

Transport for the North Audit & Governance Committee – Item 9

Subject: Accounting Policies

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Meeting Date: Thursday 18 February 2021

1. Executive Summary:

- 1.1 This document sets out the accounting policies as adopted by TfN.
- 1.2 These policies are largely driven by the CIPFA Code of Practice on Local Authority Accounting (the Code) and are in turn selected and drafted in accordance with the requirements of International Financial Reporting Standards (IFRS).
- 1.3 The accounting policies are presented to the Committee for consideration ahead of the production of TfN's statutory accounts for financial year 2020/21.

2. Recommendation:

- 2.1 Note the accounting policies adopted by TfN as detailed in Appendix 1.

3. Issues:

- 3.1 Accounting policies are defined in the CIPFA Code of Practice on Local Authority Accounting (the Code) as "the specific principles, bases, conventions, rules and practices applied by an authority in preparing and presenting financial statements."
- 3.2 Simply, the accounting policies set the parameters by which TfN will account for its financial activities.
- 3.3 The Code requires that TfN follow the requirements of IAS8 'Accounting Policies, Changes in Accounting Estimates and Errors' when selecting accounting policies.

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- 3.4 The Code confirms that it specifies many of the accounting policies and estimation techniques that will be used by TfN when preparing and presenting their financial statements.
- 3.5 These policies have been selected and drafted by CIPFA in accordance with the requirements of International Financial Reporting Standards (IFRS) and adapted where necessary for local government circumstances. The Code requires this degree of uniformity to ensure that there is comparability and consistency across local authority statements.
- 3.6 Appendix 1 sets out the significant accounting policies adopted by TfN. The policies detailed in that document are not exhaustive and do not cover principles that are irrelevant to TfN's affairs. That includes policies and standards relating to credit related financial instruments; certain tax raising issues; and other items.
- 3.7 TfN has started from an assumption that the accounting policies prescribed by the Code will be followed. This recognises that departure is permitted only once it can be established that omission, or a different approach, does not risk a misreading of TfN's overall financial position, financial performance or cash flows that might be relevant to the decision-making needs of assessment of users of the financial statements.
- 3.8 The policies adopted by TfN do not diverge from those set out in the Code, but do, at times, refer to TfN's operational practicalities. This is evident where policies cut across basic issues such as how organisational recharges are applied across management structures and funding arrangements, and where local discretion is applied to issues such as capitalisation thresholds.
- 3.9 The policies adopted largely reflect Code compliant language which is, at times, inherently technical. TfN officers have compared the policies adopted to those of partner authorities for reasonableness. Comment is also offered within the Appendix document to outline how adoption of the individual policies may affect or otherwise TfN in relation to its unique idiosyncrasies and operating environment.
- 3.10 The Code requires that TfN apply the accounting policies consistently for similar transactions, other events and conditions. However, there are times when specific categories of similar transactions require different treatment. Where that is the case, the accounting policies specify differences.
- 3.11 Consistency is also required between accounting periods. This is required to both encourage comparability between one year and the next, but also discourage bodies from adjusting policies to suit the changing needs of their financial position.

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- 3.12 To that end, the Code requires that accounting policy changes should only be made if the change is:
- Required by the Code; or,
 - Will result in the financial statements providing reliable and more relevant financial information about the effects of transactions, other events or conditions on an organisation's financial position, financial performance and cash flows.
- 3.13 Accordingly, these policies are unlikely to change materially unless there is a more fundamental organisational change that would encourage TfN to reconsider its approach, or there was a Code requirement to change.

4. Options Considered:

- 4.1 The accounting policies presented in Appendix 1 are largely driven by IFRS and Code requirements.

5. Considerations:

- 5.1 The accounting policies presented in Appendix 1 are largely driven by IFRS and Code requirements.

6. Preferred Option:

- 6.1 The accounting policies presented in Appendix 1.

7. Appendices:

- 7.1 Appendix 1: Transport for the North Accounting Policies

Required Considerations
Equalities:

Age	Yes	No
Disability	Yes	No
Gender Reassignment	Yes	No
Pregnancy and Maternity	Yes	No
Race	Yes	No
Religion or Belief	Yes	No
Sex	Yes	No
Sexual Orientation	Yes	No

Consideration	Comment	Responsible Officer	Director
Equalities	A full impact assessment has not been carried out because it is not required for this report.	Paul Kelly	Iain Craven

Environment and Sustainability

Yes	No
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Consideration	Comment	Responsible Officer	Director
Sustainability / Environment	A full impact assessment has not been carried out because it is not required for this report.	Paul Kelly	Iain Craven

Legal

Yes	No
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Consideration	Comment	Responsible Officer	Director
Legal	Legal and regulatory implications are	Julie Openshaw	Dawn Madin

	addressed within the report.		
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Finance

Yes	No
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Consideration	Comment	Responsible Officer	Director
Finance	The financial implications have been considered and are included in the report.	Paul Kelly	Iain Craven

Resource

Yes	No
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Consideration	Comment	Responsible Officer	Director
Resource	There are no resource implications associated with this report.	Stephen Hipwell	Dawn Madin

Risk

Yes	No
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Consideration	Comment	Responsible Officer	Director
Risk	There are no material risks identified within the report.	Paul Kelly	Iain Craven

Consultation

Yes	No
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Consideration	Comment	Responsible Officer	Director
Consultation	A consultation has not been carried out because it is not required for this report.	Paul Kelly	Iain Craven