



## **STATEMENT OF ACCOUNTS**

**arc21 JOINT COMMITTEE  
FINANCIAL REPORT FOR THE YEAR ENDED  
31 MARCH 2014**



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## **Explanatory Foreword**

### **Introduction**

The Joint Committee's financial performance for the year ended 31 March 2014 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 2013/14 (the Code) and the Department of the Environment Accounts Direction, Circular LG 18/14 dated 15 April 2014. It is the purpose of this foreword to explain, in an easily understandable way, the financial facts in relation to the Joint Committee. Comparative figures have been re-stated to take account of changes in accounting requirements as a result of the introduction of the Code.

This Statement of Accounts explains the Joint Committee's finances during the financial year 2013/14 and its financial position at the end of that year. It follows approved accounting standards and is necessarily technical in parts.

### **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**

This Statement, set out on page 27, shows the movement in the year 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 'Net increase /Decrease before transfers to earmarked reserves' line shows the Comprehensive Income and Expenditure Statement Balance before any discretionary transfers to or from statutory and other reserves undertaken by the Joint Committee.

### **The Comprehensive Income and Expenditure Statement**

This statement, as set out on page 28, 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 29, 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 is 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 Net Worth of the Joint Committee, at 31 March 2014, remains negative as a result of the Pensions Reserve liability. The Joint Committee, in accordance with the International Financial Reporting Standards, is required to report the financial position of the pension scheme in the annual statutory accounts. There is no immediate need to fund this deficit.

The pension scheme is managed independently of arc21 by the Northern Ireland Local Government Superannuation Committee (NILGOSC) which has a financial strategy designed to manage surpluses and deficits on an ongoing basis. Financial reports are produced regularly and contribution rates (both employer and employee) are adjusted to ensure that, over time, the level of assets available should be sufficient to meet the liabilities of the scheme.

The statutory commitment of the Joint Committee is to ensure that the contribution rates determined by the Department of the Environment are paid to NILGOSC.

From a practical point of view, the level of General Reserves is a better reflection of the financial strength of the Joint Committee. The level of £352,252 General Reserves shown at 31 March 2014 (£455,724 31/3/2013) would be considered to be below the level required to deal adequately with any contingencies should they arise. The policy adopted by the Joint Committee sets the desired level of general reserves at £500,000 and it is the intention to deal with this matter in conjunction with the Participant Councils during 2014/15.

## **The Cash Flow Statement**

The Cash Flow Statement, as set out on page 30, 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.

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

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

Following introduction of the Local Government Finance Act (NI) 2011, and 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.

The participant Councils of arc21 are as shown in Note 7 on page 56.

### ***Financial Information***

The organisation recorded an overall decrease in income, year on year, due primarily to specific landfill contractual arrangements entered into by a number of participant councils. On a like-for-like basis, there was a reduction in tonnage delivered to landfill which, together with lower gate fees arising from a new contract, largely offset the increase in landfill tax.

Income was also lower within the Haulage contract due to alternative arrangements by specific councils; and income was lower within the Supplies contract due to a lower volume purchased by councils.

These reductions in income were in part offset by higher tonnage through the Organics Contract and a higher rate achieved on the sale of recyclable material within the MRF contract.

The income for the year was £25m compared to £31m in 2012/13, a decrease of 19.3%.

An actuarial gain on the pension assets/liabilities of £105,000 was recorded (£42,000 loss in

12/13). There were no fixed asset additions in the year. There were some disposals following the office relocation to Belfast Castle.

Overall, a deficit of £178,045 was recorded on Continuing Operations which included charges in relation to pension and capital funding. The operational deficit funded from General Reserves was £103,472 which reduces the General Reserves at 31 March 2014 to £352,252 (£455,724 31/03/13). The General Reserves balance represents approximately 1.4% of annual income (1.5% in 2012/13).

### ***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 £21m or 86% of the total income for the year (£27m / 86% in 2012/13). The reduction in income year-on-year was as a result of lower tonnage volumes going through the Landfill contract as a consequence of other contractual arrangement by some councils.

### ***Market Conditions for the Sale of Recyclate Materials***

An important financial benefit to participant Councils of the recyclate materials contracts, the Materials Recovery Facility and Bring Service Contracts, is the income earned from the sale of the materials, with arc21 sharing in the revenue earned.

During 2013/14 the market generally improved in comparison to the prior year, which had the impact of increasing overall income on broadly similar contract tonnage levels.

### ***Landfill Tax Escalator***

In accordance with Government policy, the Landfill Tax Escalator continued 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 £1.3 million, which is then passed on to participant Councils. The landfill tax rate for 2013/14 was £72 per tonne and is increasing to £80 per tonne in 2014/15.

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 2013/14 around 124,000 tonnes of materials were delivered to these three contracts resulting in a saving on Landfill Tax in the region of £8.9m.

The Chancellor announced in the 2014 Budget that the Landfill Tax Escalator will continue to rise from April 2015 annually in line with RPI, as opposed to a fixed sum which has been the case to date. With inflation running at around 3% the landfill Tax Escalator rate in 2015/16 is estimated to be around £82.50/tonne.

### ***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 the final stages of the process getting underway.

Engagement continued with the Department during the year in relation to the Project and in addition, assistance from other central government bodies, such as the Department of Finance and Personnel and the Strategic Investment Board, proved invaluable. This ongoing assistance is essential to successful delivery of the Project and is welcomed by arc21.

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 limits the amount of biodegradable municipal waste that can be sent to landfill, and statutory targets have been set for the years 2010, 2013, and 2020 under the Directive. Locally the Department has also 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 2013/14 year, the indications from participant Councils show that the overall amount of biodegradable waste sent to landfill in the arc21 region was within the allowance.

The coming years are going to be even more challenging as the levels of waste that can be sent to landfill are further reduced annually and the next important milestone year under the EU Directive, 2019/20, is the most significant requiring the type of major infrastructure proposed by the Residual Waste Treatment Project to be in place to comply with this target. During the year the formal planning application for the facilities was submitted to the Department and will continue to be progressed through the 2014/15 year. Achieving a timely successful planning application is critical to the Project in order to have the infrastructure fully operational to meet the 2019/20 target.

### ***Residual Waste Treatment Project - Support***

arc21 continues to engage with the Department in relation to financial support mechanisms that may be available to the Project given its strategic importance in Northern Ireland terms.

The Department has stated that following the submission of the Appointment Business Case an assessment will be made of the potential of the proposed infrastructure to meet the needs of



Northern Ireland to comply with the EU Directive. The potential for ongoing financial support when the facilities become operational is now possible and arc21 continues to engage positively with the Department to emphasise the importance of such support, not only in financial terms but also in political terms at the highest level of Government in Northern Ireland.

### ***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 49.

### ***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. Since 2010/11 the accounts of the Joint Committee have been prepared in accordance with the IFRS.

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.

### ***Local Government Reform***

During the year the reform of local government continued with most significantly the introduction of the Local Government Act (NI) 2014. The new 11 Council structure will arise due to a mixture of existing councils merging and 1 council, Belfast City Council, expanding to take in parts of Castlereagh and Lisburn.

From the point of view of the Joint Committee it is important that the waste management services provided continue with a minimum of disruption. To this end, arc21 continues to monitor the position closely and engage actively with the Department and Councils to ensure that there is a smooth transition of the Joint Committee from the current structure to the new structure.

The specific options for the delivery of long-term 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 actively monitor the position.



***Investment Income***

The investment income earned by arc21 remains at a level consistent with the lower savings rates available in the market. In 2013/14 the actual interest earned by arc21 on cash held on short term deposit was £20,753 (£43,259 in 2012/13; £22,851 in 2011/12). Note that the higher interest earned in 2012/13 was as a result of being able to avail of an exceptionally favourable deposit rate achieved from one of the main high-street banks, which unfortunately was no longer available during 2013/14.

Looking ahead to next year, there is some indication that the underlying Bank of England base rate may rise but the timing and the subsequent impact on savings rates is still unknown and highly dependent on many other wider economic factors.

The Comprehensive Income and Expenditure Statement (page 28) shows the overall interest earned for the year as £20,753 (£43,259 for 2012/13).

*Conclusion*

In general, the 2013/14 year proved to be another particularly challenging one but the financial results presented in this report, given the circumstances, 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 the cashflow. The level of General Reserves at the end of the year has been reduced to below the minimum level approved by the Joint Committee. The policy adopted by the Joint Committee sets the desired level of general reserves at £500,000 and it is the intention to deal with this matter in conjunction with the Participant Councils during 2014/15.

Other funds, owed to Participant Councils, 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 Part 1 of the Local Government Finance Act (Northern Ireland) 2011 a Council shall make arrangements for the proper administration of its financial affairs and those arrangements shall be carried out under the supervision of 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 26<sup>th</sup> June 2014 and have been subject to the amendments as set out on page 84.

### **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 2013/2014**

arc21's Annual Governance Statement (AGS) follows the guidance issued by DOE Local Government Division in 2008 and comprises the following sections:

- Scope of responsibility
- The purpose of the governance framework
- The governance framework
- Review of effectiveness
- Significant governance issues.

### **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 arc21 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.

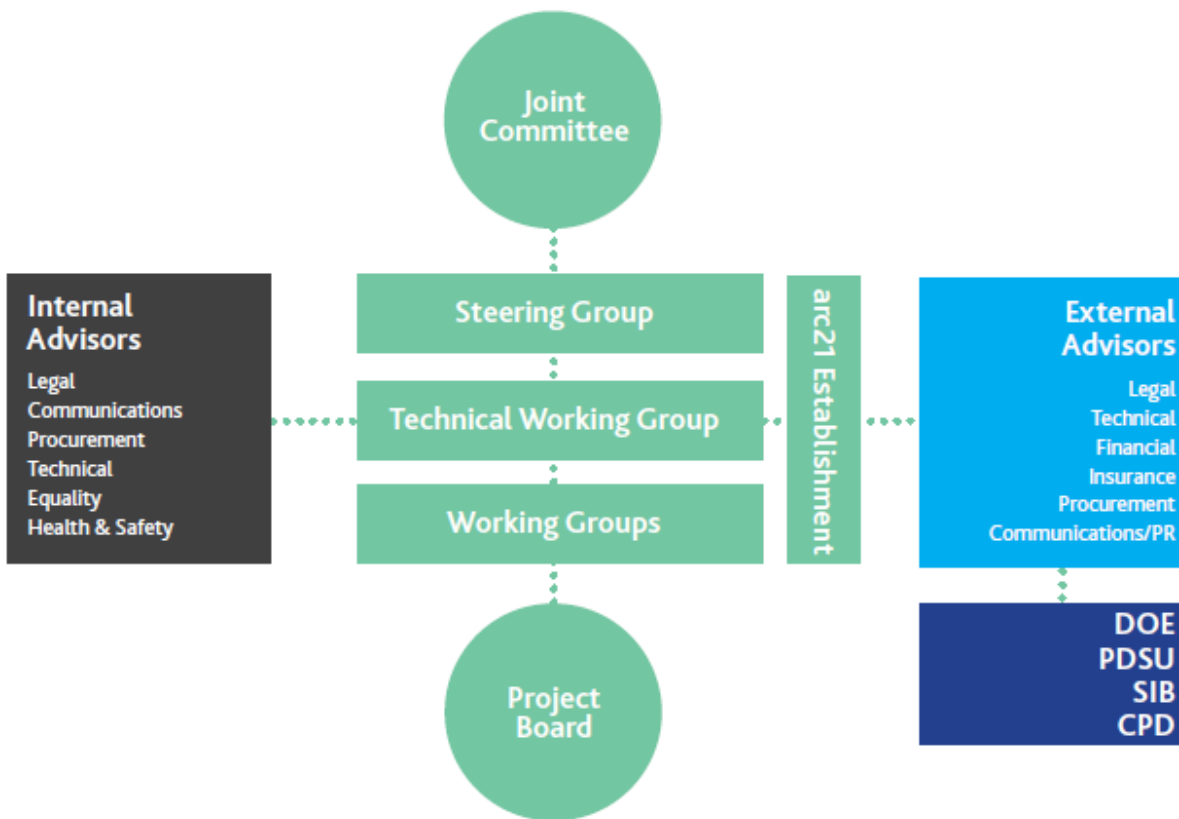
The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the local government body’s policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at arc21 for the year ending 31 March 2014 and up to the date of approval of the Annual Governance Statement and statement of accounts.

### The Governance Framework

This section of the Annual Governance Statement provides a brief description of the key elements of the governance framework that arc21 has in place.

arc21’s governance structure is set out in the diagram below:



In addition, an Audit Committee has been established which provides an independent assurance on the adequacy of arc21’s risk management framework and associated control environment. 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 Audit Committee met four times during 2013/14.

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

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

arc21 has prepared a corporate plan for 2012/15 in conjunction with arc21's main stakeholders, including member councils.

The corporate plan is 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 report to the Steering Group and Joint Committee annual report setting out the key performance indicators 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 Corporate Plan for 2015/18 will be developed in conjunction with participant Councils during 2014/15.

The current Waste Management Plan is being reviewed and will be completed in the 2014/15 year 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. In addition, during 2014/15 arc21 will be working towards the Excellence in Governance accreditation.

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

arc21 has prepared the 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. 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. As noted above, a Corporate Plan for 2015/18 will be developed in conjunction with participant Councils during 2014/15.

arc21 is a member of the Waste Programme Board, which is Chaired by the Minister of the Environment. 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. arc21 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 indicator (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 used and the process has been further enhanced through the engagement of an external professional facilitator. The first survey using this method has been completed and the results have been made available to key stakeholders in 2013/14. Issues raised by the key stakeholders are taken into account as part of the process of continuously improving the services. On a general level the survey indicated a high level of satisfaction with no respondents being dissatisfied.

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.

Roles and responsibilities and governance arrangements will be reviewed during 2014/15 to reflect the changes taking place as part of Local Government Reform and a Chief Executives Working Group has been set up to assist in this process.

- **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.

As noted above, the governance arrangements of arc21 will be reviewed during 2014/15 as a result of the Local Government Reform process.

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. 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. The Audit Committee is comprised of 4 members of the Joint Committee from 4 separate participant councils and a technical officer from a participant

council, plus the chair of the Finance SubGroup and representation from both the internal and external audit functions, and from arc21's own officers.

- **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. The Regulations set out the delegated powers of the Chief Executive in ensuring expenditure is lawful.

The Chief Executive Officer is also arc21's designated Chief Financial Officer under the Local Government Finance Act (Northern Ireland) 2011, responsible for the proper administration of arc21's financial affairs. The Chief Financial Officer is supported by the Director of Corporate Services, a qualified accountant.

arc21's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) as set out in the Application Note to Delivering Good Governance in Local Government: Framework. This is demonstrated in arc21's Code of Governance which incorporates the expanded / additional governance requirements from the CIPFA Statement against each of the 6 principles of good governance.

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.

In terms of compliance with the legislation in relation to specific tendering procedures, evaluations and protocols, including electronic tendering, arc21 has engaged full time staff with relevant experience and are supported by external multi-disciplinary advisors on an on-going basis. In addition, arc21 has access to specific guidance in relation to procurement and tendering

from both local government and central government services. The organisation has also achieved the quality accreditation standard ISO9001 in the discipline of “Procurement and Monitoring of Waste Management Services for Local Councils”.

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 CIPFA Statement on the Role of the Head of Internal Audit (2010) sets out the five principles that define the core activities and behaviours that belong to the role of the Head of Internal Audit (HIA) in public service organisations and the organisational arrangements needed to support them.

The Head of AGRS, and the supporting operational arrangements in place, conform to the 5 principles set out in the CIPFA Statement. This is demonstrated through a self-assessment exercise undertaken by AGRS. While the principles state that the HIA should not be responsible for preparing the annual governance report, the arrangements within arc21 involve AGRS co-ordinating the preparation of the Annual Governance Statement which is then reviewed by the Senior Management Team and Audit Committee before being signed by the Chair of Joint Committee and the Chief Executive.

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 council officers, regular 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.

### **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.

arc21’s internal audit function is provided through Belfast City Council’s Audit, Governance and Risk Services (AGRS). An extract from the Head of AGRS Annual Assurance Statement for the period ending 2013/14 is given below:

Following the retirement of the previous Head of Audit, Governance and Risk Services in December 2013, I have been Acting Head of Audit, Governance and Risk Services since January 2014. On the basis of work carried out, I can provide a reasonable assurance regarding the adequacy and effectiveness of arc21's framework of governance, risk management and control. This opinion is based on the following:

- the risk management process that has been in place during 2013/14. Senior Management Team meetings take place on a quarterly basis and involve detailed discussion and review of risks and related action plans. These meetings are attended by Internal Audit and we can confirm that the risk management process is in place and operating effectively;
- evidence from audit work where AGRS has been able to provide positive statements of assurance and the audit work currently in progress;
- the evidence set out in the review of arc21's Code of Governance and Annual Governance Statement regarding the range of key assurance and governance arrangements that arc21 has in place to oversee its activities.

The key issues I would highlight in this statement are as follows:

- The audits completed during the 2013/14 year have resulted in two "Amber" opinions meaning that risks are controlled to an acceptable level but the system of controls could be enhanced. In addition, one report issued did not provide an opinion because of the nature of the assignment. There are also currently three audits ongoing which include an audit of Contracts Planning and Control. The level of agreement with audit recommendations has been 100%, which is above target. 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 recommendations monitoring process provides valuable assurance on the timely implementation of all audit recommendations contained within audit reports. While I am able to report where progress has been made, for example, the implementation of recommendations relating to previous audit work on the Materials Recovery Facility – Mass Balance Exercises, there are a number of high priority recommendations that still remain open, specifically those relating to the audit of Revenue Share Arrangements in the Organic Waste Treatment Contract.
- As noted above, a risk management process is in place within arc21. It is worth noting that, as the progress of the Residual Waste Treatment Project is reaching a critical stage, it is important that the risk associated with this project is carefully managed over the next year.

I can confirm that Audit, Governance and Risk Services has conformed to Public Sector Internal Audit Standards during 2013/14. A quality assurance and improvement programme is in place including internal review of work, annual assessment against professional standards, quarterly progress and performance reporting to the Audit Committee. A detailed self-assessment against the standards has been reported separately.

Finally, looking ahead, 2014/15 will be dominated by the progression of the Residual Waste Treatment Project and preparation for the implementation of Local Government Reform. It should also be noted that arc21 will be seeking Excellence in Governance accreditation during 2014/15. AGRS will be providing assurance and consultancy services to arc21 in relation to these areas.



**Andrew Harrison**

**Acting Head of Audit, Governance and Risk Services**

6 June 2014

Continued effort has been put into developing and implementing the key elements of an assurance framework within arc21 with the key elements being:

- a process whereby Directors are required to sign annual assurance statements;
- embedding risk management;
- business planning and related performance reporting arrangements;
- an Audit Committee;
- a professional internal audit function;
- a professional external audit function;
- ISO 9001 Quality Management Systems accreditation;
- Six-monthly monitoring of the implementation of audit recommendations; and
- engagement of external Health & Safety consultants.

### **Significant governance issues**

The significant governance issues for 2013/14 were identified through the review of the red risks in the Corporate Risk Register for the year ending 31 March 2014, consideration of significant events and also review of the Directors' Annual Assurance Statements.

No new corporate risks were identified during the year.



The most significant issues for arc21 are in relation to:

Residual Waste Treatment Project

The affordability mandate issue, identified in the 2012/13 Assurance Statement, has been resolved. A contingent liability has been recognised as part of the procurement process for the Residual Waste Treatment Project. This contingent liability has been approved by the Participant Councils in accordance with the governance arrangements of the Joint Committee.

The key control measure is to be transparent and open with the Bidder and Constituent Councils and disclose all relevant information so that the Bidder can continue to make an informed decision as to continue to participate in the procurement or to withdraw.

The formal Planning Application was submitted at the end of March 2014, moving the Project into the final stages. Planning applications in Northern Ireland always present a significant risk, particularly in relation to large scale infrastructure, and the key controls involved in managing the risk have been a successful and uniquely transparent Pre-Application Discussions (PAD) application by the bidder, and the ongoing management of the Planning Application process as it proceeds through the various formal stages.

Recruitment of Procurement and Contract Manager

The post of Procurement and Contracts Manager was filled on a permanent basis during the year but only for a limited period. The risk was mitigated through the use of temporary staff and a permanent appointment has been made after 31 March 2014.

General Reserves Level


The level of £352,252 General Reserves shown at 31 March 2014 (£455,724 31 March 2013) would be considered to be below the level required to deal adequately with any contingencies should they arise. The policy adopted by the Joint Committee sets the desired level of general reserves at £500,000 and it is the intention to deal with this matter in conjunction with the Participant Councils during 2014/15.

Local Government Reform

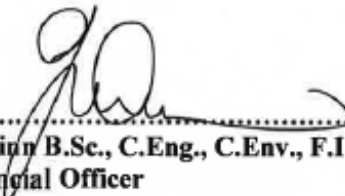
From 1 April 2015, under the Reform of Local Government (RLG), the number of Councils in Northern Ireland will reduce from the 26 existing to 11 new Councils, established under the Local Government Act (Northern Ireland) 1972 as amended by the Local Government (Boundaries) Act (Northern Ireland) 2008. From that date the Northern Ireland Executive has agreed to transfer some functions currently carried out by NI Government Departments and give some new responsibilities to the 11 new Councils. The new councils will be stronger, more efficient and will deliver more effective services.

The 11 newly formed Shadow Councils and the Department have been considering the future provision of waste management services and the position regarding the continuation of the Waste Management Group structure, beyond April 2015, is expected to be decided in the 2014/15 year.

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

Signed:  .....  
Councillor Hubert Nicholl  
Chairman

Date 30/10/14 .....

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

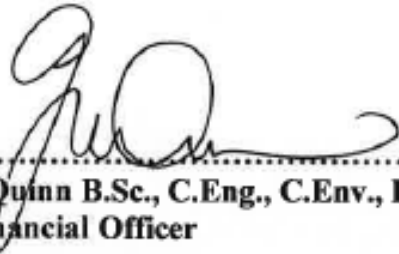
Date 30/10/14 .....

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 2014 on pages 27 to 83 has been prepared in the form directed by the Department of the Environment and under the accounting policies set out on pages 31 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 March 2014.



.....  
**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 30/10/14.....

## Joint Committee Approval of Statement of Accounts

These accounts were approved by resolution of the arc21 Joint Committee on the 26<sup>th</sup> June 2014 and have been subject to the amendments as set out on page 84.

*Hubert Nicholl*

.....  
**Councillor Hubert Nicholl**  
**Chairman**

**Date** ..... *30/10/14* .....

## **Independent Auditor's Report To The Members Of arc21 Joint Committee**

I have audited the financial statements of arc21 Joint Committee for the year ended 31 March 2014 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.

### **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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. 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 2013-14, of the financial position of arc21 Joint Committee as at 31

- March 2014 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 Foreword for the financial year ended 31 March 2014 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 2013-14;
  - 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.



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

30 October 2014

**Movement in Reserves Statement**

	General Reserves	Statutory Reserves	Other Fund Balances & Reserves	Capital Receipts Reserve	Total Usable Reserves	Total Unusable Reserves	Total Joint Committee Reserves
	£	£	£	£	£	£	£
<b>At 1 April 2012</b>	<b>467,742</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>467,742</b>	<b>(440,427)</b>	<b>27,315</b>
<b>Movements on reserves during the year:</b>							
Surplus/(Deficit) on the Provision of Services	(46,749)	0	0	0	(46,749)	0	(46,749)
Other Comprehensive Income and Expenditure	0	0	0	0	0	(42,000)	(42,000)
<b>Total Comprehensive Income and Expenditure</b>	<b>(46,749)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(46,749)</b>	<b>(42,000)</b>	<b>(88,749)</b>
Adjustments between accounting basis & funding basis under regulations	34,731	0	0	0	34,731	(34,731)	0
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	<b>(12,018)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(12,018)</b>	<b>(76,731)</b>	<b>(88,749)</b>
Transfers (to)/from Earmarked Reserves	0	0	0	0	0	0	0
<b>Increase/(Decrease) in Year</b>	<b>(12,018)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(12,018)</b>	<b>(76,731)</b>	<b>(88,749)</b>
<b>At 31 March 2013</b>	<b>455,724</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>455,724</b>	<b>(517,158)</b>	<b>(61,434)</b>
<b>Movements on reserves during the year:</b>							
Surplus/(Deficit) on the Provision of Services	(178,045)	0	0	0	(178,045)	0	(178,045)
Other Comprehensive Income and Expenditure	0	0	0	0	0	105,000	105,000
<b>Total Comprehensive Income and Expenditure</b>	<b>(178,045)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(178,045)</b>	<b>105,000</b>	<b>(73,045)</b>
Adjustments between accounting basis & funding basis under regulations	74,574	0	0	0	74,574	(74,574)	0
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	<b>(103,471)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(103,471)</b>	<b>30,426</b>	<b>(73,045)</b>
Transfers (to)/from Earmarked Reserves	0	0	0	0	0	0	0
<b>Increase/(Decrease) in Year</b>	<b>(103,471)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(103,471)</b>	<b>30,426</b>	<b>(73,045)</b>
<b>At 31 March 2014</b>	<b>352,252</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>352,252</b>	<b>(486,732)</b>	<b>(134,480)</b>



## Comprehensive Income and Expenditure Statement for the year ended 31 March 2014

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

	<i>Notes</i>	<b>2013/14</b>	<b>2012/13</b>
		£	Restated* £
<b>INCOME:</b>			
Participating Councils	<b>29</b>	1,432,263	707,351
Government Grant	<b>9</b>	0	459,942
Financing and Investment Income	<b>8</b>	20,753	43,259
Surplus on Non-Current Assets	<b>7c</b>	0	0
Other Income		0	109,511
Contract Income :			
Landfill Service		14,250,464	20,049,296
Materials Recovery Facility - MRF		1,539,151	1,493,986
MRF Revenue Share		1,209,478	1,085,922
Organic Waste Treatment		4,519,772	4,033,744
Bring Service		560,352	526,594
Supply of Bins and Bring Banks		407,514	686,745
Other Contract Income		<u>948,549</u>	<u>1,751,665</u>
	<b>7a</b>	<u>23,435,280</u>	<u>29,627,953</u>
<b>TOTAL INCOME</b>		<b><u>24,888,296</u></b>	<b><u>30,948,016</u></b>
<b>EXPENDITURE:</b>			
Employee Costs	<b>6a</b>	451,946	413,729
Financing and Investment Expenditure	<b>8a/8c</b>	23,295	9,270
Deficit on Non-Current Assets		9,928	0
Other Costs and Administrative Costs		1,145,892	943,815
Contract Expenditure :			
Landfill Service		14,250,464	20,049,296
Materials Recovery Facility- MRF		1,539,141	1,493,986
MRF Revenue Share		1,209,478	1,085,922
Organic Waste Treatment		4,519,772	4,033,744
Bring Service		560,352	526,594
Supply of Bins and Bring Banks		407,514	686,745
Other Contract Costs		<u>948,549</u>	<u>1,751,665</u>
	<b>7b</b>	<u>23,435,280</u>	<u>29,627,953</u>
<b>TOTAL EXPENDITURE</b>		<b><u>25,066,340</u></b>	<b><u>30,994,766</u></b>
<b>SURPLUS / (DEFICIT) ON THE PROVISION OF SERVICES</b>		<b>(178,045)</b>	<b>(46,749)</b>
Remeasurement of the Net Defined Benefit Liability (Asset)	<b>20</b>	105,000	(27,000)
<b>TOTAL COMPREHENSIVE INCOME AND EXPENDITURE</b>		<b><u>(73,045)</u></b>	<b><u>(73,749)</u></b>

\*2012/13 has been restated due to a change in accounting policy relating to the disclosure of the net pension interest. Previously it was separately shown as gross income and gross expenditure.

## Balance Sheet as at 31 March 2014

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'.

	<i>Notes</i>	<b>2013/14</b>	<b>2012/13</b>
		£	£
Property, Plant, & Equipment	<i>10</i>	15,268	32,842
Land	<i>10</i>	0	0
Buildings	<i>10</i>	0	0
Infrastructure Assets	<i>10</i>	0	0
Assets Under Construction	<i>10</i>	0	0
Long Term Debtors	<i>14a</i>	0	0
<b>TOTAL LONG TERM ASSETS</b>		<b>15,268</b>	<b>32,842</b>
Inventories	<i>13</i>	0	0
Short Term Debtors	<i>14b</i>	1,737,524	1,788,247
Cash and Cash Equivalents	<i>15/24b</i>	3,089,347	3,304,089
Assets Held For Sale	<i>15/24b</i>	0	0
<b>CURRENT ASSETS</b>		<b>4,826,871</b>	<b>5,092,336</b>
Bank Overdraft		0	0
Short Term Borrowing	<i>17</i>	0	0
Short Term Creditors	<i>17</i>	4,474,619	4,636,612
Provisions		0	0
Liabilities In Disposal Groups		0	0
<b>CURRENT LIABILITIES</b>		<b>4,474,619</b>	<b>4,636,612</b>
Long Term Creditors		0	0
Provisions	<i>18</i>	0	0
Long Term Borrowing	<i>16</i>	0	0
Other Long Term Liabilities	<i>20.3</i>	502,000	550,000
Donated Assets Account	<i>21</i>	0	0
Capital Grant Receipts In Advance	<i>22</i>	0	0
<b>LONG TERM LIABILITIES</b>		<b>502,000</b>	<b>550,000</b>
<b>NET ASSETS</b>		<b>(134,480)</b>	<b>(61,434)</b>
<b>USABLE RESERVES:</b>			
Capital Receipts Reserve	<i>25</i>	0	0
General Reserves	<i>25</i>	352,252	455,724
<b>UNUSABLE RESERVES:</b>			
Capital Adjustment Account	<i>25</i>	15,268	32,842
Pensions Reserve	<i>25</i>	(502,000)	(550,000)
<b>NET WORTH</b>		<b>(134,480)</b>	<b>(61,434)</b>

## Cash Flow Statement as at 31 March 2014

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.

	<i>Notes</i>	<b>2013/14</b>	<b>2012/13</b>
		<b>£</b>	<b>£</b>
<b>Net Surplus / (Deficit) on the Provision of Services</b>		<b>(178,045)</b>	<b>(46,749)</b>
Adjustment to surplus or deficit on the provision of services for noncash movements	<i>24a</i>	(36,697)	1,331,847
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		0	0
<b>Net Cashflows from Operating Activities</b>		<b>(214,742)</b>	<b>1,285,096</b>
Net Cashflows from Investing Activities	<i>24d</i>	0	0
Net Cashflows from Financing Activities		0	0
<b>Net Increase or Decrease in Cash &amp; Cash Equivalents</b>		<b>(214,742)</b>	<b>1,285,096</b>
<b>Cash &amp; Cash Equivalents at the beginning of the reporting period</b>		<b>3,304,089</b>	<b>2,018,993</b>
<b>Cash &amp; Cash Equivalents at the end of the reporting period</b>		<b>3,089,347</b>	<b>3,304,089</b>

## Notes to the Financial Statements

### 1. Accounting Policies

#### 1a) General Principles

The Statement of Accounts summarises the Joint Committee's transactions for the 2013/14 financial year and its position at the year-end, 31 March 2014. 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 2013/14 and the Service Reporting Code of Practice (SeRCOP) 2013/14, 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 2013/14 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**

There were no discontinued operations in the year.

**vi) Employee Benefits**

Short-term employee benefits are those due to be settled with 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees, and 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 4.3% (2012/13 4.5%) as determined by reference to indicative market yields at the accounting date on high quality corporate bonds on the iBoxx Sterling Corporate AA 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:

*Within the Expenditure Cost*

- **Current Service Cost** – the increase in the present value of the defined benefit obligation (liabilities) resulting from employee service in the current period.
- **Past Service Cost** – (where applicable) the change in the present value of the defined benefit obligation for employee service in prior periods, resulting from a plan amendment (the introduction or withdrawal of, or change to, a defined benefit plan) or a curtailment (a significant reduction in the number of employees covered by the plan).
- **Any Gains or Losses on Settlement** – (where applicable) arising where the Joint Committee enters into a transaction that eliminates all further legal or constructive obligations for part or all of the benefits provided under a defined benefit plan.

*Within Financing and Investment Income and Expenditure*

- **Net Interest on the Net Defined Benefit Liability (Asset)** – the change in the net defined benefit liability (asset) that arises from the passage of time.

*Within Other Comprehensive Income and Expenditure (Remeasurements)*

- **The Return on Plan Assets** – excluding amounts recognised in the Net Interest on the Net Defined Benefit Liability (Asset). This included interest, dividends and other income derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of managing plan assets, and any tax payable by the plan itself other than tax included in the actuarial assumptions used to measure the present value of the defined benefit obligation.
- **Actuarial Gains and Losses** – changes in the present value of the defined benefit obligation resulting from: a) experience adjustments (the effect of differences between the previous actuarial assumptions and what has actually occurred) and b) the effects of changes in actuarial assumptions.
- **Any change in the Effect of the Asset Ceiling** – (where applicable) excluding amounts included in the Net Interest on the Net Defined Benefit Liability (Asset).



*Within the Movement in Reserves Statement Appropriations*

- **Contributions by Scheme Participants** – the increase in scheme liabilities and assets due to payments into the scheme by employees (where increased contribution increases pension due to the employee in the future).
- **Contributions by the Employer** – the increase in scheme assets due to payments into the scheme by the employer.

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. 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.

### 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.

### 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).

**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).

## The Joint Committee as Lessor

### *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.

#### **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 Service Reporting Code of Practice 2013/14 (SeRCOP). 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.

### Recognition

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.

### Measurement

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 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.

### 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) Heritage Assets**

Heritage Assets are assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture.

Heritage Assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historic associations. They would be held by this Joint Committee in pursuit of our overall objectives in relation to the maintenance of heritage.

At the end of this reporting period the Joint Committee does not carry any Heritage Assets.

### **xxii) 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.

#### **xxiii) 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.

#### **xxiv) 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 minimum 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.

**xxv) 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.

**xxvi) 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 the Joint Committee may need to make certain judgements about complex transactions or those involving uncertainty about future events. In preparing these Statement of Accounts a critical judgement was made with regards to Going Concern and the future of the Waste Management Group structure. The accounts were prepared on a Going Concern basis.

Local Government Reform

From 1 April 2015, under the Reform of Local Government (RLG), the number of Councils in Northern Ireland will reduce from the 26 existing to 11 new Councils, established under the Local Government Act (Northern Ireland) 1972 as amended by the Local Government (Boundaries) Act (Northern Ireland) 2008. From that date the Northern Ireland Executive has agreed to transfer some functions currently carried out by NI Government Departments and give some new responsibilities to the 11 new Councils. The new councils will be stronger, more efficient and will deliver more effective services.

The 11 newly formed Shadow Councils and the Department have been considering the future

provision of waste management services and the position regarding the continuation of the Waste Management Group structure, beyond April 2015, is expected to be decided in the 2014/15 year.

#### **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 2014 for which there is a significant risk of material adjustment in the forthcoming financial year, but the following notes regarding the pension liability and arrears are presented for the reader's 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 consultant 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 pension 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 2014, the Joint Committee made a provision of £11k 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:

<b>Income/Expenditure</b>	<b>2013/14</b>	<b>2012/13</b>
	<b>£</b>	<b>£</b>
Income from participating Councils	23,133,465	28,749,871
Government grants and contributions	0	459,942
Fees, charges and other service income	1,734,077	1,694,944
Interest and investment income	113,753	138,259
Surplus or deficit on associates and joint ventures	0	0
<b>Total Income</b>	<b>24,981,295</b>	<b>31,043,016</b>
Employee expenses	451,946	413,729
Other service expenses	24,028,954	30,037,918
Residual Waste Treatment Project Costs	554,499	516,117
Depreciation, amortisation and impairment	7,646	17,731
Interest payments	116,295	104,270
<b>Total Expenditure</b>	<b>25,159,340</b>	<b>31,089,765</b>
Other items	0	0
<b>CONTINUING OPERATIONS</b>	<b>(178,045)</b>	<b>(46,749)</b>

### 3. Adjustments between accounting basis and funding basis under regulations

		2013/14	2013/14	2012/13	2012/13
	<i>Notes</i>	£	£	£	£
<b>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:</b>					
Impairments (losses & reversals) of non-current assets	<i>10a/10b</i>	0		0	
Derecognition (other than disposal) of non-current assets	<i>10a/10b</i>	0		0	
Revaluation increases/decreases taken to Surplus/Deficit on the Provision of Services	<i>10a/10b</i>	0		0	
Depreciation charged in the year on non-current assets	<i>10a/10b,24a</i>	7,646	7,646	17,731	17,731
Net Revenue expenditure funded from capital under statute			0		0
Carrying amount of non-current assets sold	<i>10a/10b</i>	9,928		0	
Proceeds from the sale of PP&E, investment property and intangible assets	<i>24a,25</i>	0	9,928	0	0
Difference between finance costs calculated on an accounting basis and finance costs calculated in accordance with statutory requirements	<i>25</i>		0		0
Net charges made for retirement benefits in accordance with IAS 19	<i>20</i>		143,000		98,000
Direct revenue financing of Capital Expenditure	<i>11,25</i>		0		0
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	<i>17</i>		0		0
Adjustments in relation to Lessor Arrangements			0		0
Provisions discount rate reserve adjustment	<i>25a/25b</i>		0		0
<b>Amounts not included in the Comprehensive Income and Expenditure Statement but required by statute to be included when determining the Movement on the General Reserves Balance for the year:</b>					
Statutory Provision for the financing of Capital Investment	<i>25a/25b</i>		0		0
Employers contributions payable to the NILGOSC Pension Fund and retirement benefits payable direct to pensioners	<i>20a</i>		(86,000)		(81,000)
			<b>74,574</b>		<b>34,731</b>

#### 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.

	2013/14	2012/13 Restated
	£	£
External Audit Fees	12,500	12,261
Grant Claim Certification Fees	0	0
Other Fees	0	0
	<b>12,500</b>	<b>12,261</b>

The audit costs for 2013/14 are the projected costs as per the Audit Strategy. The audit costs for 2012/13 have been restated from £12,500 to reflect the actual cost incurred in the year.

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:

	2013/14	2012/13
	Photocopier	Photocopier
	£	£
Minimum lease payments	2,700	2,700
Contingent rentals	0	0
Less: Sublease payments receivable	0	0
	<b>2,700</b>	<b>2,700</b>

No sub-lease payments or contingent rent payments were made or received. No sub-lease 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 31/3/14	as at 31/3/13
	Photocopier	Photocopier
	£	£
Minimum lease rentals payable:		
No later than 1 year	2,700	2,700
Later than 1 year and no later than 5 years	2,700	5,400
Later than 5 years	0	0
	-	-
	<b>5,400</b>	<b>8,100</b>

## 6. Employee Costs

### 6a) Staff Costs

	2013/14	2012/13
	£	£
Salaries and Wages	323,183	315,846
Employers National Insurance	30,775	31,255
Employers pension costs	63,988	58,627
<b>Total Staff Costs Prior to IFRS Adjustments</b>	<b>417,946</b>	<b>405,729</b>
<b>IFRS Related Adjustments:</b>		
Current Service Costs	120,000	89,000
Less Pension Cost – Contribution by the Employer	(86,000)	(81,000)
<b>TOTAL</b>	<b>451,946</b>	<b>413,729</b>

In addition, agency costs during the year amounted to £36,422 (2012/13 £34,960).

There are also three permanent members of staff not directly charged to staff costs (3 in 2012/13). The charge to Education Vehicle costs (included in ‘Other Contract Cost’ in CIES) is £30,372 (£29,610 in 2012/13). The charge to Residual Waste Treatment Project costs (included in ‘Other Costs and Administrative Costs’ in CIES) is £111,018 (£108,140 in 2012/13).

### 6b) Average Number of Employees - where FTE represents full-time equivalent employees

	2013/14	2012/13
	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

	2013/14	2012/13
	Number	Number
£50,001 to £60,000	-	-
£60,001 to £70,000	2	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.

	2013/14	2012/13
Name	£	£
Antrim Borough Council	1,417,762	1,689,491
Ards Borough Council	3,183,448	3,089,496
Ballymena Borough Council	1,854,248	1,952,976
Belfast City Council	3,688,537	8,139,625
Carrickfergus Borough Council	1,167,649	1,250,115
Castlereagh Borough Council	1,897,534	1,791,165
Down District Council	403,710	332,384
Larne Borough Council	1,152,796	897,198
Lisburn City Council	3,386,907	3,723,936
Newtownabbey Borough Council	605,010	2,311,402
North Down Borough Council	2,943,602	2,805,296
<b>Sub-Total (Participant Councils)</b>	<b>21,701,203</b>	<b>27,983,084</b>
Other Contract Revenue	1,734,077	1,644,869
<b>Total</b>	<b>23,435,280</b> =====	<b>29,627,953</b> =====

**7b) Contract Expenditure**

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

	<b>2013/14</b>	<b>2012/13</b>
<b>Name</b>	<b>£</b>	<b>£</b>
Antrim Borough Council	129,458	115,217
Ards Borough Council	194,509	192,066
Ballymena Borough Council	22,256	28,329
Belfast City Council	496,495	424,160
Carrickfergus Borough Council	3,992	1,557
Castlereagh Borough Council	78,888	78,719
Down District Council	152,141	141,326
Larne Borough Council	110,594	100,829
Lisburn City Council	281,202	257,224
Newtownabbey Borough Council	30,771	28,399
North Down Borough Council	233,360	212,844
<b>Sub-Total (Participant Councils)</b>	<b>1,733,666</b>	<b>1,580,670</b>
Other Contract Expenditure	21,701,614	28,047,283
<b>Total</b>	<b>23,435,280</b> =====	<b>29,627,953</b> =====

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

	<b>2013/14</b>	<b>2012/13</b>
	<b>£</b>	<b>£</b>
Proceeds From Sale	0	0
Carrying amount of non-current assets sold/disposed	(9,928)	0
<b>Total</b>	<b>(9,928)</b>	<b>0</b>

**8. Financing and Investment Income and Expenditure****8a) Interest Payable and Similar Charges**

	2013/14	2012/13
	£	£
Loan Interest	0	0
Bank Interest	295	270
Other Interest (please specify)	0	0
<b>Total</b>	<b>295</b>	<b>270</b>

**8b) Interest and Investment Income**

	2013/14	2012/13
	£	£
Current account interest	(2)	(2)
Short-term deposit interest	(20,751)	(43,257)
<b>Total</b>	<b>(20,753)</b>	<b>(43,259)</b>

**8c) Pension Interest Cost**

	2013/14	2012/13
	£	£
Net interest on the net defined benefit liability	23,000	9,000
<b>Total</b>	<b>23,000</b>	<b>9,000</b>

**8d) Summary of Financing and Investment Income & Expenditure**

	2013/14			2012/13		
	Gross Expenditure	Gross Income	Net Cost	Gross Expenditure	Gross Income	Net Cost
			£			£
Interest payable and similar charges	295		295	270	0	270
Interest and investment income	0	(20,753)	(20,753)	0	(43,259)	(43,259)
Pension interest cost	23,000	0	23,000	9,000		9,000
<b>Total</b>	<b>23,295</b>	<b>(20,753)</b>	<b>2,542</b>	<b>9,270</b>	<b>(43,259)</b>	<b>(33,989)</b>



**9. Government Grants**

	<b>2013/14</b>	<b>2012/13</b>
	<b>£</b>	<b>£</b>
<b>Capital Grants</b>		
Central Government Grants	0	456,059
<b>Revenue Grants</b>		
Waste Management	0	3,883
<b>Total Grants</b>	<b>0</b>	<b>459,942</b>

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) Non Current Assets Note – Current Year  
Property, Plant & Equipment (PP&E)**

	Land £	Buildings £	Infrastructure Assets £	Vehicles & Equipment £	Assets Under Construction £	TOTAL £
<b>Cost or Valuation</b>						
At 1 April 2013	0	0	0	108,100	0	108,100
Revaluation	0	0	0	0	0	0
Additions	0	0	0	0	0	0
Transfers	0	0	0	0	0	0
Disposals	0	0	0	(60,785)	0	(60,785)
At 31 March 2014	0	0	0	47,315	0	47,315
<b>Depreciation</b>						
At 1 April 2013	0	0	0	75,258	0	75,258
Revaluation	0	0	0	0	0	0
Disposals	0	0	0	(50,857)	0	(50,857)
Provided for year	0	0	0	7,646	0	7,646
At 31 March 2014	0	0	0	32,047	0	32,047
<b>Net Book Value</b>						
At 31 March 2013	0	0	0	32,842	0	32,842
At 31 March 2014	0	0	0	15,268	0	15,268

**10b) Non Current Assets Note – Comparative Year  
Property, Plant & Equipment (PP&E)**

	Land £	Buildings £	Infrastructure Assets £	Vehicles & Equipment £	Assets Under Construction £	TOTAL £
<b>Cost or Valuation</b>						
At 1 April 2012	0	0	0	108,100	0	108,100
Revaluation	0	0	0	0	0	0
Additions	0	0	0	0	0	0
Transfers	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
At 31 March 2013	0	0	0	108,100	0	108,100
<b>Depreciation</b>						
At 1 April 2012	0	0	0	57,527	0	57,527
Revaluation	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
Provided for year	0	0	0	17,731	0	17,731
At 31 March 2013	0	0	0	75,258	0	75,258
<b>Net Book Value</b>						
At 31 March 2012	0	0	0	50,573	0	50,573
At 31 March 2013	0	0	0	32,842	0	32,842

**11. Capital Expenditure and Capital Financing**

The assets of arc21 are fully funded and therefore arc21 has no Capital Financing Requirement.

**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 and road improvements 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. Inventories**

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**

	<b>2013/14</b>	<b>2012/13</b>
	<b>£</b>	<b>£</b>
14a) Long Term Debtors:		
Employee car loans	0	0
14b) Short Term Debtors		
Government Departments	378,350	387,787
Councils	587,137	790,217
Grants	0	10,000
Value Added Tax	5,514	0
Payments in advance	60,249	0
Other	717,600	611,569
less: provision for doubtful debts	(11,326)	(11,326)
<b>Total debtors</b>	<b>1,737,524</b>	<b>1,788,247</b>

**15. Cash and Cash Equivalents**

	<b>2013/14</b>	<b>2012/13</b>
	<b>£</b>	<b>£</b>
Bank deposits – general	2,737,246	3,056,630
Current account - balance	352,101	247,459
<b>Total Short-Term Investments</b>	<b>3,089,347</b>	<b>3,304,089</b>

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

The Joint Committee have not entered into any borrowing arrangements.

**17. Creditors****17a Short Term Creditors**

	<b>2013/14</b>	<b>2012/13</b>
	<b>£</b>	<b>£</b>
Government Departments		0
Councils	1,449,142	2,046,255
Receipts in advance	0	0
Trade Creditors	3,011,687	2,535,915
VAT	0	7,195
Other	13,790	47,247
Borrowing re-payable within one year	0	0
<b>Total creditors</b>	<b>4,474,619</b>	<b>4,636,612</b>

**17b 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 which results in an obligation to pay invoices within 30 days. During the year the Joint Committee paid 74% of supplier's invoices within this timescale.

During the year, arc21 paid 1041 invoices with a total value of over £24.5m (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 whilst at the same time maintaining the correct stringent level of verification and checking that is required.

**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:

	£
Less than three months	1,108,117
Three to six months	241,852
Six months to one year	0
More than one year	387,555
<b>Total Aged Debts</b>	<b>1,737,524</b>

The debtor balances above includes amounts owing from central government grants as at year-end. 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**

### **20a 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.

### **20b 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:

	2013/14	2012/13
	£	£
<b>Net cost of services:</b>		
Current service cost	120,000	89,000
Past service cost/(gain)	0	0
Gains and losses on settlements or curtailments	0	0
<b>Net operating expenditure:</b>		
Net interest on net defined benefit liability (asset)	23,000	9,000
<b>Net charge to the Comprehensive Income and Expenditure Statement</b>	<b>143,000</b>	<b>98,000</b>

<b>Adjustments between accounting basis &amp; funding basis under regulations:</b>		
Reversal of net charges made for retirement benefits in accordance with IAS 19	(143,000)	(98,000)
<b>Actual amount charged against the general fund balance for pensions in the year:</b>		
Employers' contributions payable to scheme	86,000	81,000
<b>Net charge to the Comprehensive Income and Expenditure Statement</b>	<b>(57,000)</b>	<b>(17,000)</b>

The service cost figures include an allowance for administration expenses of £0.001m.

In addition to the recognised gains and losses included in the Comprehensive Income and Expenditure Statement, actuarial gains of £105k (£27k loss in 2012/13) were included 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 £298k (£388k loss in 2012/13).



**20c Assets and liabilities in relation to retirement benefits****Reconciliation of present value of the scheme liabilities:**

	2013/14	2012/13 Restated*
	£	£
<b>Balance as at 1 April</b>	<b>2,563,000</b>	<b>2,108,000</b>
Current service cost	120,000	92,000
Interest cost	116,000	101,000
Contributions by members	30,000	30,000
<i>Remeasurement (gains) and losses:</i>		
- Actuarial losses/(gains)	252,000	236,000
- Past service costs/(gains)	(64,000)	0
- Losses/(gains) on curtailments	(75,000)	0
Liabilities extinguished on settlements		0
Estimated unfunded benefits paid		0
Estimated benefits paid	(3,000)	(4,000)
<b>Balance as at 31 March</b>	<b>2,939,000</b>	<b>2,563,000</b>

**Reconciliation of present value of the scheme assets:**

	2013/14	2012/13 Restated*
	£	£
<b>Balance as at 1 April</b>	<b>2,013,000</b>	<b>1,617,000</b>
Interest income	93,000	80,000
Contributions by members	30,000	30,000
Contributions by employer	86,000	81,000
Contributions in respect of unfunded benefits		0
Remeasurement gain/(loss)	218,000	209,000
Assets distributed on settlements		0
Unfunded benefits paid		0
Benefits paid	(3,000)	(4,000)
<b>Balance as at 31 March</b>	<b>2,437,000</b>	<b>2,013,000</b>

\* A revised version of IAS19 came into effect for accounting periods commencing on or after 1 January 2013. The impact of this has caused a restatement of some elements of the prior year analysis. However, the opening and closing balances remain unchanged and hence there is no impact on the prior year CIES or Balance Sheet.

The Joint Committee has been advised by the consulting actuary, Aon Hewitt Limited, that the

return on the Fund in market value terms for the year to 31 March 2014 is estimated based on actual Fund returns as provided by the Administering Authority and index returns where necessary. The long-term expected rate of return on scheme assets is 7.3% as at 31 March 2014.

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 gain of £311k (2012/13 £289k).

### Fair Value of Plan Assets

	31/03/2014	31/03/2013	31/03/2012
	£	£	£
Equity investments	1,808,000	1,522,000	1,197,000
Government Bonds	144,000	219,000	226,000
Property	273,000	155,000	129,000
Cash	63,000	95,000	65,000
Corporate Bonds	149,000	10,000	0
Other	0	12,000	0
	<b>2,437,000</b>	<b>2,013,000</b>	<b>1,617,000</b>

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):

	31/03/2014	31/03/2013	31/03/2012
	£	£	£
Fair Value of Employer Assets	2,437,000	2,013,000	1,617,000
Present value of funded liabilities	(2,939,000)	(2,563,000)	(2,108,000)
<b>Net (Under)/Overfunding in Funded Plans</b>	<b>(502,000)</b>	<b>(550,000)</b>	<b>(491,000)</b>
Present value of unfunded defined benefit obligation	0	0	0
Other movement in the liability (asset)	0	0	0
<b>Net Asset/(Liability)</b>	<b>(502,000)</b>	<b>(550,000)</b>	<b>(491,000)</b>
<i>Amount in the Balance sheet:</i>			
Liabilities	(502,000)	(550,000)	(491,000)
Assets	0	0	0
<b>Net Asset/(Liability)</b>	<b>(502,000)</b>	<b>(550,000)</b>	<b>(491,000)</b>

**20d Scheme History****Analysis of Scheme Assets and Liabilities**

	31/03/2014	31/03/2013	31/03/2012
	£	£	£
Fair Value of Assets in pension scheme	2,437,000	2,013,000	1,617,000
Present Value of Defined Benefit Obligation	(2,939,000)	(2,563,000)	(2,108,000)
Surplus/(deficit) in the Scheme	<b>(502,000)</b>	<b>(550,000)</b>	<b>(491,000)</b>

**Amount recognised in Other Comprehensive Income and Expenditure**

	31/03/2014	31/03/2013 Restated	31/03/2012
	£	£	£
Actuarial gains/(losses)	105,000	(27,000)	(90,000)
Increase/(decrease) in irrecoverable surplus from membership fall and other factors	0	0	0
Actuarial gains/(losses) recognised in Other Comprehensive Income and Expenditure	105,000	(27,000)	(90,000)

Cumulative actuarial gains and losses	<b>(298,000)</b>	<b>(388,000)</b>	<b>(361,000)</b>
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**History of experience gains and losses:**

Experience gains and (losses) on assets	218,000	209,000	(96,000)
Experience gains and (losses) on liabilities	(252,000)	0	(4,000)

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £2,939k has a substantial impact on the net worth of the Joint Committee as recorded in the Balance Sheet, resulting in a net liability of £502k.

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 should be made good by increased contributions over the remaining working life of employees, assessed by the scheme actuary and approved by the Department of the Environment.

### Analysis of Projected Amount to be Charged to the Comprehensive Income and Expenditure Statement for the Year to 31 March 2015

	2014/15	2014/15
	£	As % of pensionable pay
Projected current cost	118,000	26.4%
Interest on the net defined benefit liability / (asset)	20,000	4.5%
Past service cost	0	0
<b>Total</b>	<b>138,000</b>	<b>30.9%</b>

The total contributions expected to be made to the arc21 Joint Committee (NILGOSC) Pension Fund by the Joint Committee in the year to 31 March 2015 is £86,000.

### History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve 2013/14 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2014.

	31/03/2014	31/03/2013	31/03/2012
	%	%	%
Experience gains and (losses) on Assets	8.9%	9.6%	(5.9)%
Experience gains and (losses) on Liabilities	8.6%	0.2%	0.0%

**20e 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 Aon Hewitt, 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 2013.

	2013/14	2012/13
<b>Long-term expected rate of return on assets in the scheme:</b>		
Equity investments	7.6%	7.8%
Government Bonds	3.4%	2.8%
Property	6.9%	7.3%
Cash	0.9%	0.9%
Corporate Bonds	4.0%	3.8%
Other	7.6%	7.8%
<b>Mortality assumptions:</b>		
<i>Longevity at 65 current pensioners:</i>		
Men	22.1 years	23.2 years
Women	24.6 years	26.1 years
<i>Longevity at 65 for future pensioners:</i>		
Men	24.3 years	25.2 years
Women	26.9 years	28.1 years
Inflation/Pension Increase Rate	2.4%	2.8%
Salary Increase Rate	3.9%	5.2%
Expected Return on Assets	7.3%	6.9%
Discount Rate	4.3%	4.5%
<b>Take-up of option to convert annual pension into retirement lump sum:</b>		
Service to April 2009	75%	50%
Service post April 2009	75%	75%

**20f Pension Assumptions Sensitivity Analysis**

The pension figures disclosed in these financial statements are sensitive to the assumptions used. The approximate impact of changing key assumptions on the present value of the funded defined benefit obligation as at 31 March 2014 is set out below.

In each case, only the assumption noted below is altered; all other assumptions remain the same and are summarised in the disclosure above.

**Funded Pension Scheme Benefits**

<b>Discount Rate Assumption</b>		
Adjustment to discount rate	<b>+0.1% p.a.</b>	<b>-0.1% p.a.</b>
Present value of the total obligation (£m's)	2.886	2.992
% change in the present value of the total obligation	-1.8%	1.8%
Projected service cost (£m's)	0.115	0.121
Approximate % change in projected service cost	-2.5%	2.5%
<b>Rate of General Increase In Salaries</b>		
Adjustment to salary increase rate	<b>+0.1% p.a.</b>	<b>-0.1% p.a.</b>
Present value of the total obligation (£m's)	2.954	2.924
% change in the present value of the total obligation	0.5%	-0.5%
Projected service cost (£m's)	0.119	0.117
Approximate % change in projected service cost	0.8%	-0.8%
<b>Rate of Increase to Pensions in Payment and Deferred Pension Assumptions</b>		
Adjustment to pension increase rate	<b>+0.1% p.a.</b>	<b>-0.1% p.a.</b>
Present value of the total obligation (£m's)	2.977	2.901
% change in the present value of the total obligation	1.3%	-1.3%
Projected service cost (£m's)	0.119	0.117
Approximate % change in projected service cost	1.6%	-1.6%
<b>Post Retirement Mortality Assumption</b>		
Adjustment to pension increase rate	<b>-1 year</b>	<b>+1 year</b>
Present value of the total obligation (£m's)	2.996	2.881
% change in the present value of the total obligation	1.9%	-2.0%
Projected service cost (£m's)	0.121	0.115
Approximate % change in projected service cost	2.5%	-2.5%

**20g 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:

	<b>31/03/2014</b>	<b>31/03/2013</b>	<b>31/03/2012</b>
	<b>%</b>	<b>%</b>	<b>%</b>
Equity investments	74.2	75.6	74.0
Government Bonds	5.9	10.9	14.0
Property	11.2	7.7	8.0
Cash	2.6	4.7	4.0
Corporate Bonds	6.1	0.5	0.0
Other	0.0	0.6	0.0
	<b>100</b>	<b>100</b>	<b>100</b>

**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 has, with the approval of the Participant Councils, entered into a Contingent Liability Undertaking with the bidding consortium in the procurement for the Residual Waste Treatment Project. Payments made, if any, in accordance with this undertaking will be funded by the Participant Councils. No further information on this agreement can be disclosed due to the commercial sensitivity of the procurement process.

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

	<i>Note</i>	<b>2013/14</b> £	<b>2012/13</b> £
<b><u>Adjustment to surplus for noncash movements</u></b>			
Depreciation	<b>3,10</b>	7,646	17,731
(Increase)/Decrease in debtors		50,723	769,506
Increase/(Decrease) in creditors		(161,994)	527,610
Payments to Pension Fund		57,000	17,000
Carrying value of non-current assets disposed		9,928	0
		<b>(36,697)</b>	<b>1,331,847</b>
<b><u>Adjustment for items included in the net surplus that are investing and financing activities</u></b>			
Proceeds from sale of PP&E, investment property and intangible assets		0	0
		<b>0</b>	<b>0</b>

**24b) Cash and Cash Equivalents**

	<b>2013/14</b>	<b>2012/13</b>	<b>2011/12</b>
	£	£	£
Cash and Bank Balances	352,101	247,459	(503,709)
Short Term Deposits	2,737,246	3,056,630	2,522,702
<b>Total</b>	<b>3,089,347</b>	<b>3,304,089</b>	<b>2,018,993</b>

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 for the main contracts to ensure that sufficient cash is available to meet the contractual requirements of arc21, which run at around £2.5m per month. The level of cash held at the year end is deemed to be prudent to meet the short term obligations of the organisation and represents 12.4% (10.6% 2012/13) of total income.



**24c) Cash Flow Statement – Operating Activities**

	2013/14	2012/13
	£	£
<i>The cash flows from operating activities include:</i>		
Interest received	20,753	43,259
Interest paid	295	270

**24d) Cash Flows from Investing Activities**

	2013/14	2012/13
	£	£
Purchase of PP&E, investment property and intangible assets	0	0
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	0	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
<b>Net Cash flows from Investing Activities</b>	<b>0</b>	<b>0</b>

**25a) Analysis of Movement on Reserves – Current Year**

		USABLE RESERVES			UNUSABLE RESERVES			TOTAL RESERVES	
		Capital Receipts Reserve	General Reserves	TOTAL USABLE RESERVES	Capital Adjustment Account	Pensions Reserve	Accumulated Absences Account	TOTAL UNUSABLE RESERVES	TOTAL RESERVES
		£	£	£	£	£	£	£	£
		26a)	26f)		26g)	26k)	26m)		
<b>At 1 April 2013</b>	<i>Note</i>	0	455,723	<b>455,723</b>	32,842	(550,000)	0	<b>(517,158)</b>	<b>(61,435)</b>
<b>Movements during the year:</b>									
Direct Revenue Financing	<i>3,11</i>			<b>0</b>				<b>0</b>	<b>0</b>
Depreciation & impairment adjustment	<i>3</i>		7,646	<b>7,646</b>	(7,646)			<b>(7,646)</b>	<b>0</b>
Surplus/(Deficit) on the Provision of Services			(178,045)	<b>(178,045)</b>				<b>0</b>	<b>(178,045)</b>
Transfers between Earmarked Reserves and General Reserves			0	<b>0</b>				<b>0</b>	<b>0</b>
Net movements on Pension Reserve	<i>3,20</i>		57,000	<b>57,000</b>		(57,000)		<b>(57,000)</b>	<b>0</b>
Disposal of Fixed Assets/Capital Sales	<i>3,10</i>		9,928	<b>9,928</b>	(9,928)			<b>(9,928)</b>	<b>0</b>
Capital Receipts used to finance capital expenditure	<i>3,11</i>			<b>0</b>				<b>0</b>	<b>0</b>
Revaluation	<i>10,20</i>			<b>0</b>		105,000		<b>105,000</b>	<b>105,000</b>
Other Movements		0		<b>0</b>	0			<b>0</b>	<b>0</b>
<b>Total movements on reserves during the year (Change in Net Worth)</b>		<b>0</b>	<b>(103,471)</b>	<b>(103,471)</b>	<b>(17,574)</b>	<b>48,000</b>	<b>0</b>	<b>30,426</b>	<b>(73,045)</b>
<b>At 31 March 2014</b>		<b>0</b>	<b>352,252</b>	<b>352,252</b>	<b>15,268</b>	<b>(502,000)</b>	<b>0</b>	<b>(486,732)</b>	<b>(134,480)</b>

## 25b) Analysis of Movement on Reserves – Comparative Year

		USABLE RESERVES			UNUSABLE RESERVES			TOTAL RESERVES	
		Capital Receipts Reserve	General Reserves	TOTAL USABLE RESERVES	Capital Adjustment Account	Pensions Reserve	Accumulated Absences Account	TOTAL UNUSABLE RESERVES	TOTAL RESERVES
		£	£	£	£	£	£	£	£
		26a)	26f)		26g)	26k)	26m)		
<b>At 1 April 2012</b>	<i>Note</i>	0	467,742	<b>467,742</b>	50,573	(491,000)	0	<b>(440,427)</b>	<b>27,315</b>
<b>Movements during the year:</b>									
Direct Revenue Financing	<i>3,11</i>			<b>0</b>				<b>0</b>	<b>0</b>
Depreciation & impairment adjustment	<i>3</i>		17,731	<b>17,731</b>	(17,731)			<b>(17,731)</b>	<b>0</b>
Surplus/(Deficit) on the Provision of Services			(46,749)	<b>(46,749)</b>				<b>0</b>	<b>(46,749)</b>
Transfers between Earmarked Reserves and General Reserves			0	<b>0</b>				<b>0</b>	<b>0</b>
Net movements on Pension Reserve	<i>3,20</i>		17,000	<b>17,000</b>		(17,000)		<b>(17,000)</b>	<b>0</b>
Disposal of Fixed Assets/Capital Sales	<i>3,10,23</i>			<b>0</b>				<b>0</b>	<b>0</b>
Capital Receipts used to finance capital expenditure	<i>3,11</i>			<b>0</b>				<b>0</b>	<b>0</b>
Revaluation	<i>10,20</i>			<b>0</b>		(42,000)		<b>(42,000)</b>	<b>(42,000)</b>
Other Movements		0		<b>0</b>	0			<b>0</b>	<b>0</b>
<b>Total movements on reserves during the year (Change in Net Worth)</b>		<b>0</b>	<b>(12,018)</b>	<b>(12,018)</b>	<b>(17,731)</b>	<b>(59,000)</b>	<b>0</b>	<b>(76,731)</b>	<b>(88,749)</b>
<b>At 31 March 2013</b>		<b>0</b>	<b>455,724</b>	<b>455,724</b>	<b>32,842</b>	<b>(550,000)</b>	<b>0</b>	<b>(517,158)</b>	<b>(61,434)</b>

**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 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**

A Related Party Transaction is a transfer of resources or obligations between related parties, regardless of whether a price is charged. Related Party Transactions exclude transactions with any other entity that is a related party solely because of its economic dependence on the Joint Committee or the Government of which it forms part. A related party is one that has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. This includes cases where the related party entity and another entity are subject to common control but excludes providers of finance in the course of their normal business with the Joint Committee and Trade Unions in the course of their normal dealings with the Joint Committee. In addition, where the relationship with the Joint Committee and the entity is solely that of an Agency (see note 28) these are not deemed to be Related Party Transactions.

Transactions with related parties not disclosed elsewhere in these financial statements are set out below, where a description of the nature, the amount of the transaction and the amount of the outstanding balance is as follows:

- Councillors have direct control over the Joint Committee's financial and operating policies. In the 2013/14 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 services.

- The Establishment Costs of arc21 are recharged to the eleven participant councils on a population basis. The amounts paid by member councils, as reflected in the Comprehensive Income and Expenditure Statement on page 28 is shown below.

	<b>2013/14</b>	<b>2012/13</b>
<b>Name</b>	<b>£</b>	<b>£</b>
Antrim Borough Council	81,339	40,188
Ards Borough Council	117,231	57,912
Ballymena Borough Council	95,313	46,956
Belfast City Council	401,602	198,900
Carrickfergus Borough Council	60,106	29,724
Castlereagh Borough Council	100,591	49,608
Down District Council	106,279	52,380
Larne Borough Council	47,382	23,424
Lisburn City Council	177,131	87,216
Newtownabbey Borough Council	125,350	61,872
North Down Borough Council	119,939	59,171
<b>Total</b>	<b>1,432,263</b>	<b>707,351</b>

- Waste related services are charged to individual councils on a per tonne or on a units-bought basis depending on the specific contract or service provided. The value of these transactions is detailed out in note 7.
- The year-end balances owed between arc21 and the eleven participant councils are split out in note 14 (debtors) and in note 17.1 (creditors).

### **30. Prior Year Re-statement**

Prior period adjustments have been made to the Joint Committee's 2012/13 published financial statements in relation to the following:

#### **IAS19 Change to Accounting Standards**

There have been several significant changes in relation to the international accounting standard IAS19 Employee Benefits. This has resulted in changes to accounting treatment for financial years on or after 1 January 2013. There is no impact on the Balance Sheet however, the main changes are as follows.

**Expected Return On Assets**

This is in relation to the return on Pension Scheme assets such as those held by the Northern Ireland Local Government Officers' Pension Fund. Advance credit for anticipated outperformance of return seeking assets (such as equities) is no longer permitted by IAS19. This has been replaced with an equivalent figure calculated using a discount rate (as opposed to using a figure calculated using expected return on assets assumptions).

**Disclosure Presentation**

In order to be consistent with the new requirements of IAS19 the disclosures in relation to the Joint Committee's defined benefit scheme have changed from those published in 2012/13. By making these changes to the accounting standard, it is intended that the presentation of the information is easier for the user to understand (see note 20).

Note 20 provides disclosure around the amendment to the other comprehensive income as a result of the change to the accounting standard.

**Comprehensive Income and Expenditure Statement (CIES)**

	2012/13		Restated 2012/13
	Net Expenditure	IAS19 Pensions Restatement	Net Expenditure
	£	£	£
Financing and Investment Income and Expenditure	(33,989)	0	(33,989)
Surplus or (Deficit) on Provision of Services	(46,749)	0	(46,749)
Other Comprehensive Income and Expenditure	(42,000)	15,000	(27,000)
Actuarial Gains / (Losses) on pension scheme assets/liabilities	(42,000)	15,000	(27,000)
<b>Total Comprehensive Income and Expenditure</b>	<b>(88,749)</b>	<b>15,000</b>	<b>(73,749)</b>



**Movement in Reserves Statement (MiRS)**

	<b>General Fund Summary</b>	<b>Statutory Reserves</b>	<b>Other Fund Balances &amp; Reserves</b>	<b>Capital Receipts Reserve</b>	<b>Total Usable Reserves</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Balance at 31 March 2013</b>	455,724	0	0	0	455,724
Surplus or (Deficit) on provision of services – IAS19 Pensions Restatement	0	0	0	0	0
Adjustments between accounting basis & funding basis under regulation – IAS19 Pensions Restatement	0	0	0	0	0
<b>Restated Balance as 31 March 2013 carried forward</b>	<b>455,724</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>455,724</b>

**Cash Flow Statement**

	<b>2012/13</b>		<b>Restated 2012/13</b>
	<b>Net Expenditure</b>	<b>IAS19 Pensions Restatement</b>	<b>Net Expenditure</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Net surplus or (deficit) on the provision of services	(46,749)	0	(46,749)
Adjustment to surplus or deficit on the provision of services for noncash movements	1,331,847	0	1,331,847
Net Cash Flows from operating activities	1,285,096	0	1,285,096
Net increase or (decrease) in cash and cash equivalents	1,285,096	0	1,285,096
Cash and cash equivalents at the beginning of the reporting period	2,018,993	0	2,018,993
Cash and cash equivalents at the end of the reporting period	3,304,089	<b>0</b>	3,304,089

The prior period adjustment has no impact on the Balance Sheet.

## Accounts Authorised for Issue Certificate

In accordance with International Accounting Standard (IAS 10) this Statement of Accounts which contains amendments which are not material from the Accounts approved on 26 June 2014 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 ..... 30/10/14 .....