ABSTRACT OF ACCOUNTS

ARC21 JOINT COMMITTEE
FINANCIAL REPORT FOR THE YEAR ENDED
31 MARCH 2010

arc21

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Explanatory Foreword

Introduction

This report sets out the financial performance of arc21 for the year ended 31 March 2010 as can be seen in the Income and Expenditure Account and Balance Sheet on pages 18 and 21.

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 08/10 issued in June 2010. 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 2009/10 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 33.

Financial Information

The organisation achieved another year of substantial growth, in financial terms, due to the significant developments in contracting for waste facilities, the increase in the Landfill Tax escalator and the stepped increase in the procurement activity for the Residual Waste Treatment Project. The income for the year was £31,235,429 compared to £27,122,893 in 2008/09, an increase of 15%. The expenditure for the same period was £30,942,314 compared to £27,030,535 in 2008/09, resulting in a surplus of £293,115 for the year to March 2010.

In addition, the sum of £1,653 was incurred funding capital expenditure with the acquisition of computer equipment during the year.

After taking into account the charge for depreciation on fixed assets, there was a net increase to the General Reserves of £306,267 for the year bringing the cumulative reserves at 31 March 2010 to £898,020 or 2.9% of annual turnover.

Contract Activity

As reported in last year's accounts, the Organic Waste Treatment contract, the largest contract awarded by arc21 to date, commenced on a phased basis and, during the year, this contract became fully operational with the completion of the Glenside facility making it possible for the service to be available to all participant Councils.

All four major waste contracts, Landfill, Materials Recovery Facility, Organic Waste Treatment and Bring Service, performed satisfactorily during the year, representing £27,343,711 or 87% of the total income for the year. It is expected that the contract activity will continue to grow at a significant level in the coming year.

Market Conditions for Mixed Dry Recyclate Materials

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

As reported in last year's accounts, the markets for mixed dry recyclate materials significantly declined, but it is encouraging to report that during the 2009/10 year the market gradually recovered. Over the 12 months the selling prices earned by Bryson Recycling rose steadily from a level of £48 up to £88, resulting in an overall annual average value per tonne payable to arc21 of £35.

A key contributing factor to the higher prices received by Bryson Recycling for the materials has been the successful completion of the capital investment programme to upgrade the facility 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 around £960,000, and has proved to be invaluable as borne out by the market prices achieved, particularly in light of the challenging market conditions experienced in recent years.

This capital investment programme started in November 2006 and was completed, in four phases, up to May 2009. The plant upgrade has strengthened the market position of Bryson Recycling by enabling them to produce better quality materials from which higher revenues can be earned. Clearly the investment program has directly benefited the arc21 participant Councils as demonstrated by the levels of revenue share received.

Landfill Tax Escalator

In accordance with Government policy, the Landfill Tax Escalator continues to rise at a rate of £8 per tonne per annum resulting in an additional charge from the landfill operators to arc21 of a sum in the region of £2.5 million, which is then passed on to participant Councils. The landfill tax rate for the 2009/10 year was £40 per tonne.

This cost has a significant financial impact on Councils and the Landfill Tax Escalator provides a strong economic incentive for landfill diversion. Substantial savings are generated to participant Councils through diversion to the Materials Recovery Facility, Bring Service and Organic Waste contracts. In 2009/10 just over 110,000 tonnes of materials were delivered to these three contracts resulting in a saving on Landfill Tax of some £4.4m.

With the Landfill Tax rate per tonne increasing by a further 20%, from £40 to £48, in the 2010/11 year, the savings are estimated to increase to around £5m, thus demonstrating the significant impact to the ratepayer of the waste treatment services contracts of arc21.

In addition, the Government recently announced that the escalator will continue rising at the rate of £8 per tonne per annum through to at least 2015 when Landfill Tax will reach £80 per tonne, thus making it more critical, purely on economic grounds, 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.

Residual Waste Treatment Project

Progress continued to be made during the year on the procurement phase for the treatment of residual waste (black bin waste). The invitation to submit outline solutions stage was completed and the subsequent evaluation of the proposals resulted in three bidders being invited to the next key stage, the submission of detailed solutions, which is expected to be completed in the next financial year.

The Department and the Programme Delivery Support Unit (PDSU) continued to provide excellent support to the project during the year. In addition, assistance from other central government bodies, such as the Department of Finance and Personnel and the Strategic Investment Board, proved invaluable.

The facilities required for the treatment of residual waste, 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 participant Councils to successfully meet the EU Landfill Directive targets.

The EU Landfill Directive targets limit the amount of biodegradable municipal waste that can be landfilled, and statutory targets have been set for the years 2010, 2013, and 2020 under the Directive. Locally the Department have introduced annual landfill targets for Councils to meet.

Substantial fines are payable for failing to meet the targets and this, in addition to the significantly increasing burden of landfill tax, are strong economic drivers for Councils to divert waste from landfill.

In terms of the 2010 target year, the indications from participant Councils show that the amount of biodegradable waste sent to landfill overall was within the allowance.

The coming years are going to be even more challenging as the levels of waste that can be landfilled are further reduced year on year, thus putting more pressure on the timely and successful delivery of the Residual Waste Treatment service.

Residual Waste Treatment, Project Funding Support

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 continued to receive valuable financial support from the Department, at a level of £1.07m (£820k in 2008/09).

In addition, arc21 was 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 ongoing 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, once again, to formally acknowledge the support from the Department, the PDSU, 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 given the current constraints on public sector finances and arc21 will continue to work closely with the Department to maximise the level of funding support required.

Insurance Matters

The range of insurance policies was supplemented during the year with the incorporation of Commercial Legal Protection Insurance. This policy primarily provides cover to the organisation for legal costs incurred in instigating legal action or the legal costs incurred in defending a legal challenge. It is distinct from Professional Indemnity Insurance. Details of the insurance policies in place can be seen on page 31.

Accounting Regulatory and Policy Changes

The Accounts Direction issued by the Department to arc21 for the 2009/10 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 have been fully compliant with the requirements of the Governance Statement and further information in this regard has been incorporated within this report, on page 9.

The Draft Local Government Finance Bill

During the year the Department issued a consultation document proposing to modernise the current legislative framework relating to local government finance and Councillors remuneration in Northern Ireland. As one of the consultees, arc21 were pleased to respond to the consultation document and the legislation is expected to come into effect in the next financial year.

International Financial Reporting Standards (IFRS)

A major change to the method of preparation of the accounts for local government bodies in Northern Ireland is scheduled to take place in April 2011 with the introduction of the International Financial Reporting Standards. During the year preparations got under way to implement this change and it is proposed to restate the 2009/10 accounts, following completion of the audit, in line with the new reporting requirements.

Financial Reporting Standard 17 – Retirement Benefits

The reporting requirements in relation to retirement benefits (pensions) will also be updated in line with the international standards and again during the year preparations were made by arc21, in association with NILGOSC and the Association of Local Government Finance Officers, to ensure compliance with the new requirements. The restatement of the 2009/10 accounts, as outlined above, will reflect the required changes to pensions.

The Review of Public Administration (RPA)

The issue of RPA has received wide publicity during the year and arc21 has continued to play as active a role as possible in the process.

In terms of the implications for arc21, the Department are also giving consideration to options for the delivery of waste management services in the future, including the potential for a single waste authority being established and arc21 are assisting the Department in this regard.

Should the proposed reorganisation for the new Council structures take place on an 11 Council model this will broadly follow the outline of the existing Councils of arc21, with the exception of Down District Council and, therefore, it is anticipated that five new Councils will form the core of arc21 post RPA.

The position regarding the restructuring of local government in Northern Ireland remains somewhat fluid and its implications for arc21 will continue to be kept under review.

Downturn in Financial Markets- Investment Income

Due to the global economic downturn the investment income earned by arc21 is significantly down on previous years with only £14,311 being earned in the 2009/10 year compared to £102,699 being earned in the 2008/09 year. Looking ahead to the next year there is unlikely to be any change in the level of investment income estimated to be earned.

Conclusion

In general, the 2009/10 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 obvious financial challenges ahead in the sector.

Finally, arc21 would like to take the opportunity to formally acknowledge the ongoing support and commitment from the elected Members of the Joint Committee and the Officers of participant Councils. Their support is one of the key factors behind the success of arc21.

Certificate of the Chief Executive

I certify that:

(a) the Statement of Accounts for the year ended 31 March 2010 on pages 18 to 22 has been prepared in the form directed by the Department of the Environment and under the accounting policies set out on pages 23 to 47.

(b) in my opinion the Statement of Accounts give a true and fair view of 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 30/6/10

Joint Committee Approval of Statement of Accounts

These accounts were approved by resolution of the arc21 Joint Committee on the 24th June 2010.

Hubert Nicholl...

Alderman Hubert Nicholl
Chairman

Date 30 . 6 . 2010

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 24th June 2010.

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 give a true and fair view of 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 2009/2010

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, efficiently 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 is required to prepare an Annual Governance Statement which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. This statement explains how the Joint Committee 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 of 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.

The governance framework has been in place at arc21 for the year ending 31st March 2010 and up to the date of approval of the Annual Governance Statement and statement of accounts.

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 new 3 year corporate plan (2009-2012) which was informed by consultation with our main stakeholders, including member Councils. 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.

During the year arc21 produced, for the first time, an annual report for the year to March 2009 setting out the key achievements of the organisation compared to the corporate plan. It is the intention to continue to produce an annual report as part of the normal annual activities of the organisation.

A Code of Governance was developed during 2009/10 and is to be approved at the Audit Committee Meeting in June 2010. The Code is based on the six principles set out in the CIPFA/SOLACE 'Delivering Good Governance in Local Government: A Framework' This sets out the systems and processes, culture and values, by which the organisation is directed and controlled and through which it accounts to, engages with and, where appropriate, leads its community.

- 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 Strategic Waste Board, which is 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 provide a monthly bulletin to Chief Executives, have published and widely distributed a magazine called Wasteline and hold annual presentations to the Chief Executives of member Councils.*

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.

In addition during the 2009/10 year arc21 have developed financial performance reports which are presented to member Councils periodically.

An annual report is produced and distributed to stakeholders which includes information on arc21 performance in relation to the Corporate Plan.

- 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 is also in place which further enhances the robustness of the legal 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 procedures 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.

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.

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. This is reviewed on an annual basis to ensure currency.

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 established an Audit Committee with a 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 organisation's 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.

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 provided by CIPFA and the Chief Executives Forum.

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 Strategic Waste Board, which is chaired by the Minister, 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 provide a monthly bulletin to Chief Executives, have published and widely distributed a magazine called Wasteline and hold annual presentations to the Chief Executives of member Councils. 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 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 review of the effectiveness of Internal Audit has 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 four to five 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 2009/10 a number of required improvements to the overall governance framework were identified and action was taken to address these issues:

Segregation of Duties
arc21 have made further progress during 2009/10 in addressing the need to ensure appropriate segregation of duties within its financial processes through the continued temporary secondment of an additional member of staff in the Corporate Services Department. The structural review undertaken during 2008-09, facilitated by the Local Government Staff Commission, identified a new post of Project Accountant which has been approved by the Joint Committee. This new post will be recruited on a permanent basis at an appropriate time.

Code of Governance
arc21 have developed a Code of Governance for the organisation during 2009/10 and this is being presented to the Audit Committee and the Joint Committee for approval in June 2010.

Over the coming year it is proposed 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: Hubert Nicholl ....

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 the 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 2010 under the Local Government (Northern Ireland) Order 2005. The statement of accounts comprises the Income and Expenditure Account, Statement of Movement on District Fund Balance, Statement of Total Recognised Gains and Losses, Balance Sheet, 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 the 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 Executive and the independent auditor
As explained more fully in the Statement of the Joint Committee's and Chief Executive's Responsibilities, the Chief Executive is responsible for the preparation of the statement of accounts and for being satisfied that it gives a true and fair view of the income and expenditure and cash flows for the financial year and the financial position as at the end of the financial year. My responsibility is to audit the statement of accounts in accordance with applicable law, the Local Government Code of Audit Practice issued by the Chief Local Government Auditor and International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of the Statement of Accounts
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the statement of accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the arc21's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the arc21; and the overall presentation of the statement of accounts.

Opinion
In my opinion the statement of accounts gives a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009, the financial position of arc21 as at 31 March 2010 and its income and expenditure for the year then ended.

Matters on which I report by exception
I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- the Annual Governance statement:
    - does not reflect compliance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009,

  - does not comply with proper practices specified by the Department of the Environment,

  - is misleading or inconsistent with other information I am aware of from my audit, or

- adequate accounting records have not been kept; or

- the statement of accounts is not in agreement with the accounting records; or

- I have not received all of the information and explanations I require for my audit.

Certificate
I certify that I have completed the audit of the accounts of 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.

J S Buchanan
Local Government Auditor
Northern Ireland Audit Office
106 University Street
Belfast
BT7 1EU

Date: 28-10-10

Income and Expenditure for the Year To 31 March 2010

	NOTE	2009/10	2008/09
INCOME:		**£**	**£**
Participating Councils	**7**	690,008	669,500
Government Grant		1,074,533	820,390
Bank Interest	**6b**	14,311	102,699
Contract Income :	**4a**		
Landfill Service		21,928,678	20,395,863
Materials Recovery Facility - MRF		1,593,262	1,638,180
MRF Revenue Share		1,207,487	1,230,635
Organic Waste Treatment		2,406,416	172,266
Bring Service		207,869	216,452
Supply of Bins and Bring Banks		444,191	721,952
Other Contract Income		1,659,999	1,150,845
Other Income		8,675	4,111
TOTAL INCOME		31,235,429 ==========	27,122,893 ==========
EXPENDITURE:			
Employee Costs	**5**	411,211	453,585
Bank Interest	**6a**	377	-558
Other Operating Costs		1,331,632	1,358,851
Contract Expenditure :	**4b**		
Landfill Service		21,679,870	20,112,388
Materials Recovery Facility- MRF		1,593,262	1,638,180
MRF Revenue Share		1,207,487	1,230,635
Organic Waste Treatment		2,406,416	172,266
Bring Service		207,869	216,452
Supply of Bins and Bring Banks		444,191	721,952
Other Contract Costs		1,659,998	1,126,783
Other Costs		1	1
TOTAL EXPENDITURE		30,942,314 ==========	27,030,535 ==========
SURPLUS (DEFICIT) FOR THE YEAR		293,115 ==========	92,358 ==========

Statement of Movement on the General Reserves Balance for the Year Ended 31 March 2010

	Notes	2009/10 £		2008/09 £
Surplus for the year on the Income and Expenditure Account	*3*	293,115		92,358
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*	13,152		65,626
Movement on the General Reserves Balance for the year	*3/22*	**306,267**		**26,732**
Balance Brought Forward	*22*	591,753		565,021
Balance Carried Forward	*22*	**898,020**		**591,753**

Statement of Total Recognised Gains and Losses for the Year Ended 31 March 2010

	Notes	2009/10 £		2008/09 £
Surplus on the General Reserves - Income and Expenditure Account for the year	***3***	306,267		26,732
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)		**306,267**		**26,732**
Prior period adjustments made during the year		0		0
Total gains recognised since last annual report (Change in Net Worth)		**306,267**		**26,732**

Balance Sheet as at 31 March 2010

	Notes	2009/10 £	2008/09 £
FIXED ASSETS			
Tangible Fixed Assets			
Operational Assets:			
Land & Buildings	***8***	0	0
Infrastructure Assets	***8***	0	0
Vehicles, Plant, Furniture and Equipment	***8***	58,019	72,726
Non-Operational Assets:			
Investment Properties		0	0
Assets under Construction	***8***	0	0
Surplus Assets held for Disposal		0	0
TOTAL FIXED ASSETS	***8***	**58,019**	**72,726**
Long Term Investments		0	0
Long Term Debtors	***12a***	0	0
TOTAL LONG TERM ASSETS		**58,019**	**72,726**
CURRENT ASSETS			
Stocks	***11***	0	0
Debtors	***12b***	2,652,475	2,951,543
Short Term Investments	***13/21a***	2,848,039	2,709,329
Cash and Bank	***13/21a***	2,627	4,460
		5,503,141	5,665,332
CURRENT LIABILITIES			
Borrowing repayable on demand or within 12 months	***14***	0	0
Creditors	***14***	4,605,121	5,073,579
Bank Overdraft		0	0
		4,605,121	5,073,579
TOTAL ASSETS LESS CURRENT LIABILITIES		**956,039**	**664,479**
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		**956,039**	**664,479**
RESERVES:			
Capital Adjustment Account	***22***	58,019	72,726
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***	898,020	591,753
Net Worth		**956,039**	**664,479**

Cash Flow Statement as at 31 March 2010

	Notes		2009/10 £			2008/09 £
REVENUE ACTIVITIES						
Net Cash Inflow/(Outflow) from Operating Activities	***21***		**124,596**			**452,275**
Returns on Investments and Servicing of Finance						
Cash Outflows						
Interest paid		-377			558	
Interest element of finance lease payments		0			0	
Cash Inflows						
Interest received		14,311			102,699	
Net Cash Inflow from Returns on Investments and Servicing of Finance			13,934			103,257
CAPITAL ACTIVITIES						
Cash Outflows						
Purchase of fixed assets		-1,653			-80,916	
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			-1,653			-80,916
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***		**136,877**			**474,616**

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 *'2009 Code of Practice on Local Authority Accounting in the United Kingdom : A Statement of Recommended Practic*e' (2009 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 2009 SORP. The 2009 SORP is based on approved accounting standards for the preparation of financial statements for the financial year beginning 1 April 2009. 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 18 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, the Joint Committee changed its policy on tangible assets. Under the new policy the acquisition of tangible assets are accounted for in the Balance Sheet, in 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 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 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 16%, rising to 17% on 1 April 2010. 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.

The reporting requirements for pensions will change with effect from 1 April 2011 in order to comply with the international financial reporting standards.

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
- Commercial Legal Protection 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	2009/10 £	2009/10 £		2008/09 £	2008/09 £
Surplus/(Deficit) for the year on the General Reserves - Income and Expenditure Account	***21***		**293,115**			**92,358**
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***	1,653			80,916	
Deferred grants amortised in the year	***19,21,22***	0			0	
Loans fund principal/depreciation adjustment:						
Depreciation charged in the year	***8,21***	14,805			15,290	
Loans fund principal repayments during the year	***22***	0			0	
			13,152			**65,626**
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	***21,22***					
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***		**306,267**			**26,732**
General Reserves Balance Brought Forward	***22***		591,753			565,021
General Reserves Balance Carried Forward	***22***		**898,020**			**591,753**

4. Operating Income and Expenditure

4a) Contract Income

The year on year analysis of contract income is shown below.

		2009/10	2008/09
Name		**£**	**£**
Antrim Borough Council		1,672,160	1,242,316
Ards Borough Council		2,560,634	2,375,254
Ballymena Borough Council		1,901,949	1,472,248
Belfast City Council		9,624,899	8,820,407
Carrickfergus Borough Council		1,215,639	1,044,874
Castlereagh Borough Council		1,474,844	1,274,530
Down District Council		388,456	384,043
Larne Borough Council		976,117	841,405
Lisburn City Council		3,371,134	2,736,495
Newtownabbey Borough Council		2,564,513	1,997,479
North Down Borough Council		2,486,311	2,105,900
Total		**28,236,656** =========	**24,294,951** =========

4b) Contract Expenditure

The year on year analysis of contract expenditure is shown below.

		2009/10	2008/09
Name		**£**	**£**
Antrim Borough Council		82,962	76,261
Ards Borough Council		136,806	122,967
Ballymena Borough Council		45,624	44,003
Belfast City Council		363,386	346,195
Carrickfergus Borough Council		29,388	28,451
Castlereagh Borough Council		73,780	70,029

Down District Council		114,039	106,183
Larne Borough Council		56,143	52,523
Lisburn City Council		190,992	175,473
Newtownabbey Borough Council		60,012	58,192
North Down Borough Council		142,807	132,385
Total		**1,295,939** =========	**1,212,662** =========

4c) External Audit Fees

	2009/10	2008/09
	£	£
External Audit Fees	16,000	13,897
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 (2008/09 £NIL).

4d) Leases

There was no expenditure incurred during the year on finance lease rentals (2008/09 £NIL) and there were no outstanding finance lease rentals at 31 March 2010.

5. Employee Costs

5a) Staff Costs

	2009/10	2008/09
	£	£
Salaries and wages	328,712	352,088
Employers National Insurance	29,235	30,380
Employers pension costs	52,594	52,921
TOTAL	**410,541**	**435,389**

In addition, agency costs during the year amounted to £670 (2008/09 £18,196).

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

	2009/10	**2008/09**
	FTE	**FTE**
	Actual Numbers	**Actual Numbers**
Full-time numbers employed	9	10
Part-time numbers employed	0	0

5c) Senior Employees' Remuneration

	2009/10	2008/09
	Number	**Number**
£50,001 to £60,000	2	0
£60,001 to £70,000	0	0
£70,001 to £80,000	0	1
£80,001 to £90,000	1	0

6a) Interest Payable and Similar Charges

	2009/10	2008/09
	£	**£**
Loan Interest	0	0
Bank Interest*	377	-558
Other Interest (please specify)	0	0

*interest charges refunded in 2008/09

6b) Interest and Investment Income

	2009/10	2008/09
	£	**£**
Current account interest	1	9,338
Short-term deposit interest	14,310	93,361
TOTAL	**14,311**	**102,699**

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 2009/10 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.

ABSTRACT OF ACCOUNTS 2009/10

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 2009/10, the level of income and expenditure between arc21 and participant Councils was £28,926,664, compared to £24,964,452 in 2008/09. The amount owed by participant Councils to arc21 at 31 March 2010 was £2.1m and the amount owed by arc21 to participant Councils was £1.2m.

The year on year Establishment Costs charged, as shown in the Income and Expenditure Account on page 18, is shown below.

		2009/10	2008/09
Name		**£**	**£**
Antrim Borough Council		38,639	36,908
Ards Borough Council		56,638	54,609
Ballymena Borough Council		45,619	44,003
Belfast City Council		196,504	191,634
Carrickfergus Borough Council		29,385	28,451
Castlereagh Borough Council		48,189	47,013
Down District Council		50,835	48,948
Larne Borough Council		22,994	22,431
Lisburn City Council		83,377	80,910
Newtownabbey Borough Council		60,016	58,192
North Down Borough Council		57,812	56,401
Total		**690,008** =========	**669,500** =========

8. Fixed Assets

	Land £	Buildings £	Infrastructure Assets £	Vehicles & Equipment £	Assets Under Construction £	Non-Operational £	TOTAL £
Cost or Valuation							
At 1 April 2009	**0**	**0**	**0**	**89,916**	**0**	**0**	**89,916**
Revaluation	0	0	0	0	0	0	**0**
Additions (Note 9)	0	0	0	1,653	0	0	**1,653**
Transfers	0	0	0	0	0	0	**0**
Disposals (Note 22)	0	0	0	-1,555	0	0	**-1,555**
At 31 March 2010	0	0	0	90,014	0	0	**90,014**
Depreciation							
At 1 April 2009	0	0	0	17,190	0	0	**17,190**
Revaluation	0	0	0	0	0	0	**0**
Disposals (Note 22)	0	0	0	-518	0	0	**0**
Provided for year	0	0	0	15,323	0	0	**14,805**
At 31 March 2010	0	0	0	31,995	0	0	**31,995**
Net Book Value							
At 31 March 2009	**0**	**0**	**0**	**72,726**	**0**	**0**	72,726
At 31 March 2010	**0**	**0**	**0**	**58,019**	**0**	**0**	**58,019**

9. Capital Expenditure

	Note	2009/10	2008/09
Expenditure		**£**	**£**
Capital Expenditure	8	1,653	80,916
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***	1,653	80,916
(Surplus)/Deficit			
Balance at 1 April 2009		0	0
At 31 March 2010		**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

	2009/10	**2008/09**
	£	**£**
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	652,544	513,552
Other Councils (Note 7)	1,426,433	2,358,558
Value Added Tax	230,854	220,313
Payments in advance	184,525	5,230
Other	411,517	104,652
less: provision for doubtful debts	253,398	250,762
Total debtors	**2,652,475**	**2,951,543**

13. Short-Term Investments

	2009/10	**2008/09**
	£	**£**
Bank deposits – general	2,848,039	2,709,329
Bank deposits - repairs and renewals	0	0
Bank deposits - capital fund	0	0
Money market deposits	0	0
Current account deposits	2,627	4,460
Total Short-Term Investments	**2,850,666**	**2,713,789**

14. Creditors

	2009/10	2008/09
	£	£
Amounts falling due in less than one year		
Government Departments	0	0
Other Councils (Note 7)	1,154,769	1,114,214
Receipts in advance	0	0
Trade Creditors	2,933,805	3,459,858
Other	516,547	499,507
Borrowing re-payable within one year	0	0
Total creditors	**4,605,121**	**5,073,579**

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	2,629,515
Three to six months	22,959
Six months to one year	Nil
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

arc21 has no provisions.

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	**2009/10 £**	**2009/10 £**	**2008/09 £**	**2008/09 £**
Surplus/Deficit for year	***3***		293,115		92,358
Non-cash transactions					
Depreciation	***3,8***	14,805		15,290	
Deferred Grants amortised in year	***3,19,22***	0		0	
			14,805		15,290
Adjustment for items reported separately on Cashflow					
Interest and Investment Income	***6b)***		-14,311		-102,699
Interest payable and similar charges including gains or losses on the repurchase or early resettlement of borrowings	***6a)***		377		-558
Gain or loss on disposal of fixed assets	***3,22***		0		0
Items on an accruals basis					
Increase in stock			0		0
Decrease in debtors			299,068		1,082,693
Decrease in creditors			-468,458		-634,808
Net Cash Inflow from Operating Activities			**124,596**		**452,275**

22a) Analysis of Changes in Cash and Cash Equivalents During the Year

		2009/10	2008/09	Change	2007/08
	Note				
		£	£	£	£
Temporary Investments		0	0	0	0
Cash		2,850,666	2,713,789	136,877	2,239,173
Total		**2,850,666**	**2,713,789**	**136,877**	**2,239,173**

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 £2.5m 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 9% of turnover.

22b) 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 2009	2,713,789		**2,713,789**				**2,713,789**
Change in Year	136,877		**136,877**				**136,877**
Other non cash changes - new finance leases	0		**0**				**0**
Balance at 31 March 2010	**2,850,666**		**2,850,666**	**0**	**0**	**0**	**2,850,666**

22c) Reconciliation of Changes in Cash to Movements in Net Debt

	Note		2009/10		2008/09
			£		£
Increase / Decrease in cash in year			136,877		474,616
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			**136,877**		**474,616**
New finance leases	*9*		0		0
Net debt b/fwd			2,713,789		2,239,173
Net debt c/fwd			**2,850,666**		**2,713,789**

22d) Analysis of Government Grants shown in the Cash Flow Statement

	2009/10	2008/09
	£	£
Capital Grants		
Central Government Grants	671,633	462,242
(i) Sub-total		
Revenue Grants		
Waste Management	402,901	358,148
(ii) Sub-total		
Total Grants	**1,074,534**	**820,390**

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

23. 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
		£	£	£	£	£	£	£	£	£	£	£
		22a)	*22b)*	*22c)*	*22d)*	*18, 22e)*	*22f)*	*22g)*	*22h)*		*3*	
At 1 April 2009		72,726	0	0	0	0	0	0	0	0	591,753	**664,479**
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*	1,653	0	0	0	0	0	0	0	0	0	**1,653**
Loans fund principal/depreciation adjustment	*3*	-14,805	0	0	0	0	0	0	0	0	0	**-14,805**
Receipts		0	0	0	0	0	0	0	0	0	306,267	**306,267**
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*	-1,555	0	0	0	0	0	0	0	0	0	**-1,555**
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)		-14,707	0	0	0	0	0	0	0	0	306,267	**291,560**
At 31 March 2010		**58,019**	**0**	**0**	**0**	**0**	**0**	**0**	**0.00**	**0**	**898,020**	**956,039**

23a) 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.

23b) Financial Instruments Adjustment Account

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

23c) 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.

23d) Available-for-Sale Financial Instruments Adjustment Reserve

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

23e) Pension Reserve

Refer to Note 18.

23f) 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.

23g) Capital Fund

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

23h) Renewal and Repairs Fund

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

24. Payment of Invoices

In terms of payment of invoices to suppliers, arc21 has a target of complying with the contractual obligations entered into with each individual supplier. On average, this results in an obligation to pay invoices within 30 days of receipt. The average number of days taken to pay trade creditors during the financial year to March 2010 was calculated at 31.3 days.

During the year, arc21 paid in the region of 1,200 invoices with a total value of over £30 million excluding VAT.

The Minister at the Department of Finance and Personnel has reduced the target for the payment of invoices for central government departments to 10 days. This target is not mandatory on local government but arc21 endeavours to process invoices as quickly as possible within its contractual obligations and will keep its performance under review.

Accounts Authorised for Issue Certificate

In accordance with Financial Reporting Standard 21 Events after the Balance Sheet Date (FRS21), this Statement of Accounts which contains a number of minor amendments from the Accounts approved on 24 June 2010 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

..........27/10/10.....
Date