

# TfN Audit & Governance Committee

TfN Draft Statement of Accounts  
2022/23



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# Accounts preparation

## Basis of preparation

- TfN's position as a local government body is set out in legislation
- 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

## Public inspection period

- Statute requires us to hold our draft accounts open to public inspection.
- The inspection period runs for 30 working days, from 31 May to 11 July

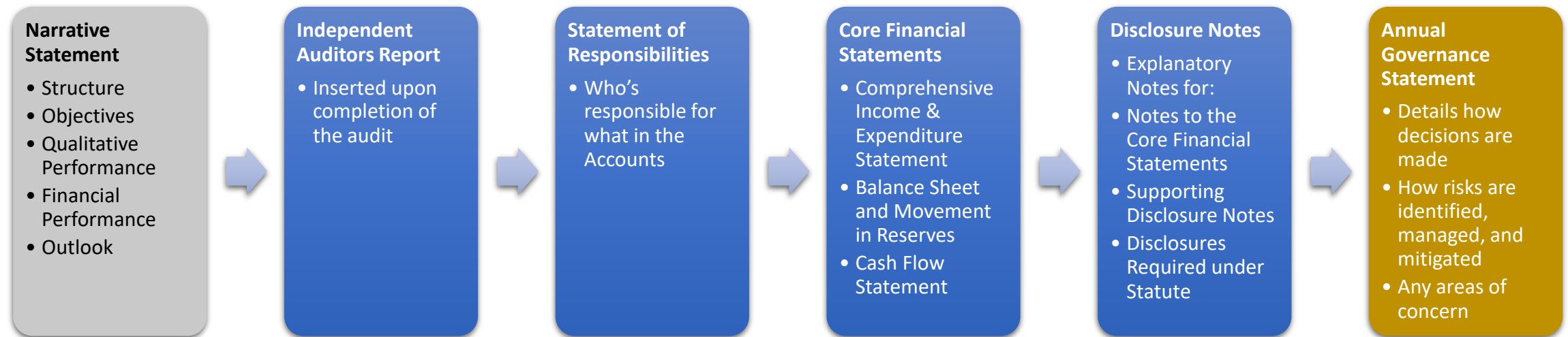
# Structure of the Accounts



# 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 net estimated pension liabilities
  - Recognition of grant income
  - Recognition of a provision for accumulated absences

# Comprehensive Income & Expenditure Statement

The CIES structure has been amended to reflect changes in the management accounts reporting structure. 2021/22 values have been restated to reflect revised structure.

2021/22 As restated				2022/23		
Expenditure £000	Income £000	Net £000	Notes	Expenditure £000	Income £000	Net £000
41,692	(41,437)	255	NPR/ DFT Analytical Support	5,394	(5,394)	0
1,077	352	1,429	Integrated and Smart Ticketing	-	-	-
1,270	(992)	278	Rail North Partnership	1,668	(1,456)	212
10,019	(714)	9,306	Operational Areas	9,298	(625)	8,674
<b>54,058</b>	<b>(42,791)</b>	<b>11,267</b>	<b>Cost of services</b>	<b>16,360</b>	<b>(7,474)</b>	<b>8,886</b>
0	-	0	Other operating expenditure	-	-	-
492	(233)	259	<b>11</b> Financing and investment income and expenditure	685	(546)	139
0	(5,908)	(5,908)	<b>12</b> Taxation and non-specific grant income	-	(6,500)	(6,500)
<b>54,550</b>	<b>(48,932)</b>	<b>5,618</b>	<b>13</b> <b>Surplus or deficit on provision of services</b>	<b>17,046</b>	<b>(14,521)</b>	<b>2,525</b>
		(3,557)	<b>27</b> Remeasurement of the net defined benefit liability/asset			(10,750)
		<b>(3,557)</b>	<b>Other comprehensive income and expenditure</b>			<b>(10,750)</b>
		<b>2,061</b>	<b>Total comprehensive income and expenditure</b>			<b>(8,225)</b>

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

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

Non-ringfenced core grant received in year

Significant 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>(14.84)</b>
<b>Adjustments for:</b>	
Pensions (IAS19)	(0.38) In CIES not in outturn
RNP grant taken to earmarked reserves	(0.07) In outturn not in CIES
Use of core reserves	0.76 In outturn not in CIES
<b>CIES balance</b>	<b>(14.52)</b>

<b>Expenditure</b>	<b>£m</b>
<b>Outturn position</b>	<b>14.84</b>
<b>Adjustments for:</b>	
Pensions (IAS19)	2.24 In CIES not in outturn
Movement on accumulated absence provision	(0.03) In CIES not in outturn
<b>CIES balance</b>	<b>17.05</b>

# Pensions Accounting

- The 31 March 2023 IAS19 valuation of TfN's pension liabilities shows a deficit of £1.56m, a significant decrease from last year's deficit of £10.45m.
- This decrease was mainly due to changes in financial assumptions between the start and end of the year, with the most notable impact being the increase in the discount rate (the assumed levels of future return on assets).
- The newly available 31 March 2022 actuarial valuation, carried out every three years, has also been incorporated into the accounts, impacting the valuation of both assets and liabilities.
- The triennial actuarial valuation forms the basis for calculating TfN's ongoing contribution levels. Contribution levels have been maintained at the same level giving confidence that TfN has sufficient assets to meet its liabilities when they become due.
- This difference between the IAS and actuarial valuations is common within local authority schemes.

# 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

## Grant income credited to taxation and non-specific grant income and expenditure

2021/22 £000	2022/23 £000
(6,000) Core Grant	(6,500)
92 Intergrated & Smart Ticketing Capital	-
<b>(5,908) Total</b>	<b>(6,500)</b>

Non-ringfenced core grant received in year

## Grant income credited to services

2021/22 £000	2022/23 £000
(41,437) NPR Transport Development Fund	(5,394)
352 Integrated & Smart Ticketing Revenue	-
(809) Rail North Partnership Grant	(962)
- In-year funding	(265)
(17) External Audit - Redmond Review support grant	(16)
(61) Rail North Local Contributions	(62)
(567) Rail North Rail Grant (via Local Contributions)	(584)
<b>(42,539) Total Grant Income Credited to Services</b>	<b>(7,283)</b>
(252) Contract Income - Rail Services	(192)
<b>(42,791) Total Income Credited to Services in CIES</b>	<b>(7,474)</b>

Grant for NPR Analytical Support recognised to match expenditure, surplus grant should be returned to the DfT.

RNP Grant recognised in full as surplus grant can be held for use in future years

Income received from service contracts with partners.

# Unapplied grant

## Reserves

Grant which has been recognised as income through the CIES - in the current or prior years - but has not been applied to expenditure. Can be held as general fund reserve or earmarked for specific purposes.

Earmarked grant for devolved powers has been released back to the general fund.

2021/22 £000	2022/23 £000
(500) Earmarked Devolved Powers Reserve	-
(31) Earmarked RNP Reserve	(97)
(4,067) General Fund	(3,808)
<b>(4,598) Total</b>	<b>(3,905)</b>

Surplus RNP grant held as an earmarked reserve

General fund reserve (core grant reserve) has reduced to reflect utilisation in the year.

## Grant received in advance

Grant received but not recognised as income in the CIES. Restrictions on the grant would mean it may have to be returned to the DfT.

2021/22 £000	2022/23 £000
(336) Department for Transport Project Funding	(71)
(10) Trans Pennine Tunnel Traffic Modelling	-
- NPR Transport Development Fund	(467)
- Core grant 2023/24	(2,754)
<b>(346) Total</b>	<b>(3,293)</b>

Core grant for 2023/24 received in advance

# 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 2022			31 March 2023	
£000	Notes		£000	
-	14	Intangible Assets	-	
-		<b>Long Term Assets</b>	-	
1,405	15	Short-Term Debtors	728	
8,677	16	Cash and Cash Equivalents	8,144	
<b>10,082</b>		<b>Current Assets</b>	<b>8,873</b>	
(5,183)	17	Short-Term Creditors	(1,522)	
(68)	18	Provisions	(240)	
(346)	8	Grants Receipts in Advance - Revenue	(3,293)	
<b>(5,597)</b>		<b>Current Liabilities</b>	<b>(5,055)</b>	
(10,454)	27	Pension Liability	(1,562)	
<b>(10,454)</b>		<b>Long term Liabilities</b>	<b>(1,562)</b>	
<b>(5,969)</b>		<b>Net Assets/(Liabilities)</b>	<b>2,256</b>	
(4,598)	19	Usable Reserves	(3,905)	
10,567	19	Unusable Reserves	1,649	
<b>5,969</b>		<b>Total Reserves</b>	<b>(2,256)</b>	

Reduction in cash due to the planned draw on reserves. Partially offset by early receipt of 2023/24 grant, held as grant received in advance.

Reduction in the level of creditors reflecting reduced levels of external expenditure

Significant reduction in the IAS19 valuation of the pension liability. Off-setting reduction in the unusable reserves debit.

# 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

2021/22 £000	2022/23 £000
5,618 Net (surplus) or deficit on the provision of services	2,525
3,726 Adjustment to surplus or deficit on the provision of services for noncash movements	(2,012)
0 Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	169
<b>9,344 Net cash flows from operating activities</b>	<b>682</b>
0 Net cash flows from investing activities	(149)
<b>9,344 Net (increase) or decrease in cash and cash equivalents</b>	<b>533</b>
18,021 Cash and cash equivalents at the beginning of the reporting period	<b>8,677</b>
<b>8,677 Cash and cash equivalents at the end of the reporting period</b>	<b>8,144</b>

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

The CIES deficit is then adjusted for items 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.

Investment activity adjusted for non-cash movements.

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.

$£8,677k - £8,144k = £533k$   
reduction

# Thank You

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