

Transport for the North Audit & Governance Committee Agenda

Date of Meeting	Thursday 16 September 2021
Time of Meeting	11.00 am
Venue	TBC

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Item No.	Agenda Item	Page
1.0	Welcome & Apologies The Chairman to welcome members to the meeting.	Verbal Report
2.0	Declarations of Interest Members are required to declare any personal, prejudicial or disclosable pecuniary interest they may have relating to items on the agenda and state the nature of such interest.	Verbal Report
3.0	Minutes from the Previous Committee To formally sign off the Minutes from 18 February 2021 and 10 June 2021 (previously circulated). To approve as a correct record the Minutes of the meeting of the Audit & Governance Committee held on 15 July 2021.	3 - 8
4.0	Monthly Operating Report (July 2021) To note and discuss the Transport for the North Monthly Operating Report.	9 - 38
5.0	Virtual Participation in Meetings To note the recommendations outlined in the report and to	39 - 46

	consider how the Committee should conduct future meetings.	
6.0	<p>Internal Audit Update</p> <p>To note the reports from RSM Risk Assurance Services:</p> <ul style="list-style-type: none"> - Governance Effectiveness - Risk Management - Progress Report - Future Audits 	47 - 94
7.0	<p>External Audit Update</p> <p>To note the reports from Mazars:</p> <ul style="list-style-type: none"> - Audit Completion Report 	95 - 128
8.0	<p>Year End Statutory Accounts</p> <ul style="list-style-type: none"> - To approve the Annual Governance Statement; and - To recommend to the TfN Board the sign off of the Annual Statement of Accounts. 	129 - 218
9.0	<p>Draft Audit & Governance Committee Annual Report to the TfN Board</p> <p>To review the draft report of the Chair of the Audit & Governance Committee summarising the Committee's activities over the previous year against its Terms of Reference and recommending the approval of the 2020/21 Statutory Accounts and Annual Governance Statement.</p>	219 - 232
10.0	<p>Risk Review</p> <p>To highlight the significant risks associated with Transport for the North's ongoing programmes.</p>	233 - 266
11.0	Any Other Business	

Transport for the North Audit & Governance – Minutes

Meeting: Transport for the North Audit and Governance Committee

Date: Thursday 15 July 2021, 11:00am – 12:15pm

Venue: MS Teams remote meeting

Attendees:

Chris Melling (Chair)	Independent Member
Cllr Keith Little (Vice-Chair)	Cumbria County Council
Kevin Brady	Independent Member
David Pevalin	Independent Member
Graham Bell	Observer

Invitees:

Campbell Dearden	External Audit, Mazars
Alex Hire	Internal Audit, RSM UK
Dominic Jeffrey	Policy Advisor, DfT

Officers:

Iain Craven	Finance Director
Paul Kelly	Financial Controller
James Lyon	Legal Assistant
Deborah Dimock	Solicitor

Apologies:

Cllr Liam Robinson	Liverpool City Region
Cllr Heather Scott	Tees Valley
Julie Openshaw	Head of Legal
Haddy Njie	Risk Manager

1.0 Welcome and Apologies

Action

- 1.1 The Chair advised that, due to the change in regulations around virtual meetings as Covid restrictions were gradually lifted but with the continuing requirements for social distancing, this was not a formal meeting of Audit & Governance Committee, but a Consultation Call held under the delegated powers of the Section 151 Officer.

- 1.2 Apologies as noted; TfN Legal was represented by Deborah Dimock.

2.0 Declarations of Interest

- 2.1 There were no declarations of interest.

3.0 Minutes of the Last Meeting and Matters Arising

- 3.1 There were no matters of accuracy arising from the minutes.
- 3.2 The Chair referred to the action point in section 8 which had asked why some of the audit actions were on hold until the appointment of the new CEO. Iain Craven clarified that it was one item on hold concerning the assurance framework and advised the Committee that this was due on ongoing uncertainty around TfN's role. The final assurance framework would be predicated on the outcomes of the Comprehensive Spending Review as well as publications such as the Integrated Rail Plan and would require the full involvement of TfN's new Chief Executive, due to start his role on Monday 2 August.

RESOLVED: To note the minutes of the meeting held on 10 June 2021 as a true and accurate record prior to formal approval at the next in-person meeting.

RESOLVED: The Committee were satisfied with the explanation of the one action point from the previous minutes.

4.0 Monthly Operating Report (May 2021) (R)

- 4.1 The report was taken as read with Iain Craven noting that it was a comprehensive document and not intended to be covered in detail during the meeting.
- 4.2 Due to deadlines of paper circulation, he also advised that the June report was now available on the TfN website
- 4.3 The financial performance through the first quarter of 2021 was summarised with activity of £14.7m against an original budget of £15.2m although with some one-off spend such as the office refurbishment still to be accounted. This left TfN almost exactly on budget for the first quarter.

RESOLVED: The Committee were once again very positive as to the content and comprehensive nature of the report.

5.0 Internal Audit Update (R)

- 5.1 The Audit Report was taken as read and RSM updated the Committee on the current audits in progress, Governance Review and Risk Management.
- 5.2 A questionnaire had been circulated to Members as part of the Governance Review and the deadline for responses had been extended. The main content of the audit was in the debrief stage with a draft report due to TfN shortly. The full report would be submitted to the Committee at the September meeting.

The Risk Management Audit had commenced earlier in the week and was progressing with no issues raised to date.

- 5.3 The Internal Audit schedule remained on track for delivery.

RESOLVED: There were no questions arising from the report.

6.0 External Audit Update (R)

- 6.1 Mazars presented their progress report advising that they had commenced the audit of the final accounts and had made good progress to date. The audit remained on schedule for completion at the end of July.
- 6.2 The audit would not include pensions as this was dependent on receipt of the Pension Fund Assurance Letter, however it would include the value for money assessment.
- 6.3 The only matter of note arising so far was a classification issue in terms of capitals and disposals of £2m although it was clarified that this was not a concern.
- 6.4 The Committee sought assurance around the timeline for audit completion; Campbell Dearden replied that the value for money work was ongoing, but this would not affect the substantive assurance of the accounts themselves.
- 6.5 He added that the audit was progressing smoothly, and the accounts were in good order.

RESOLVED: The report was noted.

7.0 Draft Year End Statutory Accounts (R)

- 7.1 Paul Kelly presented a set of slides detailing the key elements of the accounts.
- 7.2 The draft accounts had been issued for public inspection on 7 July 2021 and would remain open for inspection until 17 August, 30 working days as per statutory requirements.

- 7.3 Key items from within the accounts were highlighted for further discussion. This included the treatment of Intangible Assets, Revenue Expenditure Funded from Capital Under Statute ("REFCUS"), Pension Accounting and the prior year adjustment.
- 7.4 The accounting for Intangible Assets was presented with the treatment being directly aligned to the cessation of IST funding announced on 4 January 2021. The current discussion with the external auditors, in relation to classification of the fares data tool was discussed. The conclusion of the discussion will be raised at the next meeting.
- 7.5 The principal differences between actuarial valuation (for employer contributions) and IAS 19 valuation (for Statutory Accounting) were reiterated. It was acknowledged that the latter has driven the material adjustment to the pension deficit in the accounts and this is not an uncommon position across local authorities.
- 7.6 The need to reclassify an item from last years accounts was discussed and is recognised by including the phrase "restated" and explaining within a note to the accounts. This does not change any of the main statements.
- 7.7 Each of the main statements was discussed and included, where relevant, reference to the matters discussed above.
- 7.8 The refresh of the Accounting policies was discussed and referenced the track changed document detailing all changes from the version presented to the committee in February. It was noted that none of the changes impacted on the numbers within the accounts, they essentially represented bringing the policies in line with current CIPFA code.
- 7.9 Kevin Brady wanted to understand whether the £2m reserve was still agreed with DfT and whether it could come under pressure during the CSR process. He also felt the rationale captured with in the KPI section delivery failure to deliver.

Iain Craven referenced the Memorandum of Understanding and indicated it may require a refresh depending on how the CSR turns out. Iain articulated the medium-term plan which utilised and reduced reserves over the next 3 years but was based on a number of assumptions which, if not agreed as part of the CSR, could put financial pressure on the organisation.

The Chair subsequently drew reference to the medium-term financial strategy as detailed within the accounts.

- 7.10 Kevin Brady felt the rationale for failing to deliver KPI's, that was linked to the delayed publication of the IRP, should place more emphasis on areas outside TfN's control.

Iain Craven noted the point but indicated these had been captured and reported in the Monthly Operating Report so it would be a challenge to update.

RESOLVED: The Chair reminded the Committee that the item would be taken forward to the meeting on 16 September for final recommendation of the accounts to TfN Board for approval.

8.0 Corporate Risk Register (R)

- 9.1 As a standing item on the agenda, the Risk Report was taken as read and Iain Craven highlighted the key points of change.
- 9.2 TfN had experienced a small number of instances recently where confidential papers or communications to Members had been leaked to the press which presented a risk to TfN's reputation and to its relationship with DfT.
- 9.3 Ongoing uncertainty around the outcome of the impending CSR and the as yet undetermined publication date of the Integrated Rail Plan continued to present a risk to business operations which had also been detailed in the report.
- 9.4 There were no questions arising although the new format continued to draw praise for its clarity and the Committee were satisfied that the risk profile was being accurately portrayed.

RESOLVED: The report was noted and updates on the IRP publication would follow via the Monthly Operating Reports and in the next Risk presentation to Committee.

9.0 Any Other Business

- 9.1 The Chair reminded the Committee that the next meeting would be held in person and commented on the importance of it being quorate.
- 9.2 There were no other items of business raised.

The meeting concluded at 12:20pm

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Transport for the North Monthly Operating Report July 2021



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Introduction

Summary from the Chief Executive

A core focus in July has been working through the Manchester Recovery Task Force to seek solutions that address the concerns of the Rail North Committee with regard to the proposed service changes for the December 2022 timetable: the intention being to seek the inclusion of those solutions in the next round of consultation later this autumn. At the same time TfN has made strong representation to ministers on behalf of members and passengers, setting out the importance of having an agreed programme of work that gives confidence to rail users that a longer-term solution remains a priority. Discussions with ministers remain ongoing.

TfN and the Rail North partnership continue to work with the industry to support the recovery of rail services following the lifting of restrictions on 19 July 2021 and will be supporting recovery messaging from September.

Government has now confirmed that the Integrated Rail Plan (IRP) will not be published until September at the earliest. The delay to the Integrated Rail Plan (IRP) means that there is increased risk of delays and additional costs for both the Transpennine Route Upgrade (TRU) and Northern Powerhouse Rail (NPR) programmes. We informed TfN Board that the completion of the NPR Strategic Outline Case (SOC) and associated activities is likely to take at least six months from receipt of the IRP. Work continues across the Northern Powerhouse Rail programme in preparation for delivery of the SOC.

Work on the Investment Programme Benefits Analysis (IPBA) programme continues. The project team is continuing to develop the Gateway Project Review (GPR) report, which summarises work completed so far and provides recommendations for post-GPR work. The GPR report will be considered at the Strategic Oversight Group (SOG) meeting in September, along with the Investment Programme Scheduling Refinement Report.

Approval to consult on the TfN Freight and Logistics Strategy was delegated to the Interim Chief Executive Tim Wood at the Board Consultation Meeting on 29 July 2021. Work is currently under way to plan the consultation process and update the draft. The public consultation on TfN's Decarbonisation Strategy will continue until 31 August 2021 as planned. Work also continues around the revised Strategic Transport Plan (STP), the Pan-Northern Electric Vehicle Charging Infrastructure Framework, and embedding the Northern Transport Charter (NTC), while final outputs from the Visitor Economy and Transport in the North of England study are now available, and planning for projects including the Clean Mobility Visions project and the Health & Wellbeing research project also continues.

Operational departments continue to support projects and programmes across TfN. This month's report includes the annual Treasury Management Review, which can be found within the Financial Performance section.

Northern Powerhouse Rail (NPR)

Monthly Summary

TfN was informed on 19 July by the Department for Transport (DfT) that the Integrated Rail Plan (IRP) would not be published prior to Parliamentary recess, which started on 22 July, and no revised publication date was given.. Pending publication of the IRP, work continues across the programme that will ensure it is in a strong position for delivery of the Strategic Outline Case (SOC) after publication of the IRP and project Outline Businesses Cases (OBCs) which will then follow. The completion of the SOC and associated activities is likely to take at least six months from receipt of the IRP.

Activity Update

Infrastructure

The Manchester–Sheffield design and cost opportunities review achieved its objectives, which were to identify potential solutions that cost less than £3bn and £2.5bn (without electrification) and understand impacts on journey times. Follow-on work is now being planned, leading to co-client instruction. Phase 1 of the Leeds–Hull ground investigations was completed on 12 July. The resultant factual (data) report is now being prepared and is forecast to be delivered on 13 August. The interpretive report, which, based on the survey data, will confirm the opportunities that exist in reducing the currently allocated risk related costs, will then follow in October. Schedule improvements have been made by Network Rail (NR) in relation to the delivery of GRIP 2 (completion of NR feasibility stage) across corridors. The majority of scope will be delivered by the end of the calendar year.

Technical Assurance, Modelling and Economics (TAME)

DfT colleagues have confirmed their satisfaction with the performance of the latest update of Northern Rail Modelling System (NoRMS) iteration 2; written confirmation is expected in due course in the form of an Analytical Assurance Statement. Development on the Northern Economic Land Use Model (NeLUM) version 3 has progressed well in the month and is due for review by TfN and DfT in September. NeLUM and NoRMS are the key pillars of data production for the SOC and remain on schedule to be available to the programme at the point IRP is published and SOC delivery requirements confirmed.

Commercial Management

The cost model option tool has been developed and prepared in anticipation of the publication of the IRP. It provides relative costs for each corridor and a detailed analysis of the network costs to identify key cost drivers and where efforts should be focused. The cost model is able to provide various costing options which will ultimately be dictated by the content of the IRP.

Business Case

Further work has been completed on the ‘SOC evidence directory’, which is a single repository of sources that have been used in the development of the SOC for each case. Additionally, work has commenced on the collation of evidence for ‘NPR shortlisting history’ to provide a clear audit trail in one document of how decisions have been made to date.

Risks

Risk Summary	Summary of Mitigating Measures	KPI
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<p>IRP delay and impact to co-client ability to agree 2021/22 scope As a result of the programme's dependency on the publication of the IRP, the co-clients are unable to agree that all of the activity set out in the TfN Business Plan for 2021/22 should be taken forward. Further, continued delay may lead to a review of current instructed scope to ensure the programme reduces risk to abortive work and ensures value for money is maintained. This could result in delays to proposed programme activity for 21/22 and beyond, as well as impacts on commissioning and mobilising programme teams to deliver work in 21/22 and readiness for delivery in future years (e.g., OBC, FBC).</p>	<ol style="list-style-type: none"> 1. Following the publication of the IRP, review scope between co-clients with a view to instructing on-hold items. 2. Ongoing discussions at a senior level regarding scope that can start in the absence of IRP. 3. Review impact of delays on each work package's ability to reach single option and develop response plan. 4. Paper to be presented to programme board requesting that co-clients instruct commencement of OBC/FBC preparation activity. 	9, 10
<p>IRP conclusions and decision-making IRP conclusions may impact SOC if recommendations on funding, phasing and/or route option specification are different from those agreed by TfN Board. This may result in partners not accepting the conclusions, which may impact ways of working as well as importing delays to SOC update and submission to TfN Board and Government.</p>	<ol style="list-style-type: none"> 1. IRP response team has been created. A rapid review of the IRP to take place to understand impact on the SOC and 21/22 Business Plan. Engagement with partner organisations on proposed programme team activity to take place for post-IRP review. 2. Work is underway on scope activity that has been agreed between co-clients. 3. Scenario planning is underway to understand the implications of IRP scenarios on NPR and the SOC. 	7-10
<p>Transpennine Route Upgrade (TRU) integration There is a risk that the NPR programme may become misaligned from the TRU programme if there is a lack of integration between the programmes such as irregular communication channels/forums, and if there is no/minimal reciprocal representation within each programme's governance. This may result in avoidable costs and delays as a consequence of duplication of effort, rework and strategic misalignment. In addition, the lack of integration may lead to missed opportunities for cross-programme assurance.</p>	<ol style="list-style-type: none"> 1. Escalation to be tracked at the NPR delivery team meeting (Level-0 board). 2. Review NR TRU representation at governance groups following publication of the IRP. 3. Review information shared by NR TRU and raise further requests to NR following this. 4. Prepare a proposal for how we integrate with NR TRU for agreement at senior TfN/NR level – at least monthly. 5. Initial meeting held between NPR and TRU directors. This is to become a monthly occurrence. 	7, 8
<p>Leak of sensitive information Programme sensitive information may be leaked ahead of formal publication or when there was no intention for the information to be made public. This may lead to reputational damage to TfN and NPR, inefficient use of resource time to manage queries, creation of misinformation which could stop programme decisions being made, and erode collaborative working between co-clients.</p>	<ol style="list-style-type: none"> 1. TfN has in place Confidentiality Agreements with Constituent Authorities i 2. The Codes of Conduct for Constituent Authorities (CA) make provision to the circumstances in which information may be disclosed. Each CA will have its own Officer Code of Conduct and/or Disciplinary Policy which have similar provisions to TfN's, dealing with the treatment of confidential information. 3. Employees have been reminded that TFN's Disciplinary Policy defines misuse of information as gross misconduct. 	

Programme and Look Ahead

TfN Board

The timing and content of briefings to TfN Board will be shaped by the eventual publication of the Integrated Rail Plan.

Investment Programme

Monthly Summary

Work is ongoing on the Investment Programme Benefits Analysis (IPBA) project. This commission is critical to understanding the economic, social and environmental benefits of the TfN Investment Programme. The analysis will use DfT’s conventional growth scenario, and TfN’s four Future Travel Scenarios, to assess the Investment Programme against three different funding strategies. This work will enable TfN to make a strong evidence-based case for transport investment and provide a clear picture of the potential impact of the Investment Programme on carbon emissions.

Activity Update

- The pre-Gateway Project Review (GPR) modelling work is now complete.
- The Forecasting Impact Report, which summarises the modelling work to date, is being drafted for consideration by the Technical Assurance Group on 16 September 2021.
- The project team is continuing to develop the GPR report, which summarises the work completed so far, and gives recommendations for the post-GPR work. The GPR report will be considered at SOG on 2 September 2021.
- The Investment Programme Scheduling Refinement Report is being drafted for consideration at SOG on 2 September 2021. This report considers the early model outputs to identify if the delivery of any schemes could be re-profiled between delivery periods.
- The team is continuing to monitor and manage the project risks, including ensuring a suitable level of engagement from partners.

Risks

Risk/Issue Summary	Summary of Mitigating Measures	KPI
<p>Managing interdependencies – Risk: The completion of deliverables relies on inputs from several parties. There is a risk that delays to these inputs could hinder the delivery and assurance of key products. This could result in additional costs, programme delays, and not meeting the commitments set in TfN’s 2021/22 Business Plan, which could damage TfN’s reputation.</p>	<ol style="list-style-type: none"> 1. Dedicated TfN resources in place to manage information on interdependencies. 2. Technical inception meeting agreed arrangements with the supplier to identify any outstanding interdependency challenges. Actions to be filtered through to weekly calls action log. 	12
<p>Variable Demand Modelling (VDM) – Risk: The VDM may override the policy drivers for the Future Travel Scenarios where forecast travel demand exceeds capacity. This may result in an unrealistic modal shift that does not reflect the intended policy drivers. This could provide conflicting results and conclusions.</p>	<ol style="list-style-type: none"> 1. A meeting to be set up between TfN and the supplier to understand the VDM process and model limitations and agreed a way forward. 2. Consultants to complete ‘test’ runs prior to the Gateway Project Review to understand the scale of the potential risk 	12

Programme and Look Ahead

- The project team will monitor and prepare for the potential impact of the Integrated Rail Plan on the IPBA programme. The timing and scale of the impact is unknown.
- The project team will produce the Investment Programme Scheduling Refinement Report, Forecast Impact Report and Gateway Project Review report, for consideration in September.
- Freight modelling, by supplier MDST, will be commenced for completion by the end of September.

Major Road Network (MRN)

Monthly Summary

The Electric Vehicle Charging Infrastructure (EVCI) Framework commission has been awarded to Element Energy and WSP Ltd and an inception meeting held. Work on the Mobile Device Data project is on schedule, with the delivery of the 2020 dataset monitoring performance of the MRN and initial data outputs due in early August. The team is providing input and feedback to Highways England (HE) to support the ongoing development of the Strategic Road Network (SRN) Route Strategies and Road Investment Strategy (RIS)3 programme.

Activity Update

- An initial draft of the updated Major Roads Report (MRR) has been circulated to partners and feedback is due 8 August 2021.
- The Mobile Device Data project, which will provide TfN with a 2020 dataset on the performance of the MRN for the North, is running on schedule with the initial six months of data due in early August.
- A proposal for the development of a TfN multi-modal hub policy position has been developed and shared with partners, with a review of best practice and call for evidence from partners now underway.
- Now that the Department for Transport has published its decarbonisation plan, the risk relating to the consequential delay of the Major Roads Report publication has now been closed.

Risks

Risk/Issue Summary	Summary of Mitigating Measures	KPI
<p>Risk: Major Roads Network 1 (MRN1), 2020-2025 – There is a risk of lack of clarity around any decisions made regarding the proposed road investments for MRN1, which could lead to reputational risk and partners having less confidence in TfN.</p>	<ol style="list-style-type: none"> 1. DfT to present regular updates at the Major Roads Group. 2. To schedule a meeting with DfT’s Acceleration Unit to discuss progress of schemes submitted as part of TfN’s Economic Recovery Plan. 3. Contact DfT for further information if partners do not receive adequate information around the decision-making process. 4. Include the MRN1 proposed road investments in TfN’s 2021 Comprehensive Spending Review submission. 	18
<p>Risk: EVCI stakeholder expectations – If there is any misalignment of objectives or miscommunication with key stakeholders, there is a risk that their expectations of the project might not be met. This could lead to reputational risk, poor partner relations, and project outputs that are not applied effectively.</p>	<ol style="list-style-type: none"> 1. EVCI Steering Group has been set up and scheduled for 16 August to test and feedback on outputs. 2. Ensure significant partner engagement during project conception stage and TfN governance sign offs. 3. Engagement with the DfT and the Office for Zero Electric Vehicles to ensure clear understanding of how this work can support the national agenda and actions. 4. The suppliers are to support the partner agreement of inputs to the modelling tool. 5. The team is seeking new avenues to promote the work, including National Grid and the Energy Saving Trust (a delivery body for Government regarding electric vehicles). 	17

	6. TfN's advice presented to Transport Select Committee included the Zero Emission Vehicles published on 28 July.	
Risk: Mobile data outputs under-utilised - If partners do not have sufficient resources to utilise the MRN mobile datasets, or they do not find use in the outputs, there is a risk that the project outputs may be under-utilised. The value of the work may not be understood and likely to make further bids for future dataset projects more challenging.	<ol style="list-style-type: none"> 1. Develop a dashboard that will demonstrate the project outputs and examples of use for the data. 2. Provide support and training to partners including recorded webinars and step by step guidance. 3. Use the mobile dataset to strengthen the TfN evidence base for future Major Road Network intervention bids. 4. Atkins to present the outputs and outcomes of the project to the Major Roads Group, and produce an executive summary set of slides for sharing. 	14

Programme and Look Ahead

- Highways England has asked TfN to support the statutory public consultation events for the A66 dualling project, which will take place in autumn 2021. This includes advice on the approach and input into stakeholder communications.
- The first EVCI steering group has been scheduled for 16 August 2021.
- Owen Wilson, the Major Roads Strategy Manager, will be presenting at a webinar to Waterfront Conference on Transport Development in the North of England.

Strategic Rail

Monthly Summary

The publication of the Williams-Shapps White Paper in May 2021 creates both risks and opportunities for TfN which have been outlined in reports to TfN Board, Rail North Committee, and Scrutiny Committee. The team is preparing a more detailed response setting out a proposition for the North and the case for change. This will be presented to the TfN Board on 29 September. A core focus in July has been Central Manchester congestion – progressing the proposed service changes for December 2022 through Rail North Committee and a TfN Board discussion in parallel with ensuring that TfN has greater influence on the investment choices to unlock service enhancements. The team has worked with DfT to demonstrate the strong strategic case for investment and the evidence that TfN brings to the business case.

Activity Update

Rail Operations

The full lifting of restrictions took place on 19 July, including relaxing the legal requirement to wear masks and social distance on trains. Passenger demand has levelled off following growth seen in recent weeks, with Northern reporting demand at the end of July of 55% of pre-Covid levels. TransPennine Express (TPE) has seen an increase to 52%. The operational focus remains on working with the industry to support the recovery and TfN will be supporting the recovery messaging from September.

Rail Investment

The delay to the Integrated Rail Plan (IRP) has created a significant risk to Transpennine Route Upgrade (TRU) programme development, design, and delivery. Discussions on the programme business case, including the 'end state solution', can only be determined once the IRP is published. Delay could prohibit effective management of a programme of this size, delay development of outstanding programme options as well as delivery of the early benefits as the more mature elements of the programme seek commitment to deliver. Work is progressing well on options for freight including full gauge clearance to accommodate larger freight containers in line with TfN's strategic advice. An industry workshop on the Castlefield Corridor took place on 30 July where the team presented the case for including a full analysis of the benefits of including Platforms 15/16 at Piccadilly in the programme. A workstream is underway to produce the required assessment.

The team has developed a TfN Stations Strategy and report on this issue was submitted to the TfN Board in July and was received well.

On 29 July the DfT's Infrastructure Board approved £500k funding from the Rail Network Enhancement Pipeline (RNEP) for 22 Theoretical Line Speed Improvement route studies to be undertaken by Network Rail (NR). The process has been developed by TfN in collaboration with NR. While Ministerial and Treasury approval is awaited, work is underway with DfT and NR to agree the detailed remit for the studies. This is the first time that TfN has been directly responsible for securing funding through RNEP for NR.

Risks

Risk/Issue Summary	Summary of Mitigating Measures	KPI
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<p>Risk: Proposed timetable changes on the East Coast Main Line (ECML) in May 2022 and Manchester in December 2022 might impact on local connectivity, thereby reducing choice for passengers. On the ECML, there is a risk of reduction in East-West connectivity to facilitate an additional North-South service from Newcastle to London. Furthermore, and in relation to Manchester, a new timetable is likely to reduce services to improve performance on the routes through Manchester putting pressure on some services and stopping patterns as there is currently no commitment to infrastructure works to restore services in the future.</p>	<ol style="list-style-type: none"> 1. TfN has responded to the consultation for the ECML calling for the timetable to be delayed and calling for an independent review of the changes following Covid-19. 2. TfN has appointed a consultant to explore how regional services that would be lost can be restored. 3. A collaboration between DfT and TfN to develop a roadmap of investment to support further capacity on the ECML. 4. Regarding Manchester, a letter has been issued to the DfT supporting the timetable change on the understanding that an infrastructure plan will follow. 	<p>1</p>
<p>Risk: The long-term effect of Covid-19 on viability of train services. The lifting of restrictions on travel is likely to continue to affect the time it will take for the industry to recover to pre-Covid-19 levels. This may impact on the future of train service investment decisions which might affect TfN's ability to achieve its ambition for the North of England.</p>	<ol style="list-style-type: none"> 1. TfN has commissioned an agency to support messaging and communications to reinforce industry promotion of safe use of public transport in line with Government guidelines. 2. Rail North Committee has endorsed a Roadmap to Recovery. The team is working with train companies identifying ticketing/marketing/offers to rebuild confidence, attract passengers back, and entice new passengers when appropriate and Northern has begun a multichannel campaign from 19 July 2021. 	<p>1</p>
<p>Risk: TRU fit with the wider investment strategy in the North. There is a risk that the IRP reopens discussion on existing government commitments to the main 'building blocks' including both legs of HS2 Phase 2b, NPR and TRU. Delivery of TfN's STP might be impacted. Severe adverse reputational impact for TfN and pressure from partners.</p>	<ol style="list-style-type: none"> 1. Strategic Rail, Strategy & Programmes and NPR to continue to work together to identify potential integration between TRU, NPR and HS2 and understand how they best interface with other's programmes across the North (Manchester, Leeds/Sheffield/York etc). 2. TfN to continue to challenge the cost of major scheme projects and support the development of complementary and independent interventions on the classic network that can be delivered early subject to a suitable business case. 	<p>6</p>

Programme and Look Ahead

- Working through the Rail North Committee and TfN Board, continue to consider the outcome of the Manchester Recovery Task Force consultation.
- Support, monitor and assist the industry to rebuild services, passenger demand and confidence.
- Continue to prepare the detailed response to the Williams-Shapps Plan for Rail by late summer 2021.
- Develop proposals for addressing network gaps linked to the Long-Term Rail Strategy (LTRS) and produce the next stage of the TfN Stations Strategy.
- Continue to support the TfN response to the anticipated Integrated Rail Plan.
- Continue to work closely with DfT and Network Rail to secure successful delivery of the TRU project objectives.
- Work with DfT and NR on the detailed remit and funding mechanism following securing funding for TfN's line speed improvement programme.
- Continue to work with NR to assess three interventions to improve resilience and reliability of the rail network.

Operations Summary

Monthly Introduction

TfN operational teams include teams and departments that are key to our success as a Sub-national Transport Body and the completion of our authority-wide KPIs, but who are not responsible for the completion of individual projects or programmes. These teams provide support for programmes through specialist skills and knowledge in their relevant areas. Teams included under the operations section include the Stakeholder Engagement & Communications Team (SECT), Finance, Procurement & Risk, Strategy & Policy, and Technical Assurance, Modelling & Economics (TAME). Other teams within TfN may also be referenced under this section when they undertake important activities relevant to the pursuit of TfN's success and wider goals.

Activity Update

Summary updates on key actions from TfN operational teams are as follows:

Stakeholder Engagement & Communications Team (SECT)

- The SECT has promoted TfN's activity proactively across external and internal channels, and directly to key stakeholders, throughout the month.
- Promotion of the Decarbonisation Strategy continued, with three online consultation events held and a number of media opportunities secured, including op-eds, feature articles, and response pieces. Efforts will continue, particularly across social media, in the final few weeks of the consultation.
- July's Board meeting gathered a great deal of interest, with a number of news outlets covering the discussions on NPR, the IRP, and timetables.
- Pre-Board meetings were held with civic and LEP members.
- Both David Hoggarth and Tim Wood were interviewed on GB News.
- TfN's response to the DfT's Transport Decarbonisation Plan was published and the team responded to a number of media enquiries.
- The appointments of Martin Tugwell and Cllr Gittins were promoted via a press release and website/social media activity at the end of the month, as well as through internal communications. A number of media opportunities for Martin are now being considered for during his first few weeks.
- Podcast recordings continue, with episodes featuring Cllr Gittins and Tim Wood created to be published in August.
- Internally, the main focus remains on the reopening of our offices and the move to hybrid working, with all channels being used to ensure colleagues are up to date. Planning is under way for TfN Live in September, which will be our first in-person staff event since January 2020.

- Planning is also under way for the TfN conference in September.
- Work continued on arranging meetings for the new CEO as part of his stakeholder schedule.
- Board updates were provided on a number of topics, including Manchester Recovery Task Force, DfT's Transport Decarbonisation Plan, and the IRP delay.
- TfN supported a Transport Across the North APPG session with Sir Peter Hendy.
- Individual meetings were held with members of the MWG on the Northern Transport Charter.

Finance & Procurement

- The team is working closely with all directorates and programmes to manage the procurement pipeline and is seeking opportunities to expedite activity where possible.
- Budget Revision 1, which is closely aligned to the original budget, was approved by the TfN Board and preparatory work in advance of the expected Comprehensive Spending Review has commenced. Audit fieldwork for the 2020/21 Statutory Accounts is in the process of concluding and the accounts were presented in draft at the July Audit & Governance Committee consultative call.
- TfN's new risk management software, Predict, has been successfully implemented and rolled out.

Legal & Democratic

- The 9 June 2021 and 29 July 2021 Board dates took place as "consultation meetings" to allow the Interim Chief Executive to use delegated powers to make any necessary decisions, as permitted by the Constitution, owing to the difficulty in arranging face-to-face meetings and competing legal requirements given the developing pandemic situation. The 29 September 2021 meeting will need to be a face-to-face meeting with public attendance provided for, and is scheduled to be held at Manchester Town Hall. The Scrutiny Committee meeting on 9 September 2021 and the Audit & Governance meeting on 16 September 2021 (which needs to recommend the approval of the 2020/21 accounts to the TfN Board) will also be conducted as "in person" meetings. Members will continue to be kept fully informed of future arrangements. The Government's response to the recent consultation on future ways of working for public meetings is awaited.
- The TfN Modern.Gov website, system and "restricted app" are fully embedded and a new report template and system for report preparation was trialled for the 27 July 2021 Board Consultation meeting. Use of the system will be further extended during coming months.
- The team continues to support procurement and governance and provide general legal advice across a wide range of areas within TfN.

Strategy & Policy

- The public consultation on TfN's Decarbonisation Strategy is ongoing and will run until the 31 August 2021. In addition to the previously identified engagement events and media activities, three regional webinars, open to the general public, were also held during July. A review of responses submitted so far ('week 8 update') will be carried out at the beginning of August to allow us an early view on any issues starting to arise out of the consultation.
- Initial work on the early activities set out in the Strategy has continued, including Pan-Northern Electric Vehicle Charging Infrastructure Framework (led by TfN's Major Roads Team), Clean Growth Visions (focusing on developing evidence-based demand management narratives), consideration of embodied carbon assessment processes on our projects, and facilitating a partnership examining hydrogen refuelling networks (through the North of England Hydrogen Forum).
- Work on the Freight & Logistics Strategy has continued. Approval to consult on the TfN Freight & Logistics Strategy was delegated to the Interim CEO Tim Wood at the Board Meeting on 27 July. Work is currently underway to plan and design the consultation process and update the consultation draft with implications arising from DfT's Transport Decarbonisation Plan and some outstanding partner comments. We plan to seek Board approval for the strategy following the summer/autumn consultation.
- Work continues to develop a programme for revising and adopting a new Strategic Transport Plan (STP) for publication in February 2024. The activity in July focused on preparing a first draft of the proposed programme and timeline which will be shared with partners for comment in August 2021 for initial feedback before being used to collate a paper outlining a proposed plan for discussion at TfN Executive Board and Board in September.
- Work continues at pace to embed the principles of the Northern Transport Charter (NTC) across TfN. In July 2021 this included facilitating a series of one-to-one sessions with the Member Working Group to discuss the proposals for piloting a TfN Citizens Assembly and/or Panel, establishing an Independent Advisory Group to provide advice to Board on specific topics when required, and plans to explore principles for potential weighting of the Investment Programme. The feedback from these sessions with Members then shaped a paper that was presented, and with TfN Board support, delegated for approval by the Interim CEO on 29 July 2021.
- Strategy colleagues have also begun scoping work to develop and agree a policy position statement outlining TfN's role in supporting partners' spatial planning.

Economics & Research

- Work continues on the TfN research programme linked to the Strategic Transport Plan evidence base, including an in-depth review of STP evidence requirements in preparation for STP drafting.

- Final outputs from the Visitor Economy and Transport in the North of England study are now available. The study sets out the importance of the visitor economy sector for the North and provides recommendations for transport solutions which can support the sustainable recovery and future growth of the sector. The team is liaising with the SECT team to plan the publication of the report, in alignment with other related activity at TfN such as the development of the Rail Tourism Action Plan led by TfN's Strategic Rail team.
- User Insight into Pan-Northern Travel (Phase 3) study is now in the report drafting stage. The study will provide insights from business owners on recent and potential future commuting patterns, business-related travel, and demand for transport of goods. The study will also develop a typology of business transport needs, behaviours and attitudes and explore the potential impact of transport investments on the North's business community. The study is expected to be completed in September 2021.
- In July, the supplier for the commissioned Transport-Related Social Exclusion (TRSE) research project proposed five areas for primary data collection, based on the outputs of secondary data analysis. Following discussions with the supplier on a revised methodology, delivery of the final results of this project is now expected in September 2021.
- The descriptive and focused coding stages for the qualitative TRSE research project has been completed by the Economics & Research Team. The findings from this analysis will be detailed in a report produced by the end of August.
- The scope for the Clean Mobility Visions project has been finalised, and a detailed work plan for the first phase of the project has been developed. The final scope reflects areas of interest from colleagues in Major Roads.
- Further revisions have been undertaken on the scope for the Health & Wellbeing research project. The commissioning processes for this project will begin in August.
- Work on defining TfN's role in promoting environmental net gain and enhancing natural capital continues, with a presentation to partners being given to the Strategic Oversight Group on 29 June.
- Working with consultants, the team has begun development of the next steps for the Northern Powerhouse Independent Economic Review, including internal requirements gathering, development of consultation materials and collaborative discussions with the NP11.

TAME (Technical Assurance, Modelling & Economics)

- The Northern Transport Modelling System (NorTMS) Development Partner Contract has commenced and a list of the work packages to be completed has been finalised. A package of early model improvements for the NorTMS model has been agreed.
- Revised time and cost estimates have been shared with DfT for representing the HS2 do-minimum in NoRMS, with the work now underway.
- The Northern Economy and Land Use Model (NELUM) Version 3 calibration work is continuing and an initial review of outputs to date indicates

progress is good. A lessons learned review on the delays to this workstream has been conducted.

- The first batch of the NorTMS development partner Tranche Four tasks have been approved and are underway. The first sprint planning meeting has taken place.
- TAME staff continue to support the IPBA with various activities including technical management of the work programme, preparation of Future Travel Scenario matrices, and further improvements to strategic assignment models.
- The Wider Economic and Social Impacts Partner (WESIP) contract inception meeting has taken place. Initial outputs have been defined and regular meetings set up.
- The Stations Analysis Partner onboarding is complete and technical sessions have been held including a workshop to discuss hub sift criteria for Liverpool station options.
- The Rail Business Case Partner contract with Mott MacDonald has commenced. The suppliers will be working with TAME and the Strategic Rail teams, and using the Analytical Framework to assemble Rail Business Case and complete general rail analytical work.
- The NPR Freight Partner Contract Invitation to Tender has now gone out. It is expected that the contract will commence in September.
- TAME support for TfN's decarbonisation work programme continues, with updates to the NoCarb modelling tool following publication of the DfT's Transport Decarbonisation Plan, and a new project to develop a tool for modelling Electric Vehicle Charging Infrastructure.
- There will be a minor delay to the TAME Analyst Support Partner contract which will result in consultancy contracts being extended to provide continuity of service.

Financial Performance

Financial Update

Summary

Expenditure incurred in July 2021: £4.24m

Variance to monthly budget: Underspend of £0.62m (13%)

Year-to-date (YTD) expenditure incurred: £18.75m

Underspend to date: £1.32m (7%)

Headlines

- July 2021 actuals have been monitored against the 2021/22 budget. At the initial quarterly budget revision, the base budget was maintained, a reprofiling exercise is currently underway to reflect approved virements and adjust expenditure profiles.
- The underspend in the month and year-to-date are principally driven by programme activity.
- Core underspend is driven by the timing of discrete activities and is expected to catch up, principally office refurbishment (in progress) and TfN conference (postponed to September).

Programmes:

- Expenditure of £3.67m represents an underspend of £0.51m (12%) in the month.
- Year-to-date expenditure of £16.08m is £0.95m behind budget (6%).

Integrated & Smart Travel:

- Programme-wide expenditure of £0.03m in the month represents an underspend of £0.01m. YTD expenditure of £0.91m remains under budget by £0.22m (19%).
 - As at the end of July, residual Phase 1 activity was still outstanding with final costs from Northern and Merseytravel pending.
 - With minimal activity outstanding, savings of £0.25m against the budget to close the programme are expected.

Northern Powerhouse Rail

- Expenditure of £3.57m represents an underspend of £0.49m (12%) in the month. YTD expenditure of £14.87m is £0.69m under budget (4%).
 - Underspend is driven by lower Business Case support costs following the postponement of the SOC submission. Underspend in this area will continue to accrue as a result of the further delay to the publication of the IRP highlighted in the NPR section of this report.
 - NR expenditure on design and survey work continues to be ahead of budget on a year-to-date basis.

IPBA (Investment Programme Benefits Analysis)

- Expenditure of £0.07m in the month is £0.01m under budget (15%). YTD expenditure of £0.28m is £0.04m under budget (13%), this is driven by the freight modelling work. This has been reprofiled following technical discussions and refinement of scope and work has now commenced in August.

Operations:

Rail Operations

- Expenditure in the month of £0.19m is £0.06m (23%) under budget. YTD expenditure of £0.77m is £0.15m under budget (16%).
 - Underspend is driven by vacancies funded from both discrete and core grant. Core underspend generated from vacancies is managed via the budget virement process or redeployed to allow for interim contractors to fulfil vacant roles.
 - Further underspend in relation to professional services expenditure, £0.03m YTD, has been reprofiled within the year, with several contracts currently being finalised.

Operational Areas

- Expenditure of £0.38m in the month is an underspend of £0.06m (13%). YTD expenditure of £1.90m is £0.22m under budget (10%), driven by the following:
 - £0.05m underspend in accommodation related to the refurbishment of the Leeds offices. Work is progressing well and on schedule to complete in August.
 - £0.04m underspend in SECT, largely due to the postponement of the TfN Annual Conference from June to September.
 - £0.09 underspend on professional services in the Strategy & Policy and Major Roads area. Several contracts have now commenced and expenditure is expected to accelerate in the months ahead.

Expenditure Control

- Through the monthly budget virement process, new opportunities identified as supportive of the delivery of the 2021/22 Business Plan are reviewed by OBT. No new activities were approved in July.

Activity Dashboard

TRANSPORT FOR THE NORTH FINANCE DASHBOARD				PERIOD BUDGET CYCLE	4 BASE BUDGET	JULY 2020/21		
PERIOD ACTUALS VERSUS BUDGET								
	Actuals £m	Budget £m	Var. £m	Var. %				
Integrated and Smart Ticketing	£0.03	£0.04	£0.01	21%				
Northern Powerhouse Rail	£3.57	£4.06	£0.49	12%				
IPBA	£0.07	£0.08	£0.01	15%				
Programmes	£3.67	£4.18	£0.51	12%				
Rail Operations	£0.19	£0.25	£0.06	23%				
Operational Areas	£0.38	£0.44	£0.06	13%				
	£4.24	£4.86	£0.62	13%				
PERIOD ACTUALS VERSUS BUDGET: PROGRAMMES								
	Actuals £m	Budget £m	Var. £m	Var. %				
IST: Phase 1	£0.01	£0.01	£0.00	-9%				
IST: Phase 2	£0.00	£0.01	£0.01	67%				
IST: Programme	£0.01	£0.01	£0.00	3%				
Northern Powerhouse Rail	£3.57	£4.06	£0.49	12%				
IPBA	£0.07	£0.08	£0.01	15%				
	£3.67	£4.18	£0.51	12%				
YEAR TO-DATE ACTUALS VERSUS BUDGET								
	Actuals £m	Budget £m	Var. £m	Var. %				
Integrated and Smart Ticketing	£0.94	£1.16	£0.22	19%				
Northern Powerhouse Rail	£14.87	£15.56	£0.69	4%				
IPBA	£0.28	£0.32	£0.04	13%				
Programmes	£16.08	£17.04	£0.95	6%				
Rail Operations	£0.77	£0.92	£0.15	16%				
Operational Areas	£1.90	£2.12	£0.22	10%				
	£18.75	£20.07	£1.32	7%				
YEAR TO-DATE ACTUALS VERSUS FORECAST TO OUTTURN (BASE BUDGET)								
	Actuals £m	F/cast £m	Var. £m	Var. %				
Integrated and Smart Ticketing	£0.94	£1.52	£0.58	38%				
Northern Powerhouse Rail	£14.87	£48.48	£33.61	69%				
IPBA	£0.28	£0.89	£0.62	69%				
Programmes	£16.08	£50.90	£34.81	68%				
Rail Operations	£0.77	£3.16	£2.39	76%				
Operational Areas	£1.90	£6.43	£4.53	70%				
	£18.75	£60.48	£41.73	69%				
FUNDING YEAR TO DATE				FUNDING FORECASTS TO OUTTURN (BASE BUDGET)				
Funding Stream	Actuals £m	Budget £m	Var. £m	Var. %	Actuals £m	Budget £m	Var. £m	Var. %
TDF - Rail	£14.87	£15.56	£0.69	4%	£14.87	£48.48	£33.61	69%
IST - Capital and Revenue	£0.94	£1.16	£0.22	19%	£0.94	£1.52	£0.58	38%
Core Grant	£2.41	£2.79	£0.37	13%	£2.41	£8.86	£6.45	73%
Rail North Grant & Contributions	£0.45	£0.46	£0.01	2%	£0.45	£1.29	£0.84	65%
Trading Income	£0.08	£0.11	£0.03	25%	£0.08	£0.33	£0.25	75%
	£18.75	£20.07	£1.32	7%	£18.75	£60.48	£41.73	69%

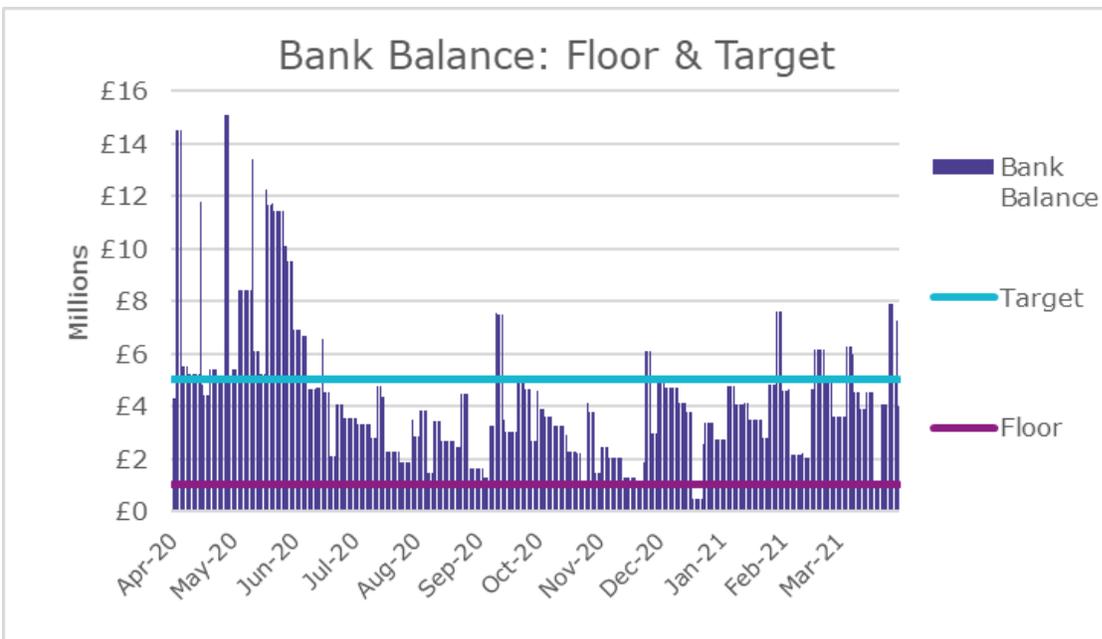
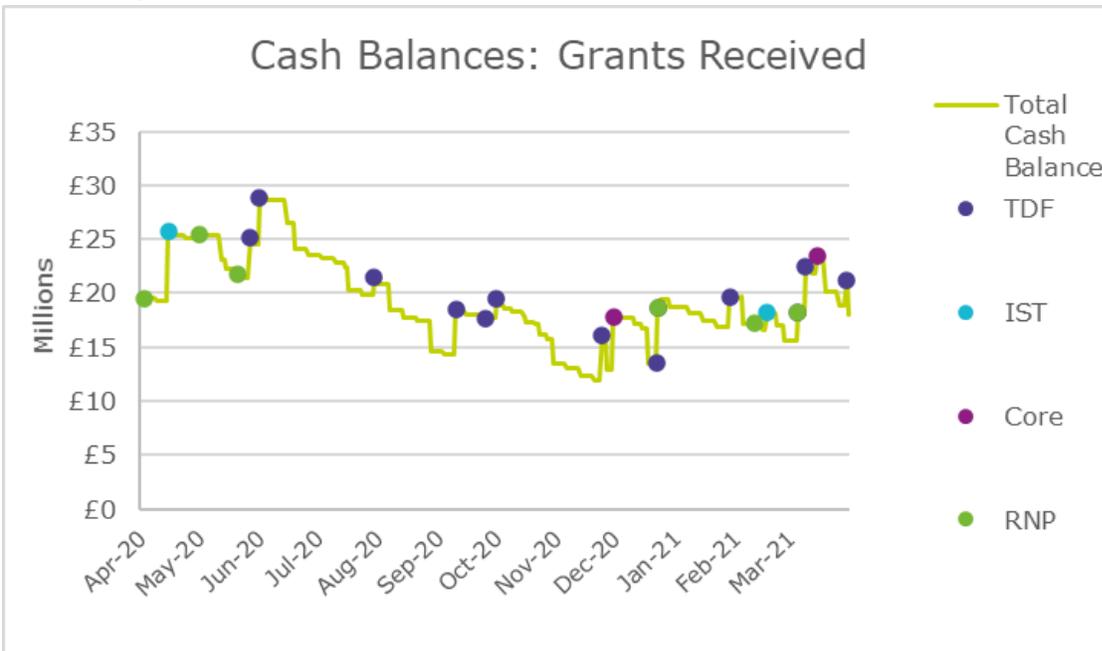
Treasury Management Annual Review

TfN continues to operate in compliance with its Treasury Management Strategy as approved by the Board.

Treasury Management is governed by a hierarchy of considerations:

1. Security;
2. Liquidity; and
3. Yield.

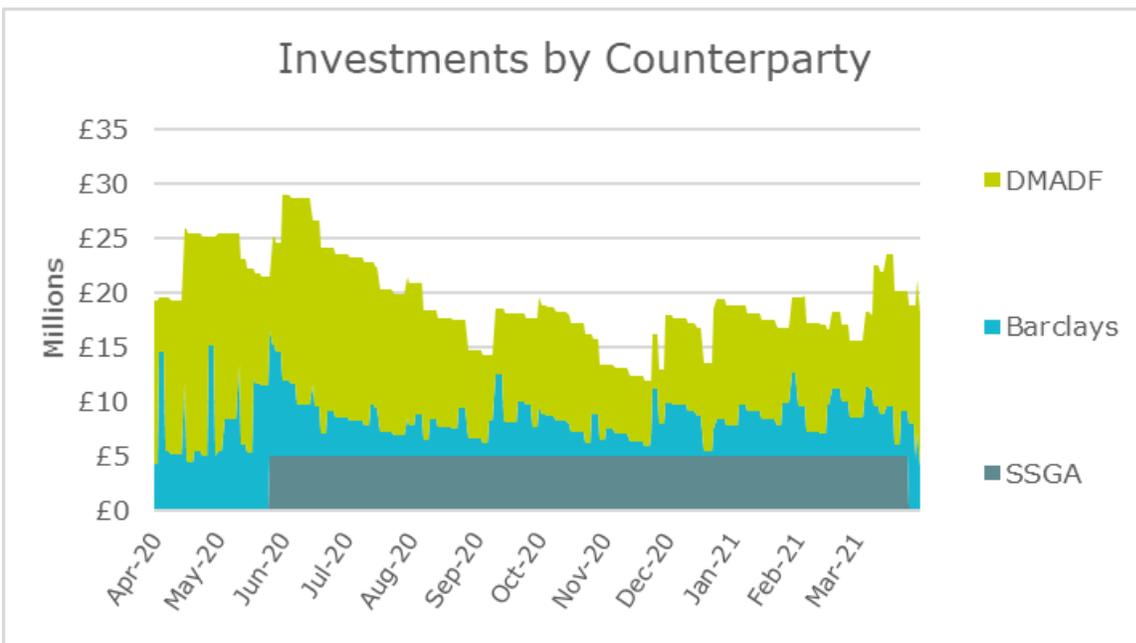
The following charts summarise the cash balances and investment decisions over the year to 31 March 2021.

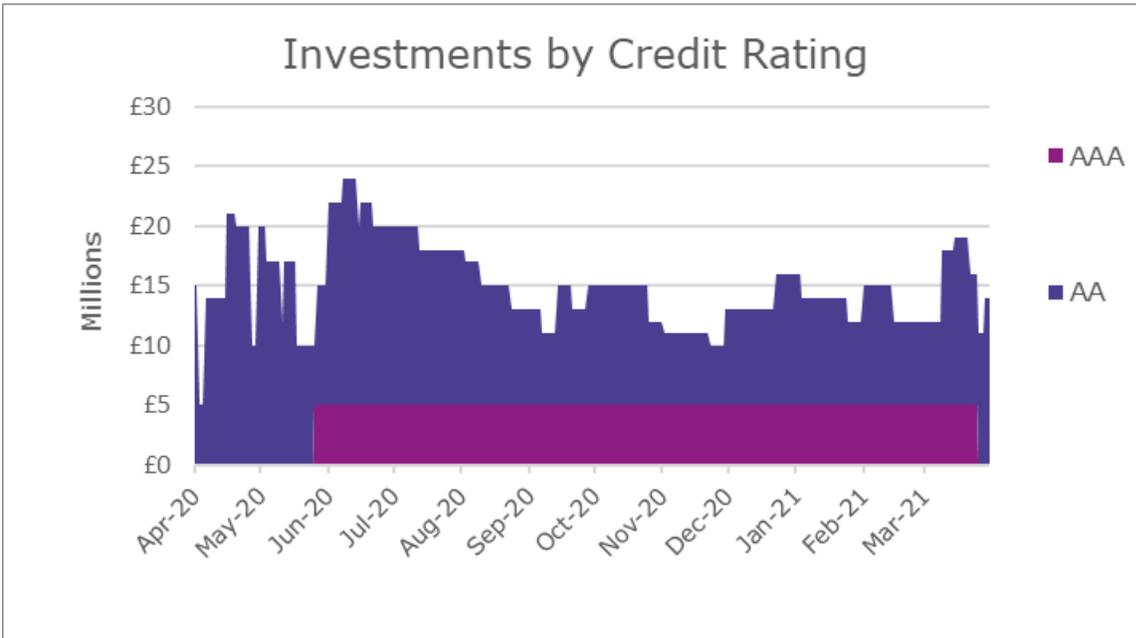


These graphs show the cash balances at each month end and the various grants recieved under TfN’s Grant Funding Agreements with DfT. These sums were then utilised to meet TfN expenditure to deliver its business plan. TfN’s inability to access credit means that it generally seeks to receive grants from DfT at the point at or before expenditure is committed. The time lag between costs being incurred and invoices being received and paid can lead to there being a considerable time period between grant receipt (cash in) and the relevant expenditure (cash out).

TfN accounts on an accruals basis which would see cash outflows in the month, at the earliest, following the month of the accounting entry. This can result in material cash balances at a period end.

TfN endeavours to retain a sum no greater than £5m with any one counterparty (other than with the DMO as described below). The timing of grant receipts is not always guaranteed and cashflows are prepared on a prudent basis, ie excluding grant receipts. This prudent approach, that allows TfN to meet its obligations, can result in short term balances exceeding £5m with Barclays. Upon receipt these grants are then built into subsequent investment decisions.





The graphs above show the two counterparties where funds have been deposited in the year (and the residual operational balance with Barclays) and their relative credit rating. With the exception of £5m held in a low risk money market fund, all other deposits were held with the UK Debt Management Office (“DMO”) and Barclays (our operational bank). The DMO is a government body that provides low risk cash management options whilst saving interest costs for central government.

Yields in the year have been very low (c0.1%) and in isolated instances the yield was negative. The Treasury Management policy places investment security and liquidity over yield in the hierarchy of considerations. This approach limits the risk of default on TfN’s cash deposit decisions.

Human Resources Update

Salaried Establishment as at **5 August 2021**

Established Permanent/Fixed-term Posts

Area	Permanent Posts (Over 2 years)	Fixed-term Posts (Up to 2 Years)	Total Establishment
CEO Office	2 (2.00 FTE)	-	2 (2.00 FTE)
Support Services	25 (25.00 FTE)	2 (2.00 FTE)	27 (27.00 FTE)
Operational & Delivery	73 (71.84 FTE)	18 (18.00 FTE)	91 (89.84 FTE)
Rail North Partnership (Hosted)	13 (13.00 FTE)	3 (3.00 FTE)	16 (16.00 FTE)
Total Establishment	113 (111.84 FTE)	23 (23.00 FTE)	136 (134.84 FTE)
Strength (in post)	104 (102.84 FTE)	15 (15.00 FTE)	119 (117.84 FTE)
Appointed (start date pending)	2 (2.00 FTE)	1 (1.00 FTE)	3 (3.00 FTE)
Active/Pending Recruitment	1 (1.00 FTE)	1 (1.00 FTE)	2 (2.00 FTE)
Vacant – On-hold	6 (6.00 FTE)	6 (6.00 FTE)	12 (12.00 FTE)

Agency/Consultancy Resource – Covering Vacant Established Posts

Area	Posts (FTE's)
Support Services	2 Post (2.00 FTE)
Operational & Delivery	9 Posts (9.00 FTE)
Total	11 Posts (11.00 FTE)

Consultancy Resource – Contracts for Service (TDF Funded)

Area	Current Strength Posts (FTE's)	Year-End FY21/22 Projected Posts (FTE)
Support Services	0 Post (0.00 FTE)	0 Post (0.00 FTE)
Operational & Delivery – NPR	47 Posts (47.00 FTE)	101 Posts (101.00 FTE)
Total	47 Posts (47.00 FTE)	101 Posts (101.00 FTE)

The above are all NPR related posts and due to the nature of the funding (one-year only) and technical skills required, have been engaged via the contract for service route. Further roles (circa 54 posts) are anticipated to be brought in throughout the forthcoming year, with actual plans for this resource to be finalised once the IRP reports and a revised date for the submission of the NPR SOC is agreed.

Resourcing Update – For Information

TfN Board & Partnership Board Chair – John Cridland – retired from his role following the TfN Board Meeting on 27 July 2021. A paper will be presented to the TfN Board in September for members to consider the approach to appointing a successor.

TfN Offices – our Manchester and Leeds offices both re-opened on Monday 2 August 2021 and have been physically re-designed (Leeds office from mid-September) to support and underpin our new hybrid ways of working.

HR Metrics – 2021/22 Year-To-Date:

Corporate Sickness Level:	1.3%
Employment Policy Application:	0%
Rolling 12 Month - Employee Turnover (Voluntary Leavers):	18.6%
% of Employees from an Ethnic Minority Background:	13%
% of Employees declaring a Disability:	12%
Gender Mix - % of Female Employees:	38%
% of Male Employees:	62%

KPIs

Key Performance Indicators

Transport for the North's Key Performance Indicators (KPIs) are outlined in the published Business Plan for 2021-22. The below table outlines the programme and organisational KPIs and provides a summary of the year-end position.

Key	Number of KPIs with this status
Achieved (complete)	0
On Track (in progress, no delays)	14
In Progress (in progress, may become delayed)	7
Delay (has missed a key deadline)	1
Delay BTYE – delayed beyond this year end	0
Not Started	4

Area	KPI	Detail	Progress	Status
Strategic Rail	1	Demonstrate clear Northern input in supporting and developing return to rail initiatives across the North to rebuild passenger numbers and aid economic recovery. March 2022	On Track Messaging and communications will continue to promote safe use of public transport. The team is working with train operating companies identifying ticketing/marketing/offers to rebuild confidence, attract passengers back, and entice new passengers when appropriate.	
Strategic Rail	2	Deliver plans for rail hub enhancements around two major stations to maximise the potential of the network. October 2021/February 2022	On Track Work has continued on developing a Strategic Outline Business Case for a radical plan for Leeds Station, with the delivery of an economic case by Atkins.	
Strategic Rail	3	Demonstrate meaningful and beneficial engagement for the North on rail reform within three months of publication of the Williams White Paper. September 2021	On Track A support partner has been engaged and work has begun on producing a draft proposition for the rail industry in the North.	
Strategic Rail	4	Further embed the TfN rail journey time improvement initiative with Network Rail to deliver better reliability on at least two rail routes during 2021/22. March 2022	On Track Network Rail is now fully engaged with the Theoretical Line Speed process and is progressing the delivery of the York-Scarborough and Darlington-Bishop Auckland findings. Implementation is expected by March 2022.	
Strategic Rail	5	Pursue the digital transformation of fares, ticketing and information	Delay A scoping report for this programme was prepared by the Integrated & Smart	

		through collaboration and the development of business cases across the North and/or through national rail reform. March 2022	Travel (IST) team as part of the project closedown. An appointment has been made to the Head of Digital Strategy and a start date of October 2021 agreed, but this may delay some of the outputs beyond March 2022.
Strategic Rail	6	Continue to use TfN's existing powers and role in the Rail North Partnership to deliver the best outcomes for passengers, within the financial and legacy infrastructure constraints, by influencing train operators and major programmes including TRU and Central Manchester. March 2022	On Track TfN is actively using its powers and voice to get a better outcome for passengers on Central Manchester - for example by working collaboratively with DfT to secure the right infrastructure for Manchester.
Northern Powerhouse Rail	7	Completion and submission of the Strategic Outline Case, timescale to be agreed following publication of the Government's Integrated Rail Plan. TBC post-IRP	In Progress Timings depend on IRP. Completion and submission dates dependant on IRP publication and subsequent agreements between TfN and DfT.
Northern Powerhouse Rail	8	Reconfirm NPR phasing plan in response to Government's Integrated Rail Plan. TBC post-IRP	Not Started Final phasing position in the SOC is dependent on the IRP conclusions and subsequent agreements between TfN and DfT.
Northern Powerhouse Rail	9	Complete initial survey work and commence OBC on early accelerated projects to start construction in FY 2024/25. September 2021	In Progress Current survey works due to conclude in Q2 21/22 as scheduled. However, the programme of activity post-surveys is dependent on IRP conclusions and subsequent agreements between TfN and DfT.
Northern Powerhouse Rail	10	Initiate additional survey work and commence Outline Business Case on early accelerated projects to enable delivery partners to start construction in 24/25. January 2022	Not Started Further surveys and pace of commencing OBCs are dependent on IRP conclusions and subsequent agreements between TfN and DfT.
Northern Powerhouse Rail	11	Agree NPR governance arrangements with DfT as programme transitions to the next stage. TBC post-IRP	Not Started Not started. Awaiting publication of the Integrated Rail Plan.
Investment Programme Benefits Analysis	12	Commission the Investment Programme Benefit Analysis work and deliver the programme up to the Gateway Review. September 2021.	On Track Programme is on track with the Gateway Project Review in progress, which reviews progress to date against the programme and scope of work.
Investment Programme Benefits Analysis	13	Subject to Gateway Review, complete work on the Investment Programme Benefit Analysis which will be used as the evidence	On Track Project baseline programme has been agreed and project is on schedule.

		base for the next STP. March 2022	
Major Roads	14	Produce a robust evidence base monitoring performance and types of journey on the MRN. This will support analysis of the impacts of Covid-19 to monitor and evaluate outcomes including changes in travel patterns and behaviours. October 2021	On Track The mobile data project is running on schedule with the first dataset due in August.
Major Roads	15	Publish the updated Major Roads Report, following DfT publication of the national Transport Decarbonisation Plan and TfN's Decarbonisation Strategy. October 2021	In Progress The technical report has been completed. The publication of the final Major Roads Report has been postponed so the report can take account of both the TfN Decarbonisation Strategy and DfT's delayed Transport Decarbonisation Plan. This will not have any negative implications for other programmes.
Major Roads	16	Use our evidence base to work with Highways England and DfT to identify TfN's priorities to be considered as part of DfT's Road Investment Strategy 3. March 2022	In Progress Work with Highways England to develop the route strategies, which will feed into RIS3, is ongoing.
Major Roads	17	Work with our partners and DfT to scope out how TfN can best support plans for an integrated electric vehicle and/or hydrogen charging infrastructure network, supporting all communities in the adoption of low and zero emission vehicles. March 2022	On Track A supplier has been awarded the contract and the project has now started.
Major Roads	18	Continue to work with DfT's Acceleration Unit to ensure their awareness of the schemes identified in TfN's Economic Recovery Plan for their consideration of accelerating delivery. March 2022	In Progress Engagement with DfT and the Acceleration Unit is ongoing.
Strategy, Policy and Research	19	Consult on the draft Decarbonisation Strategy and seek adoption by the TfN Board in autumn 2021. November 2021	On Track Consultation successfully launched on 7 June and now running for 12 weeks. Consultation events and promotion ongoing, due to close on 31 August 2021. Week 8 update scheduled for early August.
	20		On Track

Strategy, Policy and Research		Agree a plan to adopt a new Strategic Transport Plan by 2024, and commence a new Northern Powerhouse Independent Economic Review (NPIER) programme as a first step. October 2021	Work continues to map out a roadmap to a revised STP for publication in February 2024. July activities have focused on preparing a presentation outlining the proposed programme ready for circulation with partners for early feedback in August 2021.
Strategy, Policy and Research	21	Progress the advanced prioritisation mechanisms set out in the Northern Transport Charter, including analytical tools to allow prioritisation on a wider basis (economic, social, and decarbonisation) and independent assurance arrangements. March 2022	On Track TfN Board agreed to the NTC development plan at July 2021 board, including the progression of advanced prioritisation mechanisms and independent assurance arrangements.
Strategy, Policy and Research	22	Consult and adopt the TfN Freight & Logistics Strategy and work with the industry to agree implementation arrangements. December 2021	On Track TfN Board agreed for the strategy to progress to consultation.
Strategy, Policy and Research	23	Provide input into the final stages of the Union Connectivity Review and respond on its publication. September 2021	In Progress TfN submitted a formal response into the Call for Evidence in December 2020. Following that, contact has been made with the team supporting the review to understand any emerging findings and how TfN can support. A response is awaited.
Corporate	24	Develop and provide a Comprehensive Spending Review submission to Government. In line with timetable set by Government	In Progress TfN officers continue to prepare for an autumn Spending Review and have agreed a high-level approach with the TfN Board. Timetable for the Spending Review is yet to be published.
Corporate	25	Feed into emerging procurement practice as the UK's current 'EU style' regime is updated and look at opportunities to further increase social value. March 2022	Not Started Not started. Will begin once revised procurement guidance starts to emerge.
Corporate	26	Implement and further develop the agreed new Ways of Working, to include physical office design, office and remote working, corporate and constitutional meetings and IT strategy. Within three months of return to office	On Track Subject to emerging Government guidance on the lifting of current lockdown/social distancing restrictions, TfN remains on-track to fully implement its agreed new Ways of Working and reopen both offices in early August 2021. The physical re-design of the Manchester office will be fully complete by the end of July and this will be followed by the Leeds office by the end of September.



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Meeting: Transport for the North Audit and Governance Committee

Subject: Virtual Participation in Meetings

Author: Manjit Dhillon

Sponsor: Julie Openshaw

Meeting Date: Thursday 16 September 2021

1. Purpose of the Report:

1.1 The purpose of this report is to update and inform Members of the arrangements for future meetings now that the legislative provisions which enabled virtual attendance at Board and Committee Meetings have come an end as from 7 May 2021, the requirement for Members to attend meetings in person has been reinstated and to seek a view on the conduct of Audit & Governance committee meetings in the short term.

2. Recommendations:

2.1 The Committee is invited:

- (i) To note the recommendations of the MWG and the Transport for the North Consultation Call and the proposed amendments to the Procedure Rules in the Constitution which are proposed to be recommended to Board on 29 September to allow Members and officers to contribute to meetings virtually as set out in Appendix 1;
- (ii) To consider how it wishes to conduct its future meetings.

3. Main Issues:

3.1 Now that the legislative provisions which enabled virtual attendance at Board and Committee meetings have come to end the requirement for Members to attend meetings in person has been re-instated. The Constitution mirrors the legal requirements and states that attendance at a Transport for the North Board or Committee Meetings has to be in person.

3.2 The holding of virtual meetings has reduced the time commitment by both Members and officers in physically attending meetings saving on the travel time. Going forward, it is likely Members will wish to continue to attend virtually. However, the decision of the High Court has ruled out virtual attendance as being a valid attendance for the purpose of quorum and there is no provision in the Constitution which

would allow Members not physically present at a meeting to take part virtually. Currently, the Transport for the North Constitution requires Members to be physically present at meetings and does not allow for anyone not physically present in the meeting to join the meeting virtually or to speak.

- 3.3 The Terms of Reference of the Audit and Governance Committee and its core functions are set out in Appendix 2. The Appendix also identifies the Committee's role as a decision maker in recommending approvals to the Board as well as its role of providing oversight, monitoring and review.
- 3.4 Therefore, where the Committee is required to make formal decisions or recommend approvals to the Board, a quorate face to face meeting is necessary.
- 3.5 The Members Working Group (MWG) was asked to consider amendments to the Constitution which would allow Members to join formal meetings (i.e. Board, Audit & Governance Committee, Rail North Committee, Scrutiny Committee and General Purposes Committee) virtually and to allow them to contribute to debate, although they would not be entitled to vote or to be counted as present for quorum purposes. At the Transport for the North Consultation Call on the 9 June it was also requested that Members should be able to put forward representations in respect of items for the agenda when they were unable to be physically present at the meeting. The MWG has recommended that virtual participation should be allowed with the agreement of the Chair and proposed amendments to the Procedure Rules in the Constitution which are proposed to be recommended for approval by Board on 29 September are set out in Appendix 1. The proposed amendments are shown in red.

4. Corporate Considerations:

4.1 *Financial and Resource Implications*

This report has no financial implications.

4.2 *Legal Implications*

The legal implications have been considered and addressed in the report.

4.3 *Risk Management and Key Issues*

There are no risks associated with the content of this report.

4.4 ***Environmental Implications***

A full impact assessment has not been carried out because it is not required for this report.

4.5 ***Equality and Diversity***

A full impact assessment has not been carried out because it is not required for this report.

4.6 ***Consultations***

A consultation has not been carried out because it is not necessary for this report.

5. Background Papers

5.1 There are no background papers to this report.

6. Appendices

6.1 Appendix 1 – Proposed amendment to the Procedure Rules in the Constitution.

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Appendix 1

Proposed Amendments to the Constitution

Amendment to the Membership of the Audit and Governance Committee

19.2 Membership comprises:

- a) five members of the Transport for the North Board (not the Chair, or Vice Chair) appointed by the Transport for the North Board; and,
- b) **four** Independent members (to be recruited on the basis of relevant skills);

A representative of DfT (Department for Transport) will be invited to attend meetings.

19.8 Membership and Quorum

The Committee shall be composed of **nine** members and the quorum shall be three, of whom at least two shall be Members or Co-opted Members of the Transport for the North Board.

Amendment to the Membership of the General Purposes Committee

Membership

22.1.1 The General Purposes Committee shall consist of one Member and one Substitute Member appointed by each of the Regional Groups set out in paragraph 22.4. **and one Member and one Substitute Member to be appointed by the LEP Co-opted Members on the Board.**

Part 5 Procedure Rules

Public Speaking **and Members Participating Virtually**

23.76 Members of the public will not normally be allowed to address a meeting of the Transport for the North Board. Any request to address a meeting of the Transport for the North Board will be referred to the Chief Executive who will decide whether to make appropriate arrangements for the member of the public to meet either with officers of Transport for the North or a delegation of Members of the Board outside the Transport for the North Board Meeting.

23.77 Members of the Board who are not in attendance at a meeting may participate in the meeting virtually provided that facilities are available to enable them to be heard and if possible seen by all Members and members of the public present at the meeting. Such Members will be entitled to speak in a debate with the agreement of the Chair but will not be entitled to move a motion or amendment or to participate in any vote. Such members shall not be treated as in attendance at the meeting for the purposes of quorum.

23.78 Any Member of the Board who is not in attendance at a meeting may make written representations on any item on the Agenda provided such representations are received by the Monitoring Officer not later than 5pm on the day before the day of the meeting. Such representations will be read to the meeting by or on behalf of the Chair.

23.79 Officers of Transport for the North who are not in attendance at a meeting may participate virtually if invited by the Chair to do so and provided that the facilities are available to enable

them to be heard and if possible seen by all Members and members of the public present at the meeting

Amendment to Appendix 5 the Terms of Reference of the Partnership Board

Meetings

- a) The Partnership Board shall meet quarterly or at such intervals as the Transport for the North Board shall determine;
- b) The Partnership Board shall be chaired by an Independent Chair appointed by Transport for the North;
- c) **TO BE DELETED: The person appointed shall not be, or have previously within the last 5 years been, an elected Member of any Local Authority within the Transport for the North area;**
- d) A meeting of the Partnership Board shall be quorate if not less than 10 Members of Transport for the North, 3 Co-opted Members representing Rail North Authorities, and 5 representatives of the LEPs are present; attendance shall be in person
- e) Decisions are expected to be made unanimously and without a vote. Where a unanimous decision cannot be reached a vote will be taken on the basis of one member one vote and a decision will be passed by a simple majority of those present and voting.

Appendix 2

Constitution

Audit and Governance Committee

19.4 Terms of Reference

The core functions of the Authority's Audit and Governance Committee are to:

- a) approve Accounts; **(Face to Face Meeting)**
- b) recommend Approval of the annual statement of accounts for Transport for the North; **(Face to Face Meeting)**
- c) governance, risk and control; **(Consultation Call – Virtual)**
- d) review corporate governance arrangements against the Code of Corporate Governance and the good governance framework; **(Consultation Call – Virtual)**
- e) review the Annual Governance Statement (AGS) prior to approval to ensure it properly reflects the risk environment and supporting assurances; **(Consultation Call – Virtual)**
- f) monitor the effectiveness of arrangements to secure value for money; **(Consultation Call – Virtual)**
- g) be satisfied that the assurance framework adequately addresses risks and priorities including governance arrangements in significant partnerships; **(Consultation Call – Virtual)**
- h) Monitor Transport for the North's risk and performance management arrangements including review of the risk register, progress with mitigating action and the assurance map; **(Consultation Call – Virtual)**
- i) Consider reports on the effectiveness of internal controls; **(Consultation Call – Virtual)**
- j) Monitor the anti-fraud strategy, risk-assessment and any actions. **(Consultation Call – Virtual)**

19.5 Internal audit

- a) Recommend Approval of the Internal Audit Charter. **(Face to Face Meeting)**
- b) Oversee and support Internal Audit's effectiveness including strategy, planning and process and ensure conformance with Public Sector Internal Audit Standards (PSIAS). **(Consultation Call – Virtual)**
- c) Approve the risk-based internal audit plan including resources, the reliability of other sources of assurance and any significant in-year changes. **(Face to Face Meeting)**
- d) Make enquiries of the Finance Director and other managers to determine any inappropriate scope or resource limitations. **(Consultation Call – Virtual)**
- e) Consider reports and assurances from the Finance Director in relation to: **(Consultation Call – Virtual)**
 - (i) internal Audit performance including key findings and actions from audit assignments, significant non-conformance with PSIAS and the Quality Assurance and Improvement Programme;
 - (ii) annual Assurance Opinion on the adequacy and effectiveness of the framework of governance, risk management and control;

- (iii) risk management and assurance mapping arrangements;
 - (iv) progress to implement recommendations including concerns or where Officers have accepted risks that the Authority may find unacceptable;
 - (v) provide assurances over the effectiveness of internal audit functions assuring the internal control environments of Transport for the North.
- f) Contribute to the Quality Assurance and Improvement Programme, including the external quality assessment of internal audit. **(Consultation Call – Virtual)**
 - g) Consider and comment on the Finance Director’s Annual Review of the Effectiveness of the System of Internal Audit. **(Consultation Call – Virtual)**
 - h) Develop effective communication with the Finance Director and senior audit staff. **(Consultation Call – Virtual)**

19.6 External audit

- a) Consider reports including the Annual Audit Letter, assess the implications and monitor managers’ response to concerns. **(Consultation Call – Virtual)**
- b) Comment on the nature and scope of work to ensure it gives value for money. **(Consultation Call – Virtual)**
- c) Advise on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies. **(Consultation Call – Virtual)**

19.7 Financial reporting

- a) Consider whether accounting policies were appropriately followed and any need to report concerns to the Authority. **(Face to Face Meeting)**
- b) Consider any issues arising from external audit’s audit of the accounts. **(Face to Face Meeting)**
- c) Ensure there is effective scrutiny of the treasury management strategy and policies in accordance with CIPFA’s Code of Practice. **(Face to Face Meeting)**
- d) Make recommendations to the Finance Director and Monitoring Officer in respect of Part 6 of the Constitution (Financial Regulations). **Consultation Call – Virtual)**

Meeting: Transport for the North Audit and Governance Committee

Subject: Internal Audit Update

Author: James Lyon, Legal Assistant

Sponsor: Iain Craven, Finance Director

Meeting Date: Thursday 16 September 2021

1. Purpose of the Report:

- 1.1 To enable RSM, as TfN's Internal Auditor, to report upon the progress of the annual audits of TfN's systems and governance.

2. Executive Summary:

- 2.1 The Internal Audit Reports produced by RSM are attached as Items 6.1, 6.2 and 6.3.
- 2.2 RSM may provide a further verbal update of the Internal Audits during the Audit & Governance Committee.

3. Recommendation:

- 3.1 That the Committee notes the Internal Audit reports.

4. Corporate Considerations:

4.1 ***Financial and Resource Implications***

The financial implications are detailed in the report.

There are no resource implications as a result of the report.

4.2 ***Legal Implications***

The legal implications are included in the report.

4.3 ***Risk Management and Key Issues***

There are no risks associated with the content of this report.

4.4 ***Environmental Implications***

A full impact assessment has not been carried out because it is not required for this report.

4.5 ***Equality and Diversity***

A full impact assessment has not been carried out because it is not required for this report

4.6 ***Consultations***

A consultation has not been carried out because it is not necessary for this report.

5. Background Papers

- 5.1 Risk Management Audit
Governance Effectiveness Audit
Progress Report 2021

6. Appendices:

- 6.1 Item 6.1 – Risk Management Audit
Item 6.2 – Governance Effectiveness Audit
Item 6.3 – Progress Report September 2021

TRANSPORT FOR THE NORTH

Risk Management Strategy

Internal audit report 3.21/22

FINAL

27 August 2021

This report is solely for the use of the persons to whom it is addressed.
To the fullest extent permitted by law, RSM Risk Assurance Services LLP
will accept no responsibility or liability in respect of this report to any other party.

1. EXECUTIVE SUMMARY

With the use of secure portals for the transfer of information, and through electronic communication means, remote working has meant that we have been able to complete our audit and provide you with the assurances you require. It is these exceptional circumstances which mean that 100 per cent of our audit has been conducted remotely. Based on the information provided by management, we have been able to complete our work in line with the agreed scope.

Background

As part of the approved internal audit plan for 2021/22, we have undertaken a review of Transport for the North's (TfN's or 'the organisation's') risk management process.

TfN's Risk Management Strategy states the following regarding the management of risk: *'TfN faces a wide range of risks (both threats and opportunities) at all levels across the organisation. The nature of TfN's activity means that not only is risk management central to the achievement of its strategic objectives, but the process by which it addresses risk (related to its activity) has the potential to achieve sustained benefits across the full portfolio of projects and programmes.'*

At the time of our review, TfN had nine 'risk themes' recorded on its Corporate Risk Register (these incorporated a total of 20 risks across the different themes). Of these nine risk themes, two had a 'very high' risk probability (relating to the Northern Powerhouse Rail (NPR) Strategic Outline Case and Rail Operations (Franchise Management and Investment)), four had a 'high' risk probability, two had a 'medium' risk probability, and one had a 'minimal' risk probability based on the organisation's risk management/risk scoring methodology.

In spring/summer 2021, TfN implemented the 'Predict!' system, which has been used for the electronic recording and monitoring of risk-related information from June 2021 onwards (this replaced the spreadsheet-based approach previously operated by TfN).

The Predict! system uses a standard electronic format for the recording of programme/project and corporate risk information. The system also allows management to produce standard template reports that can be used for update and monitoring purposes. The reporting available within the Predict! system is not currently being used for reporting the Corporate Risk Register to senior management and Board/Committee members. Instead, management and members have agreed on a reporting approach that specifically meets their needs (the Corporate Risk Register report format was amended in spring 2021).

The risk management-related processes undertaken by TfN has not been significantly impacted during the Covid-19 pandemic as management and Board members are still able to access the risk-related information electronically (governance meetings for overseeing the risk-related information also continue to be undertaken remotely during the pandemic). The risks relating to Covid-19 have been reflected in TfN's risk registers and update reports, however, this has not impacted the risk management process itself.

Our review was designed to assess the processes used for recording and monitoring risk information, with particular focus on the information recorded in the TfN Risk Management Strategy.

Conclusion

Through our work we confirmed that TfN has established processes in place for the identification and assessment of risk, and for the reporting of risk information to senior management and TfN Board members. This is now supported by the Predict! system following its implementation in the spring/summer of 2021.

We recognise that the risk data had only recently been migrated to the Predict! system at the time of our review and, as such, some of the fields within the system had not been fully populated at that point.

However, we were able to confirm that the organisation's standards regarding the identification and recording of risks and controls/actions were being followed consistently for the areas we reviewed.

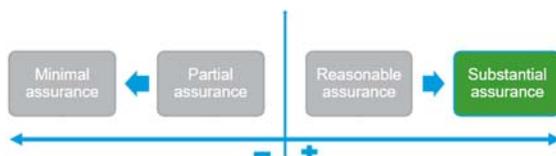
Whilst clearly established processes are in place to support the risk management process, we identified some areas where we consider the procedures could be improved in this area. These relate to the updating of the Risk Management Strategy document, and the consistent recording of information in the Predict! system and the Corporate Risk Register reports.

Two management actions are included in section 2 of this report, which are designed to support management with their ongoing work in this area. However, these matters have not impacted upon the positive assurance opinion provided below.

In addition to the management actions raised in this report, at Appendix A we have included the outcomes of a comparison exercise we undertook to review the content of TfN's Risk Management Strategy against some examples from other organisations within our client portfolio across a range of sectors.

Internal audit opinion:

Taking account of the issues identified, the Board can take substantial assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.



Key findings

We identified the following key findings during the audit:



TfN's Risk Management Strategy describes the procedures involved in the risk management process and the associated high-level roles and responsibilities. However, the Risk Management Strategy has not yet been updated to reflect the risk recording and monitoring processes following the introduction of the Predict! system.



Risk management training is provided to all employee new starters as part of a Human Resources (HR) induction process (the training is delivered by the Portfolio Risk Manager, although attendance is monitored by the HR Department). This training forms part of a wider induction package which also incorporates training in other areas such as legal and finance-related matters. More specific training is also provided to individuals across the organisation who have risk reporting and monitoring responsibilities. In addition to this, Predict! training is being provided to relevant staff by the Portfolio Risk Manager during the period April to August 2021 as part of the system roll-out process.



The Predict! system allows authorised staff to have access to the risk register for their area and highlights any risks that are due for review/update at a point in time. The Predict! system is used to record corporate risks, as well as programme/project and directorate-level risks (TfN has a total of 10 programme/project and directorate-level risk registers).

The project/programme and directorate-level risk registers are reviewed as part of routine risk review meetings held between the relevant 'risk champion' and the Portfolio Risk Manager. For those areas that do not have an allocated risk champion, the Portfolio Risk Manager facilitates the risk review process with management in the directorate.

The corporate risks are reviewed and updated by the Portfolio Risk Manager and the Finance Director on an ongoing basis taking account the activities and actions included in the TfN Business Plan, and the outcomes of the programme/project and directorate risk review meetings.

We noted that TfN does not currently have a defined risk appetite as management do not consider this to be an appropriate approach given that many of the organisation's key risks are affected by decisions which are outside of its control. RSM's Consultancy Team is currently working with TfN management to consider alternative approaches to the assessment of risk appetite going forward. As this is something which is currently under review, no management action has been raised in this report relating to this matter. We also note that the Predict! system is designed to capture a 'target score', which will enable management to understand whether or not the current risk exposure is acceptable in each case going forward.

TfN does not currently define its assurance sources in terms of defined assurance mechanisms. As such, there is no specific 'assurance' field within the risk register template in the Predict! system. However, assurance-related information is captured in the 'Action Description' field within the system. We also note that an 'Assurance Framework' is being developed by TfN to set-out the structures and processes that will support the delivery of the organisation's Investment Programme. This is something that was considered previously as part of our Investment Programme Assurance Review (7.20/21) in 2020/21 and, as such, no further work was undertaken in this area as part of this review.

As part of the audit, we interviewed the risk champions for three selected areas to obtain an understanding of their involvement in the risk management process, and to seek their views on the design and effectiveness of the process.

All of the individuals interviewed considered that they had a good understanding of their responsibilities in relation to the risk management process, and they felt that the risk recording processes have been improved through the introduction of the Predict! system. The interviewees felt that they are appropriately supported regarding these responsibilities, although they recognise that there is limited resource in this area and the Portfolio Risk Manager has a wide-span of responsibility in terms of managing the overall process.

Routine updates on the organisation's risk management activities are provided to senior management and TfN Board/Committee members on a regular basis. This includes presentation of a Corporate Risk Register report to the Operational Board Team, the Audit and Governance Committee, and the TfN Board. By reference to relevant meeting minutes, we confirmed that regular risk management updates have been provided to the above groups throughout the last 12 months (this includes routine presentation of the Corporate Risk Register report during this period).

As part of our review, we performed a comparison exercise between the corporate risk information recorded in the Predict! system as at 15 July 2021 against the information included in the Corporate Risk Register report presented to the Audit and Governance Committee on the same date. In most cases, we were able to confirm that the information was reported consistently between the Predict! system and the report. However, some differences were noted as part of this process, which related to a proposed change to the risk scoring matrix and a delay in updating the Predict! system due to resource challenges within the Risk Management function. A management action is included in section 2 of the report to help ensure there is consistency between the Predict! system and the corporate risk reporting going forward.



2. DETAILED FINDINGS AND ACTIONS

This report has been prepared by exception. Therefore, we have included in this section, only those areas of weakness in control or examples of lapses in control identified from our testing and not the outcome of all internal audit testing undertaken.

Area: Risk Management Strategy				
Control	Updating the Risk Management Strategy TfN has a Risk Management Strategy, which describes the procedures involved in the risk management process and the associated high-level roles and responsibilities.	Assessment:		
		Design	✓	
		Compliance	Partial	
Findings / Implications	<p>We confirmed that the Risk Management Strategy is available for staff to access on the TfN's intranet system, however, management was unable to confirm when the Strategy document was last updated and approved, and there was no tracking control on the document to provide this information.</p> <p>We noted that the Risk Management Strategy has not yet been updated to reflect the risk recording and monitoring processes following the introduction of the Predict! system. Management informed us that they have been awaiting the full roll-out of the system and the delivery of the supporting training to all relevant staff before updating the Strategy document.</p> <p>We recognise that this is something that management are already planning to address, however, we have raised a management action to help ensure the Risk Management Strategy is updated at the earliest opportunity.</p> <p>In addition to this, at Appendix A we have also included the outcomes of a comparison exercise we undertook to review the content of TfN's Risk Management Strategy against some examples from other organisations within our client portfolio across a range of sectors. Management may wish to consider this when updating the TfN Risk Management Strategy.</p>			
Management Action 1	Management will update the Risk Management Strategy to ensure it reflects the current processes operating in practice (this includes utilisation of the Predict! system). Once updated, the Risk Management Strategy will be approved at the appropriate level before being published for staff to access.	Responsible Owner: Risk Manager	Date: 31 October 2021	Priority: Low
	In addition to this, tracking control will be added to the Strategy document to confirm when the document was last reviewed and approved, and to highlight the future review timeframes for the document.			

Area: Monitoring and reporting

Control	<p>Updating corporate risks within Predict!</p> <p>A Corporate Risk Register report is prepared for each meeting of the Audit and Governance Committee (the report is also presented at meetings of the Operational Board Team and the TfN Board wherever appropriate). The Corporate Risk Register reporting format has recently been amended to meet the needs of the Audit and Governance Committee.</p>	<p>Assessment:</p> <p>Design ✓</p> <p>Compliance Partial</p>
Findings / Implications	<p>As part of our review, we performed a comparison exercise between the corporate risk information recorded in the Predict! system as at 15 July 2021 against the information included in the Corporate Risk Register report presented to the Audit and Governance Committee on the same date. In most cases, we were able to confirm that the information was reported consistently between the Predict! system and the report. However, the following points were also noted as part of this process:</p> <ul style="list-style-type: none"> • In some cases, there were differences between the scores recorded in the Predict! system and those included in the Corporate Risk Register report. However, this was due to the fact that the new risk scoring matrix has not been fully adopted yet in all areas of the organisation and, as such, it is not reflected in the Predict! system at this point. This is considered reasonable based on the current status of the implementation process, and therefore no management action has been raised in this report relating to this matter; and • The Corporate Risk Register report contained two additional risks that were not recorded on the Predict! system at the time of our review (these related to the leaking of confidential information, and the misalignment of TfN's Investment Programme to the agreed Decarbonisation Trajectory). Management informed us that this was the result of a timing issue, which was impacted by resource challenges within the TfN Risk Management function. As such, we were informed that the risks will be added to the Predict! system in due course (management wanted to ensure that the risks were incorporated into the reporting to the Audit and Governance Committee as a matter of priority before being reflected on the Predict! system). Whilst we recognise the approach taken here given the circumstances, we have raised a management action to help ensure there is consistency between the Predict! system and the corporate risk reporting going forward. <p>In addition to this, at Appendix B we have included an example of an integrated risk register dashboard template, which management may wish to consider as part of their risk register reporting going forward.</p>	
Management Action 2	<p>Management will ensure that the information recorded on the Predict! system is consistent with that included in the Corporate Risk Register reports presented to TfN Board/Committee members. In addition, following the review of corporate risks with senior management and the subsequent approval of corporate risks from the Finance Director, the Predict! System will be updated to ensure that any changes are captured in the system.</p>	<p>Responsible Owner: Risk Manager</p> <p>Date: 31 October 2021</p> <p>Priority: Low</p>

APPENDIX A: ANALYSIS OF TFN'S RISK MANAGEMENT STRATEGY

As part of our review, we compared the content of TfN's Risk Management Strategy with some examples from other organisations within our client portfolio across a range of sectors. The outcomes of this comparison exercise were as follows:

Area/category	TfN	Example 1	Example 2	Example 3
Links to business plan/corporate objectives	✓	✓	✓	✓
Benefits/objectives of risk management process	✓	✓	✓	✓
Board and committee roles and responsibilities	Partial – stated in the context of reporting	✓	✓	✓
Management/staff roles and responsibilities	Partial – not clearly stated for all staff levels or risk champions	✓	✓	✓
Risk identification and assessment/evaluation process	✓	✓	✓	✓
Identification of interdependencies/cross-departmental risks	✓	✓	x	x
Control identification process	✓	✓	✓	✓
Assurance identification/mapping process	x	✓	✓	✓
Risk scoring methodology description	✓	✓	✓	✓
Guidance/quantifiable metrics to support risk scores	Partial – quantifiable measures for probability scores	✓	✓	✓
Risk appetite statement/target risk monitoring process	x	✓	✓	✓
Risk action planning process	✓	x	✓	✓
Reporting process	✓	✓	✓	Partial – reporting timeframes not specified
Risk training process	x	x	✓	✓

The above table shows that there are some areas where the TfN Risk Management Strategy differs from the good practice risk management policies/strategy documents we have seen in other organisations. We recognise that in some cases this is reflective of the organisations' risk management processes (for example, TfN does not have a risk appetite statement, therefore there is no reference to this in the Risk Management Strategy). However, in other areas the TfN document may benefit from the inclusion of the related information. Some of the key points noted in this respect were as follows:

- As noted above, the TfN Risk Management Strategy needs updating to reflect the processes operating in practice. This includes changes made to the reporting processes and risk scoring methodology, as well as changes resulting from the implementation of the Predict! system. Management may also wish to include details of the training requirements/process for the utilisation of the Predict! system going forward.
- The TfN Risk Management Strategy includes details of Board member and management responsibilities within the wider context of the reporting structure, whereas the other examples include specific 'roles and responsibilities' sections with a specific explanation of the responsibilities of each oversight group/committee and management/staff level (this also includes any reporting and decision-making responsibilities, wherever appropriate). We also noted that the responsibilities of the risk champions are not included in the TfN Risk Management Strategy.
- Whilst the TfN Risk Management Strategy contains quantifiable measures/guidelines for the probability scores within the risk scoring matrix, no quantifiable guidance is provided in the Strategy document to support the impact scores. We note that the Corporate Risk Register report presented to the Audit and Governance Committee in July 2021 included quantifiable thresholds/guidance for both the probability scores and the impact scores. Therefore, management may wish to consider replicating this information in the Risk Management Strategy.

APPENDIX B: EXAMPLE OF AN INTEGRATED RISK REGISTER AND ASSURANCE FRAMEWORK DASHBOARD TEMPLATE

We have seen other organisations across a range of sectors use an integrated dashboard approach when reporting their corporate/strategic risk registers to the board. This helps to demonstrate the end-to-end process in a single reference document, from risk identification and assessment, to controls and mitigating actions, to assurance mechanisms. This enables the organisation to demonstrate the links between risks, existing controls and planned actions for further risk mitigation. An example of an integrated risk register dashboard template is included below for management’s consideration:

Risk Ref	Risk Description	Cause & Effect	Inherent Risk Score	Risk Control	Control Assurance (Department)	Control Assurance (Management)	Control Assurance (Independent)	Overall Assurance Strength of Control	Residual Risk Score	Action Required	Progress Notes	Target Risk Score
Staff 3	Insufficient staff development and retention Risk Owner: Craig Duff Risk Lead: Duncan Short Last Updated: 14 Jul 2020 Latest Review Date: 13 Jul 2020 Latest Review By: Craig Duff Last Review Comments: Risk discussed at SMT and update will be made at next meeting in August 2020	Cause - Appraisal and performance management arrangements are not consistent - Unable to provide appropriate training and development opportunities Effect - Low standards of teaching and education - High staff turnover / Shortage of staff	I = 5 L = 4 20 	Action Plans in place for all staff and discussed at monthly meetings Control Owner: Sarah Catterall	All evidence held with HR team and confirmed reviewed monthly	Quarterly reports reviewed at HR Committee	Internal Audit review provided substantial assurance	Substantial Assurance Date: 14 Jul 2020 Assurance By: Craig Duff	I = 4 L = 2 8 	Undertake a review of the succession planning processes across the Trust Person Responsible: Craig Duff To be implemented by: 31 Mar 2021	13 Jul 2020 Craig Duff Working group set up 	I = 3 L = 1 3 
				All staff provided with personal training and development plan Control Owner: Sarah Catterall	All staff hold a copy as well as HR Team	SMT receive update report every month	Organisation X used to provide support in reviewing pans Assurance Date: 14 Jul 2020 Assurance By: Craig Duff					
				Annual Appraisal Process for all staff Control Owner: Sarah Catterall	All evidence of annual appraisals held with HR Team	Once a year, HR Committee receive update report	Internal Audit review captures evidence of annual appraisals Assurance Date: 14 Jul 2020 Assurance By: Craig Duff					
				Classroom / Teaching observation plans in place Control Owner: Sarah Catterall	All observation evidence held within Central Office	Monthly reports reviewed at SMT	Annual Ofsted reviews observation evidence Assurance Date: 14 Jul 2020 Assurance By: Craig Duff					
				Experienced in-house training and development team in place to support all staff Control Owner: Sarah Catterall	Evidence held with HR Team of all experienced and qualified staff	Not Applicable	Not Applicable Assurance Date: 14 Jul 2020 Assurance By: Craig Duff					
				In the event of staff absences, access to experienced bank staff is available Control Owner: Will Hollis	Some key areas are struggling to obtain bank staff due to current economic climate	Update report to SMT quarterly on numbers of bank staff used	Not Applicable Assurance Date: 14 Jul 2020 Assurance By: Craig Duff					
				Staff get to discuss concerns with HR if ever they need to Control Owner: Will Hollis	Records kept of all appointments	SMT only receive updates if HR team require further advice	External Staff Survey revealed all staff happy with support they receive Assurance Date: 14 Jul 2020 Assurance By: Craig Duff					

APPENDIX C: CATEGORISATION OF FINDINGS

Categorisation of internal audit findings

Priority	Definition
Low	There is scope for enhancing control or improving efficiency and quality.
Medium	Timely management attention is necessary. This is an internal control risk management issue that could lead to: Financial losses which could affect the effective function of a department, loss of controls or process being audited or possible reputational damage, negative publicity in local or regional media.
High	Immediate management attention is necessary. This is a serious internal control or risk management issue that may lead to: Substantial losses, violation of corporate strategies, policies or values, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

The following table highlights the number and categories of management actions raised as a result of this audit.

Area	Agreed actions		
	Low	Medium	High
Risk Management Strategy	1	0	0
Roles and responsibilities	0	0	0
Embedding of risk management processes	0	0	0
Risk management training	0	0	0
Monitoring and reporting	1	0	0
Total	2	0	0

APPENDIX D: BENCHMARKING

We have included some comparative data to benchmark the number of management actions agreed, as shown in the table below. In the past two years, we have undertaken a number of audits of a similar nature.

Level of assurance	Percentage of reviews	Results of the audit
Substantial assurance	43.7%	✓
Reasonable assurance	46.2%	
Partial assurance	10.1%	
No assurance	0.0%	

Management actions	Average number in similar audits	Number in this audit
High	0.1	0
Medium	1.6	0
Low	2.6	2
Total	4.3	2

The above benchmarking data demonstrates that TfN is performing well in this area when compared with other organisations where we have undertaken a similar review.

APPENDIX E: SCOPE

Scope of the review

The internal audit assignment has been scoped to review TfN's processes in relation to the following objective:

Objective of the risk under review

To support the work undertaken by TfN to establish a risk management framework which aims to strengthen the risk management processes and governance approaches.

The following areas were considered as part of the review:

Our review was designed to assess how TfN's new risk management software supports the effective management of risks. The following areas were considered as part of the review:

- Review of the TfN's Risk Management Strategy and documented procedural notes, including documented risk management arrangements and constituent parts, to compare with good practices we have seen at other organisations;
- Whether clear roles and responsibilities for risk management are in place within the TfN;
- The extent to which risk management processes have been embedded using TfN's new risk management system. We reviewed the design of the control framework in place in regard to risk identification, risk assessment, risk mitigation and risk reporting within the system to assess whether the system enables risk management processes to be carried out in line with TfN policies and good practice;
- Whether risk management training requirements have been identified across the TfN, including training needs analysis and the provision of training to different roles held across the TfN in line with their responsibilities; and
- Monitoring and reporting, including processes for the ongoing reporting and communication of risk related information.

Limitations to the scope of the audit assignment:

- The scope of the work was limited to those areas examined and reported upon in the areas for consideration in the context of the objectives set out in for this review;
- Conclusions are based on our assessments made through discussions with management, assessment of the current framework of controls and review of relevant documentation made available;
- Our review was not designed to set TfN's risk appetite and tolerance;
- We have not commented on whether risk management responsibilities have been assigned to appropriate members of staff;
- We have not commented on whether all risks to TfN have been identified, only whether mechanisms are in place to identify, assess and report on risks;

- This review does not constitute an assessment of the overall effectiveness of the TfN's governance structure;
- We do not endorse a particular means of risk management. It remains the responsibility of the Board and senior management to agree and manage information needs and determine the most effective approach for TfN;
- We have not commented of the content of risk management training material;
- Any testing undertaken during the assignment has been performed on a sample basis only;
- The results of our work were reliant on the quality and completeness of the information provided to us; and
- Our work does not provide an absolute assurance that material error; loss or fraud does not exist.

Due to the exceptional circumstances resulting from the Covid-19 pandemic, our audit was carried out remotely through the use of secure portals for the transfer of information, and through electronic communication means.

Debrief held 16 July 2021
Draft report issued 27 July 2021
Responses received 27 August 2021

Final report issued 27 August 2021

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The matters raised in this report are only those which came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Actions for improvements should be assessed by you for their full impact. This report, or our work, should not be taken as a substitute for management's responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and our work should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any.

Our report is prepared solely for the confidential use of Transport for the North, and solely for the purposes set out herein. This report should not therefore be regarded as suitable to be used or relied on by any other party wishing to acquire any rights from RSM Risk Assurance Services LLP for any purpose or in any context. Any third party which obtains access to this report or a copy and chooses to rely on it (or any part of it) will do so at its own risk. To the fullest extent permitted by law, RSM Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by any person's reliance on representations in this report.

This report is released to you on the basis that it shall not be copied, referred to or disclosed, in whole or in part (save as otherwise permitted by agreed written terms), without our prior written consent.

We have no responsibility to update this report for events and circumstances occurring after the date of this report.

RSM Risk Assurance Services LLP is a limited liability partnership registered in England and Wales no. OC389499 at 6th floor, 25 Farringdon Street, London EC4A 4AB.

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TRANSPORT FOR THE NORTH

Governance Effectiveness Arrangements

Internal audit report 2.21/22

Final

7 September 2021

This report is solely for the use of the persons to whom it is addressed.

To the fullest extent permitted by law, RSM Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party.

1. EXECUTIVE SUMMARY

With the use of secure portals for the transfer of information, and through electronic communication means, remote working has meant that we have been able to complete our audit and provide you with the assurances you require. It is these exceptional circumstances which mean that 100 per cent of our audit has been conducted remotely.

Background

As part of our internal audit plan for 2021/22 we have carried out a review of Transport for the North's (TfN's) current governance arrangements. As per the agreed scope our review has assessed the following areas:

- General governance arrangements and whether these were, in practice, in line with TfN's Constitution;
- Terms of reference for the TfN Board and Committees;
- Calendars of business and meeting cycles;
- Member induction processes;
- Registers of interests; and
- Governance reports to the TfN Board, action tracking and escalation.

The review was carried out by means of:

- Document review (including the TfN Constitution, agendas and minutes of meetings, reports produced for meetings, terms of reference and calendars of business);
- Meeting observation (given meetings have been taking place virtually during the Covid-19 pandemic this was covered via review of recorded meetings and 'live' webcasts); and
- A questionnaire completed by several Members and Senior Officers using the 4questionnaire system.

Our findings are set out in section two of this report below including management actions designed to improve existing arrangements.

Conclusion

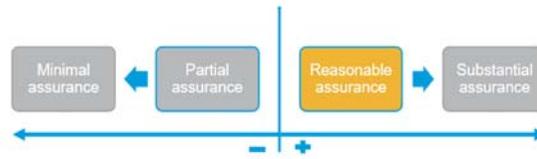
From the areas considered as part of this review we confirm that an established governance framework is in place, as defined in the TfN Constitution and the Annual Governance Statement. The framework details the roles and responsibilities of key members of the governance structure and provides requirements in regard to the governance operations of TfN. The Covid-19 pandemic has changed but not disrupted the delivery of TfN's governance framework. For example, meetings have been conducted remotely during the Government lockdowns.

Through our document review and meeting observation we were able to confirm that controls were mainly operating as intended in regard to the delivery of TfN Board and Committee meetings. Whilst we did not identify any major gaps in controls that highlight an immediate high risk, we did note minor exceptions in relation to our testing on Members' declarations of business interests as well as several areas where the control framework could be further strengthened in relation to Board reports, action tracking and Member inductions. These matters, resulted in two 'medium' and five 'low' priority management actions being agreed, have been considered when forming our overall opinion provided below. It is noted that since our fieldwork was completed in July 2021, management has confirmed that progress has been made towards implementing the agreed management actions.

During our review we utilised the 4Questionnaire tool for Members and Senior Officers to provide feedback on current governance arrangements. Responses were received from 11 recipients and indicated that overall, there is a clear understanding of the roles and generally satisfaction with Board reports and Board administration. Full details of responses to this questionnaire are detailed in Appendix A below.

Taking account of the issues identified, the Board can take reasonable assurance that the controls upon which the organisation relies to manage this area are suitably designed, consistently applied and effective.

However, we have identified issues that need to be addressed in order to ensure that the control framework is effective in managing the identified areas.



Key findings

The following key findings were identified as part of this review:



Terms of Reference are in place for the TfN Board and Committees and are included within the TfN Constitution. Terms of Reference have been regularly reviewed along with the Constitution which has been revised to cover virtual meeting arrangements during the Covid 19 pandemic.



Meeting agendas, minutes and reports produced for the TfN Board and Committees are produced in a standard format and utilise, where possible, plain English. Minutes are clear, and concise.



Our review of meeting minutes and video recordings of three Board meetings that took place between February and June 2021 identified that minutes of the meeting were found to accurately reflect the discussions taking place at the meetings.



Meeting administration is considered to be efficient and effective.



From our sample testing in respect of Members' declarations of business interests we identified three instances out of 34 where declarations had not been made within 28 days of appointment as required but had been made soon afterwards. It is considered good practice to require declarations of interest to be made annually.



The TfN Scrutiny Committee operates a 'scrutiny first' approach although it is unclear whether this provides timely input to the TfN Board and what the outcomes of the Committee's scrutiny are. The organisation is currently reviewing the role and purpose of the Scrutiny Committee.



Our review of Board reports and the feedback provided through our questionnaire feedback identified that Board reports could be better summarised with more detailed executive summaries.

2. DETAILED FINDINGS AND ACTIONS

2.1 Board reporting

2.1.1.Document review

Our document review confirmed that reports to the TfN Board are generally in a standard format which includes:

- Subject, author, sponsor and date;
- Purpose of report;
- An executive summary;
- Detailed report;
- Recommendations (e.g. 'the TfN Board approves, considers and agrees, approves, etc.');
- Required considerations (Equalities, Environment and Sustainability, Legal, Finance, Resource, Risk, Consultation all identifying Responsible Officer and Director).

Reports to the TfN Board, including Governance Reports, were generally written in plain English, subject to the technical nature of many of reports. However, we noted that reports:

- Could be better summarised with more detailed executive summaries;
- Sometimes contain acronyms which are not 'spelt out' the first time they are used; and
- Are overlong at times.

We were informed by TfN management that since our fieldwork was completed, report writing (including executive summary training has been rolled out to senior officers and report writers). Also, a new report template has been developed which includes amongst other adjustments, a requirement to provide details of acronyms. This will support the implementation of the management actions below and these areas will continue to be monitored by TfN management. The revised template will be used for papers at the Audit and Governance Committee on the 16 September 2021.

Management Action 1

Management will consider the follow actions in regard to Board reports:

- Ensure report writers 'spell out' acronyms in reports the first time they are used;
- Consider how executive summaries can be improved to more effectively summarise the report.

Responsible Owner:

Julie Openshaw, Head of Legal and Monitoring Officer

Date:

31 December 2021

Priority:

Low

2.1.2 Meeting observations

The Board papers (agendas, reports, etc.) are produced and distributed in a user-friendly way that are easy to access online and easy to 'navigate'. Alongside this, the webcasting of meetings and their availability after meetings with the ability to access specific agenda items directly, represents good practice.

2.1.3 Questionnaire results

The feedback provided through our questionnaire confirmed the view that reports would benefit from more focused executive summaries which highlight the key issues and more succinct actions recommended. Most respondents considered reports to be written in plain English although the use of acronyms was raised as an issue.

10/11 respondents agreed or strongly agreed that the quality of Board reports allowed them to perform their role effectively and 9/11 agreed or strongly agreed that Board reports and papers were written in plain English.

2.2 Board operation

2.2.1 Board Agendas

TfN utilises standardised agendas for meetings of the TfN Board which include:

- Introductions;
- Apologies for absence;
- Declaration of interests; and
- Minutes of previous meetings.

These standard items are followed by detailed items and reports.

Agendas do not include indicative timings. We were informed by management that indicative timings for meetings form part of the agenda planning or briefings with the Chairperson for the Committee. We were also informed that as part of TfN's ongoing review of its meeting practice and the introduction of modern.gov as an aid to meeting administration, indicative timings on formal agendas are not required as it could give the impression that Members are only provided with a certain time for discussion, which might not accord with their views and how the meeting unfolds, and could lead to sufficiently robust debate being curbed. In addition, our observation of six meetings (three Board, two Scrutiny Committee and one Audit and Governance Committee) only identified one meeting that overran.

2.2.2 Constitution and Terms of Reference

Review of documentation and six meeting observations did not find any instances where the TfN Board or its sub-Committees operated contrary to the TfN Constitution in regard to quoracy of meetings, coverage of agenda items and decision making.

The Terms of Reference and changes to the Constitution were discussed and agreed at the TfN Annual General Meeting on 29 July 2020.

2.2.3 Calendar of Business

Although a full annual calendar of meetings for Board and formal Committees is approved annually, there is no formal Calendar of Business for the TfN Board and Committees. Agendas are put together by the TfN Chair and the Legal team with Board Members able to suggest items for inclusion on the agendas. Having a formal Calendar of Business for the TfN Board would help ensure the Board covered all required areas, ensure cyclical coverage and help to manage the workload of the Board.

Management Action 2

Adopt a formal Calendar of Business for the TfN Board and Committees to ensure full and cyclical coverage.	Responsible Owner: Julie Openshaw, Head of Legal and Monitoring Officer	Date: 30 September 2021	Priority: Low
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2.2.4 Document review

Review of TfN Board minutes identified evidence of discussion and challenge. Contributors are identified by name.

Board minutes are clear and concise. It is usually clear from the minutes what was agreed. However, it is not always clear who is responsible for the agreed actions. For example, a recent set of Board minutes included the action that '*a letter be sent to the Secretary of State*' and '*that a meeting be arranged with the Secretary of State*' neither action identified who was to do this. We were informed by management that meeting minutes usually clarify who is to undertaking a task, however, this point will be borne in mind for future meeting minutes and will cite the responsible owner and deadline going forward.

Management Action 3

Agreed actions should make clear who is responsible for the action and by when.	Responsible Owner: Julie Openshaw, Head of Legal and Monitoring Officer	Date: 31 December 2021	Priority: Low
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2.2.5 Meeting observations

The meetings of the TfN Board on 18 February 2021, 16 April 2021 and 9 June 2021, the latter being convened as a Chief Executive's Consultation Call due to the lapsing of legislation allowing meetings to be held virtually, were observed as part of this review.

Our meeting observations found:

- Good engagement and informed discussion;
- The TfN Board meetings observed were effectively chaired by the current Chair who is retiring in July 2021;
- Debate is allowed to flow and conclusions are reached without being cut-short or stifled due to inappropriate time constraints;
- Agenda items are generally 'closed off' appropriately with clarity as to what has been agreed and actions required;
- There were contributions from a wide range of elected Members, less so from Local Enterprise Partnership (LEPs); and
- Evidence of challenge, although this was not extensive.

The minutes of the meeting were found to accurately reflect the discussion as observed at the meetings.

2.2.6 Questionnaire

Our questionnaire confirmed the findings from our meeting observation.

In total, 10/11 respondents agreed or agreed strongly that debate at Board meetings is allowed to 'flow' with conclusions being reached without discussion being cut short or stifled and that agenda items are 'closed off' appropriately with clarity as to actions agreed.

Our questionnaire also identified that there was a high degree of satisfaction with the administration of the TfN Board with 10/11 respondents agreeing or strongly agreeing that Board and Committee administration allows them to perform their role effectively (agenda/papers delivered on time ahead of meetings) and 11/11 agreeing or strongly agreeing that officer support at meetings is adequate.

2.3 Board size and composition

The sheer size of the TfN Board has advantages as well as disadvantages. The geographical area covered by the organisation and the large number of constituent authorities necessitates a large membership. TfN Board meetings typically have more than 45 individual attendees; a mix of elected Members, co-opted Local Enterprise Partnership (LEP) representatives, external stakeholders and TfN Officers. This makes engagement a challenge and limits the opportunity for contributions and in-depth discussion. Meeting observations and review of minutes and agendas suggest this has not been a major issue, although much of this is due to the excellent chairing of meetings. This will something the incoming chair will need to be mindful of.

The TfN Constitution sets out the arrangements for voting at TfN Board meetings using a weighted system. In practice, voting has rarely been required in practice. Decisions are usually reached by consensus. This is due in part to the relatively uncontentious nature of most decisions required to be made but is also a reflection of the current Chair's ability to build consensus.

Since March 2021 the TfN Board and its sub-Committees have taken place virtually. Meetings are accessible to the public, provided the public have access to the required technology, and are recorded. From observing TfN meeting both 'live' and recorded this appears to have worked well. For an organisation covering such a large geographical area and with a large Board there are clear advantages in terms of venue availability and reduced travelling by having virtual meetings. There are inevitable occasions where the technology fails but these would appear to be limited and discussion and engagement appears good in a virtual setting. Chairs of meetings make good use of the chat and 'hands up' functions to introduce comments and contributions.

The legislation allowing for meetings to take place virtually lapsed on 7 May 2021 and meeting held since that date have not been formal meetings but have been convened as the Chief Executive's Consultation Calls. It is made clear at the outset of these meetings that formal decisions cannot be taken and the meetings do not constitute formal meetings of the TfN Board or its Committees. The lack of formal Board meetings may restrict the Board from making formal decisions in line with the TfN Constitution. We were informed that TfN's approach to conducting public meetings in person is being reviewed in order to comply with current legislation and to allow for efficient governance and decision making. Therefore, we have not raised a management action in regard to this matter.

2.4 Escalation to TfN Board

2.4.1 From the Scrutiny Committee

There is no evidence of formal escalation/reporting by the Scrutiny Committee to the TfN Board of its 'scrutiny first' of reports. This results in some duplication by the TfN Board. Our questionnaire also identified that respondents are unclear on the role of the Scrutiny Committee (see section 2.5.5 below). We were informed that managements review of the report template to include a section for Scrutiny Committee views when reporting to Board will support the implementation of this action.

Management Action 4

Consider formalising the review of reports by the Scrutiny Committee using, for example, an additional section on the report cover sheet. For example, 'This report was reviewed/scrutinised by the Scrutiny Committee meeting on (date) and the Scrutiny Committee recommends the TfN Board' or 'The Scrutiny Committee has reviewed this report and recommended the following changes be made'.	Responsible Owner: Julie Openshaw, Head of Legal and Monitoring Officer	Date: 31 March 2022	Priority: Low
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2.5 Scrutiny Committee

2.5.1 Scrutiny Committee Purpose

TfN operates a 'Scrutiny First' approach with regard to its Scrutiny function and Scrutiny Committee.

'Scrutiny First' is a novel approach agreed at the inaugural meeting of the TfN Board in 2018 whereby reports due to go to the TfN Board are scrutinised by the Scrutiny Committee prior to going to the TfN Board rather than the Scrutiny Committee scrutinising the decisions made by the TfN Board (both approaches are allowed for within the TfN Constitution).

2.5.2 Terms of Reference

The Terms of Reference (ToR) for the Scrutiny Committee are included in the TfN Constitution. The Scrutiny Committee's ToR provide for the Committee to set its work programme for the coming year but in practice the Scrutiny Committee's programme is set by items due to go to TfN Board.

2.5.3 Calendar of Business

The Scrutiny Committee considers, reviews and scrutinises reports due for inclusion at upcoming TfN Board meetings. The timing of meetings of the Scrutiny Committee have previously not facilitated the 'scrutiny first' approach, the escalation of issues to the TfN Board or the timely provision of assurance to the Board. Meetings of the Scrutiny Committee would ideally be scheduled a couple of weeks before TfN Board meetings, allowing for reports to be changed and actions and recommendations of the Scrutiny Committee to be made to the TfN Board. A full annual calendar of meetings for Board and formal Committees is approved in September each year. We noted that the Calendar of Meetings proposed for 2021/22 ensures that Scrutiny Committee meetings are scheduled three weeks prior to Board meetings. Therefore, we have not raised a management action in regard to this matter.

2.5.4 Scrutiny Committee Operation

Meeting observation suggests the Scrutiny Committee is well chaired and Members of the Committee demonstrated knowledge of agenda items and were engaged in discussions. There is evidence of detailed discussions and challenge although it is not always clear what has been decided/concluded and what, if any, actions are required and what it is recommending the TfN Board does with the report.

Management Action 5			
Ensure there is clarity as to the outcome of the Scrutiny Committee's review of reports and that the outcomes are formally fed into the TfN Board.	Responsible Owner: Julie Openshaw, Head of Legal and Monitoring Officer	Date: 31 March 2022	Priority: Low

2.5.5 Questionnaire

Our questionnaire identified that respondents were mixed in terms of their view of the clarity of purpose of the Scrutiny Committee.

Only one respondent strongly agree that the role of the Scrutiny Committee is clear and informs and supports the work of the TfN Board. 4/11 respondent agreed that the role of the Committee was clear with the majority of respondents (6/11) being neutral with regard to the clarity of the Committee's role. We have agreed several actions in regard to the operation of the Scrutiny Committee above and were also informed that the 'scrutiny first' approach is being reviewed by TfN Management to assess how effective it has been. Therefore, no further actions have been raised in regard to this matter.

2.6 Member Induction

Member induction appears to be ad-hoc and informal. We were informed by management that Members are usually contacted to ask whether they feel they require training in any particular areas, and this will be provided as necessary. New members will be offered the opportunity of a 1-2-1 session to cover headline Constitutional points and explore whether any other training is desirable. However, we noted that there are no documented procedures in place outlining the approach for delivering inductions and records of induction provided are not retained. As such there is a risk that Members are not provided with sufficient information to support them perform the duties expected in their role.

Those who responded to our questionnaire were generally not dissatisfied with the induction they had received when joining the TfN Board. However, only 4/11 agreed or strongly agreed that the induction they received when joining TfN was sufficient and helped them perform their role well and one respondent appeared to have not received any induction.

Management Action 6			
Management will review the Member induction process including the following actions: <ul style="list-style-type: none"> Review the content and approach used to deliver inductions to ensure that a consistent programme is in place for newly appointed Members of the TfN Board; Develop procedure notes to detail the Member induction process; and Maintain a record of inductions completed by Members. 	Responsible Owner: Julie Openshaw, Head of Legal and Monitoring Officer	Date: 31 March 2022	Priority: Medium

2.7 Registers of Interest

Declarations of interest are routinely sought at meetings of the TfN Board and its sub-Committees in line with good practice. Members are required to make declarations of interests when they join the TfN Board and a record is maintained of such declarations. Declarations are to be made within 28 days of appointment.

Our review found that all TfN Board Members had declarations of interest on file and records are also published on the TfN website. Most of these declarations were made within 28 days of appointment but in a few cases it appears declarations were signed a few days after the required cut-off date.

We were informed that Members are invited to review their declarations in September annually. However, we noted that several declarations published on the TfN website dated back to 2018. Without the timely submission of business interests there is a risk that the TfN is not informed of interests that may result in conflicts, or personal interests of Members and those of TfN. In line with good practice declarations should be submitted by a Member annually even if it is confirmation that there are no changes from the previous year.

Management Action 7

Members will be required to complete and submit an annual declaration of interests. Records of completed declarations will be retained by the appropriate department and published on the TfN website. In addition, management will actively chase up any Members that have not submitted a timely declaration.	Responsible Owner: Julie Openshaw, Head of Legal and Monitoring Officer	Date: 31 October 2021	Priority: Medium
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Our questionnaire found that all respondents agreed or strongly agreed that they understand their responsibilities in respect of declaring interests.

APPENDIX A: 4QUESTIONNAIRE

We developed a short questionnaire for Members and Senior Officers using the 4Questionnaire tool to obtain anonymous feedback in regard to governance arrangements. Our questionnaire consisted of 14 questions which were shared and agreed with management in advance: the questions required a response as set out in Table 1 below and respondents were also able to add comments for each question.

Management issued the questionnaire to around 100 individuals including all elected Members. We received 11 responses (11% response rate). The results of these responses have been compiled in the table below.

Table

Question	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
The quality of Board and Committee papers and information I receive allows me to perform my role effectively	4	6	1	0	0
The information I receive is sufficiently robust	5	5	1	0	0
The reports I receive are in plain English	2	7	1	1	0
Board and Committee administration allow me to perform my role effectively i.e. agenda/papers delivered on time ahead of meetings	4	6	0	1	0
The officer support at Board/Committee meetings is adequate	6	5	0	0	0
I am satisfied with the way Board/Committee decisions are actioned by officers	4	6	1	0	0

Question	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
Debate is allowed to flow and conclusions are reached without being cut-short or stifled due to inappropriate time constraints, etc.	5	5	1	0	0
Each agenda item is 'closed off' appropriately in that I am clear what the conclusion was, who is doing what, when and how etc.	5	5	1	0	0
I have been adequately briefed in regard to major decisions (for example NPR)	4	7	0	0	0
I am clear as to the purpose of the TfN Board and its statutory duties	4	6	1	0	0
The role of the Audit & Governance Committee is clear and informs and supports the work of the TfN Board	3	4	4	0	0
The role of the Scrutiny Committee is clear and informs and supports the work of the TfN Board	1	4	6	0	0
I understand my responsibilities in respect of declaring interests	8	3	0	0	0
The induction I received on becoming a Board/Committee Member was sufficient and relevant and helped me perform my role well	2	2	6	1	0

At the end of the questionnaire, respondents were provided with the opportunity to suggest improvements they would like to see to Board and Committee arrangements. These responses included:

Positive feedback:

- One elected Member stated that 'I firmly believe that TfN has robust process in place to ensure Members of the Board and Committees are supported to enable them to carry out the role on behalf of the constituent authorities'; and
- One LEP Member commented that the pre -meet/ briefing for LEP Chairs was enormously helpful.

Constructive feedback:

- One elected Member stated that 'shorter papers with annexed information as needed that are more accessible to those without technical background and find other ways to cover detail outside the meetings';
- Two LEP Members stated they would appreciate shorter papers/reports; and
- One LEP Member stated 'I think the Board papers would benefit from having a clearer / shorter / better structured Executive Summary, which contains a table of contents (for additional background and appendix detail) clearly stating which parts are essential, vs which are only desired background reading. There is so much information in the Board packs that it requires significant time to ensure I fully understand the details required for each decision'.

The feedback highlighted above are based on individual experiences and views and these did not appear to be reflective of any underlying control weaknesses or framework issues. Where neutral or negative responses have been received we do not have enough information to understand the full context behind each answer. In light of the insight obtained from this questionnaire we suggest that the learning points should be included as part of the feedback loop to demonstrate to those who took part, that their views have been listened to.

APPENDIX B: CATEGORISATION OF FINDINGS

Categorisation of internal audit findings	
Priority	Definition
Low	There is scope for enhancing control or improving efficiency and quality.
Medium	Timely management attention is necessary. This is an internal control risk management issue that could lead to: Financial losses which could affect the effective function of a department, loss of controls or process being audited or possible reputational damage, negative publicity in local or regional media.
High	Immediate management attention is necessary. This is a serious internal control or risk management issue that may lead to: Substantial losses, violation of corporate strategies, policies or values, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

The following table highlights the number and categories of management actions made as a result of this audit.

Area	Agreed actions		
	Low	Medium	High
Board Reporting	1	0	0
Board Operation	2	0	0
Escalation to TfN Board	1	0	0
Scrutiny Committee	1	0	0
Member Induction	0	1	0
Registers of Interest	0	1	0
Total	5	2	0

APPENDIX C: BENCHMARKING

Benchmarking

We have included some comparative data to benchmark the number of management actions agreed, as shown in the table below. In the past year, we have undertaken a number of audits of a similar nature across our client base.

Level of assurance	Percentage of reviews	Results of the audit
Substantial assurance	33.33%	
Reasonable assurance	47.63%	✓
Partial assurance	9.52%	
No assurance	9.52%	

Management actions	Average number in similar audits	Number in this audit
	5	7

Our benchmarking data above shows that the level of assurance achieved by TfN is in line with the average level of assurance across our client base. In addition to this, on average we have made five management actions when undertaking similar reviews whereas seven actions have been made as part of this review.

APPENDIX D: SCOPE

The internal audit assignment has been scoped to review how TfN manages the following objective

Objective of the area under review

To ensure that TfN has effective governance arrangements in place in accordance with the TfN Constitution during the Covid-19 pandemic.

Scope of the review

We will review the governance arrangements in place at TfN during the Covid-19 pandemic (e.g. upon staff returning to work on site) to identify the extent to which the arrangements documented in the TfN Constitution specific to governance have been followed. The following areas will be considered as part of the review:

- Review of the governance arrangements set out in the TfN Constitution, including the roles of Chairman, Members and Chief Executive, in leading TfN and whether arrangements reflect practices in operation during and post Covid-19. This will include where possible benchmarking of TfN's governance arrangement with other organisations to identify areas of good practice for TfN to consider;
- Whether approved and up to date terms of reference are in place for Committees and Board and are documented in the TfN Constitution;
- Calendars of business and meeting cycles, to ensure that these are being complied with (by reference to minutes) including whether business cycles and frequency of meetings and the internal Forward Plan are being updated;
- Plans for Members' induction process post Covid-19. This will include sample testing to assess Members' expectations as to inductions and how they correspond with Policies and Procedures;
- Registers of interest processes, to assess whether all relevant documentation has been completed and is up to date;
- Review of governance reports provided to the TfN Board, including action tracking and escalation processes from Committees to the TfN Board; and
- We will conduct interviews / issue questionnaires to Members and key staff (to be agreed with management) to gain insight into the views and expectations of stakeholders regarding TfN's governance arrangements and conduct at meetings.

The following limitations apply to the scope of our work:

- We will undertake an assessment of the adequacy of aspects of the control framework and we will perform limited testing to confirm its operation in practice;
- We will not seek to verify the accuracy of information provided to the Committees and Board;
- We will not comment on the appropriateness or skills/experience of individuals in governance positions;
- We do not endorse a particular means of managing information to Committees and Board. It remains the responsibility of the Committees, Board and management to agree and manage information needs and to determine what works most effectively;
- Any testing undertaken during the audit will be performed on a sample basis only;
- We will not comment on whether the structure and the skills mix of the Committees, and Board are adequate to meet the needs of TfN;
- The audit will not constitute an assessment of the overall effectiveness of TfN's governance structure;
- The audit will not involve a comprehensive review of the minutes and papers and will not consider the appropriateness of decisions made;
- We will not provide assurances in regard to the accuracy or relevance of the information received or presented at meetings;
- The results of our work are reliant on the quality and completeness of the information provided to us; and
- Our work does not provide assurance that error, loss or fraud do not exist.

Debrief held 20 July 2021
Draft report issued 27 July 2021
Responses received 17 August 2021 and 7
Revised draft report issued September 2021
25 August 2021

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Final report issued 7 September 2021

Client sponsor Dawn Madin, Director of Business Capabilities
Distribution Dawn Madin, Director of Business Capabilities
Julie Openshaw, Head of Legal and Monitoring Officer

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The matters raised in this report are only those which came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Actions for improvements should be assessed by you for their full impact. This report, or our work, should not be taken as a substitute for management's responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and our work should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any.

Our report is prepared solely for the confidential use of Transport for the North, and solely for the purposes set out herein. This report should not therefore be regarded as suitable to be used or relied on by any other party wishing to acquire any rights from RSM Risk Assurance Services LLP for any purpose or in any context. Any third party which obtains access to this report or a copy and chooses to rely on it (or any part of it) will do so at its own risk. To the fullest extent permitted by law, RSM Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by any person's reliance on representations in this report.

This report is released to you on the basis that it shall not be copied, referred to or disclosed, in whole or in part (save as otherwise permitted by agreed written terms), without our prior written consent.

We have no responsibility to update this report for events and circumstances occurring after the date of this report.

RSM Risk Assurance Services LLP is a limited liability partnership registered in England and Wales no. OC389499 at 6th floor, 25 Farringdon Street, London EC4A 4AB.

TRANSPORT FOR THE NORTH

Internal Audit Progress Report

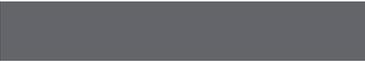
16 September 2021

This report is solely for the use of the persons to whom it is addressed.
To the fullest extent permitted by law, RSM Risk Assurance Services LLP
will accept no responsibility or liability in respect of this report to any other party.



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1 Key messages

The internal audit plan for 2021/22 was approved at the February 2021 Audit and Governance Committee meeting. As the developments around Covid-19 will continue to impact on all areas of the organisation’s risk profile, we will work closely with management to deliver an internal audit programme which remains flexible and ‘agile’ to ensure it meets your needs in the current circumstances.

This report provides an update on progress against that plan and summarises the results of our work to date.



We have issued two audit assignment reports since the last Audit and Governance Committee meeting held in July 2021. These relate to the Governance Effectiveness Arrangements (2.21/22) review which concluded that the Board could take ‘reasonable’ assurance and the Risk Management Strategy (3.21/22) review which concluded that the Board could take ‘substantial’ assurance. Both reports are referred to at Appendix A. [\[To discuss and note\]](#)



Fieldwork dates have been agreed for the remaining internal audit reviews for 2021/22. Scoping meeting to discuss the focus of these reviews are currently taking place. [\[To note\]](#)



No changes have been made to the internal audit plan 2021/22 since the last Audit and Governance Committee meeting. [\[To note\]](#)

2 Reports

2.1 Summary of final reports being presented to this committee meeting

This section summarises the reports that have been finalised since the last meeting.

Assignment	Opinion issued	Actions agreed		
		L	M	H

Governance Effectiveness Arrangements (2.21/22)

From the areas considered as part of this review we confirm that an established governance framework is in place, as defined in the TfN Constitution and the Annual Governance Statement. The framework details the roles and responsibilities of key members of the governance structure and provides requirements in regard to the governance operations of TfN. The Covid-19 pandemic has changed but not disrupted the delivery of TfN’s governance framework. For example, meetings have been conducted remotely during the Government lockdowns.

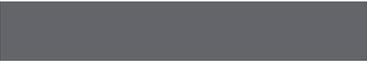
Through our document review and meeting observation we were able to confirm that controls were mainly operating as intended in regard to the delivery of TfN Board and Committee meetings. Whilst we did not identify any major gaps in controls that highlight an immediate high risk, we did note minor exceptions in relation to our testing on Members’ declarations of business interests as well as several areas where the control framework could be further strengthened in relation to Board reports, action tracking and Member inductions. These matters, resulting in two ‘medium’ and five ‘low’ priority management actions being agreed, have been considered when forming our overall opinion. It is noted that since our fieldwork was completed in July 2021, management has confirmed that progress has been made towards implementing the agreed management actions.

During our review we utilised the 4Questionnaire tool for Members and Senior Officers to provide feedback on current governance arrangements. Responses were received from 11 recipients and indicated that overall, there is a clear understanding of the roles and generally satisfaction with Board reports and Board administration.

Reasonable Assurance

5 2 0





Assignment	Opinion issued	Actions agreed		
		L	M	H

Risk Management Strategy (3.21/22)

Through our work we confirmed that TfN has established processes in place for the identification and assessment of risk, and for the reporting of risk information to senior management and TfN Board members. This is now supported by the Predict! system following its implementation in the spring/summer of 2021.

We recognise that the risk data had only recently been migrated to the Predict! system at the time of our review and, as such, some of the fields within the system had not been fully populated at that point.

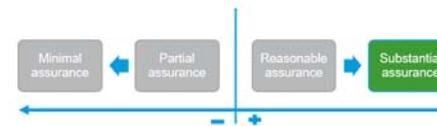
However, we were able to confirm that the organisation’s standards regarding the identification and recording of risks and controls/actions were being followed consistently for the areas we reviewed.

Whilst clearly established processes are in place to support the risk management process, we identified some areas where we consider the procedures could be improved in this area. These relate to the updating of the Risk Management Strategy document, and the consistent recording of information in the Predict! system and the Corporate Risk Register reports.

Two management actions have been agreed which are designed to support management with their ongoing work in this area. However, these matters have not impacted upon the positive assurance opinion provided.

Substantial Assurance

2 0 0



2.2 Themes arising from control observations in 2021/22 reports

	Low	Medium	High
Planning	0	0	0
Policies and / or procedures	1	0	0
Non-compliance with policies / procedures	0	1	0
Design of the control framework	0	0	0
Training / awareness for staff	0	1	0
Management or performance information	1	0	0
Lack of segregation of duties	0	0	0
Poor record keeping	0	0	0
Risk Management	0	0	0
Governance weaknesses	5	0	0
Information technology	0	0	0
Total	7	2	0

The theme with the highest number of aligned management actions to date is 'Governance weaknesses'. It is noted that all five of these actions relate to the Governance Effectiveness Arrangements (2.21/22) review.

Appendix A – Progress against the internal audit plan 2021/22

Assignment and Executive Lead	Status / Opinion issued	Actions agreed			Target Audit and Governance Committee (as per IA plan 2021/22 / change control)	Actual Audit and Governance Committee
		L	M	H		
Follow Up (1.20/21) (Finance Director)	Good Progress	13 of 16 actions completed			July 2021	June 2021
Governance Effectiveness Arrangements (2.21/22) (Director of Business Capabilities)	Reasonable Assurance	5	2	0	July 2021 / September 2021 ¹	September 2021
Risk Management Strategy (3.21/22) (Finance Director)	Substantial Assurance	2	0	0	September 2021	September 2021
Purchase to Pay Framework (Finance Director)	Due to commence 4 October 2021.	n/a			December 2021	n/a
Flexi-Time (Director of Business Capabilities)	Due to commence 18 October 2021.	n/a			December 2021	n/a
IT Audit: Cyber Security or GDPR Governance (Director of Business Capabilities)	Due to commence 17 January 2022.	n/a			March 2022	n/a

1 This review incorporated the use of a questionnaire issued to TfN Members and Senior Officers to gain insight into TfN's governance arrangements. The questionnaire closing date was extended until mid-June in agreement with management to provide the opportunity to obtain as many responses as possible.

Appendix B – Other matters

On-going liaison

Ongoing liaison has taken place between RSM and Iain Craven to discuss audit assignment scopes for 2021/22 and ongoing developments at TfN.

Updates, briefings and invites

The following updates, briefings and invites have been issued since the last Audit and Governance Committee meeting:

- Employment Matters (August 2021) – this is summarised below and we have incorporated a link to the full newsletter for further reading;
- We invited management/members at TfN to our:
 - RSM NED Network - The Good Board; and
 - Embracing the future of work - hybrid working event that took place on 19 July 2021.

Employment Matters – August 2021 - <https://www.rsmuk.com/ideas-and-insights/employment-matters>

The Hybrid working revolution – do employment contracts now need to change? - For many, the pandemic brought government-mandated working from home (WFH). The Government has also flirted with the introduction of a permanent right for employees to work from home, as part of a right for all employees to work flexibly. With the delay to the expected Employment Bill, no such right has yet been announced. With effect from 19 July 2021, the Government workplace guidance is now: 'The Government is no longer instructing people to work from home if they can, so employers can start to plan a return to workplaces.' ACAS has issued guidance on hybrid working, which recommends the formulation of a hybrid working policy. Developing this after staff surveys to establish staff sentiment clearly makes sense. ACAS has also published the results of a survey showing that over half of employers expect an increase in employee requests for flexible working. When a change is made it will be a contractual change, so it needs to be agreed after fair consultation and be clearly documented.

Coronavirus and Jitterbugs: Dealing with return-to-office anxieties - Now that restrictions on UK businesses have started to ease, many employers are starting to plan a return to the office. The government has suggested a gradual return over the summer months, giving employers time to consider longer term strategies. The office is a place where new talent recruited during the pandemic can be developed and nurtured, a key consideration for bigger firms with a lot of new staff. It's also a place where collaboration can happen more organically. On the other hand, without the daily commute a lot of people have found their work-life balance much easier to achieve. Employers will need to demonstrate to employees that government guidelines are being followed, and that the office's layout, cleanliness, and ventilation has been reviewed and improved where necessary. Updating staff on how the offices are being prepared for their return is important.



Now is the time to take stock of your payroll - The payroll world has come to the close of a particularly busy time, seeing out year-end by completing tasks such as P60s and P11ds. Although payroll is always moving, and certainly busy, the summer months are a great opportunity to take a breath and think about how the payroll is working. Payroll can be a complex and time-consuming task, so a deep dive review on a regular basis can assist in streamlining to ensure it works both efficiently and accurately. With many employers having used, or still using, the furlough scheme, it's of even greater importance to take stock of the payroll. Many employers have used furlough and flexible furlough throughout the past 16 months and will know that with it came some complexities. As the Coronavirus Job Retention Scheme (CJRS) became embedded the guidance was regularly updated, and that may well mean that some of the earlier calculations used by employers could now be outdated. As more and more employers start to reduce their use of the scheme, or even stop making use of it, it is an excellent time to go back and review the claims made and the calculations used to raise those claims. Once CJRS comes to a complete end it will then become something HMRC look to audit, and it is important for employers to be prepared and comfortable that they have accurately calculated claims in line with the current guidance.

Hybrid working – the employment tax considerations - The coronavirus pandemic has accelerated a move towards hybrid working, which allows employees to split their time between traditional workplaces like offices and working remotely (usually from home). As employers start to formulate their new policies it is also important to consider the wider implications of hybrid working. It is also necessary to think about threats to IT security where employees are working remotely, particularly in certain overseas jurisdictions, as well as the impact of hybrid working on the demand for office space. In relation to hybrid working, HMRC makes the point that in many cases home working is a personal choice. While a home may also be a place of work, it may not necessarily be a permanent workplace for tax purposes. Under existing rules, where an employer provides an employee with home office equipment (for example a desk or printer) for the sole purpose of enabling the employee to work, and any private use of that equipment is insignificant, the provision of the equipment should be exempt from tax and NIC. This exemption is conditional on the employer retaining ownership of the equipment. A tax liability may arise if ownership of the equipment passes to the employee, so care needs to be taken when the old equipment is updated or replaced. In summary, hybrid working is undoubtedly here to stay for many of us. It is therefore important that employers determine their policy across all affected areas of the business and update their processes, procedures, and controls accordingly.

Non-resident directors of UK companies and the tax implications - Non-UK resident directors of UK companies visiting the UK to perform duties associated with their board role are office holders, so salaries or fees paid to them are subject to PAYE. Employee and employer Class 1 NIC may also be due under PAYE on salaries or fees paid to non-UK resident directors. For NIC, however, there are potential concessions and regulations which, if relevant, may ultimately mean that there is no liability for UK Class 1 NIC on the director's earnings. All UK companies with overseas based directors who may start to travel to the UK again on board business should consider reviewing existing arrangements to ensure that tax and NIC obligations are being met. In particular, UK companies in this situation should consider, how to calculate the appropriate level of earnings. The requirement to obtain a special direction (s690 application) from HMRC, which will allow the company to deduct tax only from that part of the director's salary or fees which are attributable to estimated UK duties. Whether the director's earnings are liable to employee and employer Class 1 NIC, or whether concessions or regulations apply which remove this requirement. Alerting the director to their requirement to complete a personal tax return in the UK in respect of the UK directorship and how to mitigate any potential double taxation.



Post assignment surveys

We are committed to delivering an excellent client experience every time we work with you. Your feedback helps us to improve the quality of the service we deliver to you. Currently, following the completion of each product we deliver we attached a brief survey for the client lead to complete.

We would like to give you the opportunity to consider how frequently you receive these feedback requests; and whether the current format works. Options available are:

- After each review (current option).
- Monthly / quarterly / annual feedback request.
- Executive lead only, or executive lead and key team members.



For more information contact

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Audit Completion Report

Transport for the North

Year ended 31 March 2021

September 2021

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03	Audit approach
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05	Internal control recommendations
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Our reports are prepared in the context of the 'Statement of Responsibilities of auditors and audited bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited. Reports and letters prepared by appointed auditors and addressed to Transport for the North are prepared for the sole use of Transport for the North and we take no responsibility to any member or officer in their individual capacity or to any third party. Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.

Audit and Governance Committee
2nd Floor,
4 Piccadilly Place,
Manchester,
M1 3BN

8 September 2021

Dear Members

Audit Completion Report – Year ended 31 March 2021

We are pleased to present our Audit Completion Report for the year ended 31 March 2021. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented on 18 February 2021. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

I would like to express our thanks for the assistance of your team during our audit. If you would like to discuss any matters in more detail then please do not hesitate to contact me on 0161 238 9248.

Yours faithfully

Signed: 

Karen Murray
Mazars LLP

Mazars LLP
1 St Peter Square
Manchester
M2 3DE

01

Section 01:

Executive summary

1. Executive summary

Principal conclusions and significant findings

The detailed scope of our work as your appointed auditor for 2020/21 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

In section 4 of this report we have set out our conclusions and significant findings from our audit. This section includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- Management override of controls; and

Net defined benefit liability valuation

Intangible assets novation

Section 5 sets out internal control recommendations and section 6 sets out audit misstatements; unadjusted statements total, subject to the completion of outstanding matters.

Status and audit opinion

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2021.

At the time of preparing this report, matters remaining outstanding are outlined in section 2. We will provide an update to you in relation to the significant matters outstanding through issuance of a follow up letter.

Subject to the satisfactory conclusion of the remaining audit work, we have the following conclusions:



Audit opinion

We anticipate issuing an unqualified opinion, without modification, on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.



Value for Money

We anticipate having no significant weaknesses in arrangements to report in relation to the arrangements that TfN has in place to secure economy, efficiency and effectiveness in its use of resources. Further detail on our Value for Money work is provided in section 7 of this report



Whole of Government Accounts (WGA)

We have not yet received group instructions from the National Audit Office in respect of our work on the TfN's WGA submission. We are unable to commence our work in this area until such instructions have been received.



Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of TfN and to consider any objection made to the accounts. No such correspondence from electors has been received.

02

Section 02:

Status of the audit

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2. Status of the audit

Our work is substantially complete and there are currently no matters of which we are aware that would require modification of our audit opinion, subject to the outstanding matters detailed below.

Audit area	Status	Description of the outstanding matters
Pensions		We are awaiting the pension fund assurance letter from the pension fund auditor.
Review and closure procedures		Including reviews of completed work, checking the final version of the financial statements and consideration of any post balance sheet events.
Whole of Government Accounts		Reviewing and submitting the Whole of Governments Accounts consolidation schedules. The NAO has not yet issued guidance to auditors.

-  Likely to result in material adjustment or significant change to disclosures within the financial statements.
-  Potential to result in material adjustment or significant change to disclosures within the financial statements.
-  Not considered likely to result in material adjustment or change to disclosures within the financial statements.

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03

Section 03: **Audit approach**

3. Audit approach

Changes to our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in February 2021 and have not made any changes to our audit approach since then.

Materiality

Our provisional materiality at the planning stage of the audit was set at £1.014m using a benchmark of 2% of gross operating expenditure. Our final assessment of materiality, based on the final financial statements is £1.25m using the same benchmark.

Use of experts

Management makes use of experts in specific areas when preparing TfN's financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

Item of account	Management's expert	Our expert
Defined benefit liability valuation and disclosures	Hymans Robertson Actuary for the Greater Manchester Pension Fund	PWC - commissioned by the National Audit Office

Service organisations

International Auditing Standards (UK) (ISAs) define service organisations as third party organisations that provide services to TfN that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services. The table below summarises the service organisations used by TfN and our audit approach.

Items of account	Service organisation	Audit approach
Payroll	Hawsons	We obtained our assurance by understanding the processes and controls that TfN has in place to assure itself that transactions are processed materially correctly. Our testing included substantive sample testing of transactions.



04

Section 04: **Significant findings**

4. Significant findings

In this section we outline the significant findings from our audit. These findings include:

- our audit conclusions regarding other significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 13 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any significant difficulties we experienced during the audit;

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Significant risks

Management override of controls]	Description of the risk
	In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.
	<p>How we addressed this risk</p> <p>We addressed this risk through performing audit work over:</p> <ul style="list-style-type: none"> • Accounting estimates impacting amounts included in the financial statements; • Consideration of identified significant transactions outside the normal course of business; and • Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.
	<p>Audit conclusion</p> <p>Our work has provided the assurance we sought in the above areas and has not highlighted any material issues to bring to your attention..</p>



4. Significant findings

Net defined benefit liability valuation	Description of the risk
	<p>The net pension liability is likely to represent a material element of TfN's balance sheet. TfN is an admitted body of Greater Manchester Pension Fund, which had its last triennial valuation completed as at 31 March 2019. The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in TfN's overall valuation.</p>
	<p>Financial assumptions and demographic assumptions will be used in the calculation of TfN's valuation, such as the discount rate, inflation rates and mortality rates. The assumptions should also reflect the profile of TfN's employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes. There is a risk that the assumptions and methodology used in valuing TfN's pension obligation are not reasonable or appropriate to TfN's circumstances. This could have a material impact to the net pension liability in 2020/21.</p>
	<p>How we addressed this risk</p>
	<p>We completed the following procedures:</p>
	<ul style="list-style-type: none"> • Critically assessed the competency, objectivity and independence of the Greater Manchester Pension Fund's Actuary, Hymans Robertson; • Liaised with the auditors of the Greater Manchester Pension Fund to gain assurance that the controls in place at the Pension Fund are operating effectively. This included the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS19 valuation is complete and accurate; • Tested payroll transactions at TfN to provide assurance over the pension contributions which are deducted and paid to the Pension Fund by TfN; • Reviewed the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This included comparing them to expected ranges, utilising information provided by PWC, consulting actuary engaged by the National Audit Office; and • Agreed the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in TfN's financial statements
	<p>Audit conclusion</p>
	<p>Our work is ongoing as we require the pension fund auditor's letter of assurance. We have not identified any material issues to bring to your attention at this stage.</p>

Intangible assets novation to the local authority	Description of the risk
	<p>Intangible assets related to the Phase 2 IST project are planned to be novated to the local authorities when they become operational. The timing of this is uncertain but it could be prior to 31 March 2021, in which case the accounting entries would need to be recognised in the 2020/21 financial statements.</p>
	<p>There is a risk that the accounting treatment for the novation of intangible assets to the local authority will not be in line with the CIPFA Code of Local Authority Accounting,</p>
	<p>How we addressed this risk</p>
	<p>We discussed with management and reviewed the accounting treatment of the novation of the intangible assets in the financial statements to ensure that this was in line with the Code.</p>
	<p>Audit conclusion</p>
	<p>A number of intangible assets are transferring to the Department for Transport rather than local authorities. We identified one material misclassification error relating to the Fares Data Build Tool which had been treated as an impairment of £1.996m in the financial statements but should have been treated as a loss on disposal. This is covered in more detail in section 6 (adjusted misstatements).</p>



4. Significant findings

Qualitative aspects of TfN's accounting practices

We have reviewed TfN's accounting policies and disclosures and concluded they comply with the 2020/21 Code of Practice on Local Authority Accounting, appropriately tailored to the TfN's circumstances.

Draft accounts were received from TfN on 7 June 2021 and were of a good quality and working papers were of a decent standard to support the financial statements.

Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management.

Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2020/21 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. No such objections have been raised.

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05

Section 05: **Internal control recommendations**

5. Internal control recommendations

The purpose of our audit was to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements in order to design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

We have no internal control recommendations to bring to your attention for 2020/21 and there are none relating to 2019/20 to follow up.

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06

Section 06:

Summary of misstatements

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6. Summary of misstatements

This section outlines the misstatements identified during the course of the audit, above the trivial threshold for adjustment of £38,000. There were no unadjusted errors. The table below outlines the misstatements that have been adjusted by management during the course of the audit.

Adjusted misstatements

	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1				
Dr: Intangible Assets (Impairments)			1,996	
Cr: CIES Net cost of services		1,996		
Dr: CIES Other operating expenditure (loss on disposal)	1,996			
Cr: Intangible Assets (Disposals)				1,996
Impairments on intangible assets of £1.996m in the net cost of services should be shown as a loss on disposal in year rather than an impairment. This impacts on related notes in the financial statements such as the intangible assets note 15. The amounts are reversed out via the movement in reserves statement therefore there is no impact on the TfN's revenue account.				
Total adjusted misstatements	3,992	3,992		

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Disclosure amendments

We identified a number of trivial errors that were adjusted in the financial statements (eg. typos). Other disclosure errors noted below.

Note 26 Grant income credited to services: One misclassification error of £56k which should be shown in the Rail North grant line rather than rail north contributions.

Narrative statement and notes to the financial statements: The narrative statement was updated in a number of areas. For example to provide more information on TfN's main achievements during 2020/21 and to include a paragraph on the resignation and replacement of the Chairman.

Executive summary

Status of audit

Audit approach

Significant findings

Internal control recommendations

Summary of misstatements

Value for Money

Appendices

07

Section 07: **Value for Money**

7. Value for Money

Approach to Value for Money

We are required to consider whether TfN has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:

- **Financial sustainability** - How TfN plans and manages its resources to ensure it can continue to deliver its services
- **Governance** - How TfN ensures that it makes informed decisions and properly manages its risks
- **Improving economy, efficiency and effectiveness** - How TfN uses information about its costs and performance to improve the way it manages and delivers its services

At the planning stage of the audit, we undertake work to understand the arrangements that TfN has in place under each of the reporting criteria and we identify risks of significant weaknesses in those arrangements. Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest significant weaknesses in arrangements exist.

The table overleaf outlines the risks of significant weaknesses in arrangements that we have identified, the risk-based procedures we have undertaken, and the results of our work.

Where our risk-based procedures identify actual significant weaknesses in arrangements we are required to report these and make recommendations for improvement. Where such significant weaknesses are identified, we report these in the audit report.

The primary output of our work on TfN's arrangements is the commentary on those arrangements that forms part of the Auditor's Annual Report. We intend to issue the Auditor's Annual Report in September/October 2021.

Status of our work

We are yet to complete our work in respect of TfN's arrangements for the year ended 31 March 2021. At the time of preparing this report, we have not identified any significant weaknesses in arrangements that require us to make a recommendation, however we continue to undertake work on TfN's arrangements.

Our draft audit report at Appendix B outlines that we have not yet completed our work in relation to the TfN's arrangements. As noted above, our commentary on TfN's arrangements will be provided in the Auditor's Annual Report in September/October 2021.

7. Value for Money

Risks of significant weaknesses in arrangements

In our Audit Strategy Memorandum we reported the risks of significant weaknesses in arrangements that we had identified as part of our planning procedures. Our responses to those identified risks is outlined in the table below.

Risk of significant weakness in arrangements	Financial sustainability	Governance	Improving the 3Es	Work undertaken and conclusions reached
<p>1 Reductions in core funding TfN's 'Core' funding allocation of £6m for 2021/22 is a £4m reduction on the current allocation for 2020/21 and is £5.2m less than that requested in the CSR for 2021/ 22 (£11.2m). The gap in funding for 2021/22 will largely be met by charging core costs to NPR programmes and drawing on general fund balances.</p> <p>There is a risk that arrangements will not be in place to ensure that all costs will be fully funded for 2021/22 and that a proper and realistic budget will be set.</p>	●			<p>Work undertaken We reviewed the 2021/22 financial plan including consideration of any proposed charging of 'core' costs to the Northern Powerhouse Rail programme (NPR). The majority of expenditure for TfN is dependent upon the receipt of funding from the Department for Transport (DfT) and TfN will only commit itself to expenditure where appropriate commitments have been received. Therefore the main financial risk to TfN is with the core operational budget which is relatively small at £8.6m.</p> <p>Following the announcement of the funding reduction, DfT agreed to allow TfN the flexibility to charge £1.54m of central core costs into the NPR programme as well as appropriate direct costs (£0.95m). We have obtained evidence to support the direct costs and reviewed the basis of the apportionment of the recharges. These are not unreasonable and broadly in line with similar recharges on the IST programme in 2019/20 which were £1m.</p> <p>The current level of retained reserves of £6.67m is above the agreed minimum level of £2m. This provides TfN with the ability to sustain an expenditure run rate at a level which is above its core funding allocation in the short to medium-term to continue to support key developments. It also provides a level of risk mitigation against future financial uncertainty in the short term. The Board agreed to a release of general fund reserves of £2.60m (subsequently refined to £2.54m) for 2021/22, allowing TfN to set a Core budget envelope of £8.6m. This approach will result in general reserves of approximately £3.6m (excluding earmarked reserves) at the end of the 2021/22 financial year which is still a relatively healthy position for TfN. Total reserves will fall to £3.0m in 2022/23 and then to £2m by the end of 2023/24. On this current trajectory, TfN has acknowledged that it will face sustainability challenges in the medium-term as the reserves are utilised. To address this, TfN intends to perform a review of its expenditure and its reserves strategy once it has clarity with regard to its long term funding settlement through the Comprehensive Spending Review (CSR) expected later in 2021.</p> <p>However, this position needs to be carefully managed to ensure that TfN maintains sufficient cash and the resources to meet liabilities. TfN will need to consider how it will address its medium term position once the CSR is concluded, or should it be delayed.</p> <p>Conclusions We have not identified any significant weaknesses in arrangements at this time but we recognise that TfN cannot continue to draw on reserves without addressing the underlying financial position over the medium term.</p>

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Appendices

A: Draft management representation letter

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B: Draft audit report

C: Independence

D: Other communications

Appendix A: Draft management representation letter

Karen Murray
1 St Peter Square
Manchester
M2 3DE

September 2021

Dear Karen

Transport for the North - audit for year ended 31 March 2021

This representation letter is provided in connection with your audit of the financial statements of Transport for the North for the year ended 31 March 2021 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code).

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with Code.

My responsibility to provide and disclose relevant information.

I have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- Additional information that you have requested from us for the purpose of the audit; and
- Unrestricted access to individuals within Transport for the North you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Finance Director that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information. As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Board and relevant committee meetings, have been made available to you.

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with the Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the financial position, financial performance and cash flows of Transport for the North

Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by the Transport for the North in making accounting estimates, including those measured at fair value, are reasonable.

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- Information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- The amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against Transport for the North have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code.

Appendix A: Draft management representation letter

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom. We have complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Fraud and error

I acknowledge my responsibility as Finance Director for the design, implementation and maintenance of internal control to prevent and detect fraud and error. I have disclosed to you:

- All the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- All knowledge of fraud or suspected fraud affecting the Transport for the North involving:
 - management and Those Charged With Governance;
 - employees who have significant roles in internal control; and
 - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Transport for the North's financial statements communicated by employees, former employees, analysts, regulators or others.

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code. I have disclosed to you the identity of Transport for the North's related parties and all related party relationships and transactions of which I am aware.

Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment and intangible assets below their carrying value at the statement of financial position date. An impairment review is therefore not considered necessary.

Charges on assets

All Transport for the North's assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities..

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Group Accounting Manual, relevant legislation and IFRSs require adjustment or disclosure have been adjusted or disclosed. Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Other matters

I can confirm in relation to the following matters that:

- I have carried out an assessment of the potential impact of the United Kingdom leaving the European Union, including the potential outcomes at the end of the Implementation Period.
- COVID-19 - we have assessed the impact of the COVID-19 Virus pandemic on Transport for the North and the financial statements, including the impact of mitigation measures and uncertainties, and are satisfied that the financial statements and supporting notes fairly reflect that assessment.

Appendix A: Draft management representation letter

Going concern

I confirm that I have carried out an assessment of the potential impact of the COVID-19 Virus pandemic on Transport for the North, including the impact of mitigation measures and uncertainties and am satisfied the going concern assumption remains appropriate and that no material uncertainty has been identified. To the best of my knowledge there is nothing to indicate that the Transport for the North will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Annual Governance Statement

I am satisfied that the Annual Governance Statement (AGS) fairly reflects the Transport for the North's risk assurance and governance framework and I confirm that I am not aware of any significant risks that are not disclosed within the AGS

Unadjusted misstatements

I confirm that the effects of any uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this letter as an Appendix.

Yours sincerely
Finance Director

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Appendix B: Draft audit report

Independent auditor’s report to the members of Transport for the North

Report on the audit of the financial statements

Opinion on the financial statements

We have audited the financial statements of Transport for the North for the year ended 31 March 2021, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

In our opinion, the financial statements:

give a true and fair view of the financial position of the Transport for the North as at 31st March 2021 and of its expenditure and income for the year then ended; and have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities section of our report. We are independent of the Transport for the North in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Finance Director’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on Transport for the North’s ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Finance Director with respect to going concern are described in the relevant sections of this report.



Appendix B: Draft audit report

Other information

The Finance Director is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor’s report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Finance Director for the financial statements

As explained more fully in the Statement of Responsibility for the Accounts, the Finance Director is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and for being satisfied that they give a true and fair view. The Finance Director is also responsible for such internal control as the Finance Director determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Finance Director is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and prepare the financial statements on a going concern basis on the assumption that the functions of Transport for the North will continue in operational existence for the foreseeable future. The Finance Director is responsible for assessing each year whether or not it is appropriate for Transport for the North to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of Transport for the North, we identified that the principal risks of non-compliance with laws and regulations related to the Local Government Act 2003 (and associated regulations made under section 21) and the Local Audit and Accountability Act 2014 (and associated regulations made under section 32) and we considered the extent to which non-compliance might have a material effect on the financial statements.



Appendix B: Draft audit report

We evaluated the Finance Director’s incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance; management bias through judgements and assumptions in significant accounting estimates; and significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- discussing with management and the Audit and Governance Committee the policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by Transport for the North which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- making enquiries of management and the Audit and Governance Committee on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management and the Audit and Governance Committee. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

We are also required to conclude on whether the Finance Director’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in April 2021.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council’s website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor’s report.



Appendix B: Draft audit report

Report on Transport for the North's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception

We are required to report to you if, in our view we are not satisfied that Transport for the North has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have not completed our work on Transport for the North's arrangements. On the basis of our work to date, having regard to the guidance issued by the Comptroller and Auditor General in April 2021, we have not identified any significant weaknesses in arrangements for the year ended 31 March 2021.

We will report the outcome of our work on the Transport for the North's arrangements in our commentary on those arrangements within the Auditor's Annual Report. Our audit completion certificate will set out any matters which we are required to report by exception.

Responsibilities of Transport for the North

Transport for the North is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that Transport for the North has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of Transport for the North's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021.

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.



Appendix B: Draft audit report

Use of the audit report

This report is made solely to the members of Transport for the North, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of Transport for the North those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of Transport for the North, as a body, for our audit work, for this report, or for the opinions we have formed.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed

- the work necessary to issue our assurance statement in respect of Transport for the North’s Whole of Government Accounts consolidation pack; and
- the work necessary to satisfy ourselves that Transport for the North has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

[Signature]

Karen Murray, Audit Partner
For and on behalf of Mazars LLP

1 St Peter Square
Manchester
M2 3DE

September 2021



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Appendix C: Independence

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

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Appendix D: Other communications

Other communication	Response
Compliance with Laws and Regulations	<p>We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations.</p> <p>We will obtain written representations from management that all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements have been disclosed.</p>
External confirmations	<p>We did not experience any issues with respect to obtaining external confirmations.</p>
Related parties	<p>We did not identify any significant matters relating to the audit of related parties.</p> <p>We will obtain written representations from management confirming that:</p> <ul style="list-style-type: none"> a. they have disclosed to us the identity of related parties and all the related party relationships and transactions of which they are aware; and b. they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework.
Going Concern	<p>We have not identified any evidence to cause us to disagree with the Finance Director that Transport for the North will be a going concern, and therefore we consider that the use of the going concern assumption is appropriate in the preparation of the financial statements.</p> <p>We will obtain written representations from management, confirming that all relevant information covering a period of at least 12 months from the date of approval of the financial statements has been taken into account in assessing the appropriateness of the going concern basis of preparation of the financial statements.</p>

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Appendix D: Other communications

Other communication	Response
Subsequent events	<p>We are required to obtain evidence about whether events occurring between the date of the financial statements and the date of the auditor’s report that require adjustment of, or disclosure in, the financial statements are appropriately reflected in those financial statements in accordance with the applicable financial reporting framework.</p> <p>We will obtain written representations from management that all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.</p>
Matters related to fraud	<p>We have designed our audit approach to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement due to fraud. In addition to the work performed by us, we will obtain written representations from management, and the Audit and Governance Committee as ‘those charged with governance’ confirming that:</p> <ul style="list-style-type: none"> a. they acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud; b. they have disclosed to the auditor the results of management’s assessment of the risk that the financial statements may be materially misstated as a result of fraud; c. they have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving: <ul style="list-style-type: none"> i. Management; ii. Employees who have significant roles in internal control; or iii. Others where the fraud could have a material effect on the financial statements; and d. they have disclosed to the auditor their knowledge of any allegations of fraud, or suspected fraud, affecting the entity’s financial statements communicated by employees, former employees, analysts, regulators or others.

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Mazars

1 St Peter Square
Manchester
M2 3DE

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Meeting: Transport for the North Audit and Governance Committee

Subject: Year End Statutory Accounts

Author: Paul Kelly, Financial Controller

Sponsor: Iain Craven, Finance Director

Meeting Date: Thursday 16 September 2021

1. Purpose of the Report:

- 1.1 To present to Audit & Governance Committee the Draft Unaudited Accounts of Transport for the North for consideration and recommendation to the TfN Board.
- 1.2 This is a follow on from the presentation given to Audit & Governance Committee on 15 July 2021.

2. Executive Summary:

- 2.1 The Draft Unaudited Accounts are attached as Item 8.1.
- 2.2 Transport for the North officers will provide explanation of these papers during the Audit & Governance Committee.

3. Background:

- 3.1 Unaudited draft accounts were presented to the committee on 15 July 2021.
- 3.2 At that meeting it was stated that the external audit was still ongoing and there was the possibility of final amendments to the draft accounts with specific reference to the disclosure of the disposal of the fares data tool to the Department of Transport.
- 3.3 The audit has now been finalised and there are two main changes (as referenced in Mazars' audit completion report) to the draft unaudited accounts as presented at the meeting of 15 July 2021:
 - The disclosure of the write-down of the fares data tool has been changed from an impairment to a loss on disposal. This update, as it is the sole "disposal" in the year (as opposed to impairment), results in this transaction being moved from within the Integrated and Smart Ticketing "cost of services" heading, to being the only item disclosed in the new line "other operating expenditure" within

the Comprehensive Statement of Income and Expenditure Statement. The update also requires amendment to various notes to the accounts and the creation of a new note (note 10) as we are now disclosing "Other Operating Expenditure". As the transaction was one of the more material transactions in the year, there are various changes to the narrative within the accounts. This does not change the overall result for the year.

- Within note 26, Rail North Local Contributions of £56k have been reclassified as Rail North Grant. This adjustment is isolated to the note and has no other effect in the accounts.

- 3.4 For ease of reference, both these changes (and the consequential changes required to the narrative) have been highlighted in the attached accounts.
- 3.5 In addition, there were a number of minor drafting changes that have been processed. These are captured as track changes within the attached document.
- 3.6 The draft accounts were published for public inspection for the 30-day period as specified. No questions or queries were received in relation to the accounts.

4. Recommendation:

- 4.1 That the committee considers the financial statements and recommends them to be considered for approval by the TfN Board.

5. Corporate Considerations:

5.1 *Financial and Resource Implications*

There are no financial implications within this report.

There are no direct resource implications as a result of the report.

5.2 *Legal Implications*

The legal implications have been considered and are included in the report.

5.3 *Risk Management and Key Issues*

There are no risks associated with the content of this report.

5.4 ***Environmental Implications***

A full impact assessment has not been carried out because it is not required for this report.

5.5 ***Equality and Diversity***

A full impact assessment has not been carried out because it is not required for this report.

5.6 ***Consultations***

A consultation has not been carried out because it is not necessary for this report.

6. Background Papers

6.1 There are no background documents.

7. Appendices:

7.1 Item 8.1 – Draft Unaudited Accounts 2020/21

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Transport for the North Draft Unaudited Accounts 2020/21



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Narrative Report

Organisational Overview and External Environment

Our Purpose

Transport for the North (TfN) is a statutory body of elected leaders and senior business representatives from across the North. Collectively, our members represent all the region's 15.4 million citizens and provide 'one voice' for the North on transport matters.

TfN is a symbol of the North's ambition and represents unprecedented collaboration toward a shared goal – to drive inclusive and sustainable economic growth and quality of life. We do this by identifying, making decisions on and planning the strategic transport infrastructure required to deliver an economic step change for the North. One that will leave a lasting legacy for future generations.

On 1 April 2018, after receiving parliamentary approval, we became a statutory body, the first of its kind in England.

The statutory powers that have been granted allow and empower us to:

- Develop and implement a Strategic Transport Plan for the North of England;
- Act as 'one voice' for the North, clearly communicating pan-Northern priorities to the Secretary of State for Transport;
- Coordinate and deliver smart ticketing systems across the North;
- Become a statutory partner in road and rail investment decisions, through the Rail North Partnership and Highways North Board;
- Oversee (jointly with the Department for Transport (DfT)) franchised rail services covering Northern and TransPennine Express franchises;
- Promote highways improvements of Northern significance, with the agreement of Government and relevant local transport and highway authorities; and
- Prioritise investment on the transport network.

Our primary function is to develop a long-term transport strategy for the North of England that will help to rebalance the UK economy and drive economic growth in the region. This has been done in the form of the Strategic Transport Plan published in 2019 – a robust blueprint to guide investment over the next 30 years.

Achieving statutory status was a landmark moment for devolution to our region. It ensures that Government is legally obliged to take into account the North's priorities when making transport infrastructure investment decisions.

Vision & Objectives

Our vision is of a thriving North of England where world class transport supports sustainable economic growth, excellent quality of life and improved opportunities for all.

We are making the case for strategic transport improvements across the whole of the North, which are needed to drive sustainable and inclusive transformational economic growth to rebalance the UK economy. We are doing this by looking at how poor transport infrastructure is holding back the North's economic potential, to provide an evidence-based case for investment.

By connecting the key economic areas of the North, we will drive growth, improve access to jobs and ensure the North is a great place to invest and live.

Our Plan

In February 2019, we published our Strategic Transport Plan (STP), which outlined our vision for a future transport network that would enable sustainable economic growth across the whole of the North.

Accompanying the STP is an ambitious, but deliverable, Investment Programme that will improve our roads and railways, ensuring we address the historic gap in investment and support the transformation of the North's economy.

Our initial ambitions in preparing the Strategic Transport Plan were determined by three core drivers:

1. Pursuing greater economic prosperity and wellbeing for those who live and work in the North
2. Connecting the key economic areas of the North will drive growth, improve access to jobs and ensure the North is a great place in which to invest and live
3. Identifying, making decisions on, and planning the strategic transport infrastructure required to deliver an economic step change for the North

The submission of our Strategic Transport Plan saw TfN fulfil one of the key functions under our statutory powers and marked a pivotal moment for the North. For the first time, the North has an investment blueprint – backed by our civic and business leaders – aimed at unleashing new levels of opportunity for future generations.

Summary of activity in 2020/21

The last year has delivered unprecedented challenges few could have predicted. The North's people and businesses have been rocked by the effects of the global pandemic and our transport network has formed part of an altogether different landscape due to prolonged Covid-related restrictions.

Previously crowded trains ran significantly below capacity, carrying key workers, with a strong focus on safety for passengers and train staff alike. The importance of freight movement across the North came to the fore and focus on walking and cycling infrastructure heightened as people explored different ways to stay local and active.

Notwithstanding the pandemic, throughout 2020/21 we stayed on track to deliver on the priorities of the North's civic and business leaders. A pragmatic partner to Government, we've spoken with one voice on a wide range of issues affecting the North. From ensuring rail services responded for those who relied upon them; to making strong, evidence-based cases for investment in our infrastructure, we have continued to deliver for the North's people.

Transport for the North's shared vision remains as resolute and relevant as ever as the nation looks to recovery. There has been excellent progress this year, with committed investment in some of our priorities and TfN being on the front foot of putting forward schemes that could be accelerated as part of our Economic Recovery Plan. TfN's main achievements in the year are summarised below:

- Agreed a single preferred way forward and phasing plan for NPR and submitted statutory advice to the DfT, pending completion of the Strategic Outline Case.
- Agreed and submitted to Government an Economic Recovery Plan (ERP) for the North, a prioritised pipeline of short-term investment projects to build back greener from the pandemic.
- Completed work to develop the Northern Transport Charter, endorsed by Board in 2020, setting out the future priorities and transport devolution in the North.
- Coordinated pan-Northern responses to a number of high-profile Government consultations including the Williams Review; Union Connectivity Review; National Infrastructure Commission's (NIC) Rail Needs Assessment; DfT's Decarbonising Transport: Setting the Challenge policy position paper; and Her Majesty Treasury's (HMT) Green Book Review.
- Developed a roadmap to recovery, supporting the rail industry in the response to Covid-19 to put passengers first and implement the Blake Jones recommendations.
- Updated a Major Roads Report, to be finalised and published following work on TfN's Decarbonisation Strategy, as well as continuing to support partners on promoting connectivity improvements and secure funding.
- Developed our first Freight and Logistics Strategy for the North, alongside a Decarbonisation Strategy to tackle surface transport emissions, for consultation in 2021/2.
- Launched research and insight programmes to support the STP, including research into the visitor economy and social exclusion; as well as publishing our future travel scenarios.

Summary of proposed activity in 2021/22

The year ahead will be one of rebuilding and recovery, 'building back better', but for the North it is also about catching up on decades of under investment, which, if pledges that have been made become commitments, greater investment in the north can become a key element 'levelling up'. Our 2021/22

Business Plan sets out how our activity for the year ahead will support these ambitions. Our prime activities for 2021/22 are:

- Rebuilding rail passenger numbers in the north as COVID-19 restrictions are lifted;
- Working with train operators, Department for Transport and Network Rail to get clarity on future rail investment while improving reliability on the railway given the historic infrastructure constraints;
- Completing and submitting the Northern Powerhouse Rail Strategic Outline Case following the publication of the Government's Integrated Rail Plan;
- Agreeing with DfT the governance for Northern Powerhouse Rail (NPR) as it moves into the next phase of development;
- Pursuing the Economic Recovery Plan with DfT's Acceleration Unit;
- Carrying out the Investment Programme Benefits Analysis, assessing how investment affects inclusivity and sustainability as well as economic activity; and
- Consulting on and completing our Decarbonisation Strategy ready for publication before COP26 (Conference of the Parties).

It should be noted, however, that uncertainties lie ahead. Firstly, a reduction in funding allocations year-on-year means the organisation will face challenges in achieving all of its ambitions in 2021/22.

Likewise, there remain unknowns at a national level. Several key Government policy decisions could significantly impact our work during the coming 12 months, shifting the context against which we operate. These include the anticipated publication of the Integrated Rail Plan for the North and Midlands; the Williams-Shapps Plan for Rail and creation of Great British Railways; the Levelling-Up White Paper; and anticipated Comprehensive Spending Review, all of which may have a bearing on our vision and role.

Despite these challenges, the North's leaders are committed to their pan-Northern objectives; continued collaboration; and securing a proactive and increased role in decision-making over the North's transport networks, whether through investment priorities or oversight of project delivery.

Governance

Transport for the North is a unique arrangement that sees Northern elected leaders and Local Enterprise Partnerships (LEPs) working together to speak to central government with a united voice.

Our Partnership Board is made up of elected and LEP representatives from all areas of the North, along with the Secretary of State for Transport and representatives from Highways England, Network Rail and HS2 Ltd. During the year the Board was chaired by an independent Chairman – John Cridland CBE. This body allows the North to speak with one voice on the transport infrastructure investment needed to boost the North's economy.

After nearly six years of service John Cridland CBE, TfN's Chair, indicated to the TfN Board on 9 June 2021 his intention to retire from the role. The board thanked John his work on behalf of TfN and his substantial contribution to the organisation since 2015. Councillor Louise Gittins will act as the Interim Chair until a new appointment is made.

The Partnership Board provides advice to the main decision-making body: the Transport for the North Board.



Since our inception there have been a number of changes to our governance structure.

Primarily, our constituent authorities increased by 1 to 20 in total, reflecting the creation of the North of Tyne Combined Authority and the North East Combined Authority (South of Tyne) from the former North East Combined Authority.

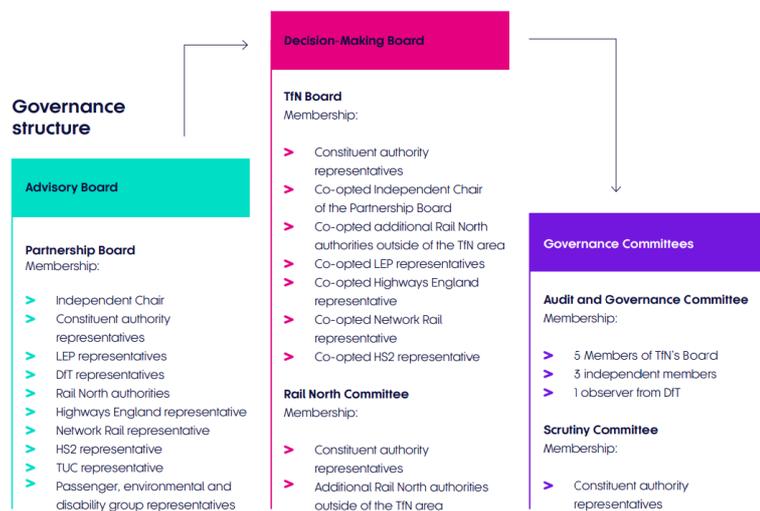
The Partnership Board was also expanded during 2019/20 to include new representative groups that will support the Board in drawing together a wider spectrum of views and expertise. Three regional Trade Union Council (TUC) representatives have joined the Board along with representatives of environmental, disability, and passenger transport user groups.

How we make decisions

We are proud of the fact that we are a membership organisation – led by the North, for the North. All corners of the region are represented on our Board, made up of local politicians and business leaders with an independent Chair. They are joined by representatives from our national delivery partners (Network Rail, Highways England and HS2 Ltd) and work closely with our neighbours in Wales, Scotland and the Midlands.

However, collaboration extends beyond this, and is characterised in the way that we work. Transport and economic officers from across the North work with us day-to-day, taking part in working groups for our major programmes and having significant input in the ongoing development of our Strategic Transport Plan and Investment Programme.

Transport for the North Board and Committee Structure



Business Model

TfN is a single-entity organisation, meaning we do not have a group-structure.

Our Business Plan for 2020/21, published in March 2020, set out TfN's Strategic Objectives and commitments for the year. That Business Plan can be downloaded here:

https://transportforthenorth.com/wp-content/uploads/TFTN_business_plan_20_21.pdf

The Business Plan was based around our four pan-Northern objectives, set out in the previous 'Vision and Objectives' section of this report.

In 2017 we established a framework to monitor and measure the progress and performance of TfN and ensure that we provide value for money. This framework focuses on two areas of performance:

1. **Organisational Key Performance Indicators:** these indicators measure our performance in the establishment of TfN as a Sub-National Transport Body and planning for the future. This includes ensuring we have the right capability and culture to deliver our vision.
2. **Programme Key Performance Indicators:** these indicators measure the performance of all our work programmes. There are four measures used to monitor the performance of our programme delivery: project scope; meeting programme objectives; milestone delivery; and budget. These are reported internally to our boards and externally through the Business Plan to demonstrate progress achieved in the previous year.

Delivering on Our Objectives

Our People: TeamTFN

Central to the success of our shared Northern goal is our team. We're proud of the talented, bright minds we attract and retain. Through our values-driven culture and shared goals, our diverse and dedicated employees are quick to adapt to the changing landscape in which we operate. We arm them with the tools and support to do so.

We are now in our fourth year of being an employer in our own right (since gaining statutory status). As such, our comprehensive suite of employment policies are now further developed and embedded and we continue to build our reputation as a best practice employer.

At the heart of this is our People Strategy, an all-encompassing plan that aims to ensure we have the right people, at the right time to deliver our organisational goals. This covers nurturing talent and rewarding our teams, as well as listening to their needs and responding where necessary - all of which are underpinned by our values of making a difference; collaborating; doing the right thing; and being driven to succeed.

This commitment to being among the best was demonstrated when we became among the first supporters of the Greater Manchester Good Employment Charter – an initiative aimed at developing good jobs and more opportunities for people to progress.

We hold ourselves to the same high standards as our peers across the North. As well as being an accredited Living Wage employer – an expectation of which extends to our supply chain - we're also an agile organisation, adopting family friendly working practices that mean our teams can work in different locations and at flexible times. Such agile and remote working practices mean we attract and retain talent from across the whole of the North. In return, we get the best out of people with a diverse range of backgrounds and experiences.

But we don't rest on our laurels. The importance of our employee voice, enshrined in our established Employee Forum and effective line management, has been further heightened with our #TeamTfN initiative. Based on the results of an organisation-wide survey, our ongoing action plan ensures TfN remains a great place to work. With everyone responsible for its delivery, it includes new and existing initiatives to promote teamwork, leadership, and health and wellbeing among other areas.

Recognising that everyone has the ability to shape and improve our organisation is a fundamental principle. Linked to this is our recognition of UNISON, with whom we regularly collaborate to support our teams regarding working practices and ensuring we always do the right thing.

Building on our status as Disability Confident employer, we've also established a Diversity sub-group – made up of employees - to make sure we reflect, embrace and celebrate the North's differences, and equip our teams to do so in practical ways.

Our TfN vision is based on creating opportunities. It is therefore only right that we hold true to this internally. We have transparent career pathways in place to unlock opportunities and give our people chance to grow with us. This complements the robust evaluation, reward, development and pay practices that nurture individuals in their career progression.

We embrace and open the door for the next generation of talent too. Our apprenticeships scheme provides school-leavers with the opportunity to develop in high-skilled and rewarding roles. We currently employ 4 apprentices (2.9% of our total workforce) which is ahead of the Government's 2.3% of all new starters target by March 2021. We're extremely proud of what our apprentices have achieved, with some going on to other opportunities within TfN, broadening their skillsets and experience.

Our Resourcing Plan:

As agreed by our Members, to maximise value for money we continue to minimise our reliance on external consultants' posts, wherever possible. This gives us certainty over resources and the balance of skillsets we can deploy. However, we are mindful of both the length of time needed to fill roles and the funding conditions within which we operate.

TfN is funded almost wholly by Government. In 2020/21 the uncertainty over future funding, along with the impact of COVID-19 and prioritisation of NPR modelling, caused some TfN activity to slow down or be rescheduled. Therefore, much of last year's planned recruitment was put on hold. As a result, TfN's staff numbers varied between 130-141 in the second half of the year, averaging 30 vacant posts.

Following the Comprehensive Spending Review in 2020, TfN received notice of in-year budget reductions and reduced core funding for 2021/22. This context of reduced resources has shaped our approach to the business planning process, ensuring we continue to progress and organise ourselves to best meet our organisational objectives, which are directed and approved by TfN's Board.

Our approach to people resourcing reflects these financial constraints, with a circa 14% reduction in our established posts. We have sought to manage this reduction, from 166 posts in 2020/21 to 142 posts in 2021/22, through removal of vacant posts where possible.

Furthermore, we continue to resource the NPR programme predominantly through service-based consultants, due to the nature of the one-year funding constraints, with potential for approximately 100 contractors working on the programme by the end of next year.

We will continue with this integrated approach to resourcing while only short-term funding commitment is available.

Covid-19 Pandemic

TfN moved to full remote working in line with Government advice on 17 March 2020. We made this decision to support our colleagues, their families, and the community as a whole, and thanks to our robust contingency plans we were able to operate effectively whilst navigating the changing situation. In common with many other organisations, we are currently implementing new ways of working based on employee feedback, which retains flexibility of working remotely but reunites colleagues for face-to-face collaboration. This will be fully implemented once Covid restrictions are lifted. We also remain in close contact with all our Members and partners, ensuring that, when we emerge from the current emergency, we will be ready to support our people, businesses and economy in the short-term and the long-term.

Robust Covid-19 processes, procedures and support mechanisms have been implemented to support employees and facilitate TfN's ongoing operations. An enhanced programme of internal communications has been introduced to keep employees well informed and supported, alongside a health & well-being (both physical & mental health) support programme. TfN has emphasised its pre-existing flexible working policies to support employees with carer's responsibilities and has regular HR business partner meetings with all line managers to support both employee welfare and on-going business operations/delivery.

The long-term impact of the pandemic is currently uncertain. As much as is possible and practical within the current context and allowing for changeable partner priorities which will inevitably impact our focus and the pace at which we work, TfN will continue its work as passionately as ever. Northern Powerhouse Rail will be a prominent area of activity for TfN in the coming year as we work with the Department for Transport (DfT) and partners to make key decisions on routes and submit a business case to Government during 2021 for the £39bn of investment needed to transform the North's economy.

Our Funding

Transport for the North has no powers to raise money from precepts and levies as most comparator transport authorities do. Instead, almost all of our funding is received in the form of grants from the DfT. This is reflective of the fact that TfN has, in the main, drawn down powers from central government that were previously funded through general taxation.

That grant funding principally comes in the form of discrete grant ring-fenced to specific areas of programme activity. Each year, the DfT also provides a general 'Core' funding grant that enables us to deliver on statutory obligations, to provide good governance and value for money, and fulfil our commitment to evidence-based decision making, whilst also resourcing some development activity.

Aside from this 'Core' grant and the Rail North grant that is made available to us to discharge our statutory functions, we earn grant support through bidding into the Department for development resources or passing business case gateway reviews to unlock funding for the delivery projects.

Where ring-fenced grants are unused, any unspent funding at the point that activity is completed will be returned to the DfT. Unused 'Core' grant allocations are taken to reserves and used to fund future period activity, reflecting that there are often timing differences between funding being provided and funding being required.

Initially, the DfT made grant available in 2020/21 to resource our opening gross base budget of £88.05m:

Resource	£m
Core Revenue Grant	10.00
General Fund Core Grant Reserves	1.29
Rail North Grant & Contributions	1.62
Contracted Income	0.36
Integrated and Smart Ticketing Grants	9.69
Transport Development Fund	42.82
	65.78
Contingency Envelopes	22.27
Net Resource Requirement	88.05

TfN was subsequently informed in January that its Core funding for 2020/21 would be reduced by £3m to £7m and that DfT would cease ongoing funding for the IST programme.

Our Medium-Term Financial Plan

Under statute, all local government bodies – including TfN – are required to operate to a locally defined reserves strategy that ensures that the organisation always holds a prudent level of reserves. Such reserves enable the organisation to operate with a degree of flexibility and guard against financial shock.

A prudent reserve strategy is particularly important to TfN as it has few other levers to mitigate financial risk. TfN's approach to managing financial risk therefore has to rest on two pillars:

- a) A prudent risk culture that ensures TfN limits its exposure to financial risk arising from contracting and business operations; and
- b) A prudent reserve strategy that ensures TfN always holds a level of cash at bank to guard against residual financial shock.

Practically, this means that TfN must work in collaboration with DfT and partners when entering into multi-year and high-risk transactions to ensure that the right balance of risk share is achieved. It also means that TfN's reserve strategy must be managed in conjunction with the use of the annual Core grant allocations. As Core grant is the only discretionary resource TfN holds that can fund expenditure, it follows that financial risk must primarily be managed through this resource.

Following discussions with the DfT when TfN was established as a statutory body, it was agreed that TfN would target a core cash balance of *no less than* £2m to be held as a cash reserve in any given year. The minimum of £2m was considered sufficient to allow for modest draws to be made in-year to meet un-budgeted opportunities that may arise, whilst also ensuring cash remained at bank to meet both unexpected costs and cash flow fluctuations.

From year to year, this reserve may be drawn upon in-year, or contributions made from surpluses, with adjustments being made in following years to replenish it. TfN accumulated General Reserves significantly in excess of this value during the period when it was being set up and mobilised as a statutory body.

During 2020/21 the Covid-19 pandemic, displacement of activity as a result of prioritising support for NPR and cost control measures put in place to address funding uncertainty led to increases in reserves that were offset by the £3m in-year reduction in Core grant. The Core grant reserve at the year-end was £6.46m.

TfN is faced with a significant quantum of activity that has had to be reprogrammed from 2020/21 into future years that will be funded from reserves carried forward as a result of the associated savings. This amounts to £1.5m in 2021/22. In addition, the £4m cut to TfN's Core funding has created a significant challenge in relation to the delivery of ongoing activity, even when the mitigations that have been agreed have been taken into account. The current high level of retained reserves in relation to the agreed minimum level provides TfN with the ability to sustain a run rate at levels above its Core funding allocation in the short- to medium-term. It was therefore agreed by the Board on 18 February that it would release £1.0m of reserves to support the delivery of TfN's ongoing activity in 2021/22.

These two reserve releases will still leave TfN with total Core Grant Reserves of £4.00m by the end of 2021/22, of which £3.50m will be General Reserve. At this level the Core Grant Reserves and the General Reserve equate to 66% and 58% of current annual Core funding respectively. As a result of TfN being 100% grant funded, TfN will not have sufficient certainty of funding to be able to finalise a medium-term financial strategy until after the 2021 CSR that is expected later in the year. However, reserves at this level should provide the organization with sufficient flexibility to address challenges as they arise.

Measuring our success in 2020/21

Qualitative Performance

In our 2020/21 Business Plan we set 16 Key Performance Indicators (KPIs) to ensure a culture of accountability and excellence for our organisation and our partners.

The KPIs were developed by:

- Reviewing our strategic, organisational and programme level objectives
- Understanding the actions needed to deliver those objectives
- Developing indicators to demonstrate the extent to which our actions are delivering changes
- Developing metrics to ensure that the changes can be measured

We have monitored our performance against these KPIs using a combination of qualitative and quantitative measures:

Area	KPI	Detail	Progress	Status
Corporate	1	Agree with Government the phasing and prioritisation of the Integrated Rail Plan for High Speed North. December 2020	Not delivered by the year end	
			TfN has submitted further statutory advice to Government on the Integrated Rail Plan. The Integrated Rail Plan (IRP) was expected to be published in December 2020.	
Northern Powerhouse Rail	2	Agree and submit Strategic Outline Case to Government. January 2021	Not delivered by the year end	
			In February, TfN Board endorsed the re-phasing of the SOC requested by DfT to allow for the IRP to be published, understood and responded to. SOC submission date is dependent on IRP publication and subsequent decision-making.	
Integrated and Smart Travel	3	Complete the delivery of the Integrated and Smart Travel on Rail Project (Phase 1). November 2020	Achieved	
			The Phase has been judged to have met its KPI with only minimal residual activity to be completed. Smartcards are available throughout the North. MerseyRail's Platform validators at their 66 stations are live. Northern has completed PVal installation at 92 of its 94 stations. Seven routes are live following DfT approval.	
Integrated and Smart Travel	4	Complete the delivery of Phase 2 of the Integrated and Smart Travel programme (informed customers). March 2021	Achieved	
			The Phase has met the KPI. The Fares Tool was handed over to DfT and is now being used nationally. The Disruption Messaging Tool (DMT) and Open Data Hub are being used by five City Region Local Transport Authorities (LTAs). The DMT contract has been assigned to DfT.	
Integrated and Smart Travel	5	Agree a plan for the delivery of contactless payments on rail, in collaboration with the DfT and Rail Delivery Group (Phase 3). December 2020	Cancelled	
			It is not possible for TfN to meet this KPI. There is no identified DfT funding to take this forward in the short/medium terms.	
Major Roads	6	Agree and approve the Transport for the North Major Roads Report. March 2021	Not delivered by the year end	
			The technical report has been completed. The publication of the final Major Roads Report has been postponed so the report can take account of both TfN Decarbonisation Strategy and DfT's delayed National Transport Decarbonisation Plan. This will not have any negative implications for other programmes.	
Strategic Rail	7		Achieved	

Area	KPI	Detail	Progress	Status
		Implement the recommendations in the Blake-Jones review. June 2020	The Blake-Jones Action Plan was approved at Rail North Committee in July 2020 and the team continues to embed the actions into the business as usual operating model. There are longer-term issues on funding for additional resource, and a response is awaited from DfT.	
Strategic Rail	8	Develop a TfN response to the Williams Review. Within three months of publication	Not delivered by the year end A response to the Williams Review will be developed within three months of its publication. TfN is in the process of consulting partner organisations as to their priorities for our response.	
Strategic Rail	9	Support the industry and Rail North Partnership in the response to and recovery from Covid-19, including a strong focus on the needs of passengers and businesses, together with the short-term investment needed to support the recovery. March 2021	Achieved TfN is proactively supporting the industry through the crisis and recovery, for example through the Rail North Officer Group (Operations). A plan to support the economic recovery by investment in infrastructure has been developed and submitted to DfT as part of the TfN Economic Recovery Plan and work has been completed on developing a "quick win" programme which has been shared with the DfT's Acceleration Unit.	
Investment Programme	10	Update and refresh the TfN Investment Programme, based on an agreed Assurance Framework and using the outputs of the Strategic Development Corridors Qualitative Sequencing process. September 2020	Achieved The update of the Investment Programme following the qualitative sequencing process, and applying the developing Assurance Framework, has been achieved.	
Strategy	11	Develop a Decarbonisation Strategy for approval by the TfN Board and ensure that this is embedded in TfN's Investment Programme Assurance Framework. March 2021	Achieved The draft strategy was approved at TfN Board on 24 March. The underpinning analysis is complete and ready to be applied in the Investment Programme Benefits Analysis work starting in April.	
Strategy	12	Develop an inclusive and sustainable growth framework that will sit alongside the Strategic Transport Plan and ensure that this is embedded in TfN's Investment Programme Assurance Framework. March 2021	Achieved Following completion of KPI 16, TfN has developed the necessary Analytical Framework and supporting tools, scenarios and modelling capability to embed inclusive and sustainable growth into the assessment of the Investment Programme due to commence in April 2021.	
Strategy	13	Develop a Freight Strategy for approval by the TfN Board and ensure that this is embedded in TfN's Investment Programme Assurance Framework. March 2021	Not delivered by the year end Work on the TfN Freight & Logistics Strategy is nearing completion and has been circulated to partner officers for review. The supporting evidence requires confirmation of HS2 plans through the IRP before the final strategy can be put to Board for approval.	
	14		Achieved	

Area	KPI	Detail	Progress	Status
Modelling and Analysis		Complete and deploy the Analytical Framework throughout TfN's programmes. March 2021	Technical Assurance Modelling and Economics (TAME) has recently deployed the Analytical Framework to support the NPR Strategic Outline Case, and a version of the Analytical Framework has been developed and tested in readiness for IPBA to start in April 2021. Further development and improvement of the suite of models is planned for the next financial year; and will be supported by TAME's partner contracts which are currently being procured.	
Organisation	15	Develop and provide a Comprehensive Spending Review (CSR) submission to Government. At date set by Her Majesty's Treasury	Achieved	
			A CSR submission was provided to the DfT on 28 August 2020 in line with departmental deadlines. On 21 October the Chancellor announced a revised one-year process to conclude at the end of November. TfN submitted a supplemental SR submission to the Department, reflecting the move to a single-year settlement, on 6 November.	
Organisation	16	Develop and adopt the Northern Transport Charter. June 2020	Achieved	
			The team completed work on the remaining Northern Transport Charter (NTC) proposals which were endorsed and adopted by the Board in July. There is now ongoing follow-on work about how to embed demonstrating TfN's capability for greater devolution in next year's business plan.	

Financial Performance 2020/21

Summary

In delivering the activity outlined in our qualitative performance we incurred expenditure of £57.83m.

This is lower than our budget (net of contingency) estimate of £65.79m, and principally relates to changes in the scope of programmes.

Our financial performance over the course of the year can be summarised as follows:

Total Net Expenditure	Actual £m	Budget £m	Variance £m
Revenue Programmes:			
Northern Powerhouse Rail	41.58	43.78	2.20
Major Roads	0.55	1.88	1.33
Integrated & Smart Ticketing	3.87	5.64	1.77
	<hr/>	<hr/>	<hr/>
	46.00	51.30	5.30
Capital Programmes:			
Integrated & Smart Ticketing	4.53	4.05	(0.48)
Rail Operations	2.21	2.98	0.77
Operational Areas	5.09	7.46	2.37
	<hr/>	<hr/>	<hr/>
	57.83	65.79	7.96

The reconciliation between this outturn and the CIES, which relates to statutory year-end adjustments, is detailed below.

Underspend in the Northern Powerhouse Rail programme was driven by a lower level of activity as a result of uncertainty pending the publication of the IRP. Underspend on the major roads programme relates to the deferral of the IPBA work into 2021/22. Underspend in the Integrated & Smart Ticketing (IST) programme was driven by a combination of lower than anticipated costs to complete programmes and curtailment of activity due to withdrawal of ongoing funding.

Where planned activity has now fallen into future financial periods, we have either reallocated in-year resource to other unfunded priorities or held over resource to future financial periods to be matched to re-planned activity.

Where previously planned draw-down of grant resource has not been required we have kept the DfT fully apprised of our requirements to ensure that resource earmarked to our programmes is safeguarded.

In meeting this expenditure, we applied grants received in year from the DfT and contributions from partners (£0.62m of Rail North Grant & contributions is from partners, the balance of £0.68m is received directly from the DfT as RNP Grant), grant held in reserve received in prior years along with a small amount of income generated from contracts for services provided to partner bodies:

Funding	Received In year £m	(To)/From Reserves £m	Total £m
Revenue Grant			
Core Grant	7.00	0.29	7.29
Transport Development Fund - Rail	40.63	0.00	40.63
Rail North Grants & Contributions	1.30	(0.03)	1.27
Integrated and Smart Ticketing Grant	1.19	2.68	3.87
	50.12	2.94	53.06
Capital Grant			
Integrated and Smart Ticketing Grant	3.81	0.73	4.53
	53.93	3.67	57.59
Contracted Income	0.24	0.00	0.24
	54.17	3.67	57.83

Over the course of the financial year TfN recognised funding totalling £57.83m. Grant received in year complements that grant held from the prior year. Both grants received in-year and grants held from prior years were used to fund expenditure.

Whether grant is used in-year depends on the level of expenditure, and whether that expenditure meets grant conditions. Dependent on the conditions placed on those grants, we hold unused allocations as either:

- Grants received in advance
 - Noting that there are conditions relating to initial recognition on these grants that mean they may have to be returned to the DfT 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

As at the year-end, unapplied grants held in this manner have decreased by £3.67m:

	2020/21 £m	Movement £m	2019/20 £m
Revenue Grants Received in Advance			
- Transport Development Fund - Road	0.01	0.00	0.01
	0.01	0.00	0.01
Usable Reserves			
Capital Grants Unapplied			
- Integrated & Smart Ticketing Phase 1 Grant	0.28	(0.02)	0.30
- Integrated & Smart Ticketing General Grant	0.00	(0.70)	0.70
	0.28	(0.72)	1.00
General Fund Revenue Reserves			
- Core Grant	6.17	(0.29)	6.46
- Devolved Powers (Earmarked)	0.50	0.00	0.50
- RNP Grant (Earmarked)	0.03	0.03	0.00
- Integrated & Smart Ticketing Grant (Earmarked)	1.25	(2.68)	3.93
	7.95	(2.94)	10.89
Total Usable Reserves	8.22	(3.67)	11.89
Total Resource	8.23	(3.67)	11.90

These grants will be applied to expenditure in 2021/22 and future accounting periods where possible or be returned to the DfT if it becomes likely that we will fail to comply with grant conditions.

The Core Grant allocations held in our General Fund Reserve provide the basis for our medium-term financial plan, enabling both a gradual draw on that resource to support key development aspirations and underpinning our risk mitigation around our sensitivity to financial shock.

Reconciliation Between the Management Outturn Income and Expenditure and the Comprehensive Income and Expenditure Statement (CIES)

The following table shows the differences between the management outturn position and those balances shown on the face of the CIES.

These variances arise due to differences between how we account for certain items under statute, and how we prepare the accounts under international accounting standards.

These differences principally arise around pensions accounting; capital accounting; the treatment of accumulated employee absence costs; and the treatment of grants received.

Income	£m	
Outturn Position	(57.83)	
Adjustments for:		
Pensions	(0.18)	In CIES not in outturn
Capital Funding from Reserves	0.73	In outturn not in CIES
Amounts taken (to)/from General Fund Balance:		
Revenue Funding from Earmarked IST Reserves	2.68	In outturn not in CIES
Use of Core Reserves	0.29	In outturn not in CIES
RNP Grant taken to Earmarked Reserves	(0.03)	In CIES not in outturn
CIES Balance	(54.35)	
Expenditure	£m	
Outturn Position	57.83	
Adjustments for:		
Amortisation	0.53	In CIES not in outturn
Pensions	5.99	In CIES not in outturn
Movement on Absence Provision	0.08	In CIES not in outturn
IST Capital - Phase 2	(1.29)	In outturn not in CIES
IST Intangible asset disposal and impairment – Phase 2	4.21	In CIES not in outturn
ERP Impairment	0.08	In CIES not in Outturn
CIES Balance	67.43	

Capital Accounting

- All expenditure is reported in our outturn, but capital expenditure is excluded from the CIES in line with generally accepted accounting practice.
- Amortisation and disposal of intangible assets is not included in the outturn. Amortisation and disposal costs are, however, shown in the CIES with the associated reduction in the value of assets.
- During 2020/21, the authority has recognised an impairment loss of £2.29m (2020: £4.323m) and a disposal of £2.0m (2020: £nil) in relation to its intangible assets. The recoverable amount of the intangible assets has therefore been reduced to £nil, £2.21m of the impairment loss charged to the Integrated & Smart Ticketing line and the disposal charged to other operating expenditure in the Comprehensive Income and Expenditure Statement. The assets have been impaired since there will be no further funding from DfT and the assets will no longer be available for use by TfN.
- The differences between the outturn and accounting standards are reflected in the unusable Capital Adjustment Account Reserve.
- The reduction in the Capital Adjustment Account represents the loss on disposal and the impairment of the assets (post amortisation).

Pensions Accounting

- A fundamental difference exists between the values TfN is required to expend via its Pension Fund under statute, and the expenditure TfN is required to recognise in the CIES under accounting standards.

- Principally, the outturn reflects employers' pensions contributions which are calculated under statute and reviewed as part of the actuary's triennial valuation.
- Accounting standards, however, require these costs to be removed from the face of the CIES and replaced with charges calculated under those standards.
- These charges include gains and losses on the values of pension fund assets and liabilities as valued at the accounting date. This matter can lead to volatile pensions adjustments on the face of the CIES as underlying bond market prices fluctuate.
- The differences between the outturn and accounting standards are reflected in the unusable Pensions Reserve.

Accumulated Absences

- Accounting standards require the costs of untaken leave as at the year-end to be shown in the CIES with an associated balance sheet entry in creditors.
- These values are not shown in the management accounts as they do not give rise to a cost.
- The differences between the outturn and accounting standards are reflected in the Accumulated Absence Reserve.

Grant Treatments

- The management accounts show those grants applied to expenditure in-year. This results in a balanced outturn position where income matches expenditure.
- Accounting standards require us to treat grants as income received through the CIES where the conditions of use have been met, even if the resource has not been applied to expenditure. This treatment effects RNP Grant unapplied which has been recognised in the CIES and taken to the General Fund. Similarly, as above where core and IST expenditure has been funded from reserves, no income is recognized through the CIES.

The balance sheet as at the 31 March 2021 recognises these reserves and unapplied grants, along with our other financial transactions.

The balance sheet can be summarised as follows:

Balance Sheet 2020/21		£m	Reserves		£m
Assets			Unusable Reserves		
Cash & Equivalents		18.02	Absence Reserve		0.24
Intangible Asset		0.00	Capital Adjustment Account		0.00
Debtors		0.51	Pension Reserve		11.89
		18.53			12.13
Liabilities			Usable Reserves		
Provisions		(0.07)	Capital Grants Unapplied		(0.28)
Grants Received in Advance		(0.01)	Earmarked Revenue Grants		(1.25)
Pension Liability		(11.89)	Devolved Powers Reserve		(0.50)
Creditors		(10.47)	RNP Grant Reserve		(0.03)
		(22.44)	General Fund Reserve		(6.17)
					(8.22)
Net Liabilities		(3.91)	Reserves		3.91

Year-on-year variances highlight key issues that have arisen during the year. The following table highlights that although net assets under control have reduced by £13.08m to a net liability of £3.91m, there have been a number of notable movements:

Net Assets	2020/21 £m	2019/20 £m	Variance £m
Assets			
Cash & Equivalents	18.02	19.31	(1.29)
Intangible Asset	0.00	3.53	(3.53)
Debtors	0.51	0.60	(0.10)
	18.53	23.44	(4.92)
Liabilities			
Provisions	(0.07)	(0.13)	0.06
Grants Received in Advance	(0.01)	(0.01)	(0.00)
Pension Liability	(11.89)	(6.08)	(5.81)
Creditors	(10.47)	(8.05)	(2.42)
	(22.44)	(14.27)	(8.16)
	(3.91)	9.17	(13.08)

Cash and cash equivalents have reduced on the prior year in part due to meeting the costs of the IST programme from grants received in the prior year. They remain at a level commensurate with accruals, grants received in advance and cash backed reserves. These cash balances will reduce as invoices related to those payables are received and settled, in year IST wind down costs are met, IST grants are repaid to the Department and cash reserves are required to fund in year activities.

Of more significant note are the movements associated with intangible assets and the pensions liability.

Transport for the North's intangible assets consist of its Enterprise Resource Planning (ERP) system and the complex information systems being developed within the Integrated and Smart Ticketing programme.

At the beginning of the financial year Transport for the North recognised intangible assets at £3.53m. At the end of the financial year, despite additions of £1.29m that balance had reduced by £4.82m to £Nil due to amortisation, impairment and disposal:

Intangible Assets	2020/21 £m	Additions £m	Reductions £m	2019/20 £m
<u>Integrated & Smart Ticketing</u>				
Phase 2 - Customer Information	0.00	1.29	(4.47)	3.18
ERP System	0.00	0.00	(0.35)	0.35
	0.00	1.29	(4.82)	3.53

Intangible assets reduced for three reasons:

1. The ERP system was amortised in line with adopted accounting policies aligned to the length of the contract for the system's usage;
2. The Fares data tool valued at £2.0m was transferred to DfT as planned; and
3. DfT's cessation of IST funding referenced above has driven an impairment review of the remaining Phase 2 intangible assets. The disruption messaging tool will be retained within the public sector, having been transferred to DfT. The open data hub will be operated by TfN for the year to 31

March 2022 at which point it will either be transferred to DfT or, if DfT have developed their own tool, will cease to be operational.

The second prominent movement recognised in-year reflects the net £5.8m increase in TfN's pension liability. The pension liability shown on the balance sheet recognises the estimated net deficit of the future pensions payable to past and current employees.

This liability is measured in accounting terms and can vary dramatically from the actuarial forecasts and the pension fund's strategy for managing the future pension entitlements. This is due, in part, to the basis on which the accounting is performed; notably valuing the net assets and future liabilities on the basis of market conditions at the date of valuation.

The main issue that has impacted on the valuation of the net liability as at the end of the financial year is the reduction in the real discount rate (discount rate net of inflation) that is used to value scheme assets and liabilities. The reduction in real discount rate is due to a combination of lower discount rate assumption and a significantly higher CPI assumption. This effect is made more pronounced by the profile of TfN's liabilities as a result of having very few pensioners and a much larger proportion of younger active members as a proportion of the total than would be the case in most other authorities.

Partially mitigating the increase in the liability is the fund's performance over 2020/21 which has increased with returns on investments of +21.4%. This performance recognises, in part, the valuation of the fund portfolio at the 31st March 2020 as the Covid-19 pandemic impacted upon financial markets. In addition, in response to the last triennial valuation, TfN's employer's contributions increased by 14% in 2020/21, although the nature of the accounting valuation is such that this has a minimal impact in the deficit recorded on the balance sheet.

These major movements, along with Transport for the North's revenue and capital underspends for the year, effect the reserves position. Reserves are differentiated between those that are 'usable' and 'unusable'.

Usable reserves reflect uncommitted funds that can be applied to future expenditure. Usable reserves are generally differentiated on two points: whether they are earmarked to specific activity or available for general use; and whether they are available to fund capital or revenue activity. Unusable reserves are generally held to manage statutory adjustments to general accounting practice; normally to avoid capital and pensions accounting adversely impacting upon the General Fund balance.

As at the end of financial year 2020/21 Transport for the North's reserve position can be summarised as changing by £13.09m, reflecting the movement in net-assets:

Reserves	2020/21	2019/20	Variance
	£m	£m	£m
<u>Unusable Reserves</u>			
Absence Reserve	0.24	£0.16	0.08
Capital Adjustment Account	0.00	(3.53)	3.53
Pension Reserve	11.89	6.08	5.81
	12.13	2.71	9.42
<u>Usable Reserves</u>			
Capital Grants Unapplied	(0.28)	(1.00)	0.72
General Fund			
Earmarked Revenue Grants	(1.25)	(3.93)	2.68
Devolved Powers Reserve	(0.50)	(0.50)	0.00
RNP Grant Reserve	(0.03)	0.00	(0.03)
General Fund Reserve	(6.17)	(6.46)	0.29
	(7.95)	(10.89)	2.94
	(8.22)	(11.89)	3.67
	3.91	(9.18)	13.09

The movement in the capital adjustment account relates to the amortisation, impairment and disposal of the intangible assets referenced above.

The increase in the forecast net estimated deficit on future pensions payable is reflected in the increase in the unusable pensions reserve. This movement is made to avoid the adverse position impacting on the General Fund reserve. Instead, the pensions liability will be made good in time through long-term portfolio performance and, where necessary, increases in employer pension contributions.

Lower than anticipated expenditure in the year was offset by a reduction of in-year core grant, resulting in a draw on core grant of £0.29m in 2020/21.

Looking Ahead to 2021/22 and Beyond

We are extremely proud to be the first Sub-National Transport Body with statutory powers and we continue to be a strong and unified voice for the North on behalf of our constituent authorities and 15 million citizens.

We do this by employing the brightest minds who have a passion for our mission to create more opportunities. This passion and commitment is essential if we are to achieve our strategic goals and deliver against our plans outlined in our Business Plan.

Our adopted Business Plan for 2021/22 details what we have achieved in the last year, but it also looks ahead, providing direction for our teams and representing the priorities of the Northern leaders who make up our governance. Whilst our STP and accompanying Investment Programme have a long-term common goal, a sustained pipeline of infrastructure investment is needed. That means our vision being underpinned by short, medium and longer-term plans that advance wide-ranging interventions right across the North.

One key area of current policy uncertainty is the Integrated Rail Plan for the North and Midlands, which should help to shape next steps in relation to the NPR programme. The publication of the plan has been delayed and is expected shortly.

The forthcoming year presents both opportunities and challenges. With the Williams-Shapps Review into the UK railways having proposed a new model for how the system is run, TfN will respond to and work with the Government to make the case for our Northern leaders to play an increased and integral role in the future of the new Great British Railways. Our role in operational rail will continue to be a key area of focus and resources.

Further work will also be carried out on the Northern Transport Charter – a blueprint for further devolution to the North. This will continue the strategic planning exercise with our partners regarding TfN's future role and informing our submission to the anticipated Comprehensive Spending Review.

Financial Planning 2021/22

Transport for the North is subject to essentially the same regulatory framework as its local transport authority and combined authority partner bodies. This framework confers upon the organisation an obligation, a balanced-budget requirement, and also the need to adopt a reserve strategy.

These requirements, together with our relationship with the DfT, set the parameters within which we will manage our operations in relation to funding.

The 2020/21 business planning process identified our key strategic priorities and identified a common 'golden thread' from strategy to delivery. This 'golden thread' ensured that when detailed individual departmental plans were being designed and objectives set, there was a common and coordinated approach to delivery across the organisation. These common goals are what underpin the expenditure profile and budget for 2020/21.

These budgets are underpinned by the reserves strategy, which serves as our back-stop mitigation against financial risk.

Value for Money

We recognise the requirement to deliver our programme of works efficiently and effectively. The procurement of goods and services from external suppliers represents a major element of our expenditure. In order to ensure value for money, we have implemented a procurement framework that requires that the procurement of goods or services includes a competitive process that is appropriate to the value and complexity of the services/products and also minimises barriers for suppliers to participate in such exercises.

As both the scope and scale of the organisation's activities expands, we have recognised the need to provide additional procurement and contracting support to ensure that we are sufficiently resourced to discharge our obligations in this area.

Expenditure

In order to deliver the activity, set out in our Business Plan, we have a total budgeted expenditure for 2021/22 of £78.70m. This includes £51.64m of underlying programme expenditure, £18.52m of programme contingency; £5.38m of expenditure on core operations; and £3.16m of expenditure on rail operations. As a Sub-National Transport Body, we are unable to recover VAT on our purchases of goods and services.

In 2021/22 it is expected that there will be three elements of the programme budget:

Programme	£m
Integrated & Smart Ticketing	1.52
Northern Powerhouse Rail	48.48
Major Roads (Strategic Development Corridors)	1.64
	51.64

In addition, the NPR programme budgets include a contingency of £18.52m, held by DfT to manage risk and exploit opportunities that may arise during the year.

The operational budget covers the functions of the back, middle, and front offices of the organisation along with the business infrastructure. We are subject to the same regulatory environment as local and combined authorities and must discharge our responsibilities as an autonomous body. We must also act in accordance with the Memorandum of Understanding that TfN has with DfT.

Accordingly, the activity carried out within these areas represents the required enabling functions familiar to all public sector organisations, but also the teams that develop and deliver upon much of our aspirations. The total value of the operational budget is £5.38m, with the expenditure falling as follows:

Core Operational Area	£m
Leadership	0.31
Finance & Business Systems	1.01
Business Capabilities	3.09
Strategy & Policy	2.51
Gross Total	6.92
Recharges to Programmes	(1.54)
Net Total	5.38

Transport for the North also differentiates the expenditure incurred in delivering upon its statutory duties towards the North's rail franchises from the rest of its expenditure. This differentiation is drawn to reflect the different governance and funding streams associated with this activity, along with its high-profile nature.

The work of the Rail North Partnership team and Transport for the North's Strategic Rail team are grouped under the headline title of 'Rail Operations':

Rail Operations	£m
Strategic Rail Team	1.80
Rail North Partnership Team	1.36
	3.16

Transport for the North will remain almost entirely funded by grants from the DfT. Aside from a £6m Core grant funding allocation, this funding is ring-fenced for the purpose for which it has been allocated and in the main can only be drawn down as and when it is required. The funding that we are able to draw on during the year to pay for our budgeted expenditure is as follows:

TfN Funding	2020/21 £m	%
Core Grant	6.00	8%
Integrated & Smart Ticketing Grant	1.52	2%
Transport Development Fund - NPR	67.00	85%
Rail Operations Grants, Contributions & Traded Income	1.65	2%
Use of Reserves	2.54	3%
Total Resource	78.70	

The updated reserves strategy set out in the 2021/22 Budget report forecast a year-end General Fund Reserve of £6.54m, created from Core Grant underspends in prior years. It was agreed that £2.54m of this balance be drawn upon in 2021/22 to help meet the spike in the cost-base that will occur in year, including delivering the IPBA work and other non-repeating costs. This, along with specific earmarking, would reduce the reserve levels to £4m by the end of 2021/22, with further draws in subsequent years.

Draws upon the General Fund Reserve at this level are unsustainable beyond the medium-term. As inflation increases the amount of the Core Grant that is used to fund employee costs, there will be pressure to reduce discretionary expenditure.

Transport for the North notes the potential for a Spending Review in mid to late 2021 and will seek to feed into that exercise to press for a revised funding settlement that reflects inflationary pressures and the growing maturity of the organisation's activities and aspirations.

Financial Outlook

Transport for the North is almost entirely funded by the DfT. This means that we are particularly sensitive to the government funding cycles and decisions, both in terms of the quantum and the time period over which funding is granted.

On 28 October 2020, the government announced that, due to the ongoing uncertainty created by the Covid-19 pandemic, it would undertake a one-year Comprehensive Spending Review (CSR) rather than the three-year exercise that it had originally intended.

Following the conclusion of that process, TfN received a letter from the Department for Transport ("DfT") on 4 January. In addition to an in year reduction in Core Grant from £10m to £7m, this set out a reduced funding envelope for 2021/22 including a 40% cut to its Core funding allocation from £10m to £6m, and the cessation of funding for the IST programme. At the same time the funding allocation for the Northern Powerhouse Rail programme was increased from £59m to £67m, although the conditionality attached to this funding (arising both from the current uncertainties regarding the IRP and the normal departmental approvals required for any commitment) means that it is not possible to be certain as to the full extent of the eventual draw down.

This means that TfN only has funding certainty until the end of 2021/22. However, a multi-year CSR is considered to be likely in mid to late 2021, and TfN is already in the process of developing its proposals in advance of any submission being required.

To enable us to continue to deliver our functions as a 'going concern' we are party to a Memorandum of Understanding (MoU) with the DfT which, amongst other things, provides us with sufficient comfort that we are able to plan on a going concern basis.

Furthermore, the MoU commits the Department to an orderly wind-down of our financial affairs should the government make a future decision to either withdraw or reduce our funding allocations.

We have also sought to limit our exposure to potential changes in our discrete programme funding by ensuring that we do not make financial commitments in excess of the funding commitments made to us by government.

Statement of Responsibility for the Accounts

Transport for the North's responsibilities

Transport for the North is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has responsibility for the administration of those affairs. In Transport for the North that officer is the Finance Director
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

The Finance Director's responsibilities

The Finance Director is responsible for the preparation of the Statement of Accounts for Transport for the North in accordance with proper practices as set out in the *CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom* (the Code). In preparing this Statement of Accounts, the Finance Director has:

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the Code.

The Finance Director has also:

- kept proper accounting records which were up to date, and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certificate of the Finance Director

I certify that the Statement of Accounts gives a true and fair view of the financial position of the organisation at the accounting date and of the income and expenditure for the year ended 31 March 2021.

.....

Iain Craven
Finance Director
7 July 2021

Chairman's certificate

I certify that the Statement of Accounts for the year ended 31 March 2021 was approved at the meeting of the Board on xx xxx 2021.

Signed on behalf of Transport for the North

[xxxxxx]
Chairman of Board
xx xxxx 2021

Financial Statements and Disclosure Notes

Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from grants and other income. TfN generates income to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost.

2019/20				2020/21		
Expenditure	Income	Net		Expenditure	Income	Net
£000	£000	£000	Notes	£000	£000	£000
1,500	(11)	1,489		592	-	592
			Major Roads Programme (Strategic Development Corridors)			
28,077	(26,932)	1,145		41,708	(40,637)	1,071
12,181	(9,850)	2,331		9,639	(3,977)	5,662
			Integrated and Smart Ticketing			
2,138	(1,243)	895		2,406	(1,541)	865
			Rail Operations			
6,582	(0)	6,582		5,908	-	5,908
			Operational Areas			
50,478	(38,036)	12,442	Cost of Services	60,253	(46,155)	14,098
0	0	0	10	1,996	0	1,996
			Other operating expenditure			
234	(234)	0	12	325	(181)	144
			Financing and Investment Income and Expenditure			
0	(10,940)	(10,940)	13	0	(8,013)	(8,013)
			Taxation and Non-Specific Grant Income			
50,712	(49,210)	1,502	Surplus or Deficit on Provision of Services	62,574	(54,349)	8,225
		1,009	29			4,857
			Remeasurement of the net defined benefit liability / asset			
		1,009	Other Comprehensive Income and Expenditure			4,857
		2,511	Total Comprehensive Income and Expenditure			13,082

Movement in Reserves Statement

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by TfN, analysed into 'usable reserves' that can be used to resource expenditure alongside income received in year and other 'unusable reserves'. The Statement shows how the movements in year of TfN's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to income for the year. The Net Increase/Decrease line shows the statutory General Fund Balance movements in the year following those adjustments.

	General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund Balance £000	Capital Grants Un-applied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 31 March 2020	(6,457)	(4,428)	(10,885)	(1,002)	(11,887)	2,714	(9,173)
Movement in reserves during 2020/21							
(Surplus) or deficit on the provision of services	8,225		8,225		8,225		8,225
Other Comprehensive Income / Expenditure						4,857	4,857
Total Comprehensive Income and Expenditure	8,225	0	8,225		8,225	4,857	13,082
Adjustments between accounting basis and funding basis under regulations (see note 9)	(5,286)		(5,286)	725	(4,561)	4,561	0
Net (Increase) or Decrease before Transfers to Earmarked Reserves	2,938	0	2,938	725	3,663	9,418	13,082
Transfers (to) / from Earmarked Reserves (see note 11)	(2,648)	2,648	0	0	0	0	0
(Increase) or Decrease in 2020/21	291	2,648	2,938	725	3,663	9,418	13,082
Balance at 31 March 2021	(6,166)	(1,781)	(7,947)	(277)	(8,224)	12,132	3,908

	General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund Balance £000	Capital Grants Un-Applied Account (Restated) £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 31 March 2019	(5,577)	(1,944)	(7,521)	(2,106)	(9,627)	(2,057)	(11,684)
Movement in reserves during 2019/20							
(Surplus) or deficit on the provision of services	1,502		1,502		1,502		1,502
Other Comprehensive Income / Expenditure						1,009	1,009
Total Comprehensive Income and Expenditure	1,502	0	1,502		1,502	1,009	2,511
Adjustments between accounting basis and funding basis under regulations (see note 9)	(4,866)		(4,866)	1,104	(3,762)	3,762	0
Net (Increase) or Decrease before Transfers to Earmarked Reserves	(3,364)	0	(3,364)	1,104	(2,260)	5,875	2,511
Transfers (to) / from Earmarked Reserves (see note 11)	2,484	(2,484)	0	0	0	0	0
(Increase) or Decrease in 2019/20	(880)	(2,484)	(3,364)	1,104	(2,260)	4,771	2,511
Balance at 31 March 2020	(6,457)	(4,428)	(10,885)	(1,002)	(11,887)	2,714	(9,173)

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by TfN. The net assets (assets less liabilities) are matched by the reserves held by TfN.

Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the capital receipts reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'adjustments between accounting basis and funding basis under regulations'.

31 March 2020			31 March 2021
£000	Notes		£000
3,529	15	Intangible Assets	0
3,529		Long Term Assets	0
599	16	Short-Term Debtors	505
19,307	17	Cash and Cash Equivalents	18,021
19,906		Current Assets	18,526
(8,046)	18	Short-Term Creditors	(10,467)
(126)	19	Provisions	(68)
(10)	27	Grants Receipts in Advance - Revenue	(10)
(8,182)		Current Liabilities	(10,545)
(6,080)	29	Pension Liability	(11,889)
(6,080)		Long term Liabilities	(11,889)
9,173		Net Assets	(3,908)
(11,887)		Usable Reserves	(8,224)
2,714	20	Unusable Reserves	12,132
(9,173)		Total Reserves	3,908

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of TfN during the reporting period. The statement shows how TfN generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. Cash flows from operating activities cover the inflows and outflows from TfN's regular business activities, and do not include investing activities (such as the purchase of assets) or financing activity (such as borrowing and cash management activities). Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery, such as the intangible assets under development. As TfN does not have powers to access credit – such as loans and overdrafts – it does not have cash flows relating to financing activities.

2019/20		2020/21
£000		£000
1,502	Net (surplus) or deficit on the provision of services	8,225
(9,082)	Adjustment to surplus or deficit on the provision of services for noncash movements	(8,514)
940	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	1,013
(6,641)	Net cash flows from operating activities	724
1,705	Net cash flows from investing activities	561
(4,936)	Net (increase) or decrease in cash and cash equivalents	1,286
14,371	Cash and cash equivalents at the beginning of the reporting period	19,307
19,307	Cash and cash equivalents at the end of the reporting period	18,021

Note 1 - Expenditure and Funding Analysis

The Expenditure and Funding Analysis (EFA) Statement shows how annual expenditure is used and funded from resources (principally grants) by TfN in comparison with those resources consumed or earned by the organisation in accordance with Generally Accepted Accounting Practices ("GAAP").

It also shows how this expenditure is allocated for decision making purposes between the TfN management and reporting areas. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement (CIES).

Net Expenditure Chargeable to the General Fund Balance	2019/20	Net Expenditure in the Comprehensive Income and Expenditure Statement		2020/21	Net Expenditure in the Comprehensive Income and Expenditure Statement
	Adjustments (see note 2)			Net Expenditure Chargeable to the General Fund Balance	
£000	£000	£000		£000	£000
1,415	74	1,489	Major Roads Programme (Strategic Development Corridors)	546	592
961	184	1,145	Northern Powerhouse Rail	950	1,071
(1,984)	4,315	2,331	Integrated and Smart Ticketing	2,679	5,662
619	276	895	Rail Operations	680	865
5,731	851	6,582	Operational Areas	5,085	5,908
6,742	5,700	12,442	Net Cost of Services	9,940	14,098
(10,106)	(834)	(10,940)	Other Income and Expenditure	(7,002)	(5,873)
(3,364)	4,866	1,502	Surplus or Deficit on Provision of Services	2,938	8,225
(7,521)			Opening Combined General Fund Balance	(10,885)	
(3,364)			Plus / less Surplus or Deficit on the General Fund Balance for the Year (Statutory basis)	2,938	
(10,885)			Closing Combined General Fund Balance	(7,947)	

Note 2 - Note to the Expenditure and Funding Analysis

2020/21	Net Capital Statutory Adjustments	Net Pensions Statutory Adjustments	Other Statutory Adjustments	Total Adjustments
	£000	£000	£000	£000
Major Roads Programme (Strategic Development Corridors)	0	41	5	46
Northern Powerhouse Rail	0	113	8	121
Integrated and Smart Ticketing	2,917	68	(2)	2,983
Rail Operations	0	173	12	185
Operational Areas	354	411	57	822
Net Cost of Services	3,271	806	80	4,157
Other Income and Expenditure	983	146	0	1,129
	4,254	952	80	5,286
Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement				
2019/20	Net Capital Statutory Adjustments	Net Pensions Statutory Adjustments	Other Statutory Adjustments	Total Adjustments
	£000	£000	£000	£000
Major Roads Programme (Strategic Development Corridors)	0	71	3	74
Northern Powerhouse Rail	0	173	11	184
Integrated and Smart Ticketing	4,091	231	(7)	4,315
Rail Operations	0	265	11	276
Operational Areas	248	594	9	851
Net Cost of Services	4,339	1,334	27	5,700
Other Income and Expenditure	(940)	106	0	(834)
	3,399	1,440	27	4,866
Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement				

Adjustments for capital purposes – this column adds in amortisation and impairment in the services line.

Other Income and Expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Also included is the loss on disposal of Phase 2 intangible assets (£1.996m).

Net Change for the Pensions Adjustments - Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income.

- For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.

- For Other Income and Expenditure – the net interest on the defined benefit liability is charged to the CIES.

Note 3 - Accounting Policies

General principles

The statement of accounts summarises TfN's transactions for the 2020/21 financial year and its position at the year-end of 31 March 2021. TfN is required to prepare an annual statement of accounts by the Accounts and Audit Regulations 2015, which those require to be prepared in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the 2003 Act. The accounting convention adopted in the statement of accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

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.

TfN is party to a Memorandum of Understanding (MoU) with the Department for Transport that gives it the required comfort that it will continue to receive the necessary funding to discharge its statutory obligations into the future. Furthermore, the MoU commits the Department to an orderly winddown of TfN's affairs should future decisions be made by Government that either end or reduce TfN's funding.

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.

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 contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.

- 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 (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable 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 debts may not be settled, the balance of debtors is written down and a charge made to revenue in financing and investment income and expenditure for the income that might not be collected.

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. Cash equivalents are highly liquid investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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 effect of transactions, other events and conditions on the authority'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.

Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the 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.

Operating leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense to the services benefitting 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).

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.

Two 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.

Events taking place after the date of authorisation for issue are not reflected in the financial statements.

Financial Instruments

Financial liabilities

Financial liabilities are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at cost and are carried at their amortised cost.

Financial assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. TfN holds financial assets measured at amortised cost. TfN's business model is to hold financial assets to collect contractual cash flows. Financial assets are therefore classified as amortised cost.

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 in the form of 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 in 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.

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.

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. For instance, the authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement when the authority has an obligation, and are 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 authority settles the obligation.

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.

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 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 usable reserves of TfN.

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.

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 it 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 (research expenditure cannot be capitalised).

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. In practice, no intangible asset held by the authority meets this criterion, and they are therefore carried at amortised cost. 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.

Employee Benefits

Benefits Payable During Employment

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.

An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end that employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to surplus or deficit on the provision of services, but then reversed out through the Movement in Reserves Statement to the accumulated absences account so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

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 segment 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.

Post-Employment Benefits

Employees of TfN are enrolled in the Local Government Pension Scheme (LGPS). 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.

Liabilities are discounted to their value at current prices, using a discount rate advised by the actuary as specified in the defined benefit pension scheme note.

The assets of the Greater Manchester pension fund attributable to the authority are included in the Balance Sheet at their fair value:

1. quoted securities – current bid price
2. unquoted securities – professional estimate
3. unlisted securities – current bid price
4. property – market value.

The change in the net pensions liability is analysed into the following components:

- Service cost comprising:
 - o current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
 - o past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement
 - o net interest on the net defined benefit liability (asset), i.e. net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the financing and investment income and expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Remeasurements comprising:
 - o the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the pensions reserve as other comprehensive income and expenditure – actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the pensions reserve as other comprehensive income and expenditure.
 - o contributions paid to the TfN pension fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the pensions reserve to remove the notional debits and credits for retirement 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. The negative balance that arises on the pensions reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees

Discretionary benefits

The authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

Note 4 - Accounting Standards that have been issued but not yet adopted

The 2021/22 Code of Practice on Local Authority Accounting includes the following standards that have been issued but not yet adopted:

- a. Definition of a Business: Amendments to IFRS 3 Business Combinations
- b. Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7
- c. Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

TfN are of the view that the accounting standards mentioned above will have no significant impact.

Note 5 - Critical Judgements in Applying Accounting Policies

In applying the Accounting Policies, the authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are as follows:

- As the majority of TfN funding comes from grants awarded by the Department for Transport, a key judgement is whether the grants include conditions or restrictions which impact on the recognition of these grants through the Comprehensive Income and Expenditure Statement.
- Costs in respect of the development of the complex information systems for Phase 2 of the Integrated and Smart Ticketing programme are identified as Assets under Development within Intangible Assets up until such point as they are ready for use and move to Operational Assets.
- Further to the decision to cease funding for the IST programme, all Phase 2 Intangible Assets have been impaired in the year as it has no value in use once the funding is ceased and the asset is to be transferred to the Department of Transport for no consideration.

Note 6 - Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by TfN about the future, or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

Pension Liability

Estimation of the net liability to pay pensions depends on several complex judgements relating to the discount rate used, the rate at which salaries are expected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. TfN engaged Hymans Robertson LLP as consulting actuaries to provide expert advice as to the assumptions to apply.

The effect on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the Real Discount Rate would increase the defined benefit obligation by almost £3.349m. However, the assumptions interact in complex ways; details of the sensitivities are set out in Note 29.

Note 7 - Material Items of Income and Expense

In December 2020 the fares data tool, one of the Phase 2 Intangible Fixed Assets, was transferred to DfT as planned. This has been disclosed as a disposal in the year and the costs charged to the Consolidated Income and Expenditure Statement. An adjustment, equivalent to this disposal, has been made, via the Movement in Reserves Statement (MIRS), to restate the General Fund.

In its correspondence of 4 January 2021, DfT confirmed the cessation of funding for the IST programme. Without ongoing funding, the assets within this programme, that TfN had been carrying as Intangible Fixed Assets, were either transferred or anticipated to be transferred back to DfT.

In recognition of these decisions, Transport for the North impaired these capitalised assets (recognised in 2019/20) and charged the costs to the Consolidated Income and Expenditure Statement. An adjustment, equivalent to this impairment, has been made, via the Movement in Reserves Statement (MIRS), to restate the General Fund.

Note 8 - Events After the Reporting period

The Statement of Accounts was authorised for issue by the Finance Director on 7 July 2021. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Note 9 - Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by TfN in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to TfN to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that TfN is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that TfN is required to recover) at the end of the financial year.

Capital Grants Unapplied

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which TfN has met the conditions that would otherwise require repayment of the monies, but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

2020/21	General Fund Balance	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000
Adjustments to the Revenue Resources			
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:			
Pension cost (transferred to (or from) the Pensions Reserve)	(952)		952
Holiday pay (transferred to the Accumulated Absences reserve)	(80)		80
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(4,254)		4,254
Total Adjustments to Revenue Resources	(5,286)	0	5,286

Adjustments between Revenue and Capital Resources			
Capital expenditure financed from Capital Grants Unapplied	0	725	(725)
Total Adjustments between Revenue and Capital Resources	0	725	(725)
Total Adjustments	(5,286)	725	4,561

2019/2020	General Fund Balance £000	Capital Grants Unapplied (Restated) £000	Movement in Unusable Reserves £000
Adjustments to the Revenue Resources			
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:			
Pension cost (transferred to (or from) the Pensions Reserve)	(1,440)		1,440
Holiday pay (transferred to the Accumulated Absences reserve)	(27)		27
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(4,840)		4,840
Total Adjustments to Revenue Resources	(6,307)	0	6,307
Adjustments between Revenue and Capital Resources			
Capital expenditure financed from Capital Grants Unapplied		1,104	(1,104)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	1,442		(1,442)
Total Adjustments between Revenue and Capital Resources	1,442	1,104	(2,546)
Total Adjustments	(4,866)	1,104	3,762

Note 10 – Other operating expenditure

Other operating expenditure includes the following items:

31 March 2020 £000		31 March 2021 £000
0	Gain/loss on disposal of intangible assets	1,996
0	Total	1,996

This disposal represents the planned transfer of the Fares data tool to DfT in December 2020.

Note 11 – Movement in Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure.

	Balance at 1 April 2019	Transfers In 2019/20	Transfers Out 2019/20	Balance at 31 March 2020	Transfers In 2020/21	Transfers Out 2020/21	Balance at 31 March 2021
	£000	£000	£000	£000	£000	£000	£000
General Fund Reserves:							
Integrated and Smart Ticketing Revenue Funding Reserve	(1,944)	(3,651)	1,667	(3,928)	0	2,679	(1,250)
Earmarked Devolved Powers Reserve	0	(500)	0	(500)	0	0	(500)
Earmarked RNP Grant Reserve	0	0	0	0	0	(31)	(31)
Total General Fund	(1,944)	(4,151)	1,667	(4,428)	0	2,648	(1,781)

Note 12 - Financing and Investment Income and Expenditure

This note shows the incidental income generated by holding cash on deposit until it is required to resource expenditure, and also the interest costs associated with pension liabilities.

	2019/20 £000	2020/21 £000
234 Interest payable on the net defined benefit liability		325
(234) Interest receivable and similar income		(181)
0 Total		144

Note 13 - Taxation and Non-Specific Grant Income

TfN does not have legal powers to raise precepts on the northern tax base and is almost entirely funded from grant resource. Some of this grant resource is discrete to programmes of activity and comes with restrictions on its use. Other grant, such as TfN's Core grant, is awarded without restrictions and is accounted for as 'non-specific' grant.

This note shows the value of non-specific grants and those capital grants not shown on the service lines of the Comprehensive Income and Expenditure Statement that have been recognised in year.

	2019/20 £000	2020/21 £000
(10,000) TfN Core Grant		(7,000)
(940) Integrated and Smart Ticketing Capital Grant		(1,013)
(10,940) Total		(8,013)

Note 14 - Expenditure and Income Analysed by Nature

This note analyses TfN's income and expenditure by standardised descriptors. The note highlights that TfN is almost entirely funded from governmental grant and contributions, whilst the costs associated with professional service contracts and programme delivery is shown in 'other service expenses'.

2019/20

2020/21

£000	Nature of Expenditure or Income	£000
(52)	Fees, charges and other service income	(230)
(234)	Interest and investment income	(181)
(48,817)	Government grants and contributions	(53,939)
7,774	Employee benefits expenses	9,483
42,243	Other service expenses	48,020
354	Amortisation and impairment	2,749
0	Gain or loss on disposal of non-current assets	1,996
234	Interest payments	325
1,502 (Surplus) or Deficit for Year		8,225

Other service expenses includes all professional service costs, accommodation and business infrastructure costs relating to all activities delivered by TfN. The main element of professional services is the Direct Services Agreement with Network Rail within the NPR Programme. Other costs are generally resource based service contracts for services required to deliver TfN's business plan.

Note 15 - Intangible Assets

TfN accounts for its software and software development as intangible assets.

This note recognises the development, and subsequent amortisation, disposal and impairment, of complex information systems for Phase 2 of the Integrated and Smart Ticketing programme which was aiming to deliver improvements to the way in which passengers access journey time and disruption information and enable the implementation of smart payment systems across the northern passenger transport network.

The note also recognises the development and implementation of TfN's enterprise resource planning (ERP) system. The ERP system is in use and is shown under the 'operational assets' column. The ERP system has been fully amortised in the year (this being its third year of its useful economic life as detailed below).

The intangible assets include both purchased licenses and the costs of internally generated software development. Where assets are operational, they are amortised in line with TfN's accounting policies, with charges commencing in the year after which they become operational.

In December 2020 the fares data tool was transferred to DfT as originally planned. This was treated as a disposal of £2.0m in the year.

In its correspondence of 4 January 2021, DfT confirmed the cessation of funding for the IST programme. Without ongoing funding, the assets within these programmes, that TfN had been carrying as Intangible Fixed Assets, were either transferred or are anticipated to be transferred back to DfT.

During 2020/21, the authority has recognised an impairment loss of £2.29m (2020: £4.323m) and a disposal of £2.0m (2020: £nil) in relation to its intangible assets. The recoverable amount of the intangible assets has therefore been reduced to £nil, £2.21m of the impairment loss charged to the Integrated & Smart Ticketing line and the disposal charged to other operating expenditure in the Comprehensive Income and Expenditure Statement. The assets have been impaired since there will be no further funding from DfT and the assets will no longer be available for use by TfN.

31st March 2020			31st March 2021		
Assets Under Development	Operational Assets	Total	Assets Under Development	Operational Assets	Total
£000	£000	£000	£000	£000	£000

Balance at start of year:						
5,223	902	6,125	Gross carrying amounts	2,112	2,072	4,184
0	(301)	(301)	Accumulated amortisation	0	(655)	(655)
5,223	601	5,824	Net carrying amount at start of year	2,112	1,417	3,529
Additions:						
2,275	0	2,275	- Internal development	1,294	0	1,294
0	107	107	- Purchases	0	0	0
(1,063)	1,063	0	Assets that became operational in the year	(1,410)	1,410	0
0	(354)	(354)	Amortisation for the period	0	(533)	(533)
0	0	0	Disposals	(1,996)	0	(1,996)
(4,323)	0	(4,323)	Impairment losses recognised in the surplus / deficit on the provision of services	0	(2,294)	(2,294)
2,112	1,417	3,529	Net carrying amount at end of year	0	0	0
Comprising:						
2,112	2,072	4,184	- Gross carrying amounts	1,996	3,482	5,478
	(655)	(655)	- Accumulated amortisation and impairment	(1,996)	(3,482)	(5,478)
2,112	1,417	3,529	Total	0	0	0

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the authority. The useful lives assigned to the major software suites used by the authority are:

Useful Life (Years)	Internally Generated Assets	Other Assets
ERP	3	0
Integrated Smart Ticketing	5	0

Note 16 - Debtors

This note shows the value of money owed to TfN and the value of prepayments recognised. Sums due from TfN Partners reflects contributions due from Rail North authorities.

31st March 2020		31st March 2021	
£000		£000	
24	Employees	0	
244	Prepayments	215	
331	TfN Partners	289	
599	Total Debtors	505	

Total debtors include financial assets of £289k, which are carried at amortised cost. There is no significant difference between the carrying value and the fair value of these financial assets. There is no significant credit risk in relation to TfN's financial assets.

Note 17 – Cash & Cash Equivalents

At any time, we will hold cash in the bank or on deposit. This reflects TfN's reserve strategy to mitigate financial shock, and also inevitable timing differences between grants being received and cash being paid to suppliers and employees. The balance of Cash and Cash Equivalents is made up of the following elements:

31 March 2020		31 March 2021
£000		£000
4,307	Cash and Bank balances	4,021
15,000	Short Term Investments	14,000
19,307	Total Cash and Cash Equivalents	18,021

Note 18 - Creditors

This note shows the value of obligations to employees and suppliers.

Obligations to employees include the accounting value associated with the accumulated absence provision – the financial cost of untaken leave as at the financial year-end.

Amounts owed to train operating companies are principally reflective of the grant arrangements in place to support the implementation of the ITSO on Rail smart ticketing project. These amounts have reduced as the programme reaches its conclusion.

Amounts owed to TfN partners include contractual costs for operational support, and the rail studies undertaken by Network Rail acting as the system operator for the northern rail network in support of the Northern Powerhouse Rail programme.

The table below includes financial liabilities of £10.467m which are carried at amortised cost. There is no significant difference between the carrying value and fair value of these financial liabilities. There is no significant market or liquidity risk in relation to these financial liabilities which are all due to mature within 1 year.

31 March 2020		31 March 2021
£000		£000
(163)	Employees	(244)
0	HMRC	(15)
0	Department for Transport	(4,000)
	Train Operating Companies:	
(701)	Arriva Rail North/Northern Trains Ltd.	(225)
(613)	Transpennine Express	(191)
(114)	Merseytravel	(21)
	TfN Partners:	
(446)	Transport for Greater Manchester	(750)
(3,643)	Network Rail	(2,250)
(2,365)	Trade Suppliers	(2,771)
(8,046)	Total Creditors	(10,467)

The balance of £4m due to Department for Transport relates to discrete grant received to date which will be repaid. This mainly includes balances relating to the cessation of the IST programme.

Note 19 - Provisions

Provisions reflect the amount set aside for probable, but uncertain, economic obligations. At 31 March 2021 this only included forecast amounts due to settle contractual issues with suppliers.

2019/20	Total Provisions	2020/21
£000		£000
(77)	Opening Balance	(126)
(49)	(Increase)/decrease in provision during year	58
(126)	Closing Balance	(68)

Note 20 - Unusable Reserves

This note recognises those reserves that do not contain resource that could be applied to meet TfN's funding requirements. These are largely accounting reserves where the effects of timing differences and statutory overrides of accounting rules are recognised:

2019/20		2020/21
£000		£000
(3,529)	Capital Adjustment Account	0
6,080	Pension Reserve	11,889
163	Accumulated Absence Account	243
2,714	Total	12,132

Capital Adjustment Account

The capital adjustment account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or additions to those assets under statutory provisions. The account is debited with the cost of acquisition, construction or subsequent costs as impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement. The account is credited with the amounts set aside by the authority as finance for the costs of acquisition, construction and subsequent expenditure. Note 9 provides details of the source of all the transactions posted to the account.

Capital Adjustment Account		
2019/20		2020/21
£000		£000
(5,824)	Balance 1 April	(3,529)
4,323	Charges for impairment of non-current assets	2,293
354	Amortisation of intangible assets	533
2,274	Revenue expenditure funded from capital under statute	3,235
0	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposals to the Comprehensive Income and Expenditure Statement	1,996
6,950	Net written out amount of the cost of non-current assets consumed in the year	8,057

(2,110)	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(3,803)
(1,104)	Application of grants and contributions from the Capital Grants Unapplied Reserve	(725)
(1,442)	Capital expenditure charged against the General Fund balance	0
(4,656)	Capital financing applied in year	(4,528)
(3,529)	Balance 31 March	0

Pension Reserve

The pensions reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The authority accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the pensions reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

Pension Reserve

31 March 2020		31 March 2021
£000		£000
3,631	Balance 1 April	6,080
1,009	Remeasurements of the net defined benefit (liability)/asset	4,857
2,353	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	2,087
(913)	Employer's pensions contributions and direct payments to pensioners payable in the year	(1,135)
6,080	Balance 31 March	11,889

Accumulated Absences Account

The accumulated absences account absorbs the differences that would otherwise arise on the General Fund balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund balance is neutralised by transfers to or from the account.

Accumulated Absences Account

31-Mar-20		31-Mar-21
£000		£000
136	Balance 1 April	163
(136)	Settlement or cancellation of accrual made at the end of the preceding year	(163)
163	Amounts accrued at the end of the current year	243
27	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in year in accordance with statutory requirements	80

Note 21 - Cash Flow from Operating Activities

The cash flows for operating activities include the following items:

31 March 2020		31 March 2021
£000		£000
(106)	Interest received	(146)
(106)	Total	(146)

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

31 March 2020		31 March 2021
£000		£000
(4,323)	Impairment and downward valuations	(2,293)
(354)	Amortisation	(533)
0	Disposal of intangible assets	(1,996)
(3,338)	(Increase)/decrease in creditors	(2,702)
421	Increase/(decrease) in debtors	(94)
(1,440)	Movement in pension liability	(952)
(49)	Other non-cash movements charged to the surplus or deficit on provision of services	58
(9,082)	Total	(8,514)

The surplus or deficit on the provision of services has been adjusted for the following items which are investing and financing activities:

31 March 2020		31 March 2021
£000		£000
940	Any other items for which the cash effects are investing or financing cash flows	1,013
940	Total	1,013

Note 22 - Cash Flow from Investing Activities

31 March 2020		31 March 2021
£000		£000
2,645	Purchase of property, plant and equipment, investment property and intangible assets	1,574
(940)	Other receipts from investing activities	(1,013)
1,705	Net cash flows from investing activities	561

Note 23 - Members' Allowances

The authority paid the following amounts to the Independent Members of its Audit and Governance Committee during the year.

31 March 2020		31 March 2021
£		£
1,400	Independent Audit & Governance Committee Members	1,600

Note 24 - Officers' Remuneration

Under statutory provisions TfN is required to disclose the remuneration of senior officers. Senior officers include the Head of Paid Service – TfN's principal paid officer – and those officers who report to that post or hold statutory office. TfN also discloses the pay of its Chairman as an individual in a position of significant influence.

The remuneration paid to the authority's senior employees in 2020/21 is as follows:

Role	Salaries	Employer Pension Contribution	Taxable Allowances	Professional Memberships	Severance Payments
Chief Executive (Head of Paid Service) Barry White	£160,352	£22,244	£0	£0	£0
Chairman (pro-rata) John Cridland - <i>Chairman full-time equivalent</i>	£45,000 £220,000	£0	£0	£0	£0
NPR Programme Director	£145,727	£25,357	£0	£343	£0
Major Roads Programme Director	£97,108	£16,897	£511	£369	£0
Strategic Rail Director	£115,869	£20,161	£533	£0	£0
Rail North Partnership Director	£121,385	£21,121	£0	£0	£0
Chief Financial Officer (Section 151)	£145,727	£25,357	£0	£395	£0
Business Capabilities Director	£121,385	£21,121	£0	£163	£0
Head of Legal Services (Monitoring Officer)	£85,583	£14,891	£0	£328	£0
Strategy and Policy Director - <i>Departed 08/01/2021</i>	£110,594	£19,209	£0	£0	£0
Strategy and Policy Director - <i>Joined 01/12/20</i>	£42,789	£7,445	£0	£0	£0

The remuneration paid to the authority's senior employees in 2019/20 is as follows:

Role	Salaries	Employer Pension Contribution	Taxable Allowances	Professional Memberships	Severance Payments
Chief Executive (Head of Paid Service) Barry White	£156,060	£22,460	£4,316	£415	£0
Chairman (pro-rata) John Cridland - <i>Chairman full-time equivalent</i>	£45,000 £220,000	£0	£0	£0	£0
IST Programme Director - <i>Departed post 28/06/2019</i>	£35,456	£5,567	£0	£0	£93,689
NPR Programme Director	£141,826	£22,267	£1,600	£343	£0
Major Roads Programme Director	£118,136	£18,547	£1,306	£331	£0
Strategic Rail Director	£112,767	£17,704	£1,600	£0	£0
Rail North Partnership Director	£112,767	£17,704	£1,600	£0	£0
Chief Financial Officer (Section 151)	£141,826	£22,267	£1,600	£395	£0
Business Capabilities Director	£118,136	£18,547	£0	£198	£0
Head of Legal Services (Monitoring Officer) - <i>Joined 15/07/2019</i>	£57,325	£9,000	£0	£588	£0
Head of Legal Services (Monitoring Officer) - <i>Departed post 04/07/2019</i>	£22,763	£3,413	£325	£0	£0
Strategy and Policy Director	£26,714	£4,194	£0	£0	£0

- Joined 04/01/2020

Strategy and Policy Director

£31,383

£4,598

£0

£0

£0

- Departed post 30/06/2019

TfN is also required to disclose the number of officers whose remuneration is in excess of £50,000. Remuneration is inclusive of salaries and other taxable benefits, but not employer pension contributions. This disclosure is made in bands of £5k and does not include those senior officers detailed above:

	2019/20	2020/21
10	£50,000 – £54,999	12
3	£55,000 – £59,999	8
5	£60,000 – £64,999	6
5	£65,000 – £69,999	2
5	£70,000 – £74,999	8
4	£75,000 – £79,999	8
2	£80,000 – £84,999	1
1	£85,000 – £89,999	1
0	£90,000 – £94,999	1
35		47

Note 25 - External Audit Costs

This note reflects the cost of TfN's external audit for the financial year.

2019/20		2020/21
£000		£000
33	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	33
0	Additional fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the prior year	4
33	Total	37

Note 26 - Grant Income

TfN is almost entirely funded from grants and contributions. Those values can be recognised in the CIES either on the non-specific income line, or on the services lines. The distinction between the two treatments principally reflects conditions or restrictions on those grants, and whether the grants are for capital or revenue expenditure.

Grants that are restricted to discrete activity are shown on the service lines. Capital grants supporting Revenue Expenditure Funded from Capital Under Statute (REFCUS), such as those that support the Phase 1 capital expenditure in support of the ITSO on Rail project, are also shown on the service line to reflect that that expenditure is shown in the CIES.

Grants without restrictions, and capital grants that have either been applied to expenditure or are yet to be applied to expenditure are recognised on the non-specific grant income line. The following note details all grants recognised in this manner:

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

2019/20		2020/21
£000		£000
(10,000)	Core Grant	(7,000)
(940)	Integrated & Smart Ticketing Phase 2 Capital	(1,013)
(10,940)	Total	(8,013)

Grant Income Credited to Services

2019/20		2020/21
£000		£000
(26,932)	NPR Transport Development Fund	(40,636)
(8,680)	Integrated & Smart Ticketing Revenue	(1,187)
(1,170)	Integrated & Smart Ticketing Phase 1	(2,790)
(582)	Rail North Partnership Grant	(681)
(11)	Trans-Pennine Tunnel Traffic Modelling	0
(67)	Rail North Local Contributions	(59)
(542)	Rail North Rail Grant (via Local Contributions)	(559)
(37,984)	Total	(45,912)

Grants with conditions that may require unused allocations to be returned are shown as grants received in advance as a current liability.

Grant Receipts in Advance - Revenue

2019/20		2020/21
£000		£000
0	NPR Transport Development Fund	0
(10)	Trans Pennine Tunnel Traffic Modelling	(10)
0	Integrated and Smart Ticketing Revenue Grant	0
0	Integrated and Smart Ticketing Capital Grant	0
0	Rail North Partnership (RNP) Grant	0
(10)	Total	(10)

Grant received via Transport Development Fund governance must be returned to the Department for Transport if not required.

Note 27 - Related Parties

Transport for the North's Board is made up of elected and Local Enterprise Partnership (LEP) representatives from all areas of the North, along with Secretary of State for Transport and co-opted non-voting representatives from Highways England, Network Rail and HS2 Ltd.

As a result of this governance structure TfN enters into a variety of financial transactions with partner organisations with whom we share common control.

This note seeks to highlight areas where transactions could have potentially been entered other than at arms-length.

Members

TfN's elected members have direct control over TfN's financial and operating policies. Members' interests outside of TfN are recorded in the register of gifts and hospitality maintained by the Monitoring Officer. These interests include positions held by members in other public bodies and private interests.

Material financial relationships between TfN and those bodies are detailed below.

Officers

Officers may be able to influence financial or operational practices. There were no transactions in 2020/21 with bodies in which officers had a pecuniary interest and were able to exercise such an influence.

Funding

Transport for the North is almost entirely funded from the Department for Transport. The Secretary of State for Transport is represented on the Transport for the North Board leading to common control. Over the course of the financial year, grants to a value of £57.31m (2020: 44.82m) were received from the Department. Of this, £53.31m was recognised as income in the year, the remaining £4m of unused grant is held as a creditor to be returned to the Department.

Transport for the North is the recipient of local funding contributions for its Rail North activities. These contributions are made by the Rail North authorities (detailed in the narrative statement) and amounted to £0.62m in the year. The northern Rail North authorities are represented on the Transport for the North Board, whilst all authorities sit on the Rail North Committee

TfN is also party to several contracts where it delivers prescribed services on partners. This includes project management work for North Yorkshire County Council and services funded by Network Rail related to the Trans-Pennine Route Upgrade project. In 2020/21 income was recognised to the value of £0.24m (2020: £0.06m).

Expenditure

Over the course of the year Transport for the North was party to several arrangements where partner bodies supplied goods or services to the organisation.

Transport for Greater Manchester (TfGM) is the regional transport executive for Greater Manchester and controlled via Greater Manchester Combined Authority, a Transport for the North Constituent Authority, the mayor of which is a TfN Board member. Throughout the year TfGM has provided elements of Information and Communications Technology and facilities management support to the organisation on a contractual basis, whilst Transport for the North's Manchester based office space is leased from TfGM. In total, Transport for the North incurred expenditure of £0.64m (2020: £0.75m) with Transport for Greater Manchester.

Network Rail is the system operator for the northern rail network and are also represented on the Transport for the North board. During the year, Transport for the North engaged Network Rail in a number of rail studies in support of the Northern Powerhouse Rail programme. The cost of this activity in year was £26.95m (2020: £17.44m).

As part of the ITSO on Rail project within the Integrated and Smart Ticketing programme, Transport for the North provides grant support to the northern train operating companies. Under this arrangement,

Merseytravel, the regional transport executive for the Liverpool City Region area, have received grant support totalling £0.73m (2020: £0.51m).

Note 28 - Capital Expenditure and Capital Financing

During the year TfN incurred capital expenditure totalling £4.528m. This expenditure was incurred in delivering the Integrated and Smart Ticketing programme.

The following note reflects that expenditure and sources of finance. Reflecting that TfN is almost entirely grant funded, the majority of this expenditure was funded from capital grant discrete to the Integrated and Smart Ticketing programme.

Capital Expenditure and Capital Financing

31 March 2020		31 March 2021
£000		£000
0	Opening Capital Financing Requirement	0
	Capital Investment:	
2,382	Intangible Assets	1,294
2,274	Revenue Expenditure Funded from Capital Under Statute	3,235
4,656	Total Capital Spending	4,528
	Sources of Finance:	
(3,214)	Government Grants and other contributions	(4,528)
	Sums set aside from revenue:	
(1,442)	- Direct revenue contributions	0
(4,656)	Total Sources of Finance	(4,528)
0	Closing Capital Financing Requirement	0

Note 29 - Defined Benefit Pension Scheme

As part of the terms and conditions of employment of its officers, TfN makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, TfN has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Greater Manchester pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of Tameside Metropolitan Borough Council as the administering body. Policy is determined in accordance with the Pensions Fund Regulations.

The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. largescale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies note.

Discretionary post-retirement benefits

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

Transactions relating to post-employment benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions.

However, the charge we are required to make is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

General Fund Transactions

2019/20	2020/21
LGPS £000	LGPS £000
Comprehensive Income and Expenditure Statement	
Cost of Services	
Service cost comprising:	
2,070 Current service cost	1,918
177 Past service cost	23
106 Net interest expense	146
2,353 Total charged to Surplus and Deficit on Provision of Services	2,087

Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement

£000	£000
Re-measurement of the net defined benefit liability comprising:	
(874) Return on plan assets (excluding the amount included in the net interest expense)	(1,475)
(313) Actuarial gains and losses arising on changes in demographic assumptions	45
(1,510) Actuarial gains and losses arising on changes in financial assumptions	6,535
3,706 Actuarial gains and losses arising on changes other assumptions	(248)
1,009 Total charged to Other Comprehensive Income and Expenditure Statement	4,857
3,362 Total charged to the Comprehensive Income and Expenditure Statement	6,944

2019/20	2020/21
LGPS £000	LGPS £000
Movement in Reserves Statement	
(2,353) Reversal of net charges made to the Surplus or Deficit on the Provision of Services	(2,087)
Actual amount charged against the general fund balance for pensions in the year:	
913 Employers' contributions payable to scheme	1,135

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the authority's obligation in respect of its defined benefit plans is as follows:

2019/20	2020/21
LGPS	LGPS
£000	£000
(12,904) Present value of the defined obligation	(22,155)
6,824 Fair value of plan assets	10,266
(6,080) Net (liability) / asset arising from the defined benefit obligation	(11,889)

Reconciliation of the movements in the fair value of scheme (plan) assets

2019/20	2020/21
LGPS	LGPS
£000	£000
4,430	6,824
-	122
4,430	6,946
128	179
874	1,475
913	1,135
493	566
(14)	(35)
6,824	10,266

Reconciliation of present value of the scheme liabilities (defined benefit obligation)

2019/20	2020/21
LGPS	LGPS
£000	£000
(8,061) Opening balance at 1 April	(12,904)
(2,070) Current service cost	(1,918)
(234) Interest cost	(325)
(493) Contributions from scheme participants	(566)
313 - Actuarial gains / (losses) from changes in demographic assumptions	(45)
1,510 Actuarial gains and losses arising on changes in financial assumptions	(6,535)
(3,706) Actuarial gains and losses arising on changes other assumptions	126
(177) Past service cost	(23)
14 Net benefits paid out	35
(12,904) Balance as at 31 March	(22,155)

Local Government Pension Scheme assets comprised

2019/20			2020/21		
Quoted	Unquoted	Total	Quoted	Unquoted	Total
£000	£000	£000	£000	£000	£000
108	0	108	204	0	204

Equity Securities

620	0	620	Consumer	901	0	901
524	0	524	Manufacturing	802	0	802
392	0	392	Energy and Utilities	498	0	498
758	0	758	Financial Institutions	1,078	0	1,078
308	0	308	Health and Care	513	0	513
274	0	274	Information Technology	542	0	542
142	0	142	Other	166	0	166
3,018	0	3,018	Subtotal Equity Securities	4,500	0	4,500
Debt Securities						
258	0	258	Corporate Bonds (investment grade)	496	0	496
220	0	220	Corporate Bonds (non-investment grade)	133	0	133
478	0	478	Subtotal Debt Securities	629	0	629
Private Equity						
0	352	352	All	0	611	611
0	352	352	Subtotal Private Equity	0	611	611
Real Estate						
0	288	288	UK Property	0	384	384
0	288	288	Subtotal Real Estate	0	384	384
Investment Funds and Unit Trusts						
685	0	685	Equities	922	0	922
788	0	788	Bonds	1,301	0	1,301
0	331	331	Hedge Funds	0	523	523
171	605	776	Commodities	223	976	1,199
1,644	936	2,580	Subtotal Investment Funds and Unit Trusts	2,446	1,499	3,945
Derivatives						
0	0	0	Other	(8)	0	(8)
0	0	0	Subtotal Derivatives	(8)	0	(8)
5,248	1,576	6,824	Total Assets	7,772	2,494	10,266

Assumptions

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

Both the Local Government Pension Scheme and discretionary benefits liabilities have been estimated by Hymans Robertson LLP, an independent firm of actuaries, estimates for the fund being based on the latest full valuation of the scheme as at 31 March 2019.

Financial

Period Ended	31 March 2021	31 March 2020
	%p.a.	%p.a.
Pension Increase Rate (CPI)	2.8%	1.8%
Salary Increase Rate	3.55%	2.6%
Discount Rate	2.05%	2.3%

Mortality

Average future life expectancies at age 65 are summarised below:

	Male	Female
Current Pensioners	20.5 years	23.3 years
Future Pensioners#	21.9 years	25.3 years

Figures assume members aged 45 as at the last formal valuation date.

Historic mortality

Life expectancies for the prior period end are based on the Fund's VitaCurves. The allowance for future improvements is shown below:

Prospective Pensioners	Pensioners
Vita Curves with improvements in line with the CMI2018 model assuming long term rates of improvement of 1.50% p.a.	Vita Curves with improvements in line with the CMI2018 model assuming long term rates of improvement of 1.50% p.a.

Please note that the mortality assumptions used to value the Obligations in the Employer's Closing Position are different to those used to value the Obligations in the Employer's Opening Position.

Commutation

An allowance is included for future retirements to elect to take 55% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 60% of the maximum tax-free cash for post-April 2008 service.

Sensitivity analysis

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

The sensitivities regarding the principal assumptions used to measure the scheme are set out below:

Change in assumptions at 31 March 2021	Approximate % increase to Defined Benefit Obligation	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	15%	3,349
0.5% increase in the Salary Increase Rate	2%	466
0.5% increase in the Pension Increase Rate (CPI)	13%	2,807

Note 30 - Leases

Lessee Operating Leases

TfN has 2 properties held under operating leases comprising the Leeds and Manchester offices. TfN also holds an operating lease for ICT equipment. The minimum lease payments due under non-cancellable leases in future years are:

March 2020		March 2021	
£000		£000	
253	Not later than one year	369	
545	Later than one year and not later than 5 years	452	
798	Total	821	

The expenditure charged to the relevant service area within the Comprehensive Income and Expenditure Statement during the year in relation to these leases reflects a rent-free period on one of the leases which has been spread over the life of the lease in accordance with the Code. The charge was therefore £0.589m. This charge is allocated across all service areas.

Note 31 – Prior Year Adjustment

The accounts have been restated to incorporate the misclassification of a £1.1 million statutory transfer from capital grants unapplied to the capital adjustment account as a transfer to/from earmarked reserves within the Movement in Reserves Statement and Note 9.

	31-Mar-20 Capital Grants Un-applied Account £000	31-Mar-20 Capital Grants Un-applied Account (Restated) £000	Change £000
<i>Movement in Reserves Statement</i>			
Adjustments between accounting basis and funding basis under regulations	-	1,104	1,104
Transfers (to) / from Earmarked Reserves (see Note 9)	1,104	0	(1,104)
<i>Note 9 - Adjustments between Accounting Basis and Funding Basis under Regulations</i>			
Capital expenditure financed from Capital Grants Unapplied (transfer to the Capital Adjustment Account)	0	1,104	1,104

Annual Governance Statement 2020/21

Introduction

This statement provides an overview of how Transport for the North's governance arrangements operate and reports on how they have been reviewed to ensure that they provide an effective system of internal control. It also summarises the governance challenges that the organisation faces, together with an explanation of what actions will be taken to implement improvements.

Transport for the North was established by the Sub-National Transport Bodies (Transport for the North) Regulations 2018 and came into being on the 1st April 2018, holding its inaugural meeting on 5th April 2018. This is therefore its third Annual Governance Statement and the organisation's Constitution, policies, procedures and systems continued to be developed during 2020/21. As a Sub-National Transport Body, Transport for the North's core functions are to prepare a transport strategy for the area and to provide advice to the Secretary of State regarding the exercise of transport functions in the area. Transport for the North is funded in these activities by the Department of Transport.

The Transport for the North Board is made up of the representatives of the twenty Constituent Authorities in the North who are the voting Members of the Board, together with representatives of the six Rail North Authorities and the Independent Chairman of the Partnership Board who are all co-opted Members on the Board. At its inaugural meeting the Transport for the North Board also appointed, as co-opted members, the representatives of the eleven Local Enterprise Partnerships in the Transport for the North Area and representatives of Highways England, Network Rail and HS2.

Transport for the North's governance arrangements are set out in its Constitution. All decisions relating to the Constitution, approval of the Budget and Business Plan and adoption of the Strategic Transport Plan are reserved to the Transport for the North Board. Other decisions may be delegated to Committees, the Chief Executive, and other senior officers under the arrangements set out in the Constitution. Under the Board the Rail North Committee oversees the management of the performance of the Northern and TransPennine Express rail contracts under a Partnership Agreement with the Secretary of State for Transport. The arrangements under the Partnership Agreement have continued under the new arrangements which have seen the Northern franchise taken over by the Operator of Last Resort (OLR) and the TransPennine Express franchise moved onto an Emergency Measures Agreement during the Covid-19 pandemic.

The Regulations which established Transport for the North provided for the appointment of a Partnership Board to advise on matters relating to transport in the area. The membership of the Partnership Board mirrors the membership of the Transport for the North Board with the addition of a representative of the DfT. During 2019/20 Transport for the North decided to enlarge the Partnership Board and the Partnership Board now includes a representative from Disability UK, the Committee on Climate Change, Transport Focus and three regional TUC representatives.

Transport for the North has a Scrutiny Committee made up of elected Members appointed by the 20 Constituent Authorities whose role is to review the decisions of the Transport for the North Board and to make recommendations in relation to transport in the area. Transport for the North has decided to adopt a policy of "Scrutiny First" under which the Scrutiny Committee has an opportunity, whenever possible, to comment on and influence decisions before they are made rather than scrutinising decisions which have already been taken.

Transport for the North has also established an Audit and Governance Committee consisting of five Board Members and three Independent Members, who have been publicly recruited on the basis of relevant skills, whose role is to provide assurance to the Board on governance, risk management and the internal control framework.

Since March 2020 Transport for the North, in common with the whole of the UK, has been affected by the Covid 19 pandemic. In response to the emergency, Transport for the North implemented its Business Continuity Plan and was able to move to full remote working. The implementation of the Business Continuity Plan has enabled the continuation of Transport for the North's governance arrangements and enabled its internal system of controls to continue to function.

Since March 2020 all Transport for the North's Boards and Committees have continued to meet through virtual meetings which have continued to be streamed live to the public.

1.0 Scope of Responsibility

- 1.1 Transport for the North is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. Transport for the North also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, Transport for the North is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.3 Transport for the North has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework, Delivering Good Governance in Local Government. A copy of the Code of Governance is included in Transport for the North's Constitution and is on Transport for the North's website at <http://www.transportfornorth.com>. Alternatively, it can be obtained via a written request from:
Head of Legal, Transport for the North, 4 Piccadilly Place, Manchester, M1 3BN

This Annual Governance Statement demonstrates how Transport for the North has reviewed the effectiveness of its internal systems of control and how it has complied with its adopted Code of Governance in carrying out its functions. It is published in accordance with the requirements of regulation 6(1) of the Accounts and Audit Regulations 2015.

2.0 Delivering Good Governance in Local Government

- 1.1 The governance framework comprises the systems, processes, culture and values, by which Transport for the North is directed and controlled and the processes through which it accounts to and engages with the community. It enables Transport for the North to monitor the achievement of its strategic objectives and to consider whether those objectives will lead to the delivery of its goal of transformational economic growth in the North of England, facilitated by improved transport infrastructure.
- 1.2 The system of internal control is a significant part of the governance framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.
- 1.3 The system of internal control consists of a number of processes, policies and procedures that have been put in place in order to identify and prioritise the risks to the achievement of Transport for the North's aims and objectives, to evaluate the likelihood and resultant impact of those risks materialising, and to manage them efficiently, effectively and economically.
- 1.4 The governance framework was in place at Transport for the North for the 2020/21 financial year and up to the date of approval of the Statement of Accounts.

3.0 The Corporate Governance Framework

Transport for the North has adopted a Corporate Governance Framework that incorporates the following Core Principles:

1. Focusing on the purpose of Transport for the North, and the outcomes for the community, and creating and implementing a vision for the area;
2. Members and officers working together to achieve a common purpose with clearly defined functions and roles;

3. Promoting values for Transport for the North and demonstrating the value of good governance through upholding high standards of conduct and behaviour;
4. Taking informed and transparent decisions which are subject to effective scrutiny and risk management;
5. Developing the capacity and capability of Members and officers to be effective;
6. Engaging with local people and stakeholders to ensure robust public accountability;
7. Section 102I of the Local Transport Act 2008 imposes a requirement on Transport for the North, in the preparation of its Strategic Transport Plan, to have regard to the promotion of economic growth and the social and environmental impacts of the implementation of its proposals. This includes having regard for the impact of decisions on future generations.

The table below sets out examples of how Transport for the North has met the principles set out in the CIPFA Framework and also adhered to its governance commitments set out in the Code of Governance and includes hyperlinks to sources of further information.

A Behaving with integrity, demonstrating strong commitment to ethical values and respect for the rule of law	
Core Principle	
Promoting values for Transport for the North and demonstrating the value of good governance through upholding high standards of conduct and behaviour.	
<i>How we met the principle</i>	<i>Evidence</i>
<p>Those Members of Transport for the North who are elected Members of a Local Authority are expected to adhere to the adopted Code of Conduct of their Local Authority while carrying out their duties in respect of Transport for the North. Other co-opted Members are expected to adhere to the Cabinet Office's Code of Conduct for Board Members of Public Bodies.</p> <p>Transport for the North has adopted a Code of Conduct for Officers and a Protocol on Member /Officer Relations, to which all officers are expected to adhere. Serious breaches of these Codes by officers would be investigated under the organisation's disciplinary code.</p> <p>Transport for the North's induction process for new recruits outlines the behaviours and values that are expected from officers.</p> <p>Transport for the North has a zero-tolerance approach to fraud and corruption and has adopted strong Anti-Fraud & Corruption and Whistleblowing Policies. During 2020/21 the Audit and Governance Committee reviewed the systems and controls in place to prevent fraud and corruption. These controls include the electronic procurement system which ensures that transactional flows through the system provides appropriate separation of duties and financial controls.</p> <p>During 2020/21 the Whistleblowing Policy was revised and a programme of training for employees is now being</p>	<p>Constitution</p> <p>Code of Conduct for Officers</p> <p>Member/Officer Relations Protocol</p> <p>Human Resources On-boarding Policies</p> <p>Anti-Fraud and Corruption Policy</p> <p>Review of Anti – Fraud and Corruption Policy</p> <p>Whistleblowing Policy</p>

<p>undertaken with the support of the charity Protect (formerly Public Concern at Work).</p> <p>Members are required to make a declaration of their disclosable pecuniary interests and also to declare any disclosable pecuniary interests in the business of the meeting at the start of all meetings of the Transport for the North Board or its Committees, and to take no part in such business, but to leave the meeting. Members Declarations of Interest are available on the Transport for the North website.</p> <p>Transport for the North has adopted a Code of Practice in relation to Gifts and Hospitality which was reviewed during 2019/20 and training on the Code was rolled out across the organisation. Guidance in relation to gifts and hospitality is included in the induction for all new employees.</p> <p>A register of Gifts and Hospitality is maintained by the Monitoring Officer, in which officers are required to declare any gifts or hospitality of more than nominal value which they have been offered, whether or not it has been accepted. An annual reminder is issued to all Employees and the Monitoring Officer reviews the register annually.</p> <p>Transport for the North has appointed a Monitoring Officer who works with Members and Officers to ensure that Transport for the North complies with its legal duties and all legal requirements. Transport for the North has an in-house legal team and the legal implications of all reports are considered and, where appropriate, legal advice provided within reports that inform decisions that are taken by Members. Legal advice is available to Members at all meetings of the Transport for the North Board and its Committees.</p> <p>The Monitoring Officer has statutory reporting responsibilities in relation to any unlawful decisions or maladministration.</p> <p>The Finance Director, as the Section 151 Officer, has responsibility for ensuring proper arrangements for financial management and has statutory reporting duties in respect of unlawful expenditure and financially imprudent decision making.</p> <p>Transport for The North is committed to promoting Diversity and Inclusion across all areas of the business, which includes people leading the organisation and people working in it. During 20/21 Transport for the North established a cross organisational Diversity Working Group to develop a Diversity and Equalities Action Plan to ensure that respect for equality and diversity is embedded across the organisation both in employment practices and in the delivery of services and programmes.</p>	<p>Constitution</p> <p>Declarations of Interest</p> <p>Code of Practice on Gifts and Hospitality</p> <p>Employees Induction</p> <p>Register of Gifts and Hospitality</p> <p>Constitution</p> <p>Board Reports</p> <p>Constitution</p>
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B Ensuring openness and comprehensive stakeholder engagement

Core Principle

Engaging with local people and stakeholders to ensure robust public accountability

How we met the principle

Evidence

Transport for the North’s website is set out in a clear and accessible way, providing clear access to reports and minutes from Board meetings, along with updates on our core programmes and links to relevant documents. Transport for the North is also active on social media, which regularly shares links to the website where more information can be found (across several channels to widen audience), including promoting public meetings.

Transportforthenorth.com website

All meetings of the Transport for the North Board and its formal Committees are held in public unless information which is either confidential under section 100A or exempt under Part 1 of Schedule 12A of the Local Government Act 1972 is to be disclosed. Copies of all minutes and agendas of the Board and formal Committees are available on Transport for the North’s website. All reports contain details of options considered and the advice provided by officers regarding legal and financial implications. The minutes include the reasons behind the decisions made. Transport for the North has a Freedom of Information Publication Scheme in place and seeks to publish information openly on its website wherever possible and practicable to do so.

Board and Committee Agenda and Minutes

Transport for the North’s website

The Scrutiny Committee, made up of 20 elected Members representing its Constituent Authorities, reviews all reports before they are considered by the Transport for the North Board under the adopted principle of Scrutiny First and makes appropriate recommendations to the Board.

Constitution

During 2020/21 Transport for the North has held all its meetings virtually. It has continued to hold all meetings in public through live streaming the proceedings and proactively promoted this on all online channels, as well as directly to interested parties. All agenda and minutes continue to be available on the website.

Transport for the North website

Live streams are publicised via Transport for the North’s social media platforms public attendance at meetings through watching the live stream has greatly increased during 2020/21.

Under its Regulations, Transport for the North is required to establish a Partnership Board to advise it on all matters relating to transport to, from and within its area. The Partnership Board is a forum in which the elected Members of Transport for the North engage and consult with the business leaders of the area through representatives of the eleven northern Local Enterprise Partnerships and with the national transport delivery agencies Network Rail Highways England and HS2.

Transport for the North Regulations

<p>The Strategic Plan and Investment Programme set out transport interventions which will benefit future generations beyond 2050.</p>	
<p>D Determining the interventions necessary to optimise the achievement of the intended outcomes</p>	
<p>Core Principle</p> <p>Focusing on the purpose of Transport for the North and the outcomes for the community and creating and implementing a vision for the area.</p>	
<p><i>How we met the principle</i></p>	<p><i>Evidence</i></p>
<p>The Strategic Transport Plan for the area is based on a robust evidence base and sets out our vision for transformational change in relation to transport infrastructure in the North.</p> <p>The Investment Programme sets out an ambitious programme of infrastructure projects to be delivered over the period 2019 to 2050 that will implement Transport for the North’s Strategic Transport Plan. Proposed projects have been developed in collaboration with local partners and represent the best options for securing transformational change.</p> <p>The Annual Business Planning process identifies the activities of Transport for the North’s programme teams for the coming year that will deliver the outcomes set out in the Strategic Plan and Investment Programme and identifies the financial and other resources that will be required to achieve delivery.</p> <p>Transport for the North is fully funded by the Department for Transport and funding for the identified activities is provided in accordance with funding conditions set out in Grant Funding letters.</p> <p>Transport for the North is committed to improving the standard of service provided by the railway network in the North and, under a partnership with the Secretary of State, manages the performance of the contracted railways in the region, Northern Rail and TransPennine Express. Through rigorous monitoring of the performance of these railways, Transport for the North has held their management to account and was instrumental in bringing the Northern Rail Franchise into public control under the Operator of Last Resort.</p>	<p>Strategic Transport Plan Evidence Base</p> <p>Investment Programme</p> <p>Business Plan</p>

During the pandemic, Transport for the North was instrumental in developing the North of England Contingency Group which brought together all the main rail delivery partners to ensure that an emergency timetable was introduced to support front line workers and ensure that people could continue to make essential journeys during the pandemic lockdowns. In addition, Transport for the North has continued to use its powers and influence to shape the industry's rail investment programme in line with the Strategic Transport Plan (e.g. by inputting to the Transpennine Route Upgrade and Manchester Recovery Task Force). Transport for the North has allocated resources to pioneering a new approach to journey time improvements and a programme focussed on improving reliability for passengers and freight customers.

During 2020/21, the Northern Powerhouse Rail (NPR) programme has continued to develop the strategic case for the NPR rail network to link all the major urban centres of the North by a fast-reliable rail link. During the year the NPR team has worked with partners to refine the options to enable Transport for the North to provide statutory advice to the Government on its preferred route and to enable it to submit to Government, in partnership with the DfT, a Strategic Outline Case demonstrating the benefits to the North of its proposals.

The Strategic Transport Plan for the area is based on a robust evidence base and sets out our vision for transformational change in relation to transport infrastructure in the North.

During 2020/21, the TfN Major Roads Team led work on completing qualitative sequencing of the Northern Investment Programme, identifying interventions which could be brought forward for earlier delivery and preparing for work in 2021/22 on benefits analysis of the Investment Programme.

Drawing on evidence from the qualitative sequencing, TfN completed work on an Economic Recovery Plan in July and have shared the plan and supporting evidence with the DfT's Acceleration Unit.

In December, TfN completed work on developing Future Scenarios, which are integral to the appraisal of the Investment programme and to the development of TfN's Transport Decarbonisation Strategy.

Throughout 2020/21, TfN has continued work with partners on promoting improvements to connectivity and reliability for all road users. Successes include further investment in the Major Road Network, including MRN programme entry for schemes in Cheshire East, Cumbria, York and North Yorkshire; and funding for development to OBC for schemes in Lancashire, Stockport, Transport North East, Tees Valley and Liverpool.

<p>2020/21 has seen significant progress with delivery of the Road Investment Strategy, with TfN engaged in Highways England work on the development of plans for scheme delivery during RIS2 and RIS3 (Road Investment Strategy). This includes providing support for work on the A66 dualling and providing statutory advice on the Trans-Pennine Tunnel and M6-A1(M) studies.</p> <p>We completed data collection and analysis of journey time reliability, types of journey and geographical distribution of traffic using the Major Road Network (MRN) in 2019. This is the first time 24/7-year-round data has been collected across all MRN routes in the North and provides a pre-pandemic baseline.</p> <p>Throughout the year TfN has been monitoring the impact on travel patterns from restrictions resulting from the pandemic. These have had a profound impact on traffic levels and distribution of traffic on our highway network. We are sharing this data with partners and will use insights from the impact of Covid-19 to help inform future appraisal of investment proposals.</p> <p>One of Transport for the North's long-term ambitions for the North was to develop electronic ticketing across the North that could deliver the fair price promise and daily fare capping. This was being delivered through the IST Programme. Government funding cuts have meant that the current programmes have had to be curtailed. However, Transport for the North retains its ambition to see contactless ticketing progressed across all modes of travel in the North and will continue to seek funding to enable this to be achieved.</p>	
<p>E Developing the organisation's capacity, including the capacity of its leaders and the individuals within it</p>	
<p>Core Principle</p>	
<p>Developing the capacity and capability of members and officers to be effective</p>	
<p><i>How we met the principle</i></p>	<p><i>Evidence</i></p>
<p>Transport for the North has adopted officer development programmes, including a thorough initial Corporate induction programme for all new officers and line managers.</p> <p>All new employees to Transport for the North are subject to a formal six-month probationary process where performance is assessed alongside the provision of initial learning and development support and guidance.</p> <p>Annual staff appraisals and half yearly reviews enable the management team to review both capacity and capability within their teams and identify any individual training and development needs. Key Performance objectives are</p>	<p>Corporate Induction Guidance</p> <p>Probationary Policy</p> <p>Transport for the North Appraisal Guide</p>

<p>Transport for the North has adopted robust procedures for identifying, analysing and managing risk.</p> <p>To strengthen the robustness of the RMS, Transport for the North is implementing risk management software which will assist directorate and programme teams in the timely capture, escalation, and reporting risks, as set out in the RMS.</p> <p>The Audit and Governance Committee is responsible for independently monitoring and assessing the adequacy and effectiveness of the risk management framework with particular focus on</p> <ul style="list-style-type: none"> (i) the risk management strategy for managing key risks; (ii) risk ownership, accountability, and the development of mitigating actions; (iii) the alignment of internal audit and other assurance planning through a risk-based approach to auditing; and (iv) receiving reports from management on the adequacy and effectiveness of the internal control and risk management framework. <p>Transport for the North has a Risk Manager who is responsible for reporting on risk to the Finance Director who reports to the Audit and Governance Committee. The organisation has adopted a robust process for identifying, assessing, and mitigating risks and these are reported regularly to the internal Operations Board of Directors, to the Executive Board and to the Audit and Governance Committee. A risk report is also included in the Monthly Operating Report. In accordance with the Constitution, the Finance Director is responsible for the presentation of Corporate Risks to the Transport for the North Board.</p> <p>Project management systems are in place for all programmes and programme Directors report regularly on performance to Programme Boards and to the Transport for the North Board.</p> <p>Transport for the North has put in place a strong system of financial governance to manage and control its financial affairs. The Finance Director has overall responsibility for ensuring the effectiveness of internal controls. The Finance Director is supported by the Finance Controller who has day to day responsibility for ensuring adherence to the adopted processes and procedures. Transport for the North has adopted rigorous procurement approval procedures which ensure that all procurements comply with its contract procurement rules.</p> <p>Robust people management policies and procedures have also been adopted and embedded within Transport for the North in relation to code of conduct, recruitment and selection, probationary management, performance</p>	<p>Risk Management Strategy (RMS)</p> <p>Risk Management System (Part of Transport for the North's Risk Management Strategy)</p> <p>Constitution</p> <p>Governance Framework</p> <p>Reports to Audit and Governance Committee and Transport for the North Board</p> <p>Contract Procedure Rules</p> <p>Recruitment & Selection, Probationary, Absence &</p>
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<p>management, conduct and capability and absence management. This framework of policies and procedures for managing individual performance, conduct, capability, and attendance at work.</p>	<p>Welfare, Performance Improvement, Disciplinary, Code of Conduct Policies</p>
<p>G Implementing good practices in transparency, reporting and audit to deliver effective accountability</p>	
<p>Core Principle</p> <p>Taking informed and transparent decisions which are subject to effective scrutiny and managing risk</p>	
<p><i>How we met the principle</i></p>	<p><i>Evidence</i></p>
<p>Transport for the North considers the available evidence when making decisions. Transport for the North commissions extensive research for all its programmes and explores different options before prioritising proposals.</p> <p>The Strategic Transport Plan is based on a robust evidence base and was subject to a 13-week statutory consultation exercise during which officers and Members considered in detail the representations made by members of the public and stakeholders. The Strategic Plan is available for public inspection on the website.</p> <p>Transport for the North has established a Scrutiny Committee made up of elected representatives from the 20 Constituent Authorities. The Board made a decision at its inaugural meeting to adopt a "Scrutiny First" model and so all major decisions are subject to scrutiny before they are presented to the Board. The Scrutiny Committee therefore has an opportunity to influence the Board's decisions before they are made, rather than reviewing decisions after they have been taken.</p> <p>The Committee meets regularly and is supported by Transport for the North officers. It subjects proposals to scrutiny before they are presented to the Transport for the North Board, with the recommendations of the Scrutiny Committee being included in the officer's final report to the Board.</p> <p>All policies and proposals developed by Transport for the North are considered first at Officer Reference Groups, made up of officers from all the Constituent Authorities, and then by the internal Operating Board of Transport for the North Directors. Policies and proposals are then further considered by the Executive Board comprising the Chief Executives (or their nominees) of all the Constituent Authorities, before being reported to the Transport for the North Board.</p> <p>All major work programmes also have Programme Boards, which are attended by representatives of the DfT, where the progress of these programmes is regularly</p>	<p>STP and Evidence base</p> <p>Constitution</p>

<p>reviewed against agreed milestones and where major decisions are discussed.</p> <p>The Northern Powerhouse Rail project is co-cliented with the DfT and a Memorandum of Understanding with the DfT was approved by the Transport for the North Board on the 12th March 2020 setting out governance arrangements including regular reporting of finances, performance, and risk to a Programme Board.</p> <p>Transport for the North operates under Memorandum of Understanding with the Secretary of State for Transport and Officers of Transport for the North meet with representatives of DfT at regular Sponsorship Meetings.</p> <p>During 2020/21 Transport for the North has produced monthly monitoring reports that bring together performance and financial information to provide greater transparency in relation to ongoing operations. This report is published on TfN's website and provides to all members of the Transport for the North Board, the Scrutiny Committee and the Audit and Governance Committee with the information they need to challenge Transport for the North's performance.</p> <p>The Rail North Partnership Team reports regularly to the Rail North Committee, and is accountable to the Rail North Partnership Board which is made up of officers of the Constituent Authorities and the DfT where decisions in relation to the management of the performance of the contracted railways are made.</p> <p>Transport for the North has adopted robust procedures for identifying, analysing and managing risk. The risks are presented for discussion to Transport for the North's Operating Board, Audit and Governance Committee, DfT, and Transport for the North Board.</p> <p>Transport for the North has an Audit and Governance Committee which is responsible for independently monitoring and assessing the adequacy and effectiveness of the risk management framework.</p> <p>The Audit and Governance Committee receives a risk report at every meeting and the Committee selects key risks which it wishes to explore in greater detail.</p> <p>The Audit and Governance Committee includes three Independent Members appointed after a public recruitment exercise to provide an independent focus and additional expertise to support the Committee in its role.</p> <p>The Finance Director is responsible for the internal audit function. This has been contracted out to RSM which operates within an Annual Audit Plan that is approved by the Audit & Governance Committee. RSM attends each committee meeting and reports on progress against the Audit Plan.</p>	<p>Constitution</p> <p>Memorandum of Understanding with the Secretary of State</p> <p>Monthly Operating Report</p> <p>Rail North Partnership Board</p> <p>Programme and Corporate Risk Reports</p> <p>Constitution</p> <p>Corporate Governance Framework</p> <p>Constitution</p> <p>Reports to Audit and Governance Committee and Transport for the North Board</p> <p>Annual Audit Plan</p>
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<p>Mazars were appointed as Transport for the North's external Auditors via the Public Sector Audit Appointments (PSAA). The firm attends every meeting of the Audit & Governance Committee where it provides updates on progress throughout the year and can gain in-depth insights into the workings of Transport for the North.</p> <p>In line with best practice, Transport for the North publishes financial transparency reports each quarter, detailing all individual items of expenditure greater than £500 and all procurement card spend.</p> <p>Organisational organograms and salary information is also made available for public consumption on the external website.</p>	<p>Transparency Reports</p>
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Annual Review of the Effectiveness of the Governance Framework

The effectiveness of key elements of the governance framework are assessed throughout the year by the Chief Executive and Directors meeting as the Operations Board (OBT), by internal audit and by the Audit and Governance Committee. Performance in relation to key risks is reported to (OBT) on a monthly basis and regularly to the Audit and Governance Committee and also to the Transport for the North Board. Significant risks and performance in relation to key programmes is also reported to the Executive Board of Senior Officers of the Constituent Authorities at a monthly meeting.

Governance Challenges identified in 2019/20 for 2020/21 and beyond

Subject	Action	Progress	Target Completion Date
Review of the Constitution	To review the Constitution to bring in changes flowing from the Blake-Jones Review and the wider Members' review of the role of Transport for the North	The review was postponed to await the publication of the findings of the Williams Review	Held in abeyance
Adoption of the Assurance Framework	Implement and embed the Assurance Framework in Transport for the North decision-making processes	Further development of the decision-making process has been held in abeyance pending the anticipated White Paper on devolution	Held in abeyance
Board Reporting	Embed and refine the Monthly Operating Report to ensure alignment of quantitative and	Monthly Operating Reports produced and circulated to Members on an ongoing basis	Completed

	qualitative reporting.		
Virtual Meetings in response to the Covid 19 Pandemic	Enable remote attendance by both Members and the public at meetings of the Transport for the North Board other Committees	Virtual Meetings established for all Boards and Committees and Virtual Meetings Procedure Rules adopted	Completed

Governance Challenges identified for 2021/22 and beyond

Subject	Responsible	Target Date
Appointment of new Chief Executive	Dawn Madin	01/06/2021
Review of TfN Boards and Committees with particular reference to the General Purposes Committee	Julie Openshaw	31/03/2022
Review of Scrutiny function and in particular the policy of "Scrutiny first"	Julie Openshaw	31/03/2022

Conclusion

The governance arrangements as described above have been applied throughout this year and up to the date of the Annual Accounts providing an effective framework for identifying governance issues and taking mitigating action. Over the coming year Transport for the North will continue the operation of the governance framework and take steps to carry out the actions for improvement identified in the review of effectiveness to further strengthen its governance arrangements.

Signed
Chair of the Transport for the North Board

Signed.....
Chief Executive

Glossary

ACCOUNTING PERIOD

The period of time covered by the accounts, normally a period of twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

ACCRUALS

Sums included in the final accounts to recognise revenue and capital income and expenditure earned or incurred in the financial year, but for which actual payment had not been received or made as at 31 March.

ACTUARIAL GAINS AND LOSSES

For a defined benefit pension scheme, the changes in actuarial surpluses or deficits that arise because;

- Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
- The actuarial assumptions have changed

ASSET

An item having value to the authority in monetary terms. Assets are categorised as either current or non-current

- A current asset will be consumed or cease to have material value within the next financial year (e.g. cash and stock);
- A non-current asset provides benefits to the Authority and to the services it provides for a period of more than one year and may be tangible e.g. a community centre, or intangible, e.g. computer software licences.

AUDIT OF ACCOUNTS

An independent examination of the Authority's financial affairs.

BALANCE SHEET

A statement of the recorded assets, liabilities and other balances at the end of the accounting period.

BORROWING

Using cash provided by another party to pay for expenditure, on the basis of an agreement to repay the cash at a future point, usually incurring additional interest charges over and above the original amount.

BUDGET

The forecast of net revenue and capital expenditure over the accounting period.

CAPITAL EXPENDITURE

Expenditure on the acquisition of a fixed asset, which will be used in providing services beyond the current accounting period, or expenditure which adds to and not merely maintains the value of an existing fixed asset.

CAPITAL FINANCING

Funds raised to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, direct revenue financing, usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

CAPITAL PROGRAMME

The capital schemes the Authority intends to carry out over a specific period of time.

CIPFA

The Chartered Institute of Public Finance and Accountancy

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

The account of the Authority that reports the net cost for the year of the functions for which it is responsible and demonstrates how that cost has been financed from precepts, grants and other income.

CONSISTENCY

The concept that the accounting treatment of like items within an accounting period and from one period to the next are the same.

CONTINGENT ASSET

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's accounts.

CONTINGENT LIABILITY

A contingent liability is either:

- A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control; or
- A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

CREDITOR

Amount owed by the Authority for work done, goods received, or services rendered within the accounting period, but for which payment has not been made by the end of that accounting period.

CURRENT SERVICE COST (PENSIONS)

The increase in the present value of a defined benefits pension scheme's liabilities, expected to arise from employee service in the current period.

DEBTOR

Amount owed to the Authority for works done, goods received, or services rendered within the accounting period, but for which payment has not been received by the end of that accounting period.

DEFINED BENEFIT PENSION SCHEME

Pension schemes in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.

AMORTISATION

The measure of the cost of wearing out, consumption or other reduction in the useful economic life of the Authority's fixed assets during the accounting period, whether from use, the passage of time or obsolescence through technical or other changes.

DISCRETIONARY BENEFITS (PENSIONS)

Retirement benefits, which the employer has no legal, contractual or constructive obligation to award and are awarded under the Authority's discretionary powers such as the Local Government (Discretionary Payments) Regulations 1996.

EQUITY

The Authority's value of total assets less total liabilities.

EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

EXPECTED RETURN ON PENSION ASSETS

For a funded defined benefit scheme, this is the average rate of return, including both income and changes in fair value but net of scheme expenses, which is expected over the remaining life of the related obligation on the actual assets held by the scheme.

FAIR VALUE

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction.

FINANCE LEASE

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

GOING CONCERN

The concept that the Statement of Accounts is prepared on the assumption that the Authority will continue in operational existence for the foreseeable future.

GOVERNMENT GRANTS

Grants made by the government towards either revenue or capital expenditure in return for past or future compliance with certain conditions relating to the activities of the Authority. These grants may be specific to a particular scheme or may support the revenue spend of the Authority in general.

IMPAIRMENT

A reduction in the value of a fixed asset to below its recoverable amount, the higher of the asset's fair value less costs to sell and its value in use.

INFRASTRUCTURE ASSETS

Fixed assets belonging to the Authority that cannot be transferred or sold, on which expenditure is only recoverable by the continued use of the asset created. Examples are highways, footpaths and bridges.

INTANGIBLE ASSETS

An intangible (non-physical) item may be defined as an asset when access to the future economic benefits it represents is controlled by the reporting entity. This Authority's intangible assets comprise computer software licences.

INTEREST COST (PENSIONS)

For a defined benefit scheme, the expected increase during the period of the present value of the scheme liabilities because the benefits are one period closer to settlement.

INVESTMENTS (PENSION FUND)

The investments of the Pension Fund will be accounted for in the statements of that fund. However, authorities are also required to disclose, as part of the disclosure requirements relating to retirement benefits, the attributable share of the pension scheme assets associated with their underlying obligations.

LIABILITY

A liability is where the Authority owes payment to an individual or another organisation.

- A current liability is an amount which will become payable or could be called in within the next accounting period, e.g. creditors or cash overdrawn.
- A deferred liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over a period of time.

LIQUID RESOURCES

Current asset investments that are readily disposable by the Authority without disrupting its business and are either:

- Readily convertible to known amounts of cash at or close to the carrying amount; or
- Traded in an active market.

LONG-TERM CONTRACT

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken to substantially complete the contract is such that the contract activity falls into more than one accounting period.

MATERIALITY

The concept that the Statement of Accounts should include all amounts which, if omitted, or mis-stated, could be expected to lead to a distortion of the financial statements and ultimately mislead a user of the accounts.

NET BOOK VALUE

The amount at which fixed assets are included in the Balance Sheet, i.e. their historical costs or current value less the cumulative amounts provided for amortisation.

NET DEBT

The Authority's borrowings less cash and liquid resources.

NON-DISTRIBUTED COSTS

These are overheads for which no user now benefits and as such are not apportioned to services.

NON-OPERATIONAL ASSETS

Fixed assets held by the Authority but not directly occupied, used or consumed in the delivery of services. Examples are investment properties, assets under construction or assets surplus to requirements pending sale or redevelopment.

OPERATING LEASE

A lease where the ownership of the fixed asset remains with the lessor.

OPERATIONAL ASSETS

Fixed assets held and occupied, used or consumed by the Authority in the pursuit of its strategy and in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

PAST SERVICE COST (PENSIONS)

For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to retirement benefits.

PENSION SCHEME LIABILITIES

The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. Scheme liabilities measured during the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

PROVISION

An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but the amounts or dates of when they will arise are uncertain.

RELATED PARTIES

There is a detailed definition of related parties in FRS 8. For the TfN's purposes related parties are deemed to include the Authority's members, the Chief Executive, its Directors and their close family and household members.

RELATED PARTY TRANSACTIONS

The Statement Of Recommended Practice requires the disclosure of any material transactions between the Authority and related parties to ensure that stakeholders are aware when these transactions occur and the amount and implications of such.

REMUNERATION

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits. Received other than in cash. Pension contributions payable by the employer are excluded.

RESERVES

The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Authority. Some capital reserves such as the fixed asset restatement account cannot be used to meet current expenditure.

RESIDUAL VALUE

The net realisable value of an asset at the end of its useful life.

RETIREMENT BENEFITS

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

REVENUE EXPENDITURE

The day-to-day expenses of providing services.

REVENUE EXPENDITURE CAPITALISED UNDER STATUTE (REFCUS)

Expenditure which ordinarily would be revenue but is statutorily defined as capital. Examples of REFCUS include grants of a capital nature to voluntary organisations and back pay expenditure capitalised under Secretary of State Direction.

USEFUL ECONOMIC LIFE (UEL)

The period over which the Authority will derive benefits from the use of a fixed asset.

Independent Auditors Report

To be inserted.



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Meeting:	Transport for the North Audit and Governance Committee
Subject:	Draft Audit & Governance Committee Annual Report to the TfN Board
Author:	Iain Craven, Finance Director
Sponsor:	N/A
Meeting Date:	Thursday 16 September 2021

1. Purpose of the Report:

- 1.1 For the Audit & Governance Committee to review the draft report of the Chair of the Audit & Governance Committee summarising the Committee's activities and recommending the approval of the 2020/21 Statutory Accounts and Annual Governance Statement. This report will be presented to the Transport for the North Board on 29 September.

2. Executive Summary:

- 2.1 The terms of reference of the Audit & Governance Committee are set out in the Transport for the North Constitution. The appendices to the report include the terms of reference in extract and a summary of the activity that the Committee has undertaken under each item.
- 2.2 The draft report describes the work that the Committee has undertaken, including consideration of the reports that have been received from RSM as Transport for the North's Internal Auditors.
- 2.3 In addition, the report summarises the work done in relation to the Statutory Accounts and Annual Governance Statement and recommends these documents to the Transport for the North Board for approval.

3. Recommendation:

- 3.1 That the Committee considers the report and recommends its submission to the Transport for the North Board.

4. Corporate Considerations:**4.1 *Financial and Resource Implications***

The financial implications are detailed in the report.

There are no resource implications as a result of the report.

4.2 ***Legal Implications***

The legal implications have been considered and are included in the report.

4.3 ***Risk Management and Key Issues***

There are no risks associated with the content of this report.

4.4 ***Environmental Implications***

A full impact assessment has not been carried out because it is not required for this report.

4.5 ***Equality and Diversity***

A full impact assessment has not been carried out because it is not required for this report.

4.6 ***Consultations***

A consultation has not been carried out because it is not necessary for this report.

5. Background Papers

5.1 There are no background documents.

6. Appendices:

- 6.1 Item 9.1 – Audit Committee Annual Report
- Item 9.2 – Audit Committee Terms of Reference
- Item 9.3 – Audit Committee Terms of Reference Activity

Meeting:	Transport for the North Board
Subject:	Audit & Governance Committee Annual Report
Author:	Chris Melling, Chair of the Audit & Governance Committee
Sponsor:	Iain Craven, Finance Director
Meeting Date:	29 September 2021

1. Purpose of the Report:

- 1.1 This report updates Transport for the North Board on the work undertaken by the Audit & Governance Committee over the last year.
- 1.2 The report provides a summary on the Committee's activity against its terms of reference, and its findings against its areas of scrutiny.
- 1.2 The report concludes with a recommendation for the Board to approve the statutory Statement of Accounts as presented to Board at this meeting.

2. Executive Summary:

- 2.1 The TfN constitution prescribes the requirement for an Audit & Governance Committee.
- 2.2 This Committee is comprised of five members of the TfN Board, subject to changes in Board membership over the course of the year, and three independent members (with a proposal to increase this to four to be considered at TfN's next Annual meeting) recruited on the basis of relevant skills.
- 2.3 The Committee's terms of reference are appended to this report for reference (Appendix 1), but the Committee's principal purpose is to provide independent review and assurance to Members on governance, risk management and control frameworks.
- 2.4 During the 2020/21 financial year the Committee met five times, with a Chair appointed from its independent members. These meetings were remote and took advantage of short term Covid legislation that did not require them to be held in person. The committee has met once since the 2020/21 year end and in addition to two consultation calls have been convened by the Finance Director (using his delegated powers) to enable the regular consideration of business once the legislation that had allowed for remote meetings to be held had expired, but where ongoing restrictions due to the pandemic meant that in person public meetings were not considered to be appropriate.
- 2.5 Given the environment of uncertainty within which TfN continues to operate, the Committee has focused on risk management, with the

Corporate Risk Register Report a standing agenda item. In addition, given that TfN was established relatively recently, the Committee has continued to focus on gaining assurance as to the existence and efficacy of underlying processes and controls.

- 2.6 This report notes the progress the Committee has made in discharging its functions and contains a recommendation with regards the approval of the statutory Statement of Accounts.

3. Audit & Governance Committee Progress Report

- 3.1 The TfN Constitution prescribes the requirement for an Audit & Governance Committee to support Members in their oversight of TfN's affairs.
- 3.2 The Audit & Governance Committee consists of five TfN Board members and three (soon to be four) independent members appointed by an open recruitment process. The Committee is chaired by an Independent member, with the TfN Board member for Cumbria as Vice Chair.
- 3.3 Over the year the Committee met five times. Meetings have been attended by Department for Transport representatives, along with TfN's internal and external audit providers (RSM and Mazars respectively).

Work Plan

- 3.4 Over the year the Committee has agreed a number of standing items that should be brought before the Committee by officers. These include:
- The Corporate Risk Registers;
 - Financial Reporting; and,
 - Constitution Reviews.

In addition, the relevant Monthly Operating Report is provided to the Committee for consideration.

- 3.5 The Committee also requires that instances, or suspicion, of fraud and corruption are reported to the Committee directly.
- 3.6 In addition to this, the Committee also approved the internal audit programme of activity. This programme has been designed to provide the Committee with the assurance it requires that TfN has implemented a control framework that appropriately manages risk.
- 3.7 The Committee has received regular updates from internal audit against this plan, and also updates from external audit as they have progressed the statutory audit.

- 3.8 During the year the committee required a number of specific items of work to be undertaken. These included a review of the anti-fraud and corruption policy that was carried out as part of the wider consideration of the Annual Governance Statement; a report on the Operational Rail Recovery Plan which itself arose from a report on risks associated with Covid-19; and report on the TfN assurance framework. In addition, a review and refresh of the Treasury Management Strategy was undertaken.
- 3.9 The Committee’s activity vis-à-vis its terms of reference is presented in matrix form in Appendix 2.

Internal Audit Activity

- 3.10 RSM was appointed as TfN’s internal audit provider in 2018 following a competitive procurement exercise.
- 3.11 The Committee agreed the audit programme for the year, concentrating on the implementation of core control frameworks
- 3.12 RSM was able to provide the following level of assurance in these key areas:

Area	Assurance Level			
	Substantial	Reasonable	Partial	None
Risk Management – risk register deep dive	√			
Contract Management		√		
Recruitment and Selection	√			
Cyber Security Review		√		
New Commissioning and Payment process	√			
Investment Programme Assurance	√			
Income & Debtor Management	√			

In addition, the audit to follow up on the recommendations made by the internal auditor in previous audit reports identified “good progress” in relation to the follow up actions agreed with management.

- 3.13 The Committee is able to provide TfN Board with assurance from these reports that the necessary core controls expected of a public body have been implemented in the areas reviewed.
- 3.14 The Committee has tracked progress against agreed management actions throughout the year.

External Audit Activity

- 3.15 Mazars was appointed as TfN’s statutory auditor in 2018 via the Public Sector Audit Appointment process and continued in this role during the year.

- 3.16 Mazars conduct the external audit, as required by statute. This audit considers whether the Statement of Accounts presents a 'true and fair view' of TfN's affairs, and also gives a value-for-money opinion.
- 3.17 The Committee has received progress reports from officers and Mazars throughout the year regarding progress in relation to the completion of the accounts and their subsequent audit and has twice formally reviewed the draft unaudited accounts.
- 3.18 Recognising the specific circumstances generated by the Covid-19 outbreak, the Committee notes that the process of finalising the Transport for the North accounts has been completed in line with the revised deadline of 30 September 2021 and that Transport for the North will use the 29 September 2021 Board to approve the 2020/21 financial statements in compliance with that deadline.
- 3.19 Whilst Mazars will not formally report their audit findings until release of the ISA 260 audit opinion to TfN Board, the Committee has sufficient comfort to recommend the accounts to Board for approval.

Risk

- 3.20 One of the first exercises that Committee undertook when it was first established was to review and approve Transport for the North's Risk Management Strategy. Subsequently, the Committee has a standing agenda item in relation to risk.
- 3.21 During the year the Committee has reviewed both corporate and programme risks and provided feedback with regard to the presentation of the information provided. This has included changes in the presentation of the corporate risk register to enhance the users understanding of the likely effectiveness of TfN's risk mitigation strategies.
- 3.22 In February 2021 the Committee approved revised format for the Corporate Risk Register Report. These changes were implemented after discussions with officers and will improve the utility of the report for the users, including the Committee and the Transport for the North Board as well as other stakeholders.

Next Steps

- 3.23 The work programme for 2020/21 is intended to include the following:
- Consider the outputs produced by the Internal Audit plan for 2021/22.
 - Continue to monitor the impacts of Covid-19 on TfN operations.
 - Monitor Transport for the North's risk management activity.
 - Review corporate governance arrangements, supported by an internal audit review, against the Code of Corporate Governance and the good governance framework
 - Consider the preparatory activity being undertaken for the refresh of the Strategic Transport Plan.

3.24 The internal audit plan for 2021/22, approved by the Committee in February 2021, includes the following reviews of TfN activity:

- Governance Effectiveness Framework
- Risk Management Strategy
- Purchase to Pay
- Flexi-time system
- IT (Cyber security or GDPR)
- Follow up

4. Conclusion:

4.1 Having reviewed the findings of internal audit and the submissions of officers, the Committee can provide assurance to the Board that in the areas reviewed TfN has implemented a sound control framework that appropriately manages risk.

4.2 Having reviewed the Statement of Accounts and received representation from officers and external audit, the Committee commends to the Board the Statement of Accounts as contained in this pack.

5. Recommendation:

5.1 It is recommended that the Board approve the corporate governance review and the Annual Governance Statement.

5.2 It is recommended that the Board notes the recommendation in the Annual Progress Report of the Audit & Governance Committee to approve the Statement of Accounts for 2020/21.

5.3 It is recommended that the Board approve the Statement of Accounts for financial year 2020/21.

6. Appendices:

6.1 Appendix 1 - TfN Audit & Governance Committee terms of reference

6.2 Appendix 2 - Terms of Reference and Activity Matrix

List of Background Documents:

The following background papers were considered in preparation of this report –

Transport for the North Constitution:

[Microsoft Word - Constitution Version July 2020 \(transportforthenorth.com\)](#)

Internal Audit Reports to the Audit & Governance Committee:

Risk Management – risk register deep dive

[Microsoft Word - Risk Management - Risk Register Deep Dive 1.20.21 REVISED FINAL TfN \(transportforthenorth.com\)](#)

Contract Management

[24.09.20-Audit-Governance-Pack.pdf \(transportforthenorth.com\)](#)

Recruitment and Selection

[Microsoft Word - Human Resources – Recruitment and Selection 4.20.21 FINAL TfN \(transportforthenorth.com\)](#)

Cyber Security Review

[Microsoft Word - Cyber Security Review 5.20.21 FINAL TfN \(transportforthenorth.com\)](#)

New Commissioning and Payment process

[Microsoft Word - New Payment \(Commissioning\) Process 6.20.21 FINAL TfN \(transportforthenorth.com\)](#)

Investment Programme Assurance

[Microsoft Word - Investment Programme Assurance Review 7.20.21 FINAL TfN \(transportforthenorth.com\)](#)

Income & Debtor Management

[Microsoft Word - Income and Debtor Management 8.20.21 FINAL TfN \(transportforthenorth.com\)](#)

Progress Report

[Microsoft Word - Progress Report February 2021 TFN \(transportforthenorth.com\)](#)

[Microsoft Word - Progress Report June 2021 TFN \(transportforthenorth.com\)](#)

[Microsoft Word - Progress Report July 2021 TFN \(transportforthenorth.com\)](#)

Item 9.2: APPENDIX 1

Audit and Governance Committee (TfN Constitution July 2020)

Statement of purpose

The Audit and Governance Committee is a key component of corporate governance providing an independent, high-level focus on the audit, assurance and reporting framework underpinning financial management and governance arrangements. Its purpose is to provide independent review and assurance to Members on governance, risk management and control frameworks. It oversees financial reporting, the Annual Governance Statement process and internal and external audit, to ensure efficient and effective assurance arrangements are in place.

Membership comprises:

- a) five members of the TfN Board (not the Chair, or Vice Chair) appointed by TfN; and,
- b) three Independent members (to be recruited on the basis of relevant skills);

A representative of DfT (Department for Transport) will be invited to attend meetings.

The Constitution places responsibility on the Audit and Governance Committee 'to oversee the effectiveness of TfN's risk management arrangements.' The Constitution also makes the Finance Director responsible for discharging the functions of the 'responsible financial officer' under the Accounts and Audit (England) Regulations 2015, including ensuring risk is appropriately managed.

Terms of Reference

The core functions of the Authority's Audit and Governance Committee are to:

- a) approve Accounts;
- b) recommend Approval of the annual statement of accounts for TfN;
- c) governance, risk, and control;
- d) review corporate governance arrangements against the Code of Corporate Governance and the good governance framework;
- e) review the Annual Governance Statement (AGS) prior to approval to ensure it properly reflects the risk environment and supporting assurances;
- f) monitor the effectiveness of arrangements to secure value for money;
- g) be satisfied that the assurance framework adequately addresses risks and priorities including governance arrangements in significant partnerships;
- h) monitor TfN's risk and performance management arrangements including review of the risk register, progress with mitigating action and the assurance map;
- i) consider reports on the effectiveness of internal controls;
- j) monitor the anti-fraud strategy, risk-assessment, and any actions.

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Item 9.3 APPENDIX 2

Terms of Reference Activity	Considered	Comment
Approve Accounts	✓	The Committee has twice reviewed the Statement of Accounts and received representation from officers and progress reports from external audit.
Recommend Approval of the annual statement of accounts for TfN	✓	The Committee has recommended the approval of the Statement of Accounts to TfN Board.
Governance, risk and control	✓	<p>The Committee commissioned a number of internal audit reports throughout the year around key risks and financial controls. These included Contract Management, New Commissioning and Payment process, Income & Debtor Management and the Risk Register Deep Dive. In addition, reports were also received from internal audit which covered Recruitment and Selection, Cyber Security and Investment Programme Assurance.</p> <p>The Committee has further received reports from officers around Constitution reviews, programme and operational performance, and financial reporting. The Committee continues to review these areas as standing items on its agenda.</p>
Review corporate governance arrangements against the Code of Corporate Governance and the good governance framework	✓	The Committee oversaw the annual governance review, receiving a number of progress reports and reviewed and commented on the draft Annual Governance Statement prior to its publication for the statutory public inspection period.
Review the Annual Governance Statement (AGS)	✓	The Committee reviewed and commented on the draft Annual Governance Statement prior to its publication for the statutory public inspection period.
Monitor the effectiveness of arrangements to secure value for money	✓	<p>The Committee notes that effective arrangements for the delivery of value for money are derived from an effective control framework.</p> <p>The Committee has commissioned a number of reports from internal audit over the course of the year to test that framework. Internal audit reports found that substantial assurance could be had from TfN processes. The Committee also gained assurance from</p>

		<p>the reports provided by internal audit concerning the cyber security and risk management.</p> <p>Taken together, these reports give the Committee comfort that TfN has embedded a culture of value for money and implemented processes to ensure that those principles are at the heart of decision making.</p>
Be satisfied that the assurance framework adequately addresses risks and priorities including governance arrangements in significant partnerships	✓	TfN is engaged in two principal partnerships, the Rail North Partnership and the co-clienting arrangements for the delivery of the NPR Programme. In both cases TfN is in Partnership with the DfT. In 2019/20 the Committee undertook a review of the governance arrangements for the NPR programme, which resulted in a Memorandum of Understanding being developed with DfT that was presented to the TfN Board for approval in March 2020. The ongoing risks to the delivery of TfN objectives that arise from these co-client arrangements are reflected in the Corporate Risk Register Report, which is a standing item on the Committee agenda.
Monitor TfN's risk and performance management arrangements including review of the risk register, progress with mitigating action and the assurance map	✓	<p>The Committee has received risk register reporting as a standing item over the course of the year. The Committee has also commissioned internal audit to independently review risk management arrangements via a deep dive of the register.</p> <p>The Committee requires delivery against internal audit management actions to be reported to it as a standing item to ensure recommendations are progressed.</p>
Consider reports on the effectiveness of internal controls	✓	<p>The Committee approved the internal audit work programme for 2021/22.</p> <p>Internal audit progress is a standing invitee to the Committee's sessions and are required to report on their programme reviews, actions against recommendations, and best practice that could be implemented.</p> <p>The Committee also consider progress reports from external audit which is also a standing item on the Committee's agenda. Representatives from both internal and external audit are present for the entire agenda.</p>

Monitor the anti-fraud strategy, risk-assessment and any actions		A review of the Anti-Fraud and Corruption policy was carried out by the Committee during 2021/22, as part of the consideration of the Annual Governance Statement.
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Meeting:	Transport for the North Audit and Governance Committee
Subject:	Updated Corporate Risk Register
Author:	Haddy Njie, Risk Manager
Sponsor:	Iain Craven, Finance Director
Meeting Date:	Thursday 16 September 2021

1. Purpose of the Report:

1.1 Transport for the North (TfN) continues to review and update the Corporate Risk Register (CRR) which reflects the Key Performance Indicators (KPIs) and business objectives outlined in the Business Plan for Financial Year 2021/22. The CRR was presented in July 2021 through its new risk reporting template. For this reporting period, TfN has undertaken a risk review exercise to ensure the corporate risks and associated mitigation action plans are revised. In addition, the Corporate Risk Register has been reviewed by TfN's new Chief Executive, Martin Tugwell. The key updates from the previous version are as follows:

- The likelihood of occurrence for the risk of a significant number of staff to be affected by COVID-19 and thus impacting TfN's key programmes and business deliverables has been reduced to a "Low" assessment, i.e. less than 20% chance of it happening. Please see corporate risk theme – The COVID-19 Pandemic (TCR01), page 9;
- On the same corporate risk theme - The COVID-19 Pandemic (TCR01), a new mitigation has been documented to respond to risk three, that is, the pandemic related uncertainty continues to cause delay to wider policy announcements. The mitigation demonstrates efforts made by TfN, albeit the organisation's lack of direct control/powers in the publication of policies such as the IRP;
- The overall level of post mitigation risk for TCR3 and TCR7 have been reduced to low following an exercise to reassess the level of risk to which TfN is now exposed, particularly given the levels of mitigation that are in place.
- To ensure continual amelioration of the Corporate Risk Register, TfN has amended the terminology "assessed risk impact" which can be found in the risk themes to "current risk impact". This is to make sure that there is consistency with the language used in section 1, summary of TfN's corporate risk themes.

- 1.2 The intention of the report is to provide Audit & Governance Committee Members with an update on the organisational risks relating to the business objectives which can be found in the Corporate Risk Register.
- 1.3 Paragraph 19.1 of Transport for the North's constitution states that Audit & Governance committee is to "provide independent review and assurance to members on risk management and control framework". This report will assist committee members in discharging that duty.

2. Executive Summary:

- 2.1 It is essential that Transport for the North recognises, understands, and manages the range of corporate risks that could negatively impact on its ability to achieve its objectives. The terms of reference for the Audit & Governance Committee include the requirement to "monitor Transport for the North's risk and performance management arrangements including review of the risk register, and progress with mitigating actions".
- 2.2 Transport for the North's corporate risks stem from the agreed KPIs and from a range of other sources, some of which are beyond its direct control. The challenges and uncertainty faced by Transport for the North create both threats that need to be addressed, and opportunities that can potentially be exploited. Transport for the North's Corporate Risk Register is presented at Appendix 10.1.

3. Consideration:

- 3.1 Transport for the North's approach to managing risk is described in its Risk Management Strategy ("RMS") which sets out guidance on how risks are identified, assessed, managed and reported. The RMS has been applied in updating the Corporate Risk Register.
- 3.2 It is essential that Transport for the North and its programme teams recognise, understand, and manage the risks that could negatively impact on the ability to achieve its objectives and priorities.
- 3.3 The Audit & Governance Committee is asked to consider the internal and external corporate risks that the organisation is facing and provide feedback per 1.3 above.

4. Recommendation:

- 4.1 Committee Members are asked to consider the report and provide comments regarding the risk information provided.

5. Corporate Considerations:

5.1 *Financial and Resource Implications*

The Finance Team has reviewed this report and confirmed that the financial implications are included within the report.

The resource considerations are where applicable included within the report.

5.2 *Legal Implications*

Legal implications are covered within the report.

5.3 *Risk Management and Key Issues*

A full corporate risk assessment activity took place which can be found in Item 10.1.

5.4 *Environmental Implications*

A full impact assessment has not been carried out because it is not required for this report.

5.5 *Equality and Diversity*

A full impact assessment has not been carried out because it is not required for this report.

5.6 *Consultations*

A consultation has not been carried out because it is not required for this report.

6. Background Papers

6.1 There are no background papers to this report.

7. Appendices:

7.1 Item 10.1 – Transport for the North’s Corporate Risk Register.

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Transport for the North

Corporate Risk Register

Updated September 2021



Introduction to Transport for the North's Corporate Level Risks

It is essential that Transport for the North (TfN) recognises, understands and manages the range of risks that could negatively impact on its ability to achieve the objectives set out in the 2021/2022 Business Plan. TfN's approach to managing risk is set out in its Risk Management Strategy which provides guidance for how risks are identified, assessed, managed and reported. Each programme and corporate function within TfN has its own risk register that is updated on either a monthly or fortnightly cycle, with clear reporting in line with governance arrangements. At the apex of these arrangements is the annual reporting of the corporate level risks to TfN Board.

TfN uses programme information to identify cross cutting risk themes that are sufficiently significant, either in their own right or in aggregate, to be reported to and discussed by the Board as risks requiring corporate focus. TfN's corporate risks stem from a range of sources, some of which are beyond TfN's direct control. The challenges and uncertainty faced by TfN create both threats that need to be addressed, and opportunities that can potentially be exploited.

The 2021/22 corporate risk register presents the corporate risks that might directly have an impact on TfN's business plan objectives. To ensure effective management of risks, the reports provides full risk information such as the proximity of the risk, potential consequences on TfN's objectives and priorities and the mitigation measures in place to manage the downside risks.

Section 1 summarises TfN's corporate level risks and the senior owner(s).

Section 2 outlines TfN's defined Probability Impact Criteria to undertake the qualitative assessment of the risks in order to produce a risk exposure score for each risk.

Section 3 provides a guideline in regard to the assessment of TfN's level of control on the proposed mitigation risk plans.

Section 4 provides a detailed analysis of each risk, the mitigating actions that have been adopted and the mitigation level of controllability as it is important to understand the extent to which TfN is able to influence or control the risk outcomes.

Section 1: Summary of TfN's Corporate Risk Themes, Probability & Impact Assessments and Ownerships

Corporate Risk Theme	The Covid-19 Pandemic prevents or delays TfN from delivering its objectives		
Risk Probability		Medium	
Nature of Risk Impact	Business deliverables may not be completed on time if: <ul style="list-style-type: none"> (i) A number of staff within TfN or its supply chain might be affected by Covid-19. (ii) TfN decision making / governance processes might be impacted by the availability of Constituent Authority or departmental colleagues. (iii) Covid-19 related uncertainty causes wider policy announcements to be delayed. There is the potential for additional costs to be incurred through the measures that might be put in place to address the issues caused by Covid-19. 		
Current Risk Impact			High
Post-Mitigation Impact		Medium	
Risk/Mitigation Owner(s)	Chief Executive (Martin Tugwell)		
Corporate Risk Theme	TfN Reputational and Political Engagement		
Risk Probability			High
Nature of Risk Impact	<ul style="list-style-type: none"> (i) Reduced core funding in 21/22 (mitigated partly by DfT agreeing cost allocations into the NPR programme) and no funding for the IST programme means that TfN's ability to deliver in line with member aspirations will be reduced. (ii) The future role of Sub-national Transport Bodies (STBs) such as TfN needs greater clarity otherwise TfN's ability to deliver the economic, social and sustainability benefits could be reduced. (iii) The leaking of confidential information may create a legal liability, and/or erode trust between TfN and the Department of Transport and thereby could potentially harm TfN's reputation, weaken its relationship with DfT and other partners and ultimately impact upon its financial position. 		
Current Risk Impact			High
Post-Mitigation Impact		Medium	
Risk/Mitigation Owner(s)	Chief Executive / Finance Director (Martin Tugwell / Iain Craven)		
Corporate Risk Theme	Embedding the Strategic Transport Plan (STP) Across Programmes		
Risk Probability	Low		
Nature of Risk Impact	<ul style="list-style-type: none"> (i) TfN Programmes of work may develop in a way that does not contribute to, or runs counter to, the overall objectives and plan set out in the STP, resulting in the failure to achieve the aims of the STP. (ii) Inconsistent messaging as a result of uncoordinated activity could also weaken TfN's reputation with 		

	government, constituent authorities and wider stakeholders.		
Current Risk Impact			High
Post-Mitigation Impact	Low		
Risk/Mitigation Owner(s)	Interim Strategy & Programme Director (Tim Foster)		
Corporate Risk Theme	Delivery of Robust and Compelling Evidence to Support Investment Programmes		
Risk Probability		Medium	
Nature of Risk Impact	An insufficiently compelling evidence base, particularly around the programme-level economic case may delay or prevent strategic transport infrastructure investments being made, with consequential impacts on TfN's ability to deliver its objectives.		
Current Risk Impact		Medium	
Post-Mitigation Impact	Low		
Risk/Mitigation Owner(s)	Interim Strategy & Programme Director (Tim Foster)		
Corporate Risk Theme	Transport Decarbonisation and Climate Change Emergencies		
Risk Probability		Medium	
Nature of Risk Impact	The failure to develop relevant policy positions, and undertake identified priority decarbonisation activities, would adversely impact on TfN's credibility and influence as a Sub-National Transport Body and reduce its ability to deliver on the commitments laid out within the TfN Decarbonisation Strategy.		
Current Risk Impact			High
Post-Mitigation Impact	Low		
Risk/Mitigation Owner(s)	Interim Strategy & Programme Director (Tim Foster)		
Corporate Risk Theme	TfN Operations		
Risk Probability		Medium	
Nature of Risk Impact	<p>(i) The uncertainty regarding the outcome of the impending CSR and delays in the publication of key policy documents could create potential impacts in relation to TfN's ability to recruit and retain the right people with the right skills and as a result could negatively impact on TfN's ability to deliver its 2021/22 business plan.</p> <p>(ii) Funding reductions may mean that TfN is unable to deliver the full range of its members aspirations.</p>		
Current Risk Impact			High
Post-Mitigation Impact		Medium	
Risk/Mitigation Owner(s)	Finance Director / Business Capabilities Director (Iain Craven / Dawn Madin)		
Corporate Risk Theme	TfN Compliance with Relevant Laws and Regulations		

Risk Probability	Low			
Nature of Risk Impact	<ul style="list-style-type: none"> (i) Potential reputational impacts with both stakeholders and the public. (ii) Financial impact, including fines or other penalties, for breach of statutory obligations such as Data Protection, Freedom of Information, Employment or Health and Safety legislation. (iii) The ICO may issue a decision notice or the HSE may issue an enforcement notice if it found that TfN was in breach of the legislation. Employees/Ex-Employees may raise employment tribunal claims against TfN. 			
Current Risk Impact			High	
Post-Mitigation Impact	Low			
Risk/Mitigation Owner(s)	Business Capabilities Director / Head of Legal Services (Dawn Madin / Julie Openshaw)			
Corporate Risk Theme	The Northern Powerhouse Rail (NPR) Strategic Outline Case (SOC)			
Risk Probability				Very High
Nature of Risk Impact	<ul style="list-style-type: none"> (i) Following the agreement that the publication of the Integrated Rail Plan will precede the NPR SOC, further delay in the release of the IPR will delay the submission of the NPR SOC and could affect the future scope of business cases, such as OBC and FBC (ii) The recommendations that might be in the IRP when it is published may not be aligned with the route / phasing advice that TfN has previously provided to the SoS. This would severely impact on the ability of the NPR Programme to deliver TfN's preferred network. (iii) The outcome of the IRP may include conclusions relating to the TRU option selection which ranges from small to larger improvements. There is a lack of engagement between NPR & TRU programmes (i.e., TfN, DfT, NR) which is likely to affect the programme and thus impact on TfN's credibility and reputation with our Partners and the public 			
Current Risk Impact				Very High
Post-Mitigation Impact			High	
Risk/Mitigation Owner(s)	NPR Programme Director (Tim Wood)			
Corporate Risk Theme	Rail Operations (Franchise Management and Investment)			
Risk Probability				Very High
Nature of Risk Impact	<ul style="list-style-type: none"> (i) The replacement of the franchise system by service contracts directly funded by the Treasury through Great British Rail potentially diminishes TfN's role and influence over operations. (ii) Reductions in passenger numbers due to Covid-19 may lead to weaker business cases and therefore delay investment. This may result in ongoing customer dissatisfaction and could affect TfN's 			

	(iii) reputation by impacting on a significant part of its rail transformational programmes. Increased subsidy levels may also result in HMT seeking cuts to rail budgets.		
Current Risk Impact			Very High
Post-Mitigation Impact			Very High
Risk/Mitigation Owner(s)	Strategic Rail Director (David Hoggarth)		

Section 2: TfN's Probability & Impact Scoring and Assessment Criteria

TfN's Probability Impact Criteria, as illustrated below, is a risk management tool that enables the risk likelihood and impact to be calculated to produce an aggregated risk severity and exposure for each risk. The corporate risks are plotted according to the probability of occurrence and the impact upon an activity should the risk happen.

The qualitative risk ranking (risk score) could be generated by multiplying the probability with the maximum of the impacts (i.e., financial, reputation etc.) for each risk.

Rating		Probability of the Risk Materialising (%)	Definition of Impact
5	An Issue	100% probability that the risk will materialise or the has materialised	<ul style="list-style-type: none"> One or more of the implications will have an effect on Business Plan objectives and/or KPIs
4	Very High	81-100	<ul style="list-style-type: none"> Financial Implication: £>2m Schedule Implication: > 12 months National long-term negative media coverage, significant loss of trust and credibility Severe relationship issues with partners and/or third parties (such as Local Authorities, public)
3	High	51-80	<ul style="list-style-type: none"> Financial Implication: £1m - £2m Schedule Implication: 9 - 12 months National short-term negative media coverage Evidence of relationship issues with partners/and third parties (such as Local Authorities, public)
2	Medium	21-50	<ul style="list-style-type: none"> Financial Implication: £500K - £1m Schedule Implication: 3 - 9 months Local media damage Minimal strained relationship with partners and/or third parties (such as Local Authorities, public)
1	Low	≤20	<ul style="list-style-type: none"> Financial Implication: £0 - £500K Schedule / Time delay Implication: 0 - 3 months Local media attention quickly remedied No strain relationship with partners and/or third parties (such as Local Authorities, public)

Section 3: Qualitative Assessment on the Levels of Mitigation Control

In order to assist the user to understand how TfN's key risks are impacted by the mitigation activities set out in this document, TfN has assessed the level of control on the mitigation risk action plans and the extent to which TfN is able to influence or control those risk outcomes.

The following corporate risks have been subject to an evaluation by identifying the level of control:

- **High Control:** TfN has direct control over most of the available mitigation options - strategies that TfN has the power and/or ability to implement and as a result, contribute to the successful mitigation of the associated risk.
- **Medium Control:** TfN has some control over the available mitigation in conjunction with collaborative efforts with relevant partners or other stakeholders in order to be successful in the management of the action plans. TfN may be able to deploy additional resources to increase its ability to influence risk outcomes.
- **Low Control:** TfN has very limited control over the identified mitigations which must be a collaboration with the relevant internal and external parties. Without joint involvement, the likelihood of the risk materialising increases. Whilst TfN can attempt to influence the factors impacting on these risks, it has a low level of control over if or how these mitigations are implemented.

Each assigned control level will be accompanied by a progress summary and the most recent date that it was assessed and updated.

Section 4: Qualitative Risk Analysis of TfN’s Corporate Level Risks

Risk ID: TCR01 - The Covid19 pandemic prevents or delays TfN from delivering its objectives.....	9
Risk ID: TCR02 - Transport for the North’s Reputational and Political Engagement	11
Risk ID: TCR03 - Embedding the Strategic Transport Plan (STP) across programmes	14
Risk ID: TCR04 - Delivery of Robust and Compelling Evidence to Support Investment.....	16
Risk ID: TCR05 - Transport Decarbonisation and Climate Change Emergencies	18
Risk ID: TCR06 - Transport for the North’s Business Operations	20
Risk ID: TCR07 - Transport for the North’s Compliance with Relevant Laws and Regulations	22
Risk ID: TCR08 - Northern Powerhouse Rail (NPR) Business Case Delivery and Programme Development.....	24
Risk ID: TCR09 - Rail Operations – Franchise and Delivery	27

Risk ID: TCR01 - The Covid19 pandemic prevents or delays TfN from delivering its objectives

Description of Identified Risks:

- (1) There is still a potential, albeit significantly reduced, for a number of staff within TfN or its supply chain to be affected by coronavirus, or by steps taken by suppliers to respond to the pressures caused by the pandemic;
- (2) TfN decision making / governance processes might be impacted by the availability of Constituent Authority or departmental colleagues;
- (3) The COVID-19 related uncertainty continues to cause wider policy announcements to be delayed;
- (4) The pandemic reduces the efficiency with which certain activities can be delivered and therefore increases the costs associated with delivering them.

Impacts of Identified Risks:

- TfN’s key programme and business deliverables may not be completed on time if the number of staff affected by COVID-19 is significant.
- In addition, TfN’s ability to take forward its programmes will be affected if partner officers, and other stakeholders are unable to fully engage in Client Reference groups and other TfN governance processes.
- Impacts on central government decision-making in key areas such as the Integrated Rail Plan (IRP), the Environment Bill, the Comprehensive Spending Review and the Devolution White Paper might also impact upon TfN’s ability to drive programmes.

	Current Risk Impact				
	Low	Medium	High	Very High	An Issue
Risk Probability					
Low		(risk 1) (risk 4)			
Medium		(risk 2)			
High					
Very High					
An Issue			(risk 3)		

Mitigations of Identified Risks, Level of Control and Updates:

Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
a	1, 2, & 4	High	On-going	24/08/21
Organisational and individual Directorate Contingency Plans have been developed and are in place. These are further underpinned by TfN Corporate Business Continuity Plan (BCP). This includes the identification of a core Crisis Management Team to coordinate all business-critical activities should these plans need to be instigated, and to maintain effective communication with employees.				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
b	1, 2, & 4	High	On-going	24/08/21
Programme and policy teams continue to identify and focus on the critical organisational outputs and deploy the available resources in the achievement of those priorities.				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
c	1, 2, & 4	High	On-going	24/08/21
Programme teams continue to re-programme delivery plans and communicate changes to partners. The teams continue to work with consultants and partners to provide support where possible.				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
d	1, 2, & 4	High	On-going	24/08/21
TfN continues to deliver its Business Plan where possible so as to minimise delays in delivering outputs and allow activity to be expedited once policy decisions by central Government have been communicated.				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
e	3	Low	On-going	26/08/21
TfN has made representations to DfT regarding the challenges created by delays to policy announcements and in particular the IRP.				

Risk ID: TCR02 - Transport for the North's Reputational and Political Engagement

Description of Identified Risks:

- (1) Central Government's intention with regard to the future role of Sub-national Transport Bodies (STBs) is unclear. This uncertainty may prevent the organisation from fulfilling its objectives and delivering its programme of works. DfT's preference is for STBs to give their views in private rather than in public. Clarity on this position is required and DfT has indicated that it is considering proposing changes to the Communications MoU and/or Partnership Agreement;
- (2) There is ongoing uncertainty with regard to TfN's longer term funding settlement. With the exception of a small quantum of Rail North Partnership / Strategic Rail funding, all of TfN's funding streams expire at the end of the 2021/22 financial year. The Comprehensive Spending Review exercise that is expected later this year will provide an opportunity for TfN to make the case for its funding in the longer term. TfN's ability to deliver in line with member aspirations will be dependent on that settlement;
- (3) There is a risk of mismatch between the expectations placed upon TfN regarding its ability to deliver improvements to the Northern transport system in the short to medium term, and the limited extent of its statutory powers and functions that focus on the provision of strategic advice rather than infrastructure delivery.
- (4) The leaking of confidential information may create a legal liability, and/or erode trust between TfN and the Department of Transport and thereby could potentially harm TfN's reputation, weaken its relationship with DfT and other partners and ultimately impact upon its financial position.

Impacts of Identified Risks:

- TfN could lack the powers or the influence to deliver the economic, social and sustainability benefits to the North that it set out in the Strategic Transport Plan.
- The uncertainty in relation to TfN's ongoing levels of Core funding makes it more difficult for TfN to deliver member aspirations to facilitate transformational economic growth in the North by means of transport interventions.
- Failure to make timely decisions with regard to projects and programmes and could delay or prevent the benefits of strategic transport infrastructure from being delivered.
- TfN's credibility could be negatively impacted by being unable to deliver across an "expectation gap" between its actual statutory responsibilities and powers and its perceived role.
- TfN's reputation with DfT, partners and members could potentially be adversely affected.

	Current Risk Impact				
	Low	Medium	High	Very High	An Issue
Risk Probability					
Low					
Medium			(risk 3)		
High				(risk 2, 4)	
Very High				(risk 1)	
An Issue					

Mitigations of Identified Risks, Level of Control and Updates:

Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
a	1 & 3	Medium	On-going	19/08/21
TfN aspirations in relation to its future role and associated powers have been set out in the Northern Transport Charter. TfN's 2021/22 Business Plan includes activity to develop capability and additional evidence on investment plans aligned with the Northern Transport Charter proposals.				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
b	1 & 3	Medium	On-going	19/08/21
There is continuous engagement with Members and constituent authorities (at a political and officer level), stakeholders, and partners, to continue to represent 'One Voice' for the North.				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
c	1 & 3	Medium	On-going	19/08/21
There is structured engagement with central government officials and decision-makers. TfN continues to respond to any DfT proposals to update the Communications MoU/Partnership Agreement once seen.				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
d	1 & 3	Medium	On-going	19/06/21
TfN to focus on contributing to the recovery phase of the pandemic by ensuring we have ongoing dialogue with DfT, including the DfT Acceleration Unit, and with NTAC on the Economic Recovery Plan proposals.				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
e	1, 2 & 3	Medium	On-going	19/06/21
TfN to highlight where necessary the limits of its powers and, when directed, to seek to extend its influence for greater decision making.				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
f	2	High	On-going	24/08/21
TfN has undertaken a business planning and budgeting process for FY21/22 that focuses its available resources on key Member priorities. It has also introduced a revised monthly activity review and virement process to help ensure it delivers its business plan.				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
g	2	High	On-going	19/08/21
TfN has commenced engagement with the Board in relation to the 2021 Comprehensive Spending Review with a view to securing early agreement with regard to the key elements of its submission.				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
h	4	Medium	On-going	18/08/21

TfN has in place Confidentiality Agreements with Constituent Authorities in relation to Northern Powerful Rail and the Rail North Partnership to regulate information disclosed. In addition, the Confidentiality Agreement demonstrates how information and data may and may not be used, ensures compliance with data protection legislation and impose responsibility for compliance.				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
i	4	Medium	On-going	19/08/21
TfN's Disciplinary Policy defines misuse of information as gross misconduct and all employees have been reminded and will continue to be reminded of their obligation of confidence through a staff briefing.				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
j	4	Medium	On-going	19/08/21
The Codes of Conduct relating to Members of Constituent Authorities make provision as to the circumstances in which information may be disclosed. Each Constituent Authority will have its own Officer Code of Conduct and/or Disciplinary Policy which are likely to have similar provisions to TfN's, dealing with the treatment of confidential information.				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
k	4	Medium	On-going	19/08/21
TfN's processes seek to restrict where possible disclosure of data only to those within the organisation who need to possess such data in order to carry out TfN's business as a local authority. This will support the reduction of the risk of deliberate or accidental disclosure of information shared on a confidential basis.				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
l	4	Low	On-going	19/08/21
As part of TfN's electronic communication processes, document classification is required as part of the Azure Information Protection for all documents and emails sent from within the TfN working environment. This provides validation of all information sent internally and externally.				

Risk ID: TCR03 - Embedding the Strategic Transport Plan (STP) across programmes

Description of Identified Risk:

- (1) The Strategic Transport Plan (STP) was adopted by TfN in February 2019. It sets out the “Why, What and How” of TfN’s approach to facilitating inclusive and sustainable transformational economic growth across the North. If TfN programmes (and research) are not embedding or aligning with the STP, it is likely to impact the delivery and cost of the STP programme. In addition, it creates reputational risk if TfN is inconsistent in its external messaging and statutory advice to government. Furthermore, it could impact on the development of additional detailed policy positions resulting in sub-optimal outputs from investments when measured against TfN’s overarching objectives.

Impacts of Identified Risks:

- Programmes of work developed in a way that does not contribute to, or runs counter to, the overall objectives and plans set out in the STP, resulting in the failure to achieve the aims of the STP and/or leads to sub-optimal impacts from transport investments.
- Inconsistent messaging as a result of uncoordinated activity weakens TfN’s reputation with government, constituent authorities and wider stakeholders.

	Current Risk Impact				
	Low	Medium	High	Very High	An Issue
Risk Probability					
Low					
Medium			(risk 1)		
High					
Very High					
An Issue					

Mitigations of Identified Risks, Level of Control and Updates:

Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
a	1	High	On-going	20/08/21
Co-ordination mechanisms have been established within TfN and with partners (such as the Strategic Oversight Group) to facilitate the co-ordination of programmes of work.				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
b	1	High	On-going	20/08/21
A Policy Development Framework (previously known as the Internal Assurance Framework) is being developed. The work will identify clear and consistent approaches to policy development across the organisation, building on the coordination work already underway in Strategic Oversight Group (SOG). In addition, the Policy Development Framework will enable decision makers to decide TfN's priorities for future projects and programmes to ensure alignment within the TfN programme as well as with partner programmes.				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
c	1	High	On-going	20/08/21
A robust benefits realisation framework is being developed to enable the evaluation of programme KPIs and allow the assessment of outcomes in relation to STP objectives.				
Mitigations #	Risk Factors	Control Level	Status of Mitigation	Updated
d	1	Medium	On-going	20/08/21
A Strategic Transport Plan (STP) Programme is being developed for TfN Board to agree and approve in September 2021. The STP programme will define and sequence the required activities needed, with clear milestones in place for the development and production of a revised STP. Furthermore, there is a plan for consultation and formal adoption by the Board, which is expected in 2024. Following its approval by TfN Board, the STP programme will be managed by the Strategic Oversight Group.				

Risk ID: TCR04 - Delivery of Robust and Compelling Evidence to Support Investment

Description of Identified Risks:

- (1) One of the objectives of developing the Analytical Framework (AF) is to allow the capture of the economic, social, and environmental impacts of transformational transport schemes. Further developments are underway to ensure robust evidence around these impacts can be captured and quantified or qualified through the AF.

There is a risk that TfN might be unable to make a timely, robust, credible, evidence-based case to support NPR and the wider Investment Programme. This risk could lead to either delays to the delivery of business cases or limited ability to represent transformational benefits which could thus be discounted by decision makers due to a reduction in the quality and assurance rating of the analysis. This could limit TfN’s ability to deliver agreed outputs outlined in the Strategic Transport Plan (STP). In addition, the full requirements for TAME’s contribution to the NPR programme in 2021/22 will remain uncertain until the publication of the Integrated Rail Plan (IRP). This uncertainty is likely to create a resourcing risk and required support to other TfN programmes.

Impacts of Identified Risks:

- An insufficiently compelling evidence base, particularly around the programme-level economic case may delay or prevent strategic transport infrastructure investments being made, with consequential impacts on TfN’s ability to deliver its objectives.
- The inability to make a transformational case could damage TfN’s reputation with partners as the organisation’s key objective is to take a leadership role in delivering innovative business cases to secure investments.

	Current Risk Impact				
	Low	Medium	High	Very High	An Issue
Risk Probability					
Low					
Medium			(risk 1)		
High					
Very High					
An Issue					

Mitigations of Identified Risks, Level of Control and Updates:

Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
a	1	Medium	On-going	23/08/21
TAME staff are working closely with DfT officials to build confidence in the robustness of Analytical Framework tools, dedicating resources to responding to requests for information in a professional and timely manner. In addition, the NoRMS peer review, critical for NPR Strategic Outline Case has been completed which received a positive outcome.				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
b	1	High	On-going	23/08/21
Programme timescales are being adjusted where it is sensible to make those adjustments without significantly impacting delivery against TfN's core objectives.				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
c	1	Medium	On-going	23/08/21
Scope is being managed in consultation with DfT, TfN Partners and Peer Reviewers to ensure essential functionality for robustly representing transformation is prioritised and "added value" functionality is deprioritised where appropriate. This will ensure that the approach is proportionate for the stage of scheme development.				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
d	1	High	On-going	23/08/21
Added value work will be brought into programmes at a later stage in the form of sensitivity analysis, ensuring that work undertaken to date can still provide value to TfN programmes.				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
e	1	High	On-going	23/08/21
The TAME team structure was revised, and additional senior resources were introduced with improved engagement with TfN programmes to ensure Analytical Framework development and application activities meet the needs of the programmes. A number of consultants continue to work with the team providing senior level input until the Analysis Support Partner contract is in place in September 2021.				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
f	1	High	On-going	23/08/21
The team is undertaking scenario planning for different outcomes of the IRP. Additionally, the team has developed flexible professional services contracts, which can be scaled up and down to meet different levels of NPR resource requirements, thereby, providing a control mechanism to protect TAME's resources that are committed to other programmes.				

Risk ID: TCR05 - Transport Decarbonisation and Climate Change Emergencies

Description of Identified Risks:

- 1) The UK government has set a climate change ambition that the UK will have net zero greenhouse gas emissions by 2050. This is an ambitious target, which moves from the previous government position of 80% reduction. Within the Strategic Transport Plan (STP), TfN has committed to develop a "Pathway to 2050" which has now been developed and is reported within the Decarbonisation Strategy. It outlines how net zero emissions can be delivered within the North and the trajectory for change, with the impact of the Covid-19 pandemic accounted for within our Future Travel Scenarios. The Decarbonisation Strategy has been approved by TfN Board for public consultation during the summer of 2021. Assuming final adoption of the Strategy in late 2021, the Strategy details a number of recommendations, commitments and future activities for TfN. There is potential, due to funding and resource constraints, that TfN falls behind in developing appropriate and timely policy positions, as well as progressing the priority decarbonisation activities identified within the Strategy, leading to a risk that that the level of policy commitment at both a national and local level does not materialise and that the North fails to achieve close to zero carbon emission for surface transport by 2045 (the key objective within TfN's Decarbonisation Strategy).
- 2) There is also a related risk, that TfN's Investment Programme is misaligned to the agreed Decarbonisation Trajectory and may require review in the light of this.

Impacts of Identified Risks:

- There is a risk that the required level of policy commitment at both a local and national level to achieve the agreed rate of decarbonisation is not achieved and therefore TfN fails to deliver on its commitments laid out within the TfN Decarbonisation Strategy.
- Failure to develop relevant policy positions and undertake identified priority decarbonisation activities, adversely impacts on TfN credibility and influence as a Sub-National Transport Body.
- TfN's Investment Programme may not be compliant with TfN's Decarbonisation Trajectory. Any review may result in an Investment Programme which is misaligned with partners priorities. If the required level of policy commitment to deliver close to zero by 2045 is not achieved in the medium to long term, this might contribute towards an excess of agreed global temperature rise (as defined by the Paris Agreement) and climate change which might impact upon the resilience of the North's transport infrastructure.

	Current Risk Impact				
	Low	Medium	High	Very High	An Issue
Risk Probability					
Low				(risk 2)	
Medium			(risk 1)		
High					
Very High					
An Issue					

Mitigations of Identified Risks, Level of Controls and Updates

Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
a	1	High	On-going	23/08/21
<p>Careful programme planning to ensure TfN activities proposed in the Strategy are accommodated in business planning up until 2025 to ensure priority activities are given appropriate focus, resourcing, and funding. By undertaking these research, evidence and data building, and facilitation activities, and providing the outputs to our Partners and national government, there is a higher likelihood of the required levels of policy commitment being achieved.</p>				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
b	1	High	On-going	23/08/21
<p>TfN has appointed an Environmental and Sustainability Officer responsible for developing the environmental policy and to ensure the integration of the work into the development of TfN's transport strategies, this will include ensuring that TfN adopts appropriate and timely decarbonisation policy positions.</p>				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
c	2	High	On-going	23/08/21
<p>To ensure that the decarbonisation and broader sustainability / environmental policies that are developed by TfN are properly reflected in both strategic and project level decision making, including through the IPBA process, and therefore appropriately weighted within TfN decision making processes.</p>				

Risk ID: TCR06 - Transport for the North's Business Operations

Description of Identified Risks:

- (1) There is a general risk that TfN fails to deliver programmes' output in a way that achieves Value for Money in TfN expenditure.
- (2) Uncertainty in relation to TfN's medium- to long-term funding position, particularly following funding reductions for 2021/22, might impact on TfN's ability to manage / deliver multi-year activity and may also negatively impact on its ability to recruit and retain suitably qualified staff.
- (3) The cessation of the IST programme, and the delays of the publication of the Integrated Rail Plan (IRP), the Devolution White Paper and the Transport Decarbonisation Plan continues to create significant uncertainties. In addition, the uncertainty of the outcome of the impending Comprehensive Spending Review (CSR) and the full impact of policy of the Williams-Shapps Review upon TfN continues. Consistent with last year, this ongoing uncertainty beyond March 2022 means that TfN has instituted a pause in its recruitment of permanent roles. These factors taken together have the potential to affect TfN's ability to recruit and retain and therefore has an impact on wider employee morale and confidence and by extension its ability to deliver the 2021/22 business plan.

Impacts of Identified Risks:

- Failure to achieve Value for Money could impact on TfN's ability to access funding in the future.
- Failure to recruit and retain the right people with the right skills could negatively impact on TfN's ability to deliver its objectives and priorities.

	Current Risk Impact				
	Low	Medium	High	Very High	An Issue
Risk Probability					
Low			(risk 1, 3)		
Medium					
High				(risk 2)	
Very High					
An Issue					

Mitigations of Identified Risks, Level of Control and Updates:

Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
a	1	High	On-going	19/08/21
Clear and well documented processes and procedures are in place. VfM and governance to be undertaken by both internal and external audits.				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
b	1	High	On-going	19/08/21
Commissioning processes include OBT sign-off of expenditure, and explicit approval for expenditure against a schedule of delegations.				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
c	2	High	On-going	19/08/21
Engagement with stakeholders to ensure the case for TfN's funding is supported by members, business and in Parliament.				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
d	3	High	On-going	19/08/21
Due to funding uncertainties beyond 2021/22, TfN has constituted a temporary pause on recruitment on permanent posts. To mitigate the impact on the business, TfN continues, where funding conditions / certainty allows, to hire suitable qualified officers in all senior positions in a timely manner, but also including critical programme and back-office roles to provide the organisation with the resources it needs to meet its objectives. TfN has communicated to staff the need to continue to deliver the activity set out in the 2021/22 business plan.				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
e	2 & 3	High	On-going	19/08/21
A comprehensive People Strategy has been developed and is in place covering reward, workforce/skills planning, succession planning, recruitment and selection, talent, and performance management.				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
f	3	High	On-going	19/08/21
An emerging leaders' programme is being delivered in the final two quarters of FY 2021/22 to further support leadership capability within the organisation.				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
g	1, 2 & 3	High	On-going	19/08/21
To continue to brief and update staff through the monthly updates, regular bulletins, employee forum and SMT meetings with regards to budget setting, IRP and other current uncertainties TfN is facing to keep them fully apprised and address any questions or concerns in a timely fashion.				

Risk ID: TCR07 - Transport for the North’s Compliance with Relevant Laws and Regulations

Description of Identified Risks:

- (1) Transport for the North is a statutory body with limited statutory powers and duties. There is a risk that in carrying out its functions, TfN fails to comply with applicable law or exceed its powers.

Impacts of Identified Risks:

- If TfN fails to adhere to applicable law, or acts outside its powers, there could be reputational impacts with both stakeholders and the public, which may affect its ability to meet its objectives and/or result in legal proceedings against TfN.
- There is also a potential financial impact including fines, costs and/or other penalties for breach of regulatory laws such as Data Protection, Freedom of Information, Health & Safety or Procurement.
- The ICO may issue a decision notice or the HSE may issue an enforcement notice if it found that TfN was in breach of information or health and safety legislation.
- TfN could be subject to substantial financial damages for breach of the Public Contracts Regulations.
- Important work may be delayed by a failure to comply with necessary obligations such as statutory consultation.

	Current Risk Impact				
	Low	Medium	High	Very High	An Issue
Risk Probability					
Low		(risk 1)			
Medium					
High					
Very High					
An Issue					

Mitigations of Identified Risks, Level of Control and Updates:

Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
a	1	High	On-going	18/08/21
TfN has suitably qualified officers in all senior positions, particularly the HoPS, S151 and Monitoring Officer. In addition, TfN has employed an in-house legal team.				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
b	1	High	On-going	18/06/21
TfN ensures there are clear and well documented processes and procedures in place.				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
c	1	High	On-going	18/08/21
Ongoing training on laws and legislations and communication across the organisation.				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
d	1	High	On-going	18/08/21
Procedures are in place through modern.gov to ensure that there is continuous legal review to TfN's Boards and Committees.				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
e	1	High	On-going	18/08/21
TfN employs in house legal and procurement specialists and where necessary seeks external legal advice on commissioning and procurement.				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
f	1	High	On-going	18/08/21
A new process, modern.gov has been implemented to streamline report approvals and support efficient decision-making.				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
g	1	High	On-going	18/08/21
TfN will seek external legal advice on legal issues as identified by the legal in-house team.				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
h	1	High	On-going	18/08/21
TfN has employer's liability, public liability, and professional indemnity insurance in place to mitigate any financial liability.				

Risk ID: TCR08 - Northern Powerhouse Rail (NPR) Business Case Delivery and Programme Development

Description of Identified Risks:

Northern Powerhouse Rail is a high-profile programme that involves Northern partners, DfT, NR and HS2 and which is co-cliented by TfN and DfT as set out in the NPR MOU. TfN has developed a Strategic Outline Case (SOC) over the last 12 months, which detailed a reduced number of options from those identified at Strategic Outline Business Case (SOBC) and included the Member endorsed (February 2021) phasing scenarios and preferred NPR network. TfN had planned to submit the SOC in March 2021. However, the delay to the publication of the government's Integrated Rail Plan (IRP) and the Secretary of State's request that TfN (and DfT as co-clients) delay the submission of the SOC until the IRP is published means that the submission of the SOC remains on hold.

The significant risks associated to the Business Case Delivery and Programme Development are listed below:

Key Significant Risks

- (1) **Integrated Rail Plan (IRP) Conclusions and Decision-Making:** The IRP was due to be published by the government in December 2020, however, this did not occur. Despite TfN's efforts in support of achieving a July 2021 publication, no further update has been provided by DfT on the publication date. The IRP and its conclusions carry some additional risks:
 - (a) The conclusions of the IRP could have consequences for the SOC if its recommendations on funding envelope, phasing and/or specifying route options are different to those agreed by TfN Board. TfN has no direct involvement in the IRP and is unable to influence its conclusions beyond the statutory advice that it has already provided. This could result in delays to the next stage of the NPR programme both in terms of funding available for 2021/22 and scope of works (additions/removals) on permitted development. Furthermore, the NPR network may be decided by the government as a consequence of the IRP, which could result in the lack of partner agreement relating to the network.
 - (b) There is no certainty of when the IRP will be published. The later the IRP is made available to TfN, the less time TfN will have to understand the impacts of the review on the work done to date, address the conclusions, manage the consequential impacts and/or update the SOC if appropriate.
 - (c) The IRP is expected to recommend a way forward on the scope, phasing and sequencing of delivery of NPR (and other proposed rail investments upon which NPR is dependant). The recommendations may be different to TfN's Member endorsed preferred network and phasing and as a result, partners may not be able to agree with IRP decision(s). This could affect ways of working and result in programme delays.
- (2) **Co-client agreement of 2021/22 Scope:** Due to the delay to the IRP publication and the continued uncertainty of when it will be published, TfN may be unable to agree as co-clients the full suite of activity proposed for FY2021/22. This is likely to cause delays to proposed programme activity for FY2021/22, including the impacts of commissioning and mobilising programme teams.
- (3) **TRU Integration:** The outcome of the IRP may include conclusions relating to the TRU option selection which ranges from small to larger improvements. The further TRU goes with the option development, it is likely that some NPR corridors may be scaled back which might create a misalignment with the TRU Programme. Moreover, there is a risk of lack of engagement between NPR & TRU programmes

(i.e., TfN, DfT, NR) which might affect the programme and thus impact on TfN's credibility and reputation with our Partners and the public.

Impacts of Identified Risks:

- Following SoS advice for the publication of the IRP to precede the SOC submission, this could impact on the development of the SOC as well as the future scope of business cases (for instance – OBC and FBC) on NPR.
- The network that emerges may not be aligned with TfN's preferred network as advised to DfT.
- The outcome of the IRP may influence the NPR programme, the timing of submission of SOC, the next sequence of delivery and the OBC.
- The continued delay of the IRP publication and the possible impact it could have on co-client's ability to make long term programme decisions, might affect the achievability of the Member endorsed phasing scenario. In addition, it could affect TfN's ability to exploit delivery opportunities across the industry.
- This may cause delays to proposed programme activity for 2021/22, including the impacts of commissioning and mobilising programme teams
- There is a risk lack of engagement between NPR & TRU programmes (i.e., TfN, DfT, NR) which might affect the programme and, thus impact on TfN's credibility and reputation with our Partners and the public.

	Current Risk Impact				
	Low	Medium	High	Very High	An Issue
Risk Probability					
Low					
Medium					
High				(risk 1c)	
Very High				(risks 1a, 1b, 2, 3)	
An Issue					

Mitigations of Identified Risks, Level of Control and Updates:

Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
a	1	Medium	On-going	17/08/21
<p>Integrated Rail Plan Mitigation: TfN to continue to liaise with DfT to seek information regarding the publication date. A dedicated team has been established within the NPR Programme to review and respond to the IRP once available. Following the publication of the IRP, an assessment exercise is to take place on how the conclusions of the IRP differs to those presented in the SOC and how acceptable they might be to Partners. In addition, the team will ensure that there is robust Partner engagement to support the understanding and positioning of the IRP and what it means for the Strategic Outline Case.</p>				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
b	2	Medium	On-going	17/08/21
<p>Co-client agreement of 2021/22 Scope Mitigation: A Scope activity paper was submitted to NPR Programme Board in February 2021 for endorsement to proceed on the majority of scope activities. Discussions are continuing on areas impacted by the IRP, including Liverpool - Manchester and Manchester – Leeds.</p>				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
c	3	Medium	On-going	17/08/21
<p>TRU Integration: A TRU-integration working group has been created at a working level to make sure appropriate discussion / agreement is taking place. An initial meeting was held with Network Rail in August 2021 to discuss the way forward on knowledge sharing between TfN and Network Rail. Subsequently, these sessions are intended to become monthly meetings to allow for more collaboration on key infrastructure. In addition, it is also intended that senior TfN officers (NPR Programme Director, Tim Wood and/or Strategic Rail Director, David Hoggarth) will attend regular TRU oversight and TRU Programme Board meetings.</p> <p>These planned measures will enable discussions to take place at working and strategic levels, ensuring areas of interest are sufficiently communicated and understood by the organisations involved (TfN, DfT and NR).</p>				

Risk ID: TCR09 - Rail Operations – Franchise and Delivery

Description of Identified Risks:

There has been a significant drop in demand for rail services as a result of the Covid-19 pandemic and it may take several years before passenger numbers recover to previous levels. In addition, the publication of the Rail Reform White Paper has insufficient detail about the role of TfN and other devolved bodies to allow a clear appreciation of their future role. These challenges have created the following risks:

- (1) There remains a risk that the passenger enhancements (such as the completion of new train programmes and additional services) will continue to be delayed with lower service offerings on routes.
- (2) There is a risk that the current services could be cut due to the increased cost of the subsidy that is required from the Treasury. In addition, the reduced current services could further impact future schemes, making schemes less viable as they have to be assessed against lower demand forecasts.
- (3) There is a risk that TfN could have a different role in service delivery following the publication of the Williams-Shapps review. The role of devolved bodies or Rail North Partnership is not outlined in the White Paper with current proposals showing rail contracts aligning under a new organisation (Great British Rail).

Impacts of Identified Risks:

- If there is a delay in investment and delayed rolling stock, passengers will continue to be frustrated and experience poor quality services. Severe adverse reputational impact and pressure from partners.
- Less investment in services and infrastructure as a result of weaker business cases.
- It could affect TfN’s reputation by impacting on a significant part of its rail transformational programmes and overall agenda.
- The franchise system is being replaced by service contracts directly funded by the Treasury through Great British Rail, potentially diminishing TfN’s role and influence over operations.
- Low passenger numbers post-Covid could reduce the viability of some existing services.

	Current Risk Impact				
	Low	Medium	High	Very High	An Issue
Risk Probability					
Low					
Medium		(risk 3)			
High					
Very High				(risk 1, 2)	
An Issue					

Mitigations of Identified Risks, Controls and Updates:

Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
a	1	Medium	On-going	25/08/21
To continue to use our influence in the monthly Rail North Partnership Board, Rail North Committee and North of England Contingency Group to shape the re-introduction of services, new rolling stock and infrastructure developments and re-build passenger confidence.				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
b	1 & 2	Medium	On-going	25/08/21
To continue with the close working relationship and communication with TfN member authorities on deliverables and risks - feeding back information through TfN governance structures.				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
c	1 & 2	Medium	On-going	25/08/21
To continue to track train service performance and delivery via regular reporting dashboards.				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
d	1	Medium	On-going	25/08/21
Strategic Rail and Rail North Partnership (RNP) to work together to support Network Rail and Operators in producing recovery plans that meet passengers' needs and rebuild confidence.				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
e	1 & 2	Medium	On-going	25/08/21
To continue to implement Blake Jones action plan to provide greater focus on passengers and ensure transparency with members as the COVID19 restrictions ease.				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
f	3	High	On-going	27/05/21
TfN will continue to make the case for reform that supports the North's ambitions. TfN is working on to respond to the Williams-Shapps' White Paper within 3 months.				

Note: The post-mitigation risk assessment in Table 1 is rated Very High (VH) following the adoption of some of the identified mitigations. This is the same rating as the current risk assessment as TfN does not have the full range of levers within its current powers and responsibilities to implement the mitigations that is, in order to effectively carry out the mitigations. The avoidance and reduction of the assessed impacts are contingent on partners and members taking further actions.



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