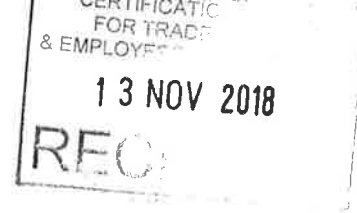


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# FORM AR27

Trade Union and Labour Relations (Consolidation) Act 1992

## ANNUAL RETURN FOR AN EMPLOYERS' ASSOCIATION

Name of Employers' Association:	East Midlands Councils
Year ended:	31 <sup>st</sup> March 2018
List No:	1592E
Head or Main Office:	East Midlands Councils First Floor Offices South Annexe Pera Business Park Nottingham Road Melton Mowbray Leicestershire LE13 0PB
Website address (if available)	<a href="http://www.eastmidlandscouncils.gov.uk">www.eastmidlandscouncils.gov.uk</a>
Has the address changed during the year to which the return relates?	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> (Tick as appropriate)
General Secretary:	Samantha Maher
Contact name for queries regarding the completion of this return:	Sarah Baker
Telephone Number:	0115 876 3648
e-mail:	<a href="mailto:sarah.baker2@nottinghamcity.gov.uk">sarah.baker2@nottinghamcity.gov.uk</a>

**PLEASE FOLLOW THE GUIDANCE NOTES IN THE COMPLETION OF THIS RETURN.**  
Any difficulties or problems in the completion of this return should be directed to the Certification Office as below or by telephone to: 020 7210 3734

The address to which returns and other documents should be sent are:

**For Employers' Associations based in England and Wales:**  
Certification Office for Trade Unions and Employers' Associations  
22<sup>nd</sup> Floor, Euston Tower, 286 Euston Road, London NW1 3JJ

**For Employers' Associations based in Scotland:**  
Certification Office for Trade Unions and Employers' Associations  
Melrose House, 69a George Street, Edinburgh EH2 2JG

## RETURN OF MEMBERS

(see note 9)

NUMBER OF MEMBERS AT THE END OF THE YEAR				
Great Britain	Northern Ireland	Irish Republic	Elsewhere Abroad (including Channel Islands)	TOTALS
<b>45</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>45</b>

## OFFICERS IN POST

(see note 10)

**Please attach as an annexe to this form a complete list of all officers in post at the end of the year to which this form relates, with the title of each persons office.**

Lisa Bushell - Learning & Development Advisor  
 Lisa Butterfill – HR & Development Manager  
 Matthew Clarke - UASC Policy Officer  
 Lois Dale - Business Support Officer  
 Brein Fisher - Policy Officer  
 Lisa Hopkins - PA to Executive Director  
 Kirsty Lowe - Learning & Development Advisor  
 Sam Maher - Director of HR & Councillor Development  
 Andrew Pritchard – Director of Policy and Infrastructure  
 Sarah Short - HR & Development Manager  
 Stuart Young - Executive Director

## CHANGE OF OFFICERS

**Please complete the following to record any changes of officers during the twelve months covered by this return.**

Title of Office	Name of Officer ceasing to hold office	Name of Officer Appointed	Date of Change

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# REVENUE ACCOUNT/GENERAL FUND

(see notes 11 to 16)

Previous Year £000's		£000's	£000's
	<b>INCOME</b>		
(462)	From Members	Subscriptions, levies, etc	(483)
(3)	Investment income	Interest and dividends (gross)	(1)
-		Bank interest (gross)	-
-		Other (specify)	-
-	Other income	Rents received	-
-		Insurance commission	-
(462)		Consultancy fees	(624)
-		Publications/Seminars	-
-		Miscellaneous receipts (specify)	-
			(484)
			(624)
(927)		<b>TOTAL INCOME</b>	<b>(1,108)</b>
	<b>EXPENDITURE</b>		
	Administrative expenses		
669		Remuneration and expenses of staff	753
43		Occupancy costs	43
34		Transport Expenses	30
78		Other Recharges	57
-		Legal and Professional fees	-
219		Supplies and Services	290
-	Other charges	Bank charges	-
-		Depreciation	-
-		Sums written off	10
-		Affiliation fees	-
-		Donations	-
-		Conference and meeting fees	-
-		Expenses	-
62		Other	115
-		Transfer to Reserves	-
			1,173
-	Taxation		125
1,105		<b>TOTAL EXPENDITURE</b>	<b>1,298</b>
178		Surplus/Deficit for year	190
624		Amount of fund at beginning of year	446
446		Amount of fund at end of year	256

# ACCOUNTS OTHER THAN THE REVENUE ACCOUNT/GENERAL FUND

(see notes 17 to 18)

<b>ACCOUNT 2</b>		<b>Fund Account</b>	
<b>Name of account:</b>		£	£
<b>Income</b>	From members Investment income Other income (specify)		
	<b>Total Income</b>		
<b>Expenditure</b>	Administrative expenses Other expenditure (specify)		
	<b>Total Expenditure</b>		
	Surplus (Deficit) for the year		
	Amount of fund at beginning of year		
	Amount of fund at the end of year (as Balance Sheet)		

<b>ACCOUNT 3</b>		<b>Fund Account</b>	
<b>Name of account:</b>		£	£
<b>Income</b>	From members Investment income Other income (specify)		
	<b>Total Income</b>		
<b>Expenditure</b>	Administrative expenses Other expenditure (specify)		
	<b>Total Expenditure</b>		
	Surplus (Deficit) for the year		
	Amount of fund at beginning of year		
	Amount of fund at the end of year (as Balance Sheet)		

# ACCOUNTS OTHER THAN THE REVENUE ACCOUNT/GENERAL FUND

(see notes 17 to 18)

ACCOUNT 4		Fund Account	
Name of account:		£	£
<b>Income</b>	From members		
	Investment income		
	Other income (specify)		
	<b>Total Income</b>		
<b>Expenditure</b>	Administrative expenses		
	Other expenditure (specify)		
	<b>Total Expenditure</b>		
	Surplus (Deficit) for the year		
	Amount of fund at beginning of year		
	Amount of fund at the end of year (as Balance Sheet)		

ACCOUNT 5		Fund Account	
Name of account:		£	£
<b>Income</b>	From members		
	Investment income		
	Other income (specify)		
	<b>Total Income</b>		
<b>Expenditure</b>	Administrative expenses		
	Other expenditure (specify)		
	<b>Total Expenditure</b>		
	Surplus (Deficit) for the year		
	Amount of fund at beginning of year		
	Amount of fund at the end of year (as Balance Sheet)		

## ACCOUNTS OTHER THAN THE REVENUE ACCOUNT/GENERAL FUND

(see notes 17 to 18)

<b>ACCOUNT 6</b>		<b>Fund Account</b>	
<b>Name of account:</b>		£	£
<b>Income</b>	From members Investment income Other income (specify)		
	<b>Total Income</b>		
<b>Expenditure</b>	Administrative expenses Other expenditure (specify)		
	<b>Total Expenditure</b>		
	Surplus (Deficit) for the year		
	Amount of fund at beginning of year		
	Amount of fund at the end of year (as Balance Sheet)		

<b>ACCOUNT 7</b>		<b>Fund Account</b>	
<b>Name of account:</b>		£	£
<b>Income</b>	From members Investment income Other income (specify)		
	<b>Total Income</b>		
<b>Expenditure</b>	Administrative expenses Other expenditure (specify)		
	<b>Total Expenditure</b>		
	Surplus (Deficit) for the year		
	Amount of fund at beginning of year		
	Amount of fund at the end of year (as Balance Sheet)		

## BALANCE SHEET AS AT [ 31/03/17 ]

(see notes 19 and 20)

Previous Year £000's		£000's	£000's
-	<b>Fixed Assets</b> (as at page 11)	-	
	<b>Investments</b> (as per analysis on page 13)		
-	Quoted (Market value £            )	-	
-	Unquoted	-	
	<b>Total Investments</b>		-
	<b>Other Assets</b>		
174	Sundry debtors	112	
462	Cash at bank and in hand	375	
-	Stocks of goods	-	
1	Prepayments	-	
	<b>Total of other</b>		487
	<b>Assets</b>		
<b>637</b>		<b>TOTAL ASSETS</b>	<b>487</b>
446	Revenue Reserve (Account)	256	
(2,873)	Pension Reserve (Account)	(2,684)	
-	Fund (Account)	-	
-	Revaluation Reserve	-	
	<b>Liabilities</b>		
-	Loans	-	
-	Bank overdraft	-	
-	Tax payable	-	
-	Sundry creditors	-	
(191)	Accrued expenses	(231)	
-	Provisions	-	
(2,873)	Pension Scheme Liability	(2,684)	
<b>(3,064)</b>		<b>TOTAL LIABILITIES</b>	<b>(2,915)</b>
<b>(2,427)</b>		<b>TOTAL ASSETS</b>	<b>(2,428)</b>



# FIXED ASSETS ACCOUNT

(see note 21)

	Land & Buildings	Fixtures & Fittings	Motor Vehicles & Equipment	Total
	£000's	£000's	£000's	£000's
<b>COST OR VALUATION</b>				
At start of period	-	-	-	-
Additions during period	-	-	-	-
Less: Disposals during period	-	-	-	-
Less: DEPRECIATION:	-	-	-	-
Total to end of period	-	-	-	-
<b>BOOK AMOUNT</b> at end of period	-	-	-	-
Freehold				
Leasehold (50 or more years unexpired)				
Leasehold (less than 50 years unexpired)				
<b>AS BALANCE SHEET</b>	-	-	-	-

# ANALYSIS OF INVESTMENTS

(see note 22)

		Other Funds £000's
<b>QUOTED</b>	British Government & British Government Guaranteed Securities	-
	British Municipal and County Securities	-
	Other quoted securities (to be specified)	-
	<b>TOTAL QUOTED (as Balance Sheet)</b>	-
	<b>*Market Value of Quoted Investments</b>	-
<b>UNQUOTED</b>	British Government Securities	-
	British Municipal and County Securities	-
	Mortgages	-
	Other unquoted securities (to be specified)	-
	<b>TOTAL QUOTED (as Balance Sheet)</b>	-
	<b>*Market Value of Unquoted Investments</b>	-

\* Market value of investments to be stated where these are different from the figures quoted in the balance sheet

# ANALYSIS OF INVESTMENT INCOME (CONTROLLING INTERESTS)

(see notes 23 to 25)

<b>Does the association, or any constituent part of the association, have a controlling interest in any limited company?</b>		YES	NO <input checked="" type="checkbox"/>
If YES name the relevant companies:			
COMPANY NAME	COMPANY REGISTRATION NUMBER (if not registered in England & Wales, state where registered)		
<b>INCORPORATED EMPLOYERS' ASSOCIATIONS</b>			
<b>Are the shares which are controlled by the association registered in the association's name</b>		YES	NO
If NO, please state the names of the persons in whom the shares controlled by the association are registered.			
COMPANY NAME	NAMES OF SHAREHOLDERS		
<b>UNINCORPORATED EMPLOYERS ASSOCIATIONS</b>			
<b>Are the shares which are controlled by the association registered in the names of the association's trustees?</b>		YES	NO
If NO, state the names of the persons in whom the shares controlled by the association are registered.			
COMPANY NAME	NAMES OF SHAREHOLDERS		

# SUMMARY SHEET

(see notes 26 to 35)

	All funds except Political Funds £	Political Funds £	Total Funds £
<b>INCOME</b>			
From Members	(483)	-	(483)
From Investments	(1)	-	(1)
Other Income (including increases by revaluation of assets)	(624)	-	(624)
<b>Total Income</b>	(1,108)	-	(1,108)
<b>EXPENDITURE</b> (including decreases by revaluation of assets)	1,298	-	1,298
<b>Total Expenditure</b>	1,298	-	1,298
<b>Funds at beginning of year</b> (including reserves)	446	-	446
<b>Funds at end of year</b> (including reserves)	256	-	256
<b>ASSETS</b>			
Fixed Assets			-
Investment Assets			-
Other Assets			487
		<b>Total Assets</b>	487
<b>LIABILITIES</b>			
		<b>Total Liabilities</b>	(2,915)
<b>NET ASSETS (Total Assets less Total Liabilities)</b>			(2,428)

# NOTES TO THE ACCOUNTS

(see note 36)

**All notes to the accounts must be entered on or attached to this part of the return.**

Please see appendix 1 for details.

# ACCOUNTING POLICIES


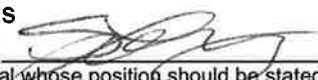
(see notes 37 and 38)

Please see appendix 1 for details.

## SIGNATURES TO THE ANNUAL RETURN

(see notes 39 and 40)

including the accounts and balance sheet contained in the return.

Secretary's Signature: <u></u>  Name: <u>SAMANTHA MAHER</u>  Date: <u>9 NOVEMBER 2018</u>	Chairman's Signature: <u></u> (or other official whose position should be stated)  Name: <u>Stuart Young (Executive Director)</u>  Date: <u>9 November 2018</u>
---	---

## CHECK LIST

(see note 41)

(please tick as appropriate)

IS THE RETURN OF OFFICERS ATTACHED? (see Page 3)	YES		NO	
HAS THE RETURN OF CHANGE OF OFFICERS BEEN COMPLETED? (see Page 3)	YES		NO	
HAS THE RETURN BEEN SIGNED? (see Note 38)	YES		NO	
HAS THE AUDITOR'S REPORT BEEN COMPLETED (see Note 39)	YES		NO	
IS A RULE BOOK ENCLOSED? (see Note 40)	YES		NO	
HAS THE SUMMARY SHEET BEEN COMPLETED (see Notes 6 and 25 to 34)	YES		NO	

# AUDITOR'S REPORT

(see notes 42 to 47)

made in accordance with section 36 of the Trade Union and Labour Relations (Consolidation) Act 1992.

1. In the opinion of the auditors or auditor do the accounts they have audited and which are contained in this return give a true and fair view of the matters to which they relate?  
(See section 36(1) and (2) of the 1992 Act and notes 43 and 44)  
  
YES/NO  
If "No" please explain below.
  
2. Have the auditors or auditor carried out such investigations in the preparation of their audit report as will enable them to form an opinion as to:
  - (a) whether the trade union has kept proper accounting records in accordance with section 28 of the 1992 Act;
  - (b) whether it has maintained a satisfactory system of control over its transactions in accordance with the requirements of that section; and
  - (c) whether the accounts to which the report relates agree with the accounting records?  
(See section 36(3) of the 1992 Act, set out in note 43)  
YES/NO  
If "No" please explain below.
  
3. Are the auditors or auditor of the opinion that the union has complied with section 28 of the 1992 Act and has:
  - (a) kept proper accounting records with respect to its transactions and its assets and liabilities; and
  - (b) established and maintained a satisfactory system of control of its accounting records, its cash holding and all its receipts and remittances.  
(See section 36(4) of the 1992 Act set out in note 43)  
YES/NO  
If "No" please explain below.
  
4. Please set out a copy of the report made by the auditors or auditor to the union on the accounts to which this AR27 relates. The report is to set out the basis upon which the audit has been conducted and/or such other statement as the auditor considers appropriate. Such a statement may be provided as a separate document.  
(See note 45)

## AUDITOR'S REPORT (continued)

Please see the attached report

Signature(s) of auditor or auditors:



Name(s):

Rogers Spencer

Profession(s) or Calling(s):

Chartered Accountants

Address(es):

Newstead House  
Pelham Road  
Nottingham  
NG5 1AP

Date:

9 November 2018

Contact name and telephone number:

Melvin Bailey  
0115 9608412

N.B. When notes to the accounts are referred to in the auditor's report a copy of those notes must accompany this return.



# Appendix 1

## Notes to the Accounts

### 1. Statement of Accounting Policies

- The financial statements have been prepared on and are in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board. These financial statements are principally maintained on an historical cost basis.
- The financial statements are maintained on an accruals basis. Thus, sums due to or amounts owing by EMC in respect of goods and services rendered but not paid for at 31 March are included in the financial statements.
- The Revenue Recognition policy covers the rendering of services (excluding services directly related to construction contracts), the sale of goods (produced by the organisation for the purpose of sale or purchased for resale, although this is very minimal), interest and where previously a liability had been recognised (i.e. creditor) on satisfying the revenue recognition criteria. Revenue is recognised and measured at the fair value of the consideration receivable. However, if payment is on deferred terms, the consideration receivable is recognised initially at the cash price equivalent. The difference between this amount and the total payments received is recognised as interest revenue in the Net Operating Profit or Loss. Short duration receivables with no stated interest rate are measured at original invoice amount where the effect of discounting is immaterial.
- Non-Current Assets are accounted for in line with IAS 16, IAS 36 and IAS 38. All expenditure on the acquisition of Plant and Equipment is capitalised on an accruals basis provided that these assets yield a benefit to the organisation for a period of more than one year and is above a de-minimis limit of £1,000 for individual items. EMC doesn't own any land or buildings or any other categories of Non-Current Assets. Plant and Equipment valuation is based on depreciated historical cost and is depreciated on a straight line basis over 5 years. Additions below the de-minimus level are recognised in the Statement of Comprehensive Income as revenue expenditure.
- The Equity of the Organisation is shown as Reserves in the Balance Sheet. These are compliant with IFRS but follow the provisions of the Local Authority Accounting Code of Practice which establishes Reserves to allow the carry forward of balances to the following year. The Reserves are made up of the following:
  - Revenue Reserves which are made up of excess income and grants from previous years with no conditions for repayment outstanding. This funding can be used for all types of expenditure during future years.
  - Pension Reserve which is an unusable reserve showing the balance of the net pension liability.
- Cash and Cash Equivalents are represented by cash in hand, deposits with financial institutions repayable without penalty with a notice of 24 hours or less and investments that mature in 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.

The cash and cash equivalents figure is not held separately by EMC as their cash balances are held within the local authorities Bank Account. Due to this the cash and cash equivalents figure is formulated using the cash flow statement.
- Grants are accounted for in accordance with IAS 20. Revenue grants that have met any conditions attached have been credited to the appropriate service lines within the Statement of Comprehensive Income. Conditions are stipulations that specify how the funding must be utilised by the recipient

otherwise the funding must be returned. Where conditions have not been met, the grants will be held as creditors on the Statement of Financial Position.

Employee Benefits are accounted for in accordance with IAS 19.

▪ **Benefits Payable During Employment**

Short term benefits are those due to be settled wholly within 12 months of the year end They include; wages, salaries, paid annual leave, paid sick leave and non-monetary benefits (e.g. cars) and are recognised as an expense for services in the year the employees render services to the organisation. An accrual is made for the cost of holiday entitlements, outstanding flexi leave and Time Off in Lieu earned by employees but not taken before the year-end, which employees can carry forward into the following financial year.

▪ **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by EMC to terminate an officer’s employment before normal retirement date or an officer’s decision to accept voluntary redundancy in exchange for those benefits. Termination benefits are charged to the Statement of Comprehensive Income against staffing expenses.

▪ **The Local Government Pension Scheme**

The Local Government Scheme is accounted for as a defined benefits scheme. The liabilities of the scheme attributable to EMC are included in the Balance Sheet on an actuarial basis using the ‘projected unit method’. This is based on an assessment of future payments that will be made in relation to retirement benefits earned to date by employees and assumptions about mortality rates and employee turnover. Liabilities are discounted to their value at current prices using the following discount rate:

Entity	Discount Rate %
Nottingham City Council	2.55%
Leicestershire County Council	2.7%

The assets of the fund are shown in the Balance Sheet at fair value:

- Quoted securities – current bid price
- Unquoted securities – professional estimate
- Unitised securities – current bid price
- Property – market value

The actuarial valuations are obtained triennially and are updated at each balance sheet date. The amount charged to the operating surplus is the current service costs and gains and losses on settlements and curtailments. They are included as part of staffing expenses. Past service costs are recognised immediately in the Statement of Financial Activities. The expected return on assets and the interest cost are shown as part of the financing and investment income and expenditure. Actuarial gains and losses are recognised immediately in other comprehensive income and expenditure.

## ▪ **The Local Government Pension Scheme**

The organisation 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 award.

- VAT incorporated in the income and expenditure account is limited to irrecoverable sums.
- Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

## 2. **Accounting Standard that have been issued but not yet adopted**

There are currently no new relevant account standards that affect the disclosure of EMC's financial statements.

## 3. **Critical Judgements in Applying Accounting Policies**

In applying the accounting policies set out in Note 1, EMC has had to make certain judgement about complex transactions or those involving uncertainty about future events.

The critical judgements made in the financial statements are:

- These financial statements have been prepared on the basis that EMC is a going concern for the foreseeable future based on the level of reserves currently held and the commitment of membership authorities to make annual contributions.

## 4. **Assumptions Made about the Future and Other Major Sources of Estimation / Uncertainty**

The financial statements contain estimated figures that are based on assumptions made by the Organisation 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.

The item in the Statement of Financial Position as at 31 March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year is as follows:

**Pension Liability:** 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. An independent firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied, although ultimate responsibility for forming these assumptions remains with the Council.

The carrying value of the Pension Liability at 31 March 2018 is £2,684k.

## 5. **Reserves**

	Revenue Reserve £000	Pension Reserve £000	Total £000
<b>Balance at 31 March 16</b>	<b>624</b>	<b>(1,844)</b>	<b>(1,220)</b>
Transfers from Revenue		(1,029)	(1,029)
Transfer to Revenue	(178)		(178)
<b>Balance at 31 March 17</b>	<b>446</b>	<b>(2,873)</b>	<b>(2,427)</b>
Transfers from Revenue		189	189
Transfer to Revenue	(190)		(190)

<b>Balance at 31 March 18</b>	<b>256</b>	<b>(2,684)</b>	<b>(2,428)</b>
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i. **Financing and Investment Income and Expenditure**

	<b>2016/17</b>	<b>2017/18</b>
	<b>£000</b>	<b>£000</b>
Pension interest cost and expected return on pension assets	62	115
Interest Receivable and Similar Income	(3)	(1)
<b>Total</b>	<b>59</b>	<b>114</b>

7 Partnership and Government Income

	2016/17	2017/18
	£000	£000
Amber Valley Borough Council	5	5
Ashfield District Council	6	6
Bassetlaw District Council	20	17
Daventry District Council	6	6
Derby City Council	10	10
Derbyshire County Council	30	20
Erewash Borough Council	6	6
Harborough District Council	5	6
Hinckley & Bosworth Borough Council	7	6
Kettering Borough Council	41	40
Leicester City Council	10	10
Leicestershire County Council	10	10
Lincolnshire County Council	45	46
Melton Borough Council	6	7
Northamptonshire County Council	10	10
Nottingham City Council	10	18
Nottinghamshire County Council	10	10
Rutland County Council	13	13
Total Other Partnership Contributions	212	237
	<b>462</b>	<b>483</b>
<b>Total Partnership Contributions</b>		
	107	217
Home Office	30	-
MHCLG	-	-
Total Other Government Contributions		
	<b>137</b>	<b>217</b>
<b>Total Government Contributions</b>		
<b>Total</b>	<b>599</b>	<b>700</b>

**i. Partnership and Government Payments**

	2016/17	2017/18
	£000	£000
Derby City Council	4	0
Gedling Borough Council	6	6
Leicestershire County Council	8	8
Melton Borough Council	1	0
Nottinghamshire County Council	2	0
Total Other Partnership and Government Payments	9	21
<b>Total</b>	<b>30</b>	<b>35</b>

**i. Pensions – Revenue Costs**

**a) Local Government Pension Scheme**

EMC participates in the Local Government Pension Scheme (LGPS) for employees, administered locally by Nottingham City Council (NCC) and Leicestershire County Council (LCC). This is a funded, defined benefit final salary scheme, meaning that EMC and employees pay contributions into a fund calculated at a level intended to balance the pension liabilities with investment assets.

As part of the terms and conditions of employment of its officers, EMC makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, EMC has commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement. EMC recognises the cost of retirement benefits when they are earned by employees, rather than when the benefits are eventually paid as pensions.

The table below summarises the membership data as the 31 March 2018:

Member Data Summary	Number	Salaries / Pensions £000	Average Age
Actives	16	528	45
Deferred pensioners	22	52	41
Pensioners	12	120	62

The Statement of Financial Position shows a pension deficit of £2,684k as assessed on an IAS 19 basis.

The total expenditure recognised in the Statement of Comprehensive Income is as follows:

	2016/17 £000	2017/18		Total £000
		LCC Revenue Costs £000	NCC Revenue Costs £000	
Current Service Cost	(102)	0	(179)	(179)
<b>Total Operating Charge</b>	<b>(102)</b>	<b>0</b>	<b>(179)</b>	<b>(179)</b>
Return on Pension Assets	(167)	(91)	(64)	(155)
Interest Cost on Pension Liabilities	229	108	122	230
<b>Net Pension Finance Costs</b>	<b>62</b>	<b>17</b>	<b>58</b>	<b>75</b>

**b) Pension Assets and Liabilities in Relation to Post-Employment Benefits**

The present value of defined benefit obligations at 31 March are as follows:

	2016/17 £000	2017/18		Total £000
		LCC Revenue Costs £000	NCC Revenue Costs £000	
<b>As at 1 April</b>	<b>6,514</b>	<b>4,231</b>	<b>4,503</b>	<b>8,734</b>
Obligation Created	15	0	0	0
Current Service Cost	102	-	179	179
Interest Cost	229	108	122	230
Employee Contributions	39	-	41	41
Actuarial Gain / (Loss)	1,941	(72)	(211)	(283)
Benefits Paid	(121)	(123)	-	(123)
Past Service Costs	-	-	-	-
Curtailments and Settlements	-	-	-	-
Change in demographic assumptions	15	-	-	-
<b>As at 31 March</b>	<b>8,734</b>	<b>4,144</b>	<b>4,634</b>	<b>8,778</b>

The fair value of EMC's share of scheme assets is as follows:

	2016/17 £000	2017/18		Total £000
		LCC Revenue Costs £000	NCC Revenue Costs £000	
<b>As at 1 April</b>	<b>4,670</b>	<b>3,554</b>	<b>2,307</b>	<b>5,861</b>
Expected return on Assets	167	91	64	155
Actuarial Gain / (Loss)	979	66	(2)	64
Employer Contributions	127	40	56	96
Employee Contributions	39	-	41	41
Benefits Paid	(121)	(123)	-	(123)
Curtailments and Settlements	-	-	-	-
<b>As at 31 March</b>	<b>5,861</b>	<b>3,628</b>	<b>2,466</b>	<b>6,094</b>

Local Government Pension Scheme assets comprised of:

	2016/17		2017/18	
	£000	% of total assets	£000	% of total assets
Equities	4,083	70%	4,140	68%
Property	542	9%	629	10%
Other Bonds	458	8%	705	12%
Gilts	377	6%	359	6%
Cash	343	6%	200	3%
Inflation-linked pooled fund	58	1%	61	1%
<b>As at 31 March</b>	<b>5,861</b>	<b>100%</b>	<b>6,094</b>	<b>100%</b>

#### **Basis for estimating assets and liabilities:**

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels, etc. The Pension Fund liabilities have been assessed by independent firms of actuaries. Estimates for the EMC fund are based on the latest full valuation of the Pension Fund as at 31 March 2018.

The principal assumptions used by the actuary have been:

	31 March 2017		31 March 2018	
	LCC Assumptions	NCC Assumptions	LCC Assumptions	NCC Assumptions
Mortality Assumption (in years):				
Longevity at 65 for Current Pensioners:				
Men	22.1	22.5	22.1	22.6
Women	24.3	25.5	24.3	25.6
Longevity at 65 for Future Pensioners				
Men	23.8	24.7	23.8	24.8
Women	26.2	27.8	26.2	27.9
Rate of Increases in Salaries	3.40%	4.20%	3.40%	3.80%
Rate of Increase in Pensions / Inflation	2.40%	2.70%	2.40%	2.30%
Rate for Discounting Scheme	2.60%	2.70%	2.70%	2.55%
Liabilities				

#### **Pension Fund Risk Management Strategy:**

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. the promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure that there is sufficient liquidity to meet the Fund's required cash flows.

These investment risks are managed as part of the overall pension fund risk management programme.



Responsibility for the Fund's risk management strategy rests with the Pension Fund Management Board and is monitored annually or more frequently if required.

**Impact on Cash Flows:**

Following the change of servicing authority on 1 April 2014, all active members were transferred from Leicestershire Local Government Pension Scheme (LGPS) to the Nottinghamshire LGPS from this date.

EMC have a strategy to pay off the net pension fund deficit over a 10 year period.

The scheme will need to take account of the national changes to the scheme under the Public Pension Services Act 2013. Under the Act, The Local Government Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The organisation anticipates making a £40k contribution to reduce the pension deficit in addition to the standard employer's pension contributions.

**10. Equipment**

Depreciation on equipment was completed in 2014/15, and there have been no subsequent purchases of equipment requiring depreciation.

## 1. Current Assets

### Short Term Debtors

	31 March 2017 £000	31 March 2018 £000
Partnership Contributions	142	70
Other Government Bodies	30	31
Other Entities and Individuals	2	11
<b>Total</b>	<b>174</b>	<b>112</b>

### Prepayments

	31 March 2017 £000	31 March 2018 £000
Other Government Bodies	1	-
<b>Total</b>	<b>1</b>	<b>-</b>

### Cash and Cash Equivalents

	31 March 2017 £000	31 March 2018 £000
Cash	462	375

## 2. Short Term Creditors

	31 March 2017			31 March 2018		
	Creditors £000	Receipts in Advance £000	Total £000	Creditors £000	Receipts in Advance £000	Total £000
Partnership Organisations	0	96	96	-	126	126
Other Government Bodies	4	90	94	-	105	105
Other Entities and Individuals	1	0	1	-	-	-
<b>Total</b>	<b>5</b>	<b>186</b>	<b>191</b>	<b>-</b>	<b>231</b>	<b>231</b>



### 13. Transactions with Related Parties

Detailed of partnership contributions and other Government grants received are shown in Note 7. The employers' contribution paid to the Pension Fund is shown in Note 9.

EMC is required to disclose material transactions with related parties, bodies or individuals that have the potential to exert control, or be controlled or influenced by EMC.

#### **Governance**

- EMC is a member-led partnership representing local government in the East Midlands.
- The full membership of EMC meets twice a year.
- The Management Group consists of 7 members including the four political group leaders of EMC plus the Chair and the Vice-Chairs of East Midlands Councils/Executive Board. The Management Group provides political leadership and advice to the organisation and is responsible for financial and non-financial performance, risk and audit matters.
- The Executive Board is the strategic decision making body of EMC on issues of interest and relevance to Local Authorities at the regional level.

#### **Central Government**

Significant sources of income including programme and project funding comes from Central Government Bodies.

#### **Local Government**

A significant proportion of the funds received by EMC are from membership contributions. Although no one contribution is a significant proportion of overall funding, the total funding from Local Government is a significant amount.

Until 31 March 2014, Leicestershire County Council acted as the servicing authority and accountable body for EMC, thus including the relevant expenditure and income within their Statement of Accounts. In March 2013 Leicestershire County Council formally submitted notice to withdraw from being the servicing authority and accountable body with effect from 1 April 2014. Nottingham City Council was subsequently appointed to this role and took on the responsibility of accountable body for EMC from this date forward.

## Membership

The Executive Board of EMC meets quarterly and is comprised of 14 local council leaders. The four political group leaders and chairs of Improvement and Transformation Board and Regional Employers Board also attend.

Each member council is invited to nominate one representative to EMC 'by right'. Additional EMC member places are allocated through the political groups, the numbers of which are determined on the basis of political balance.

Transactions between EMC and the Authorities represented by local leaders are detailed below:

	Income	Expenditure	Debtor	Creditor
	£000	£000	£000	£000
Charnwood Borough Council	12	-	2	1
Corby Borough Council	10	-	-	-
Daventry District Council	7	-	-	-
Derby City Council	11	-	-	-
Derbyshire County Council	126	-	19	1
Derbyshire Dales District Council	6	-	-	-
East Lindsey District Council	5	-	-	-
Hinckley & Bosworth B.C.	9	-	-	-
Leicester City Council	28	-	-	10
Leicestershire County Council	42	8	-	30
Lincolnshire County Council	79	2	-	30
Mansfield District Council	21	-	2	-
Newark & Sherwood D. C.	-	-	-	-
Northamptonshire County Council	10	-	-	-
Nottingham City Council	20	10	-	30
Nottinghamshire County Council	15	-	-	-
Rushcliffe Borough Council	17	-	5	-

Rutland County Council	17	-	1	-
<b>Total</b>	<b>435</b>	<b>20</b>	<b>29</b>	<b>102</b>

The Executive Board operates control over the organisation's financial and operating policies. The total of members' allowances paid in 2017/18 is £22k (2016/17: £21k).

There are other members who represent their authority at full EMC meetings. The total payments to all membership authorities during 2017/18 are shown in note 8.

#### **Officers**

There were no interests declared by senior officers of EMC.

#### **14. Officers' Remuneration**

The Director of EMC controls the major activities of the Organisation. Details of the Directors Remuneration are shown below:

Post Title	2016/17	2017/18
	£000	£000
Executive Director		
Salary	89	90
Benefits in Kind	-	-
Pension Contributions	11	12
<b>Total</b>	<b>100</b>	<b>102</b>

#### **15. Segmental Analysis**

The figures included within the Statement of Comprehensive Income include one minor financial accounting adjustment. This relates to the IAS19 movement between the actuarial current service cost and the actuarial employer contributions made in year.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE EXECUTIVE BOARD OF EAST MIDLANDS COUNCILS

## Report on the financial statements

### Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the organisation's affairs as at 31 March 2018 and of its profit and cash flows for the year then ended; and
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

This opinion is to be read in the context of what we say in the remainder of this report.

### Emphasis of matter

In forming our opinion, we have considered the adequacy of the disclosures made in note 1 of the financial statements concerning the cash and cash equivalents figure which is not held separately by EMC as their cash balances are held within the local authorities' bank account. Due to this the cash and cash equivalents figure is formulated using the cash flow statement. In view of the significance of this we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

### What we have audited

The non-statutory financial statements (the "financial statements"), which are prepared by East Midlands Councils, comprise;

- the Statement of Financial Position as at 31 March 2018;
- the Statement of Comprehensive Income for the year then ended;
- the Statement of Cash Flows for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include the accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

In applying the financial reporting framework, the Executive Director of East Midlands Councils and The Strategic Director of Nottingham City Council have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

## **What an audit of financial statements involves**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). 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 the organisation's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Executive Director of East Midlands Councils and The Strategic Director of Nottingham City Council; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information 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 us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## **Responsibilities for the financial statements and the audit**

### **Our responsibilities and those of the directors**

As explained more fully in the Statement of Responsibilities for the Statement of Financial Statements, the Executive Director of East Midlands Councils and The Strategic Director of Nottingham City Council are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinion, has been prepared for and only for the organisation's directors, the Executive Director of East Midlands Councils and The Strategic Director of Nottingham City Council, as a body for Requirements under Trade Union and Labour Relations (Consolidation) Act 1992 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come, including without limitation under any contractual obligations of the company, save where expressly agreed by our prior consent in writing.

Rogers Spencer  
Newstead House  
Pelham Road  
Nottingham  
NG5 1AP

Date 6 November 2018



## East Midlands Councils

First Floor Offices  
South Annexe  
Pera Business Park  
Nottingham Road  
Melton Mowbray  
Leicestershire  
LE13 0PB

Rogers Spencer  
Chartered Certified Accountants  
Newstead House  
Pelham Road  
Nottingham  
NG5 1AP

Dear Sirs

The following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience such as we consider necessary in connection with your audit of the organisation's financial statements for the year ended 31 March 2018. These enquiries have included inspection of the supporting documentation where appropriate. All representations are made to the best of our knowledge and belief.

### General

- 1 We have fulfilled our responsibilities as directors, as set out in the terms of your engagement letter, for preparing financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), for being satisfied that they give a true and fair view and for making accurate representations to you.
- 2 All the transactions undertaken by the organisation have been properly reflected and recorded in the accounting records.
- 3 All the accounting records have been made available to you for the purpose of your audit. We have provided you with unrestricted access to all appropriate persons within the organisation, and with all other records and related information requested, including minutes of management meetings.
- 4 The financial statements are free of material misstatements, including omissions.
- 5 The effect of uncorrected misstatements is immaterial both individually and in total.

### Internal control and fraud

- 6 We acknowledge our responsibility for the design, implementation and maintenance of internal control systems to prevent and detect fraud and error. We have disclosed to you the results of our risk assessment that the financial statements may be misstated as a result of fraud.
- 7 We have disclosed to you all instances or known or suspected fraud affecting the entity involving management, employees who have a significant role in internal control or others that could have a material effect on the financial statements.
- 8 We have also disclosed to you all information in relation to allegations of fraud or suspected fraud affecting the entity's financial statements communicated by current or former employees, analysis, regulators or others.

### Assets and liabilities

- 9 The organisation has satisfactory title to all assets and there are no liens or encumbrances on the organisation's assets, except for those that are disclosed in the notes to the financial statements.
- 10 All actual liabilities, contingent liabilities and guarantees given to third parties have been recorded or disclosed as appropriate.
- 11 We have no plans or intentions that may materially alter the carrying value and where relevant the fair value measurements or classification of assets and liabilities reflected in the financial statements.

- 12 The cash and cash equivalents figure of £375,000 included in the statement of financial position at the year end is not held separately by East Midlands Councils, as the cash balances are held within Nottingham City Councils bank account.

**Accounting estimates**

- 13 Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

**Loans and arrangements**

- 13 The organisation has not granted any advances or credits to, or made guarantees on behalf of directors.

**Legal claims**

- 14 We have disclosed to you all claims in connection with litigation that have been, or are expected to be, received and such matters, as appropriate, have been properly accounted for, and disclosed in, the financial statements.

**Law and regulations**

- 15 We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

**Related parties**

- 16 Related party relationships and transactions have been appropriately accounted for and disclosed in the financial statements. We have disclosed to you all relevant information concerning such relationships and transactions and are not aware of any other matters which require disclosure in order to comply with legislative and accounting standards requirements.

**Subsequent events**

- 17 All events subsequent to the date of the financial statements which require adjustment or disclosure have been properly accounted for and disclosed.

**Going concern**

- 18 We believe that the organisation's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the organisation's needs. We have considered a period of twelve months from the date of approval of the financial statements. We believe that no further disclosures relating to the organisation's ability to continue as a going concern need to be made in the financial statements.

**Grants and donations**

- 19 All grants, donations and other income, the receipt of which is subject to specific terms or conditions, have been notified to you. There have been no breaches of terms or conditions in the application of such income.

We acknowledge our legal responsibilities regarding disclosure of information to you as auditor and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware.

Each director has taken all steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that you are aware of that information.

Yours faithfully

 Stuart Young  
Signed on behalf of the Directors, the Executive Director of East Midlands Councils

Date... 9 November 2018 .....



# East Midlands Councils

CERTIFICATION OF  
FOR TRADE  
& EMPLOY  
13 NOV 2018

## 2017/18 Financial Statements

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**East Midlands Councils  
First Floor Offices  
South Annexe  
Pera Business Park  
Nottingham Road  
Melton Mowbray  
Leicestershire  
LE13 0PB**

## Explanatory Foreword

East Midlands Councils (EMC) is a voluntary, membership based partnership of local government. It currently comprises 45 local authority member organisations and representatives of the region's fire, police and parish and town councils. During 2017/18 there were 45 member organisations.

EMC's main roles and purposes are:

- A consultative forum for local government in the East Midlands
- Represents the interest of local councils to national government and other organisations.
- Acts as the designated Regional Employers Organisation and point of contact for employers and recognised trade unions in relation to local government services.
- Enables local councils to work together on key issues of common concern.
- Supports the improvement and development of local councils and their workforce.
- Brings together political group leaders.
- Makes appointments to national and regional bodies.
- Establishes and maintains an effective relationship with the national Local Government Association (LGA).

### Summary of Income and Expenditure

	2016/17 £000	2017/18 £000
Income	(924)	(1,107)
Transfer (from) / to Reserve	(119)	(76)
Expenditure	1,043	1,183
<b>Results</b>	<b>0</b>	<b>0</b>

## Date of Authorisation of Accounts

The financial statements were authorised for issue by the Head of Strategic Finance and Deputy Section 151 Officer (Nottingham City Council) and the Executive Director of EMC.

Laura Pattman

Date: 8/11/18

Laura Pattman

Strategic Director of Finance and Section 151 Officer, Nottingham City Council

Stuart Young

Date: 8 Nov 2018

Stuart Young

Executive Director of East Midlands Council

## Statement of Comprehensive Income as at 31 March 2018

2016/17			2017/18		
Net £000		Note	Gross Expenditure £000	Gross Income £000	Net £000
	<b>Income</b>				
(462)	Partnership Contributions	7		(483)	
(137)	Other Government	7		(217)	
(325)	Other Income			(407)	
	<b>Expenditure</b>				
669	Staffing Expenses		752		
0	Other Indirect Staffing		1		
43	Property Expenses		43		
34	Transport Expenses		30		
219	Supplies and Services		290		
78	Other Recharges		57		
0	Bad Debt Provision		10		
<b>119</b>	<b>NET OPERATING (PROFIT) / LOSS</b>		<b>1,183</b>	<b>(1,107)</b>	<b>76</b>
59	Financing and Investment Income and Expenditure	6	115	(1)	114
<b>178</b>	<b>(PROFIT) / LOSS FOR THE YEAR</b>				<b>190</b>
	<b>OTHER COMPREHENSIVE INCOME AND EXPENDITURE</b>				
1,029	Actuarial (gains) / losses on defined benefit pension scheme				(189)
<b>1,207</b>	<b>TOTAL COMPREHENSIVE (INCOME) / EXPENDITURE FOR THE YEAR</b>				<b>1</b>

## Statement of Financial Position as at 31 March 2018

2016/17 £000		Note	2017/18 £000
0	Equipment	10	0
<b>0</b>	<b>Long Term Assets</b>		<b>0</b>
174	Short Term Debtors	11	112
1	Short Term Prepayments	11	0
462	Cash and Cash Equivalents	11	375
<b>637</b>	<b>Current Assets</b>		<b>487</b>
(5)	Short Term Creditors	12	0
(186)	Short Term Grant Receipts in Advance	12	(231)
<b>(191)</b>	<b>Current Liabilities</b>		<b>(231)</b>
(2,873)	Net Pension Scheme Liability		(2,684)
<b>(2,873)</b>	<b>Long Term Liabilities</b>		<b>(2,684)</b>
<b>(2,427)</b>	<b>NET ASSETS / (LIABILITIES)</b>		<b>(2,428)</b>
446	Revenue Reserve		256
(2,873)	Pension Reserve		(2,684)
<b>(2,427)</b>	<b>TOTAL RESERVES</b>		<b>(2,428)</b>

## Statement of Cash Flows as at 31 March 2018

2016/17 £000		Note	2017/18 £000
(119)	Net Operating Profit / (Loss)		(76)
160	Change in Creditors		40
(62)	Change in Debtors		63
(62)	Movement on Pensions (IAS 19)		(115)
<b>(83)</b>	<b>Total Movement from Net Operating Profit / (Loss)</b>		<b>(88)</b>
3	Net cash flows from Operating Activities	6	1
<b>(80)</b>	<b>Net Increase or (Decrease) in and Cash Equivalents</b>		<b>(87)</b>
542	Cash and cash equivalents at the beginning of the reporting period		462
462	Cash and cash equivalents at the end of the reporting period		375



## Statement of Changes in Equity as at 31 March 2018

2017/18	Revenue Reserve £000	Pension Reserves £000	Total Reserves £000
<b>Balance at 31 March 2017</b>	<b>446</b>	<b>(2,873)</b>	<b>(2,427)</b>
<b>Movement in 2017/18</b>			
Net Operating Profit / (Loss)	(76)	0	(76)
Other Comprehensive (Expenditure) & Income	(114)	0	(114)
<b>Total Comprehensive (Expenditure) &amp; Income</b>	<b>(190)</b>	<b>0</b>	<b>(190)</b>
Actuarial Gains / (Losses) on defined benefit pension scheme	0	189	189
<b>Balance at 31 March 2018</b>	<b>256</b>	<b>(2,684)</b>	<b>(2,428)</b>

2016/17	Revenue Reserve £000	Pension Reserves £000	Total Reserves £000
<b>Balance at 31 March 2016</b>	<b>624</b>	<b>(1,844)</b>	<b>(1,220)</b>
<b>Movement in 2016/17</b>			
Net Operating Profit / (Loss)	(119)	0	(119)
Other Comprehensive (Expenditure) & Income	(59)	0	(59)
<b>Total Comprehensive (Expenditure) &amp; Income</b>	<b>(178)</b>	<b>0</b>	<b>(178)</b>
Actuarial Gains / (Losses) on defined benefit pension scheme	0	(1,029)	(1,029)
<b>Balance at 31 March 2017</b>	<b>446</b>	<b>(2,873)</b>	<b>(2,427)</b>

## ***Notes to the Accounts***

### **1. Statement of Accounting Policies**

- The financial statements have been prepared on and are in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board. These financial statements are principally maintained on an historical cost basis.
- The financial statements are maintained on an accruals basis. Thus, sums due to or amounts owing by EMC in respect of goods and services rendered but not paid for at 31 March are included in the financial statements.
- The Revenue Recognition policy covers the rendering of services (excluding services directly related to construction contracts), the sale of goods (produced by the organisation for the purpose of sale or purchased for resale, although this is very minimal), interest and where previously a liability had been recognised (i.e. creditor) on satisfying the revenue recognition criteria. Revenue is recognised and measured at the fair value of the consideration receivable. However, if payment is on deferred terms, the consideration receivable is recognised initially at the cash price equivalent. The difference between this amount and the total payments received is recognised as interest revenue in the Net Operating Profit or Loss. Short duration receivables with no stated interest rate are measured at original invoice amount where the effect of discounting is immaterial.
- Non-Current Assets are accounted for in line with IAS 16, IAS 36 and IAS 38. All expenditure on the acquisition of Plant and Equipment is capitalised on an accruals basis provided that these assets yield a benefit to the organisation for a period of more than one year and is above a de-minimis limit of £1,000 for individual items. EMC doesn't own any land or buildings or any other categories of Non-Current Assets. Plant and Equipment valuation is based on depreciated historical cost and is depreciated on a straight line basis over 5 years. Additions below the de-minimus level are recognised in the Statement of Comprehensive Income as revenue expenditure.
- The Equity of the Organisation is shown as Reserves in the Balance Sheet. These are compliant with IFRS but follow the provisions of the Local Authority Accounting Code of Practice which establishes Reserves to allow the carry forward of balances to the following year. The Reserves are made up of the following;
  - Revenue Reserves which are made up of excess income and grants from previous years with no conditions for repayment outstanding. This funding can be used for all types of expenditure during future years.
  - Pension Reserve which is an unusable reserve showing the balance of the net pension liability.

- Cash and Cash Equivalents are represented by cash in hand, deposits with financial institutions repayable without penalty with a notice of 24 hours or less and investments that mature in 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.

The cash and cash equivalents figure is not held separately by EMC as their cash balances are held within the local authorities Bank Account. Due to this the cash and cash equivalents figure is formulated using the cash flow statement.

- Grants are accounted for in accordance with IAS 20. Revenue grants that have met any conditions attached have been credited to the appropriate service lines within the Statement of Comprehensive Income. Conditions are stipulations that specify how the funding must be utilised by the recipient otherwise the funding must be returned. Where conditions have not been met, the grants will be held as creditors on the Statement of Financial Position.
- Employee Benefits are accounted for in accordance with IAS 19.

- **Benefits Payable During Employment**

Short term benefits are those due to be settled wholly within 12 months of the year end They include; wages, salaries, paid annual leave, paid sick leave and non-monetary benefits (e.g. cars) and are recognised as an expense for services in the year the employees render services to the organisation. An accrual is made for the cost of holiday entitlements, outstanding flexi leave and Time Off in Lieu earned by employees but not taken before the year-end, which employees can carry forward into the following financial year.

- **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by EMC to terminate an officer's employment before normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits. Termination benefits are charged to the Statement of Comprehensive Income against staffing expenses.

- **The Local Government Pension Scheme**

The Local Government Scheme is accounted for as a defined benefits scheme. The liabilities of the scheme attributable to EMC are included in the Balance Sheet on an actuarial basis using the 'projected unit method'. This is based on an assessment of future payments that will be made in relation to retirement benefits earned to date by employees and assumptions about mortality rates and employee turnover. Liabilities are discounted to their value at current prices using the following discount rate:

Entity	Discount Rate %
Nottingham City Council	2.55%
Leicestershire County Council	2.7%

The assets of the fund are shown in the Balance Sheet at fair value:

- Quoted securities – current bid price
- Unquoted securities – professional estimate
- Unitised securities – current bid price
- Property – market value

The actuarial valuations are obtained triennially and are updated at each balance sheet date. The amount charged to the operating surplus is the current service costs and gains and losses on settlements and curtailments. They are included as part of staffing expenses. Past service costs are recognised immediately in the Statement of Financial Activities. The expected return on assets and the interest cost are shown as part of the financing and investment income and expenditure. Actuarial gains and losses are recognised immediately in other comprehensive income and expenditure.

▪ **The Local Government Pension Scheme**

The organisation 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 award.

- VAT incorporated in the income and expenditure account is limited to irrecoverable sums.
- Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

**2. Accounting Standard that have been issued but not yet adopted**

There are currently no new relevant account standards that affect the disclosure of EMC's financial statements.

**3. Critical Judgements in Applying Accounting Policies**

In applying the accounting policies set out in Note 1, EMC has had to make certain judgement about complex transactions or those involving uncertainty about future events.

The critical judgements made in the financial statements are:

- These financial statements have been prepared on the basis that EMC is a going concern for the foreseeable future based on the level of reserves currently held and the commitment of membership authorities to make annual contributions.

#### 4. Assumptions Made about the Future and Other Major Sources of Estimation / Uncertainty

The financial statements contain estimated figures that are based on assumptions made by the Organisation 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.

The item in the Statement of Financial Position as at 31 March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year is as follows:

**Pension Liability:** 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. An independent firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied, although ultimate responsibility for forming these assumptions remains with the Council.

The carrying value of the Pension Liability at 31 March 2018 is £2,684k.

#### 5. Reserves

	Revenue Reserve £000	Pension Reserve £000	Total £000
<b>Balance at 31 March 16</b>	<b>624</b>	<b>(1,844)</b>	<b>(1,220)</b>
Transfers from Revenue		(1,029)	(1,029)
Transfer to Revenue	(178)		(178)
<b>Balance at 31 March 17</b>	<b>446</b>	<b>(2,873)</b>	<b>(2,427)</b>
Transfers from Revenue		189	189
Transfer to Revenue	(190)		(190)
<b>Balance at 31 March 18</b>	<b>256</b>	<b>(2,684)</b>	<b>(2,428)</b>

#### 6. Financing and Investment Income and Expenditure

	2016/17 £000	2017/18 £000
Pension interest cost and expected return on pension assets	62	115
Interest Receivable and Similar Income	(3)	(1)
<b>Total</b>	<b>59</b>	<b>114</b>

## 7. Partnership and Government Income

	2016/17 £000	2017/18 £000
Amber Valley Borough Council	5	5
Ashfield District Council	6	6
Bassetlaw District Council	20	17
Daventry District Council	6	6
Derby City Council	10	10
Derbyshire County Council	30	20
Erewash Borough Council	6	6
Harborough District Council	5	6
Hinckley & Bosworth Borough Council	7	6
Kettering Borough Council	41	40
Leicester City Council	10	10
Leicestershire County Council	10	10
Lincolnshire County Council	45	46
Melton Borough Council	6	7
Northamptonshire County Council	10	10
Nottingham City Council	10	18
Nottinghamshire County Council	10	10
Rutland County Council	13	13
Total Other Partnership Contributions	212	237
<b>Total Partnership Contributions</b>	<b>462</b>	<b>483</b>
Home Office	107	217
MHCLG	30	-
Total Other Government Contributions	-	-
<b>Total Government Contributions</b>	<b>137</b>	<b>217</b>
<b>Total</b>	<b>599</b>	<b>700</b>

## 8. Partnership and Government Payments

	2016/17 £000	2017/18 £000
Derby City Council	4	0
Gedling Borough Council	6	6
Leicestershire County Council	8	8
Melton Borough Council	1	0
Nottinghamshire County Council	2	0
Total Other Partnership and Government Payments	9	21
<b>Total</b>	<b>30</b>	<b>35</b>

## 9. Pensions – Revenue Costs

### a) Local Government Pension Scheme

EMC participates in the Local Government Pension Scheme (LGPS) for employees, administered locally by Nottingham City Council (NCC) and Leicestershire County Council (LCC). This is a funded, defined benefit final salary scheme, meaning that EMC and employees pay contributions into a fund calculated at a level intended to balance the pension liabilities with investment assets.

As part of the terms and conditions of employment of its officers, EMC makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, EMC has commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement. EMC recognises the cost of retirement benefits when they are earned by employees, rather than when the benefits are eventually paid as pensions.

The table below summarises the membership data as the 31 March 2018:

Member Data Summary	Number	Salaries / Pensions £000	Average Age
Actives	16	528	45
Deferred pensioners	22	52	41
Pensioners	12	120	62

The Statement of Financial Position shows a pension deficit of £2,684k as assessed on an IAS 19 basis.

The total expenditure recognised in the Statement of Comprehensive Income is as follows:

	2016/17 £000	2017/18		Total £000
		LCC Revenue Costs £000	NCC Revenue Costs £000	
Current Service Cost	(102)	0	(179)	(179)
<b>Total Operating Charge</b>	<b>(102)</b>	<b>0</b>	<b>(179)</b>	<b>(179)</b>
Return on Pension Assets	(167)	(91)	(64)	(155)
Interest Cost on Pension Liabilities	229	108	122	230
<b>Net Pension Finance Costs</b>	<b>62</b>	<b>17</b>	<b>58</b>	<b>75</b>

**b) Pension Assets and Liabilities in Relation to Post-Employment Benefits**

The present value of defined benefit obligations at 31 March are as follows:

	2016/17 £000	2017/18		Total £000
		LCC Revenue Costs £000	NCC Revenue Costs £000	
<b>As at 1 April</b>	<b>6,514</b>	<b>4,231</b>	<b>4,503</b>	<b>8,734</b>
Obligation Created	15	0	0	0
Current Service Cost	102	-	179	179
Interest Cost	229	108	122	230
Employee Contributions	39	-	41	41
Actuarial Gain / (Loss)	1,941	(72)	(211)	(283)
Benefits Paid	(121)	(123)	-	(123)
Past Service Costs	-	-	-	-
Curtailments and Settlements	-	-	-	-
Change in demographic assumptions	15	-	-	-
<b>As at 31 March</b>	<b>8,734</b>	<b>4,144</b>	<b>4,634</b>	<b>8,778</b>

The fair value of EMC's share of scheme assets is as follows:

	2016/17 £000	2017/18		Total £000
		LCC Revenue Costs £000	NCC Revenue Costs £000	
<b>As at 1 April</b>	<b>4,670</b>	<b>3,554</b>	<b>2,307</b>	<b>5,861</b>
Expected return on Assets	167	91	64	155
Actuarial Gain / (Loss)	979	66	(2)	64
Employer Contributions	127	40	56	96
Employee Contributions	39	-	41	41
Benefits Paid	(121)	(123)	-	(123)
Curtailments and Settlements	-	-	-	-
<b>As at 31 March</b>	<b>5,861</b>	<b>3,628</b>	<b>2,466</b>	<b>6,094</b>



**Local Government Pension Scheme assets comprised of:**

	2016/17		2017/18	
	£000	% of total assets	£000	% of total assets
Equities	4,083	70%	4,140	68%
Property	542	9%	629	10%
Other Bonds	458	8%	705	12%
Gilts	377	6%	359	6%
Cash	343	6%	200	3%
Inflation-linked pooled fund	58	1%	61	1%
<b>As at 31 March</b>	<b>5,861</b>	<b>100%</b>	<b>6,094</b>	<b>100%</b>

**Basis for estimating assets and liabilities:**

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels, etc. The Pension Fund liabilities have been assessed by independent firms of actuaries. Estimates for the EMC fund are based on the latest full valuation of the Pension Fund as at 31 March 2018.

The principal assumptions used by the actuary have been:

	31 March 2017		31 March 2018	
	LCC Assumptions	NCC Assumptions	LCC Assumptions	NCC Assumptions
<b>Mortality Assumption (in years):</b>				
<b>Longevity at 65 for Current Pensioners:</b>				
Men	22.1	22.5	22.1	22.6
Women	24.3	25.5	24.3	25.6
<b>Longevity at 65 for Future Pensioners</b>				
Men	23.8	24.7	23.8	24.8
Women	26.2	27.8	26.2	27.9
Rate of Increases in Salaries	3.40%	4.20%	3.40%	3.80%
Rate of Increase in Pensions / Inflation	2.40%	2.70%	2.40%	2.30%
Rate for Discounting Scheme Liabilities	2.60%	2.70%	2.70%	2.55%

**Pension Fund Risk Management Strategy:**

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. the promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In

addition, the Fund manages its liquidity risk to ensure that there is sufficient liquidity to meet the Fund's required cash flows.

These investment risks are managed as part of the overall pension fund risk management programme.

Responsibility for the Fund's risk management strategy rests with the Pension Fund Management Board and is monitored annually or more frequently if required.

### **Impact on Cash Flows:**

Following the change of servicing authority on 1 April 2014, all active members were transferred from Leicestershire Local Government Pension Scheme (LGPS) to the Nottinghamshire LGPS from this date.

EMC have a strategy to pay off the net pension fund deficit over a 10 year period.

The scheme will need to take account of the national changes to the scheme under the Public Pension Services Act 2013. Under the Act, The Local Government Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The organisation anticipates making a £40k contribution to reduce the pension deficit in addition to the standard employer's pension contributions.

## **10. Equipment**

Depreciation on equipment was completed in 2014/15, and there have been no subsequent purchases of equipment requiring depreciation.

## 11. Current Assets

### Short Term Debtors

	31 March 2017 £000	31 March 2018 £000
Partnership Contributions	142	70
Other Government Bodies	30	31
Other Entities and Individuals	2	11
<b>Total</b>	<b>174</b>	<b>112</b>

### Prepayments

	31 March 2017 £000	31 March 2018 £000
Other Government Bodies	1	-
<b>Total</b>	<b>1</b>	<b>-</b>

### Cash and Cash Equivalents

	31 March 2017 £000	31 March 2018 £000
Cash	462	375

## 12. Short Term Creditors

	31 March 2017			31 March 2018		
	Creditors £000	Receipts in Advance £000	Total £000	Creditors £000	Receipts in Advance £000	Total £000
Partnership Organisations	0	96	96	-	126	126
Other Government Bodies	4	90	94	-	105	105
Other Entities and Individuals	1	0	1	-	-	-
<b>Total</b>	<b>5</b>	<b>186</b>	<b>191</b>	<b>-</b>	<b>231</b>	<b>231</b>

### 13. Transactions with Related Parties

Detailed of partnership contributions and other Government grants received are shown in Note 7. The employers' contribution paid to the Pension Fund is shown in Note 9.

EMC is required to disclose material transactions with related parties, bodies or individuals that have the potential to exert control, or be controlled or influenced by EMC.

#### Governance

- EMC is a member-led partnership representing local government in the East Midlands.
- The full membership of EMC meets twice a year.
- The Management Group consists of 7 members including the four political group leaders of EMC plus the Chair and the Vice-Chairs of East Midlands Councils/Executive Board. The Management Group provides political leadership and advice to the organisation and is responsible for financial and non-financial performance, risk and audit matters.
- The Executive Board is the strategic decision making body of EMC on issues of interest and relevance to Local Authorities at the regional level.

#### Central Government

Significant sources of income including programme and project funding comes from Central Government Bodies.

#### Local Government

A significant proportion of the funds received by EMC are from membership contributions. Although no one contribution is a significant proportion of overall funding, the total funding from Local Government is a significant amount.

Until 31 March 2014, Leicestershire County Council acted as the servicing authority and accountable body for EMC, thus including the relevant expenditure and income within their Statement of Accounts. In March 2013 Leicestershire County Council formally submitted notice to withdraw from being the servicing authority and accountable body with effect from 1 April 2014. Nottingham City Council was subsequently appointed to this role and took on the responsibility of accountable body for EMC from this date forward.

## Membership

The Executive Board of EMC meets quarterly and is comprised of 14 local council leaders. The four political group leaders and chairs of Improvement and Transformation Board and Regional Employers Board also attend.

Each member council is invited to nominate one representative to EMC 'by right'. Additional EMC member places are allocated through the political groups, the numbers of which are determined on the basis of political balance.

Transactions between EMC and the Authorities represented by local leaders are detailed below:

	Income £000	Expenditure £000	Debtor £000	Creditor £000
Charnwood Borough Council	12	-	2	1
Corby Borough Council	10	-	-	-
Daventry District Council	7	-	-	-
Derby City Council	11	-	-	-
Derbyshire County Council	126	-	19	1
Derbyshire Dales District Council	6	-	-	-
East Lindsey District Council	5	-	-	-
Hinckley & Bosworth B.C.	9	-	-	-
Leicester City Council	28	-	-	10
Leicestershire County Council	42	8	-	30
Lincolnshire County Council	79	2	-	30
Mansfield District Council	21	-	2	-
Newark & Sherwood D. C.	-	-	-	-
Northamptonshire County Council	10	-	-	-
Nottingham City Council	20	10	-	30
Nottinghamshire County Council	15	-	-	-
Rushcliffe Borough Council	17	-	5	-
Rutland County Council	17	-	1	-
<b>Total</b>	<b>435</b>	<b>20</b>	<b>29</b>	<b>102</b>

The Executive Board operates control over the organisation's financial and operating policies. The total of members' allowances paid in 2017/18 is £22k (2016/17: £21k). There are other members who represent their authority at full EMC meetings. The total payments to all membership authorities during 2017/18 are shown in note 8.

## Officers

There were no interests declared by senior officers of EMC.

#### 14. Officers' Remuneration

The Director of EMC controls the major activities of the Organisation. Details of the Directors Remuneration are shown below:

Post Title	2016/17 £000	2017/18 £000
Executive Director		
Salary	89	90
Benefits in Kind	-	-
Pension Contributions	11	12
<b>Total</b>	<b>100</b>	<b>102</b>

#### 15. Segmental Analysis

The figures included within the Statement of Comprehensive Income include one minor financial accounting adjustment. This relates to the IAS19 movement between the actuarial current service cost and the actuarial employer contributions made in year.

## Statement of Responsibilities for the Statement of Financial Statements

### Nottingham City Council Strategic Director and East Midlands Council Executive Director Responsibilities

The Strategic Director of Nottingham City Council and the Executive Director of East Midlands Council are responsible for the preparation of the organisation's Statement of Accounts in accordance with International Accounting Standards (IAS) regulation and in compliance with International Financial Reporting Standards (IFRS) and are required to prepare the financial statements giving a true and fair view of the profit or loss of the organisation for the given period.

The Strategic Director and Executive Director are responsible for keeping adequate accounting records that are sufficient to show and explain the organisation's transactions and disclose with reasonable accuracy the financial position of the organisation included within the Statement of Accounts.

In preparing this Statement of Accounts, the Strategic Director and Executive Director has:

- Selected suitable accounting policies and then applied them consistently,
- Made judgements and estimates that were reasonable and prudent,
- Complied with IFRS,
- Kept proper accounting records which were up to date,
- Taken reasonable steps for the preparation and detection of fraud and other irregularities.

I certify that the Statement of Accounts has been prepared in accordance with IFRS and presents a true and fair view of the financial position of EMC and its income and expenditure for the year ended 31 March 2018.

Laura Pattman

Laura Pattman

Strategic Director of Finance and Section 151 Officer, Nottingham City Council

Date: 1/11/18

Stuart Young

Executive Director of East Midlands Council

Date: 2/11/18