

Transport for the North Audit and Governance Committee – Item 9.0

Subject: Accounting Policies

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Meeting Date: Friday 1 March 2019

1. Executive Summary:

- 1.1 This document sets out the accounting policies as adopted by Transport for the North.
- 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 noting ahead of the production of Transport for the North's first set of statutory financial accounts for financial year 2018/19.

2. Recommendation:

- 2.1 Note the accounting policies adopted by Transport for the North as detailed in Appendix A.

3. Issues:

- 3.1 Accounting policies are defined in the CIPFA Code of Practice on Local Authority Accounting (the Code) as "the specific principals, 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 Transport for the North will account for its financial activities.
- 3.3 The Code requires that Transport for the North follow the requirements of IAS8 'Accounting Policies, Changes in Accounting Estimates and Errors' when selecting accounting policies.

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- 3.3 The Code confirms that it specifies many of the accounting policies and estimation techniques that will be used by Transport for the North when preparing and presenting their financial statements.
- 3.4 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.
- 3.5 Appendix 1 sets out the significant accounting policies adopted by Transport for the North. The policies detailed in that document are not exhaustive and do not cover principles that are irrelevant to Transport for the North's affairs. That includes policies and standards relating to credit related financial instruments; certain tax raising issues; and other items.
- 3.6 Transport for the North 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 Transport for the North'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.
- 3.7 The policies adopted by Transport for the North do not diverge from those set out in the Code, but do, at times, refer to Transport for the North'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.
- 3.8 The policies adopted largely reflect Code compliant language which is, at times, inherently technical. Transport for the North 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 Transport for the North in relation to its unique idiosyncrasies and operating environment.
- 3.9 The Code requires that Transport for the North 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.
- 3.10 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.

3.11 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.

3.12 Accordingly, these policies are unlikely to change materially unless there is a more fundamental organisational change that would encourage Transport for the North 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 are largely driven by IFRS and Code requirements.

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.	Gareth Sutton	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.	Gareth Sutton	Iain Craven

Legal

Yes	No
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Consideration	Comment	Responsible Officer	Director
Legal	There are no legal implications associated with this report.	Sasha Wayne	Dawn Madin

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.	Gareth Sutton	Iain Craven

Resource

Yes	No
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Consideration	Comment	Responsible Officer	Director
Resource	There are no resource implications associated with this report.	Gareth Sutton	Iain Craven

Risk

Yes	No
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Consideration	Comment	Responsible Officer	Director
Risk	A risk assessment has been carried out and the key	Gareth Sutton	Iain Craven

	risks are included in the report.		
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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.	Gareth Sutton	Iain Craven