheet date their appropriate details are disclosed in the notes to the financial statements.

9. FOREIGN CURRENCY TRANSLATION

Receipts and payments in foreign currency are translated into sterling at the rate prevailing at the time of the transactions.

10. INSURANCE

The organisation has a range of Insurance Policies in place to meet its operational requirements.

The major policies in place are:

- Employers Liability Insurance
- Professional Indemnity Insurance
- Public Liability Insurance
- Office Contents Insurance
- Travel Insurance

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

11. MAJOR PROVISIONS

The organisation makes provision for claims which may give rise to settlements in excess of £1,000 per claim and are charged to the Income and Expenditure Statement.

Provision for bad and doubtful debts are made and charged to the Income and Expenditure Statement.

12. 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. Revenue grants will be recognised in the revenue account and are matched with the expenditure to which they relate.

13. LEASES

Finance Leases

Rentals payable under finance leases are apportioned between the finance charge and the reduction of the outstanding obligation. At the inception of the agreement, the asset is capitalised along with an obligation to pay future rentals. The finance element of future rentals is charged to revenue. The principal element reduces the obligation to pay future rentals.

Operating Leases

Rentals payable under operating leases are charged directly to revenue on a straight-line basis over the term of the lease.

14. RESERVES

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

15. RELATED PARTY TRANSACTIONS

arc21 is a partnership between eleven Councils in the Eastern Region of Northern Ireland, formally established as a Joint Committee under Section 19 of the Local Government Act (NI) 1972.

The transactions between arc21 and the Participating Councils are disclosable in accordance with Financial Reporting Standard (FRS) 8 – Related Party Disclosures.

INCOME AND EXPENDITURE FOR THE YEAR TO 31 MARCH 2007

INCOME:	NOTE	2006/07 £	2005/06 £
PARTICIPATING COUNCILS	1	488,834.00	637,204.98
GOVERNMENT GRANT	2	182,044.86	45,827.44
BANK INTEREST	3	43,444.47	16,283.73
CONTRACT INCOME :			
LANDFILL SERVICE		5,722,811.62	0.00
MATERIALS RECOVERY FACILITY- MRF		1,610,131.20	916,251.18
MRF REVENUE SHARE		807,915.00	406,773.50
BRING SERVICE		149,133.71	0.00
SUPPLY OF BINS AND BRING BANKS		874,127.64	386,291.00
OTHER CONTRACT INCOME	4	78,507.30	0.00
OTHER INCOME		267.69	58.72
TOTAL INCOME		<u>9,957,217.49</u> =====	<u>2,408,690.55</u> =====
EXPENDITURE:			
EMPLOYEE COSTS	5	338,406.22	254,449.93
PREMISES COSTS	6	16,039.38	29,938.99
SUPPLIES AND SERVICES	7	244,281.44	292,378.38
TRAVEL AND SUBSISTENCE COSTS	8	9,433.90	9,455.96
ADMINISTRATION COSTS	9	32,057.52	39,124.26
CONTRACT COSTS :			
LANDFILL SERVICE		5,722,811.62	0.00
MATERIALS RECOVERY FACILITY- MRF		1,610,131.20	928,401.18
MRF REVENUE SHARE		807,915.00	406,773.50
BRING SERVICE		149,133.71	0.00
SUPPLY OF BINS AND BRING BANKS		874,127.64	386,291.00
OTHER CONTRACT COSTS	10	94,031.39	61,877.35
OTHER COSTS		-	-
TOTAL EXPENDITURE		<u>9,898,369.02</u> =====	<u>2,408,690.55</u> =====
SURPLUS		<u>58,848.47</u> =====	<u>-</u> =====

BALANCE SHEET AS AT 31 MARCH 2007

	NOTE	31 March-07 £	31 Mar-06 £
		_____	_____
ASSETS:			
STOCK		-	-
DEBTORS	11	1,413,159.76	855,699.42
PREPAYMENTS		69,207.72	3,812.50
ACCRUED INCOME	12	-	33,885.88
CASH AND BANK		2,446,080.19	490,074.85
PETTY CASH		84.11	85.20
VAT RECOVERABLE		8,091.66	-
		_____	_____
TOTAL ASSETS		3,936,623.44	1,383,557.85
LESS CURRENT LIABILITIES:			
CREDITORS	13	3,352,119.06	871,535.32
ACCRUALS		18,509.50	16,845.11
VAT PAYABLE		<u>24,244.86</u>	<u>12,275.87</u>
TOTAL LIABILITIES		3,394,873.42	900,656.30
NET ASSETS		<u>541,750.02</u>	<u>482,901.55</u>
		=====	=====
		£	£
		_____	_____
FINANCED BY:			
RESERVES AT 31 MARCH		482,901.55	482,901.55
SURPLUS IN THE YEAR		58,848.47	-
RESERVES AND BALANCES	14	<u>541,750.02</u>	<u>482,901.55</u>
		=====	=====

CASHFLOW STATEMENT FOR THE YEAR TO 31 MARCH 2007

	NOTE	£ 2007	£ 2006
CASH OUTFLOWS:			
EMPLOYEE COSTS		342,943.00	269,420.00
PREMISES COSTS		7,714.00	28,356.00
SUPPLIES AND SERVICES		347,849.00	311,989.00
TRAVEL AND SUBSISTENCE		9,708.00	3,509.00
ADMINISTRATION		14,278.00	20,860.00
WASTE INFRASTRUCTURE SERVICES		7,092,230.00	1,026,421.00
INPUT VALUE ADDED TAX		<u>1,322,339.00</u>	<u>245,260.00</u>
		<u>9,137,061.00</u>	<u>1,905,815.00</u>
CASH INFLOWS:			
MEMBER COUNCIL CONTRIBUTIONS		498,208.00	579,600.00
GOVERNMENT GRANTS	15	107,047.00	403,355.00
OTHER OPERATING CASH RECEIPTS		4,126.00	0
WASTE INFRASTRUCTURE SERVICES	16	8,858,570.00	1,042,919.00
OUTPUT VALUE ADDED TAX		<u>1,584,367.00</u>	<u>235,646.00</u>
		<u>11,052,318.00</u>	<u>2,261,520.00</u>
NET CASH INFLOW		1,915,257.00	355,705.00
RETURNS ON INVESTMENTS & SERVICING OF FINANCE:			
BANK INTEREST AND CHARGES		165.00	110.00
BANK INTEREST RECEIVED		40,914.00	17,455.00
NET INCREASE IN LIQUID RESOURCES		<u>1,956,006.00</u> =====	<u>373,050.00</u> =====
OPENING CASH POSITION		490,074.00	117,024.00
INCREASE IN CASH DURING THE YEAR		1,956,006.00	373,050.00
CLOSING CASH POSITION		<u>2,446,080.00</u> =====	<u>490,074.00</u> =====

NOTES TO THE ACCOUNTS

Note 1 Participating Councils Income

The amount received from each Participating Council was:

Name	2006/07 £	2005/06 £
Antrim Borough Council	26,352.00	33,644.00
Ards Borough Council	39,480.00	50,720.00
Ballymena Borough Council	31,752.00	40,589.00
Belfast City Council	142,356.00	191,299.98
Carrickfergus Borough Council	20,484.00	26,061.00
Castlereagh Borough Council	34,824.00	45,941.00
Down District Council	35,352.00	44,285.00
Larne Borough Council	16,356.00	21,282.00
Lisburn City Council	58,320.00	75,252.00
Newtownabbey Borough Council	42,492.00	55,308.00
North Down Borough Council	41,066.00	52,823.00
Total	488,834.00	637,204.98

Note 2 Government Grant Income

During the year the review of the Waste Management Plan was completed and approved by the Department of the Environment – Environment and Heritage Service (EHS). Grant support, £24,172.56 (£45,827.44 2005/06), towards the cost of this work was received. In addition, arc21 received other Central Government support for procurement activities to the value of £157,872.30.

Note 3 Bank Interest

Banking services during the year were provided by the Bank of Ireland Ltd. Interest was earned by utilising an interest earning current account and short term deposit accounts. The amount of interest earned during the year was £43,444.47 (£16,283.73 2005/06).

Note 4	Other Contract Income	2006/07	2005/06
		£	
Bin Identification Signs		3,427.50	0.00
Education Vehicle Expenses		14,501.18	0.00
Contract Income Accrued		60,578.62	0.00
Total Income		78,507.30	0.00
		=====	=====

Note 5 Employees and Employee Costs

During the year four additional full time staff were appointed, bringing the total staff establishment to nine. The original operational plan for the organisation indicated a total staffing establishment of around ten. As a relatively new, but rapidly growing, Local Government Body, it is intended to keep under review the human resources level required to adequately support the operational activities going forward.

		2006/07	2005/06
(a)	Employees		
	Average Number of Employees	9	5
(b)	Employee Costs	£	£
	Gross Salaries	257,585.83	206,371.41
	Employers National Insurance Contributions	23,949.64	19,612.67
	Employers Superannuation Contributions	33,403.16	26,835.18
	Agency Staff Costs	23,467.59	1,630.67
	Total	338,406.22	254,449.93
		=====	=====

The Employer Rate in respect of the contributions to the superannuation scheme (NILGOSC) during the year was 13.00%

Note 6 Premises Costs

arc21 moved into premises at Duncrue Complex, Duncrue Industrial Estate, Belfast, BT3 9BP, in October 2004. The amount of expenditure incurred in relation to premises during the year was as follows:

	2006/07	2005/06
	£	£
Office Furniture, Fixtures and Refurbishment	789.38	14,688.99
Rent, Rates and Service Charges	15,250.00	15,250.00
Total	16,039.38	29,938.99
	=====	=====

Note 7 **Supplies and Services**

The amount spent on supplies and services was as follows:

	2006/07	2005/06
	£	£
Computer / Website Services	18,955.04	28,028.28
Waste Management Plan Procurement Related Services:		
Technical Advice and Guidance	179,738.82	239,106.97
Tender Advertising	2,519.21	4,390.73
Procurement Workshops	21,097.82	-
Other Miscellaneous Procurement Costs	88.27	1,451.63
Recruitment and Selection Costs	2,103.60	4,977.66
Other Supplies and Services	19,778.68	14,423.11
Total	244,281.44	292,378.38

Note 8 **Travel and Subsistence Costs**

The amount spent on travel and transport costs was as follows:

	2006/07	2005/06
	£	£
Essential Users Lump Sum	4,092.00	3,671.25
Motor Mileage	4,614.33	4,101.69
Other Travel and Subsistence Costs	727.57	1,683.02
Total	9,433.90	9,455.96

Note 9 **Administration Costs**

The amount spent on administration costs was as follows:

	2006/07	2005/06
	£	£
Audit Fees and Related Costs	5,394.96	2,667.46
Conference and Study Visits	4,886.38	6,216.05
Insurance	8,290.74	12,708.39
Printing and Stationery	4,687.10	9,104.54
Subscriptions	1,781.97	1,564.86
Telephone, Fax and Postage	1,576.93	4,100.96
Other Establishment Costs	5,439.44	2,762.00
Total	32,057.52	39,124.26

Note 10 **Other Contract Costs**

The sum of £94,031.39 was incurred in relation to other waste infrastructure services.

	2006/07	2005/06
	£	£
Contract Auditing Services	15,524.09	3,665.86
Bin Identification Signs	3,427.50	0.00
Education Vehicle Expenses	14,501.18	0.00
Landfill Site Investigations	0.00	12,384.05
Waste Management Plan Services	0.00	45,827.44
Contract Costs Accrued	60,578.62	0.00
Total	94,031.39	61,877.35
	=====	=====

Note 11 **Debtors**

The debtors figure of £1,413,159.76 is made up as follows:

	2006/07	2005/06
	£	£
Central Government Grants	100,549.53	25,551.31
Amounts due from Participating Councils	422,109.35	390,941.74
Other Debtors	890,500.88	439,206.37
Total	1,413,159.76	855,699.42
	=====	=====

Note 12 **Accrued Income**

Amount due on the Materials Recovery Facility in respect of Revenue Share

2006/07	2005/06
£	£
-	33,885.88
=====	=====

Note 13 **Creditors**

The creditors figure of £3,352,119.06 is made up as follows:

	2006/07	2005/06
	£	£
Trade Creditors	2,646,044.30	412,601.96
Amounts due to Participating Councils	706,074.76	458,933.36
Total	3,352,119.06	871,535.32
	=====	=====

Note 14 Reserves and Balances

The surplus at the end of the year, £58,848.47, has been added to the reserves to bring the level up to £541,750.02 at the 31 March 2007.

In considering the appropriate level of reserves to be held, arc21 will take into account future planned activities including the potential costs of specific procurement / infrastructure projects, as well as the amount of reserves that it would be prudent to maintain as a contingency measure. This will be considered within the framework of an overall Finance Strategy for the organisation.

Note 15 Government Grants

Grant support to the value of £107,047 was received from Central Government in relation to the following activities::

	£	£
	2006/07	2005/06
Procurement Grant Support	82,874.00	0.00
Strategic Environmental Assessment Grant	24,173.00	20,276.13
Waste Management Grant 2004/05	0.00	383,079.00
Total	107,047.00	403,355.13
	=====	=====

Note 16 Waste Infrastructure Income

The amount shown £8,858,570.00, represents income from Participating Councils for services provided in relation to Waste Infrastructure Contracts and Revenue Share earned on the Materials Recovery Facility Contract.

Note 17 Related Party Transactions – Financial Reporting Standard (FRS) 8

The eleven Councils of arc21 are regarded as related parties in accordance with Financial Reporting Standard FRS 8 and information in relation to the transactions between arc21 and the Councils during the year as shown in Note 1.

There were no other related party transactions during the year.

Note 18 Analysis of Assets

Assets acquired during the year, with a value in excess of £500, are as follows:

	2006/07	2005/06
Description	£	£
Computer Equipment	3,235.00	6,973.00
Other Office Equipment	-	-
Office Furniture	-	-
Office Fixtures and Refurbishment	-	12,315.00
Total	3,235.00	19,288.00
	=====	=====

There were no disposals during the year.

Note 19**Contingent Liability**

During the year a legal challenge was made by one of the unsuccessful tenderers in relation to the award of the contract for the Organic Waste Treatment Service. The case was heard in the High Court and judgement was made in favour of the Plaintiff on 16 March 2007. In effect, arc21 have to carry out a re-evaluation of the bids submitted by the Plaintiff and this exercise will be undertaken in the next financial year. The estimated costs of defending this legal challenge, including the costs of the Plaintiff, are in the region of £500,000.

arc21 have professional indemnity insurance cover in place and the preliminary view of the insurance broker, Marsh Limited, is that the costs of this action should be covered by the policy, subject to an excess level of £2,500.

Note 20**Bryson Recycling Investment Proposal**

During the year arc21 agreed to support in principle a proposal from Bryson Recycling to provide additional investment at the materials recovery facility at Mallusk.

The objective of this investment is to improve the quality of material recovered to :

- 1 Increase the value of revenue earned from the sale of the material to the market;
- 2 Make savings as a result of reducing the amount of material going to landfill.

The investment programme was scheduled to take place in three stages; November 2006, June 2007 and September 2007.

The estimated capital costs for this investment is around £900,000 and the proposal provided for all the costs of the additional investment – capital and revenue – to be recovered through the revenue to be earned from the sale of materials and savings achieved through the reduction of materials being landfilled. The investment is expected to be repaid over the remaining life of the contract.

At the end of March 2007 Bryson Recycling had completed Stage 1 of the program incurring capital costs of £662,247 which, combined with revenue costs, resulted in an annual cost in the region of £360,000.

At 31 March 2007 the sum of £106,452 had been deducted from the additional revenue earned from the sale of materials by way of part repayment of the investment and this sum has been accounted for in both the revenue share income and expenditure.

Under this proposal arc21 will not have to make any direct financial contribution to the investment programme.

ACCOUNTS AUTHORISED FOR ISSUE

In accordance with Financial Reporting Standard 21 (FRS 21) this Statement of Accounts which contains a number of material amendments from the Accounts approved on 27th June 2007 are at today's date hereby authorised for issue. Any material amendments will be explained and reported in accordance with Regulation 12 of the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2006 .

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.

Signed _____

JOHN R QUINN B.Sc., C.Eng., C.Env., M.I.C.E., M.C.I.W.M.
CHIEF EXECUTIVE

Date 29 OCTOBER 2007

STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2007

Material Amendment

In accordance with Regulation 12 of the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2006 two material amendments from the Accounts approved on 27 June 2007 are explained as follows :

i) **Materials Recovery Facility – Revenue Share**

At 31 March 2007 the sum of £106,452 had been deducted from the additional revenue earned from the sale of materials at the MRF as a result of the agreed capital and revenue investment. This sum has now been accounted for in both the revenue share income and expenditure. An explanation of the investment and proposed recoupment of costs can be found at Note 20.

ii) **Landfill Contract Costs**

The Landfill Contract became operational in November 2006 and the contract year runs from November until October 2007. The Contractors providing the service operate a tonnage banding and price banding system. Up to 31 March 2007 the amount paid under this contract has been based on the average price that would be payable for delivery of tonnage at the expected tonnage band for the whole year.

The amount payable, and accounted for in the accounts of arc21, should be based on the band applicable to the actual tonnage delivered to the contract at 31 March 2007. The additional costs owed under the contract by arc21 and by the Councils as at 31 March 2007 amounted to £396,332 and these are now reflected in both the Landfill service income and expenditure and also in the balance sheet within debtors and creditors.