APPENDIX 1

Transport for the North

Accounting Concepts and Policies

1.	**Going Concern Basis**
	TfN accounts for its operations on a going concern basis. This assumes that TfN will continue in operation for the foreseeable future.
	Comment
	Adoption of this policy reflects TfN's statutory status and the Department for Transport's explicit underwrite of the organisation's affairs as documented through the Memorandum of Understanding signed between TfN and the Department.
2.	**Qualitative Characteristics**
	The usefulness of financial statements is enhanced if they are comparable between similar organisations and between financial years. The Code of Practice promotes comparability by designating the form and content of the financial statements which includes a comparison with the previous financial period. The Code of Practice outlines the requirements of transfers by absorption accounting. From the 1st April 2018, TfN will account for the transfer in by absorption accounting of the activity undertaken by Transport for the North in its non-statutory shadow function. Prior year comparator information for this activity is not required to be included by section 2.5 of the Code of Practice, therefore full comparison between financial periods cannot be made in these statements.
	Comment
	Contracting and financial transactions undertaken through TfN's partner organisations in prior years is presented through the financial statements of those organisations. TfN believes that it would be inappropriate to show those transactions as if they were the financial transactions of TfN. This represents both the form of the transactions – which were legally those of the organisations who entered into them – but also the substance – where transactions were entered into through different governance and procurement processes.
3.	**Accruals of Income and Expenditure**
	Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular: Revenue from the sale of goods is recognised when the significant risks and rewards of ownership transfers to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to TfN. Revenue from the provision of services is recognised when the percentage of completion of the transaction can be reliably measured and it is probable that economic benefits or service potential associated with the transaction will flow to TfN.

	Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet. Expenses in relation to services received are recorded as expenditure when the services are received, rather than when payments are made. Interest receivables (deposit income) on investments is accounted for as income on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract. Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where there is evidence that debts are unlikely to be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
	Comment
	TfN will not be required to account for interest payable on borrowings due the restrictions on its access to credit. Accounting for differences between effective interest rates and cash flows on receivables generated from TfN’s cash management activity is likely to be negligible, reflecting the short-term and highly liquid nature of TfN’s adopted Investment Strategy. TfN will consider materiality when accounting for timing differences between the receipt of services and payment (prepayments).
4.	**Cash and Cash Equivalents**
	Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. All deposits placed within instant access call accounts, money market funds should be classified in the accounts as cash equivalents due to these being highly liquid investments which offer instant access to the funds and are therefore deposited to meet short term cash requirements. All fixed term investments are not classified as cash equivalents as at the point of making the deposit TfN is unable to convert these to cash until the maturity date of the investment.
	Comment
	TfN’s investment strategy is weighted to liquid investment instruments, and so it is likely that all TfN’s deposits will be classed as cash equivalents.
5.	**Exceptional Items/Material Items of Income and Expenditure**
	When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in

	the notes to the accounts. Where they are disclosed is dependent on how significant the items are to the understanding of TfN's financial performance.
	Comment
	For this financial year, this is likely to be limited to the initial cash receipt from GMCA representing the transfer of funding to TfN from GMCA as the former Accountable Body.
6.	**Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**
	Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment. Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effects of transactions, other events and conditions on TfN'S financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.
	Comment
	No impact as first year of operations.
7.	**Events After the Reporting Period**
	Events after the reporting period are those events, both favourable and unfavourable, that occur between the end of the reporting period, and the date the Statement of Accounts is authorised for issue. Three types of event can be identified: 1. Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts are adjusted to reflect such events. 2. Those that are indicative of conditions that arose after the reporting period – the financial statements are not adjusted to reflect such events, but where a category of events would have a material effect disclosure is made in the notes of the nature of the events and their estimated financial effect. 3. Events taking place after the date of authorisation for issue are not reflected in the financial statements.
	Comment
	This is inherently an unpredictable item at this stage.
8.	**Financial Instruments**
	Financial assets

	Financial assets are classified into two types: 1. loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market; and, 2. available for sale assets – assets that have a quoted market price and / or do not have fixed or determinable payments. <u>Loans and Receivables</u> Loans and receivables are recognised on the Balance Sheet when TfN becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement. When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument. This results in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable, with the difference serving to increase the amortised cost of the loan on the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year. The reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement. Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
	Comment
	TfN will not have any financial instrument liabilities due to the limitations on its access to credit.

	TfN's financial assets will likely be limited to cash equivalent categories such as money-market funds and instant access call accounts. Some consideration will need to be given to whether soft-loan accounting will be required in relation to travel pass loans extended to staff. Such loans are low value and short-term, but will likely straddle financial periods.
9.	**Government Grants & Contributions**
	Whether paid on account, by instalments, or in arrears, government grants and third party contributions and donations are recognised as due to TfN when there is reasonable assurance that: - TfN will comply with the conditions attached to the payments; and, - The grants or contributions will be received. Amounts recognised as due to TfN are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution, are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor. Monies advanced as grants and contributions for which conditions have not been satisfied are carried on the Balance Sheet as liabilities. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement. When capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. When it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure. Applying the principles of symmetry, where TfN awards a grant to a third party, the grant expenditure is recognised as payable when TfN has reasonable assurance that: 1. The grant recipient will comply with the conditions attached to the payments; and, 2. The grants or contributions will be paid. Capital grants are recognised in the Comprehensive Income and Expenditure Statement as Revenue Expenditure Funded by capital under statute (REFCUS) under the relevant service line. This expenditure is reversed out of the General Fund Balance in the Movement in Reserves Statement to the Capital Adjustment Account.
	Comment
	TfN is entirely grant and contribution funded, with only an immaterial amount of 'earned' deposit income. Grants are received from government, whilst contributions are made by the Rail North members to that activity.

	All of TfN's discrete grants come with conditions on them. Only TfN's core grant is suitably flexible to allow it to be classed as un-conditional. TDF Road, TDF Rail, and RN revenue grants and contributions are attributable to specific service lines and will be presented as income against those lines on the face of the CIES. Core grant will be presented as 'non-specific grant income' not attributable to a specific expenditure line. Capital expenditure is not shown on the face of the CIES. Instead, we will show depreciation over time. However, capital grants awarded to third parties (as in IST Programme Phase 1 and elements of Phase 2) are shown as revenue expenditure funded from capital under statute (REFCUS). This represents that the end party will use the funding to resource capital expenditure itself. Where the conditions on capital grants have been met, the grants are credited to 'Taxation and Non Specific Grant Income' in the CIES
10.	**Leases**
	Leases are classified as finance leases where the terms of the lease substantially transfer all risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets. <u>Operating Leases</u> *TfN as Lessee:* Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight line basis over the life of the lease; even if this does not match the pattern of payments (e.g. there is a rent free period at the commencement of the lease). *TfN as Lessor:* Where TfN grants an operating lease over a property or an item of plant or equipment, the asset is retained on the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in

	negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income. <u>Finance Leases</u> *TfN as Lessee:* Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of TfN are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the years in which they are incurred. Lease payments are apportioned between: - A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability; and, - A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement) Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life. - A prudent annual provision is made from revenue towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore replaced by revenue provision in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.
	Comment
	TfN is party to two operating leases related to its office accommodation. These leases are below the external auditors' definition of 'significant leases'. It is unlikely that TfN will enter into finance leases as a lessee as they represent implicit credit.
11.	**Overheads and Support Services**
	Costs of overheads and support services are charged to service segments in accordance with the authority's arrangements for accountability and financial performance. Principally, programme areas in receipt of permissive discrete grant will be recharged for the incremental costs of support teams on a calculated basis as agreed by the Finance Director.
	Comment
	The second paragraph recognises that we will only recharge into programme areas, and only where the funding grant facilitates that recharge. This recognises that size and scale of the operational support areas flexed in accordance with the scale and requirements of the programme areas that they support.

	Recharges are made to ensure that the costs of delivering services are aligned to the resource available to them for transparency and accountability purposes, but also ensure that the organisation's subject matter experts are responsible for the initial contracting. As an example, the ICT manager is responsible for procuring kit and equipment for all the organisation's teams, but the costs of that equipment is recharged to the programme teams to ensure there is proper cost transparency on those programmes and that the appropriate grant resources the expenditure. Recharge costs are stripped out on the face of the CIES. This will lead to a mismatch between management reporting and the CIES that will be explained in the narrative statement.
12.	**Provisions, Contingent Liabilities and Contingent Assets**
	Provisions Provisions are made where an event has taken place that gives TfN a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Group becomes aware of the obligation, and measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the Comprehensive Income and Expenditure Statement. Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the obligation is settled. Contingent Liability A contingent liability arises where an event has taken place that gives a probable obligation whose existence will only be confirmed by the occurrence, or otherwise, of uncertain future events that are not wholly within the control of the Group. Contingent Liabilities also arise in circumstances where a provision would otherwise be made but either it is not possible that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts. Contingent Asset A contingent asset arises where an event has taken place that provides a probable asset, whose existence will only be confirmed by the occurrence or otherwise of uncertain events not wholly within the control of the Group. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

	Comment
	At this stage, TfN's likely exposure to provisions is limited to any claims outstanding against the business as at the year-end. These claims were reported on in the Revision 3 budget report.
13.	**Reserves**
	Specific amounts are set aside as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund. When the expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the (Surplus) / Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. Certain reserves are kept to manage the accounting processes for non-current assets and retirement benefits, and do not represent usable resources for TfN.
	Comment
	TfN will have a General Fund reserve (core grant reserve) and potentially an earmarked revenue as described in the 2019/20 budget report.
14.	**Revenue Expenditure Funded from Capital under Statute**
	Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset that has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where TfN has determined to meet the cost of this expenditure from existing capital resources a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the revenue finances of TfN.
	Comment
	This is pertinent to P1 and some elements of P2. This includes not just grant awarded to third parties, but the incremental costs of running the programme.
15.	**Value Added Tax (VAT)**
	TfN neither provides services for consideration nor is able to recover the VAT incurred on expenditure. Costs are shown gross of VAT within the relevant service lines on the face of the CIES.
	Comment
	Ordinarily costs would be shown net, with the balance due to or from HMRC on the balance sheet.
16.	**Intangible Assets**
	Expenditure on non-monetary assets that do not have physical substance but are controlled by TfN as a result of past events (e.g. software development) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to TfN.

	Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and TfN will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. TfN determines a project to be technically feasible when its has passed an outline business case government approval gateway, or another appropriate review point undertaken by suitably qualified professionals. Expenditure is capitalised where it can be measured reliably as attributable to the asset and restricted to that incurred during the development phase. Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise TfN's goods or services. Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by TfN can be determined by reference to an active market. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Where an intangible asset has an indefinite useful life it shall not be amortised. Instead, it will be reviewed annually for impairment. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.
	Comment
	This will cover the majority of capital expenditure around the IST programme in Phase 2 and Phase 3. TfN has commissioned external accounting advice from PWC that supports the proposal to hold the capital investment in these projects as an intangible asset. At this year-end intangible assets will still be in development, and not fall to be operational until the following year at the earliest opportunity.

	Work is underway, particularly with regards to future target operating models, to determine whether the intangibles developed have a definable useful asset life, or whether in fact they have an indeterminate life. A key consideration is likely to be around both expectations on future ownership and end-user demand for the assets, and the enabling contracts that underpin usage.
17.	**Property, Plant and Equipment**
	Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment. Recognition Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to TfN, and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential, (i.e. repairs and maintenance) is charged as an expense when it is incurred. TfN will apply a deminimis to recognition, capitalising individual items of expenditure with an initial cost of >£10k. Measurement Assets are initially measured at cost, comprising: 1. The purchase price; 2. Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; 3. The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. The cost of assets acquired, other than by purchase, is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of TfN). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by TfN. Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. When gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement. Assets are then carried on the Balance Sheet using the following measurement bases:

- Infrastructure, community assets and assets under construction – depreciated historical cost.
- Surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective.
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included on the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

<u>Impairment</u>
Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is subsequently reversed, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. Assets Under Construction).

Depreciation is calculated on a straight line basis, over the useful life of the asset following the year of construction or acquisition, determined as follows:

- Buildings – straight line allocation over the useful life of the property as estimated by the valuer
- Infrastructure assets – the estimated useful life of each asset as determined by the valuer
- Vehicles/plant/equipment – straight line allocation over the useful life of the asset as advised by a suitably qualified officer.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately where they have significantly different useful lives. Components are also recognised where capital investment for replacement or enhancement of the asset establishes a material component.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is re-valued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the (Surplus) / Deficit on Provision of Services.

Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

	Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale. When an asset is disposed of or decommissioned, the carrying amount of the asset on the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account. Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. Capital receipts are credited to the Capital Receipts Reserve, and can then only be used to finance new capital investment. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement. The written off value of disposals is not a charge against revenue, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.
	Comment
	As TfN is not an operational organisation, it has little in the way of assets and is unlikely to acquire PPE in any material way into the future. TfN's accommodation is leased, and its equipment is largely limited to ICT hardware and office furniture. A capitalisation threshold of £10k has been adopted for individual items of expenditure. This will likely catch the majority of incidental equipment purchases made through TfN's ICT refresh strategies and our approach to managing the accommodation space. Adopting this threshold means expensing purchases immediately, but reduces administrative burden and aligns neatly with TfN's rolling refresh approach to ICT equipment.
18.	**Employee Benefits**
	<u>Benefits Payable During Employment</u> Short term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to TfN. <u>Termination Benefits</u> Termination benefits are amounts payable as a result of a decision by TfN to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits. They are charged on an accruals basis to the appropriate service in the Comprehensive Income and Expenditure Statement at the earlier

	of when TfN can no longer withdraw the offer of those benefits or when TfN recognises costs for a restructuring. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by TfN to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end. <u>Post-Employment Benefits</u> Employees of TfN are enrolled in the Local Government Pension Scheme. TfN pays an employer's contribution into the Greater Manchester Pension Fund, which is a fully funded defined benefit scheme administered by Tameside Metropolitan Borough Council. The liabilities of the Greater Manchester Pension Fund attributable to TfN are included in the Balance Sheet on an actuarial basis using the projected unit method, i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projections of projected earnings for current employees.