

# TfN Audit & Governance Committee

TfN Draft Statement of Accounts  
2021/22



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# Public Inspection Period

- Statute requires us to hold our draft accounts open to public inspection
- Local electors may then exercise statutory rights to inspect records and ask questions of the external auditor
- The inspection period must last for 30 working days
- Regulations were changed last year (and for this) to allow authorities an additional two months to prepare their accounts. Draft accounts to be published before 1 August.
- The FD will approve the draft accounts for public inspection on a date to be confirmed

# Basis of Preparation

- TfN's position as a local government body is set out in legislation
- TfN therefore prepares its statutory accounts in the same manner as local government bodies such as local authorities and Combined Authorities
- The accounts are prepared in accordance with the CIPFA Code
- The CIPFA Code recognises accounting standards and statutory accounting requirements - where accounting standards and statute differ, statute has precedence

# Key Items in this Year's Accounts

1. Full wind-up of IST programme and associated intangible assets
2. Pension Accounting

# Full wind-up of IST programme and associated intangible assets

- IST programme closed during 2021/22
- All associated intangible assets have been disposed of and written out of the accounts
- Process started in 2020/21 and completed in 2021/22
- Balance of grant unused has been accrued for repayment to DfT in 2022/23 (capital £92k, revenue £352k).

# Pensions Accounting

- The IAS19 valuation of TfN's pension liabilities results in a deficit as at 31 March 2022 of £10.454m compared to last year £11.889m. The change was mainly due to an increase in the discount rate (the assumed levels of future return on assets). This illustrates how unstable the annual pensions accounting results can be and the importance of the full actuarial review which sets the employer and employee contributions required to ensure funding sustainability.
- The actuarial valuation, completed for the purposes of calculating TfN's ongoing contribution levels, is carried out every three years. This allows contribution levels to be set at a level that gives it confidence that it has sufficient assets to meet its liabilities when they become due. The results will become available later this financial year.
- Whilst the IAS19 valuation indicates a significant deficit, the contributions that are being made are in line with the last triennial valuation. This will be reassessed in 2022/23 but is not expected that this would result in significant increases in contribution levels.
- This difference between the IAS and actuarial valuations is common within local authority schemes.

# Structure of the Accounts

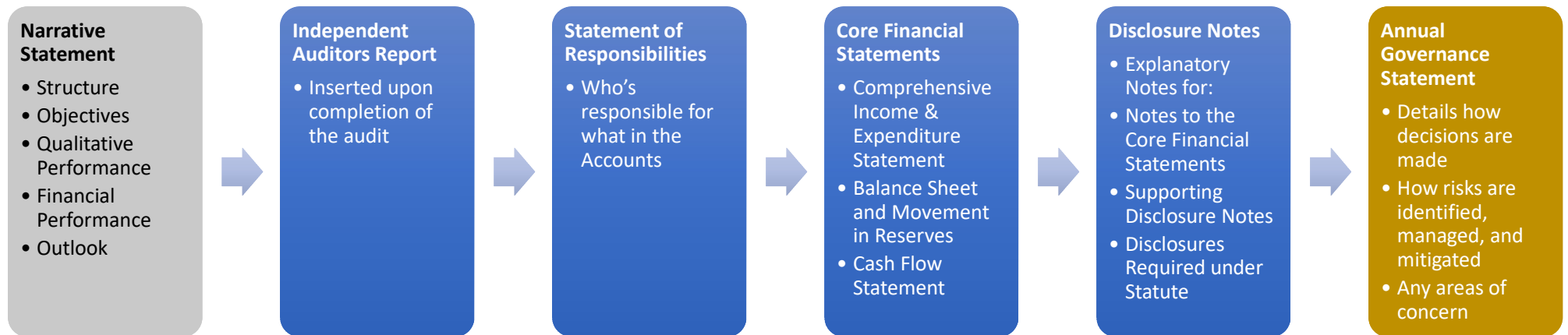




# Structure of the Accounts

The structure of the accounts is largely determined by regulation and guidance. The accounts can be usefully divided into three parts:

1. The Narrative Statement
2. The Statutory Accounts
3. The Annual Governance Statement



# Core Financial Statements



# Comprehensive Income & Expenditure Statement

- Details income and expenditure for the year in accounting terms
- Differs from management outturn due to:
  - Accounting standards
  - Statutory provision
- Key issues include
  - Treatment of capital items
  - Treatment of net estimated pension liabilities
  - Recognition of grant income
  - Recognition of a provision for accumulated absences

# Comprehensive Income & Expenditure Statement

1. The CIES structure is shown in accordance with our management accounts reporting structure

2020/21			Notes	2021/22		
Expenditure £000	Income £000	Net £000		Expenditure £000	Income £000	Net £000
592	-	592		1,850	-	1,850
41,708	(40,637)	1,071	Major Roads Programme (Strategic Development Corridors)	41,692	(41,437)	255
9,639	(3,977)	5,662	Northern Powerhouse Rail	1,077	352	1,429
2,406	(1,541)	865	Integrated and Smart Ticketing	3,337	(1,689)	1,648
5,908	-	5,908	Rail Operations	6,102	(17)	6,085
<b>60,253</b>	<b>(46,155)</b>	<b>14,098</b>	Operational Areas	<b>54,058</b>	<b>(42,791)</b>	<b>11,267</b>
			<b>Cost of Services</b>			
1,996	-	1,996	<b>11</b> Other operating expenditure	-	-	-
325	(181)	144	<b>12</b> Financing and Investment Income and Expenditure	492	(233)	259
0	(8,013)	(8,013)	<b>13</b> Taxation and Non-specific Grant Income	-	(5,908)	(5,908)
<b>62,574</b>	<b>(54,349)</b>	<b>8,225</b>	<b>14</b> Surplus or Deficit on Provision of Services	<b>54,550</b>	<b>(48,932)</b>	<b>5,618</b>
		4,857	<b>28</b> Remeasurement of the net defined benefit liability/asset			(3,557)
		<b>4,857</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(3,557)</b>
		<b>13,082</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>2,061</b>

2. Income above this line is revenue grant that is ringfenced to the areas of activity

3. Income below this line includes non-ringfenced grant, capital grants received in year and applied to cap ex, and income from investments

4. This includes pensions financing costs and income, and the standard income from cash on deposit

5. Note reduction in estimated pension liability

# Reconciliation of Management Outturn to CIES

Differences between the costs and income shown in the management accounts arise from accounting standards and statutory overrides

<b>Income</b>	<b>£m</b>	
<b>Outturn Position</b>	<b>(52.33)</b>	
<b>Adjustments for:</b>		
Pensions	(0.23)	In CIES not in outturn
Capital Funding from Reserves	0.28	In outturn not in CIES
<b>Amounts taken to/from General Fund Balance</b>		
Revenue Funding from Earmarked IST Reserves	1.25	In outturn not in CIES
Use of Core Reserves	2.10	In outturn not in CIES <sup>1</sup>
<b>CIES Balance</b>	<b>(48.93)</b>	
<b>Expenditure</b>	<b>£m</b>	
<b>Outturn Position</b>	<b>52.33</b>	
<b>Adjustments for:</b>		
Amortisation	-	In CIES not in outturn
Pensions	2.35	In CIES not in outturn
Movement on Absence Provision	(0.13)	In CIES not in outturn
IST Intangible asset impairment - Phase 2	-	In CIES not in outturn
<b>CIES Balance</b>	<b>54.55</b>	

# Grant Accounting

- TfN is an almost entirely grant funded organisation, so how TfN accounts for those grants as income is important.
- The key issues are around:
  - How TfN recognises the grants received as income
  - Where grant income is shown on the face of the CIES
  - How grants recognised as income but not yet applied to income are held
- Key determinants on how to apply treatments are:
  - Whether the conditions of use have been met
  - Whether there are restrictions on use
  - Whether unused allocations may have to be returned to the grantor
  - Whether the grants are capital or revenue in nature

# Grants Shown in the Consolidated Income & Expenditure Statement

5. Capital Grant received in year and applied to capital expenditure is shown through the CIES on the non-specific grant line along with any capital grant balances received in year but not applied.

## Grant Income Credited to Taxation and non-specific Grant Income and Expenditure

2020/21 £000	2021/22 £000
(7,000) Core Grant	(6,000)
(1,013) Intergrated & Smart Ticketing Capital	92
<b>(8,013) Total</b>	<b>(5,908)</b>

## Grant Income Credited to Services

2020/21 £000	2021/22 £000
(40,636) NPR Transport Development Fund	(41,437)
(1,187) Integrated & Smart Ticketing Revenue	352
(2,790) Integrated & Smart Ticketing Capital	-
(681) Rail North Partnership Grant	(809)
- External Audit - Redmond Review support grant	(17)
(59) Rail North Local Contributions	(61)
(559) Rail North Rail Grant (via Local Contributions)	(567)
<b>(45,912) Total Grant Income Credited to Services</b>	<b>(42,539)</b>
(243) Contract Income - Rail Services	(252)
<b>(46,155) Total Income Credited to Services in CIES</b>	<b>(42,791)</b>

1. Grants received that are ringfenced to certain projects are credited to the services that they relate to.

2. Summarised on face of CIES. TfN core grant allocation reduced to £6m in 2021/22 and is a non-ringfenced (non-specific) grant.

3. The repayment of unused IST capital and revenue grant is shown as negative income.

4. Rail North **income** is indexed and increased incrementally. At year end £31k of grant is held in earmarked reserves for utilisation in 2022/23.

# Grant Accounting

At the year-end we had not applied all the grants we have received over the course of the year to expenditure. Dependent on the conditions placed on those grants, we hold unused allocations as either:

- Grants received in advance
  - Noting that there are restrictions on these grants that mean they may have to be returned to the Department for Transport if not used
- Grants Unapplied
  - This is a reserve for capital grants where conditions of use have been met but the resource has not yet been applied to meet expenditure
- Earmarked Revenue Reserves
  - This is a reserve for revenue grants that may only be applied to specific expenditure where conditions of use have been met but the resource has not yet been applied to meet expenditure
- General Fund Reserves
  - This our general reserve where revenue grant without restrictions on usage is held
  - In practice, this is where we hold unused allocations of our Core Grant



# Grant Unapplied

	2021/22 Movement		2020/21
	£m	£m	£m
<b>Revenue Grants Received in Advance</b>			
- DfT Project Funding	0.34	0.34	-
- Transport Development Fund - Road	0.01	(0.00)	0.01
	<u>0.35</u>	<u>0.34</u>	<u>0.01</u>
<b>Usable Reserves</b>			
<b>Capital Grants Unapplied</b>			
- Integrated & Smart Ticketing Grant	-	(0.28)	0.28
<b>General Fund Revenue Reserves</b>			
- Core Grant	4.07	(2.10)	6.17
- Devolved Powers (Earmarked)	0.50	-	0.50
- RNP Grant (Earmarked)	0.03	0.00	0.03
- Integrated & Smart Ticketing Grant (Earmark	-	(1.25)	1.25
Total Usable Reserves	<u>4.60</u>	<u>(3.63)</u>	<u>8.23</u>
<b>Total Resource</b>	<b>4.94</b>	<b>(3.30)</b>	<b>8.24</b>

3. All capital grants received have now been full applied or will be repaid.

4. £0.50m earmarked reserve remains available to enable TfN to react to the any developments in the devolution agenda.

1. The IST revenue and capital grant reserves have been used to fund the closedown of the IST programme in 2021/22

2. The Core Grant reserve (the General Reserve) has reduced to reflect utilisation in the year.

# Balance Sheet

- Details assets and liabilities
- Reserves show how the net assets are funded
- Reserves are split between:
  - Usable – available to resource expenditure
    - General Fund Reserves
    - Earmarked Reserves
    - Capital Grants Unapplied
  - Unusable – not available to resource expenditure
    - Capital Adjustment Account
    - Pensions Reserves
    - Accumulated Absence Reserve
- Unusable reserves allow for statutory overrides of accounting standards to be managed

# Balance Sheet

31 March 2021		31 March 2022	
£000	Notes		£000
-	15	Intangible Assets	-
-		<b>Long Term Assets</b>	-
505	16	Short-Term Debtors	1,405
18,021	17	Cash and Cash Equivalents	8,677
<b>18,526</b>		<b>Current Assets</b>	<b>10,082</b>
(10,467)	18	Short-Term Creditors	(5,183)
(68)	19	Provisions	(68)
(10)	8	Grants Receipts in Advance - Revenue	(346)
<b>(10,545)</b>		<b>Current Liabilities</b>	<b>(5,597)</b>
(11,889)	28	Pension Liability	(10,454)
<b>(11,889)</b>		<b>Long term Liabilities</b>	<b>(10,454)</b>
<b>(3,908)</b>		<b>Net Assets/(Liabilities)</b>	<b>(5,969)</b>
(8,224)		Usable Reserves	(4,598)
12,132	20	Unusable Reserves	10,567
<b>3,908</b>		<b>Total Reserves</b>	<b>5,969</b>

1. The zero value in intangible assets recognises the amortisation, impairment and disposal of assets after IST funding ceased

2. Debtors have increased reflecting grant funding due from Department for Transport

3. Cash has decreased and represents usable reserves and net assets (mainly creditors)

4. Usable reserves decreased due to planned draw for Core Grant funded activity.

5. Pension liability decreased in 2021/22 mainly due to increased discount factor used for IAS 19 valuation.

6. Unusable reserves debit has reduced mainly due to pension fund valuation

# Cash Flow Statement

- Details the inflows and outflows of cash in TfN's bank accounts over the course of the year.
- The Statement removes non-cash transactions required under accounting standards such as depreciation and amortisation.
- The Statement is split between flows of cash relating to:
  - 1. Operating Activities**  
Day-to-day activity, normally of a revenue nature
  - 2. Investing Activity**  
Ordinarily capital investment activity
  - 3. Financing Activity**  
How an entity finances its activities through credit (not applicable to TfN)
- TfN's powers prohibit it from accessing credit, so the Statement is limited to operating and investing activity.

# Cash Flow Statement

2020/21 £000		2021/22 £000
8,225	Net (surplus) or deficit on the provision of services	5,618
(8,514)	Adjustment to surplus or deficit on the provision of services for non-cash movements	3,726
1,013	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	-
<b>724</b>	<b>Net cash flows from operating activities</b>	<b>9,344</b>
561	Net cash flows from investing activities	-
<b>1,286</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>	<b>9,344</b>
19,307	Cash and cash equivalents at the beginning of the reporting period	18,021
<b>18,021</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>8,677</b>

This is the CIES deficit and forms the starting point for determining cash movements

The CIES deficit is then adjusted for items in their that do not represent cash movements. This includes accruals, provisions, net pensions adjustments, impairments and amortisation charges

TfN has no financing activity, so this simply relates to investment items in the CIES. There was no such activity in 2021/22

The sum of the net cash flow from operating activities and investing activities should equal the movement on cash at the start of the year to cash at the end of the year.

$£18,021k - £8,677k = £9,344k$   
reduction

# Thank You

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