



2021/22 Financial Statements

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Explanatory Foreword

East Midlands Councils (EMC) is a voluntary, membership based, partnership of local government. It currently comprises 40 local authority member organisations and representatives of the region's fire, police and parish and town councils. This is a reduction from 46 member organisations in 2020/21 to 40 this year and is due to the Local Authority Re-structure of Northamptonshire authorities from 8 to 2.)

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).

Date of Authorisation of Accounts

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



Date: 30.8.22

Clive Heaphy

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



Date: 30.8.22

Stuart Young

Executive Director of East Midlands Councils

Statement of Comprehensive Income as at 31 March 2022

2020/21		Note	2021/22		
Net £000			Gross Expenditure £000	Gross Income £000	Net £000
	Income				
281	Subscriptions / Membership	6		266	
418	Government Grants / Contracts	6		512	
287	Other Income			462	
3	Investment Income			1	
	Expenditure				
(957)	Staffing Expenses		(851)		
(17)	Other Indirect Staffing		(45)		
(23)	Property Expenses		(23)		
(7)	Transport Expenses		(13)		
(149)	Supplies and Services		(336)		
(20)	Other Recharges		(209)		
(184)	NET INCOME		(1,477)	1,241	(236)
121	Pension Adjustment				246
(63)	PROFIT / (LOSS) after Pension Adjustments				10
	OTHER COMPREHENSIVE INCOME AND EXPENDITURE				
(1,372)	Other Gains and Losses				369
(1,435)	TOTAL COMPREHENSIVE INCOME / (EXPENDITURE) FOR THE YEAR				379

Statement of Financial Position as at 31 March 2022

2020/21 £000		Note	2021/22 £000
-	Equipment	8	-
-	Long Term Assets		-
101	Short Term Debtors	9	278
-	Short Term Prepayments	9	-
717	Cash and Cash Equivalents	9	916
818	Current Assets		1,194
(4)	Short Term Creditors	10	(4)
(229)	Short Term Grant / Contract Receipts in Advance	10	(595)
(233)	Current Liabilities		(599)
(3,022)	Net Pension Scheme Liability		(2,653)
(3,022)	Long Term Liabilities		(2,653)
(2,437)	NET ASSETS / (LIABILITIES)		(2,058)
585	Revenue Reserve		595
(3,022)	Pension Reserve		(2,653)
(2,437)	TOTAL RESERVES		(2,058)

Statement of Cash Flows as at 31 March 2022

2020/21 £000		Note	2021/22 £000
(28)	Net Operating Profit / (Loss)		9
(10)	Change in Creditors		366
117	Change in Debtors		(177)
(38)	Movement on Pensions (IAS 19 Employee Benefits)	14	()
41	Total Movement from Net Operating Profit / (Loss)		198
3	Investment Income		1
44	Net Increase or (Decrease) in and Cash Equivalents		199
673	Cash and cash equivalents at the beginning of the reporting period		717
717	Cash and cash equivalents at the end of the reporting period		916

Statement of Changes in Equity as at 31 March 2022

2021/22	Revenue Reserve £000	Pension Reserves £000	Total Reserves £000
Balance at 31 March 2021	585	(3,022)	(2,437)
Movement in 2021/22			
Total Comprehensive (Expenditure) & Income	10	369	379
Movement on Pension Liability	-	-	-
Balance at 31 March 2022	595	(2,653)	(2,058)

2020/21	Revenue Reserve £000	Pension Reserves £000	Total Reserves £000
Balance at 31 March 2020	648	(1,650)	(1,002)
Movement in 2020/21			
Total Comprehensive (Expenditure) & Income	(63)	(1,372)	(1,435)
Movement on Pension Liability	-	-	-
Balance at 31 March 2021	585	(3,022)	(2,437)

Notes to the Financial Statements

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. 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-minimis level are recognised in the Statement of Comprehensive Income as revenue expenditure. EMC does not presently own any land or buildings or any other categories of Non-Current Assets.
- 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 authority's 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.

- **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
	%
Nottinghamshire County Council	2.60

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 Standards 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 2022 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 2022 is £2,653,000.

5. Reserves

	Revenue Reserve £000	Pension Reserve £000	Total £000
Balance at 31 March 2020	648	(1,650)	(1,002)
Transfer to Revenue	(63)	(1,372)	(1,435)
Balance at 31 March 2021	585	(3,022)	(2,437)
Transfers from Revenue	10	369	379
Balance at 31 March 2022	595	(2,653)	(2,058)

6. Partnership and Government Income

	2020/21 £000	2021/22 £000
Subscription	281	266
Government Grants – Home Office Migration related	227	328
Contractual Agreements	191	185
Other Income	290	462
Total	989	1,241

7. Pensions – Revenue Costs

Local Government Pension Scheme

EMC participates in the Local Government Pension Scheme (LGPS) for employees, administered locally by Nottinghamshire County Council (NCC). 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 2019:

Member Data Summary	Number	Salaries / Pensions £000	Average Age
Actives	10	465	49
Deferred pensioners	5	26	47
Pensioners	-	-	-

The Statement of Financial Position shows a pension deficit of £2,653k as assessed on an IAS19 basis. The total expenditure recognised in the Statement of Comprehensive Income is as follows:

Pension Assets and Liabilities in Relation to Post-Employment Benefits

Nottinghamshire County Council	2020-21 £000	2021-22 £000
Current Service Cost	(185)	(293)
Total Operating Charge	(185)	(293)
Return on Pension Assets	(224)	(356)
Interest Cost on Pension Liabilities	103	110
Net Pension Finance Costs	(121)	(246)

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

Nottinghamshire County Council	2020-21 Total Costs £000	2021-22 Total Costs £000
As at 1 April	4,305	6,418
Obligation Created	-	-
Current Service Cost	185	293
Interest Cost	102	129
Employee Contributions	51	55
Actuarial Gain / (Loss)	1,851	(422)
Benefits Paid / Obligation	(29)	(329)
Past Service Costs	-	-
Curtailments and Settlements	-	-
Change in demographic assumptions	(47)	-
As at 31 March	6,418	6,144

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

Nottinghamshire County Council	2020-21 Total Costs £000	2021-22 Total Costs £000
As at 1 April	2,655	3,396
Expected return on Assets	64	68
Actuarial Gain / (Loss)	524	200
Employer Contributions	103	110
Employee Contributions	51	55
Benefits Paid	(1)	(338)
Curtailments and Settlements	-	-
As at 31 March	3,396	3,491

Local Government Pension Scheme assets comprised of:

	2020/21		2021/22	
	£000	% of total assets	£000	% of total assets
Equities	2,200	65%	2,115	61%
Gilts	114	3%	103	3%
Other Bonds	233	7%	238	7%
Property	347	10%	449	13%
Cash	154	5%	195	6%
Inflation-linked pooled fund	164	5%	184	5%
Infrastructure	184	5%	207	5%
As at 31 March	3,396	100%	3,491	100%

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 an independent firm of actuaries. Estimates for the EMC fund are based on the latest full valuation of the Pension Fund as at 31 March 2022.

The principal assumptions used by the actuary have been:

Nottinghamshire County Council	2020-21 Assumptions	2021-22 Assumptions
Mortality Assumption (in years):		
Longevity at 65 for Current Pensioners:		
Men	21.6	21.6
Women	24.3	24.3
Longevity at 65 for Future Pensioners		
Men	22.9	23.0
Women	25.7	25.8
Rate of Increases in Salaries	3.85%	4.15%
Rate of Increase in Pensions / Inflation	2.85%	3.15%
Rate for Discounting Scheme Liabilities	2.05%	2.60%

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). 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.

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.

8. Equipment

Depreciation on equipment was completed in 2014/15, and there have been no subsequent purchases of equipment above the de-minimis level requiring depreciation.

9. Current Assets

Short Term Debtors

	31 March 2021 £000	31 March 2022 £000
Partnership Contributions	100	63
Other Government Bodies	-	210
Other Entities and Individuals	1	5
Total	101	278

Prepayments

	31 March 2021 £000	31 March 2022 £000
Other Government Bodies	-	-
Total	-	-

Cash and Cash Equivalents

	31 March 2021 £000	31 March 2022 £000
Cash	717	916

10. Short Term Creditors

	31 March 2021			31 March 2022		
	Creditors £000	Receipts in Advance £000	Total £000	Creditors £000	Receipts in Advance £000	Total £000
Partnership Organisations	-	179	179	-	15	15
Other Government Bodies	-	50	50	-	580	580
Other Entities and Individuals	4	-	4	4	-	4
Total	4	229	233	4	595	511

11. Transactions with Related Parties

Details 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 8.

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.

A relationship exists between certain Committee members / directors and member companies.

Any transactions between these companies and the Council are on an arms-length basis under normal market conditions.

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 the Regional Migration Board and the 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.

The Executive Board operates control over the organisation's financial and operating policies. The total of members' allowances paid in 2021/22 is £20k (2020/21: £20k). There are other members who represent their authority at full EMC meetings.

Officers

There were no interests declared by senior officers of EMC.

12. Officers' Remuneration

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

Post Title	2020/21 £000	2021/22 £000
Executive Director		
Salary	97	98
Benefits in Kind	-	-
Pension Contributions	17	18
Total	114	116

13. 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.

14. Prior Period Adjustment

The Statement of Financial Position show no prior period adjustments in the period 2020-21 to 2021-22.

Statement of Responsibilities for the 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 2022.



Date: 30.8.22

Clive Heaphy

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



Date: 30.8.22

Stuart Young

Executive Director of East Midlands Councils