STATEMENT OF ACCOUNTS

arc21 JOINT COMMITTEE
FINANCIAL REPORT FOR THE YEAR ENDED
31 MARCH 2012

arc21

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Explanatory Foreword

Introduction

The Joint Committee's financial performance for the year ended 31 March 2012 is as set out in the Comprehensive Income and Expenditure Statement and its financial position is as set out in the Balance Sheet and Cash Flow Statement.

These financial statements have been prepared in line with the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code) and the Department of the Environment Accounts Direction, Circular LG 09/12 dated 14th May 2012. 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 and are detailed in note 31.

This Statement of Accounts explains the Joint Committee's finances during the financial year 2011/12 and its financial position at the end of that year. It follows approved accounting standards and is necessarily technical in parts.

The Explanatory Foreword is not part of the financial statements but is prepared on the basis that it is consistent with the financial statements. In addition, the Explanatory Foreword does not purport to comment on Joint Committee policies. The content and style of the Explanatory Foreword should be a matter of local judgement.

The Explanatory Foreword should be used to clarify the relationship between the Joint Committee's financial statements and other financial information the Joint Committee reports externally.

The purpose of the Explanatory Forward is to make the financial statements understandable to as wide an audience as possible. Consequently, non-technical language is used in the main and care is taken not to overwhelm the user with too much detail or to obscure the real meaning of the financial statements.

Group Accounts

The Code 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.

The Movement in Reserves Statements

These Statements, set out on pages 25-26, show the movement, in the years 2010/11 and 2011/12, on the different reserves held by the Joint Committee, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure) and other reserves.

The "Surplus or (deficit) on the Provision of Services" line shows the true economic cost of providing the Joint Committee's services, more details of which are shown in the Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement

This statement, as set out on page 27, shows the income earned and expenditure incurred during the year by the Joint Committee in accordance with generally accepted accounting practices.

The Balance Sheet

The Balance Sheet, as set out on page 28, shows the value, as at the Balance Sheet date, of the Joint Committee's assets and liabilities. The net assets of the Joint Committee (assets less liabilities) are matched by the reserves held by the Joint Committee. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Joint Committee may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the Joint Committee is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

The Cash Flow Statement

The Cash Flow Statement, as set out on page 29, shows the changes in cash and cash equivalents of the Joint Committee during the reporting period. The statement shows how the Joint Committee generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Joint Committee are funded by way of grant income and Council contributions, or from the recipients of services provided by the Joint Committee. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Joint Committee's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Joint Committee.

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 56.

Financial Information

The organisation recorded an overall increase in income, year on year, due primarily to increases in the Bring Service and Supply of Bins, and partly offset by a reduction in waste delivered to the Landfill and Materials Recovery Facility contracts combined with improved contract conditions. The income for the year was £34,299,912 compared to £33,938,783 in 2010/11 (restated), an increase of 2% with expenditure being £34,414,568 compared to £33,736,628 in 2010/11.

Actuarial losses on the pension assets/liabilities of £90,000 were recorded and the net sum of £22,292 was incurred funding capital expenditure primarily in respect of the acquisition of the Education Vehicle, following the end of its five year lease period, and the replacement of the contracts monitoring vehicle.

The General Reserves brought forward have been adjusted downwards to reflect an element of monies being repayable to Constituent Councils and therefore being treated as Creditors rather than within General Reserves. The amount involved was £795,955 and has been accounted for as a prior year adjustment (see note 31).

Overall, a deficit of £114,656 was recorded on the normal operational activities for the year, due primarily to a substantial volume of procurement activity, and this was funded from the General Reserves.

The impact of the operational deficit and the increase in pension liabilities resulted in a total charge to the Income and Expenditure Statement of £204,656; combining this with the prior year adjustment of £795,955 reduces the General Reserves at 31 March 2012 to £467,742.

This level of General Reserves is considered to be the minimum level recommended to provide for emergency, and other one off, situations arising. This represents approximately 1.4% of annual turnover compared to 4% in the previous year.

Contract Activity

All four major waste contracts, Landfill, Materials Recovery Facility, Organic Waste Treatment and Bring Service, performed satisfactorily during the year, from a financial point of view, representing £29m or 88% of the total income for the year. With the continuing decline in waste tonnages, improved contract conditions and Landfill Tax rising from £56 to £64 per tonne, it is expected that the level of contract activity, in financial terms, will remain at a similar 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.

Encouragingly, during the 2011/12 year the market continued to be favourable resulting in substantial savings in the cost of treating mixed dry recyclate materials, to the benefit of the ratepayer.

As previously reported, 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.

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 £2.2 million, which is then passed on to participant Councils. The landfill tax rate for the 2011/12 year was £56 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 2011/12 just over 131,000 tonnes of materials were delivered to these three contracts resulting in a saving on Landfill Tax in the region of £7m.

With the Landfill Tax rate per tonne increasing by a further 14%, from £56 to £64, in the 2012/13 year, the savings of landfill diversion activities continue to be substantial, estimated in excess of £7m, thus demonstrating the significant impact to the ratepayer of the waste treatment services contracts of arc21.

A close watch is kept on the Treasury plans for the Landfill Tax Escalator and the recent Budget made no provision to increase the escalator beyond 2015 when the cumulative Landfill Tax will reach £80 per tonne. However, given the current recessionary condition of the economy, any announcements by the Government of further increases to the escalator are probably being delayed until closer to 2015.

Residual Waste Treatment Project

During the year progress continued to be made on the procurement phase for the treatment of residual waste (black bin waste) with preparations for the final stage of the process being advanced.

It is anticipated that the procurement process will enter into the final phases in the next financial year when a preferred bidder will be announced.

The Department and the Programme Delivery Support Unit (PDSU) continued to provide excellent support to the project during the year. In addition, continued 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 2012 year, the indications from participant Councils show that the overall amount of biodegradable waste sent to landfill 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 annually. The 2012/13 year is also an EU Directive target year, thus putting more pressure on the timely and successful delivery of landfill diversion arrangements.

Residual Waste Treatment Project - 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 £470k (£1.02m in 2010/11), again covering the majority of the procurement activities.

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, disappointingly, the Executive announced substantial cuts for the waste infrastructure programme in the Comprehensive Spending Review 2011-15 and this will have significant financial implications for the Residual Waste Treatment Project. For example, substantial funding is required to acquire suitable sites and to provide capital contributions to minimise the funding costs, but the Department has confirmed that this funding support is no longer available with effect from April 2011.

However, arc21 recognise the current constraints on public sector finances and continues to work positively with the Department to maximise the level of funding support available.

Insurance Matters

A range of insurance policies are in place as part of the ongoing risk management and governance arrangements of the organisation. Details of the insurance policies in place can be seen on page 48.

Accounting Regulatory and Policy Changes

The Accounts Direction issued by the Department to arc21 for the 2011/12 year, reflects the amendments required to comply with the International Financial Reporting Standards, which became applicable, for the first time, in the previous financial year.

The 2012 Order

During the year the Department progressed with the Finance Act which has become operational in April 2012. To bring arc21 into line with the new financial provisions contained in the Act, the Department introduced the Local Government (Constituting Joint Committees as Bodies Corporate) Order (Northern Ireland) 2012 which came into operation on 2 April 2012.

International Financial Reporting Standards (IFRS)

From April 2010, the accounts for local government bodies in Northern Ireland have been required to comply with the International Financial Reporting Standards. The 2010/11 accounts were prepared in accordance with the IFRS, including the restatement of the 2009/10 accounts for comparison purposes. The 2011/12 accounts have been prepared on the same basis.

The main impact on the accounts of the Joint Committee has been the financial transactions and associated notes in relation to the pension scheme assets and liabilities.

International Accounting Standard 19 (IAS19) – Retirement Benefits

The reporting requirements in relation to retirement benefits (pensions) has also been updated in line with the international financial reporting 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 2011/12 accounts reflect the required pensions transactions changes during the year and the increase in pensions liability in 2012.

The Review of Public Administration (RPA)

During the year the Department confirmed that the review of public administration would proceed and that new arrangements for Local Government would become applicable in 2015 when the current 26 Council model will be reduced to 11. Crucially, the Department has indicated that due to the current financial crisis, there will not be funding available to local government to introduce the significant changes which will arise through the RPA process.

Local Government in Northern Ireland, in response to the 11 council Business Services Organisation model, developed a framework in which efficiencies and savings can be achieved across the range of services provided. This initiative is known as the Improvement, Collaboration and Efficiency (ICE) Programme. It is a voluntary local government led reform and transformation programme and arc21 has an active role to play in this process.

The specific options for the delivery of waste management services in the future, including the potential for a waste management authority model being established have yet to be determined and arc21 continues to monitor the position actively.

Downturn in Financial Markets- Investment Income

Due to the continued global economic downturn the investment income earned by arc21 remains at a low level. In 2011/12 the actual interest earned by arc21 on cash held on short term deposit was £22,849 compared to £19,926 in 2010/11.

Looking ahead to the next year there is unlikely to be any change in the level of investment income estimated to be earned, judging by the cautious approach to date of the Bank of England strategy regarding interest rates.

The overall interest earned for the year was £129,851 (£116,928 for 2010/11) as shown in the Comprehensive Income and Expenditure Statement on page 27. However, the additional interest was earned on the pension scheme and is therefore not available to arc21 for operational purposes. A breakdown of the interest earned is shown in note 8b on page 58.

Conclusion

In general, the 2011/12 year proved to be another 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 with a substantial volume of financial transactions involved in the successful management of our cashflow. The level of reserves at the end of the year have been reduced to what is regarded as a minimum amount to cover contingency and other one off situations without having to request additional sums from Participant Councils to meet the obvious financial challenges ahead in the sector.

Other funds, owed to Participant Councils from the adjustment to the General Reserves at 31 March 2012, remain available in the short term to provide valuable cashflow support.

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 critical success factors behind arc21.

Statement of the Joint Committee's and Chief Financial Officer'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 28 June 2012 and have been subject to minor amendments prior to being authorised for issue.

The Chief Financial Officer'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 Financial Officer 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;
- follow relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis; and
- make judgments and estimates that are reasonable and prudent.

The Chief Financial Officer is also required to:

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

arc21 Joint Committee
Annual Governance Statement 2011/2012

Scope of Responsibility

arc21 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. arc21 also has a duty under the 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 local government body 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.

arc21 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 arc21 has complied with this, its statutory duties under the 2006 Order and also meets the requirements of Regulation 2A of the Local Government Accounts and Audit (Amendment) Regulations (Northern Ireland) 2006 in relation to the publication of a statement on internal control.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values, by which the local government body is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables arc21 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 local government body'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 2012 and up to the date of approval of the 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**

Further to the previous 3 year corporate plan (2009-2012), arc21 is preparing the next corporate plan for 2012/15 in conjunction with arc21's main stakeholders, including member councils.

The previous 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 its annual report setting out the key achievements of the organisation compared to the corporate plan. It is the intention to continue this process as part of the normal annual activities of the organisation.

The current Waste Management Plan is being reviewed and updated and will involve public consultation.

arc21 has a Code of Governance in place which was approved by the Audit Committee and Joint Committee. The Code is based on the six principles set out in the CIPFA/SOLACE 'Delivering Good Governance in Local Government: A Framework' In addition, it was updated to reflect the Statement on the role of the Chief Finance Officer in Local Government published by CIPFA. 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. This is reviewed and updated to ensure compliance.

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

Further to the previous 3-year corporate plan (2009/12), arc21 is preparing the next corporate plan for 2012/15 in conjunction with arc21's main stakeholders, including member councils.

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. In this regard, the corporate plan for 2012/15 is currently being developed in consultation with key stakeholders. It is standard practice for an annual business plan to be prepared to reflect the corporate plan and to track the implementation of objectives and the achievement of targets.

arc21 is a member of the Waste Programme 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, publish and widely distribute 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 arc21 produce regular financial performance and key performance indicators (KPI) reports which are presented to member councils periodically.

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

Customer surveys are regularly used and the process will be further enhanced through the engagement of an external professional facilitator in 2012-13.

arc21 gained ISO 9001 Quality Management Systems accreditation in October 2011 which helps improve performance and facilitate continual improvement.

- **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, define 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; and
- Principle of Equal Committee Representation.

A Supplementary Agreement to the Terms of Agreement is also in place as well as Key Terms to the Residual Waste Treatment Project 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 and the Chief Executive.

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 members of staff receive induction training which includes an introduction to the Code of Conduct.

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

The Standing Orders were developed from existing models in place within NI local government and are updated as and when required.

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. 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, at the corporate level as well as during the procurement and operational phases of waste management contracts. A risk management framework is embedded throughout the organisation. This includes risks being identified and actively managed at both the corporate and operational levels of the organisation as well as for major projects.

Risk registers and risk action plans are in place to manage the risks identified. The risk registers and action plans are reviewed by the management team on an ongoing basis to ensure currency.

Where appropriate, risk registers are incorporated as part of the governance arrangements for procuring waste management contracts and reviewed by the Project Boards established to oversee such procurements. In terms of operational contracts, during the operational phase, regular meetings take place to enable risks to be identified and appropriate action taken to manage the risks, including the use of the services of Audit, Governance and Risk Services.

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 Annual 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 has an established Audit Committee with a terms of reference and agreed programme of work. The Audit Committee provides 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 oversees 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. There is a handbook for employees containing all employee related policies including acceptance and provision of gifts and hospitality; anti-fraud and corruption policy; Bribery Act and; Whistle-blowing (Public Interest Disclosure).

Ongoing general legal support is provided by one of the arc21 member councils (Belfast City Council's Legal Services Department) and specific contract and procurement legal support is provided by an external company following a competitive tendering exercise. In addition, in relation to the Residual Waste Treatment Project, a client side team of professional consultants are in place to provide advice on financial, technical, legal, communications and planning issues etc.

arc21 continues to engage Belfast City Council's Audit, Governance and Risk Services to provide an independent assurance and advisory service to help arc21 achieve its objectives and improve the effectiveness of its risk management, control and governance processes.

The Northern Ireland Audit Office provides a level of assurance through the provision of the annual external audit and the issuing of the Annual Audit Letter and the Report to Those Charged with Governance.

- **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.

In addition, there is a complaints policy in place which is publicly available on the arc21 website.

- **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 and the training needs of the Audit Committee are kept under review.

In addition, all staff received Fraud Awareness training and training on the Bribery Act 2010 was provided to staff, the Audit Committee and the Joint Committee.

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 Deputy Chair of the Joint Committee are members of the Waste Programme 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, publish and widely distribute 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.

The Role of the Chief Financial Officer

arc21 has designated it's Chief Executive as the Chief Financial Officer under section 54 of the Local Government Act (Northern Ireland) 1972. The Joint Committee complies with the requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government with the exception of principle 5: *"The Chief Financial Officer in a Local Authority must be professionally qualified and suitably experienced"*. Local regulations do not require the Chief Financial Officer to be professionally qualified and it is custom and practice that they are the Chief Executive of the Local Authority. The Chief Executive is supported by suitably qualified and experienced staff within the finance function, ensuring that decisions made by the Chief Financial Officer are based on sound technical knowledge and understanding.

Review of Effectiveness

arc21 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 arc21 who have responsibility for the development and maintenance of the governance environment, the Statements of Assurance from Directors providing confirmation that a risk control framework was in place throughout the year, the Head of Internal Audit's annual report, and also by comments made by the external auditors.

An extract from the Head of AGRS Annual Assurance Statement for the period ending 2011/12 is given below:

> As Head of Audit, Governance and Risk Services, on the basis of work carried out, I can provide **a reasonable assurance** regarding the adequacy and effectiveness of arc21's control environment. In forming this opinion, I have taken account of arc21's internal control systems, risk management and governance arrangements. Some weaknesses and areas for improvement have been identified through our audit work, and these have been reflected in audit progress reports and reports to

senior management and appropriate recommendations have been agreed.

The audit completed during the 2011/12 year has resulted in an 'amber' opinion, while no high priority recommendations were contained within the audit of the Review of the Revenue Share – Bring Contract. The level of agreement with audit recommendations, while below target is satisfactory, given the low number of recommendations made (2 medium priority recommendations were not accepted out of a total of 9 recommendations made). No 'red' level assurance reports were issued during the period. The findings of audit reports have been summarised during the year in regular internal audit progress reports to the Audit Committee. More information on the classification of audits is provided at Section 3 of this report along with the evidence to support this statement.

The 6-monthly recommendations monitoring process provides valuable assurance on the timely implementation of all audit recommendations contained within audit reports that are more than 6 months old. While I have been able to report where there has been progress made, for example, the results of the recommendations monitor exercise that was reported in April 2012 to the Audit Committee, showed that 43% of the outstanding recommendation had been fully implemented, there remains, in my opinion, scope for improving the timeliness of implementation of audit recommendations.

The Audit Committee provides an independent assurance on the adequacy of the risk management framework and associated control environment within arc21. It provides an independent scrutiny of arc21'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 Joint Committee's internal control environment within the annual report.

During the year arc21 has completed:

- an annual review of the effectiveness of the Internal Audit Function; and
- an annual review of the effectiveness of the Audit Committee.

The results of the above reviews are reported to the Audit Committee.

Northern Ireland Audit Office has also provided a level of assurance through the provision of the annual external audit, the Annual Audit Letter and the Report to Those Charged with Governance. An action plan is in place to address the issues identified.

Each of the three Directors has provided assurance through the preparation of their Annual Statements of Assurance as to the risk and control framework within their sphere of responsibility. In addition, arc21 can derive assurance from the achievement of accreditation for ISO 9001 Quality Management Systems during 2011-12.

A further important source of assurance to the Audit Committee is the 6-monthly recommendations monitoring process, whereby the Committee receives progress updates on the implementation of outstanding audit recommendations.

In the year 2012/13, the Audit Committee will continue to monitor the actions taken by management to address identified areas for improvement in the internal control environment, and the management of key risks.

Significant governance issues

- **Update on the Significant Governance Issue Declared in 2010/11**

The significant issue that was declared in the previous year's Annual Governance Statement for 2010/11 related to the funding and procurement of the Residual Waste Treatment Project.

The Residual Waste Treatment Project is a risk within the corporate risk register and as such, has a risk action plan in place and is regularly updated and monitored. It is important to note that this continues to be an issue for arc21 and therefore management action is still ongoing.

- **Declaration of Significant Governance Issues for 2011/12**

As part of the process of preparing this year's Annual Governance Statement all Directors were asked to consider significant governance issues that require action and disclosure. The significant issues identified related to:

- Residual Waste Treatment Project – capital funding and procurement;
- Challenges and Freedom of Information requests in relation to the procurement and management of waste contracts and supplies; and
- Continued Enhancement of Health and Safety Management

A description of the above governance issues for arc21 for 2011/12 is provided on the following pages. Management have set out the steps that will be taken to address these issues and have confirmed that they will monitor the implementation and operation of these steps.

- **Residual Waste Treatment Project – Capital Funding**

The Department announced in the Budget Report 2011-15 (i.e. commencing on 1 April 2011) that they would no longer be able to provide capital funding support for land assembly in relation to the facilities required for the Residual Waste Treatment Project.

The Authority is obliged to provide a site to accommodate the facilities to be constructed and the waste treatment service to be provided. Without the site being secured the risk of the Project failing is enhanced.

To mitigate the risk, arc21 has prepared a Business Case to enable Participant Councils to quantify the financial implications of providing funding to acquire the necessary land assembly in the absence of grant aid from the Department. This will be progressed further in the 2012/13 financial year.

The Business Case is being used to support a further request to the Department so that the possibility of other funding streams to support the Project can be explored.

The Business Case will also be presented to Participant Councils at the appropriate time to seek approval to acquire the site and associated funding thereof.

- **Residual Waste Treatment Project – Procurement**

The Project progressed to the Invitation to Submit Final Tenders stage and dialogue has been ongoing with the remaining bidder to develop an acceptable solution for incorporation into the Final Tender which is due to be received in the 2012/13 financial year.

In addition, following the withdrawal of one of the two bidders in February 2011, the critical issue of progressing the procurement with a single bidder has been reviewed.

Appropriate action in line with 2006 HM Treasury Guidance on Value for Money has been taken to satisfy key stakeholders involved that the specific concerns in dealing with a single bidder are being adequately addressed.

Central Government funding support for the Project is continuing with aid being provided for procurement activities. However, to maximise the support to the ratepayer, the Authority continues to lobby the Department for financial assistance of whatever nature, capital or revenue.

The Joint Committee recognizes that the multi disciplinary advisor costs are significant in relation to the Project and the importance of achieving value for money.

To address this issue, arc21 has:

- sought guidance and approval from Central Procurement Directorate, through the Waste Infrastructure Program Board, to engage directly with the advisors in relation to procurement costs

- applied a disaggregating approach to the activities required for the Project and, where possible, undertaking separate tendering competitions such as the services required for the Construction , Design and Management phase

- will be seeking independent expert advice in respect of the risks associated with the continuity of multi disciplinary advisory services provided to the Project

- **Challenges and Freedom of Information Requests in relation to Procurement and Management of Waste Contract and Supplies**

During the year there were a range of challenges which arose in relation to the procurement and management of waste contracts and supplies. Other than the matters below, they have all been dealt with satisfactorily.

A legal challenge to the awarding of a waste management services contract was received and is being progressed with the assistance of the procurement specialist legal advisors.

A number of Freedom of Information requests were received in relation to procurement, contracts and policy issues and all have been responded to in line with the legislation. One applicant has submitted a complaint to the Information Commissioner in respect of information which was not provided due to the commercially sensitive and confidential nature of that information. The Authority has been contacted by the Information Commissioner but as at October 2012 there has been no indication as to whether the complaint will be pursued.

- **Continued Enhancement of Health and Safety Management**

The Joint Committee acknowledges that Health and Safety continues to be a serious issue and remains committed to ensuring the health, safety and welfare of all its employees, service users and key stakeholders.

In particular, the provision of waste management services provided by contractors for the range of infrastructure services in place by arc21, bring with them specific Health and Safety issues. The ongoing management of waste contracts include health and safety issues but in recognition of the specialised nature of the health and safety issues at waste management facilities arc21 is seeking to procure independent expertise to enhance the current arrangements.

Signed: Hubert Nicholl
Councillor Hubert Nicholl
Chairman

Date 29/10/12

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

Date 29/10/12

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

Certificate of the Chief Financial Officer

I certify that:

(a) the Statement of Accounts for the year ended 31 March 2012 on pages 25 to 79 has been prepared in the form directed by the Department of the Environment and under the accounting policies set out on pages 30 to 50.

(b) in my opinion the Statement of Accounts gives a true and fair view of the financial position of the authority, at the reporting date, of its income and expenditure for the year ending 31/3/12.

....

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

Date 29/10/12

Joint Committee Approval of Statement of Accounts

These accounts were approved by resolution of the arc21 Joint Committee on the 28th June 2012 and have been subject to minor amendments prior to being authorised for issue.

Hubert Nicholl
....

Councillor Hubert Nicholl
Chairman

Date ....29/10/12....

Independent Auditor's Report To The Members Of The Joint Committee

I have audited the financial statements of arc21 Joint Committee for the year ended 31 March 2012 under the Local Government (Northern Ireland) Order 2005. The financial statements comprise the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet, Cash Flow Statement and the related notes. The financial statements have been prepared under the accounting policies set out within them.

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

Respective responsibilities of the Chief Financial Officer and the independent auditor

As explained more fully in the Statement of the Joint Committee's and Chief Financial Officer's Responsibilities, the Chief Financial Officer is responsible for the preparation of the financial statements 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 financial statements in accordance with the Local Government (Northern Ireland) Order 2005 and the Local Government Code of Audit Practice issued by the Chief Local Government Auditor. I conducted my audit in accordance with 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 financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to arc21 Joint Committee's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by arc21 Joint Committee; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Statement of Accounts to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view, in accordance with relevant legal and statutory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2011-12, of the financial position of arc21 Joint Committee as at 31 March 2012 and its income and expenditure for the year then ended; and

- the financial statements have been properly prepared in accordance with the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2006 and the Department of the Environment directions issued thereunder.

Opinion on other matters

- In my opinion the information given in the Explanatory Foreward for the financial year ended 31 March 2012 is consistent with the financial statements.

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 2011-12;
  - 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 accounts of arc21 Joint Committee 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.

Louise Mason
Local Government Auditor
Northern Ireland Audit Office
106 University Street
Belfast
BT7 1EU

30 October 2012

Movement in Reserves Statement for the Comparative Year

[Restated – see note 31]

	General Reserves	Statutory Reserves	Other Fund Balances & Reserves	Capital Receipts Reserve	Total Usable Reserves	Total Unusable Reserves	Total Joint Committee Reserves
	£	£	£	£	£	£	£
At 1 April 2010 – as originally stated	**898,020**	**0**	**0**	**0**	**898,020**	**(857,981)**	**40,039**
Prior Year Adjustment (note 31)	(330,223)	0	0	0	(330,223)	0	(330,223)
At 1 April 2010 – restated	**567,797**	**0**	**0**	**0**	**567,797**	**(857,981)**	**(290,184)**
Movements on reserves during the year:							
Surplus/(Deficit) on the Provision of Services – as originally stated	667,887	0	0	0	667,887	0	667,887
Other Comprehensive Income and Expenditure	0	0	0	0	0	320,000	320,000
Prior Year Adjustment (note 31)	(465,732)	0	0	0	(465,732)	0	(465,732)
Total Comprehensive Income and Expenditure	**202,155**	**0**	**0**	**0**	**202,155**	**320,000**	**522,155**
Adjustments between accounting basis & funding basis under regulations	(193,342)	0	0	0	(193,342)	193,342	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**8,813**	**0**	**0**	**0**	**8,813**	**513,342**	**522,155**
Transfers (to)/from Earmarked Reserves	0	0	0	0	0	0	0
Increase/(Decrease) in Year	**8,813**	**0**	**0**	**0**	**8,813**	**513,342**	**522,155**
At 31 March 2011 - restated	**576,610**	**0**	**0**	**0**	**576,610**	**(344,639)**	**231,971**

Movement in Reserves Statement for the Current Year

	General Reserves	Statutory Reserves	Other Fund Balances & Reserves	Capital Receipts Reserve	Total Usable Reserves	Total Unusable Reserves	Total Joint Committee Reserves
	£	£	£	£	£	£	£
At 1 April 2011 – restated	**576,610**	**0**	**0**	**0**	**576,610**	**(344,639)**	**231,971**
Movements on reserves during the year:							
Surplus/(Deficit) on the Provision of Services	(114,656)	0	0	0	(114,656)	0	(114,656)
Other Comprehensive Income and Expenditure	0	0	0	0	0	(90,000)	(90,000)
Total Comprehensive Income and Expenditure	**(114,656)**	**0**	**0**	**0**	**(114,656)**	**(90,000)**	**(204,656)**
Adjustments between accounting basis & funding basis under regulations	5,788	0	0	0	5,788	(5,788)	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**(108,868)**	**0**	**0**	**0**	**(108,868)**	**(95,788)**	**(204,656)**
Transfers (to)/from Earmarked Reserves	0	0	0	0	0	0	0
Increase/(Decrease) in Year	**(108,868)**	**0**	**0**	**0**	**(108,868)**	**(95,788)**	**(204,656)**
At 31 March 2012	**467,742**	**0**	**0**	**0**	**467,742**	**(440,427)**	**27,315**

Comprehensive Income and Expenditure Statement for the year ended 31 March 2012

This statement shows the income earned and expenditure incurred during the year by the Joint Committee in accordance with generally accepted accounting practices.

	Notes	2011/12 £	2010/11 RESTATED £
INCOME:			
Participating Councils	***29***	707,255	707,249
Government Grant	***9***	470,852	1,023,751
Financing and Investment Income	***8b***	129,851	116,928
Surplus on Non-Current Assets	***7c***	2,200	0
Contract Income :			
Landfill Service		22,679,736	23,077,824
Materials Recovery Facility - MRF		1,517,754	1,574,098
MRF Revenue Share		1,477,342	1,226,213
Organic Waste Treatment		4,037,569	3,694,845
Bring Service		433,108	216,437
Supply of Bins and Bring Banks		1,047,349	626,020
Other Contract Income		1,678,186	1,671,794
Other Income		118,710	3,624
	7a/31	32,989,754	32,090,855
TOTAL INCOME		**34,299,912**	**33,938,783**
		=========	=========
EXPENDITURE:			
Employee Costs	***6a***	418,823	208,123
Financing and Investment Income	***8a***	107,522	115,170
Deficit on Non-Current Assets	***7c***	0	518
Contract Expenditure :			
Landfill Service		22,679,736	23,046,912
Materials Recovery Facility- MRF		1,517,754	1,574,098
MRF Revenue Share		1,477,342	1,226,213
Organic Waste Treatment		4,037,569	3,694,846
Bring Service		433,108	216,437
Supply of Bins and Bring Banks		1,047,349	626,020
Other Contract Costs		1,667,537	1,671,794
Other Costs and Administrative Costs		1,027,828	1,356,497
	7b	33,888,223	33,412,817
TOTAL EXPENDITURE		**34,414,568**	**33,736,628**
		=========	=========
SURPLUS (DEFICIT) ON CONTINUING OPERATIONS		**(114,656)**	**202,155**
Actuarial gains/(losses) on pension assets/liabilities	***20***	(90,000)	320,000
TOTAL COMPREHENSIVE INCOME AND EXPENDITURE		**(204,656)**	**522,155**
		=========	=========

Balance Sheet as at 31 March 2012

The Balance Sheet shows the value as at the Balance Sheet date of the Joint Committee's assets and liabilities. The net assets of the Joint Committee (assets less liabilities) are matched by the reserves held by the Joint Committee. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Joint Committee may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the Joint Committee is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

	Notes	2011/12 £	2010/11 RESTATED £	2009/10 RESTATED £
Property, Plant, & Equipment	*10*	50,573	44,361	58,019
Land	*10*	0	0	0
Buildings	*10*	0	0	0
Infrastructure Assets	*10*	0	0	0
Assets Under Construction	*10*	0	0	0
Long Term Debtors	*14a*	0	0	0
TOTAL LONG TERM ASSETS		**50,573**	**44,361**	**58,019**
Inventories	*13*	0	0	0
Short Term Debtors	*14b*	2,557,751	6,619,337	2,652,475
Cash and Cash Equivalents	*15/24b*	2,018,993	2,367,196	2,850,666
Assets Held For Sale	*15/24b*	0	0	0
CURRENT ASSETS		**4,576,744**	**8,986,533**	**5,503,141**
Bank Overdraft		0	0	0
Short Term Borrowing	*17*	0	0	0
Short Term Creditors	*17/31*	4,109,002	8,409,923	4,935,344
Provisions		0	0	0
Liabilities In Disposal Groups		0	0	0
CURRENT LIABILITIES		**4,109,002**	**8,409,923**	**4,935,344**
Long Term Creditors		0	0	0
Provisions	*18*	0	0	0
Long Term Borrowing	*16*	0	0	0
Other Long Term Liabilities	*20.3*	491,000	389,000	916,000
Donated Assets Account	*21*	0	0	0
Capital Grant Receipts In Advance	*22*	0	0	0
LONG TERM LIABILITIES		491,000	389,000	916,000
NET ASSETS		**27,315**	**231,971**	**(290,184)**
USABLE RESERVES:				
Capital Receipts Reserve	*25*	0	0	0
General Reserves	*25/31*	467,742	576,610	567,797
UNUSABLE RESERVES:				
Capital Adjustment Account	*25*	50,573	44,361	58,019
Pensions Reserve	*25*	(491,000)	(389,000)	(916,000)
Accumulated Absences Account	*25*	0	0	0
NET WORTH		**27,315**	**231,971**	**(290,184)**

Cash Flow Statement as at 31 March 2012

The Cash Flow Statement shows the changes in cash and cash equivalents of the Joint Committee during the reporting period. The statement shows how the Joint Committee generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Joint Committee are funded by way of grant income and Council contributions, or from the recipients of services provided by the Joint Committee. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Joint Committee's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Joint Committee. The Joint Committee reports cash flows from operating activities using the indirect method, whereby the net Surplus or Deficit on the Provision of Services is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of revenue or expense associated with investing or financing cash flows.

	Notes	**2011/12** **£**	**2010/11 RESTATED** **£**
REVENUE ACTIVITIES			
Net Surplus / (Deficit) on the Provision of Services		**(114,656)**	**202,155**
Adjustment to surplus or deficit on the provision of services for noncash movements	***24a/31***	(207,255)	(683,276)
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(4,000)	**0**
Net Cashflows from Operating Activities		**(325,911)**	**(481,121)**
Net Cashflows from Investing Activities	***24d***	(22,292)	(2,349)
Net Cashflows from Financing Activities		0	0
Net Increase or Decrease in Cash & Cash Equivalents		(348,203)	(483,470)
Cash & Cash Equivalents at the beginning of the reporting period		2,367,196	2,850,666
Cash & Cash Equivalents at the end of the reporting period		**2,018,993**	**2,367,196**

Notes to the Financial Statements

1. Accounting Policies

1a) General Principles

The Statement of Accounts summarises the Joint Committee's transactions for the 2011/12 financial year and its position at the year-end, 31 March 2012. The Joint Committee is required to prepare an annual Statement of Accounts in a form directed by the Department of the Environment in accordance with regulations 4 (1) and (2) of the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2006 in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and the Best Value Accounting Code of Practice 2011/12, supported by International Financial Reporting Standards (IFRS). The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 also requires disclosure in respect of:

Summary of Significant Accounting Policies

i) Accruals of Income and Expenditure

- Revenue from the sale of goods is recognised when the Joint Committee transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Joint Committee.
- Revenue from the provision of services is recognised when the Joint Committee can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Joint Committee.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

ii) Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Joint Committee's cash management. Bank overdrafts are shown within current liabilities on the balance sheet.

iii) Contingent Assets

A contingent asset arises where an event has taken place that gives the Joint Committee a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Joint Committee. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

iv) Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Joint Committee a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Joint Committee. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

v) Discontinued Operations

Additional policy details are required where a Joint Committee has discontinued operations (or transferred operations under machinery of government arrangements) during the financial year.

vi) Employee Benefits

Short-term employee benefits payable during employment, such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees, are recognised as an expense in the year in which employees render service to the Joint Committee. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end and which employees can carry forward into the next financial year.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Joint Committee to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis in the Comprehensive Income and Expenditure Statement when the Joint Committee is demonstrably committed to the termination of the employment of an officer or group of officers.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Reserves balance to be charged with the amount payable by the Joint Committee to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

Employees of the Joint Committee are members of the Northern Ireland Local Government Officers Superannuation Committee (NILGOSC) scheme. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees who worked for the Joint Committee.

NILGOSC Pension Fund

The Northern Ireland Local Government Officers Superannuation Committee (NILGOSC) pension scheme is accounted for as a defined benefits scheme.

The liabilities of the NILGOSC scheme attributable to the Joint Committee are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates , etc, and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 4.8% (based on the indicative rate of return on high quality corporate bonds on the iBoxx Sterling Corporate Index, AA over 15 years with recently re-rated bonds removed from the index).

The assets of the NILGOSC scheme attributable to the Joint Committee are included in the Balance Sheet at their fair value:

- quoted securities – current bid price
- unquoted securities – professional estimate
- property – market value
- unitised securities – current bid price

The change in the net pensions liability is analysed into seven components:

- **current service cost** – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- **past service cost** – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- **interest cost** – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Expenditure line in the Comprehensive Income and Expenditure Statement
- **expected return on assets** – the annual investment return on the fund assets attributable to the Joint Committee, based on an average of the expected long-term return – credited to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement
- **gains or losses on settlements and curtailments** – the result of actions to relieve the Joint Committee of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement
- **actuarial gains and losses** – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve
- **contributions paid to the NILGOSC scheme –** cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense

In relation to retirement benefits, statutory provisions require the General Reserves balance to be charged with the amount payable by the Joint Committee to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are made to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Reserves of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Joint Committee also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements, subject to the approval of the joint Committee. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies that are applied to the NILGOSC pension fund.

vii) Events After the Balance Sheet Date

Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue.

Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events; and

- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

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 her certificate and opinion. Where material adjustments are made in this period they will be disclosed.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

viii) Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Joint Committee's financial performance.

ix) Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e., in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Joint Committee's financial position or financial performance. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

x) Financial Instruments

Most financial instruments held by Joint Committees would fall to be classified into just one class of financial liability and two classes of financial assets:

Financial Liabilities

Amortised Cost

Financial Assets

Loans and Receivables
Available for Sale

Financial liabilities are recognised on the Balance Sheet when the Joint Committee becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Joint Committee has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income or Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Reserves Balance to be spread over future years. The Joint Committee has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Reserves Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Additional policy detail is required where a Joint Committee has entered into financial guarantees or has financial liabilities at fair value through profit or loss (such as derivatives).

Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market; and
- available-for-sale assets – that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Joint Committee becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are then measured at their amortised cost. Annual credits to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. The Joint Committee has not made any relevant transactions to date but if it did so the policy would incorporate the amounts involved being presented in the Balance Sheet as the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement as the amount receivable for the year in the loan agreement.

However, should the Joint Committee make loans to voluntary organisations at less than market rates (soft loans), when soft loans are made, a loss will be recorded in the Comprehensive Income and Expenditure Statement for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest will be credited to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet.

Statutory provisions require that the impact of soft loans on the General Reserves Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Reserves Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset will be written down and a charge made to the Financing and Investment Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss will be measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the derecognition of an asset will be credited or debited to the Financing and Investment Income or Expenditure line in the Comprehensive Income and Expenditure Statement.

Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Joint Committee becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g., dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Joint Committee.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price;
- other instruments with fixed and determinable payments – discounted cash flow analysis; and
- equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for -Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income or Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

Additional policy detail is required where a Joint Committee has financial assets at fair value through profit or loss (such as derivatives).

xi) Foreign Currency Translation

Where the Joint Committee has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Comprehensive Income and Expenditure Statement.

xii) Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and Council contributions and donations are recognised as due to the Joint Committee when there is reasonable assurance that:

- the Joint Committee will comply with the conditions attached to the payments; and
- the grants or contributions will be received.

Amounts recognised as due are not credited to the Comprehensive Income and Expenditure Statement until conditions attaching to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to Government Grants in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Reserves Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

xiii) Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Joint Committee as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Joint Committee.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Joint Committee will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and restricted to that incurred during the development phase (research expenditure is not capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Joint Committee’s goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Joint Committee can be determined by reference to an active market. In practice, no intangible asset held by the Joint Committee meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Reserves Balance.

The gains and losses are therefore reversed out of the General Reserves Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £5k) the Capital Receipts Reserve.

xiv) Inventories & Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the weighted average costing formula.

Long Term contracts are accounted for on the basis of charging the surplus or deficit on the provision of services with the value of works and services received under the contract during the financial year.

xv) Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Investment properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income or Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement and result in a gain for the General Reserves Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Reserves Balance. The gains and losses are therefore reversed out of the General Reserves Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

xvi) Landfill Allowance Schemes

The Landfill Allowances Scheme operates under the Landfill Allowances Scheme (Northern Ireland) Regulations 2005. Local Authorities are allocated annual target figures for the maximum amount of biodegradable municipal waste that can be sent to landfill but there are no tradable allowances. It is not a 'cap and trade' scheme since landfill allowances are not tradable. For this reason, landfill allowances are not recognised as assets on the Balance Sheet.

xvii) Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Joint Committee as Lessee

Finance Lease:

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Joint Committee are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases are accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

The Joint Committee is not required to raise finance to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual provision is made from revenue towards the deemed capital investment in accordance with statutory requirements. Depreciation and impairment losses are therefore replaced by a revenue provision in the Comprehensive Income and Expenditure Statement, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases:

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from the use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g., there is a rent-free period at the commencement of the lease).

<u>The Joint Committee as Lessor</u>

Finance Leases

Where the Joint Committee grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Joint Committee's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease asset (long term debtor) in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease asset (long term debtor) together with any premiums received; and
- finance income (credited to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Reserves Balance and will be required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Reserves Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Reserves Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are paid, the element for the charge for the acquisition of the interest in the property is used to write down the lease asset (debtor). At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

Operating Leases

Where the Joint Committee grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g., there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

xviii) Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses. Depreciation is not charged on Assets Held for Sale. Additional policy detail is required where a Joint Committee is carrying a disposal group as an Asset Held for Sale.

If assets no longer meet the criteria to be classified as Held for Sale, they are reclassified back to non-current assets and valued at the lower of its carrying amount before they were classified as Held for Sale: adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be decommissioned i.e. abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of, or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal are categorised as capital receipts and credited to the Capital Receipts Reserve. Receipts are appropriated to the Reserve from the General Reserves Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against General Reserves, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Reserves Balance in the Movement in Reserves Statement.

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.

xix) Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Best Value Accounting Code of Practice 2010/11* (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received.

xx) Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

<u>Recognition</u>

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Joint Committee and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e., repairs and maintenance) is charged as an expense when it is incurred.

<u>Measurement</u>

Assets are initially measured at cost, comprising:

- the purchase price;
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located

The Joint Committee does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition will not increase the cash flows of the Joint Committee. In the latter case, where the asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Joint Committee.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Reserves Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost; and
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2008 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains), with any excess charged to the Comprehensive Income and Expenditure Statement; and
- where there is no balance in the Revaluation Reserve, the carrying amount of the asset is written down with a charge to the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

The same accounting treatment is applied to revaluation losses as a result of a general fall in asset prices across the board as opposed to a consumption of economic benefit specific to an asset as is in the case of impairment losses.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e., freehold land and certain Community Assets) and assets that are not yet available for use (i.e., assets under construction).

Depreciation is calculated on the following bases:

- vehicles, plant and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer; and
- infrastructure – straight-line allocation over the economic life of the asset.

Componentisation

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluations

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

xxi) Provisions

Provisions are made where an event has taken place that gives the Joint Committee a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Joint Committee may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense in the Comprehensive Income and Expenditure Statement in the year that the Joint Committee becomes aware of the obligation, and measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Joint Committee settles the obligation.

xxii) Reserves

The Joint Committee sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Reserves Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Reserves Balance in the Movement in Reserves Statement so that there is no net charge against General Reserves for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments and retirement benefits and do not represent usable resources for the Joint Committee – these reserves are explained in the relevant note to the accounts.

xxiii) Charges to Revenue for Non-Current Assets

Charges to revenue for non-current assets e.g. services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the Joint Committee;
- revaluation and impairment losses on assets used by the Joint Committee where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off; and
- amortisation of intangible fixed assets.

Depreciation, impairment losses and amortisations are replaced by [revenue provision] in the General Reserves Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

xxiv) 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.

xxv) Insurance Policies

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

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.

1b) Accounting Standards That Have Been Issued but Have Not Yet Been Adopted

At present there are no un-issued Accounting Standards directly applicable to arc21.

1c) Critical Judgements in Applying Accounting Policies

In applying accounting policies set out below the Joint Committee has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts take into account the following:

- A legal challenge to the awarding of a waste management services contract has been received and is being progressed with the assistance of the procurement specialist legal advisors. The challenge is being robustly defended and the Joint Committee has determined that this uncertainty is not yet sufficient to provide an indication of a liability arising.

1d) Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Joint Committee about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

There are no items in the Joint Committee’s Balance Sheet at 31 March 2012 for which there is a significant risk of material adjustment in the forthcoming financial year, but the following notes regarding pensions liabilities and arrears are presented for the readers information:

i) Pensions Liability

An estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged, in conjunction with NILGOSC, to provide the Joint Committee with expert advice about the assumptions to be applied.

The effects on the net pensions liability of changes in individual assumptions can be measured. However, the assumptions interact in complex ways and the figures, calculated by the consulting actuaries, are reflected in these Financial Statements.

ii) Provision For Bad Debts

At 31 March 2012, the Joint Committee made a provision of £35,000 for bad and doubtful debts. A review of significant balances suggests that this allowance is appropriate and, in the current economic climate, it is reasonably certain that such an allowance would be sufficient.

2. Segmental Reporting Analysis

In accordance with the Code of Practice on Local Authority Accounting, the Comprehensive Income and Expenditure Statement should be supported by information on individual reportable segments presented within the notes. Reportable segments are based on the Joint Committee's internal management reporting, for example departments, directorates or portfolios.

For each reportable segment, an analysis of the income and expenditure for that segment (ie a subjective analysis) is presented, to include those items of income and expenditure that are reported as part of internal management reporting. This analysis may include items that do not form part of the Comprehensive Income and Expenditure Statement (for example, that statutory provision for the repayment of debt) and exclude items that do form part of the Comprehensive Income and Expenditure Statement (for example, depreciation).

Since the Joint Committee operates as one unit in a single geographical area it is not deemed necessary or appropriate to produce segmental reporting. For completeness, year-on-year comparisons are shown below:

Income/Expenditure	**2011/12** **£**	**2010/11 RESTATED (Note 31)** **£**
Income from participating Councils	31,702,617	31,508,646
Government grants and contributions	470,852	1,023,751
Fees, charges and other service income	1,996,592	1,289,458
Interest and investment income	129,851	116,928
Surplus or deficit on associates and joint ventures	0	0
Total Income	**34,299,912**	**33,938,783**
Employee expenses	418,823	433,123
Other service expenses	33,395,829	32,123,113
Residual Waste Treatment Project Costs	474,114	1,049,733
Depreciation, amortisation and impairment	18,280	15,489
Interest payments	107,522	115,170
Total Expenditure	**34,414,568**	**33,736,628**
Other items	0	0
CONTINUING OPERATIONS	**(114,656)**	**202,155**

3. Adjustments between accounting basis and funding basis under regulations

	Notes	2011/12 £	2011/12 £	2010/11 £	2010/11 £
Amounts included in the Comprehensive Income and Expenditure Statement but required by statute to be excluded when determining the Movement on the General Reserves Balance for the year:					
Impairments (losses & reversals) of non-current assets	***10a/10b***	0		0	
Derecognition (other than disposal) of non-current assets	***10a/10b***	0		0	
Revaluation increases/decreases taken to Surplus/Deficit on the Provision of Services	***10a/10b***	0		0	
Depreciation charged in the year on non-current assets	***10a/10b,24a***	18,280	18,280	15,489	15,489
Net Revenue expenditure funded from capital under statute			0		0
Carrying amount of non-current assets sold	***10a/10b***	1,800		518	
Proceeds from the sale of PP&E, investment property and intangible assets	***24a,25***	(4,000)	(2,200)	0	518
Difference between finance costs calculated on an accounting basis and finance costs calculated in accordance with statutory requirements	***25***		0		0
Net charges made for retirement benefits in accordance with IAS 19	***20***		84,000		(145,000)
Direct revenue financing of Capital Expenditure	***11,25***		(22,292)		(2,349)
Capital Grants and Donated Assets Receivable and Applied in year			0		0
Capital Grants Receivable and Unapplied in year			0		0
Adjustments in relation to Short-term compensated absences	***17***		0		0
Adjustments in relation to Lessor Arrangements			0		0
Loans/Lease principal repayments during the year			0		0
Employers contributions payable to the NILGOSC Pension Fund and retirement benefits payable direct to pensioners	***20.2***		(72,000)		(62,000)
			5,788		**(193,342)**

4. External Audit Fees

The Joint Committee has incurred the following costs relating to the annual audit of the Statement of Accounts, certification of grant claims and other services provided by the Joint Committee's external auditors.

	2011/12	**2010/11 RESTATED**
	£	**£**
External Audit Fees	12,500	14,260
Grant Claim Certification Fees	0	0
Other Fees	0	0
	12,500	**14,260**

The audit costs for 2011/12 are the projected costs as per the Audit Strategy. The audit costs for 2010/11 has been restated from £18,000 to reflect the actual cost incurred.

There were no other fees payable in respect of other services by the appointed auditor over and above those described above.

5. Operating and Finance Leases

Operating Leases (Joint Committee as lessee)

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	2011/12		**2010/11**	
	Photocopier	**Education Vehicle**	**Photocopiers, Printers**	**Education Vehicle**
	£	**£**	**£**	**£**
Minimum lease payments	2,700	13,897	1,508	20,845
Contingent rentals	0	0	0	0
Less: Sublease payments receivable	0	0	0	0
	-	-	-	-
	2,700	**13,897**	**1,508**	**20,845**

No sub-lease payments or contingent rent payments were made or received. No sublease income is expected as all assets held under operating lease agreements are used exclusively by the Joint Committee.

The future minimum lease payments due under non-cancellable operating leases in future years are set out below:

	as at 31/3/12		as at 31/3/11	
	Photocopier	**Education Vehicle**	**Photocopier**	**Education Vehicle**
	£	**£**	**£**	**£**
Minimum lease rentals payable:				
No later than 1 year	2,700	0	2,700	10,422
Later than 1 year and no later than 5 years	8,100	0	10,800	0
Later than 5 years	0	0	0	0
	-	-	-	-
	10,800	**0**	**13,500**	**10,422**

6. Employee Costs

6a) Staff Costs

	2011/12	2010/11
	£	**£**
Salaries and Wages	319,050	343,603
Employers National Insurance	30,277	30,879
Employers pension costs	57,496	58,641
Total Staff Costs Prior to IFRS Adjustments	**406,823**	**433,123**
IFRS Related Adjustments:		
Current Service Costs	84,000	78,000
Less Pension Cost – Contribution by the Employer	(72,000)	(62,000)
Past Service Cost / (Gains)	0	(241,000)
TOTAL	**418,823**	**208,123**

In addition, agency costs during the year amounted to £42,622 (2010/11 £6,670).

There are also three permanent members of staff not directly charged to staff costs (2 in 2010/11), but charged to Education Vehicle costs and Residual Waste Treatment Project costs - £27,934 (£26,758 in 2010/11) included in 'Other Contract Costs' and £81,714 (£79,132 in 2010/11) included in 'Other Costs and Administrative Costs' in the Comprehensive Income and Expenditure Statement.

6b) Average Number of Employees - where FTE represents fulltime equivalent employees

	2011/12	2010/11
	FTE	FTE
	Actual Numbers	Actual Numbers
Full-time numbers employed	10	10
Part-time numbers employed	-	-

Note that FTE includes three staff not directly charged to staff costs (see note 6a).

6c) Senior Employees' Remuneration

	2011/12	2010/11
	Number	Number
£50,001 to £60,000	-	2
£60,001 to £70,000	2	-
£70,001 to £80,000	-	-
£80,001 to £90,000	1	1

7. Operating Income and Expenditure

7a) Contract Income

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

	2011/12	2010/11 RESTATED (note 31)
Name	**£**	**£**
Antrim Borough Council	1,726,504	1,775,648
Ards Borough Council	3,074,563	2,837,323
Ballymena Borough Council	2,510,209	2,117,169
Belfast City Council	10,393,582	10,441,927
Carrickfergus Borough Council	1,369,767	1,363,250
Castlereagh Borough Council	1,760,392	1,940,365
Down District Council	316,643	377,690
Larne Borough Council	959,681	1,065,821
Lisburn City Council	3,731,760	3,617,879
Newtownabbey Borough Council	2,438,699	2,569,320
North Down Borough Council	2,713,564	2,695,005
Sub-Total	**30,995,362**	**30,801,397**
Other Contract Revenue	1,994,392	1,289,458
Total	**32,989,754** =========	**32,090,855** =========

7b) Contract Expenditure

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

	2011/12	2010/11
Name	**£**	**£**
Antrim Borough Council	148,629	87,644
Ards Borough Council	240,675	163,874
Ballymena Borough Council	45,797	4,610
Belfast City Council	411,036	321,473
Carrickfergus Borough Council	5,613	0
Castlereagh Borough Council	103,332	49,643
Down District Council	178,642	118,679
Larne Borough Council	146,108	65,452
Lisburn City Council	326,358	211,392
Newtownabbey Borough Council	32,842	0
North Down Borough Council	276,728	166,166
Sub-Total	**1,915,760**	**1,188,933**
Other Operating and Administrative Costs	31,972,463	32,223,884
Total	**33,888,223**	**33,412,817**

7c) Surplus / (Deficit) on Non-Current Assets

	2011/12	2010/11
	£	**£**
Proceeds From Sale	4,000	0
Carrying amount of non-current assets sold	(1,800)	(518)
TOTAL	**2,200**	**(518)**

8. Financing and Investment Income and Expenditure

8a) Interest Payable and Similar Charges

	2011/12	2010/11
	£	£
Loan Interest	0	0
Bank Interest	522	170
Pension Interest Cost	107,000	115,000
Other Interest (please specify)	0	0
TOTAL	**107,522**	**115,170**

8b) Interest and Investment Income

	2011/12	2010/11
	£	£
Current account interest	2	2
Short-term deposit interest	22,849	19,926
Expected return on assets in the pension scheme	107,000	97,000
TOTAL	**129,851**	**116,928**

8c) Pension Interest Cost and Expected Return on Pension Assets

	2011/12	2010/11
	£	£
Expected return on assets in scheme	(107,000)	(97,000)
Interest cost	107,000	115,000
TOTAL	**0**	**18 ,000**

9. Government Grants

	2011/12	2010/11
	£	£
Capital Grants		
Central Government Grants	385,400	766,669
Revenue Grants		
Waste Management	85,452	257,082
Total Grants	**470,852**	**1,023,751**

Note that Capital Grants received from Central Government for the Residual Waste Treatment Project are treated as revenue within arc21's accounts.

10. Non Current Assets

10a) Fixed Assets – Property, Plant & Equipment – Current Year

	Land £	Buildings £	Infrastructure Assets £	Vehicles & Equipment £	Assets Under Construction £	TOTAL £
Cost or Valuation						
At 1 April 2011	**0**	**0**	**0**	**90,808**	**0**	**90,808**
Revaluation	0	0	0	0	0	**0**
Additions	0	0	0	26,292	0	**26,292**
Transfers	0	0	0	0	0	**0**
Disposals	0	0	0	(9,000)	0	**(9,000)**
At 31 March 2012	0	0	0	108,100	0	**108,100**
Depreciation						
At 1 April 2011	0	0	0	46,447	0	**46,447**
Revaluation	0	0	0	0	0	**0**
Disposals	0	0	0	(7,200)	0	**(7,200)**
Provided for year	0	0	0	18,280	0	**18,280**
At 31 March 2012	0	0	0	57,527	0	**57,527**
Net Book Value						
At 31 March 2011	**0**	**0**	**0**	**44,361**	**0**	**44,361**
At 31 March 2012	**0**	**0**	**0**	**50,573**	**0**	**50,573**

10b) Fixed Assets – Property, Plant & Equipment – Comparative Year

	Land £	Buildings £	Infrastructure Assets £	Vehicles & Equipment £	Assets Under Construction £	TOTAL £
Cost or Valuation						
At 1 April 2010	**0**	**0**	**0**	**90,014**	**0**	**90,014**
Revaluation	0	0	0	0	0	**0**
Additions	0	0	0	2,349	0	**2,349**
Transfers	0	0	0	0	0	**0**
Disposals	0	0	0	(1,555)	0	**(1,555)**
At 31 March 2011	0	0	0	90,808	0	**90,808**
Depreciation						
At 1 April 2010	0	0	0	31,995	0	**31,995**
Revaluation	0	0	0	0	0	**0**
Disposals	0	0	0	(1,037)	0	**(1,037)**
Provided for year	0	0	0	15,489	0	**15,489**
At 31 March 2011	0	0	0	46,447	0	**46,447**
Net Book Value						
At 31 March 2010	**0**	**0**	**0**	**58,019**	**0**	**58,019**
At 31 March 2011	**0**	**0**	**0**	**44,361**	**0**	**44,361**

11. Capital Expenditure

	Note	2011/12	2010/11	2009/10
Expenditure		**£**	**£**	**£**
Capital Expenditure	10	26,292	2,349	1,653
Financed By				
Borrowings:				
Loans		0	0	0
Finance leases		0	0	0
Grants receivable		0	0	0
Capital receipts		4,000	0	0
Revenue contributions to capital	***3,25***	22,292	2,349	1,653
		26,292	**2,349**	**1,653**
(Surplus)/Deficit		0	0	0
Balance at 1 April 2011		0	0	0
At 31 March 2012		**0**	**0**	**0**

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

12. 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 professional advice from the Land and Property Services Agency of the Department of Finance and Personnel and will be accounted for in the relevant financial year.

13. Stock

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

14. Debtors

	2011/12	2010/11	2009/10
	£	**£**	**£**
a) Long Term Debtors: *amounts falling due*			
in more than one year			
Employee car loans	0	0	0
b) Debtors: amounts falling due in less than			
One year			
Government Departments	326,475	567,677	652,544
Councils	1,164,316	5,284,951	1,426,433
Grants	38,713	0	0
Value Added Tax	339,199	231,159	230,854
Payments in advance	150	58,258	184,525
Other	723,899	662,954	411,517
less: provision for doubtful debts	(35,000)	(185,662)	(253,398)
Total debtors	**2,557,751**	**6,619,337**	**2,652,475**

Although the total debtors balance in 2010/11 was higher than both 2009/10 and 2011/12, this was due to the timing of cashflows and was offset by a corresponding increase in total creditors in 2010/11 (see note 17.1). The net working capital balance remains consistent year-on-year.

15. Cash and Cash Equivalents

	2011/12	2010/11	2009/10
	£	**£**	**£**
Bank deposits – general	2,522,702	2,353,966	2,848,039
Bank deposits - repairs and renewals	0	0	0
Bank deposits - capital fund	0	0	0
Money market - deposits	0	0	0
Current account - balance	(503,709)	13,230	2,627
Total Short-Term Investments	**2,018,993**	**2,367,196**	**2,850,666**

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

The Joint Committee have not entered into any borrowing arrangements.

17. Creditors

17.1 Short Term Creditors

	2011/12	2010/11	2009/10
		RESTATED (note 31)	RESTATED (note 31)
	£	£	£
Amounts falling due in less than one year			
Government Departments	0	0	0
Councils	1,529,454	2,801,675	1,484,992
Receipts in advance	0	0	0
Trade Creditors	2,357,439	4,061,207	2,933,805
Other	222,109	1,547,041	516,547
Borrowing re-payable within one year	0	0	0
Total creditors	**4,109,002**	**8,409,923**	**4,935,344**

See note 14 to explain the higher creditors balance in 2010/11.

17.2 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. On average 93% of suppliers invoices were paid within thirty days during the year

During the year, arc21 paid in the region of 1,075 invoices with a total value of over £34m (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.

18. Provisions

The Joint Committee has no provisions.

19. 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:

	2011/12	**2010/11**	**2009/10**
	£	**£**	**£**
Less than three months	2,080,071	6,436,814	2,629,515
Three to six months	134,159	67,098	22,959
Six months to one year	0	11,671	0
More than one year	0	0	0
Total Aged Debts	**2,214,230**	**6,515,583**	**2,652,474**

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, the Joint Committee has 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.

20. Retirement Benefits

20.1 Participation in the arc21 Joint Committee Pension Fund

As part of the terms and conditions of employment of its officers and other employees, the Joint Committee offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Joint Committee has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Joint Committee participates in the Northern Ireland Local Government Officers Superannuation Committee (NILGOSC) scheme. This is a funded scheme, meaning that the Joint Committee and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets.

20.2 Transactions relating to retirement benefits - Comprehensive Income and Expenditure Statement Charges:

The Joint Committee recognises the cost of retirement benefits in the Comprehensive Income and Expenditure Statement when they are earned by employees, rather than when the benefits are eventually paid as pensions.

However, the charge the Joint Committee is required to make against General Reserves is based on the cash payable in the year, and the real cost of retirement benefits is reversed out in the 'adjustments between accounting basis & funding basis under regulations' line, in the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the adjustments between accounting basis & funding basis under regulations line, in the Movement in Reserves Statement during the year:

	2011/12	2010/11
	£	£
Net cost of services:		
Current service cost	84,000	78,000
Past service cost/(gain)	0	(241,000)
Gains and losses on settlements or curtailments	0	0
Net operating expenditure:		
Interest cost	107,000	115,000
Expected return on scheme assets	(107,000)	(97,000)
Net charge to the Comprehensive Income and Expenditure Statement	**84,000**	**(145,000)**

Adjustments between accounting basis & funding basis under regulations:		
Reversal of net charges made for retirement benefits in accordance with IAS 19	(84,000)	145,000
Actual amount charged against the general fund balance for pensions in the year:		
Employers' contributions payable to scheme	72,000	62,000
Net charge to the Comprehensive Income and Expenditure Statement	**(12,000)**	**207,000**

The service cost figures include an allowance for administration expenses of 0.3%.

In addition to the recognised gains and losses included in the Comprehensive Income and Expenditure Statement, actuarial losses of £90k (£320k gain in 2010/11) were included in other comprehensive income and expenditure in the Comprehensive Income and Expenditure Statement. The cumulative amount of actuarial gains and losses recognised in other comprehensive income and expenditure is a loss of £361k (£271k loss in 2010/11).

20.3 Assets and liabilities in relation to retirement benefits

Reconciliation of present value of the scheme liabilities:

	2011/12	2010/11
	£	£
Balance as at 1 April	1,899,000	2,221,000
Current service cost	84,000	78,000
Interest cost	107,000	115,000
Contributions by members	28,000	26,000
Actuarial losses/(gains)	(6,000)	(297,000)
Past service costs/(gains)	0	(241,000)
Losses/(gains) on curtailments	0	0
Liabilities extinguished on settlements	0	0
Estimated unfunded benefits paid	0	0
Estimated benefits paid	(4,000)	(3,000)
Balance as at 31 March	**2,108,000**	**1,899,000**

Reconciliation of present value of the scheme assets:

	2011/12	2010/11
	£	£
Balance as at 1 April	1,510,000	1,305,000
Expected return on assets	107,000	97,000
Contributions by members	28,000	26,000
Contributions by employer	72,000	62,000
Contributions in respect of unfunded benefits	0	0
Actuarial gains/(losses)	(96,000)	23,000
Assets distributed on settlements	0	0
Unfunded benefits paid	0	0
Benefits paid	(4,000)	(3,000)
Balance as at 31 March	**1,617,000**	**1,510,000**

The Joint Committee has been advised by the consulting actuary, Hymans Robertson LLP, that the return on the Fund in market value terms for the year to 31 March 2012 is estimated based on actual Fund returns as provided by the Administering Authority and index returns where necessary. The expected return on scheme assets is 5.7% for the year to 31 March 2012.

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was a loss of £119k (2010/11 gain of £527k).

Fair Value of Plan Assets

-	31/03/2012	31/03/2011	31/03/2010
	£	£	£
Equity investments	1,197,000	1,163,000	1,005,000
Bonds	226,000	211,000	183,000
Property	129,000	91,000	78,000
Cash	65,000	45,000	39,000
	1,617,000	**1,510,000**	**1,305,000**

The above asset values are at bid value as required by IAS 19.

The Joint Committee's share of the Net Pension Liability (included in the Balance Sheet):

-	31/03/2012	31/03/2011	31/03/2010
	£	£	£
Fair Value of Employer Assets	1,617,000	1,510,000	1,305,000
Present value of funded liabilities	(2,108,000)	(1,899,000)	(2,221,000)
Net (Under)/Overfunding in Funded Plans	**(491,000)**	**(389,000)**	**(916,000)**
Present Value of Unfunded Liabilities	0	0	0
Unrecognised Past Service Cost	0	0	0
Amounts not recognised as an asset	0	0	0
Fair value of reimbursement rights recognised as an asset	0	0	0
Other amounts not recognised in the Balance Sheet	0	0	0
Net Asset/(Liability)	**(491,000)**	**(389,000)**	**(916,000)**
Amount in the Balance sheet:			
Liabilities	(491,000)	(389,000)	(916,000)
Assets	0	0	0
Net Asset/(Liability)	**(491,000)**	**(389,000)**	**(916,000)**

20.4 Scheme History

Analysis of Scheme Assets and Liabilities

	31/03/2012	31/03/2011	31/03/2010
	£	£	£
Fair Value of Assets in pension scheme	1,617,000	1,510,000	1,305,000
Present Value of Defined Benefit Obligation	(2,108,000)	(1,899,000)	(2,221,000)
Surplus/(deficit) in the Scheme	**(491,000)**	**(389,000)**	**(916,000)**

Amount recognised in Other Comprehensive Income and Expenditure

	31/03/2012	31/03/2011	31/03/2010
	£	£	£
Actuarial gains/(losses)	(90,000)	320,000	(591,000)
Increase/(decrease) in irrecoverable surplus from membership fall and other factors	0	0	0
Actuarial gains/(losses) recognised in Other Comprehensive Income and Expenditure	(90,000)	320,000	(591,000)
Cumulative actuarial gains and losses	**(361,000)**	**(271,000)**	**(591,000)**
History of experience gains and losses:			
Experience gains and (losses) on assets	(96,000)	23,000	313,000
Experience gains and (losses) on liabilities	(4,000)	33,000	0

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £2,108k has a substantial impact on the net worth of the Joint Committee as recorded in the Balance Sheet, resulting in a net liability of £491k.

However, statutory arrangements for funding the deficit mean that the financial position of the Joint Committee remains healthy. The deficit on the NILGOSC Pension Fund will be made good by increased contributions over the remaining working life of employees, assessed by the scheme actuary.

Analysis of Projected Amount to be Charged to the Comprehensive Income and Expenditure Statement for the Year to 31 March 2013

-		
	£	**%**
Projected current cost	88,000	20.9%
Interest on obligation	104,000	24.8%
Expected return on assets	(95,000)	(22.7)%
Past service cost	0	0.0%
Gains and losses on settlements or curtailments	0	0.0%
	97,000	**23.0%**

The total contributions expected to be made to the arc21 Joint Committee Pension Fund by the Joint Committee in the year to 31 March 2013 is £80,000.

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2012.

	31/03/2012	**31/03/2011**	**31/03/2010**
	%	**%**	**%**
Experience gains and (losses) on Assets	(6)%	2%	24%
Experience gains and (losses) on Liabilities	0%	(2)%	0%

20.5 Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in the future years is dependent on assumptions about mortality rates, salary levels, etc. The Joint Committee's Fund liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the Joint Committee Fund being based on data pertaining to the latest full valuation of the scheme as at 31 March 2012.

	2011/12	**2010/11**
Long-term expected rate of return on assets in the scheme:		
Equity investments	6.20%	7.50%
Bonds	4.10%	4.90%
Property	4.40%	5.50%
Cash	3.50%	4.60%
Mortality assumptions:		
Longevity at 65 current pensioners:		
Men	22.9 years	22.9 years
Women	25.7 years	25.7 years
Longevity at 65 for future pensioners:		
Men	24.9 years	24.9 years
Women	27.7 years	27.7 years
Inflation/Pension Increase Rate	2.50%	2.80%
Salary Increase Rate	4.80%	5.10%
Expected Return on Assets	5.70%	6.90%
Discount Rate	4.80%	5.50%
Take-up of option to convert annual pension into retirement lump sum:		
Service to April 2009	50%	50%
Service post April 2009	75%	75%

20.6 Major Categories of Plan Assets as Percentage of Total Plan Assets

The arc21 Joint Committee (NILGOSC) Pension Fund's assets consist of the following categories, by proportion of the total assets held:

-	31/03/2012	31/03/2011	31/03/2010
	%	**%**	**%**
Equity investments	74	77	77
Bonds	14	14	14
Property	8	6	6
Cash	4	3	3
	100	**100**	**100**

21. Donated Assets Account

There are no donated assets.

22. Capital Grants Received In Advance

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.

23. Contingencies

The Joint Committee is not aware of any possible obligation which may require payment or a transfer of economic benefits under the provisions set out in IAS37.

24a) Analysis of Adjustments to Surplus/Deficit for the year

	Note	2011/12 £	2010/11 RESTATED (Note 31) £
Adjustment to surplus for noncash movements			
Depreciation	***3,10***	18,280	15,489
(Increase)/Decrease in debtors		4,061,586	(3,966,862)
Increase/(Decrease) in creditors		(4,300,921)	3,474,579
Payments to Pension Fund		12,000	(207,000)
Carrying value of non-current assets sold		1,800	518
		(207,255)	**(683,276)**
Adjustment for items included in the net surplus that are investing and financing activities			
Proceeds from sale of non-current assets		(4,000)	0
		(4,000)	**0**

24b) Analysis of Changes in Cash and Cash Equivalents During the Year

	2011/12	2010/11	2009/10
	£	£	£
Cash and Bank Balances	(503,709)	13,231	2,627
Short Term Deposits	2,522,702	2,353,965	2,848,039
Total	**2,018,993**	**2,367,196**	**2,850,666**

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 £2.9m 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 6% of turnover.

24c) Cash Flow Statement – Operating Activities

	2011/12	2010/11
	£	**£**
The cash flows from operating activities include:		
Interest received	**22,851**	**19,928**
Interest paid	**522**	**170**

24d) Cash Flows from Investing Activities

	2011/12	2010/11
	£	**£**
Purchase of PP&E, investment property and intangible assets	(26,292)	(2,349)
Purchase of Short Term Investments (not considered to be cash equivalents)	0	0
Purchase of Long Term Investments	0	0
Other Payments for Investing Activities	0	0
Proceeds from the sale of PP&E, investment property and intangible assets	4,000	0
Proceeds from Short Term Investments (not considered to be cash equivalents)	0	0
Proceeds from Long Term Investments	0	0
Capital Grants and Contributions Received	0	0
Other Receipts from Investing Activities	0	0
Net Cash flows from Investing Activities	**(22,292)**	**(2,349)**

25a) Movement on Reserves – Current Year

		USABLE RESERVES			UNUSABLE RESERVES				
		Capital Receipts Reserve	**General Reserves**	**TOTAL USABLE RESERVES**	**Capital Adjustment Account**	**Pensions Reserve**	**Accumulated Absences Account**	**TOTAL UNUSABLE RESERVES**	**TOTAL RESERVES**
		£	**£**	**£**	**£**	**£**	**£**	**£**	**£**
	Note	***26a)***	***26f)***		***26g)***	***26k)***	***26m)***		
At 1 April 2011 – restated	***31***	0	576,610	**576,610**	44,361	(389,000)	0	**(344,639)**	**231,971**
Movements during the year:									
Direct Revenue Financing	***3,11***		(22,292)	**(22,292)**	22,292			**22,292**	**0**
Depreciation & impairment adjustment	***3***		18,280	**18,280**	(18,280)			**(18,280)**	**0**
Surplus/(Deficit) on the Provision of Services			(114,656)	**(114,656)**				**0**	**(114,656)**
Transfers between Earmarked Reserves and General Reserves			0	**0**				**0**	**0**
Net movements on Pension Reserve	***3,20***		12,000	**12,000**		(12,000)		**(12,000)**	**0**
Disposal of Fixed Assets/Capital Sales	***3,10***	4,000	(2,200)	**1,800**	(1,800)			**(1,800)**	**0**
Capital Receipts used to finance capital expenditure	***3,11***	(4,000)		**(4,000)**	4,000			**4,000**	**0**
Revaluation	***10,20***			**0**		(90,000)		**(90,000)**	**(90,000)**
Other Movements		0		**0**	0			**0**	**0**
Total movements on reserves during the year (Change in Net Worth)		**0**	**(108,868)**	**(108,868)**	**6,212**	**(102,000)**	**0**	**(95,788)**	**(204,656)**
At 31 March 2012		**0**	**467,742**	**467,742**	**50,573**	**(491,000)**	**0**	**(440,427)**	**27,315**

25b) Movement on Reserves – Comparative Year (Restated – note 31)

		USABLE RESERVES			UNUSABLE RESERVES				
		Capital Receipts Reserve	**General Reserves**	**TOTAL USABLE RESERVES**	**Capital Adjustment Account**	**Pensions Reserve**	**Accumulated Absences Account**	**TOTAL UNUSABLE RESERVES**	**TOTAL RESERVES**
		£	£	£	£	£	£	£	£
	Note	*26a)*	*26f)*		*26g)*	*26k)*	*26m)*		
At 1 April 2010 – as originally stated		0	898,020	**898,020**	58,019	(916,000)	0	**(857,981)**	**40,039**
Prior Year Adjustment	*31*		(330,223)	**(330,223)**				**0**	**(330,223)**
At 1 April 2010 – restated		0	576,610	**576,610**	58,019	(916,000)	0	**(857,981)**	**290,184**
Movements during the year:									
Direct Revenue Financing	*3,11*		(2,349)	**(2,349)**	2,349			**2,349**	**0**
Depreciation & impairment adjustment	*3*		15,489	**15,489**	(15,489)			**(15,489)**	**0**
Surplus/(Deficit) on the Provision of Services			667,887	**667,887**				**0**	**667,887**
Prior Year Adjustment	*31*		(465,732)	**(465,732)**					**(465,732)**
Transfers between Earmarked Reserves and General Reserves			0	**0**				**0**	**0**
Net movements on Pension Reserve	*3,20*		(207,000)	**(207,000)**		207,000		**207,000**	**0**
Disposal of Fixed Assets/Capital Sales	*3,10,23*	0	518	**518**	(518)			**(518)**	**0**
Capital Receipts used to finance capital expenditure	*3,11*	0		**0**	0			**0**	**0**
Revaluation	*10,20*			**0**		320,000		**320,000**	**320,000**
Other Movements		0		**0**	0			**0**	**0**
Total movements on reserves during the year (Change in Net Worth)		**0**	**(321,410)**	**(321,410)**	**(13,658)**	**527,000**	**0**	**513,342**	**191,932**
At 31 March 2011 - restated		**0**	**576,610**	**576,610**	**44,361**	**(389,000)**	**0**	**(344,639)**	**231,971**

26a) 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.

The Capital Receipts Reserve is credited with the proceeds from fixed asset sales and other monies defined by statute as capital receipts. These are originally credited to the Comprehensive Income and Expenditure Statement as part of the gain/loss on disposal and posted out via the Movement in Reserves Statement to the Capital Receipts Reserve. The reserve is written down when resources are applied to finance new capital expenditure or set aside to reduce an authority's capital financing requirement (or used for other purposes permitted by statute).

26b) Capital Grants Unapplied account

Where a capital grant or contribution (or part thereof) has been recognised as income in the Comprehensive Income and Expenditure Statement, but the expenditure to be financed from that grant or contribution has not been incurred at the Balance Sheet date, the grant or contribution shall be transferred to the Capital Grants Unapplied Account (within the usable reserves section of the balance sheet), reflecting its status as a capital resource available to finance expenditure. This transfer is reported in the Movement in Reserves Statement.

When, at a future date, the expenditure to be financed from the grant or contribution is incurred, the grant or contribution (or part thereof) shall be transferred from the Capital Grants Unapplied Account to the Capital Adjustment Account, reflecting the application of capital resources to finance expenditure. This transfer is also reported in the Movement in Reserves Statement or in the notes to the accounts.

26c) Capital Fund

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

26d) Renewal and Repairs Fund

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

26e) Other Balances & Reserves

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

26f) General Reserves

This reserve shows the accumulated resources which have not been assigned to a special purpose reserve and are therefore available to meet general future expenditure requirements. It is credited with income received less the accounting cost in the year of providing services in accordance with generally accepted accounting practices.

26g) Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for the acquisition, construction or enhancement of those assets under statutory provisions.

The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement, with reconciling postings from the Revaluation Reserve to convert fair value figures to an historic cost basis.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Joint Committee.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2008, the date that the Revaluation Reserve was created to hold such gains.

The purpose of this 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.

26h) Financial Instruments Adjustment Account

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

26i) Revaluation Reserve

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

26j) Available-for-Sale Financial Instruments Adjustment Reserve

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

26k) Pension Reserve

Please refer to note 20.

26l) Deferred Capital Receipts Account

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

26m) Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the Comprehensive Income and Expenditure Statement from accruing for compensated absences earned but not taken in the year e.g. staff annual leave entitlement carried forward at the end of the financial year. Statutory arrangements are expected to require that the impact on the Comprehensive Income and Expenditure Statement is neutralised by transfers to or from this Accumulated Absences Account

27. Significant Trading Operations

The Joint Committee is not engaged in any significant trading operations.

28. Agency Services

The Joint Committee is not engaged in the provision of agency services.

29. Related Party Transactions

International Accounting Standard 24 - Related Party Disclosures (IAS 24) 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 2011/12 financial year the Joint Committee did not commission any works and services from companies in which Councillors had an interest.

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

The Joint Committee provides support to the eleven participant Councils, in relation to the procurement and management of waste related contracts and the services provided are recharged on the basis of Population, for Establishment Costs, and for Waste Related Services, on a per tonne or units bought basis. During 2011/12, the level of income transactions between arc21 and participant Councils was £31,702,617, compared to £31,178,423 in 2010/11. The amount owed by participant Councils to arc21 at 31 March 2012 was £1.2m and the amount owed by arc21 to participant Councils was £1.5m.

The Establishment Costs of arc21 paid by member councils, as reflected in the Comprehensive Income and Expenditure Statement on page 27, is shown below.

	2011/12	**2010/11**
Name	**£**	**£**
Antrim Borough Council	40,188	39,828
Ards Borough Council	58,008	58,032
Ballymena Borough Council	46,944	46,932
Belfast City Council	199,356	200,664
Carrickfergus Borough Council	29,856	29,952
Castlereagh Borough Council	49,620	49,512
Down District Council	52,212	52,200
Larne Borough Council	23,400	23,412
Lisburn City Council	86,532	85,824
Newtownabbey Borough Council	62,016	61,884
North Down Borough Council	59,123	59,009
Total	**707,255** =======	**707,249** =======

30. Heritage Assets: Change In Accounting Policy

There are no Heritage Assets held by arc21.

31. Prior Year Restatement

The General Reserves brought forward have been adjusted downwards to reflect the element of monies being repayable to Constituent Councils and therefore being treated as Creditors rather than within General Reserves. This was accounted for as a prior year adjustment.

The restatement has the impact of reducing income and increasing creditors by a total of £795,955 (£465,732 in 2010/11 and £330,223 brought forward from previous years) – see table below.

The adjustment of £445,955 in Landfill Services can be broken down into £115,732 arising in the year 2010/11 plus £330,223 carried forward from previous years.

	2010/11 As previously reported	**2010/11 Restated**	**Prior Year Adjustment**
	£	**£**	**£**
CIES			
Income – Landfill Service	23,193,556	23,077,824	(115,732)
Income – MRF Revenue Share	1,576,213	1,226,213	(350,000)
Net impact on CIES			**(465,732)**
Balance Sheet			
Creditors	7,613,968	8,409,923	795,955
General Reserves	1,372,565	576,610	(795,955)

	2009/10 As previously reported	**2009/10 Restated**	**Prior Year Adjustment**
	£	**£**	**£**
Balance Sheet			
Creditors	4,605,121	4,935,344	330,223
General Reserves	898,020	567,797	(330,223)

The Prior Year Adjustment of £330,223 which impacts reserves in 2009/10 can be broken down as a reduction in income of £245,089 in 2009/10 and £85,134 in 2008/09.

Accounts Authorised for Issue Certificate

In accordance with International Accounting Standard (IAS 10) this Statement of Accounts which contains a number of minor amendments from the Accounts approved on 28th June 2012 are at today's date hereby authorised for issue.

IAS 10 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., F.I.C.E., F.C.I.W.M., M.C.I.P.S
Chief Financial Officer

Date 29/10/12