

# Transport for the North Audit & Governance Committee Agenda

<b>Date of Meeting</b>	<b>Friday 10 June 2022</b>
<b>Time of Meeting</b>	<b>11.00 am</b>
<b>Venue</b>	<b>Malmaison Manchester (1-3 Piccadilly, Manchester, M1 3AQ)</b>

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Item No.	Agenda Item	Page
<b>1.0</b>	<b>Welcome &amp; Apologies</b>  The Vice-Chair to welcome Members to the meeting.	Verbal Report
<b>2.0</b>	<b>Declarations of Interest</b>  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
<b>3.0</b>	<b>Minutes from the Previous Committee</b>  To approve as a correct record the Minutes of the Audit & Governance Committee consultation calls held on 19 November 2021 and 25 February 2022.	3 - 14
<b>4.0</b>	<b>Appointment of the Audit &amp; Governance Committee Chair</b>  To elect, from the current Independent Members, a new Chair of the Audit & Governance Committee.	15 - 16
<b>5.0</b>	<b>Monthly Operating Report (April 2022)</b>  To note and discuss the Transport for the North Monthly Operating Report.	17 - 34

<b>6.0</b>	<b>Draft Statutory Accounts</b>  To note and discuss the Outturn and draft Statutory Accounts for 2021/22.	35 - 126
<b>7.0</b>	<b>Internal Audit Update</b>  To note the reports from RSM Risk Assurance Services <ul style="list-style-type: none"> <li>- Follow Up Audit</li> <li>- Progress Report</li> </ul>	127 - 152
<b>8.0</b>	<b>External Audit Update</b>  To note the report from Mazars <ul style="list-style-type: none"> <li>- Audit Strategy Memorandum</li> <li>- Audit Progress Report</li> </ul>	153 - 198
<b>9.0</b>	<b>Risk Management</b>  To confirm satisfaction with the progress of the Risk Management Strategy and the Corporate Risk Register updates.	199 - 258

# Transport for the North Audit & Governance Committee – Minutes

**Meeting:** Transport for the North Audit and Governance Committee  
Consultation Call

**Date:** Friday 19 November 2021, 11:00 – 12:20

**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	Independent Member
Cllr Heather Scott	Tees Valley

## Invitees:

Campbell Dearden	External Audit, Mazars
Andrew Mawdsley	Internal Audit, RSM UK
Lisa Randall	Internal Audit, RSM UK

## Officers:

Iain Craven	Finance Director
Paul Kelly	Financial Controller
Tasnim Maniza	Interim Risk Manager
Manjit Dhillon	Senior Lawyer
James Lyon	Legal Assistant

## Apologies:

Cllr Liam Robinson	Liverpool City Region
Karen Murray	External Audit, Mazars

## 1.0 Welcome and Apologies

1.1 The Chair welcomed Members to the consultation call, apologies as noted above.

## 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 The Chair advised that, due to the meeting being held as a Consultation Call, the Committee was unable to formally approve the minutes of 16 September 2021.

3.2 There were no comments arising from the minutes.

**RESOLVED:** To note the minutes of the consultation call held on 16 September 2021 as a true and accurate record prior to formal approval at the next in-person meeting.

### **4.0 Monthly Operating Report (September 2021)**

4.1 Iain Craven advised that, due to timings of report publication for this meeting, this was the September report. However, the October report was now on the website. It was also noted that the long-delayed Integrated Rail Plan had now been published.

4.2 Progress as outlined in the report was positive, with considerable engagement with the new Great British Railways transition team, and the development of policies including decarbonisation, freight & logistics strategies, and the Major Roads Report.

4.3 Funding remained uncertain with the latest indication that it would be January before TfN received notification of its settlement.

4.4 The initial response to the IRP had been generally negative across the north. However, TfN was still working through the detail of the plan in order to provide a more substantive response at TfN board on 24 November. The current implications as understood by TfN would mean a change of governance as TfN's role changed from that of co-client to being a co-sponsor.

4.5 The Committee acknowledged that limited time had passed since publication but asked TfN to report back as to how the plan as published would impact TfN's risk register, the funding arrangements and business planning timelines.

**RESOLVED:** The report was noted, as were the significant implications of the publication of the IRP.

### **5.0 Internal Audit Update (R)**

To note the reports from RSM Risk Assurance Services

Purchase to Pay  
Flexi-Time System  
Progress Report

5.1 The reports were taken as read and a brief summary of the testing of the Purchase-to-Pay process and the Flexi-Time system was given. RSM thanked TfN for the support given throughout the audits and emphasised the assurance given in both reports.

5.2 Kevin Brady queried the operation of the controls within the Flexi-Time System in relation to the management of working from home. It was noted that TfN had adopted flexible working prior to the pandemic and therefore its systems and processes were set up to facilitate remote working. RSM provided a good

level of assurance that the system had been well embedded and positively received within a relatively short space of time.

- 5.3 The Progress Report was noted as being on schedule with no issues of concern. A meeting would be held shortly between TfN and RSM to agree the internal audit programme for 2022/23 and Iain Craven asked the Committee if they had any specific requests for audit items to notify him.
- 5.4 Kevin Brady questioned the timing of the Follow Up Report detailing management actions; Andrew Mawdsley reminded the Committee that the Follow Up had taken place in April 2021 in order to then determine the timings of the audit plan for the remainder of the year.

**RESOLVED:** The reports, and the positive assurance contained within, were noted.

## **6.0 External Audit Progress Report (R)**

- 6.1 Campbell Dearden reminded the Committee that Mazars had recently issued their unqualified opinion on TfN's financial statements adding that only 9% of opinions had been given by that stage across the UK public sector and he thanked TfN's finance team for their work.
- 6.2 He advised that Mazars were yet to receive the guidance on the work required in relation to Whole of Government Accounts, which was now expected in December. However, TfN was below the threshold for detailed testing so the sign off was expected to be relatively quick.
- 6.3 The Value for Money statement was due for final issue by end of December, with Mazars expecting to issue a draft shortly with no concerns raised about the timings.

**RESOLVED:** The audit report was noted and there were no further questions arising.

## **7.0 Preparation of the Annual Governance Statement**

- 7.1 Manjit Dhillon reminded the Committee of the sequence of reports due throughout the year to review the Annual Governance Statement with reference to any changes in policy and procedure within TfN.
- 7.2 The review would also consider any impact arising from the recent publication of the IRP and the Committee would be kept apprised of the Statement throughout its review process, with the final report due for publication in May 2022.
- 7.3 Graham Bell asked if the report would present only the outcomes of the review or if it would also detail the challenges. Iain Craven advised that the normal process was to present the finished article as part of the financial statements. However, he noted that he would be happy to include any challenges that had arisen as that would be consistent with TfN's existing Scrutiny arrangements whereby TfN Board were advised of any comments or issues that had been identified by Scrutiny Committee in the reports that are presented to it.

**RESOLVED:** The report timelines were agreed by the Committee.

## **8.0 Financial Update (R) incorporating:**

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Year to Date Position  
Budget Revision 2  
Incremental Grant Claim  
Mid-Year Treasury Management Update  
Opting into PSAA Regime

- 8.1 Paul Kelly presented a slide pack covering the matters included in the report.
- 8.2 TfN's year-to-date position reflected an underspend of £2.95m, mostly accrued from delays in the NPR programme caused by the delay in the publication of the IRP.
- 8.3 Budget Revision 2, compiled in the previous 2-3 weeks, built on Revision 1. However, there remained a significant degree of uncertainty in terms of draw-down against committed budget while the outcomes of the IRP were worked through. TfN had put in place a virement process to ensure that funding could be transferred to projects known to be viable and ensure that, as far as possible, the budgeted spending profile was maintained.
- 8.4 Iain Craven added that Budget Revision 2 would be presented to TfN Board on 24 November. However, the dependencies on the outcome of the IRP were such that a clearer picture would be presented in Budget Revision 3 due in January.
- 8.5 Cllr Heather Scott requested that a comment be made at TfN Board advising on the situation known to-date on the outcomes of the IRP and the potential impacts on TfN's finances as well as a note to Board that Revision 2 had been seen by Audit & Governance Committee.
- 8.6 The incremental grant claim, ringfenced in-year funding from DfT intended to accelerate existing specific programmes, had not yet been finalised and the Committee were simply asked to note that it had been applied for.
- 8.7 TfN had been fully compliant with its Treasury Management Strategy and Paul Kelly advised that security and liquidity remained the primary focus of TfN's strategy since yields were so low as to be negligible.
- 8.8 The Committee were also asked to note TfN's intention to continue to procure its external audit services via Public Sector Audit Appointments (PSAA) and this intention would be taken to TfN Board on 24 November for approval. Iain Craven advised that the arrangement had saved a significant amount of work and the Committee provided unanimous support for proceeding with the procurement via PSAA.

**RESOLVED:** The reports were all noted along with the intention to provide a verbal update at TfN Board on 24 November alongside the information already circulated to Members.

## **9.0 Risk Review**

- 9.1 Iain Craven advised of the recent changes in staffing that had caused some issues with collating and revising the risks and summarised the updates and changes. It was hoped that a more comprehensive update, taking into account the outcomes of the IRP, would be given at the next meeting. However, it was noted that the risks to-date had been dominated by delays to the IRP while

future risks would be largely based on more material aspects of programme delivery and organisational impact.

- 9.2 The Committee noted the significant challenge of rewriting large parts of the risk register to map it across to TfN's new operating model as and when that was known; Graham Bell offered any support required to assist with this task and his offer was noted with thanks.
- 9.3 Kevin Brady picked up on this point, reflecting that the transition from the risks listed currently to the revised risks needed to be clearly outlined alongside TfN's limited control of mitigations for many of them and any change of role and/or ambition for the organisation. Iain Craven agreed noting the intention to take the revised register to TfN Board in March and he briefly acknowledged the specific risks within the register which would need updating.
- 9.5 The ongoing delay to TfN's funding settlement was also noted as a significant risk, with uncertainty likely until mid-January.
- 9.6 **RESOLVED:** The risk register was noted alongside the intention for a significant revision.

## **10. Future Meetings**

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10. The Chair proposed five meeting dates for 2022 asking the Committee for any responses and advising that holding appointments would be sent out shortly.  
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10. The intention was to hold three of the meetings virtually and the remaining two in person, one in Manchester and one in Leeds. The proposal was that the meetings in July and November would be in-person due to the need to recommend the accounts to TfN Board (July) and to sign off the Annual Governance Statement (February).  
2
10. Kevin Brady asked if hybrid meetings could be considered; Iain Craven advised that currently they were not an option for public-facing meetings partly for technical reasons and partly in terms of quoracy and at this time in-person meetings should be considered as having no dial-in option.  
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- RESOLVED:** The Committee agreed the dates in principle with time allocated to allow diary checks before appointments were sent out.

**The meeting concluded at 12:20**

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# Transport for the North Audit & Governance Committee – Minutes

**Meeting:** Transport for the North Audit and Governance Committee  
Consultation Call

**Date:** Friday 25 February 2022

**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	Independent Member
Cllr Liam Robinson	Liverpool City Region
Cllr Heather Scott	Tees Valley

## Invitees:

Campbell Dearden	Mazars
Karen Murray	Mazars
Lisa Randall	RSM UK

## Officers:

Iain Craven	Finance Director
Paul Kelly	Financial Controller
Julie Openshaw	Head of Legal
Kevin Willans	Head of IT
Daniella Della-Cerra-Smith	Risk Manager
James Lyon	Legal Officer

## 1. Welcome and Apologies

1.1 The Chair welcomed Members to the consultation call. There were no apologies to note.

## 2. Declarations of Interest

2.1 There were no declarations of interest.

2.2 Chris Melling advised that this would be his last meeting as the Chair of Audit & Governance Committee and that Item 10 on the agenda would discuss the

appointment of a new Chair. This meeting was also the last that Iain Craven would be attending before leaving TfN and Chris Melling advised that Paul Kelly, current Financial Controller, would become Interim Finance Director and section 151 officer. The Committee thanked Iain Craven for his work over the previous 5 years and welcomed Paul Kelly to the role.

### **3. Minutes of the Last Meeting and Matters Arising**

3.1 The Chair advised that, due to the meeting being held as a Consultation Call, the Committee was unable to formally approve the minutes of 19 November 2021, however they were accepted with no comments.

**RESOLVED:** To note the minutes of the consultation call held on 19 November 2021 as a true and accurate record prior to formal approval at the next in-person meeting.

### **4. Monthly Operating Report (January 2022)**

4.1 Paul Kelly highlighted the financial information within the Monthly Operating Report (MOR) and provided further details on the funding settlement received on 14 February.

4.2 The financial summary within the MOR was reported against Budget Revision 3. The main differences in the revisions were due to changes in the ringfenced budget of NPR as a result of the delay to the IRP. It was noted that DfT had indicated it would fund the close-out costs of the NPR programme.

4.3 Unspent Core funding had either been moved into the following year or been reassigned through the virement process to support the business plan; in 2021/22, this had amounted to approximately £0.5m of virement.

4.4 The funding settlement information was taken from the report that had been submitted to TfN Board Call on 23 February 2022, noting that TfN had received a 1-year allocation of £6.5m Core funding with an additional ringfenced grant of £1.5m to support the TAME modelling function. The in-year funding increment awarded in January 2022 was also referenced as funding that would be spent in the 2022/23 financial year.

4.5 The Core funding allocation included £0.4m as an estimate of the costs of TfN providing the co-sponsor role within the NPR programme.

4.6 Cllr Heather Scott reiterated the disappointment expressed on the TfN Board Call on 23 February 2022, however remained positive as the Rail North Partnership funding would continue for another year.

4.7 Paul Kelly updated the Committee on the considerations of TfN in managing the budget against its intended activities and its staffing, advising that a restructure, potentially involving redundancies, would be necessary. The use of Reserve funds was also referenced as a funding source over the next three years to mitigate cost pressures.

**RESOLVED:** The Committee noted the updates contained in the MOR and again voiced their concern at the decrease in funding and the single-year settlement.

### **5. Internal Audit Update**

- Cyber Security Audit
- Progress Report

- Internal Audit Plan
- RSM'S conformance with the IIA standards and codes of practice

- 5.1 Lisa Randall outlined the audit on Cyber Security noting that it followed on from a report issued in November 2020 which had raised a high priority action to perform penetration testing on the IT infrastructure. It was noted that the failure to follow up on this from the previous audit was due to disruption caused by the pandemic, but that good communication and engagement had taken place with the IT department throughout the audit. Kevin Willans emphasised that although the penetration testing remained a priority action, the closure of the offices had greatly reduced the risk of any cyber security threat.
- 5.2 Kevin Brady queried the phrasing of a sentence describing the review process; Kevin Willans clarified, and Lisa Randall confirmed that the phrasing was correct in the action that it described.
- 5.3 Graham Bell referenced correspondence that he had had with both the Risk Manager and the Head of IT querying some of the aspects of the audit and the risk review (covered under Item 9) and thanked TfN for the timely and detailed responses to his questions.
- 5.4 The Progress Report covered and summarised the audits performed over the previous year and was provided for information purposes.
- 5.5 The Internal Audit Plan focussed on a risk deep dive to consider the reliance of the risk management strategy in informing the internal audit strategy and had raised no issues. The proposed items for audit were listed within the report and covered a representative scope. The Committee was asked for comments and approval of the audit plan.
- 5.6 Graham Bell asked if September was an appropriate timeline for the GDPR audit; Julie Openshaw responded that TfN could bring the audit forward and increase the scope if necessary. The Committee agreed that the GDPR audit should be prioritised. Kevin Brady agreed, noting that the risk audit could be pushed back until the review of the Risk Register was complete.
- 5.7 The final paper detailed an external review of RSM's practices and standards which had provided a high assurance on the quality of work undertaken and was provided for clarity and transparency on audit practices.

**RESOLVED:** The Internal Audit reports were noted, and the audit plan would be adjusted to prioritise the GDPR audit.

## **6. External Audit Progress Report**

- Progress Report
- Annual Report

- 6.1 Karen Murray took the reports as read noting that the 2021/22 audit work was completed as far as possible. Karen indicated there was a delay in guidance from the National Audit Office in relation to TfN's Whole Government Accounts which affected all public sector organisations. It was expected that once the system was open for submission, TfN, as a below-threshold organisation, could be signed off relatively quickly. Mazars informed the Committee that they would bring their Audit Strategy Memorandum to the next meeting.

- 6.2 Graham Bell questioned the Value for Money statement appended to the report noting the ongoing funding concerns. Karen Murray assured the Committee that the audit had provided confidence in this area.
- 6.3 The Annual Report summarised at a high level the work done on the audit including the Value for Money work and provided assurance that TfN had in place appropriate governance to manage risk and its financial position. There remained uncertainty about the potential level of funding in the next CSR but Iain Craven noted that TfN would continue to do everything in its power to manage the current financial circumstances with a view to sustainability.
- 6.4 Cllr Keith Little commented that the Committee may be called upon to provide assurance at the next TfN Board meeting as to the financial position and this was agreed.

**RESOLVED:** The reports were noted, and the Committee thanked Mazars for the diligence in compiling them.

## **7. Treasury Management Strategy**

- 7.1 Paul Kelly covered the paper briefly, highlighting the main changes made since the previous year. It was also noted that a full review would be conducted for the following year as the business had fundamentally changed post IRP.
- 7.2 Paul Kelly re-emphasised that security and liquidity would always be prioritised over yield and that forecasted interest rates and reduced cash balances did not indicate too much opportunity for material increases in the forthcoming years. There were no questions arising.

**RESOLVED:** The Committee noted the proposed Treasury Management Strategy for 2022/3.

## **8. Preparation of the Annual Governance Statement**

- 8.1 Julie Openshaw invited feedback and comment on the draft document.
- 8.2 The AGS was an update from the previous year's statement again based on the CIPFA guidelines and the seven principles of the CIPFA Code. The main updates centred around a greater emphasis for the Diversity & Inclusion policy, updates on TfN's engagement including hybrid meetings and a revision of the Strategic Transport Plan to embed Decarbonisation across all TfN's programmes.
- 8.3 Feedback either directly or by email following the meeting was welcomed; however there were no questions arising at this time.

**RESOLVED:** The Committee received the report and expressed satisfaction at the progress made on updating the Annual Governance Statement.

## **9. Risk Review**

- 9.1 Daniella Della-Cerra-Smith introduced herself to the Committee as the new TfN Risk Manager.
- 9.2 The Committee was updated on the significant changes required to the risk register to move the narrative away from the previous emphasis on NPR risk and risks caused by the delay to the IRP to focus on the new risks presented

by TfN's change in status from co-client to co-sponsor of the NPR programme and the reduction in funding.

- 9.3 Risk reviews with individual business areas would be conducted as part of the business planning process and the refresh of the document. Part of the refresh would include the introduction of a new 5 x 5 risk matrix to replace the current 4 x 4 matrix as part of a reassessment of the risk levels. TfN had sought and obtained permission from the Board to delay the presentation of the Risk Register from the March meeting to the July meeting in order to complete the refresh.
- 9.4 Cllr Keith Little acknowledged the challenges and the new risks facing TfN and he welcomed the appointment of Daniella Della-Cerra-Smith as the new Risk Manager.
- 9.5 Kevin Brady requested a more detailed conversation on the 5 x 5 risk matrix at the next meeting, in particular to discuss the timelines behind the risks and this was agreed. David Pevalin added that he too would welcome a more comprehensive discussion, either within the Committee or in a private session.

**RESOLVED:** That the approval of Board to defer presentation to the July Board meeting be noted;

That the committee had no objection to the proposed amendments to the risk evaluation process and noted that a more in-depth review of the process will be provided at the next Committee meeting.

## **10. Appointment of New Committee Chair**

- 10.1 Julie Openshaw advised that a report would be presented to the next in-person meeting inviting the Committee to nominate and approve a new Chair, and that Cllr Keith Little would chair that initial item on the agenda.
- 10.2 Cllr Keith Little informed the Committee that Graham Bell had expressed an interest in taking the role of Chair and this would be taken at the next meeting.
- 10.3 The Committee thanked Chris Melling for his 4 years of service as an independent member and Chair of the Audit & Governance Committee.

**RESOLVED:** The matter would be the first substantive item on the agenda for the next meeting.

## **11. Future Meeting Dates**

- 11.1 The Chair thanked all for attending and their contributions. He reminded Members that the next meeting would be held in-person in Manchester on Friday 10th June 2022 at a venue to be confirmed.

**The meeting concluded at 12:10**

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<b>Meeting:</b>	Audit and Governance Committee
<b>Subject:</b>	Appointment of New Chair of Audit and Governance Committee and recruitment for an Independent Member
<b>Author:</b>	Julie Openshaw, Head of Legal
<b>Sponsor:</b>	Paul Kelly, Interim Finance Director
<b>Meeting Date:</b>	10 June 2022

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**1. Purpose of the Report:**

- 1.1 To elect a new Independent Chair of Audit and Governance Committee, and to note and support the proposed arrangements to fill the vacancy for an Independent Member.

**2. Recommendations:**

- 2.1 That Audit and Governance committee receives nominations from the existing Independent Members for the position of Chair and elects the new Chair.
- 2.2 That the proposals for recruitment of a replacement Independent Member are noted and supported.

**3. Main Issues:**

- 3.1 As noted by the Committee on the Consultation Call of 25 February 2022, following the resignation of Mr Chris Melling as an Independent Member and also the Chair of this committee, it is necessary at this meeting to elect a new Chair. Mr Melling's notice expired on 16 April 2022, so he is no longer a member. In the absence of a Chair, the Vice Chair, Cllr Keith Little will chair the meeting until the new Chair is elected.
- 3.2 Those members eligible to stand as Chair are the remaining Independent Members, i.e. Mr Graham Bell, Mr Kevin Brady, and Mr David Pevalin.
- 3.3 If more than one nomination was to be received, and a vote was necessary, each member of the Committee, including Independent Members, would be entitled to cast one vote. The Vice Chair would have no casting vote.
- 3.4 Given the vacancy for an Independent Member as well as the Chair, it is proposed that a recruitment process will be commenced following this meeting to fill the vacancy. As previously, the role will be publicly advertised and targeted appropriately to seek to produce a strong field of candidates with relevant skills, and a small interview panel including the Finance Director and the Monitoring Officer, or their nominees, will be set up, with scope for the new Chair to input into the process as an observer, as has previously been the case. In due course, a recommendation to TfN Board will be proposed for the appointment of the new Independent Member.

**4. Corporate Considerations*****Financial Implications***

- 4.1 The costs associated with any recruitment will be captured in the 2022/23 budget.

***Resource Implications***

4.2 There are no resource implications as a result of this report.

***Legal Implications***

4.3 Legal implications are included within the report.

***Risk Management and Key Issues***

4.4 Risk implications are included within this report.

***Environmental Implications***

4.5 None

***Equality and Diversity***

4.6 None

***Consultations***

4.7 None required

**5. Background Papers**

5.1 Graham Bell has expressed an interest in standing for the position of Chair. He has supplied a short supporting statement, and this will be circulated privately to the Committee in advance of the meeting.

**6. Appendices**

6.1 None



# Transport for the North Monthly Operating Report April 2022



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# Introduction

## Summary from the Chief Executive

This month's report is the first of the 2022-2023 financial year.

TfN is now following an extended business planning process following changes to the organisation's responsibility and funding settlement. We remain on course to agree a full-year budget and business plan with the TfN Board in June, including the new KPIs for the organisation. Once the business plan has been agreed, we will report performance against our agreed KPIs.

The first Northern Powerhouse Rail (NPR) Sponsors Board took place in April, and we continue to work with DfT to develop the detail of the Sponsor Agreement for the NPR programme in preparation for the next Sponsors Board that is likely to take place in July. A new Stakeholder Forum for the TransPennine Route Upgrade (TRU), chaired by TfN, is set to meet for the first time in June.

TfN colleagues continue to implement priority activities set out in the Transport Decarbonisation Strategy, including work on an EV Charging Infrastructure Framework, hydrogen refuelling for heavy transport modes, and the Clean Mobility Vision (CMV) workstream. Recently completed pieces of work include the Transport-Related Social Exclusion research (with the report due for publication in June), Transport, Health, and Wellbeing research (with publication estimated for July), and rail customer insight research (which is expected to be published in May).

We continue our programme of work to update the policy positions originally set out in the 2019 Strategic Transport Plan (STP), with work in April including progress on the draft international connectivity position. A supplier for the next phases of the NPIER (Northern Powerhouse Independent Economic Review) refresh has also now been appointed.

TfN continues to develop more detailed proposals around how rail reform should be undertaken in the North of England, building on the devolution that already exists through the Rail North Partnership. A Programme Board is being established through which TfN will work with partners to develop the proposal. We are working closely with the Rail North Partnership (RNP) on train operator business plans for next year and a Rail North Committee (RNC) working group has been established to provide oversight. Work to clarify the scope of the Long-Term Rail Strategy (LTRS) refresh and its incorporation within the STP has begun.

We are finalising the material for the publication of the Electric Vehicle Charging Infrastructure (EVCI) evidence while also drafting the scope and programme of EVCI Phase 3. TfN and National Highways also jointly presented an updated to TfN Partnership Board on Road Investment Strategy (RIS) 3 progress.

# Strategic Rail

## Monthly Summary

TfN is continuing to develop more detailed proposals as to how rail reform should be undertaken in the North building on the devolution that already exists through the Rail North Partnership. The Great British Railways (GBR) Transition Team has contacted TfN in relation to our response to their call for evidence for their Whole Industry Strategic Plan (WISP). The TfN team is working closely with DfT through the Rail North Partnership (RNP) on train operator business plans for next year and a Rail North Committee (RNC) working group has been established to oversee this work and the proposed stations review. Work to agree how to update the Long-Term Rail Strategy (LTRS) is underway. The scope of the Connected Mobility Strategy was endorsed by TfN Board on 30 March and initial work on a 'State of the North' Report is underway.

## Activity Update

### Rail Operations

Passenger demand on Northern and TransPennine Express (TPE) is still increasing. The recovery is still significantly stronger in the North than the sector average nationally. Performance in the short-term is being impacted by higher rates of staff absence and industrial relations issues, leading to services being cancelled and/or reduced timetables across both operators. TfN is working with the operators and RNP to ensure robust recovery plans are in place. Following the RNP Board on 28 April initial work has begun developing five pilot schemes to support the industry's Rail Recovery programme;- testing a real price reduction in full/peak fares, testing leisure markets linked to service increments, testing a flexible and agile approach to timetabling, a pilot of more flexible ticketing and testing new flows and markets with 'Staycation Express Excursions'.

### Rail Investment

A new Stakeholder Forum for the TransPennine Route Upgrade (TRU), chaired by TfN, is set to meet for the first time in June. Invitations to sit on the Forum are being issued to a number of organisations, including local authority partners.

A first iteration has been produced for an East Coast Main Line (ECML) 'blueprint' linking infrastructure and service enhancements following engagement with industry and local authority stakeholders.

Support continues to be provided to Network Rail and Bradford Council on delivering additional Bradford - London services. DfT has asked Network Rail to refresh the Strategic Advice for Sheffield, and TfN is seeking Network Rail advice on TfN input. A Network Rail and DfT-led workshop on the Cheshire Lines Committee (CLC) route took place on 29 April involving TfN and local authority partners to seek agreement on the requirements and constraints, as well as opportunities arising from planned renewals.

### Connected Mobility Strategy

The pilot Connected Mobility Hub communication and engagement began with the first guidance publication targeted for early May. Terms of Reference for a Light Rail Contactless Working Group have been defined, and an initial kick-off meeting is being scheduled. Initial work on a Connected Mobility in the North Report to support the Connected Mobility Strategy has started.

## Risks

Risk/Issue Summary	Summary of Mitigating Measures	KPI
<b>Future timetable changes in Manchester and potential East Coast Main Line</b> in May 2023 that reduces rail connectivity for the North	<ol style="list-style-type: none"> <li>TfN, working with Partners, has outlined to Operators and the Department the key concerns of the regions. TfN has appointed a consultant to explore how regional services that would be lost can be restored on ECML. To support this TAME has produced economic impacts of the timetable change on the ECML</li> <li>A collaboration between DfT and TfN to develop a blueprint of infrastructure and services to support further capacity on the ECML will be established. Likewise, regarding Manchester, collaborative work continues with DfT to underpin a blueprint linking infrastructure to future service development</li> </ol>	Tbc
<b>There is a risk that TfN could have a reduced role in the rail industry</b> following the implementation of the Williams-Shapps review.	<ol style="list-style-type: none"> <li>TfN is working with the GBR transition team to work on a more detailed proposal as to how the white paper might be delivered in the North</li> <li>TfN are establishing a programme board from April 22 chaired by TfN's CEO .</li> </ol>	Tbc
<b>The long-term effect of Covid-19 may impact on the viability of train services and future investment decisions.</b> The pandemic has changed travel patterns and behaviours and therefore service and investment decisions will need to reflect new markets and emerging evidence of demand.	<ol style="list-style-type: none"> <li>To continue to use TfN's influence in the monthly Rail North Partnership Board, Rail North Committee to shape the re-introduction of services, and infrastructure developments and re-build passenger confidence</li> <li>Continue with the close working relationship and communication with TfN member authorities on deliverables and risks - feeding back information through TfN governance structures continue to track train service performance and delivery via regular reporting dashboards</li> <li>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.</li> </ol>	Tbc

The risk relating to TRU fit within the wider investment strategy in the North has been closed and is being actioned as part of the co-sponsorship arrangement.

## Programme and Look Ahead

- TfN is preparing for the next meeting of Rail North Committee on 31 May.
- Through RNC, TfN is ensuring the development of future timetables for ECML reflects agreed priorities and is leading the development of a 'blueprint' that aligns service improvements with infrastructure investment (the latter building on experience gained through the Manchester Recovery Task Force).
- Work is ongoing with RNP on influencing the train operator business plans for 2022/23 and the following two years to get the best outcomes for the North.
- TfN is establishing a Programme Board and Members' Working Group to steer the development of the North's proposition for implementing the rail reforms set out in Williams-Shapps Plan.
- TfN is reviewing and finalising the draft Stations Strategy.

# Strategic Transport Plan (STP)

## Monthly Summary

In April, work to complete the final phases of the planning for the second Strategic Transport Plan (STP2) concluded with a final report shared with TfN from our supplier. The Rural Mobility and Spatial Planning policies, presented to Partnership Board on 30 March 2022, have now been designed and are scheduled for publication in May. Work also continued on the draft International Connectivity policy position, including engagement with two independent experts to seek their views and undertake a check and challenge process before further revisions to the draft position are undertaken in May.

## Activity Update

- The overall programme and approach to developing the STP was agreed with the TfN Board at the end of September 2021 with a timeline to adopt a draft Strategy by Q4 in 2022/23, statutory consultation over Summer 2023 and adoption of the final Strategy by December 2023.
- In January 2022 a supplier, Arup, was appointed to support the final phases of planning. This work built upon the agreed programme and makes recommendations on the proposed structure of the document as well as a suitable stakeholder engagement plan to ensure partner engagement and support throughout the development process.
- Work to complete the final phases of the planning for the second Strategic Transport Plan (STP2) concluded with a final report shared with TfN from our supplier (Arup). Throughout May and June TfN will be sharing the recommendations for the structure of STP2 and key design principles with colleagues and partners, seeking their comments.
- TfN is continuing its programme of work to update the policy positions originally set out in the 2019 STP. In February, the first set of policy positions, on active travel and multimodal hubs, were approved by TfN Board. In March, the second set of policy positions, on rural mobility and the role of spatial planning to develop and deliver the STP, were approved by TfN Partnership Board.
- Further work has continued in April on the draft international connectivity position including engaging two independent experts, Piers Forster and Chris Paling, to provide check and challenge before further revisions in May.
- An early step in updating TfN's strategic objectives is to refresh the Northern Powerhouse Independent Economic Review (NPIER), first published in 2016.
- TfN has been working with suppliers to update evidence on the prime and enabling capabilities, collate and review local partner evidence, and undertake a series of consultations with the Local Enterprise Partnerships (LEPs) and wider stakeholders to gather views on the shape of the NPIER refresh planned for 2022.
- A supplier for the next phases of the NPIER refresh has now been appointed, with work scheduled to start on the development of Economic Scenarios in May.

## Risk

Risk/Issue Summary	Summary of Mitigating Issues	KPI
<p><b>Continued partner support.</b> Risk of lack of or insufficient partner support for the Strategic Transport Plan and the Investment Programme ambition and outcomes.</p>	<ol style="list-style-type: none"> <li>1. Continue stakeholder engagement on an ongoing basis via SOG and other mechanisms.</li> <li>2. Ensure visibility of STP and research programmes to partners with timely updates to allow officers to plan engagement and activity.</li> <li>3. Early discussions with partners as part of the STP programme development process.</li> </ol>	Tbc
<p><b>STP buy-in from Government.</b> Risk that central Government (DfT) may not consider and/or listen to or accept TfN's advice on proposed transport interventions for the North.</p>	<ol style="list-style-type: none"> <li>1. Continue to provide the coherent message that TfN case is grounded in evidence, whilst seeking to achieve change required to meet wider policy outcomes (e.g. decarbonization, levelling—up)</li> <li>2. Continue direct engagement with Government departments over TfN's objectives and engagement.</li> <li>3. Continue to refine and build the tools required to deliver the STP vision and secure Government buy-in.</li> </ol>	Tbc
<p><b>Developing the STP evidence base.</b> Risk the STP does not include updated partner, industry evidence and internal TfN economic analysis and research at the right periods to ensure it is keeping up to date and adding value.</p>	<ol style="list-style-type: none"> <li>1. Clear STP programme established and visible to stakeholders.</li> <li>2. Regular ongoing engagement and dialogue with wide range of stakeholders and partners, including with TfN partners, DfT, National Highways and Network Rail through the Strategic Oversight Group; and with the NP11 and other Northern bodies.</li> <li>3. Publication of TfN research and analysis, and regular engagement with academics and analysts across the North and UK.</li> </ol>	Tbc

The risk to delay of adoption of STP now closed due to the IRP has now been published and can be incorporated into the second STP.

## Programme and Look Ahead

Through the programme there will be significant decisions, including:

- June 2022: Report to TfN Board setting out the proposed structure and principles of the next STP.
- December 2022: Final evidence base and structure agreed with TfN Board.
- Spring 2023: Board approval of the draft STP ready for consultation.
- Summer 2023: Statutory public consultation on the draft STP.
- End 2023 or early 2024: New STP adopted by Board.

# Strategy, Policy, Research & Economics

## Monthly Summary

Key policy and strategy development activities included further progress on implementing the priorities set out within the TfN Transport Decarbonisation Strategy. Several of the research team's projects are now complete, with all remaining existing commissions due to complete in May, when the next commission of the Northern Powerhouse Independent Economic Review (NPIER) refresh is planned to start.

## Activity Update

- TfN continues to implement the priorities identified in the Transport Decarbonisation Strategy, including work on an EV Charging Infrastructure Framework (led by the Major Roads team), hydrogen refuelling for heavy transport modes, aviation, and the Clean Mobility Vision (CMV) workstream, with consultancy support for the latter to be procured by the end of May 2022.
- In relation to the CMV development, TfN is liaising with both Midlands Connect (who are developing a parallel carbon reduction calculator tool) and DfT to ensure that similar workstreams are nested and complementary to each other. DfT is keen to utilise TfN's outputs, alongside their own, as part of the suite of tools to be provided to local authorities in relation to the development of their Local Transport Plans.
- TfN's hydrogen workstream successfully secured funding from Ofgem and UKRI to progress this study further alongside Network-H2, Northern Gas Networks and others. The first phase of the project concluded at the end of April 2022 with final reports now being drafted. The consortium is now seeking to progress to the next project stage via a further funding bid.
- The DfT has now become sole client for NPR and TfN staff employed on NPR were transferred under TUPE (Transfer of Undertakings, Protection of Employment) to DfT on 1 April. TfN is now a co-sponsor of the NPR programme and the first NPR Sponsor Board took place on 29 April attended by DfT, TfN, Network Rail and HS2 Ltd. TfN and DfT will prepare a new Sponsor Agreement which will formalise arrangements before the next meeting of the Sponsor Board (likely to be in July).
- The Transport-Related Social Exclusion research report is finalised. Publication will be in June. Further research to develop a public-facing and England-wide Transport Related Social Exclusion (TRSE) data tool is underway, and will be completed in September 2022. The first draft of the Inclusive Transport Policy Position has been circulated to colleagues for comment.
- The Transport, Health, and Wellbeing project is complete and publication expected later in the summer. Results will be presented SOG and AAG in May. Further research on community severance, the impact of road and rail infrastructure on connections between communities, is currently underway.
- The rail customer insight research is now complete. The final report is expected to be published in May.
- The NPIER capabilities commission is drawing to a close. The final reports remain on track for scrutiny at AAG and SOG meetings in May. The draft output of the final workstream, Insights, Issues and Choices, was forwarded to NP11 for discussion at the Chief Executives' meeting on 9 May to gain strategic input



to the refresh commission. Cambridge Econometrics/SQW have been appointed to deliver the NPIER refresh commission.

- The Programme Benefits Mapping commission has completed and the final report shared with partners. The final Monitoring and Evaluation Strategy is now being prepared for scrutiny and Partnership board in September 2022, with the strategy forming a major building block for monitoring and evaluating the STP.
- The Economics and Research team continues to add resources to the Northern Evidence Hub, which has now reached 150 pieces of evidence to underpin the case for investment and economic development in the North of England.

## Risk

Risk/Issue Summary	Summary of Mitigating Measures	KPI
<b>TfN embedding the STP across programmes.</b> Risk regarding how the STP and policy positions are embedded across the organisation and how they are joined up across the programmes. If not managed well, a working siloed culture may be prevalent, causing a multitude of business issues to TfN.	<ol style="list-style-type: none"> <li>1. TfN has recently completed work on the TfN Policy Development Framework which will ensure consistency across TfN workstreams.</li> <li>2. 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.</li> <li>3. 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.</li> </ol>	Tbc
<b>Within its Decarbonisation Strategy, TfN and its partners have committed to achieving close to zero emissions for surface transport in the North by 2045.</b> TfN is unable to deliver its contribution to achieving this target.	<ol style="list-style-type: none"> <li>1. 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.</li> <li>2. Develop mechanisms to ensure decarbonisation and sustainability are reflected in project and strategy decision-making</li> <li>3. Continue to influence and engage with stakeholders and maintain reputational credibility</li> <li>4. Embedding decarbonisation into wider TfN workstreams including freight and social inclusion and testing the interdependencies</li> </ol>	Tbc
<b>NPIER programme.</b> Potential risk around timescales and quality of outputs which are crucial elements of the STP and wider TfN evidence base.	<ol style="list-style-type: none"> <li>1. Close monitoring of progress against programme timetable and weekly catch-ups with suppliers are taking place to flag any potential timescale delays.</li> <li>2. Thorough discussion of methodology and approach and early sight of outputs is taking place to prevent poor quality outputs.</li> <li>3. Detailed timescales and deliverables are being developed with supplier at inception meeting. Project Manager to is to monitor progress against these.</li> </ol>	Tbc

## Programme and Look Ahead

- Publication of the TRSE research now expected June 2022
- NPIER Economic Scenarios Development (refresh) to commence May 2022
- Monitoring and Evaluation Strategy publication October 2022, following discussion at Partnership Board in September 2022

# Major Road Network (MRN)

## Monthly Summary

TfN and National Highways jointly presented an updated to TfN Partnership Board on likely timescales and process associated with the Road Investment Strategy (RIS) 3, which was positively received. Elsewhere work has continued to finalise the publication material for the Electric Vehicle Charging Infrastructure (EVCI) evidence base, and further development of TfNs work with partners on Bus Service Improvement Plans (BSIP).

## Activity Update

- Major Roads and TAME have completed a round of engagement with partners to scope out how TfN can support work on BSIPs and are waiting for feedback from partners on specific BSIP interventions where they would like analytical support from TfN.
- TfN is finalising the material for the publication of the EVCI evidence, including a position paper and interactive online tools. In March, the team presented the draft position paper to Strategic Oversight Group and TfN Scrutiny Committee, with the TfN Board agreeing to its publication (later in Spring). There will be an Electric Vehicles (EV) Steering Group session to launch these tools with our local authority, Distribution Network Operators (DNO) and other partners. This release will deliver many of the Sub-national Transport Body (STB) requirements set out in the National EV Strategy in March.
- The team is drafting the scope and programme of EVCI Phase 3 with the support of partners, in response to the Department for Transport (DfT) funding.
- National Highways presented an update to partners on the Route Strategies at Major Roads Group, 26 April 2022.
- TfN and National Highways jointly presented an updated to TfN Partnership Board on likely timescales and processes for Road Investment Strategy (RIS).
- The team presented TfN’s proposal for making recommendations for the Road Investment Strategy pipeline, at Major Roads Group.
- The Major Roads and TAME teams are supporting an Economic and Social Research Council (ERSC) funded study aimed at better understanding what is required of transport/land use when considering people and place, to support the net zero transport decarbonisation target. This is using evidence from and building upon TfN’s Future Travel Scenarios work and will involve one or more case studies in the North.

## Risks

Risk/Issue Summary	Summary of Mitigating Measures	KPI
<p><b>Alignment with delivery partners.</b> The Investment Programme will be directly affected by other delivery partners (e.g. Local Transport</p>	<p><b>1.</b> TfN to provide Road Investment Strategy (RIS3) recommendations to National Highways.</p>	Tbc

<p>Authorities, National Highways, etc) and unplanned announcements could impact TfN work. There is a risk that the recommendations of the Investment Programme do not complement the strategies of other organisations. This could result in a reputational impact, as well as the financial and programme implications of any additional work that is required in response to this risk occurring.</p>	<p><b>2.</b> TfN to manage expectations with partners via the Strategic Oversight Group.</p>	
<p><b>EVCI stakeholder expectations and interaction.</b> If there is any misalignment of objectives or miscommunication with key stakeholders, there is a risk that stakeholders might not be clear on the outputs to be delivered, it's uses, and their inputs required. This could lead to reputational risk, poor partner relations, and project outputs that are not applied effectively.</p>	<p><b>1.</b> TfN is to host ongoing EVCI Steering Group to drive effective outputs and shape future work to enhance capabilities across the region.  <b>2.</b> 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.  <b>3.</b> The suppliers are to support the partner agreement of inputs to the modelling tool.  <b>4.</b> The team is using the work to enhance collaboration with a number of partners, including Ofgem, National Grid, the Department for Business, Energy and Industrial Strategy (BEIS), the Catapult Network, and the Energy Saving Trust.  <b>5.</b> TfN will demonstrate the outputs in a visually accessible way.  <b>6.</b> Advice on outputs and data sharing approaches will be sought from the TfN Legal team.  <b>7.</b> Engage with partners to encourage and suggest uses of project outputs.</p>	<p>Tbc</p>

Risk relating to MRN1 programme has now been closed as it has been superseded by business as usual activities.

## Programme and Look Ahead

- TfN will be reviewing National Highways' draft strategic narrative for the Route Strategies in May.
- The team will be sharing mobile data outputs for the performance of the Major Roads Network with partners. This includes data supporting partner studies on MRN routes in Stockport and in NE Lincolnshire.
- Confirmation of EVCI Phase 3 scope, identifying the key next steps we wish to pursue from the list of options presented in our EVCI position paper, which have been identified through EV Steering Group engagement to date.

# 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 organisation-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, Legal & Democratic 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)

- Due to pre-election period restrictions for the local elections output this month is down compared to the previous month.
- Nevertheless, we worked closely with the Democratic Services team to update key details for Members on our website. This included updating the register of interests as well as refreshing the Our Board page with deputies and additional links. We sourced and edited Member images and uploaded meeting dates to our website for the year ahead.
- Coverage of our visits to Southport and County Durham across our social media channels received huge engagement, despite there being no official media activity alongside it. Images and content from the two trips gained more than 29k impressions across LinkedIn alone.
- Our Charts of the Week included coverage of EV charging data and access to public transport. Since the series launched, we have now had more than 125k impressions on the content across Twitter.
- We edited, published and promoted two podcasts ahead of the pre-election period. The episodes featured Mayor Andy Burnham and Emma Lewell-Buck MP. The podcast passed the milestone of 8,000 lifetime listens across all platforms.
- Internal communications during the month focused on keeping colleagues updated on the business planning process, with the weekly bulletins providing regular information and the TfN Live briefing session dedicated to the topic.
- The internal communications team also continued to promote wellbeing resources to help ensure colleagues are aware of the support available, which is of particular importance during the current challenges.
- Several members of Team TfN attended the CIHT North West Awards in Warrington, and were awarded two certificates – Highly Commended for

the Transport Decarbonisation Strategy in the Environmental/Sustainability Award, and Highly Commended for our Ways of Working approach in the Covid-19 Response Award.

- A handful of media enquiries were received, with interview opportunities agreed for the Chief Executive and Strategic Rail Director with trade publications.
- Planning continued for the national STB Conference on 26 May, working with through the STB liaison group to prepare graphics and confirm speakers and attendees.
- Attended meetings with partner organisations including Highways UK, Midlands Connect, to discuss forthcoming events.
- Support was provided for the CEO's appearance before the Built Environment Committee's Inquiry into Public Transport in Towns and Cities, with briefing sessions and documents; we further circulated a readout following its streaming internally and promoted his attendance on our social media channels.
- Desktop research and analysis of the local elections in the North of England was provided to OBT in advance of pre-election period, providing insight and expectations.
- Planning and preparation has taken place for the next series of #TfNtalks and TfN podcasts to be recorded next month and in June, with invitations and briefings prepared and issued.

#### Finance, Procurement and Risk

- Business planning activities are in progress to ensure that we meet all statutory obligations and continue to provide the best service possible for the funding available.
- The process of closing the 2021/22 accounts and drafting the statutory accounts for audit is in progress with the audit being undertaken in June and July.
- The team is ensuring the finance, procurement and risk processes continue to operate effectively during this transitional period. This includes interim cost control measures.

#### Legal & Democratic

- The next TfN Board will be in Harrogate on 30 June, with the Scrutiny Committee meeting taking place on 15 June in Manchester and the Audit and Governance Committee also taking place in Manchester on 10 June. The Rail North Committee meeting will be a consultation call on 31 May.
- Following the local elections the Democratic Services Team is working with all constituent authorities who have Members appointed to Board, Partnership Board, General Purposes Committee, Scrutiny Committee and Rail North Committee. It is hoped these will be received following constituent authorities Annual meetings and prior to the TfN Annual

Meeting on June 30. Training for new members on TfN's Constitution will be offered.

- The Legal team continues to advise on matters across the authority and has supported compliance with legal requirements enabling TAME data to begin to be shared with partners.

#### TAME (Technical Assurance, Modelling & Economics)

- The Wider Economics & Social Impacts Partner (WESIP) contract supplier has delivered an Urbanisation and Decarbonisation report.
- The WESIP contract supplier has responded to DfT queries on Northern Economy Land Use Model 3 (NELUM3), including undertaking runs to explore the impact of separate model levers on scheme benefits.
- TfN has agreed a work programme for the WESIP supplier for financial year 2022/2023. The programme focuses on delivery of NELUM3 for the NPR SOBC.
- Application of NELUM 3 in the NPR Strategic Outline Business Case (SOBC) was discussed at DfT Northern Rail Analytical Group (NRAG) ahead of the next Rail Infrastructure Group-Analytical Group (RIG-AG) meeting. These are internal DfT governance sessions where analytical approaches are endorsed.
- TAME continues to work on investigations into the outturn elasticities in Northern Rail Modelling System (NoRMS) iteration 2f and how these compare with the results from the DfT MOIRA model. The aim is to build further confidence in the quality of NoRMS.
- TAME has started to map out a Quality Assurance process which will be used as an independent check and review on NPR Strategic Outline Business Case (SOBC) NoRMS runs.
- TAME staff are familiarising themselves with the process to create NoRMS station access costs which are derived from the Northern Highway Assignment Model (NoHAM). These are required for the NPR SOBC.
- The Rail Modelling and Appraisal Partner (RMAP) is progressing with the initial specification tasks for the NRP Do-Minimum and working through technical challenges to the specification.
- RMAP is currently scoping updates to the OPEX and CAPEX models to align with latest guidance, rolling stock and other assumptions.
- The TAME team is developing a master schedule for NPR SOBC activity. Once completed the master schedule will identify all activities required to achieve the DfT's delivery requirements.
- The task commissioning process developed for the RMAP contract has now been rolled out for use on all contracts. This means all tasks will now be approved by TfN and can be monitored more efficiently.
- Under the Analyst Support Partner (ASP) contract a new analyst will join the Systems team in early May to replace the existing member who is leaving.
- Meetings have taken place with the Major Roads team to discuss TAME analytical support into RIS3 prioritisation. The objective is to use TAME analytical tools to build evidence of scheme impacts across the North.

# Financial Performance

## Financial Update

### Summary

Expenditure incurred in April: £1.01m

Q1 total budget: £3.90m

Remaining Q1 budget: £2.90m (74%)

### Headlines

- Pending the completion of a full business planning and budgeting exercise, TfN is currently operating with an interim quarter 1 budget.
- During this interim period our focus is upon the position compared to the approved level expenditure for the first quarter for the whole organisation. Therefore, April actuals are monitored against the full quarter budget. Monthly monitoring will resume when we have an approved budget for the year.

### NPR Analytical support and TfN Programme closure:

- Expenditure of £0.39m, against a Q1 total budget of £1.62m, includes both costs associated with the closure of the NPR programme (£0.05m) and continued analytical support provided to the NPR by the TAME team (£0.34m).

### Rail Operations:

- Expenditure of £0.19m, against a Q1 total budget of £0.58m. This is predominantly staff costs with some external expenditure carried over from the previous financial year.

### Operational Areas:

- Expenditure of £0.43m, against a Q1 total budget of £1.71m.
  - In addition to staff costs and overheads, high priority activities that support our statutory duties have also commenced.
  - There also continues to be some residual expenditure for the completion of work commenced in the previous financial year.

## Activity Dashboard

TRANSPORT FOR THE NORTH FINANCE DASHBOARD					PERIOD BUDGET CYCLE	1 Q1 INTERIM BUDGET	APRIL 2022/23			
PERIOD ACTUALS VERSUS Q1 BUDGET - BY ACTIVITY					PERIOD ACTUALS VERSUS Q1 BUDGET - BY FUND					
	Actuals £m	Budget £m	Var. £m	Var. %		Actuals £m	Budget £m	Var. £m	Var. %	
NPR Programme Closure	£0.05	£0.20	£0.14	73%	TDFRail	£0.05	£0.20	£0.14	73%	
NPR Analytical Support	£0.34	£1.42	£1.08	76%	NPR Analytical Support	£0.34	£1.42	£1.08	76%	
Rail Operations	£0.19	£0.58	£0.39	68%	Rail North Grant & Contributions	£0.11	£0.36	£0.25	69%	
Operational Areas	£0.43	£1.71	£1.28	75%	Trading Income	£0.01	£0.08	£0.07	84%	
					Additional STB Grant	£0.00	£0.00	£0.00	-	
					Core Grant	£0.49	£1.85	£1.36	74%	
	£1.01	£3.90	£2.90	74%		£1.01	£3.90	£2.90	74%	

## Human Resources Update

Salaried Establishment as at **9 May 2022**

### 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	46 (45.04 FTE)	5 (5.00 FTE)	51 (50.04 FTE)
DfT Data Services (Hosted)	13 (12.80 FTE)	11 (11.00 FTE)	24 (23.80 FTE)
Rail North Partnership (Hosted)	13 (13.00 FTE)	3 (3.00 FTE)	16 (16.00 FTE)
<b>Total Establishment</b>	<b>99 (97.84 FTE)</b>	<b>21 (21.00 FTE)</b>	<b>120 (118.84 FTE)</b>
<b>Strength (in post)</b>	<b>78 (76.84 FTE)</b>	<b>8 (8.00 FTE)</b>	<b>86 (84.84 FTE)</b>
<b>Appointed (start date pending)</b>	-	-	-
<b>Active/Pending Recruitment</b>	-	-	-
<b>Vacant – On-hold</b>	<b>21 (21.00 FTE)</b>	<b>13 (13.00 FTE)</b>	<b>34 (34.00 FTE)</b>

### Agency/Consultancy Resource – Covering Vacant Established Posts

Area	Posts (FTE's)
Support Services	3 Posts (3.00 FTE)
Operational & Delivery	8 Posts (8.00 FTE)
<b>Total</b>	<b>11 Posts (11.00 FTE)</b>

### Resourcing Update – For Information

**Permanent Recruitment Pause** – A temporary pause on permanent core budget recruitment remains in place while business planning for FY2022/23 is completed. Any vacancies that arise continue to be resourced using fixed-term contracts, acting-up arrangements, or contractor resources. Additionally, there is a by-exception process where a risk to business plan delivery is identified, permanent recruitment will be permitted.

The organisation is currently working through its FY2022/23 Business planning process, to be presented at the June TfN Board meeting – resource planning is an integral part of this.

Due to FY2022/23 core budget reduction the organisation has opened its Voluntary Redundancy process.

### HR Metrics – 2022/23 Year-to-Date:

Corporate Sickness Level:	<b>6.8%</b>
Employment Policy Application:	<b>0%</b>
Rolling 12 Month - Employee Turnover (Voluntary Leavers):	<b>27%</b>
% of Employees from an Ethnic Minority Background:	<b>12%</b>
% of Employees declaring a Disability:	<b>21%</b>
Gender Mix - % of Female Employees:	<b>42%</b>
% of Male Employees:	<b>58%</b>



# KPIs

## Key Performance Indicators

KPIs for 2022/23 will be agreed through the business plan with progress presented in this section of the Monthly Operating Report.

Key	Colour	Number of KPIs with this status
Achieved (complete)		<b>0</b>
On Track (in progress, no delays)		<b>0</b>
In Progress (in progress, may become delayed)		<b>0</b>
Delay (has missed a key deadline)		<b>0</b>
Delay BTYE (delayed beyond this year end)		<b>0</b>
Not Started		<b>0</b>

Area	KPI	Detail	Progress	Status
Tbc	Tbc	Tbc	Tbc	
			Tbc	



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<b>Meeting:</b>	Transport for the North Audit & Governance Committee
<b>Subject:</b>	2021/22 Outturn and Draft Statutory Accounts
<b>Author:</b>	David Spilsbury, Financial Controller
<b>Sponsor:</b>	Paul Kelly, Interim Finance Director
<b>Meeting Date:</b>	Friday 10 June 2022

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**1. Purpose of the Report:**

- 1.1 This report provides an update on the final outturn for 2021/22 and progress on the production of TfN's Statement of Accounts.

**2. Recommendations:**

- 2.1 Note the final outturn for 2021/22.

2.2 Note the progress made on the production of the Annual Statement of Accounts 2021/22.

- 2.3 Note that the Committee will receive further report on the Accounts on the 14 July.

**3. Main Issues:**

- 3.1 The management accounts for 2021/22 are complete. The final outturn position has been appended to this report.

3.2 In line with other local government bodies, TfN is required by statute to prepare an annual Statement of Accounts and for those accounts to be audited by an external body.

- 3.3 In connection with the statutory accounts, this report is accompanied by two appendices:

1. The Draft Unaudited Statement of Accounts; and
2. A supporting presentation that provides explanation on the content of those accounts.

These documents are presented to encourage review and scrutiny from Committee members ahead of the next Committee meeting on 14 July.

- 3.4 The Statement of Accounts includes the draft Annual Governance Statement. This draft statement was reviewed at the committee meeting in February and has been subject to only minor amendment.

3.5 The Statement of Accounts must include a Narrative Report which, in addition to a review of financial performance in year, must include information on the forward plans and financial sustainability of the organisation. Due to the delayed budget and business planning, a lot of the information required for the Narrative Report is currently being finalised. The Narrative report will be drafted to reflect the output of the budget and business planning process and is expected to be available for the external audit starting w/c 6 June and for the Committee at their July meeting.

- 3.6 Mazars are anticipated to begin their audit in the week commencing 6 June.
- 3.7 In line with last year, the 2021/22 statutory deadline for publishing accounts for public inspection has been moved by the UK Government to 1 August (from 1 June). We elected to publish the accounts closer to this date to allow the external audit to progress and ideally consider and address and points emerging from the audit that may impact on the accounts. The Draft Statement of Accounts will be published for public inspection on a date to be confirmed.
- 3.8 TfN Board will be presented with the final audited Accounts, the auditors' opinion, and the Committee's view on 29 September. TfN Board – as 'those charged with governance' – will be asked to approve the accounts.

#### **4. Corporate Considerations**

##### **4.1 *Financial Implications***

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

##### **4.2 *Resource Implications***

There are no resource implications within this report.

##### **4.3 *Legal Implications***

Legal implications are addressed within the report.

##### **4.4 *Risk Management and Key Issues***

There are no material risks to be considered within this report.

##### **4.5 *Environmental Implications***

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

##### **4.6 *Equality and Diversity***

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

##### **4.7 *Consultations***

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

#### **5. Background Papers**

- 5.1 None

#### **6. Appendices**

- 6.1 Final Outturn 2021/22 report
- 6.2 Draft Annual Statement of Accounts (Unaudited)
- 6.3 Draft Annual Statement of Accounts Supporting Presentation

**Meeting:** Transport for the North Audit & Governance Committee

**Subject:** Financial Outturn 2021/22

**Author:** David Spilsbury, Financial Controller

**Sponsor:** Paul Kelly, Interim Finance Director

**Meeting Date:** Friday 10 June 2022

**1. Purpose of the Report:**

1.1 This report provides a summary of the financial position of TfN as at the outturn of financial year 2021/22.

**2. Recommendations:**

2.1 That the Committee notes the outturn position for 2021/22.

**3. Main Issues:**

3.1 In summary, over the course of financial year 2021/22 TfN incurred expenditure of £52.33m against an opening committed budget (i.e. excl. contingency) of £60.18m, representing a £7.85m underspend. The majority of this underspend is within the NPR programme which is funded by ring-fenced TDF grant. A small element relates to core funded activities. As a result, the Core Grant reserves carried forward into 2022/23 are forecast to be £4.57m, £0.57m higher than originally planned.

3.2 *Budget Summary*

TfN's gross budget for financial year 2021/22 was £78.70m, of which £18.52m was contingency. TfN monitors financial performance against the net budget – that is, the budget excluding contingency. The net budget for 2021/22 was £60.18m.

3.3 Over the course of the year TfN has formally revised its budget three times, after quarters 1, 2 and 3 as shown in the following table. The Outturn for the year has been included within this table.

	Base £m	Forecast 1 £m	Forecast 2 £m	Forecast 3 £m	Outturn £m
Northern Powerhouse Rail	48.48	48.48	45.62	45.62	41.44
IPBA	0.89	0.89	0.86	0.86	0.87
Integrated & Smart Ticketing	1.52	1.52	1.23	1.23	1.08
<b>Programmes Total</b>	<b>50.89</b>	<b>50.89</b>	<b>47.71</b>	<b>47.71</b>	<b>43.39</b>
Rail Operations	3.16	3.19	3.10	3.04	2.93
Operational Areas	6.13	6.10	6.22	6.27	6.01
<b>Net total (excl contingency)</b>	<b>60.18</b>	<b>60.18</b>	<b>57.03</b>	<b>57.02</b>	<b>52.33</b>
Contingency	18.52	4.09	0.00	0.00	0.00
<b>Total</b>	<b>78.70</b>	<b>64.27</b>	<b>57.03</b>	<b>57.02</b>	<b>52.33</b>

3.4 TfN is constituted, and is required to function, as a standalone statutory entity. As members will be aware, TfN has no revenue raising powers, and is almost entirely funded by grants from DfT. Prior to the funding letter that was received on 14 February 2022, TfN experienced significant uncertainty about its funding for the

2022/23 budget year, which limited the ability to plan and commit expenditure that could impact upon the year ahead. This impacted particularly on core funded activity, where TfN has maintained a regime of cost control which reined back on commitments that ran into next year. In addition, a vacancy management process has been in place with c.24% of TfN posts being vacant by the end of the year.

- 3.5 The net outturn of £52.33m is a shortfall of £7.85m compared to the original budget. This was driven by underspend in programme areas: NPR (£7.04m), IST (£0.44m) and IBPA (£0.02m). There was also an underspend in Rail Operations (£0.23m). Underspend in Operational Areas was minimised through a budget virement process, reallocating underspends, and savings to fund new opportunities identified as supportive of the business plan. The marginal underspend (£0.12m) is due to activity already underway where completion has slipped into the beginning of the next financial year.
- 3.6 Only minor changes occurred between Revisions 2 and 3. The further gross reduction of £4.69m between the Revision 3 and Outturn of £52.33m was largely driven by NPR where there was a £4.18m reduction as work was delayed by the uncertainty and then transfer of the programme to DfT. After allowing for £0.01m increase in IPBA, the remaining £0.51m underspend arose in Operational Areas (£0.26m), IST (£0.15m) and Rail Operations (£0.11m).
- 3.7 Changes to expenditure forecasts affect TfN's funding position. In most cases, where TfN underspends against its budget its funding position is simply corrected by drawing down on less government grant. However, when underspend was due to be funded from TfN's Core Grant underspend will flow through to reserves. These reserves are then available for future deployment, being matched against slipped activity or deployed to meet anticipated shortfalls between core expenditure (net of recharge to programmes) and funding allocations.
- 3.8 *Outturn Financial Position*

TfN incurred expenditure totalling £52.33m to the end of the financial year 2021/22 as shown in the following table.

	Outturn £m	Base £m	Variance £m	Variance %
Northern Powerhouse Rail	41.44	48.48	(7.04)	(15%)
IPBA	0.87	0.89	(0.02)	(2%)
Integrated & Smart Ticketing	1.08	1.52	(0.44)	(29%)
	43.39	50.89	(7.50)	(15%)
Rail Operations	2.93	3.16	(0.23)	(7%)
Operational Areas	6.01	6.13	(0.12)	(2%)
<b>Total</b>	<b>52.33</b>	<b>60.18</b>	<b>(7.85)</b>	<b>(13%)</b>

- 3.9 Set against the opening base net budget, exclusive of contingency, this represents an underspend of £7.85m. Over the year to-date a range of issues have been evident, including:
- Underspend on the NPR programme connected to the Integrated Rail Plan.
  - Throughout the year savings in core funded activities have been redeployed to deliver new activities supportive of the business plan.
  - The delayed notification of 2022/23 funding and the challenges posed by the allocation has led to some activity being paused.

### 3.10 *Integrated and Smart Ticketing Programme*

	Outturn	Base	Variance	Variance
<b>Integrated &amp; Smart Ticketing</b>	£m	£m	£m	%
Phase 1	0.06	0.48	(0.42)	(88%)
Phase 2	0.32	0.20	0.12	60%
Programme costs	0.70	0.84	(0.14)	(17%)
	<b>1.08</b>	<b>1.52</b>	<b>(0.44)</b>	<b>(29%)</b>

3.11 To meet the costs relating to the closure of the programme, the IST budget was £1.52m. The outturn was £1.08m, generating a saving of £0.44m. This was a ring-fenced grant funded budget, and the balance of the grant will be repaid to DfT in 2022/23.

### 3.12 *NPR Programme*

	Outturn	Base	Variance	Variance
<b>Northern Powerhouse Rail</b>	£m	£m	£m	%
Rail Studies	25.23	27.60	(2.37)	-9%
Programme Development	8.57	11.85	(3.28)	-28%
Modelling & Economic Appraisal	3.48	3.20	0.28	9%
Programme Support	4.16	5.83	(1.67)	-29%
	<b>41.44</b>	<b>48.48</b>	<b>(7.04)</b>	<b>-15%</b>

3.13 The NPR Programme started the year with a total allocation of £67.00m, which included a base budget of £48.48m, supplemented with additional uncommitted contingency of £18.52m, to respond to emerging priorities post IRP publication. The outturn was total expenditure of £41.44m, generating an underspend of £7.04m against base budget, with no use of the contingency envelope.

3.14 Delays to the publication of the IRP, initially anticipated in the first quarter of the financial year, had an impact on the run-rate of the programme throughout the year generating underspends against the base budget. A lack of clarity on the timing and content of the IRP, led TfN to maintain the committed budget at Revision 1, reducing the contingency envelope.

3.15 At Revision 2, the base budget was reduced to reflect accumulated underspends in the first half of the year and releasing the remaining contingency envelope.

3.16 Following the publication of the IRP, new NPR governance arrangements were announced, which led to the closure of the NPR programme within TfN. The NPR budget was maintained between revision 2 and 3 allowing for capacity to absorb any additional costs being incurred because of the programme closure.

3.17 The outturn position of £41.44m reflects the agreed remit on the programme to the end of the financial year. Residual programme closure costs being incurred in the next financial year are included in the 2022/23 interim budget.

3.18 TfN has continued to communicate revised NPR forecasts to DfT through quarterly funding letters allowing surplus funding to be redeployed at the Department's discretion in-year.

### 3.19 *Investment Programme Benefits Analysis*

The IPBA programme completed below the original budget, reflecting a partial saving on the allocated contingency.

### 3.20 Rail Operations

<b>Rail Operations</b>	<b>Outturn</b>	<b>Base</b>	<b>Variance</b>	<b>Variance</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>%</b>
Rail North Partnership	1.44	1.80	(0.36)	(20%)
Strategic Rail	1.49	1.36	0.13	10%
	<b>2.93</b>	<b>3.16</b>	<b>(0.23)</b>	<b>(7%)</b>

3.21 The under spend position in Rail Operations results from vacancy savings. A small number of roles have remained vacant for a large part of the year due to funding uncertainties, the saving partially offset by use of contractor resource.

### 3.22 Operational Areas

<b>Operational Areas</b>	<b>Outturn</b>	<b>Base</b>	<b>Variance</b>	<b>Variance</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>%</b>
Leadership	0.30	0.31	(0.01)	(3%)
Finance & Business Systems	0.89	1.01	(0.12)	(12%)
Business Capabilities	2.85	3.09	(0.24)	(8%)
Programme Management Office	0.14	0.14	0.00	0%
Strategy & Policy	2.49	2.36	0.13	6%
Major Roads	0.88	0.76	0.12	16%
<b>Total Expenditure</b>	<b>7.55</b>	<b>7.67</b>	<b>(0.12)</b>	<b>(2%)</b>
Costs apportioned to NPR	(1.54)	(1.54)	0.00	0%
<b>Net Expenditure</b>	<b>6.01</b>	<b>6.13</b>	<b>(0.12)</b>	<b>(2%)</b>

3.23 TfN's core operations areas cover the back, front, and middle office teams familiar to any public body. They include the teams that allow TfN to discharge on its statutory obligations in relation to good governance and the sound-stewardship of public funds, along with the policy and strategy teams that help shape TfN's activity and its commitment to evidence-based decision making, and the communications and engagement teams that allow TfN to speak with one voice on behalf of the North.

3.24 The opening base budget for these teams stood at £7.67m gross, £6.13m net for the year after the apportionment of costs into the NPR programme of £1.54m.

3.25 The underspend in Core operational areas predominantly relates to slipped activity. TfN has operated a budget virement process this year whereby underspend in some areas of the business areas has been repurposed elsewhere for emerging opportunities during the year. This has predominantly involved additional budget being allocated to Strategy & Policy and Major Roads.

### 3.26 Funding

TfN resourced its expenditure of £52.33m from a mixture of grant, contributions, contracted income and reserves as shown in the following table.



<b>Funding</b>	<b>Outturn £m</b>	<b>Base £m</b>	<b>Variance £m</b>	<b>Variance %</b>
IST Grant	1.08	1.52	(0.44)	(29%)
TDF Grant (NPR)	41.44	48.48	(7.04)	(15%)
Core Grant	6.00	6.00	0.00	0%
Rail North Grant & Contribution	1.44	1.32	0.12	9%
Contracted Income	0.27	0.32	(0.05)	(16%)
<b>Total In-Year Grant</b>	<b>50.23</b>	<b>57.64</b>	<b>(7.41)</b>	<b>(13%)</b>
Use of Reserves	2.10	2.54	(0.44)	(17%)
<b>Total Resource</b>	<b>52.33</b>	<b>60.18</b>	<b>(7.85)</b>	<b>(13%)</b>

3.27 Variances between the planned use of resources compared to forecast outturn partly reflects the variances in expenditure. However, the reduction in Core funding and wind down of NPR activities has also impacted on expenditure.

3.28 The implications of underspend against grant envelopes varies by funding stream are as follows:

- IST grant has been used to fund the wind down of the programme and the unutilised grant will be returned to the department.
- TDF grant is made available on an annual basis and awarded on a “need” basis with unused allocations being redeployed at the Department’s discretion in-year.
- Rail North grant is received in full by TfN each year with unused amount held for future use as grant unapplied.
- Core grant is received in full by TfN each year with unused resource flowing through to the Core Grant Reserve.

3.29 The budgeted and actual movements in TfN’s Core reserves in year are as follows with underspends described above:

<b>Core Grant Reserves</b>	<b>Outturn £m</b>	<b>Base £m</b>	<b>Variance £m</b>
Reserve b/f	6.67	6.54	0.13
Draw	(2.10)	(2.54)	0.44
Contribution	0.00	0.00	0.00
<b>Reserve c/f</b>	<b>4.57</b>	<b>4.00</b>	<b>0.57</b>

3.30 The year-end Core cash reserve is forecast to be £4.57m, an increase of £0.57m against base position. This is due to a combination of the higher than forecast opening position (£0.13m) and a reduced draw on reserves for 2021/22 of £0.44m (due to higher than anticipated rail grants and some slipped activity).

#### **4. Corporate Considerations**

##### **4.1 Financial Implications**

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

##### **4.2 Resource Implications**

There are no resource implications within this report.

##### **4.3 Legal Implications**

Legal implications are addressed within the report.

##### **4.4 Risk Management and Key Issues**

There are no material risks to be considered within this report.

4.5 ***Environmental Implications***

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

4.6 ***Equality and Diversity***

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

4.7 ***Consultations***

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

**5. Background Papers**

5.1 None

**6. Appendices**

6.1 None

# Transport for the North Statement of Accounts 2021/22



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**Narrative Report**

**To follow**

# Transport for the North Statement of Accounts 2021/22

## Statement of Responsibility for the Accounts

### TfN's responsibilities

TfN 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 TfN 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 TfN 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; and
- 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 2022.

Paul Kelly  
Interim Finance Director  
TBC

# Transport for the North Statement of Accounts 2021/22

## 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.

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

# Transport for the North Statement of Accounts 2021/22

## 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.

### 2021/22

	General Fund Balance	Earmarked General Fund Reserves	Total General Fund Balance	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Reserves
	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 1 April 2021</b>	<b>(6,166)</b>	<b>(1,781)</b>	<b>(7,947)</b>	<b>(277)</b>	<b>(8,224)</b>	<b>12,132</b>	<b>3,908</b>
<b>Movement in reserves during 2021/22</b>							
(Surplus) or deficit on the provision of services	5,618	-	5,618	-	5,618	-	5,618
Other Comprehensive Income / Expenditure	-	-	-	-	-	(3,557)	(3,557)
<b>Total Comprehensive Income and Expenditure</b>	<b>5,618</b>	<b>-</b>	<b>5,618</b>	<b>-</b>	<b>5,618</b>	<b>(3,557)</b>	<b>2,061</b>
Adjustments between accounting basis and funding basis under regulations (see note 9)	(2,177)	-	(2,177)	185	(1,992)	1,992	-
<b>Net (Increase) or Decrease before Transfer to Earmarked Reserves</b>	<b>3,441</b>	<b>-</b>	<b>3,441</b>	<b>185</b>	<b>3,626</b>	<b>(1,565)</b>	<b>2,061</b>
Transfer (to)/from Earmarked Reserves (see note 10)	(1,342)	1,250	(92)	92	-	-	-
<b>(Increase) or Decrease in 2021/22</b>	<b>2,099</b>	<b>1,250</b>	<b>3,349</b>	<b>277</b>	<b>3,626</b>	<b>(1,565)</b>	<b>2,061</b>
<b>Balance at 31 March 2022</b>	<b>(4,067)</b>	<b>(531)</b>	<b>(4,598)</b>	<b>-</b>	<b>(4,598)</b>	<b>10,567</b>	<b>5,969</b>

### 2020/21

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



# Transport for the North Statement of Accounts 2021/22

## 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.'

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

# Transport for the North Statement of Accounts 2021/22

## 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.

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

# Transport for the North Statement of Accounts 2021/22

## 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).

2020/21				2021/22		
Net Expenditure Chargeable to the General Fund Balance £000	Adjustments (see note 2) £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000		Net Expenditure Chargeable to the General Fund Balance £000	Adjustments (see note 2) £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
546	46	592	Major Roads Programme (Strategic Development Corridors)	1,747	103	1,850
950	121	1,071	Northern Powerhouse Rail	-	255	255
2,679	2,983	5,662	Integrated and Smart Ticketing	1,250	179	1,429
680	185	865	Rail Operations	1,237	411	1,648
5,085	823	5,908	Operational Areas	5,118	967	6,085
<b>9,940</b>	<b>4,158</b>	<b>14,098</b>	<b>Net Cost of Services</b>	<b>9,352</b>	<b>1,915</b>	<b>11,267</b>
(7,002)	1,129	(5,873)	Other Income and Expenditure	(6,003)	354	(5,649)
<b>2,938</b>	<b>5,286</b>	<b>8,225</b>	<b>Surplus or Deficit on Provision of Services</b>	<b>3,349</b>	<b>2,269</b>	<b>5,618</b>
(10,885)			Opening Combined General Fund Balance	(7,947)		
2,938			Plus/less Surplus or Deficit on the General Fund Balance for the Year (Statutory basis)	3,349		
<b>(7,947)</b>			<b>Closing Combined General Fund Balance</b>	<b>(4,598)</b>		

# Transport for the North Statement of Accounts 2021/22

## Note 2 - Note to the Expenditure and Funding Analysis

2021/22	Net Capital Statutory Adjustments	Net Pensions Statutory Adjustments	Other Statutory Adjustments	Total Adjustments
	£000	£000	£000	£000
Major Roads Programme (Strategic Development Corridors)	-	107	(4)	103
Northern Powerhouse Rail	-	287	(32)	255
Integrated and Smart Ticketing	185	9	(16)	178
Rail Operations	-	427	(16)	411
Operational Areas	-	1,030	(62)	968
<b>Net Cost of Services</b>	<b>185</b>	<b>1,860</b>	<b>(130)</b>	<b>1,915</b>
Other Income and Expenditure	92	262	-	354
<b>Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement</b>	<b>277</b>	<b>2,122</b>	<b>(130)</b>	<b>2,269</b>

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)	-	41	5	46
Northern Powerhouse Rail	-	113	8	121
Integrated and Smart Ticketing	2,917	68	(2)	2,983
Rail Operations	-	173	12	185
Operational Areas	354	411	57	822
<b>Net Cost of Services</b>	<b>3,271</b>	<b>806</b>	<b>80</b>	<b>4,157</b>
Other Income and Expenditure	983	146	-	1,129
<b>Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement</b>	<b>4,254</b>	<b>952</b>	<b>80</b>	<b>5,286</b>

Net Capital Statutory Adjustments – this column adds in amortisation and impairment in the services line.

Net Pensions Statutory 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.

Other Statutory Adjustments – capital grants are adjusted for income not chargeable under generally accepted accounting practices.

# Transport for the North Statement of Accounts 2021/22

## Note 3 - Accounting Policies

### General principles

The statement of accounts summarises TfN's transactions for the 2021/22 financial year and its position at the year-end of 31 March 2022. TfN is required to prepare an annual statement of accounts by the Accounts and Audit Regulations 2015, which determine the timing of when the statements must be produced. The Statements usually have to be published before 1<sup>st</sup> June, but in recognition of the impact of the Covid-19 pandemic, this date has been amended to 1<sup>st</sup> August for 2020/21 and 2021/22. The Regulations also require that the accounts 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 2021/22, 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

## Transport for the North Statement of Accounts 2021/22

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:

# Transport for the North Statement of Accounts 2021/22

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.

# Transport for the North Statement of Accounts 2021/22

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.



# Transport for the North Statement of Accounts 2021/22

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

## Transport for the North Statement of Accounts 2021/22

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. unitised 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

## Transport for the North Statement of Accounts 2021/22

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 - 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.

## **Note 5 - 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.

## Transport for the North Statement of Accounts 2021/22

The effect on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% decrease in the Real Discount Rate would increase the defined benefit obligation by £676k. However, the assumptions interact in complex ways; details of the sensitivities are set out in Note 28.

### Note 6 - Material Items of Income and Expense

As further explained in Note 15, during 2020/21 DfT ended funding of the Integrated Smart Ticketing programme. The intangible assets which had been generated by the programme were either transferred to DfT or impaired to zero net value at 31 March 2021 in recognition that this project and the associated assets would be wound down in 2021/22.

During 2021/22, the remaining assets have been disposed of at a value of £2.47m. As these assets had been fully amortised or impaired in the previous year, this disposal was made at zero net value within the Comprehensive Income and Expenditure Statement.

### Note 7 - Events After the Reporting period

The Statement of Accounts was authorised for issue by the Finance Director on TBC. 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 8 - 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 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.

#### Grant Income Credited to Services

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

Grants with conditions that may require unused allocations to be returned are shown as grants received in advance as a current liability. Grant received via Transport Development Fund governance must be returned to the Department for Transport if not required.

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## Grant Receipts in Advance - Revenue

2020/21	2021/22
£000	£000
- Department for Transport Project Funding	(336)
(10) Trans Pennine Tunnel Traffic Modelling	(10)
<b>(10) Total</b>	<b>(346)</b>

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

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

## 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.

# Transport for the North Statement of Accounts 2021/22

## 2021/22

	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)	(2,122)	-	2,122
Holiday pay (transferred to the Accumulated Absences Reserve)	130	-	(130)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to Capital Adjustment Account)	(185)	-	-
<b>Total Adjustments to Revenue Resources</b>	<b>(2,177)</b>	<b>-</b>	<b>1,992</b>
Adjustments between Revenue and Capital Resources			
Capital expenditure financed from Capital Grants Unapplied	-	185	-
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>-</b>	<b>185</b>	<b>-</b>
<b>Total Adjustments</b>	<b>(2,177)</b>	<b>185</b>	<b>1,992</b>

## 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 Capital Adjustment Account)	(4,254)	-	4,254
<b>Total Adjustments to Revenue Resources</b>	<b>(5,286)</b>	<b>-</b>	<b>5,286</b>
Adjustments between Revenue and Capital Resources			
Capital expenditure financed from Capital Grants Unapplied	-	725	(725)
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>-</b>	<b>725</b>	<b>(725)</b>
<b>Total Adjustments</b>	<b>(5,286)</b>	<b>725</b>	<b>4,561</b>

### Note 10 – 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.

## Transport for the North Statement of Accounts 2021/22

	Balance at 1 April 2020	Transfers In 2020/21	Transfers Out 2020/21	Balance at 31 March 2021	Transfers In 2021/22	Transfers Out 2021/22	Balance at 31 March 2022
	£000	£000	£000	£000	£000	£000	£000
<b>General Fund Reserves:</b>							
Integrated and Smart Ticketing Revenue Funding Reserve	(3,928)	-	2,679	(1,250)	-	1,250	-
Earmarked Devolved Powers Reserve	(500)	-	-	(500)	-	-	(500)
Earmarked RNP Grant Reserve	-	-	(31)	(31)	-	-	(31)
<b>Total General Fund</b>	<b>(4,428)</b>	<b>-</b>	<b>2,648</b>	<b>(1,781)</b>	<b>-</b>	<b>1,250</b>	<b>(531)</b>

### Note 11 – Other operating expenditure

2020/21	2021/22
£000	£000
1,996 Gain/loss on disposal of intangible assets	-
<b>1,996 Total</b>	<b>-</b>

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

### 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.

2020/21	2021/22
£000	£000
325 Interest payable on the net defined benefit liability	492
(181) Interest receivable and similar income	(233)
<b>144 Total</b>	<b>259</b>

### 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.

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

Following the conclusion of the Integrated and Smart Ticketing project, a residual capital grant balance of £92k is repayable to the Department for Transport.

### 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.'

## Transport for the North Statement of Accounts 2021/22

2020/21		2021/22
£000	Nature of Expenditure or Income	£000
(230)	Fees, charges and other service income	(253)
(181)	Interest and investment income	(233)
(53,939)	Government grants and contributions	(48,446)
9,483	Employee benefits expenses	10,600
48,020	Other service expenses	43,458
2,749	Amortisation and impairment	-
1,996	Gain or loss on disposal of non-current assets	-
325	Interest payments	491
<b>8,225</b>	<b>(Surplus) or Deficit for Year</b>	<b>5,618</b>

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.

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.

31 March 2021				31 March 2022		
Assets Under Development (see Note below)	Operational Assets	Total		Assets Under Development	Operational Assets	Total
£000	£000	£000		£000	£000	£000
			Balance at start of year:			
2,112	2,072	4,184	Gross carrying amounts	-	3,482	3,482
-	(655)	(655)	Accumulated amortisation	-	(3,482)	(3,482)
<b>2,112</b>	<b>1,417</b>	<b>3,529</b>	<b>Net carrying amount at start of year</b>	<b>-</b>	<b>-</b>	<b>-</b>
			Additions:			
1,294	-	1,294	- Internal development	-	-	-
(1,410)	1,410	-	Assets that became operational in the year	-	-	-
-	(533)	(533)	Amortisation for the period	-	256	256
(1,996)	-	(1,996)	Disposal	-	(2,473)	(2,473)
-	(2,294)	(2,294)	Impairment losses recognised in the surplus/ deficit on the provision of services	-	2,217	2,217
<b>-</b>	<b>-</b>	<b>-</b>	<b>Net carrying amount at end of year</b>	<b>-</b>	<b>-</b>	<b>-</b>
			Comprising:			
-	3,482	3,482	- Gross carrying amounts	-	1,009	1,009
-	(3,482)	(3,482)	- Accumulated amortisation and impairment	-	(1,009)	(1,009)
<b>-</b>	<b>-</b>	<b>-</b>	<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>

Note: The closing balance at 31 March 2021 for Assets Under Development has been corrected to show zero value after the disposal in 2020/21.



## Transport for the North Statement of Accounts 2021/22

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

This note recognises the development, and subsequent amortisation, disposal and impairment, of complex information systems for 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.

During 2020/21 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 to be transferred to DfT. The fares data tool was transferred to DfT during 2020/21 and treated as a disposal of £2.0m in the year. The remaining IST assets on the balance sheet at 31 March 2021 were amortised and impaired to a zero net value.

During 2021/22, the remaining IST assets have either transferred to DfT or ceased to be used. The authority has recognised a disposal of £2.47m (2021: £2.00m) in relation to the IST intangible assets. The accumulated impairment value of £2.21m and accumulated amortisation value of £0.26m has been written back recognising the disposal. The consequent zero net profit or loss on this transaction has been charged to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

The note also recognises the development and implementation of TfN's enterprise resource planning (ERP) system asset valued at £1.01m (2021: £1.01m). The ERP system is in use and is shown under the 'operational assets' column. The ERP system asset has been fully amortised.

### 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.

31 March 2021	31 March 2022
£000	£000
- Employees	1
- Department for Transport	1,043
- Department for Levelling Up, Housing and Communities	17
215 Prepayments	200
289 TfN Partners	144
<b>505 Total Debtors</b>	<b>1,405</b>

Total debtors include financial assets of £1.21m (2021: £0.29m), 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:

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<b>31 March 2021</b>	<b>31 March 2022</b>
<b>£000</b>	<b>£000</b>
4,021	8,677
Cash and Bank Balances	
14,000	-
Short Term Investments	
<b>18,021</b>	<b>8,677</b>
<b>Total Cash and Cash Equivalents</b>	<b>Total Cash and Cash Equivalents</b>

### Note 18 - Creditors

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

<b>31 March 2021</b>	<b>31 March 2022</b>
<b>£000</b>	<b>£000</b>
(244)	(114)
Employees	
(15)	(20)
HMRC	
(4,000)	(448)
Department for Transport	
<b>Train Operating Companies:</b>	
(225)	(62)
Arriva Rail North/ Northern Trains Ltd.	
(191)	(51)
Transpennine Express	
(21)	(26)
Merseytravel	
<b>TfN Partners:</b>	
(750)	(606)
Transport for Greater Manchester	
-	(60)
North East Combined Authority	
(2,250)	(1,229)
Network Rail	
(2,771)	(2,567)
<b>Trade Suppliers</b>	<b>Trade Suppliers</b>
<b>(10,467)</b>	<b>(5,183)</b>
<b>Total Creditors</b>	<b>Total Creditors</b>

Obligations to employees include the accounting value associated with the accumulated absence provision – the financial value 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 above includes financial liabilities of £5.18m (2021: £10.47m) 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.

### Note 19 - Provisions

Provisions reflect the amount set aside for probable, but uncertain, economic obligations. At 31 March 2022 this only included forecast amounts due to settle contractual issues with suppliers.

<b>31 March 2021</b>	<b>31 March 2022</b>
<b>£000</b>	<b>£000</b>
(126)	(68)
Opening Balance	
58	-
(Increase)/decrease in provision during year	
<b>(68)</b>	<b>(68)</b>
<b>Closing Balance</b>	<b>Closing Balance</b>

# Transport for the North Statement of Accounts 2021/22

## Note 20 - Reserves

TfN holds both usable and unusable reserves. Usable reserves can be used to fund TfN activities, and some of these may be earmarked to support specific types of activity. Unusable are 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.

### Usable Reserves

The following reserves can be used to fund TfN activities. The General Fund can be used to fund any activity but the other reserves are to be used only for specific activities.

<b>2020/21</b>	<b>2021/22</b>
<b>£000</b>	<b>£000</b>
(277) Capital Grants Unapplied	-
(1,250) Earmarked Revenue Grants: Integrated & Smart Ticketing	-
(500) Earmarked Devolved Powers Reserve	(500)
(31) Earmarked RNP Reserve	(31)
(6,166) General Fund	(4,067)
<b>(8,224) Total</b>	<b>(4,598)</b>

The Capital Grants Unapplied and Earmarked Revenue Grants for Integrated & Smart Ticketing (IST) were both fully expended in 2021/22 as part of winding down the IST project. The funds were used to fund IST expenditure with any residual balance being repaid to DfT.

The Board in the past earmarked reserves for use in response to changes to devolved powers and in support of the Rail North Partnership. These reserves are held as earmarked until either they are expended for that purpose or unearmarked by the Board and returned to the General Fund.

### Unusable Reserves

The following reserves are unusable for reasons explained below.

<b>2020/21</b>	<b>2021/22</b>
<b>£000</b>	<b>£000</b>
- Capital Adjustment Account	-
11,889 Pension Reserve	10,454
243 Accumulated Absence Account	113
<b>12,132 Total</b>	<b>10,567</b>

### 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.

## Transport for the North Statement of Accounts 2021/22

2020/21 £000	2021/22 £000
<b>(3,529) Balance 1 April</b>	-
2,293 Charges for impairment of non-current assets	(2,217)
533 Amortisation of intangible assets	(256)
3,235 Revenue expenditure funded from capital under statute	185
1,996 Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,473
<b>8,057 Net written out amount of the cost of non-current assets consumed in the year</b>	<b>185</b>
(3,803) Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	-
(725) Application of grants and contributions from the Capital Grants Unapplied Reserve	(185)
<b>(4,528) Capital financing applied in year</b>	<b>(185)</b>
<b>- Balance 31 March</b>	<b>-</b>

### 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.

2020/21 £000	2021/22 £000
6,080 Balance at 1 April	11,889
4,857 Remeasurements of the net defined benefit (liability)/asset	(3,557)
2,087 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	3,436
(1,135) Employer's pensions contributions and direct payments to pensioners payable in the year	(1,314)
<b>11,889 Balance at 31 March</b>	<b>10,454</b>

### 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.

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2020/21 £000	2021/22 £000
163 <b>Balance 1 April</b>	243
(163) Settlement or cancellation of accrual made at the end of the preceding year	(243)
243 Amounts accrued at the end of the current year	113
80 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	(130)
<b>243 Balance 31 March</b>	<b>113</b>

### Note 21 - Cash Flow from Operating Activities

The cash flow from the net surplus/deficit on operating activities includes some items that are not cash based. These items require an adjustment to be made as detailed below which converts the operating surplus or deficit to a cash basis.

2020/21 £000	2021/22 £000
(2,293) Impairment and downward valuations	2,217
(533) Amortisation	256
(1,996) Disposal of intangible assets	(2,473)
(2,702) (Increase)/decrease in creditors	5,175
(94) (Increase)/decrease in debtors	673
(952) Movement in pension liability	(2,122)
58 Other non-cash movements charged to the surplus or deficit on provision of services	-
<b>(8,514) Total</b>	<b>3,726</b>

### Note 22 - Cash Flow from Investing Activities

2020/21 £000	2021/22 £000
1,574 Purchase of property, plant and equipment, investment property and intangible assets	-
(1,013) Other receipts from investing activities	-
<b>561 Net cash flows from investing activities</b>	<b>-</b>

### Note 23 - Members' Allowances

The authority pays an allowance to the Independent Members of its Audit and Governance Committee. These allowances totalled £2,400 during 2021/22 (2021: £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 2021/22 was as follows:

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Role	Salary (£)	Employer Pension Contribution (£)	Taxable Allowances (£)	Professional Memberships (£)	Severance Payments (£)
Chief Executive (Head of Paid Service)					
<i>Barry White - departed 15/05/21</i>	22,056	3,532	-	-	-
<i>Martin Tugwell - joined 02/08/21</i>	102,151	17,774	-	-	-
Chairman (pro-rata)					
<i>John Cridland - departed 27/07/21</i>	18,000	-	-	-	-
<i>Patrick McLoughlin - joined 25/01/22</i>	10,000	-	-	-	-
<i>- Chairman full-time equivalent</i>	225,000				
NPR Programme Director	149,475	21,605	65	343	-
<i>- Departed 31/03/2022</i>					
Major Roads Programme Director	98,808	17,193	254	429	-
Strategic Rail Director	123,510	21,491	204	-	-
Rail North Partnership Director	123,510	21,491	-	-	-
Chief Financial Officer (Section 151)	142,417	24,781	231	82	-
<i>- Departed 16/03/22 (see note)</i>					
Chief Financial Officer (Section 151)	19,995	3,479	-	67	-
<i>- Joined 01/02/22 (see note)</i>					
Business Capabilities Director	128,417	21,491	-	-	-
Head of Legal Services (Monitoring Officer)	91,435	15,910	-	306	-
Strategy and Policy Director	112,277	19,536	-	-	-

Note: during February and part of March 2022 there was a short handover period between the departing and incumbent Chief Financial Officer.

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

Role	Salary (£)	Employer Pension Contribution (£)	Taxable Allowances (£)	Professional Memberships (£)	Severance Payments (£)
Chief Executive (Head of Paid Service)	160,352	22,244	-	-	-
Barry White					
Chairman (pro-rata)	45,000	-	-	-	-
John Cridland					
<i>- Chairman full-time equivalent</i>	220,000				
NPR Programme Director	145,727	25,357	-	343	-
Major Roads Programme Director	97,108	16,897	511	369	-
Strategic Rail Director	115,869	20,161	533	-	-
Rail North Partnership Director	121,385	21,121	-	-	-
Chief Financial Officer (Section 151)	145,727	25,357	-	395	-
Business Capabilities Director	121,385	21,121	-	163	-
Head of Legal Services (Monitoring Officer)	85,583	14,891	-	328	-
Strategy and Policy Director	110,594	19,209	-	-	-
<i>- Departed 08/01/2021</i>					
Strategy and Policy Director	42,789	7,445	-	-	-
<i>- Joined 1/12/2020</i>					

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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:

2020/21		2021/22
12	£50,000 - £54,999	12
8	£55,000 - £59,999	8
6	£60,000 - £64,999	10
2	£65,000 - £69,999	2
8	£70,000 - £74,999	2
8	£75,000 - £79,999	5
1	£80,000 - £84,999	3
1	£85,000 - £89,999	1
1	£90,000 - £94,999	-
-	£95,000 - £99,999	1
47		44

### Note 25 - External Audit Costs

The fees payable to external auditors in 2012/22 with regard to external audit services carried out by the appointed auditor for the year were £45k (2021: £37k).

### Note 26 - Related Parties

TfN'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 2021/22 with bodies in which officers had a pecuniary interest and were able to exercise such an influence.

#### Funding

TfN 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 £48.25m (2021: £57.31m) were received from the Department. Of this, £47.80m (2021: £53.31m) was recognised as income in the year, the remaining £0.45m (2021: £4.00m) of unused grant is held as a creditor to be returned to the Department.

TfN 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 £0.63m (2021:

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£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 for 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 2021/22 income was recognised to the value of £0.25m (2021: £0.24m).

### Expenditure

Over the course of the year TfN 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 TfN Constituent Authority, the mayor of which is a Transport for the North 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 TfN's Manchester based office space is leased from TfGM. In total, TfN incurred expenditure of £0.48m (2021: £0.64m) 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, TfN 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 £26.40m (2021: £26.95m).

As part of the ITSO on Rail project within the Integrated and Smart Ticketing programme, TfN 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 £0.24m (2021: £0.73m).

### Note 27 - Capital Expenditure and Capital Financing

During the year TfN incurred capital expenditure totalling £0.19m (2021: £4.53m). 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, all of this year's expenditure was funded from capital grant discrete to the Integrated and Smart Ticketing programme.

2020/21 £000	2021/22 £000
- Opening Capital Financing Requirement	-
Capital Investment:	
1,294 Intangible Assets	-
3,235 Revenue Expenditure Funded from Capital Under Statute	185
<b>4,528 Total Capital Spending</b>	<b>185</b>
<b>Sources of Finance:</b>	
(4,528) Government grants and other contributions	(185)
Sums set aside from revenue:	
- - Direct revenue contributions	-
<b>(4,528) Total Sources of Finance</b>	<b>(185)</b>
- <b>Closing Capital Financing Requirement</b>	-



# Transport for the North Statement of Accounts 2021/22

## Note 28 - 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 Fund 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.

<b>General Fund Transactions</b>	
<b>Comprehensive Income &amp; Expenditure Statement</b>	
<b>Cost of Services</b>	
<b>2020/21</b>	<b>2021/22</b>
<b>£000</b>	<b>£000</b>
Service cost comprising:	
1,918 Current service cost	2,963
23 Past service cost	211
146 Net interest expense	262
<b>2,087 Total charged to Surplus or Deficit on Provision of Services</b>	<b>3,436</b>
<b>Other post employment benefits charged to the Comprehensive Income &amp; Expenditure Statement</b>	
<b>2020/21</b>	<b>2021/22</b>
<b>£000</b>	<b>£000</b>
Re-measurement of the net defined benefit liability comprising:	
(1,475) Return on plan assets (excluding the amount included in the net interest expense)	(859)
45 Actuarial gains and losses arising on changes in demographic assumptions	(255)
6,535 Actuarial gains and losses arising on changes in financial assumptions	(2,496)
(248) Actuarial gains and losses arising on changes in other assumptions	53
<b>4,857 Total charged to Other Comprehensive Income &amp; Expenditure Statement</b>	<b>(3,557)</b>
<b>6,944 Total charged to the Comprehensive Income &amp; Expenditure Statement</b>	<b>(121)</b>
<b>Movement in Reserves Statement</b>	
<b>2020/21</b>	<b>2021/22</b>
<b>£000</b>	<b>£000</b>
(2,087) Reversal of net charges made to the Surplus or Deficit on the Provision of Services	(3,436)
Actual amount charged against the General Fund balance for pensions in the year	
1,135 Employers' contributions payable to the scheme	1,314

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## 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:

2020/21	2021/22
£000	£000
(22,155) Present value of the defined obligation	(23,596)
10,266 Fair value of plan assets	13,142
<b>(11,889) Total charged to Surplus or Deficit on Provision of Services</b>	<b>(10,454)</b>

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

2020/21	2021/22
£000	£000
6,824 Opening fair value of scheme assets	10,266
122 Revaluation of opening fair value of scheme assets	-
6,946 Revised opening fair value of scheme assets	10,266
179 Interest income	229
Re-measurement gain/(loss):	
1,475 Return on plan assets (excluding the amount included in the net interest expense)	859
1,135 Contributions from employer	1,314
566 Contributions from employees into the scheme	536
(35) Net benefits paid out	(62)
<b>10,266 Total charged to Surplus or Deficit on Provision of Services</b>	<b>13,142</b>

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

2020/21	2021/22
£000	£000
(12,904) Opening balance at 1 April	(22,155)
(1,918) Current service cost	(2,963)
(325) Interest cost	(491)
(566) Contributions from scheme participants	(536)
Re-measurement gains and losses:	
(45) Actuarial gains and losses arising on changes in demographic assumptions	255
(6,535) Actuarial gains and losses arising on changes in financial assumptions	2,496
126 Actuarial gains and losses arising on changes in other assumptions	(53)
(23) Past service cost	(211)
35 Net benefits paid out	62
<b>(22,155) Total charged to Surplus or Deficit on Provision of Services</b>	<b>(23,596)</b>

## 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.

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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.

### Local Government Pension Scheme assets comprised

2020/21			2021/22		
Quoted £000	Unquoted £000	Total £000	Quoted £000	Unquoted £000	Total £000
<b>204</b>	-	<b>204</b>	<b>411</b>	-	<b>411</b>
		<b>Cash &amp; cash equivalents</b>			
		Equity Securities			
901	-	901 Consumer	1,023	-	1,023
802	-	802 Manufacturing	914	-	914
498	-	498 Energy & utilities	622	-	622
1,078	-	1,078 Financial institutions	1,374	-	1,374
513	-	513 Health and care	701	-	701
542	-	542 Information technology	702	-	702
166	-	166 Other	161	-	161
<b>4,500</b>	-	<b>4,500</b>	<b>5,497</b>	-	<b>5,497</b>
		<b>Subtotal Equity Securities</b>			
		Debt Securities			
496	-	496 Corporate bonds (investment grade)	525	-	525
133	-	133 Corporate bonds (non-investment grade)	-	-	-
-	-	- UK Government	226	-	226
-	-	- Other	390	-	390
<b>629</b>	-	<b>629</b>	<b>1,141</b>	-	<b>1,141</b>
		<b>Subtotal Debt Securities</b>			
		Private Equity			
-	611	611 All	-	929	929
-	<b>611</b>	<b>611</b>	-	<b>929</b>	<b>929</b>
		<b>Subtotal Private Equity</b>			
		Real Estate			
-	384	384 UK property	-	509	509
-	<b>384</b>	<b>384</b>	-	<b>509</b>	<b>509</b>
		<b>Subtotal Real Estate</b>			
		Investment Funds & Unit Trusts			
922	-	922 Equities	870	-	870
1,301	-	1,301 Bonds	1,356	-	1,356
-	523	523 Hedge Funds	-	-	-
223	976	1,199 Commodities	-	-	-
-	-	- Infrastructure	-	762	762
-	-	- Other	265	1,491	1,756
<b>2,446</b>	<b>1,499</b>	<b>3,945</b>	<b>2,491</b>	<b>2,253</b>	<b>4,744</b>
		<b>Subtotal Investment Funds &amp; Unit Trusts</b>			
		Derivatives			
(8)	-	(8) Other	(89)	-	(89)
<b>(8)</b>	-	<b>(8)</b>	<b>(89)</b>	-	<b>(89)</b>
		<b>Subtotal Derivatives</b>			
<b>7,772</b>	<b>2,494</b>	<b>10,266</b>	<b>9,451</b>	<b>3,691</b>	<b>13,142</b>
		<b>Total Assets</b>			

### Assumptions

### Basis for estimating assets and liabilities

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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 2022	31 March 2021
	%p.a.	%p.a.
Pension Increase Rate (CPI)	3.15%	2.8%
Salary Increase Rate	3.90%	3.55%
Discount Rate	2.75%	2.05%

## Mortality

Average future life expectancies at age 65 are summarised below:

	Male	Female
Current Pensioners	20.3 years	23.2 years
Future Pensioners#	21.6 years	25.1 years

Note: #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:

Current Pensioners	Future Pensioners
VitaCurves with improvements in line with the CMI 2020 model assuming a long-term rate of improvement of 1.50% p.a.	VitaCurves with improvements in line with the CMI 2020 model assuming a long-term rate 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 principal demographic assumption is the longevity assumption (i.e. member life expectancy). For sensitivity purposes, we estimate that a one-year increase in life expectancy would approximately increase the Employer's Defined Benefit Obligation by around 3-5%. In practice the actual cost of a one-year increase in life expectancy will depend on the structure of the revised assumption (i.e. if improvements to survival rates predominantly apply at younger or older ages). In order to quantify the impact of a change in the financial assumptions used, we have calculated and compared the value of the scheme obligations at the accounting date on varying bases. The approach taken is consistent with that adopted to derive the accounting figures provided in this report, based on the profile (average member ages, retirement ages etc) of the Employer as at the date of the most recent valuation.

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The sensitivities regarding the principal assumptions used to measure the scheme are set out below:

<b>Change in assumptions at 31 March 2022</b>	<b>Approximate % increase to Defined Benefit Obligation</b>	<b>Approximate monetary amount (£000)</b>
0.1% decrease in Real Discount Rate	3%	676
1 year increase in member life expectancy	4%	944
0.1% increase in the Salary Increase Rate	0%	84
0.1% increase in the Pension Increase Rate (CPI)	2%	586

### Note 29 - Leases

TfN has two 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:

<b>31 March 2021</b>		<b>31 March 2022</b>	
<b>£000</b>		<b>£000</b>	
369	Not later than one year	313	
452	Later than one year and not later than 5 years	142	
821	Total	455	

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 £0.59m (2021: £0.59m). This charge is allocated across all service areas.

# Transport for the North Statement of Accounts 2021/22

## Annual Governance Statement 2021/22

### 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 Body (Transport for the North) Regulations 2018 ("the 2018 Regulations") and came into being on the 1 April 2018, holding its inaugural meeting on 5<sup>th</sup> April 2018. This is therefore its fourth Annual Governance Statement and the organisation's Constitution, policies, procedures, and systems continued to be developed during 2021/22. 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 for Transport.

The Transport for the North Board is made up of the representatives of the 20 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 Chair 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 11 Local Enterprise Partnerships in the Transport for the North Area and representatives of National Highways (formerly 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 are delegated to Committees, the Chief Executive, and other senior officers under the arrangements set out in the Constitution. 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 first moved onto an Emergency Measures Agreement during the Covid 19 pandemic and then on to a National Rail Contract.

The 2018 Regulations established Transport for the North and provided for the appointment of a Partnership Board to advise on matters relating to transport in the area. The membership of the Partnership Board includes 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 representatives 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 scrutinise the decisions recommended for approval by 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 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 four Independent Members, who have been publicly recruited on the basis of relevant skills, and whose role is to provide assurance to the Board on governance, risk management and the internal control framework. This year the General Purposes Committee has been set up and will begin to meet from February 2022. The committee will consider establishing its role and its relationship with Transport for the North Board and other Committees.

As reported in the 2020/21 Annual Governance Statement, 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

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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 its internal system of controls.

Since easing of the restrictions in June 2021, some of Transport for the North's Boards and Committees were able to be held in person with others continuing to be held as Consultation Calls to inform the exercise of officer delegated powers where necessary. All in-person meetings and consultation calls 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.transportforthenorth.com>. Alternatively, it can be obtained via a written request to: Head of Legal, [tfnlegalteam@transportforthenorth.com](mailto:tfnlegalteam@transportforthenorth.com).
- 1.4 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

- 2.1 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.
- 2.2 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.
- 2.3 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.
- 2.4 The governance framework was in place at Transport for the North for the 2021/22 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;

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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 managing risk;
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. Compliance with 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; the final document will include hyperlinks within the Evidence column to sources of further information.

<b>A Behaving with integrity, demonstrating strong commitment to ethical values and respect for the rule of law</b>	
<b>Core Principle</b>	
<b>Promoting values for Transport for the North and demonstrating the value of good governance through upholding high standards of conduct and behaviour.</b>	
<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 performing 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 &amp; Corruption and Whistleblowing Policies which were reviewed in the previous Annual Governance Statement</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</p>	<p>Constitution</p> <p>Code of Conduct for Officers (Constitution)</p> <p>Member/Officer Relations Protocol (Constitution)</p> <p>Human Resources On-boarding Policies</p> <p>Anti-Fraud and Corruption Policy (Constitution)</p> <p>Constitution</p>



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<p>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. This role is supported by a Deputy Monitoring Officer. 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 2019 Transport for the North established a cross organisational Diversity in Action Group to develop a Diversity and Inclusion Action Plan to ensure that inclusion and diversity are embedded across the organisation both in employment practices and in the delivery of services and programmes. The key themes during 2021/22 focus around three main categories:</p> <ul style="list-style-type: none"> <li>• Priority 1 - Establishing a framework of equality impact assessments across TfN and building associated employee/supplier awareness of diversity and inclusion.</li> <li>• Priority 2 - Career progression, including the continuation to support and develop our people</li> <li>• Priority 3 - Health and wellbeing with resilience</li> </ul>	<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 and Committee Reports</p> <p>Constitution</p> <p>Constitution</p> <p>Diversity Policy</p> <p>Diversity &amp; Inclusion Group Terms of Reference</p>
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<p>Each of the priorities, are underpinned by several activities, and using the Local Government Equality Framework, we ensure these are aligned to promote inclusion and diversity. Each of the activities will be assessed using an Equality Impact Assessment, which is also linked to our procurement activities, as well as our ways of working. This ensures that inclusion and diversity cut through all areas of TfN activity.</p>	
<p><b>B Ensuring openness and comprehensive stakeholder engagement</b></p>	
<p><b>Core Principle</b>  <b>Engaging with local people and stakeholders to ensure robust public accountability</b></p>	
<p><i>How we met the principle</i></p>	<p><i>Evidence</i></p>
<p>Transport for the North’s website is set out in a clear and accessible way, providing clear access to reports and minutes from Committee and 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.</p> <p>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 and other key implications. The minutes include the reasons supporting 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.</p> <p>During 2021/22, with Covid restrictions having been lifted, Transport for the North has held some of its decision-making meetings in-person with remaining meetings being held virtually, as consultation calls, in order to balance public safety concerns. It has continued to livestream meetings and proactively promoted this on online channels, as well as directly to interested parties. All agendas and minutes continue to be available on the website.</p> <p>TfN has explored hybrid meeting capabilities to allow attendees to participate remotely and interact effectively with the governance session. Given the subsequent relaxation of Covid legislation and guidance more face to face meetings are legally possible so further exploration of this is only proposed if specifically requested in the future</p> <p>Live streams are publicised via Transport for the North’s social media platforms, and public attendance at meetings</p>	<p>Transport for the North website</p> <p>Board and Committee Agenda and Minutes</p> <p>Transport for the North website</p> <p>Transport for the North website</p>

<p>through watching the live stream has significantly increased from 2020/21 to the present.</p> <p>Under its 2018 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. During 2019/20 Transport for the North reviewed the membership of the Partnership Board and widened its membership to include representatives of the Northern, North West and Yorkshire &amp; Humber Regional TUC areas, Disability Rights UK, Transport Focus and the Committee on Climate Change. This has broadened the interests represented on the Partnership Board particularly in relation to the environment and the interests of the travelling public.</p> <p>Transport for the North carries out extensive stakeholder engagement through its Engagement team and the wider organisation. Transport for the North Officers meet regularly with Parliamentarians, Members and officers of other Authorities, representatives of the Welsh and Scottish devolved governments, representatives of business organisations, and other stakeholders, such as community groups. The types of events vary from attending All Party Parliamentary Groups (APPG) meetings in Parliament, including the Transport Across the North APPG for which TfN is the secretariat; to roundtable events, and speaking engagements across the North and the rest of the UK.</p> <p>TfN’s Annual Conference 2021 took place at the Queens Hotel in Leeds. Speakers included TfN representatives, Board Members, Government Ministers, and other relevant stakeholders.</p> <p>241 delegates registered for the Conference; TfN had to limit registrations in line with the 200-maximum capacity as this was one of the first large public sector events held following the pandemic.</p> <p>The Conference was held as a hybrid event, the first for the region and sector on its scale, and the online viewing figures were particularly impressive when compared to other large events, such as the Convention of the North. The Main Hall and two breakout room viewing figures were 1,068 views, 464 views and 363 views respectively.</p> <p>Over the past 12 months, Transport for the North has facilitated TfNTalks webinars, covering Freight and Logistics, as well as on the Decarbonisation Strategy and accessibility of the transport networks. TfN are in the process of planning webinars on decarbonisation and transport related social exclusion.</p>	<p>Transport for the North 2018 Regulations Constitution</p> <p>Memorandum of Understanding signed with the Welsh Government and Midlands Connect</p> <p>Memorandum of Understanding and Joint Engagement Action Plan agreed with National Highways</p>
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## Transport for the North Statement of Accounts 2021/22

<p>TfN has also facilitated the Decarbonisation Strategy Consultation, organised regional business briefings ahead of the Integrated Rail Plan publication and promoted the Freight and Logistics Strategy Consultation to hundreds of stakeholders, generating over 250 responses.</p> <p>Transport for the North facilitates regular podcast episodes, which cover a large variety of topics, updates on Transport for the North's work and other salient events and issues. As with other Transport for the North events, the podcast includes TfN representatives, Board Members, and other relevant stakeholders.</p> <p>TfN's podcast has grown over the past year; we have had 4,344 total plays over this period, which is represented by a +252% growth rate according to the statistics tracker on Soundcloud.</p> <p>TfN has recently launched a new Business Matters podcast series and hosted a popular series on '5 Ways to Level up the North' series with TfN Board Members.</p> <p>Also facilitated and advised on five Northern Evidence Academic Forum meetings on a variety of topics with a variety of influential academics; there has been an average of around 60 attendees for each meeting and it has had positive feedback.</p> <p>Transport for the North is committed to full public engagement. Extensive public consultation was carried out in 2018 prior to the adoption of the Strategic Transport Plan. In 2021 a full statutory consultation was held in relation to the Decarbonisation Strategy before the Board adopted the Strategy in November 2021. A consultation on the TfN Freight and Logistics Strategy commenced in January 2022. Transport for the North will continue with its broader engagement to raise its public profile and awareness of Transport for the North programmes.</p> <p>TfN has undertaken to engage fully with its Constituent Authorities and has established officer reference groups for all its major work programmes where officers from the different Local Authorities across the region have an opportunity to help formulate Transport for the North's policies and proposals at an early stage.</p> <p>TfN is in the process of developing new approaches to citizens' engagement including the piloting of a citizens' panel.</p> <p>Transport for the North also brought together a number of informal Members Working Groups to ensure the views of Transport for the North's constituent authorities and their communities are heard and understood via their elected representatives. This engagement contributed to the development of Transport for the North's different programmes and initiatives, including the Northern</p>	<p>Strategic Transport Plan</p> <p>Decarbonisation Strategy Consultation</p>
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# Transport for the North Statement of Accounts 2021/22

<p>Transport Charter and in support of business planning for 2021/22.</p> <p>During 2019/20 Transport for the North developed a new monthly operating report for Members, designed to support scrutiny and challenge of its programmes and operations. This report provides qualitative and quantitative performance information in a single report. The Monthly Operating Report has continued to be delivered during 2021/22 providing Members and the public with detailed information about the performance of Transport for the North’s major programmes and operational activities.</p>	<p>Monthly Operating Report</p>
<p><b>C Defining outcomes in terms of sustainable economic, social, and environmental benefits</b></p>	
<p><b>Core Principle</b></p> <p><b>Having regard to the promotion of sustainable economic growth, and the social and environmental impacts of its proposals and having regard for the impact of current decisions and actions on future generations.</b></p>	
<p><i>How we met the principle</i></p>	<p><i>Evidence</i></p>
<p>The creation of sustainable economic growth is a key driver behind the Strategic Transport Plan (STP). The initial Northern Powerhouse Independent Economic Review (NPIER) published in 2016 identified the persistent gap in GVA per capita and productivity performance in the North compared to the rest of the United Kingdom. The main purpose behind the establishing of Transport for the North is to achieve a rebalancing of the United Kingdom’s economy through improvements to transport and connectivity between the major conurbations in the North and across the region. Work is currently underway to begin the process of updating the NPIER with an intention to refresh the work in 2022/23.</p> <p>In developing the STP TfN undertook a thorough evaluation of the environmental and sustainability impacts of the proposals contained in the Plan.</p> <p>The STP outlined how the climate and environment will be factored in the design and development of transport interventions and plan. TfN’s Decarbonisation Strategy demonstrates a trajectory or “pathway” to 2045, which was developed in collaboration with partners and demonstrates what is required to deliver the ambitions of the STP and local transport plans in tackling carbon impacts and reductions from transport.</p> <p>During 2021/22 Transport for the North consulted on and adopted the first Decarbonisation Strategy for the North of England which sets ambitious targets for decarbonisation across the North by 2045.</p> <p>The Northern Transport Charter outlines an ‘Inclusive and Sustainable North’ as a key Transport for the North priority. This recognises that Transport for the North’s investment programme must: contribute towards a reduction in carbon</p>	<p>Northern Powerhouse Independent Economic Review</p> <p>STP Evidence base</p> <p>Integrated Sustainability Appraisal</p> <p>Decarbonisation Strategy</p> <p>The Northern Transport Charter</p>

# Transport for the North Statement of Accounts 2021/22

<p>emissions; reduces transport related social exclusion; and, wherever possible, seek to deliver environmental enhancements. As such work in 2021/22 has focused on exploring with members principles for prioritisation and trade-offs between these outcomes and will be further developed in financial year 2022/23.</p> <p>Proportionate environmental and sustainability assessments will be undertaken in relation to all proposals for infrastructure developments as part of the development or appraisal of options.</p> <p>Transport for the North’s Technical Assurance, Modelling and Economics (TAME) function has developed an Analytical Framework which consists of a series of analytical and modelling tools including NELUM (Northern Economy and Land Use Model), NoHAM (Northern Highway Assignment Model) and NorTMS (Northern Transport Modelling System). The tools contribute to the provision of evidence to support the promotion of the economic and social evidence-based analysis of Transport for the North’s transformational programmes.</p> <p>The Analytical Framework reflects Transport for the North’s commitment to evidence-based decision making and provides a consistent evidence base to support the decision-making process on the sequencing of future interventions. This provides comfort to our Members, Constituent Authorities, and the Department for Transport that Transport for the North has fit-for-purpose decision making processes.</p> <p>The Research and Economics team within Transport for the North also regularly commission external research and undertake internal analysis to support evidence-based policy making across TfN. Over the past 12 months TfN has completed research into Transport Related Social Exclusion, the Visitor Economy, Transport User Insights and Monitoring and Evaluation.</p> <p>All reports presented to the Transport for the North Board and its formal Committees contain an assessment of the implications of the report in terms of sustainability, environmental impact, and equality impacts.</p> <p>The Strategic Plan and Investment Programme set out transport interventions which will benefit future generations beyond 2050.</p>	<p>Transport for the North’s Analytical Framework</p> <p>Board Reports</p> <p>Strategic Transport Plan and Investment Programme</p>
<p><b>D Determining the interventions necessary to optimise the achievement of the intended outcomes</b></p>	
<p><b>Core Principle</b></p> <p><b>Focusing on the purpose of Transport for the North and the outcomes for the community and creating and implementing a vision for the area.</b></p>	
<p><i>How we met the principle</i></p>	<p><i>Evidence</i></p>
<p>The Strategic Transport Plan is a pan regional strategy that is based on a robust evidence base and sets out our vision</p>	<p>Strategic Transport Plan</p>

# Transport for the North Statement of Accounts 2021/22

<p>for transformational change in relation to transport infrastructure in the North.</p> <p>The Investment Programme (published February 2019) set out TfN’s recommendations for the appropriate pipeline of strategic transport schemes over the period up to 2050. In 2020/21 TfN qualitatively appraised and sequenced the programme to develop a recommended investment pipeline over three broad delivery time frames. (pre-2027, 2027-2033 and post 2033). In Spring 2022 TfN will report on further work, utilising TfN’s analytical framework to quantitatively appraise the economic, social, and environmental outcomes from the programme. This will support TfN in making recommendations to Government on strategic transport investment priorities. 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 ensuring that the Northern Rail Franchise was taken back into public control.</p> <p>During the pandemic, Transport for the North was instrumental in developing the North of England Contingency Group which brought together all the Local Authority lead rail officers, Train Operators and Network Rail to ensure that an emergency timetable was introduced to support front line workers and ensure they were able to travel to and from work during the pandemic lockdowns.</p> <p>During 2020/21, the Northern Powerhouse Rail (NPR) programme continued to develop the strategic case for the NPR rail network to link all the major urban centres of the North by a fast and reliable rail link. The NPR team 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.</p> <p>Building upon the qualitative sequencing of the Investment Programme, TfN has taken forward a quantitative benefits analysis of the programme, with the aim of supporting TfN in making recommendations on Transport Investment priorities by December 2023.</p> <p>In support of a key action in TfN’s Decarbonisation Strategy TfN has led on development of an Electric Vehicle Charging Infrastructure (EVCI) evidence base for the North. This identifies future requirements for EVCI across all areas of the North and provides a valuable basis on to plan EVC investment. Outputs of the work have been shared with TfN Partners, OZEV and the North’s Electricity Distribution Network Operators (DNO’s).</p>	<p>Evidence Base</p> <p>Investment Programme</p>
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# Transport for the North Statement of Accounts 2021/22

<p>In December 2021 TfN published the updated Major Roads Report, setting out a balanced view of how we should manage, operate, and invest in our Major Roads to reflect the needs and priorities of communities in the 21st century.</p> <p>TfN has led a review of Major Roads Network (MRN) and Large Local Major (LLM) interventions and submitted a report to DfT, with recommendations for the MRN/LLM Programme in the North.</p> <p>The Major Roads and Strategy teams have engaged with National Highways on the initial development of the evidence base for the Route Strategies, which will underpin the evidence base for the Government’s future Road Investment Strategies.</p> <p>Throughout the year TfN has continued to monitor the impact of the pandemic on travel patterns and behaviours. And have completed data collection on journey time reliability and geographical distribution of traffic using the MRN in 2020 and 2021.</p> <p>TfN has worked collaboratively with the other Sub-National Transport Bodies and inputted into co-ordinated engagement with key national bodies such as the DfT, National Highways, Network Rail and the Office for Road and Rail.</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. Whilst Government funding cuts have meant that the current programmes have had to be curtailed, in its place Transport for the North is now working to develop a Northern Digital Mobility Strategy. This will be shaped by members to facilitate and empower the efficient local delivery of digital and ticketing interventions. The strategy will add value by sharing existing best practice, scaling the evidence base derived from local pilots and identifying any areas for collaboration. This is alongside planning for cross regional and cross modal integration of ticketing systems.</p>	
<p><b>E Developing the organisation’s capacity, including the capacity of its leaders and the individuals within it</b></p>	
<p><b>Core Principle</b></p> <p><b>Developing the capacity and capability of members and officers to be effective</b></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</p>	<p>Corporate Induction Guidance</p> <p>Probationary Policy</p>



# Transport for the North Statement of Accounts 2021/22

<p>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 captured in the online appraisal tool 'PERFORM' and training is delivered via the core curriculum of training.</p> <p>Role specific training needs are met through work-based learning and investment in software to enable effective outputs. Further career development is supported via the procurement of appropriate interventions to best meet individual and organisation needs.</p> <p>Where appropriate the organisation funds specialist training courses for officers and supports continuous professional development. Members of the Senior Management Team have undertaken leadership training, with this programme also being rolled out to junior and aspiring leaders during 2021/22.</p> <p>Transport for the North has incorporated Apprentices into the workforce plan at key points of entry. This is underpinned by strong relationships with Training Providers and internal support via Mentors and Line Managers. Mentors are provided with full Training.</p> <p>As Transport for the North introduces new policies and procedures, training sessions are held to make officers aware of these. Information on all policies and procedures is available on the Intranet and through our Learning Management system via e-learning modules.</p> <p>Transport for the North has invested in an e-learning and development tool "Learn" and all officers are encouraged to take advantage of this.</p> <p>Employee well-being forms a core element of Transport for the North's learning and development programme with the management of mental health at the heart of this activity. In normal times well-being events are held on a quarterly basis and Mental-Health First Aiders are on hand at both our operational bases in Leeds and Manchester.</p> <p>During the pandemic employees' welfare has been particularly important and Transport for the North has held regular wellbeing sessions for all employees addressing mental and physical health and wellbeing including physical activity sessions such as Yoga, mental health sessions such as mindfulness and nutrition and healthy eating. To date, a total of 51 wellbeing sessions have been completed with attendance by 865 delegates. Employees are also encouraged to support each other through daily interactions on Yammer and through virtual social events.</p>	<p>Transport for the North Appraisal Guide</p> <p>Learning and Development Policy</p> <p>Mental-Health First Aiders Protocol</p>
<p><b>F Managing risks and performance through robust internal control and strong public financial management</b></p>	
<p><b>Core Principle</b></p>	

# Transport for the North Statement of Accounts 2021/22

<b>Taking informed and transparent decisions which are subject to effective scrutiny and managing risk</b>	
<i>How we met the principle</i>	<i>Evidence</i>
<p>Transport for the North has adopted robust procedures for identifying, analysing, and managing risk.</p> <p>During 2021/22, to strengthen the robustness of the RMS, Transport for the North adopted a risk management software package ("Predict!") which will assist directorate and programme teams in the timely capture, escalation and reporting of 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"> <li>(i) the risk management strategy for managing key risks;</li> <li>(ii) risk ownership, accountability, and the development of mitigating actions;</li> <li>(iii) the alignment of internal audit and other assurance planning through a risk-based approach to auditing; and</li> <li>(iv) receiving reports from management on the adequacy and effectiveness of the internal control and risk management framework.</li> </ul> <p>Transport for the North has a Risk Manager who is responsible for reporting on risk to the Finance Director. The Corporate Risk Register Report is a standing item on the agenda of 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 through the Monthly Operating Report, the Audit &amp; Governance Committee and, twice a year to the Board. 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 Financial 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</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>

# Transport for the North Statement of Accounts 2021/22

<p>North in relation to code of conduct, recruitment and selection, probationary management, performance 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>Recruitment &amp; Selection, Probationary, Absence &amp; Welfare, Performance Improvement, Disciplinary, Code of Conduct Policies</p>
<p><b>G Implementing good practices in transparency, reporting and audit to deliver effective accountability</b></p>	
<p><b>Core Principle</b></p> <p><b>Taking informed and transparent decisions which are subject to effective scrutiny and managing risk</b></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. In addition to this in FY 21/22 our Decarbonisation Strategy also underwent a full 12-week public consultation and our Freight &amp; Logistics Strategy has undertaken a public consultation utilising a virtual room, to garner views and help strengthen the strategies.</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</p>	<p>Officer reference groups and ways of working.</p> <p>STP and Evidence base</p> <p>Constitution</p> <p>Reports to Operations Board, Executive Board, Scrutiny Committee, and the TfN Partnership Board / TfN Board.</p>

# Transport for the North Statement of Accounts 2021/22

<p>progress of these programmes is regularly reviewed against agreed milestones and where major decisions are discussed.</p>	
<p>During 2021/22 the Northern Powerhouse Rail project was co-cliented with the DfT (as it had been in previous years) under a Memorandum of Understanding with the DfT that was approved by the Transport for the North Board on 12<sup>th</sup> March 2020 setting out governance arrangements including regular reporting of finances, performance, and risk to a Programme Board. Following the publication of the Integrated Rail Plan for the North and Midlands by Government in November 2021 this role will change to that of co-sponsor in 2022/23.</p>	<p>Constitution</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>Memorandum of Understanding with the Secretary of State</p>
<p>During 2020/21 Transport for the North has produced a Monthly Operating Report that bring together performance and financial information to provide greater transparency in relation to ongoing operations. This report is provided to all members of the Transport for the North Board, the Scrutiny Committee and the Audit and Governance Committee so that all members have the information they need to challenge Transport for the North's performance.</p>	<p>Monthly Operating Report</p>
<p>The Rail North Partnership Team reports regularly to the Rail North Committee and is responsible 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 Northern and TransPennine Express rail contracts.</p>	<p>Rail North Partnership Board</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>Programme and Corporate Risk Reports</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>Constitution</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>Corporate Governance Framework</p>
<p>The Audit and Governance Committee includes four 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 &amp; Governance Committee. RSM attends each</p>	<p>Reports to Audit and Governance Committee and Transport for the North Board</p>



## Transport for the North Statement of Accounts 2021/22

Adoption of the Policy Development Framework	Implement and embed the Policy Development Framework in Transport for the North decision-making processes.	TfN is implementing a Policy Development Framework to support internal decision-making processes and ensure consistent development of TfN policies and advice to the TfN Board.	31/03/22
Provision of hybrid meetings for all governance sessions, to be explored only if specifically requested in the future	New hybrid meeting hardware has been purchased and is undergoing final testing.	Test meeting will be arranged before final roll-out to Committees and Boards.	31/05/22
Board Reporting	Embed and refine the Monthly Operating Report to ensure alignment of quantitative and qualitative reporting.	Monthly Operating Reports produced and circulated to Members on an ongoing basis.	Completed
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
Review of Scrutiny function and in particular the policy of "Scrutiny First"	The review of the Scrutiny Committee took place over the previous 12 months; the Committee agreed to continue with the function and Scrutiny First policy.	Reports to TfN Board go through Scrutiny Committee first and now include comments from the Committee within them.	Completed
Appointment of new Chief Executive & Chair	To appoint a new Chief Executive and a new independent Chair of TfN Board and Partnership Boards.	Martin Tugwell appointed as Chief Executive in August 2021. Lord Patrick McLoughlin appointed as Chair in January 2022.	Completed

# Transport for the North Statement of Accounts 2021/22

## **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

# Transport for the North Statement of Accounts 2021/22

## 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.



# Transport for the North Statement of Accounts 2021/22

## 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.

# Transport for the North Statement of Accounts 2021/22

## 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.

# Transport for the North Statement of Accounts 2021/22

## 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.

# Transport for the North Statement of Accounts 2021/22

## 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.

## Transport for the North Statement of Accounts 2021/22

### 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 auditor's report to the members of TfN**

**To be inserted**



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# TfN Audit & Governance Committee

Page 105

TfN Draft Statement of Accounts  
2021/22



# Contents

Public Inspection Period  
Basis of Preparation  
Key Items in this Year's Accounts  
Structure of the Accounts  
Core Financial Statements

# Public Inspection Period

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

# Basis of Preparation

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

# Key Items in this Year's Accounts

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

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

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

# Pensions Accounting

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

# Structure of the Accounts

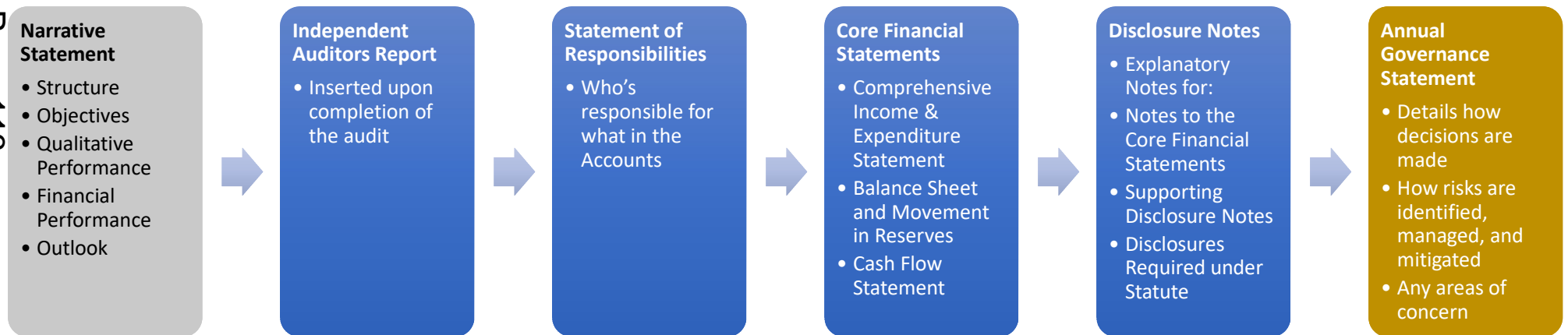




# Structure of the Accounts

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

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



# Core Financial Statements



# Comprehensive Income & Expenditure Statement

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

# Comprehensive Income & Expenditure Statement

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

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

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

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

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

5. Note reduction in estimated pension liability

# Reconciliation of Management Outturn to CIES

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

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

# Grant Accounting

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

# Grants Shown in the Consolidated Income & Expenditure Statement

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

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

## Grant Income Credited to Services

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

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

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

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

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

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

# Grant Accounting

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

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



# Grant Unapplied

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

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

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

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

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

# Balance Sheet

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

# Balance Sheet

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

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

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

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

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

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

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

# Cash Flow Statement

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

# Cash Flow Statement

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

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

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

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

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

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

# Thank You

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**David Spilsbury**  
Interim Financial Controller

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**Meeting:** Transport for the North Audit and Governance Committee

**Subject:** Internal Audit Update

**Author:** James Lyon, Legal Assistant

**Sponsor:** Paul Kelly, Interim Finance Director

**Meeting Date:** Friday 10 June 2022

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**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. Recommendations:**

- 2.1 That the Committee notes the Internal Audit reports.

**3. Audit Key Points:**

- 3.1 The Follow-Up Audit looked at seven previous audits to ascertain if the recommended action points had been implemented.

- 3.2 RSM have also supplied:

- Internal Audit Progress Report

- 3.3 RSM will provide a further verbal update of the details within these reports during the Audit & Governance Committee.

**4. Corporate Considerations**

***Financial Implications***

- 4.1 The financial implications are detailed in the report

***Resource Implications***

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

***Legal Implications***

- 4.3 There are no legal implications as a result of the report.

***Risk Management and Key Issues***

- 4.4 The risks associated with the audits are detailed in the report.

***Environmental Implications***

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

***Equality and Diversity***

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

***Consultations***

- 4.7 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 Item 7.1 – Follow Up Audit

Item 7.2 – Internal Audit Progress Report, June 2022



# TRANSPORT FOR THE NORTH

## Follow Up

Internal audit report 1.22/23

Final

23 May 2022

This report is solely for the use of the persons to whom it is addressed.  
To the fullest extent permitted by law, RSM UK 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. Based on the information provided by you, we have been able to sample test, or complete full population testing using data analytics tools.

## Background

We have undertaken a review to follow up on progress made to implement the previously agreed management actions from the following audits:

- Governance Effectiveness Arrangements (1.21/22);
- Risk Management Strategy (2.21/22);
- Follow Up (3.21/22);
- Purchase to Pay Framework (4.21/22);
- Cyber Security Assessment (5.21/22);
- Flexible Working Hours Scheme (6.21/22); and
- Income and Debtors Management (8.21/22).

Please note that no management actions were raised in the Flexible Working Hours Scheme (6.21/22) report.

## Conclusion

Taking account of the issues identified in the remainder of the report and in line with our definitions set out in Appendix A, in our opinion Transport for the North has demonstrated **reasonable progress** in implementing agreed management actions.

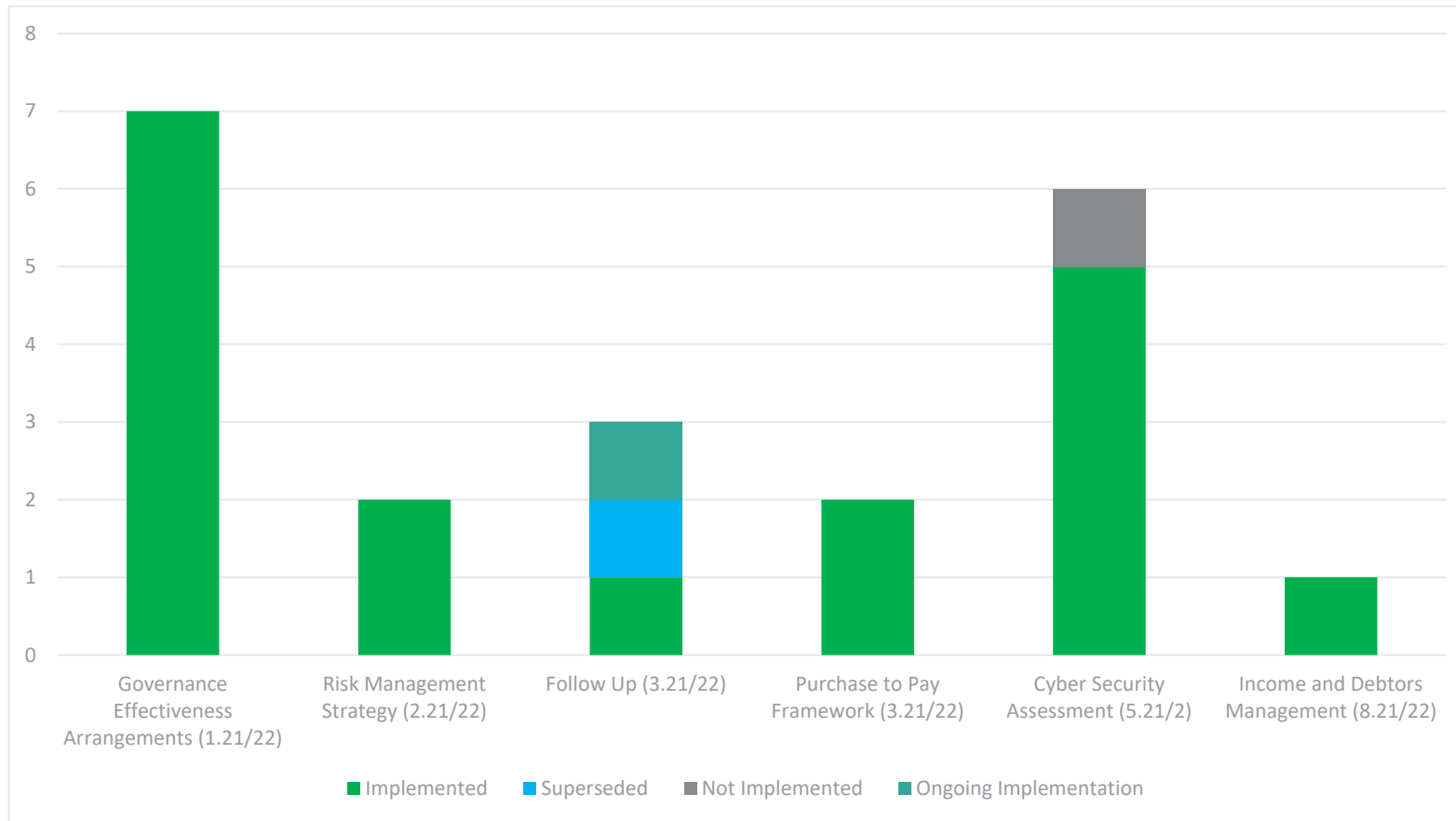
Of the 21 actions considered as part of the review, we have confirmed that a total 19 (90%) actions have been fully implemented or superseded; one (5%) 'medium' priority action has been partly though not yet fully implemented; and one (5%) 'high' priority action has not yet been implemented.

We note that progress had been made against the action assessed as ongoing as Transport for the North is progressing with a business planning exercise that was delayed whilst awaiting the publication of the Integrated Rail Plan and Transport for the North's funding settlement, which arrived late in February 2022. We also note that implementation of the action not yet implemented was delayed due to network outages affecting the dates available for penetration testing, which is now scheduled to be completed during May 2022. The delay was reported to the Leadership Team. These factors have been taken into consideration when deciding the overall progress opinion. Both management actions remaining open and have been restated with revised target implementation dates or updated management actions have been agreed.

## Progress on actions

The following table includes details of the status of each management action:

Implementation status by review	Number of actions agreed	Status of management actions				
		Impl. (1)	Impl. ongoing (2)	Not impl. (3)	Superseded (4)	Confirmation as completed or no longer necessary (1)+(4)
Governance Effectiveness Arrangements (1.21/22)	7	7	0	0	0	7
Risk Management Strategy (2.21/22)	2	2	0	0	0	2
Follow Up (3.21/22)	3	1	1	0	1	2
Purchase to Pay Framework (4.21/22)	2	2	0	0	0	2
Cyber Security Assessment (5.21/22)	6	5	0	1	0	5
Income and Debtors Management (8.21/22)	1	1	0	0	0	1
<b>Total</b>	<b>21</b>	<b>18</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>19</b>



## 2 FINDINGS AND MANAGEMENT ACTIONS

Status	Detail
1	The entire action has been fully implemented.
2	The action has been partly though not yet fully implemented.
3	The action has not been implemented.
4	The action has been superseded and is no longer applicable.
5	The action is not yet due.

### Follow Up (5.20/21)

**Original management action / priority**      Investment Programme Insurance Review (7.20/21)

A documented mapping exercise should be undertaken to formally link the actions included in the Northern Transport Charter to the Investment Programme objectives/actions and the KPIs included in the TfN Business Plan.

In addition to this, management may wish to consider the nature of the Investment Programme-related KPIs and the way in which performance against the KPIs is reported going forward (e.g. to allow for more flexibility with the KPIs and the related update reporting). (Medium)

**Audit finding / status**      **Management response**

Further work has been undertaken on the Investment Programme and the relationship with the Northern Transport Charter. Following the publication of the Integrated Rail Plan and TfN's funding settlement arriving late in February 2022, a business planning process is currently underway.

A key priority for TfN is the update of the Strategic Transport Plan, work on which is underway, and which will allow the Investment Programme objectives and actions to be reviewed and updated. The KPIs are being reviewed to reflect the new business plan and structure of TfN. The business plan will be agreed with TfN Board in June.

#### RSM assessment

2 - The action has been partly though not yet fully implemented.

Management Action 1	Management action restated	Responsible Owner:	Date:	Priority:
	A documented mapping exercise should be undertaken to formally link the actions included in the Northern Transport Charter to the Investment Programme objectives/actions and the KPIs included in the TfN Business Plan.	Policy & Strategy Director	End of June 2022	Medium
	In addition to this, management may wish to consider the nature of the Investment Programme-related KPIs and the way in which performance			

### Follow Up (5.20/21)

against the KPIs is reported going forward (e.g. to allow for more flexibility with the KPIs and the related update reporting).

### Cyber Security Assessment (5.21/22)

**Original management action / priority** Management will ensure that penetration testing is conducted as scheduled from week commencing 28 February 2022, the test results are to be reviewed and vulnerabilities addressed and remedied in a timeous manner.  
Where penetration testing does not go ahead, this will be reported to the relevant TfN governance and oversight groups.  
(High)

**Audit finding / status** We were advised that penetration testing was delayed due to Leeds network outages affecting the dates available. Penetration testing is now scheduled to be completed during May 2022.

Management action restated.

#### RSM assessment

3 - The action has not been implemented.

<b>Management Action 2</b>	<b>Management action updated</b>	<b>Responsible Owner:</b>	<b>Date:</b>	<b>Priority:</b>
	Management will ensure that penetration testing is conducted as re-scheduled, May 2022. The test results will be reviewed, and vulnerabilities addressed and remedied in a timeous manner. Where penetration testing does not go ahead, this will be reported to the relevant TfN governance and oversight groups.	Head of IT and Information	End of May 2022	High

## APPENDIX A: DEFINITIONS FOR PROGRESS MADE

The following opinions are given on the progress made in implementing actions. This opinion relates solely to the implementation of those actions followed up and does not reflect an opinion on the entire control environment.

Progress in implementing actions	Overall number of actions fully implemented	Consideration of high priority actions	Consideration of medium priority actions	Consideration of low priority actions
Good	75% +	None outstanding.	None outstanding.	All low actions outstanding are in the process of being implemented.
Reasonable	51 – 75%	None outstanding.	75% of medium actions made are in the process of being implemented.	75% of low actions made are in the process of being implemented.
Little	30 – 50%	All high actions outstanding are in the process of being implemented.	50% of medium actions made are in the process of being implemented.	50% of low actions made are in the process of being implemented.
Poor	< 30%	Unsatisfactory progress has been made to implement high priority actions.	Unsatisfactory progress has been made to implement medium actions.	Unsatisfactory progress has been made to implement low actions.

## APPENDIX B: ACTIONS COMPLETED OR SUPERSEDED

From the testing conducted during this review we have found the following actions to have been fully implemented and superseded.

Assignment title	Management actions
Governance Effectiveness Arrangements (1.21/22)	<b>Implemented</b> Management will consider the follow actions in regard to Board reports: <ul style="list-style-type: none"><li>• Ensure report writers 'spell out' acronyms in reports the first time they are used;</li><li>• Consider how executive summaries can be improved to more effectively summarise the report.</li></ul> (Low)
	<b>Implemented</b> Adopt a formal Calendar of Business for the TfN Board and Committees to ensure full and cyclical coverage. (Low)
	<b>Implemented</b> Agreed actions should make clear who is responsible for the action and by when. (Low)
	<b>Implemented</b> 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'. (Low)
	<b>Implemented</b> 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. (Low)
	<b>Implemented</b> Management will review the Member induction process including the following actions:



Assignment title	Management actions
	<ul style="list-style-type: none"> <li>• 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;</li> <li>• Develop procedure notes to detail the Member induction process; and</li> <li>• Maintain a record of inductions completed by Members.</li> </ul> <p>(Medium)</p> <hr/> <p><b>Implemented</b></p> <p>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.</p> <p>(Medium)</p>
<p>Risk Management Strategy (2.21/22)</p>	<p><b>Implemented</b></p> <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>(Low)</p> <hr/> <p><b>Implemented</b></p> <p>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.</p> <p>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.</p> <p>(Low)</p>
<p>Follow Up (3.21/22)</p>	<p><b>Superseded</b></p> <p><u>Cyber Security Review (5.20/21)</u></p> <p>Management will ensure an independent penetration test is planned, scoped and conducted. This will be accompanied by a written policy stating how often an independent penetration test should be conducted and in what timeframe vulnerabilities of differing severity need to be addressed.</p> <p>(Medium)</p> <p><b>Internal Audit Comment:</b></p>

Assignment title	Management actions
	<p>The action has been deemed as superseded as this has been reiterated in the Cyber Security review (5.21/20). Following this, a remedial action plan will be completed to plan and monitor the implementation of actions required to remediate any identified weaknesses. Priority should be given to address any critical or high vulnerabilities.</p> <hr/> <p><b>Implemented</b>  <u>Governance – Northern Powerhouse Rail Programme (6.19/20)</u>  An updated agreement between TfN and the Department for Transport (DfT) will be put in place.  (Advisory)</p>
Purchase to Pay Framework (4.21/22)	<p><b>Implemented</b>  The Payment Policy and Procurement Card Policy will be updated to ensure consistency in relation to the cumulative monthly transaction limit for procurement cards.  In addition, all Purchase to Pay related policies will be subject to regular review and approval at a minimum frequency defined by TfN Management.  (Medium)</p> <hr/> <p><b>Implemented</b>  An audit trail will be maintained, confirming the authorisation of procurement card statements and procurement card reconciliations. In the absence of a physical signature this may be achieved through e-signatures on the procurement card statements or email confirmation.  (Low)</p>
Cyber Security Assessment (5.21/22)	<p><b>Implemented</b>  Management should ensure that policies are reviewed on a periodic basis in line with practices across the business. Where a change is required, this should be made on a timely basis and changes communicated to relevant stakeholders.  (Low)</p> <hr/> <p><b>Implemented</b>  Management will consider implementing Intrusion Detection and Prevention tools to help protect the Manchester office, in line with controls implemented in the Leeds office.  (Medium)</p>

Assignment title	Management actions
	<p><b>Implemented</b></p> <p>Management will ensure that the risk register is formally reviewed on a periodic basis, and that version control is applied. Details of the approver as well as the next review date should be included. Reviews should be conducted at least annually to ensure the risk treatment is appropriate given the threats and risks faced.</p> <p>(Medium)</p> <hr/> <p><b>Implemented</b></p> <p>Management should define and document a standardised onboarding and offboarding procedure document. This should include, but not be limited to:</p> <ul style="list-style-type: none"> <li>• Responsibility for requesting and actioning starter, mover and leaver requests;</li> <li>• Appropriate authorisation of access requests;</li> <li>• Appropriate access to Email and OneDrive data which was linked to the account is granted to an approved manager;</li> <li>• Provision for the immediate removal of access for staff due to disciplinary matters in line with a Service Level Agreement, determining acceptable timelines for various types of leavers; and</li> </ul> <p>An assessment recording the condition of equipment (issued and returned) with an acceptable use policy stating that the responsibility lies with the staff member should items be damaged beyond acceptable standards.</p> <p>(Low)</p> <hr/> <p><b>Implemented</b></p> <p>Management will consider comparing the business case of providing network redundancy against the cost of possible business downtime which may be incurred during a network outage.</p> <p>(Low)</p>
Income and Debtors Management (8.21/22)	<p><b>Implemented</b></p> <p>Management will establish a timeframe for the periodic review of the Grant Acceptance and Management Policy and ensure that reviews are carried out in line with the agreed timeframe. In addition, a version control section will be added to the Policy to capture changes made to the Policy following review, date of review dates and relevant approval at oversight Committee.</p> <p>(Medium)</p>

# APPENDIX C: SCOPE

The scope below is a copy of the original document issued.

## Scope of the review

The internal audit assignment has been scoped to provide assurance on how the Transport for the North manages the following area:

### Objective of the area under review

Management has introduced effective systems for the monitoring of implementation of agreed management actions and ensuring that these are implemented in line with the agreed timescales.

When planning the audit, the following areas for consideration and limitations were agreed:

### The following areas will be considered as part of the review:

To assess the degree of implementation achieved of the management actions raised in the following assignment reports:

- Governance Effectiveness Arrangements (1.21/22);
- Risk Management Strategy (2.21/22);
- Follow Up (3.21/22);
- Purchase to Pay Framework (4.21/22);
- Cyber Security Assessment (5.21/22);
- Flexible Working Hours Scheme (6.21/22); and
- Income and Debtors Management (8.21/22).

The focus of this review is to provide assurance that actions previously raised have been adequately implemented.

Please note that no management actions were raised in the Flexible Working Hours Scheme (6.21/22) report.

### Limitations to the scope of the audit assignment:

- The review only covers audit management actions previously made and does not review the whole control framework of the areas listed above, therefore we are not providing assurance on the entire risk and control framework;
- We will ascertain the status of management actions through discussion with management and review of the most recent management action tracking report presented to the Audit and Governance Committee;
- Where the indication is that management actions have been implemented, we will undertake limited testing to confirm this;
- Where testing is undertaken, our samples will be selected over the period since actions were implemented or controls enhanced; and
- Where relevant to the management action being followed up, we will ascertain whether policies / procedures / documentation have been established but we will not assess whether these are fit for purpose.
- The results of our work are reliant on the quality and completeness of the information provided to us; and
- Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

<b>Debrief held</b>	10 May 2022
<b>Draft report issued</b>	17 May 2022
<b>Responses received</b>	23 May 2022
<b>Final report issued</b>	23 May 2022

**Internal audit Contacts** Lisa Randall, Head of Internal Audit  
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**Client sponsor** Paul Kelly, Finance Director  
**Distribution** Paul Kelly, Finance Director

**rsmuk.com**

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 UK 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 UK 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 UK 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

10 June 2022

This report is solely for the use of the persons to whom it is addressed.  
To the fullest extent permitted by law, RSM UK 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 2022/23 was approved at the February 2022 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.



One audit assignment has been completed since the last Audit and Governance Committee meeting. This relates to the Follow Up (1.22/23) review which resulted in a 'reasonable progress' opinion. All reports are referred to at Appendix A. [\[To discuss and note\]](#)



No changes have been made to the internal audit plan 2022/23 since the last Audit and Governance Committee meeting. Proposed fieldwork dates and scopes have been issued to management for the internal audit reviews for 2022/23. [\[To note\]](#)



We have shared with management several briefings and invites. These are outlined in Appendix B below. [\[To note\]](#)

## 2 Reports

### 2.1 Summary of final report being presented to this committee meeting

This section summarises the report that has been finalised since the last meeting.

Assignment	Opinion issued	Actions agreed		
		L	M	H
<p><b>Follow Up (1.2022/23)</b></p> <p>In our opinion management has demonstrated <b>reasonable progress</b> in implementing agreed management actions. Of the 21 actions considered as part of the review, we have confirmed that a total 19 (90%) actions have been fully implemented or superseded; one (5%) 'medium' priority action has been partly though not yet fully implemented; and one (5%) 'high' priority action has not yet been implemented.</p> <p>We note that progress had been made against the action assessed as ongoing as Transport for the North is progressing with a business planning exercise that was delayed whilst awaiting the publication of the Integrated Rail Plan and Transport for the North's funding settlement, which arrived late in February 2022. We also note that implementation of the action not yet implemented was delayed due to network outages affecting the dates available for penetration testing, which is now scheduled to be completed during May 2022. The delay was reported to the Leadership Team.</p>	Reasonable Progress			19 of 21 actions completed

## 2.2 Themes arising from control observations in 2022/23 reports

	Advisory	Low	Medium	High
Planning	0	0	0	0
Policies and / or procedures	0	0	0	0
Non-compliance with policies / procedures	0	0	0	0
Design of the control framework	0	0	0	0
Training / awareness for staff	0	0	0	0
Management or performance information	0	0	0	0
Lack of segregation of duties	0	0	0	0
Poor record keeping	0	0	0	0
Risk Management	0	0	0	0
Governance weaknesses	0	0	0	0
Information technology	0	0	0	0
Management actions from previous audit reports	0	0	1	1
<b>Total</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>1</b>

Both actions to date relate to management actions from previous audit reports raised in the Follow Up (1.22/23) report. Themes will continue to be analysed throughout 2022/23 following the completion of each audit assignment.

## Appendix A – Progress against the internal audit plan 2022/23

Assignment and Executive Lead	Status / Opinion issued	Actions agreed			Target Audit and Governance Committee (as per IA plan 2022/23)	Actual Audit and Governance Committee
		L	M	H		
Follow Up (1.22/23)	Reasonable Progress	19 of 21 actions completed			June 2022	June 2022
Risk Maturity Review (2.22/23)	Due to commence 19 September 2022	n/a			November 2022	n/a
General Data Protection Regulation Arrangements (3.22/23)	Due to commence 4 July 2022	n/a			September 2022	n/a
Payroll Controls (4.22/23)	Due to commence 5 September 2022	n/a			November 2022	n/a
Health and Safety Framework (5.22/23)	Due to commence 12 December 2022	n/a			February 2023	n/a
Equality, Diversity and Inclusion Framework (6.22/23)	Due to commence 12 December 2022	n/a			February 2023	n/a

## Appendix B – Other matters

### On-going liaison and internal audit plan 2022/23

Ongoing liaison has taken place between RSM and the Finance Director throughout the year to discuss progress against the internal audit plan. In addition to this, RSM's Andrew Mawdsley and Andrew O'Donnell met with the Finance Director in March 2022 to discuss timings of the reviews included in the internal audit plan 2022/23. The internal audit plan 2022/23 and three year strategy were approved at the February 2022 Audit and Governance Committee meeting.

### Updates and briefings

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

- The Real Economy – Cyber Security (shared with management and appended below);
- We have shared with management details regarding:
  - RSM's NED network events that took place 4 May 2022; and
  - RSM and CIPFA Public Procurement Webinars that took place on 2 March, 30 March, 27 April and 25 May 2022.

#### The Real Economy – Cyber Security

Our latest edition of [The Real Economy – Cyber Security](#) focuses on the changing landscape of cyber security, the ways attacks are becoming more advanced and how middle market businesses are fighting back. It also touches on the UK's digital skills shortage, and how organisations are turning to third-party providers for their cyber security needs.

#### Key data findings:

- A third of respondents experienced an attack in the last 12 months, up from 20 per cent in 2021.
- More than half of respondents have increased investment in cyber security over the past 12 months.
- 72 per cent of respondents felt they could be at risk of a ransomware attack in the next 12 months.
- A third felt that their Board do not understand the cyber threat landscape enough to be able to determine the level of risk to their business.
- 33 per cent had challenges recruiting or retaining staff with a cyber security skill set.



A third of respondents have reported that they have experienced a cyber-attack in the last 12 months, this is an increase of 20% when compared with 2021.

[Click here to read The Real Economy – Cyber Security Report](#)

## Quality assurance and continual improvement

To ensure that RSM remains compliant with the IIA standards and the financial services recommendations for Internal Audit, we have a dedicated internal Quality Assurance Team who undertake a programme of reviews to ensure the quality of our audit assignments. This is applicable to all Heads of Internal Audit, where a sample of their clients will be reviewed. Any findings from these reviews being used to inform the training needs of our audit teams.

The Quality Assurance Team is made up of; the Head of the Quality Assurance Department (FCA qualified) and an Associate Director (FCCA qualified), with support from other team members across the department. This is in addition to any feedback we receive from our post assignment surveys, client feedback, appraisal processes and training needs assessments.



## For more information contact

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**Andrew O'Donnell, Manager**

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0141 285 3937

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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.

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# Audit Strategy Memorandum

## Transport for the North

Year ending 31 March 2022

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Agenda Item 8

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- 04 Significant risks and other key judgement areas
- 05 Value for money
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- 07 Our commitment to independence
- 08 Materiality and misstatements
- Appendix – Key communication points

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This document is to be regarded as confidential to Transport for the North. It has been prepared for the sole use of the Audit and Governance Committee. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

Members of the Audit and Governance Committee  
Transport for the North  
2nd Floor  
4 Piccadilly Place  
Manchester  
M1 3BN

24 May 2022

Dear Sirs / Madams

Mazars LLP  
One St Peter's Square  
Manchester  
M2 3DE

## Audit Strategy Memorandum – Year ending 31 March 2022

We are pleased to present our Audit Strategy Memorandum for Transport for the North for the year ending 31 March 2022. The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. As it is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, section 7 of this document also summarises our considerations and conclusions on our independence as auditors. We consider two-way communication with you to be key to a successful audit and important in:

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reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;

sharing information to assist each of us to fulfil our respective responsibilities;

providing you with constructive observations arising from the audit process; and

ensuring that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing Transport for the North for which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

With that in mind, we see this document, which has been prepared following our initial planning discussions with management, as being the basis for a discussion around our audit approach, any questions, concerns or input you may have on our approach or role as auditor. This document also contains an appendix that outlines our key communications with you during the course of the audit,

Client service is extremely important to us and we strive to provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations so, if you have any concerns or comments about this document or audit approach, please contact me on 07721 234 043 .

Yours faithfully

Signed:   
Karen Murray (May 24, 2022 09:03 GMT+1)

Karen Murray

Mazars LLP

# 01

Section 01:

## **Engagement and responsibilities summary**

# 1. Engagement and responsibilities summary

## Overview of engagement

We are appointed to perform the external audit of Transport for the North (TfN) for the year to 31 March 2022. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: <https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/>. Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined below.

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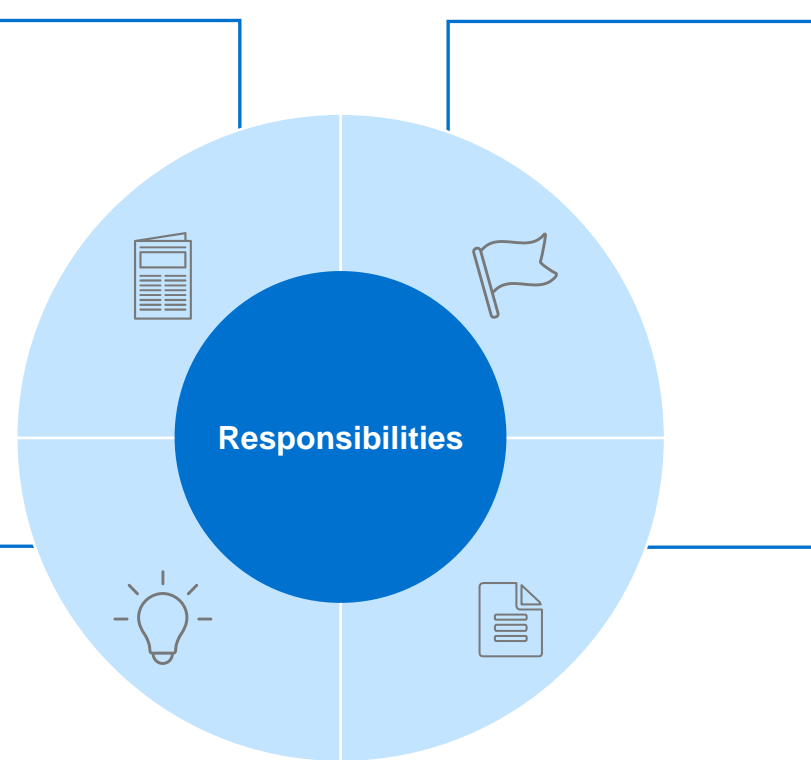
### Audit opinion

We are responsible for forming and expressing an opinion on the financial statements. Our audit does not relieve management or the Audit and Governance Committee, as those charged with governance, of their responsibilities.

The Interim Finance Director is responsible for the assessment of whether it is appropriate for TfN to prepare its accounts on a going concern basis. As auditors, we are required to obtain sufficient appropriate audit evidence and conclude on: a) whether a material uncertainty related to going concern exists; and b) consider the appropriateness of the Interim Finance Director's use of the going concern basis of accounting in the preparation of the financial statements.

### Value for money

We are also responsible for forming a commentary on the arrangements that TfN has in place to secure economy, efficiency and effectiveness in its use of resources. We discuss our approach to Value for Money work further in section 5 of this report.



### Fraud

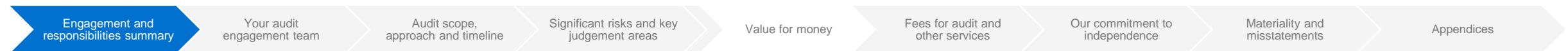
The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both those charged with governance and management. This includes establishing and maintaining internal controls over reliability of financial reporting.

As part of our audit procedures in relation to fraud we are required to enquire of those charged with governance, including key management as to their knowledge of instances of fraud, the risk of fraud and their views on internal controls that mitigate the fraud risks. In accordance with International Standards on Auditing (UK), we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. However our audit should not be relied upon to identify all such misstatements.

### Wider reporting and electors' rights

We report to the NAO on the consistency of TfN's financial statements with its Whole of Government Accounts (WGA) submission.

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 consider any objection made to the accounts. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom



# 02

Section 02:

**Your audit engagement team**

# 2. Your audit engagement team

The key members of this year's audit team are set out below:

Who	Role	E-mail
Karen Murray, CPFA	Partner and Engagement Lead	<a href="mailto:karen.murray@mazars.co.uk">karen.murray@mazars.co.uk</a>
Campbell Dearden, CPFA	Manager	<a href="mailto:campbell.dearden@mazars.co.uk">campbell.dearden@mazars.co.uk</a>
Taylor Joseph, CA (SA)	Team Leader and Assistant Manager	<a href="mailto:taylor.joseph@mazars.co.uk">taylor.joseph@mazars.co.uk</a>

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Engagement and responsibilities summary	<b>Your audit engagement team</b>	Audit scope, approach and timeline	Significant risks and key judgement areas	Value for money	Fees for audit and other services	Our commitment to independence	Materiality and misstatements	Appendices
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# 03

Section 03:

**Audit scope, approach and timeline**

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# 3. Audit scope, approach and timeline

## Audit scope

Our audit is designed to comply with all professional requirements.

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit approach and in accordance with the terms of our engagement. Our work is focused on those aspects of your activities which we consider to have a higher risk of material misstatement, such as those impacted by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations or areas which have been found to contain material errors in the past.

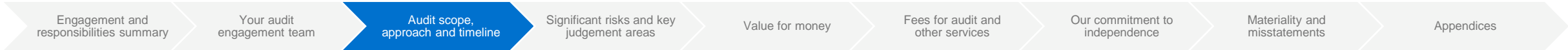
## Audit approach

Our audit approach is risk-based. It is primarily driven by the issues we consider lead to a higher risk of material misstatement of the accounts. Once we have completed our risk assessment, we develop our audit strategy and design audit procedures in response to this assessment.

If we conclude that appropriately-designed controls are in place then we may plan to test and rely upon these controls. If we decide controls are not appropriately designed, or we decide it would be more efficient to do so, we may take a wholly substantive approach to our audit testing. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise: tests of details (of classes of transactions, account balances, and disclosures); and substantive analytical procedures. Irrespective of the assessed risks of material misstatement, which take into account our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transactions, account balance, and disclosure.

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in more detail in section 8.

The diagram on the next page outlines the procedures we perform at the different stages of the audit.



# 3. Audit scope, approach and timeline

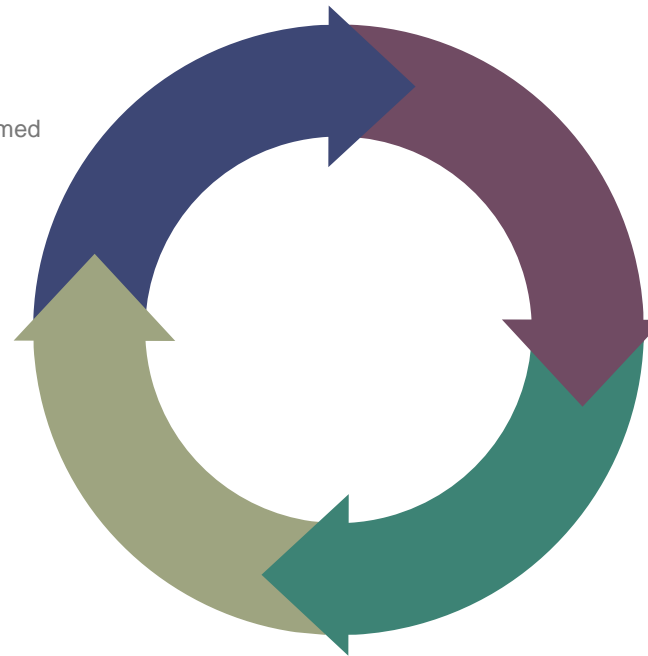
Page 162

## Planning January – March 2022

- Planning visit and developing our understanding of TfN.
- Initial opinion and value for money risk assessments
- Considering proposed accounting treatments and accounting policies
- Developing the audit strategy and planning the audit work to be performed
- Agreeing timetable and deadlines
- Preliminary analytical review

## Completion September 2022

- Final review and disclosure checklist of financial statements
- Final Partner review
- Agreeing content of letter of representation
- Reporting to the Audit and Governance Committee
- Reviewing subsequent events
- Signing the auditor’s report

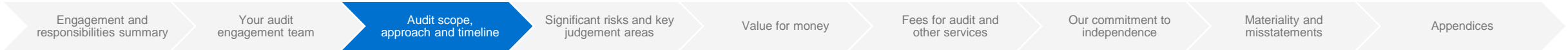


## Interim March – April 2022

- Documenting systems and controls
- Performing walkthroughs
- Design and implementation review of IT general controls
- Early substantive testing of transactions
- Reassessment of audit plan and revision if necessary

## Fieldwork June to July 2022

- Receiving and reviewing draft financial statements
- Reassessment of audit plan and revision if necessary
- Executing the strategy starting with significant risks and high risk areas
- Communicating progress and issues
- Clearance meeting



# 3. Audit scope, approach and timeline

## Reliance on internal audit

Where possible we will seek to utilise the work performed by internal audit to modify the nature, extent and timing of our audit procedures. We will liaise with internal audit to consider the progress and findings of their work prior to the commencement of any controls testing.

If we decide to place reliance on the work on internal audit, we will evaluate the work performed by your internal audit team and perform our own audit procedures to determine its adequacy for our audit.

## Management’s and our 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.

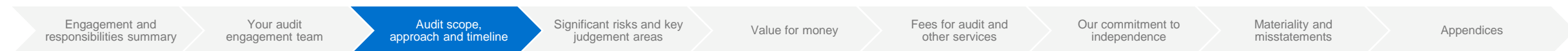
Item of account	Management’s expert	Our expert
Defined benefit liability valuation and disclosures	Hymans Robertson Actuary for the Greater Manchester Pension Fund	National Audit Office, Prepared by PwC

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## 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 planned audit approach.

Items of account	Service organisation	Audit approach
Payroll	Hawsons	We plan to obtain our assurance by understanding the process and controls that TfN has in place to assure itself that transactions are processed materially correctly and undertaking testing.  We will also undertake substantive testing of payroll.



# 04

Section 04:

## **Significant risks and other key judgement areas**

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# 4. Significant risks and other key judgement areas

Following the risk assessment approach discussed in section 3 of this document, we have identified risks relevant to the audit of financial statements. The risks that we identify are categorised as significant, enhanced or standard. The definitions of the level of risk rating are given below:

## Significant risk

A significant risk is an identified and assessed risk of material misstatement that, in the auditor’s judgment, requires special audit consideration. For any significant risk, the auditor shall obtain an understanding of the entity’s controls, including control activities relevant to that risk.

## Enhanced risk

An enhanced risk is an area of higher assessed risk of material misstatement at audit assertion level other than a significant risk. Enhanced risks require additional consideration but does not rise to the level of a significant risk, these include but may not be limited to:

key areas of management judgement, including accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement; and

other audit assertion risks arising from significant events or transactions that occurred during the period.

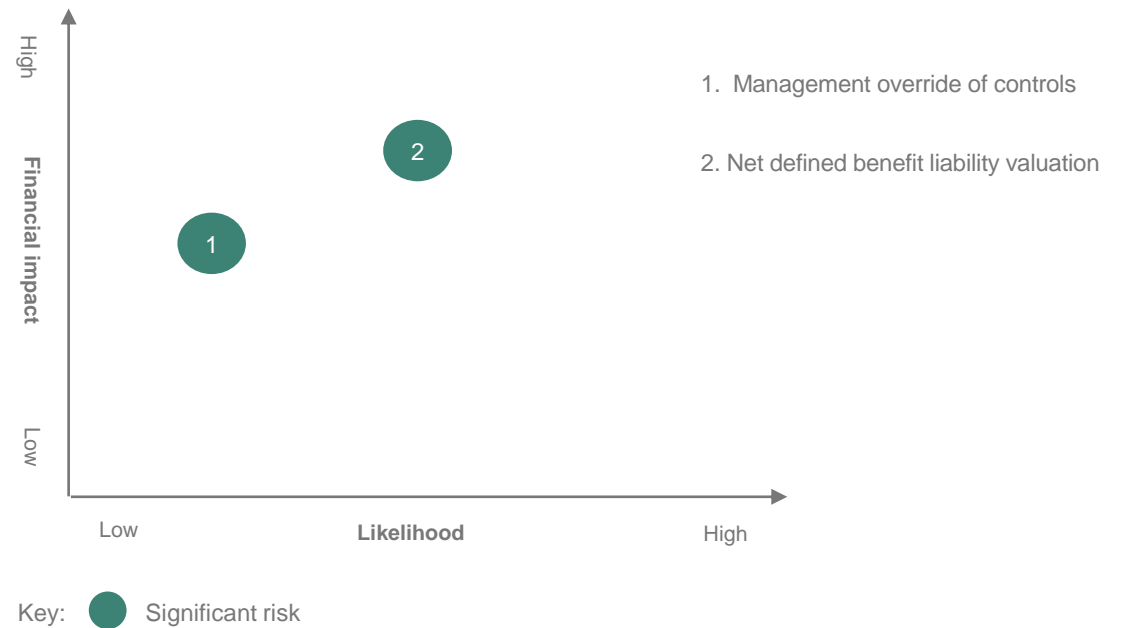
These should include all areas of judgement and significant estimation uncertainty reported by TfN in the financial statements, which would be expected to give rise to enhanced audit risks as relevant.

## Standard risk

This is related to relatively routine, non-complex transactions that tend to be subject to systematic processing and require little management judgement. Although it is considered that there is a risk of material misstatement (RMM), there are no elevated or special factors related to the nature, the likely magnitude of the potential misstatements or the likelihood of the risk occurring.

## Summary risk assessment

The summary risk assessment, illustrated in the table below, highlights those risks which we deem to be significant and other enhanced risks in respect of TfN. We have summarised our audit response to these risks on the next page.



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# 4. Significant risks and other key judgement areas

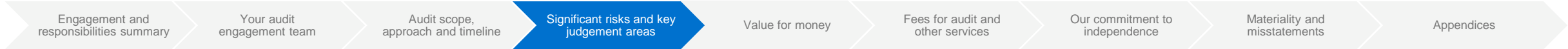
## Specific identified audit risks and planned testing strategy

We have presented below in more detail the reasons for the risk assessment highlighted above, and also our testing approach with respect to significant risks. An audit is a dynamic process, should we change our view of risk or approach to address the identified risks during the course of our audit, we will report this to the Audit and Governance Committee

## Significant risks

	Description	Fraud	Error	Judgement	Planned response
1	<p><b>Management override of controls</b> This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.</p> <p>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 there is a risk of material misstatement due to fraud on all audits.</p>	●	○	○	We plan to address the management override of controls risk through performing audit work over accounting estimates, journal entries and significant transactions outside the normal course of business or otherwise unusual.

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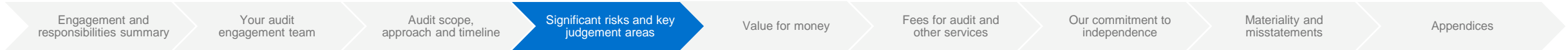


# 4. Significant risks and other key judgement areas

## Significant risks

	Description	Fraud	Error	Judgement	Planned response
2	<p><b>Net defined benefit liability valuation</b></p> <p>The financial statements contain material pension entries in respect of retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.</p>	○	●	●	<p>We will discuss with key contacts any significant changes to the pension estimates. In addition to our standard programme of work in this area, we will evaluate the management controls you have in place to assess the reasonableness of the figures provided by the Actuary and consider the reasonableness of the Actuary’s output, referring to an expert’s report on all actuaries nationally.</p> <p>We will review the appropriateness of the key assumptions included within the valuations, compare them to expected ranges and review the methodology applied in the valuation. We will consider the adequacy of disclosures in the financial statements.</p> <p>We will also seek assurance from the auditor of the Greater Manchester Pension Fund.</p>

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# 05

## Section 05: **Value for money**

Page 168



# 5. Value for money

## The framework for Value for Money work

We are required to form a view as to 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 in order to form our view, and sets out the overall criterion and sub-criteria that we are required to consider.

2021/22 will be the second audit year where we are undertaking our value for money (VFM) work under the 2020 Code of Audit Practice (the Code). Our responsibility remains to be satisfied that TfN has proper arrangements in place and to report in the audit report and/or the audit completion certificate where we identify significant weaknesses in arrangements. Separately we provide a commentary on TfN's arrangements in the Auditor's Annual Report.

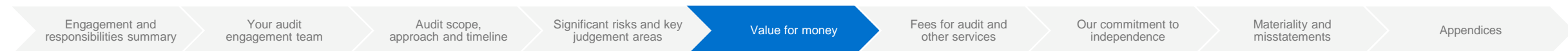
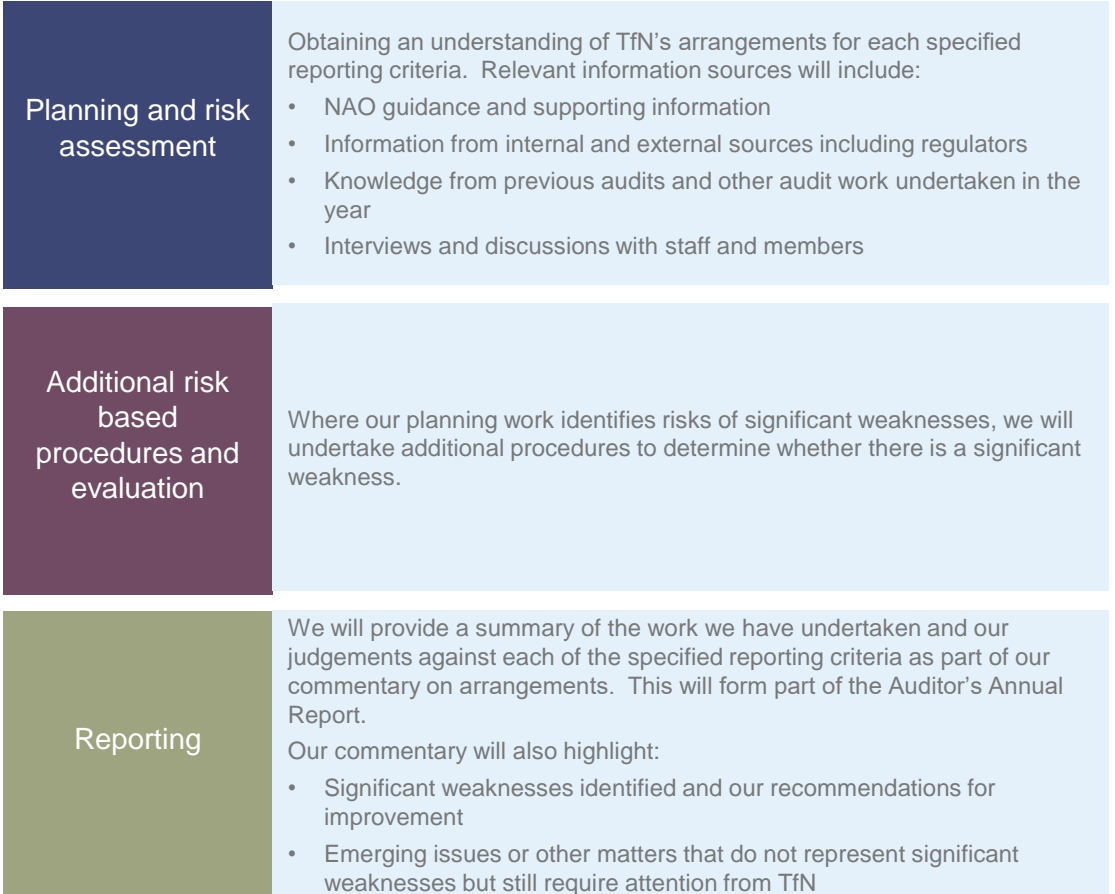
## Specified reporting criteria

The Code requires us to structure our commentary to report under three specified criteria:

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

## Our approach

Our work falls into three primary phases as outlined opposite. We need to gather sufficient evidence to support our commentary on TfN's arrangements and to identify and report on any significant weaknesses in arrangements. Where significant weaknesses are identified we are required to report these to TfN and make recommendations for improvement. Such recommendations can be made at any point during the audit cycle and we are not expected to wait until issuing our overall commentary to do so.



# 5. Value for money

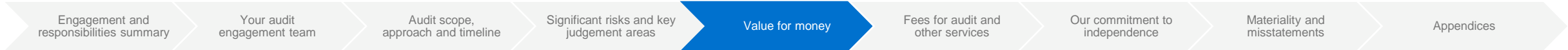
## Identified risks of significant weaknesses in arrangements

The NAO’s guidance requires us to carry out work at the planning stage to understand TfN’s arrangements and to identify risks that significant weaknesses in arrangements may exist.

Although we have not fully completed our planning and risk assessment work, the table below outlines the audit risks of significant weaknesses in arrangements that we have identified to date. We will report any further identified risks to the Audit and Governance Committee on completion of our planning and risk identification work.

	Risk of significant weakness in arrangements	Financial sustainability	Governance	Improving the 3Es	Planned work
1	<p><b>Financial Sustainability</b></p> <p>The Integrated Rail Plan for the North and Midlands, published in November 2021, set out that the arrangements for Northern Powerhouse Rail (NPR) would transition from a co-client hosted by TfN to sole-clienting by the Department for Transport (DfT). The Transport Development Fund (TDF) grant to TfN for the NPR programme therefore ceases as at 31 March 2022.</p> <p>The 40% reduction to Core funding in 2021/22 was mitigated, with the assistance of the DfT, by £1.5 million of recharges into the NPR programme and a release of £2.5 million of TfN reserves. Neither of these options is available in 2022/23 given the change in arrangements. As a consequence, the full impact of the funding reductions now have to be managed in 2022/23 and beyond.</p> <p>This represents a significant risk in respect of financial sustainability.</p>	●	○	○	We will review the financial performance of TfN in 2021/22 and the financial plan for 2022/23. We will critically assess how TfN is addressing the funding cuts to develop a balanced budget in 2022/23.

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# 06

Section 06:

**Fees for audit and other services**

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## 6. Fees for audit and other services

### Fees for work as TfN's appointed auditor

In the 2020/21 Auditor's Annual Report that we presented to the Audit and Governance Committee on 27 January 2022, we explained that there would be additional recurring fees in respect of regulatory pressures and the additional work required under the new Code from 2020/21 onwards in relation to our value for money work. We set value for money fees at the minimum of the range in Public Sector Audit Appointments Limited's (PSAA) consultation document as explained in the Auditor's Annual Report. We are still awaiting approval for the fees noted in the table below for 2020/21 but we have included them for transparency.

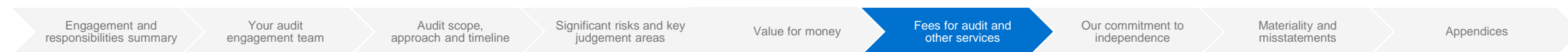
At this stage we are not proposing any fee increase in 2021/22 from our final fees for 2020/21. All fees are excluding VAT.

Area of work	2021/22 Proposed Fee	2020/21 Actual Fee
Planned fee in respect of our work under the Code of Audit Practice	£33,000	£33,000
Additional testing on Defined Benefit Pensions Schemes as a result of changes in regulatory expectations (recurring)	£3,200	£2,950
Additional fees in respect of the transfer and disposal of intangible assets	-	£2,550
Additional work arising from the change in the Code of Audit Practice in respect of Value for money arrangements (recurring)	£5,000	£5,000
<b>Total fees</b>	<b>£41,200</b>	<b>£43,500</b>

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### Fees for non-PSAA work

At this stage we are not expecting to undertake any non-PSAA work at TfN in 2021/22.



# 07

Section 07:

**Our commitment to independence**

Page 173

# 7. Our commitment to independence

We are committed to independence and are required by the Financial Reporting Council to confirm to you at least annually in writing that we comply with the FRC's Ethical Standard. In addition, we communicate any matters or relationship which we believe may have a bearing on our independence or the objectivity of the audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities, and you and your related entities creating any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place which are designed to ensure that we carry out our work with integrity, objectivity and independence. These policies include:

- all partners and staff are required to complete an annual independence declaration;
- all new partners and staff are required to complete an independence confirmation and also complete computer based ethical training;
- rotation policies covering audit engagement partners and other key members of the audit team; and
- use by managers and partners of our client and engagement acceptance system which requires all non-audit services to be approved in advance by the audit engagement partner.

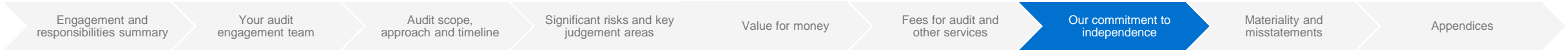
We confirm, as at the date of this document, that the engagement team and others in the firm as appropriate, Mazars LLP are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence please discuss these with Karen Murray in the first instance.

Prior to the provision of any non-audit services Karen Murray will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our auditor independence.

No threats to our independence have been identified.

Any emerging independence threats and associated identified safeguards will be communicated in our Audit Completion Report.

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# 08

Section 08:

## **Materiality and misstatements**

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# 8. Materiality and misstatements

## Summary of initial materiality thresholds

Threshold	Initial threshold £'000s
Overall materiality	1,251
Performance materiality	1,001
Specific materiality <ul style="list-style-type: none"> <li>Senior officer remuneration</li> </ul>	5
Trivial threshold for errors to be reported to the Audit and Governance Committee.	38

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## Materiality

Materiality is an expression of the relative significance or importance of a particular matter in the context of financial statements as a whole.

Misstatements in financial statements are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on consideration of the common financial information needs of users as a group and not on specific individual users.

The assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- have a reasonable knowledge of business, economic activities and accounts;
- have a willingness to study the information in the financial statements with reasonable diligence;
- understand that financial statements are prepared, presented and audited to levels of materiality;
- recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement and the consideration of future events; and
- will make reasonable economic decisions on the basis of the information in the financial statements.

We consider materiality whilst planning and performing our audit based on quantitative and qualitative factors.

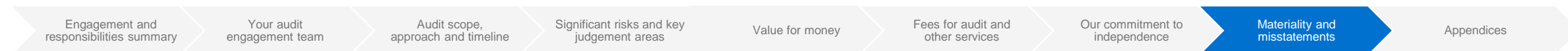
Whilst planning, we make judgements about the size of misstatements which we consider to be material and which provides a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

The materiality determined at the planning stage does not necessarily establish an amount below which uncorrected misstatements, either individually or in aggregate, will be considered as immaterial.

We revise materiality for the financial statements as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

Our provisional materiality is set based on a benchmark of 2% of gross expenditure. We will identify a figure for materiality but identify separate levels for procedures designed to detect individual errors, and also a level above which all identified errors will be reported to the Audit and Governance Committee.

We consider that gross expenditure remains the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark.





# 8. Materiality and misstatements

## Materiality (continued)

We expect to set a materiality threshold at 2% of gross revenue expenditure at the surplus / deficit level. Based on the 2020/21 audited financial statements we anticipate the overall materiality for the year ending 31 March 2022 to be in the region of £1.251m for TfN (£1.251m in the prior year).

After setting initial materiality, we continue to monitor materiality throughout the audit to ensure that it is set at an appropriate level.

## Performance Materiality

Performance materiality is the amount or amounts set by the auditor at less than materiality for the financial statements as a whole to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Our initial assessment of performance materiality is based on low inherent risk, meaning that we have applied 80% of overall materiality as performance materiality.

## Misstatements

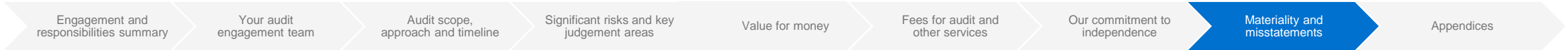
We accumulate misstatements identified during the audit that are other than clearly trivial. We set a level of triviality for individual errors identified (a reporting threshold) for reporting to TfN and Audit and Governance Committee that is consistent with the level of triviality that we consider would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements. Based on our preliminary assessment of overall materiality, our proposed triviality threshold is £38,000 based on 3% of overall materiality. If you have any queries about this please do not hesitate to raise these with Karen Murray.

## Reporting to the Audit and Governance Committee

The following three types of audit differences above the trivial threshold will be presented to the Audit and Governance Committee:

- summary of adjusted audit differences;
- summary of unadjusted audit differences; and
- summary of disclosure differences (adjusted and unadjusted).

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## Appendix: Key communication points

# Appendix: Key communication points

We value communication with Those Charged With Governance as a two way feedback process at the heart of our client service commitment. ISA 260 (UK) 'Communication with Those Charged with Governance' and ISA 265 (UK) 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' specifically require us to communicate a number of points with you.

Relevant points that need to be communicated with you at each stage of the audit are outlined below.

## Form, timing and content of our communications

We will present the following reports:

- Audit Strategy Memorandum;
- Audit Completion Report; and
- Auditor's Annual Report

These documents will be discussed with management prior to being presented to yourselves and their comments will be incorporated as appropriate.

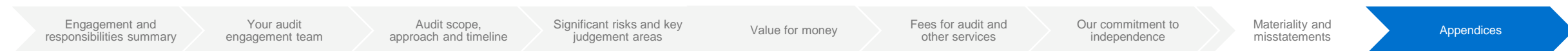
## Key communication points at the planning stage as included in this Audit Strategy Memorandum

- Our responsibilities in relation to the audit of the financial statements;
- The planned scope and timing of the audit;
- Significant audit risks and areas of management judgement;

- Our commitment to independence;
- Responsibilities for preventing and detecting errors;
- Materiality and misstatements; and
- Fees for audit and other services.

## Key communication points at the completion stage to be included in our Audit Completion Report

- Significant deficiencies in internal control;
- Significant findings from the audit;
- Significant matters discussed with management;
- Our conclusions on the significant audit risks and areas of management judgement;
- Summary of misstatements;
- Management representation letter;
- Our proposed draft audit report; and
- Independence.

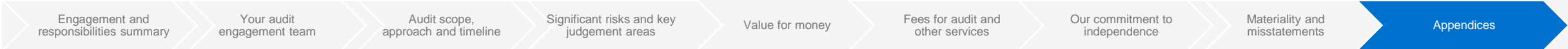


# Appendix: Key communication points

ISA (UK) 260 'Communication with Those Charged with Governance', ISA (UK) 265 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' and other ISAs (UK) specifically require us to communicate the following:

Required communication	Where addressed
Our responsibilities in relation to the financial statement audit and those of management and those charged with governance.	Audit Strategy Memorandum
The planned scope and timing of the audit including any limitations, specifically including with respect to significant risks.	Audit Strategy Memorandum
<p>With respect to misstatements:</p> <ul style="list-style-type: none"> <li>uncorrected misstatements and their effect on our audit opinion;</li> <li>the effect of uncorrected misstatements related to prior periods;</li> <li>a request that any uncorrected misstatement is corrected; and</li> <li>in writing, corrected misstatements that are significant.</li> </ul>	Audit Completion Report
<p>With respect to fraud communications:</p> <ul style="list-style-type: none"> <li>enquiries of the Audit and Governance Committee.</li> <li>to determine whether they have a knowledge of any actual, suspected or alleged fraud affecting the entity;</li> <li>any fraud that we have identified or information we have obtained that indicates that fraud may exist; and</li> <li>a discussion of any other matters related to fraud.</li> </ul>	<p>Audit Completion Report and discussion at the Audit and Governance Committee.</p> <p>Audit planning and clearance meetings</p>

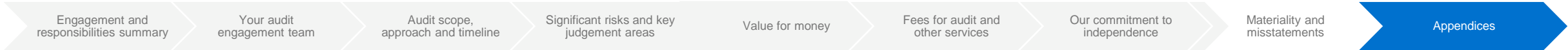
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# Appendix: Key communication points

Required communication	Where addressed
<p>Significant matters arising during the audit in connection with the entity’s related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>• non-disclosure by management;</li> <li>• inappropriate authorisation and approval of transactions;</li> <li>• disagreement over disclosures;</li> <li>• non-compliance with laws and regulations; and</li> <li>• difficulty in identifying the party that ultimately controls the entity.</li> </ul>	<p>Audit Completion Report</p>
<p>Significant findings from the audit including:</p> <ul style="list-style-type: none"> <li>• our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;</li> <li>• significant difficulties, if any, encountered during the audit;</li> <li>• significant matters, if any, arising from the audit that were discussed with management or were the subject of correspondence with management;</li> <li>• written representations that we are seeking;</li> <li>• expected modifications to the audit report; and</li> <li>• other matters, if any, significant to the oversight of the financial reporting process or otherwise identified in the course of the audit that we believe will be relevant to TfN and Audit and Governance Committee in the context of fulfilling their responsibilities.</li> </ul>	<p>Audit Completion Report</p>
<p>Significant deficiencies in internal controls identified during the audit.</p>	<p>Audit Completion Report</p>
<p>Where relevant, any issues identified with respect to authority to obtain external confirmations or inability to obtain relevant and reliable audit evidence from other procedures.</p>	<p>Audit Completion Report</p>

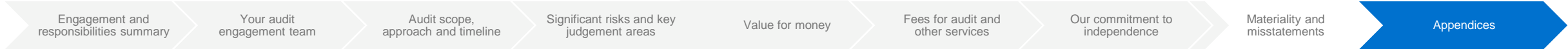
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# Appendix: Key communication points

Required communication	Where addressed
<p>Audit findings regarding non-compliance with laws and regulations where the non-compliance is material and believed to be intentional (subject to compliance with legislation on tipping off) and enquiry of TfN and Audit and Governance Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit and Governance Committee may be aware of.</p>	<p>Audit Completion Report and Audit and Governance Committee meetings</p>
<p>With respect to going concern, events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>• whether the events or conditions constitute a material uncertainty;</li> <li>• whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; and</li> </ul> <p>the adequacy of related disclosures in the financial statements.</p>	<p>Audit Completion Report</p>
<p>Reporting on the valuation methods applied to the various items in the annual financial statements including any impact of changes of such methods</p>	<p>Audit Completion Report</p>
<p>Indication of whether all requested explanations and documents were provided by the entity</p>	<p>Audit Completion Report</p>

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# Karen Murray, Partner – Public and Social Sector

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## Mazars

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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services\*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

\*where permitted under applicable country laws.

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# Audit Progress Report

## Transport for the North

June 2022

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1. Audit progress
2. National publications

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# 01

Section 01:  
**Audit progress**

# Audit progress

## Purpose of this report

This report provides the Audit and Governance Committee with an update on progress in delivering our responsibilities as your external auditors and also includes, at Section 2, for your information, a summary of recent national reports and publications.

## 2020/21 audit

As explained in our February 2022 Progress Report, we have not been able to issue the Audit Certificate for 2020/21, which formally closes the audit. This is due to the delay in the guidance from the National Audit Office (NAO) in relation to TfN's Whole Government Accounts. We do not expect the NAO guidance to be available before 31 July 2022.

## 2021/22 audit

We have completed our planning work for the 2021/22 audit. Our 2021/22 Audit Strategy Memorandum will be presented at this meeting of the Audit and Governance Committee. Our work on your financial statements begins on 7 June 2022.

# 02

Section 02:

**National publications**

# National Publications

	Publication/update	Key points
<b>Chartered Institute of Public Finance and Accountability (CIPFA)</b>		
1.	<b>CIPFA launches value for money toolkit with the University of Oxford's GO Lab</b>	Based on the UK National Audit Office's standard definition of value for money, the toolkit offers a consistent approach to programme evaluation.
2.	<b>New Prudential and Treasury Management Codes</b>	These two statutory and professional codes are important regulatory elements of the capital finance framework within which local authorities operate.
<b>Department for Levelling Up, Housing and Communities</b>		
3.	<b>Measures to improve local audit delays and accounts and audit timetable confirmed</b>	DLUHC have announced a new package of measures to support the improved timeliness of local audit. These include additional funds and an extension of the deadline for publishing accounts.
<b>National Audit Office (NAO)</b>		
4.	<b>Climate change risk: A good practice guide for Audit and Assurance Committees</b>	This guide helps Committees recognise how climate change risks could manifest themselves and support them in challenging senior management on their approach to managing climate change risks.
5.	<b>Cyber and Information Security: Good practice guide</b>	Audit committees should be scrutinising cyber security arrangements. This guidance complements government advice by setting out high-level questions and issues for audit committees to consider.
6.	<b>The Government's preparedness for the COVID-19 pandemic: lessons learned for government on risk management</b>	The report sets out central government's risk analysis, planning, and mitigation strategies prior to the arrival of the COVID-19 pandemic, with the aim of drawing out wider learning for the government's overall approach.
7.	<b>The Local Government finance system in England: Overview and Challenges</b>	This overview looks at what local government in England spends, how this spending is funded and the effect of changes in recent years. It draws on relevant findings from past NAO work.

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# National Publications

	Publication/update	Key points
National Audit Office (NAO) - continued		
8.	<b>Departmental Overview 2020-21: Department for Levelling Up, Housing and Communities</b>	This provides a summary of the Department's spending in 2020-21, its major areas of activity and performance, and the challenges it is likely to face in the coming year.
Financial Reporting Council (FRC)		
9.	<b>Inspection findings into the quality of major local body audits</b>	This report sets out the findings of FRC's most recent quality inspection of major local audits, which indicate a significant improvement by Mazars LLP.

# NATIONAL PUBLICATIONS

## CIPFA

### 1. CIPFA launches value for money toolkit with the University of Oxford's GO Lab, August 2021

CIPFA has partnered with the Government Outcomes Lab (GO Lab) from the University of Oxford's Blavatnik School of Government to develop the innovative GO Lab-CIPFA Value for Money (VfM) Toolkit.

Based on the UK National Audit Office's standard definition of value for money, the toolkit offers a consistent approach to programme evaluation and has been developed in response to recent trends towards the use of outcomes-based contracts (OBCs) and impact bonds.

The toolkit provides public managers with a framework to help assess the economic validity of public programmes, while also serving as a self-assessment instrument. The toolkit promotes thinking about the longer-term effects of interventions, such as outcomes and impacts, during the design and planning stage of public sector programmes.

The GO Lab-CIPFA VfM toolkit is available for free download on the CIPFA website.

<https://www.cipfa.org/services/go-lab-cipfa-value-for-money-toolkit>

### 2. CIPFA publishes new Prudential and Treasury Management Codes, December 2021

CIPFA has published the new Prudential Code for Capital Finance in Local Authorities (Prudential Code) and Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes (the Treasury Management Code) following a consultation period. These two statutory and professional codes are important regulatory elements of the capital finance framework within which local authorities operate. Local authorities are required by regulation to 'have regard to' their provisions. Guidance notes will follow shortly.

The revised Prudential Code emphasises that any borrowing made solely for the purpose of financial return constitutes imprudent activity, while also taking into account the realities that accompany regeneration activities. Proportionality has been included as an objective in the Prudential Code. New provisions have been added so that an authority incorporates an assessment of risk to levels of resources used for capital purposes.

The new Treasury Management Code states that the purpose and objective of each category of investments should be described within the Treasury Management Strategy.

<https://www.cipfa.org/about-cipfa/press-office/latest-press-releases/cipfa-issues-new-prudential-and-treasury-management-codes>



# NATIONAL PUBLICATIONS

## DLUHC

### 3. Measures to improve local audit delays

This publication sets out a range of measures agreed with key partners to support the timely completion of local government audits and the ongoing stability of the local audit market.

Challenges remain around the timeliness of local audit, one of the key issues highlighted by Sir Tony Redmond in his review. In 2017/18 the deadline for issuing audit opinions was brought forward from 30 September to 31 July. Since this point there has been a reduction in the number of local government audit opinions delivered on time, with significant reductions from 2018/19 onwards. This downward trend accelerated during the COVID-19 pandemic, with only 45% of 2019/20 audits completed by the extended deadline of 30 November 2020 and, most recently, only 9% of 2020/21 audits completed by the extended deadline of 30 September 2021. In addition, increasing workload and regulatory pressure on auditors have contributed to further delays.

The Government is continuing to prioritise measures to improve timeliness and support capacity as part of our response to the Redmond Review. An additional £15 million in funding has been made available to local bodies for 2021/22 to support with the implementation of recommendations following the Redmond Review and additional costs resulting from new audit requirements, including the new value for money reporting arrangements.

The report concludes that in the light of the extent of ongoing delays and capacity issues, a decision to revert to the previous deadline of 31 July would be both unrealistic and counterproductive, especially as the backlog of delayed 2020/21 audits will likely have knock-on effects for future years. Therefore, subject to consultation, secondary legislation will be introduced to set the following deadlines:

- The 2021/22 accounts to be audited and published by 30 November 2022;
- The 2022/23 accounts to be audited and published by 30 November 2023;
- The 2023/24 to 2027/28 accounts to be published by 30 September each year; and
- Draft accounts to be published by 31 May each year.

The full publication can be seen at this link: [Measures to improve local audit delays - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/publications/Measures-to-improve-local-audit-delays)

# NATIONAL PUBLICATIONS

## National Audit Office

### 4. Climate change risk: A good practice guide for Audit and Assurance Committees, August 2021

This guide is designed to help audit committees recognise how climate change risks could manifest themselves and support them in challenging senior management on their approach to managing these risks, the financial health of the sector before the pandemic and the financial impact of the pandemic in 2020/21;

The full report can be seen at this link: <https://www.nao.org.uk/report/climate-change-risk-a-good-practice-guide-for-audit-and-risk-assurance-committees/>

### 5. Cyber and Information Security: Good practice guide, October 2021

The guidance is based on NAO previous work and detailed systems audits, which have identified a high incidence of access-control weaknesses. NAO recommend that audit committees scrutinise cyber security arrangements in response to this increasing threat. To aid them, this guidance complements government advice by setting out high-level questions and issues for audit committees to consider.

The guide provides a checklist of questions and issues covering:

The overall approach to cyber security and risk management;

Capability needed to manage cyber security; and

- Specific aspects, such as information risk management, engagement and training, asset management, architecture and configuration, vulnerability management, identity and access management, data security, logging and monitoring and incident management.

The full report can be seen at this link: <https://www.nao.org.uk/report/cyber-security-and-information-risk-guidance/>

### 6. The Government's preparedness for the COVID-19 pandemic: lessons learned for government on risk management, November 2021

The report concludes that this pandemic has exposed a vulnerability to whole-system emergencies – that is, emergencies that are so broad that they engage the entire system. Although the government had plans for an influenza pandemic, it did not have detailed plans for many non-health consequences and some health consequences of a pandemic like COVID-19. There were lessons from previous simulation exercises that were not fully implemented and would have helped prepare for a pandemic like COVID-19. There was limited oversight and assurance of plans in place, and many pre-pandemic plans were not adequate. In addition, there is variation in capacity, capability and maturity of risk management across government departments.

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## National Audit Office

The pandemic also highlighted the need to strengthen the Government's end-to-end risk management process to ensure that it addresses all significant risks, including interdependent and systemic risks. This will require collaboration on risk identification and management not only across government departments and local authorities, but also with the private sector and internationally. For whole-system risks NAO states that the Government needs to define its risk appetite to make informed decisions and prepare appropriately so that value for money can be protected. NAO state that the pandemic has also highlighted the need to strengthen national resilience to prepare for any future events of this scale, and the challenges the government faces in balancing the need to prepare for future events while dealing with day-to-day issues and current events.

The full report can be seen at this link: <https://www.nao.org.uk/report/the-governments-preparedness-for-the-covid-19-pandemic>

### 7. The Local Government finance system in England: Overview and Challenges, November 2021

This overview looks at what local government in England spends, how this spending is funded and the effect of changes in recent years. It draws on relevant findings from past NAO work.

The overview aims to enhance financial transparency about local government in England. It covers:

- An introduction to local government funding;
- Government policy and actions since 2010; and
- Some results or consequences of these changes.

The report headlines include the following in respect of the impact of the changes implemented by government on councils:

- Rising social care spending has squeezed funds available for non-social care services, yet rising spend has not prevented concerns about social care, and projections suggest continued cost and demand pressures;
- Local authorities have made substantial spending reductions in some services and sought to maximise revenue funding from other sources. Some local authorities have sought to maximise revenue available for services in ways that may reduce financial resilience. Commercial property investment strategies have increased some local authorities' exposure to risk. Local authorities now rely more on sources of income that are dependent on local economic conditions;

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## National Audit Office

- A lack of short-term funding certainty hampers local authorities' ability to plan. Local authorities are also planning and delivering services amid medium-term financial uncertainty. Financial uncertainty does not support value-for-money decision-making; and
- The governance mechanisms that support decision-making about financial sustainability are under strain. The financial resilience of the local government sector was being tested, even before the COVID-19 pandemic.

The full report can be seen at this link: <https://www.nao.org.uk/report/the-local-government-finance-system-in-england-overview-and-challenges/>

### 8. Departmental Overview 2020-21: Department for Levelling Up, Housing and Communities, November 2021

The Ministry of Housing, Communities and Local Government (MHCLG) was renamed the Department of Levelling Up, Housing and Communities in September 2021 in to reflect a new ministerial appointment in the cabinet reshuffle and raise the profile of the Government's '*levelling-up*' agenda. This NAO report provides a summary of the new department's major areas of activity and performance, and the challenges it is likely to face in the coming year, based on the insights from NAO's financial audit and value for money work.

The full report can be seen at this link: <https://www.nao.org.uk/report/departmental-overview-2020-21-department-for-levelling-up-housing-and-communities> :

# NATIONAL PUBLICATIONS

## FRC

### 9. Inspection findings into the quality of major local body audits, October 2021

The Financial Reporting Council (FRC) published in October 2021 its [inspection findings into the quality of major local body audits](#) in England (which includes large health and local government bodies) for the financial year ended 31 March 2020.

The FRC reviewed 20 major local audits performed by six of the largest audit firms and found 6 (30%) required improvements. This is an improvement on the prior year inspection results where 60% of audits inspected required either improvements or significant improvements. FRC found that all Value for Money arrangement conclusions inspected by the FRC required no more than limited improvements.

The FRC found that the firms have taken action in response to previous findings, however, the timeliness of auditor reporting was disappointing.

The key areas requiring action by some of the audit firms included:

- strengthening the audit testing of expenditure;
- improving the evaluation and challenge of assumptions used in concluding over investment property valuations;
- improving the evaluation of assumptions used in property, plant and equipment valuations; and
- providing improved rationale supporting a modified audit opinion.

In respect of Mazars, the FRC concluded that “*the audit quality results for our inspection of the four audits showed significant improvement compared to the prior years, with all audits assessed as requiring no more than limited improvements*”. The table below shows how Mazars compared to the other firms reviewed:

#### Proportion of files reviewed graded ‘good’ or ‘limited improvements required’

Mazars	EY	GT	KPMG	Deloitte	BDO	PWC
100%	75%	67%	33% average over the 3 other suppliers			Not assessed

# Contact

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**Meeting:** Transport for the North Audit & Governance Committee

**Subject:** Corporate Risk Register Report

**Author:** Daniella Della-Cerra-Smith, Risk Manager

**Sponsor:** Paul Kelly, Interim Finance Director

**Meeting Date:** Friday 10 June 2022

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**1. Background:**

- 1.1 Transport for the North has undertaken a comprehensive review of the Corporate Risk Register ("CRR") in line with TfN's change in organisational environment and it reflects the scope and size of TfN moving forward. As part of this process, the Risk Manager has worked with Directors and the Senior Leadership Team to review, assess, and update risks, including identifying new risks and closing risks where applicable. Key changes are included in Appendix 3.
- 1.2 The CRR was presented at the Audit and Governance Committee on 25 February 2022 and was last presented to TfN Board on 29 September 2021.
- 1.3 The Audit and Governance Committee's role in relation to risk is included in the broader detail of the constitution, which is defined below.
- 1.4 "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".
- 1.5 The terms of reference for the Audit and Governance Committee includes the requirement for the committee to "monitor Transport for the North's risk and performance management arrangements including review of the risk register, and progress with mitigating action".
- 1.6 Transport for the North's corporate risks stem from the agreed KPIs and from a range of other sources, some of which are beyond Transport for the North's 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 2.

**2. High level changes for Audit and Governance to acknowledge are:**

- 2.1 Updated Corporate Risk Report format, including the addition of both current and target scores and an Executive Summary.
- 2.2 The Risk Management Strategy has been updated to reflect the transition to the risk 5x5 matrix in Tables 2, 3, 4 and 5, and Appendix 7 includes the updated scoring criteria. The organisation's use of Predict risk management software is included in section 3.2 - 3.5. Appendix 2

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2.3 TfN transitioned to the risk 5x5 matrix and updated scoring criteria on 15 March 2022. This was presented as a draft to Audit and Governance in February and has since been updated and finalised to incorporate feedback received from TfN employees. Training has been provided to relevant staff. Updates include:

- All risk areas have quality as a new impact to consider.
- Cost impact has been updated to include a new tier system depending on budgets.
- Time impacts have been updated to be consistent across the organisation.
- Text has been updated for reputational, external relationships, and quality impacts.

### 3. TfN Themes

3.1 As part of the risk register review, there have been several changes to the TfN corporate risk themes.

3.2 New Themes: TfN cyber-security, Co-sponsorship, Technical Appraisal, Modelling and Economics (TAME), TfN Funding, and TfN Resources

3.3 Closed Themes:

The COVID-19 pandemic prevents or delays TfN from delivering its objectives:

Closed now that covid restrictions have been lifted, the TfN offices have reopened, and the recovery phase has commenced.

Northern Powerhouse Rail Business Case Delivery Programme Development:

Closed and risks transferred to the DfT as the programme transitioned to a single client arrangement with co-sponsorship between DfT and TfN starting 1 April 2022.

TfN Operations: Closed and replaced with two new themes; funding and resources.

3.4 The top 5 risk themes are currently:

- TfN funding
- TfN resources
- Embedding TfN's Strategic Transport Plan (STP) across programmes
- Technical appraisal, modelling and economics (including an opportunity)
- Rail operations - franchise management and investment

### 4. TfN Issues

4.1 An issue has been identified regarding TfN Funding; TfN have received a one-year funding settlement and no indicative funding beyond March 2023. Further details, including resolution actions can be found in the Corporate Risk Register.

### 5. TfN Opportunities

5.1 A new opportunity has been added to the corporate risk register. TAME is an area where TfN can offer more analytical services to partners both nationally and locally, as a centre of excellence that is user centred, place-based and outcome focused.

### 6. Recommendation:

6.2 That the committee **consider** the report and provide assurance to the board on 30 June 2022, that efficient and effective processes are in place. This would include but is not limited to the updates to the Risk Management Strategy, 5x5 risk matrix and scoring criteria.



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## **7. Consideration:**

- 7.1 Transport for the North's approach to managing risk is described in its Risk Management Strategy ("RMS") which sets out guidance for how risks are identified, assessed, managed, and reported. The RMS has been applied in updating the Corporate Risk Register.
- 7.2 It is essential that Transport for the North and its programme teams recognise, understand, and manage the risks that could negatively impact on its ability to achieve its objectives and priorities.
- 7.3 This report provides the Committee with an update on the organisational risks and issues relating to the business KPIs/objectives which can be found in the Corporate Risk Register.
- 7.4 The Risk Manager will lead future discussions on the following potential opportunities for TfN.
- Simplification of and reduction in processes, overheads and services arising from reshaping of TfN.
  - Developing further TfN's role as a centre of excellence in support of its partners at local, city-region and national levels.
  - Using the revision of the Strategic Transport Plan to strengthen linkages between economic growth, the environment, and social communities as part of the commitment to pursuing user-centred, place-based, outcome focused solutions.

## **8. Corporate Considerations**

### ***Financial Implications***

- 8.1 The financial implications are detailed within individual risks where applicable.

### ***Resource Implications***

- 8.2 The resource implications are detailed within individual risks where applicable.

### ***Legal Implications***

- 8.3 The legal implications are detailed within individual risks where applicable.

### ***Risk Management and Key Issues***

- 8.4 The Corporate Risk Register is part of this report.

### ***Environmental Implications***

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

### ***Equality and Diversity***

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

### ***Consultations***

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

## **9. Background Papers**

- 9.1 The Corporate Risk Registers presented as a standing item at each Audit & Governance Committee provide the background papers and context for this report

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**10. Appendices**

- 10.1 Item 9.1 – Corporate Risk Register May 2022
- 10.2 Item 9.2 – Risk Management Strategy
- 10.3 Item 9.3 – Corporate Risk Register – Key Changes

# Transport for the North

## Corporate Risk Register

Updated May 2022

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## 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 2022/2023 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 a monthly cycle, with clear reporting in line with governance arrangements.

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 TfN 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 2022/23 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 report provides information such as risk description, potential consequences on TfN's objectives and priorities, and the mitigation measures in place to manage risks.

**Section 1** provides an executive summary of TfN's corporate risk themes and factors, key changes to the register since the last risk review, key impacts and action themes, TfN's risk environment, emerging risk, opportunities and next steps.

**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. Quality has been included as an additional impact.

**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 control, as it is important to understand the extent to which TfN is able to influence or control the risk outcomes.

## 1 Executive Summary

- 1.1. A thorough review of the corporate risk register has been conducted in line with TfN's change in organisational environment and it reflects the scope and size of TfN moving forward.
- 1.2. All existing risks have been scrutinised, rearticulated, and reassessed in line with:
  - the transition to the 5x5 risk matrix and updated scoring criteria, (including quality impact)
  - post IRP position
  - change in TfN's organisational environment
  - reduction in funding allocation
- 1.3. Through the risk management process, 5 new risk themes and 12 new risk factors have been identified. All actions have been reviewed and updated and new actions have been put in place where required.
- 1.4. New Themes: TfN cyber-security, Co-sponsorship, Technical Appraisal, Modelling and Economics (TAME), TfN Funding, and TfN Resources.
- 1.5. Closed Themes:
  - The COVID-19 pandemic prevents or delays TfN from delivering its objectives: Closed now that covid restrictions have been lifted, the TfN offices have reopened, and the recovery phase has commenced.
  - Northern Powerhouse Rail Business Case Delivery Programme Development: Closed and risks transferred to the DfT as the programme transitions to a single client arrangement with co-sponsorship between DfT and TfN starting 1 April 2022.
  - TfN Operations: Closed and replaced with two new themes; funding and resources.
- 1.6. New Opportunity: TAME is an area where TfN can offer more analytical services to partners both nationally and locally, as a centre of excellence that is user centred, place-based and outcome focused.

## Corporate Risk Dashboard



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TCR	Themes ordered by highest current risk score	Number of Risk Factors per Theme	Current Score	Target Score	Risk Owners
13	TfN funding	3			Chief Executive Officer and Finance Director
14	TfN resources	1	25	20	Business Capabilities Director
3	Embedding TfN's Strategic Transport Plan (STP) across programmes	2	20	15	Interim Strategy and Programme Director
12	Technical appraisal, modelling and economics (TAME) <b>(including an opportunity)</b>	3	20	15	Interim Strategy and Programme Director
9	Rail operations - franchise management and investment	3	19	17	Strategic Rail Director
2	TfN's reputation, political engagement and effectiveness	4	18	15	Chief Executive Officer
11	Co-sponsorship	2	18	15	Chief Executive Officer
4	Delivery of robust and compelling evidence to support Investment Programmes	1	15	11	Interim Strategy and Programme Director
7	TfN compliance and relevant laws and regulations	1	11	11	Business Capabilities Director
5	Transport decarbonisation and climate change	1	11	8	Interim Strategy and Programme Director
10	TfN cyber security	2	10	10	Business Capabilities Director

### Key impacts across themes:

- TfN reputational damage and loss of credibility.
- TfN's ability to access funding in the future.
- TfN's ability to deliver statutory duties.
- Recruitment and retention of staff.
- Damage to TfN's organisational culture and staff morale.

### Key action themes:

- Partner Engagement
- Business Planning
- Training employees
- Establishing and following realistic programmes
- Government Engagement

Threat Scoring	
Issue	
Very High	19 - 25
High	14 - 18
Medium	7 - 13
Low	1 - 6

### 1.7. Key Risk Factors for TfN:

ID	Theme	Risk Description	Actions	Action Owner
886	TfN Funding	Issue: TfN have received a one-year funding settlement and no indicative funding beyond March 2023.	<ol style="list-style-type: none"> <li>1. Preparation of Business Plan on the basis of a reasonable planning assumption for future years' funding</li> <li>2. Secure DfT endorsement for Business Plan</li> <li>3. Demonstration of TfN value for money through agreement with DfT on KPIs</li> </ol>	Chief Executive Officer
643	TfN Resources	TfN's is unable to recruit and retain suitable staff to deliver the 2022/23 business plan and medium to long term TfN objectives.	<ol style="list-style-type: none"> <li>1. Update People Strategy as required</li> <li>2. Continue to brief and update staff</li> <li>3. Redesign and downsize TfN to fit 22/23 budget</li> <li>4. Provide training and development opportunities</li> <li>5. Agree recruitment strategy for TAME</li> <li>6. Full and proper consultation with UNISON</li> </ol>	Business Capabilities Director Business Capabilities Director Chief Executive Officer  Interim Strategy and Programme Director Business Capabilities Director Business Capabilities Director
881	Embedding TfN's STP across Programmes	TfN is unable to produce a second STP that is acceptable to both the TfN board and government.	<ol style="list-style-type: none"> <li>1. Align business plan with TfN's objectives</li> <li>2. Engagement with Partners and Government</li> <li>3. Manage programme via TfN's Strategic Oversight Group</li> <li>4. Update Northern Powerhouse Independent Economic Review (NPIER)</li> <li>5. Manage interdependencies with NPIER</li> </ol>	Interim Strategy and Programme Director
884	Technical Appraisal, Modelling and Economics	Legal and commercial restrictions. TfN is not legally allowed to share its models or data with Partners.	<ol style="list-style-type: none"> <li>1. Early engagement with legal team</li> <li>2. Develop TfN Licensing Strategy</li> <li>3. Train employees on derived data</li> <li>4. Create flow chart of model in/outputs</li> <li>5. Obtain licences for all data inputs</li> </ol>	Interim Strategy and Programme Director

310	Rail Operations	There is a risk that TfN could have a reduced role in the rail industry following the implementation of the Williams-Shapps review.	<ol style="list-style-type: none"> <li>1. Collaboration with the GBR transition team</li> <li>2. Establish a programme board chaired by TfN's CEO</li> </ol>	Strategic Rail Director
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### 1.8. TfN's Risk Environment and Emerging Risks

- 1.8.1. The organisation is currently going through a period of change and the risk environment over the next six months will reflect this. TfN is currently finalising its business planning and organisational redesign to reflect the level of funding available and its new role as co-sponsor (with DfT) for implementation of Northern Powerhouse Rail post IRP. TfN will be a smaller organisation. It's priorities will continue to reflect its role as a statutory Sub-national Transport Body and its role in supporting its partners at local, city-region and national level.
- 1.8.2. Through its business planning, TfN will be put on a sustainable footing consistent with reasonable planning assumptions about future funding. This approach will potentially reduce the risk associated with the funding and resourcing themes, as it will enable TfN to work with DfT to ensure effective resource planning of agreed priorities, including the retention and recruitment of skills for roles.
- 1.8.3. TfN are awaiting publication of the Transport Bill and the Levelling Up, and Regeneration Bill. Until published, these provide an area of uncertainty for TfN that could affect its policy development work, TfN operations, and engagement with the DfT and Partners.
- 1.8.4. TfN has transitioned to a co-sponsorship agreement with the DfT for the management of implementing Northern Powerhouse Rail (NPR). It is anticipated that the risks under the Co-Sponsorship theme will be reduced in the next six months as the role and responsibilities are finalised, governance processes for decision-making are established and regular engagement with the DfT develops.



## **1.9. TfN Emerging opportunities**

### 1.9.1. Emerging opportunities for future discussion:

- Simplification of and reduction in processes, overheads and services arising from reshaping of TfN.
- Developing further TfN's role as a centre of excellence in support of its partners at local, city-region and national levels.
- Using the revision of the Strategic Transport Plan to strengthen linkages between economic growth, the environment, and social communities as part of the commitment to pursuing user-centred, place-based, outcome focused solutions.

## **1.10. Next Steps**

- 1.10.1. The Risk Management Strategy has been updated to reflect the transition to the updated 5x5 risk matrix and scoring criteria, and the use of TfN's risk management software, Predict. A full review of the strategy will be conducted and updated accordingly, including TfN's risk appetite.

## 2 Probability Impact Matrix

2.1 The Probability Impact Matrix (PIM), as illustrated below, is a tool that allows risk severity to be calculated. Risks are plotted according to the probability of occurrence and the impact upon an activity should the risk happen.

		Threat Scoring					
PROBABILITY	75 - 100%	Very High 5	5	10	17	20	25
	51 - 74%	High 4	4	8	14	18	20
	26 - 50%	Medium 3	3	7	10	15	19
	6 - 25%	Low 2	2	6	8	11	17
	≤5%	Very Low 1	1	2	4	8	13
		Very Low 1	Low 2	Medium 3	High 4	Very High 5	

Threat Scoring	
Very High	19 – 25
High	14 – 18
Medium	7 – 13
Low	1 – 6

		Opportunity Scoring					
PROBABILITY	75 - 100%	Very High 5	-5	-10	-17	-20	-25
	51 - 74%	High 4	-4	-8	-14	-18	-20
	26 - 50%	Medium 3	-3	-7	-10	-15	-19
	6 - 25%	Low 2	-2	-6	-8	-11	-17
	≤5%	Very Low 1	-1	-2	-4	-8	-13
		Very Low 1	Low 2	Medium 3	High 4	Very High 5	

Opportunity Scoring	
Very High	-19 – -25
High	-14 – -18
Medium	-7 – -13
Low	-1 – -6

### 3 Probability and Impact Scoring Criteria

- 3.1 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.
- 3.2 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.

#### Issue Rating

Likelihood Criteria	Impact Criteria
100% probability that the risk will materialise or the has materialised.	One or more of the implications will have an effect on Business Plan objectives and/or KPIs.

#### 5 x 5 Threat Impact Scoring Criteria

Likelihood Criteria	Very Low	Low	Medium	High	Very High
	≤5%	6-25%	26-50%	51-74%	>75%
Impact Criteria	Very Low	Low	Medium	High	Very High
<b>Cost</b>	£0 - £100k	£100k - £200k	£200k - £500k	£500k - £800k	£800k - £1m
<b>Reputation</b>	Minimal negative local media coverage quickly remedied /loss of trust and credibility	Minor negative local media coverage quickly remedied /loss of trust and credibility	Moderate negative regional media coverage/loss of trust and credibility	National short – term negative media coverage/considerable loss of trust and credibility	National long – term negative media coverage, significant loss of trust and credibility
<b>External Relationship</b>	Minimal strained relationship with partners and/or third parties	Minor strained relationship with partners and/or third parties	Moderate strained relationship with partners and/or third parties	Evidence of relationship issues with partners and/or third parties	Severe relationship issues with partners and/or third parties.
<b>Quality</b>	Work is fit for purpose but may require minimal changes	Work is fit for purpose but may require minor changes	Moderate changes or specialist resource required to provide high quality outputs	Scope changes required to provide high quality outputs	Project outputs are not credible/robust, with no assurance and partners do not endorse reports
<b>Time</b>	0 – 1 month	1 – 3 months	3 – 9 months	9 – 12 months	12 – 18 months

#### 5 x 5 Opportunity Scoring Criteria

Likelihood Criteria	Very Low	Low	Medium	High	Very High
	≤5%	6-25%	26-50%	51-74%	>75%
Impact Criteria	Very Low	Low	Medium	High	Very High
<b>Cost</b>	-£0 - -£100k	-£100k - -£200k	-£200k - -£500k	-£500k--£800k	-£800k- -£1m
<b>Reputation</b>	Minimal positive local media coverage/ increase of trust and credibility	Minor positive local media coverage/increase of trust and credibility	Moderate positive regional media coverage/increase of trust and credibility	National short – term positive media coverage/considerable increase of trust and credibility	National long – term positive media coverage, significant increase of trust and credibility
<b>External Relationship</b>	Minimal increase in TfN's relationships with partners/third parties	Minor increase in TfN's relationships with partners/third parties	Moderate increase in TfN's relationships with partners/third parties	There is considerable evidence that TfN's relationships with partners/third parties is increasing	Relationships with partners/third parties significantly increased, benefitting TfN's credibility
<b>Quality</b>	Work is high quality with minimal changes	Work is high quality with minor changes	Moderate changes and no additional specialist resource to provide very high-quality outputs	Scope changes not required to exceed high quality outputs	Exceeds credible/robust project output expectations, with assurance and partners endorse reports
<b>Time</b>	0 – -1 month	-1 – -3 months	-3 – -9 months	-9 – -12 months	-12 – -18 months

#### 4 Qualitative Assessment on the Levels of Mitigation Control

- 4.1 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 risk actions and the extent to which TfN is able to influence or control those risk outcomes.
- 4.2 TfN do not have full control over all mitigation actions. The avoidance and reduction of the assessed impacts are contingent on partners and members taking further action.
- 4.3 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 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.
- 4.4 Each assigned control level will be accompanied by a progress summary and the most recent date that it was assessed and updated.

## 5 Qualitative Risk Analysis of TfN's Corporate Level Risks

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## TCR02: TfN’s reputation, political engagement, and effectiveness

ID	Risk Description	Owner	Current Score	Target Score
879	NEW: Despite our statutory status there could be a material change in government's commitment to STB's/ reduction of remit and powers of TfN or a change in views/ approach as to how STB's function.	Chief Executive Officer	17	17
296	There is a risk of disconnect between TfN's statutory powers/remit and stakeholder expectations.	Chief Executive Officer	18	15
640	The internal and external leaking of confidential information may create a legal liability.	Chief Executive Officer	15	15
880	NEW: TfN are unable to provide the One Voice for the north in relation to strategic transport investment priorities, and policy positions.	Chief Executive Officer	18	15

### Impacts:

- Reduction in core funding makes it more difficult for TfN to fulfil statutory responsibilities.
- TfN unable to fulfil its statutory responsibilities requiring a fundamental review of the organisation.
- Failure to make timely, evidence-based advice to Government in respect of priority projects and programmes thereby delaying or preventing 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 statutory responsibilities and powers and partners' perception of its role.
- TfN’s reputation with DfT, partners and members could potentially be adversely affected, with potential legal costs.
- TfN’s relationship with DfT, partners and members could potentially be adversely affected.
- 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.

### Mitigation actions for risk 879:

ID	Control Level and Action Description	Owner	Due
2489	Medium - There is structured engagement with government officials and decision-makers.	Chief Executive Officer	Dec 22
2490	Medium - TfN continue to respond to any DfT proposals and develop a revised version of Memorandum of Understanding (MOU) between DfT and TfN.	Chief Executive Officer	Dec 22

2491	Medium - TfN to demonstrate through priorities identified in the Business Plan that it delivers value for money, maximises the efficiency of taxpayer money and provides additional value to its partners (nationally and across the North) that realises benefit to the north of England.	Chief Executive Officer	Dec 22
2492	Medium - Maximise the input and contribution of Partnership Board through increased engagement and consultation.	Chief Executive Officer	Sept 22
2493	Medium - Engagement with other Statutory Transport Bodies (STB)'s to identify areas of common interest and opportunities for collaboration.	Chief Executive Officer	Ongoing

#### Mitigation actions for risk:296

ID	Control Level and Action Description	Owner	Due
949	Medium - There is continuous engagement with stakeholders, and partners, to continue to represent 'One Voice' for the North.	Chief Executive Officer	Ongoing
1548	Medium - TfN's Business Plan to be sustainable, with clear explanations of TfN activities.	Chief Executive Officer	Jun 22

#### Mitigation actions for risk:640

ID	Control Level and Action Description	Owner	Due
1551	Medium - TfN has in place Confidentiality Agreements with Constituent Authorities in relation to Northern Powerful House 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.	Head of Legal Services	Ongoing
1553	Medium - 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.	Head of Legal Services	Ongoing
1554	Medium - 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 public authority. This will support the reduction of the risk of deliberate or accidental disclosure of information shared on a confidential basis.	Head of Legal Services	Ongoing

**Mitigation actions for risk 880:**

<b>ID</b>	<b>Control Level and Action Description</b>	<b>Owner</b>	<b>Due</b>
2494	High - As part of the second Strategic Transport Plan work, maximise utilisation of existing forums to ensure Partners are actively engaged.	Interim Strategy and Programme Director	Sept 22
2495	High - Use established governance to ensure that focus on key priorities are understood and that stakeholders are actively engaged.	Interim Strategy and Programme Director	Jun 22
2496	Medium - There is continuous engagement with Members and constituent authorities, stakeholders, and partners, to continue to represent the 'One Voice' for the North.	Chief Executive Officer	Ongoing



### TCR03: Embedding Strategic Transport Plan (STP) across programmes

ID	Risk Description	Owner	Current Score	Target Score
641	Inconsistency between the second STP's policy positions and delivery of TfN workstreams.	Interim Strategy and Programme Director	11	8
881	NEW: TfN is unable to produce a second STP that is acceptable to both the TfN board and government.	Interim Strategy and Programme Director	20	15

#### Impacts:

- 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 because of uncoordinated activity weakens TfN's reputation with government, constituent authorities and wider stakeholders.
- TfN's credibility could be negatively impacted.
- TfN do not produce a credible second STP that is endorsed by TfN board and government.
- Significant TfN reputational challenges with TfN board and government, as well as financial and time implications.

#### Mitigation actions for risk 641:

ID	Control Level and Action Description	Owner	Due
1556	High - 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.	Interim Strategy and Programme Director	Ongoing
1557	Medium - 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. 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.	Interim Strategy and Programme Director	Jun 22
1558	High - 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.	Interim Strategy and Programme Director	Sept 22

1559	High - The new 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 no later than 2024. The TfN Board has agreed a programme for the update of the new STP and governance mechanisms are being established in preparation for work to start this financial year.	Interim Strategy and Programme Director	Ongoing
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#### Mitigation actions for risk 881:

ID	Control Level and Action Description	Owner	Due
2497	High - Comparing sustainable business plan with TfN objectives	Interim Strategy and Programme Director	Jun 22
2498	Medium - Continued direct engagement with partners and government departments over TfN's objectives and approach to the Second STP	Interim Strategy and Programme Director	Ongoing
2499	Medium - Developing a clear programme of activity for second STP and managing through SOG exec board and TFN board.	Interim Strategy and Programme Director	Dec 22
2500	High - Work with partners to review and update Northern Power Independent Economic Review.	Interim Strategy and Programme Director	Sept 22
2501	High - Manage interdependencies with Northern Power Independent Economic Review, which will run in parallel with STP2.	Interim Strategy and Programme Director	Dec 22

#### TCR04: Delivery of robust and compelling evidence to support Investment Programmes

ID	Risk Description	Owner	Current Score	Target Score
298	There is a risk that TfN might be unable to make a timely, robust, credible, evidence-based case for investment in transport.	Interim Strategy and Programme Director	15	11

#### Impacts:

- 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.
- Programme delays could result in extra costs and resources.

#### Mitigation actions for risk 298:

ID	Control Level and Action Description	Owner	Due
953	Medium - 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.	Interim Strategy and Programme Director	Jun 22
954	High - Ensure programmes are realistic and achievable and are being re-adjusted if required, without significantly impacting delivery against TfN's core objectives.	Interim Strategy and Programme Director	Jun 22
955	Medium - 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.	Interim Strategy and Programme Director	Ongoing
2509	High - 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.	Interim Strategy and Programme Director	Jun 22

957	High - Reviewing TAME structure in line with business plan commitments.	Interim Strategy and Programme Director	Jun 22
2502	High - Strengthen TAME governance for more transparent prioritisation of activity.	Interim Strategy and Programme Director	Jun 22
2503	Medium - Build in suitable Project Management controls into the team.	Interim Strategy and Programme Director	Sept 22
2504	Medium - Use evidence to provide recommendations to the Secretary of State for Road Investment Strategy.	Major Roads Director	Dec 22
2505	Medium - Use evidence to provide recommendations to the Secretary of State for Rail Network Enhancement Pipeline.	Strategic Rail Director	Dec 22

## TCR05: Transport decarbonisation and climate change

ID	Risk Description	Owner	Current Score	Target Score
299	Within its Decarbonisation Strategy, TfN and its partners have committed to achieving close to zero emissions for surface transport in the North by 2045. TfN is unable to deliver its contribution to achieving this target.	Interim Strategy and Programme Director	11	8

### Impacts:

- TfN fails to deliver on its commitments laid out within the TfN Decarbonisation Strategy.
- Adverse impacts on TfN credibility and influence as a Sub-National Transport Body.
- 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.

### Mitigation actions for risk 299:

ID	Control Level and Action Description	Owner	Due
959	High - 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.	Interim Strategy and Programme Director	Ongoing
2362	Medium - Develop mechanisms to ensure decarbonisation and sustainability are reflected in project and strategy decision-making.	Interim Strategy and Programme Director	Mar 23
2425	Low - Aspiration to undertake an appraisal of the relative carbon benefits associated with the remaining activities defined within the decarbonisation strategy, dependant on funding	Interim Strategy and Programme Director	Mar 23
2506	Medium - Continue to influence and engage with stakeholders and maintain reputational credibility	Interim Strategy and Programme Director	Ongoing

2507	Medium - Work underway for TfN to produce a carbon assessment	Interim Strategy and Programme Director	Jun 22
2508	Medium - Embedding decarbonisation into wider TfN workstreams including freight and social inclusion and testing the interdependencies	Interim Strategy and Programme Director	Ongoing

## TCR07: TfN compliance and relevant laws and regulations

ID	Risk Description	Owner	Current Score	Target Score
303	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 exceeds its powers.	Business Capabilities Director	11	11

### Impacts:

- 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.

### Mitigation actions for risk 303:

ID	Control Level and Action Description	Owner	Due
970	High - TfN has suitably qualified officers in all senior positions, particularly the HoPS, S151 Officer and Monitoring Officer. In addition, TfN has employed an in-house legal team.	Head of Legal Services	Ongoing
971	High - TfN ensures there are clear and well documented processes and procedures in place.	Head of Legal Services	Ongoing
972	High - Ongoing training on laws and legislations and communication across the organisation.	Head of Legal Services	Ongoing
973	High - Procedures are in place through Modern.Gov to ensure that there is continuous legal review to TfN's Boards and Committees. Modern.gov champions now in place and have received initial training to help to widen corporate knowledge of modern.gov to support governance and resilience.	Head of Legal Services	Ongoing

974	High - TfN employs in house legal and procurement specialists and where necessary seeks external legal advice on commissioning and procurement.	Head of Legal Services	Ongoing
1569	High - A new process, Modern.Gov is being implemented to streamline report approvals and support efficient decision-making. Modern.gov champions have been identified and have received initial training to widen corporate understanding of the system and help support governance and resilience.	Head of Legal Services	Ongoing
1570	High - TfN will seek external legal advice on legal issues as identified by the legal in-house team.	Head of Legal Services	Ongoing
1571	High - TfN has employer's liability, public liability, and professional indemnity insurance in place to mitigate any financial liability.	Head of Legal Services	Ongoing
2310	Medium - Audit and Governance Committee has core functions supporting compliance with laws regulations and best practice, including monitoring governance risks and control.	Head of Legal Services	Ongoing



## TCR09: Rail operations – franchise management and investment

ID	Risk Description	Owner	Current Score	Target Score
309	The long-term effect of Covid-19 may impact on the viability of train services and future investment decisions. The pandemic has changed travel patterns and behaviours and therefore service and investment decisions will need to reflect new markets and emerging evidence of demand.	Strategic Rail Director	17	17
310	There is a risk that TfN could have a reduced role in the rail industry following the implementation of the Williams-Shapps review.	Strategic Rail Director	19	17
311	Future timetable changes in Manchester and potential East Coast Main Line in May 2023 that reduces rail connectivity for the North.	Strategic Rail Director	18	18

### Impacts:

- Low passenger numbers post-Covid could reduce the viability of some existing services.
- Less investment in services and infrastructure because of weaker business cases.
- 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.
- The franchise system is being replaced by service contracts directly funded by the Treasury through Great British Railway, potentially diminishing TfN's role and influence over operations (although this also represents an opportunity for TfN to make a case for further involvement in the management of the rail network).
- Timetable amendments to address capacity issues could result in a decline in services to some areas and on local connectivity, thereby reducing choice for passengers.
- Failure to integrate investment programmes could affect TfN's reputation by impacting on a significant part of its rail transformational programmes and the delivery of the Strategic Transport Plan.

### Mitigation actions for risk 309:

ID	Control Level and Action Description	Owner	Due
980	Low - To continue to use TfN's influence in the monthly Rail North Partnership Board, Rail North Committee to shape the re-introduction of services, and infrastructure developments and re-build passenger confidence.	Strategic Rail Director	Ongoing

981	Medium - To continue with the close working relationship and communication with TfN member authorities on deliverables and risks - feeding back information through TfN governance structures.	Strategic Rail Director	Ongoing
1578	Medium - To continue to track train service performance and delivery via regular reporting dashboards.	Strategic Rail Director	Ongoing
1579	Medium - 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.	Strategic Rail Director	Ongoing

#### Mitigation actions for risk 310:

ID	Control Level and Action Description	Owner	Due
1638	High - TfN is working with the GBR transition team to work on a more detailed proposal as to how the white paper might be delivered in the North.	Strategic Rail Director	Mar 23
983	High - TfN are establishing a programme board from April 22 chaired by TfN's CEO.	Strategic Rail Director	Mar 23

#### Mitigation actions for risk 311:

ID	Control Level and Action Description	Owner	Due
1581	Medium - TfN, working with Partners, has outlined to Operators and the Department the key concerns of the regions. TfN has appointed a consultant to explore how regional services that would be lost can be restored on ECML. To support this TAME has produced economic impacts of the timetable change on the ECML.	Strategic Rail Director	Ongoing
985	High - A collaboration between DfT and TfN to develop a blueprint of infrastructure and services to support further capacity on the ECML will be established. Likewise, regarding Manchester, collaborative work continues with DfT to underpin a blueprint linking infrastructure to future service development.	Strategic Rail Director	Ongoing

## TCR10: TfN cyber security

ID	Risk Description	Owner	Current Score	Target Score
876	NEW: Cyber disruption/attacks to the available information and technical infrastructure. Inappropriate user access to confidential information. Access may be limited for an unknown period of time.	Business Capabilities Director	10	10
887	NEW: Data is removed purposefully from the TfN's systems.	Business Capabilities Director	10	8

### Impacts:

- Site outages, loss of resource time, which could impact on programme timescales, impact on cost for restoration of resources and information.
- Ransomware, compromise of information, potential legal implications due leakage of data/GDPR fines which leads to reputational challenges
- Damage to TfN's reputation and credibility.
- TfN's relations with the DfT, partners and members could potentially be adversely affected.
- There could be a loss of resource time, delays to programmes and costs incurred to restore or replace data.

### Mitigation actions for risk 876:

ID	Control Level and Action Description	Owner	Due
2472	Medium - IT and Data Policies to be produced, reviewed, and updated in line with known cyber threats.	Head of IT and Information	Ongoing
2473	Medium - Training to all TfN staff performed on new policies.	Head of IT and Information	Ongoing
2474	Medium - Communications Plan in place for regular updates to employees when required.	Head of IT and Information	Ongoing
2475	Medium - Monitoring and compliance checks performed (e.g. Phishing attacks).	Head of IT and Information	Ongoing
2476	Medium - On-going/monitoring security updates performed to user devices and software services.	Head of IT and Information	Ongoing
2477	Medium - Business Continuity Plan checks, system reviews and restoration timescales regularly assessed.	Head of IT and Information	Ongoing

2478	Medium - Insurance cover in place for ransoms where required.	Head of IT and Information	Ongoing
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**Mitigation actions for risk 887:**

<b>ID</b>	<b>Control Level and Action Description</b>	<b>Owner</b>	<b>Due</b>
2530	Medium - IT to monitor any changes in patterns with data management, especially mass deletions.	Head of IT and Information	Ongoing
2531	Medium - IT to continue to restrict personal email address for use on SharePoint to limit data transfer risk.	Head of IT and Information	Ongoing
2532	Medium - IT and Data Policies in place, reviewed and updated regularly.	Head of IT and Information	Ongoing

## TCR11: Co-sponsorship

ID	Risk Description	Owner	Current Score	Target Score
877	NEW: Change to the agreed Terms of Reference for the Sponsor Board and associated delivery arrangements.	Chief Executive Officer	14	10
647	NEW: The publication of the IRP has set out the Government's proposals in respect of NPR, TRU and HS2: it also sets out the need for further work to be undertaken. There is a risk that individual programmes are not aligned and expected benefits not realised.	Interim Strategy and Programme Director	18	15

### Impacts:

- Reduction in engagement with TfN members could impact on the speed of delivering agreed investment priorities and result in missed opportunities to maximise wider benefits of agreed investment.
- A less effective sponsorship arrangement could result in missed opportunities to align investment in IRP with other delivery opportunities across the industry, which could impact on TfN's credibility and reputation with our partners and the public.
- Failure to integrate investment programmes could affect TfN's reputation by impacting on a significant part of its rail transformational programmes and the delivery of the Strategic Transport Plan.

### Mitigation actions for risk 877:

ID	Control Level and Action Description	Owner	Due
2479	High - Establish Sponsor Board and use it to finalise roles and responsibilities for co-sponsorship.	Chief Executive Officer	Jun 22
2480	High - Agree governance for future decision making.	Chief Executive Officer	Jun 22
2481	Medium - Agree regular engagement forums to ensure alignment with programme/escalation of key issues.	Chief Executive Officer	Jun 22
2482	Medium - Design TfN sponsorship function and agree through business planning.	Chief Executive Officer	Jun 22

**Mitigation actions for risk 647:**

<b>ID</b>	<b>Control Level and Action Description</b>	<b>Owner</b>	<b>Due</b>
2510	Medium - Define TfN's future role on programme boards through the design of the NPR sponsor function.	Interim Strategy and Programme Director	Jun 22
2546	High - Establish Sponsor Board and use it as a mechanism for working with DfT to address programme alignment issues.	Chief Executive Officer	Jun 22
2511	Medium - TfN to chair the new TRU stakeholder forum that will directly influence the TRU programme board.	Strategic Rail Director	Ongoing
2547	Medium - TfN using its role on the North of England integration board to ensure alignment of benefits.	Strategic Rail Director	Ongoing

## TCR12: Technical appraisal, modelling and economics

ID	Risk Description	Owner	Current Score	Target Score
882	NEW: Providing a direct service to DfT, limits TAME's services in delivering TfN 's objectives.	Interim Strategy and Programme Director	10	8
884	NEW: Legal and commercial restrictions. TfN is not legally allowed to share its models or data with Partners.	Interim Strategy and Programme Director	20	15
885	NEW Opportunity: TAME is an area where TfN can offer more analytical services to partners both nationally and locally, as a centre of excellence that is user-centred, place-based and outcome focused.	Interim Strategy and Programme Director	-11	-18

### Impacts:

- TAME and TfN could be perceived to be prioritising NPR work above other TfN priorities or undertaking analysis of options that conflicts with requirements of Sponsor Board.
- Analysis undertaken for DfT is mis-represented as "TfN evidence".
- TfN is unable to complete the evidence base for its statutory role.
- TfN has a responsibility to share data with Partners as it develops its role as an industry leader and centre of excellence, so the inability to do so would cause reputational damage and loss of credibility.
- Restrictions in sharing data or models could cause delays to individual projects, which could result in additional costs and limit TfN's ability to expand the scope of its analytical services
- Increase TfN's chance of securing additional future funding through capabilities.
- Improved relations and reputation with government and partners as a recognised centre of excellence locally, regionally, and nationally.
- A source of trusted information, that available to all our partners.
- Improving outcomes for partners including efficiencies of public funding

### Mitigation actions for risk 882:

ID	Control Level and Action Description	Owner	Due
2512	Medium - Finalise grant funding agreement and underpinning the Memorandum of Understanding.	Chief Executive Officer	Jun 22

2513	Medium - Review structure of TAME within business planning and ensure appropriate resources available for TfN facing programme.	Chief Executive Officer	Jun 22
2514	Medium - Establish the Analytical Steering Group (as set out in the GFA) and agree DfT requirements and deadlines.	Chief Executive Officer	Jun 22
2515	High - Strengthen internal TfN TAME governance to enable more transparent prioritisation of activity.	Chief Executive Officer	Jun 22

#### Mitigation actions for risk 884:

ID	Control Level and Action Description	Owner	Due
2521	Medium - Introducing consideration of data licencing at the start of projects, including early engagement with the legal team.	Interim Strategy and Programme Director	Sept 22
2522	Medium - Present a proposal for TfN's licensing strategy to OBT, including data sharing protocols and clarity on commercial arrangements.	Interim Strategy and Programme Director	Sept 22
2523	Medium - Invite Kemp lawyers to facilitate an educational workshop with TAME and wider TfN colleagues on derived data.	Interim Strategy and Programme Director	Jun 22
2525	Low - Create a flow chart of all model data inputs and outputs that can be circulated with teams and Partners.	Interim Strategy and Programme Director	Jun 22
2526	High - Contact all data input suppliers to obtain licences that allow TfN to share data.	Interim Strategy and Programme Director	Sept 22

#### Actions for opportunity 885:

ID	Control Level and Action Description	Owner	Due
2527	High - Explore and identify TAME capabilities and collaboration opportunities with partners through analytical assurance group and SOG.	Interim Strategy and Programme Director	Ongoing
2528	High - Outline TAME opportunity in business planning 2022/23, matching available resources to key TfN core priorities, including the introduction of new prioritisation mechanisms where appropriate.	Interim Strategy and Programme Director	Jun 22
2529	Low - Ensure all core and NPR business plan commitments are prioritised before offering TAME services to third parties.	Interim Strategy and Programme Director	Ongoing



### TCR13: TfN funding

ID	Risk Description	Risk Owner	Current Score	Target Score
300	There is a risk that TfN fails to deliver Value for Money in all areas within the funding allocation	Finance Director	17	13
878	NEW: Funding levels are significantly reduced which creates a misalignment with TfN's medium to long term business planning	Chief Executive Officer	19	17
886	NEW ISSUE: TfN have received a one-year funding settlement and no indicative funding beyond March 2023.	Chief Executive Officer		

#### Impacts:

- Failure to achieve Value for Money could impact on TfN's ability to access funding in the future.
- TfN unable to deliver statutory duties responsibilities.
- TfN's ability to retain/recruit suitably qualified staff.
- Reduction of funding and potential redundancies could damage organisational culture and lead to, unhealthy work/life balances/staff wellbeing.
- Lack of direction for the organisation could result in lower staff morale and potential resignations.
- TfN reputational damage and loss of credibility
- Significant implications to employees of TfN and retaining a workforce. TfN is unable to plan resourcing effectively and there is a significant barrier in attracting candidates.
- TfN's relationship with the DfT, partners and members could potentially be adversely affected.

#### Mitigation actions for risk 300:

ID	Control Level and Action Description	Owner	Due
962	High - Clear and well documented processes and procedures are in place. External audit review and report on value for money on an annual basis	Finance Director	Ongoing
963	High - Commissioning processes include OBT sign-off of expenditure, and explicit approval for expenditure against a schedule of delegations.	Finance Director	Ongoing

1564	High - 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.	Business Capabilities Director	Ongoing
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#### Mitigation actions for risk 878:

ID	Control Level and Action Description	Owner	Due
2483	High - Engagement with stakeholders to ensure the case for TfN's funding is supported by all Board members (Political and Business leaders), and amongst the North's MPs.	Chief Executive Officer	Dec 22
2484	Medium - There is structured engagement with government officials and decision-makers.	Chief Executive Officer	Dec 22
2485	Medium - TfN and DfT collaborative working to develop a revised version of Memorandum of Understanding.	Chief Executive Officer	Dec 22
2486	Medium - TfN to demonstrate that it delivers value for money, maximises the efficiency of taxpayer money and provide additional value and benefit for Partners in the north of England through a prioritised and sustainable business plan.	Chief Executive Officer	Dec 22

#### Actions for issue 886:

ID	Control Level and Action Description	Owner	Due
2534	Medium - Preparation of Business Plan on the basis of a reasonable planning assumption for future years' funding	Chief Executive Officer	Jun 22
2535	Medium - Secure DfT endorsement for Business Plan	Chief Executive Officer	Jun 22
2356	Medium - Demonstration of TfN value for money through agreement with DfT on KPIs	Chief Executive Officer	Jun 22

## TCR14: TfN resources

ID	Risk Description	Owner	Current Score	Target Score
643	TfN's is unable to recruit and retain suitable staff to deliver the 2022/23 business plan and medium to long term TfN objectives	Business Capabilities Director	25	20

### Impacts:

- Failure to recruit and retain the people with the right skills could negatively impact on TfN's ability to deliver its objectives and priorities.
- Damage to the organisational culture, staff morale and confidence.
- TfN reputational damage and loss of credibility.

### Mitigation actions for risk 643:

ID	Control Level and Action Description	Owner	Due
1566	High - Update People Strategy (People Management Framework) aligned to the outcomes of the ongoing change agenda and timescales. This may include, reward, workforce/skills planning, succession planning, recruitment and selection, talent, and performance management.	Business Capabilities Director	Ongoing
1568	Medium - To continue to brief and update staff through the monthly updates, regular bulletins, Team talks, intranet, employee forum and SMT meetings.	Business Capabilities Director	Ongoing
2487	High - Work with the Business Planning working group to redesign and downsize the organisation in line with the budget and business planning 2022/23.	Chief Executive Officer	Jun 22
2488	Medium - Work with the HR and Skills Team to provide development and training opportunities within TfN e.g. non-technical skills in the TAME team.	Interim Strategy and Programme Director	Mar 23
2533	Medium - Agree a recruitment strategy for the TAME team	Business Capabilities Director	Sept 22
2537	High - Full and proper consultation with UNISON - to continue regular formal meetings	Business Capabilities Director	Ongoing



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# Risk Management Strategy



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## Version Control

Version	Author/Updated by	Date Updated	Next Review Due
Version 1	Haddy Njie	April 2018	
Version 2	Haddy Njie	September 2019	
Version 3	Daniella Della-Cerra-Smith	April 2022	September 2022

## 1. Risk Management Strategy

### Purpose

- 1.1. The Risk Management Strategy (RMS) aims to support the strategic objectives of the business and sets out Transport for the North's (TfN) approach to risk management. It provides guidance in its application for the management of risk by describing TfN's:
  - Risk Management Process;
  - Risk Management Reporting;
  - Issues Management
- 1.2. The document is intended to act as a communication and management tool to ensure TfN's Programmes and Directorates have clarity regarding:
- 1.3. The Risk Management Processes to be adopted;
  - Scales of probability and impact and the tools to be used;
  - Reporting of risk and the timing of risk management activity.
- 1.4. Not all risks can be eliminated, but staff and senior management should be aware of the risks affecting TfN's Programmes and Directorates in order for the risks to be understood and, where possible, managed and mitigated.
- 1.5. The RMS supports key principles in the following ways:
  - **Building trust and respect:** by being open about our risks, we can build trust and respect
  - **Delivering our promises:** by managing risk we can deliver our commitments

## 2. Introduction to Risk Management

- 2.1. 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.
- 2.2. The focus of good risk management is the identification and management of risk. Management of risk involves the systematic application of methods and practices to the tasks of identifying, estimating, and evaluating risks. This in turn allows mitigation measures to be identified and implemented. This provides a disciplined environment for proactive decision-making.
- 2.3. The Risk Management Strategy will provide the framework for managing risk in a consistent manner and raises awareness of the need for effective risk management. Adopting the RMS will support the aim of integrating risk management into working arrangements so that risks are proactively identified and managed.
- 2.4. Furthermore, the approach to Risk Management will involve identifying and realising potential opportunities. This process is designed to encourage the consideration of opportunities and the communication of these within TfN.

### Benefits to Risk Management

- 2.5. Proactive Risk Management provides a number of primary and secondary benefits including:
  - Reduced exposure to the negative impacts of uncertainties;
  - Confidence in achieving targets and maximising outputs and outcomes through improved understanding of uncertainties;
  - Risks owned by parties and/ or individuals best able to manage them; and
  - Facilitation of effective communication across the organisation.

### Common Process Barriers

- 2.6. It is recognised that there are barriers and constraints common to the implementation and embedding of risk management.
- 2.7. The most common barriers to successful risk management are:
  - Lack of time or resources allocated to risk management;
  - Lack of risk strategy, process, or plans;
  - Lack of a senior risk champion;
  - Lack of training, knowledge or formal risk tools or techniques;
  - Lack of 'buy-in' from the teams;
  - Lack of clear guidance for managers or staff.
- 2.8. It is the responsibility of managers, assisted by the Risk Manager, to reduce the likelihood of encountering these barriers whenever possible. Where obstacles arise that are beyond the ability of the manager to address, it is important to



escalate it to the Risk Manager who will work with the Programme Manager to take appropriate action.

## Key Terminology

2.9. The key risk management terminology referred to in this document are as follows:

- **Risk:** Defined as an uncertain event or set of events that, should it occur, will have an effect on the achievement of objectives. Such an event that potentially creates a benefit for the organisation is termed as an opportunity (+ve risk) while an event with a potentially negative impact is viewed as a threat (-ve risk).
- **Risk Management:** The identification, evaluation, analysis, treatment and reporting of uncertainties, threats and opportunities associated with Project, Programme, Directorate and Portfolio objectives.
- **Risk Culture:** Refers to an organisation's set of attitudes, values, and knowledge of risk management. An effective risk culture rewards individuals for taking the right risks in an informed manner.
- **Risk Cause:** A description of the source of the risk, i.e. the event or situation that gives rise to the risk.
- **Risk Impact:** The extent of the adverse or positive effect on objectives.
- **Risk Proximity:** Defined as short-term, medium-term, and long-term, risk proximity is a prioritisation technique which assists risk owners in deciding the risks upon which to focus mitigation and management activity.
- **Risk Probability/ Likelihood:** The possibility of a risk event occurring.
- **Risk Score / Profile:** A comparative indication of how serious the risk is likely to be.
- **Inherent Risk:** Refers to the (gross) risk position. That is, before any mitigation measures / controls are in place.
- **Current Risk:** Refers to the managed level of risk. That is, the existing level of risk, taking into account current controls/mitigation measures put in place.
- **Target Risk:** Refers to the ultimate level of risk that is desired by the organization, when planned controls and mitigation actions have been implemented.
- **Mitigation:** Measures/ actions taken to reduce the possibility of the risk event occurring.
- **Secondary Risk:** Risk that arises as a result of implementing a particular risk mitigation measure.
- **Predict:** Risk management software implemented by TfN to record, review, update and manage all risks.
- **RAG:** Refers to a traffic light system (Red, Amber, Green) used in denoting the severity of a risk.
- **Risk Register:** The document which holds specific information regarding each risk associated with individual programmes/directorates.
- **Risk Reference:** The unique number given to each risk on the risk register.
- **Risk Owner:** The relevant individual with responsibility for ensuring identified risks are managed effectively in accordance with the RMS.

- **Risk Transfer:** The movement from a risk owner to another appointed owner who is better placed to manage the risk.
- **Risk Closeout:** Where a risk/ potential risk event is no longer valid and has been formally shutdown.
- **Early Warning:** An advanced indication that a potential risk is about to materialise, allowing appropriate measures to be adopted.
- **Qualitative Risk Report (QRR):** Refers to a detailed qualitative evaluation of risks on a programme. The report highlights the current risk position taking into account the spread of risks on a Probability and Impact Matrix.
- **Issue:** A risk that has materialised and which is affecting the programme, requiring immediate resolution through a management response.
- **Assumption:** A “logical belief” rather than a matter of proof. Assumptions may include exclusions from programme scope, estimates or budgets.
- **SWOT:** Strengths, Weaknesses, Opportunities and Threats – A strategic planning or evaluation technique.
- **PESTLE:** refers to Political, Economic, Social, Technological, Legal and Environmental – an analytical technique useful for decision-making.

### 3. Risk Management Process

- 3.1. The primary purpose of the Risk Management Process (RMP) is to identify the effect of uncertainty on programme and business objectives and to formulate and implement measures to reduce or optimise the effects. In addition, an appropriately functioning RMS is a key driver for fostering effective communication and decision-making.

#### Predict Software

- 3.2. Predict is the Risk Management system, which TfN has adopted to record, review update, and manage risks across the organisation from corporate to project and programme level. It provides a central location for Risk Management and provides visibility and transparency across the organisation.
- 3.3. Training for Predict is provided to new TfN employees. If there is a version update it is communicated to all users and training will be provided.
- 3.4. If staff have a query in regards to use of the system, they can email [risksystem@transportfornorth.com](mailto:risksystem@transportfornorth.com) for support.
- 3.5. All risks, issues, opportunities and actions are recorded into the Predict software and are reviewed and updated on a monthly basis during risk workshops. Progress comments should be provided as an audit trail.
- 3.6. Risk Management is an iterative process through which risks are continually identified, assessed, and managed. The process will be facilitated by the Risk Manager. The process is not dependent upon the Risk Manager's presence, and members of staff are encouraged to consider risk management throughout the delivery of their activities.
- 3.7. Adopting industry best practice, the Risk Management Process is subdivided into six key steps listed below:
- Contextual Analysis;
  - Identification of Risks;
  - Risk Evaluation;
  - Risk Analysis;
  - Risk Treatment;
  - Monitor & Control
- 3.8. Collectively, these steps form a logical sequence, necessary for the adoption of a robust approach to the implementation of risk management. As represented below, the steps are represented as an iterative process, as it will be common for the entire process to be completed a number of times during the life of a business activity.

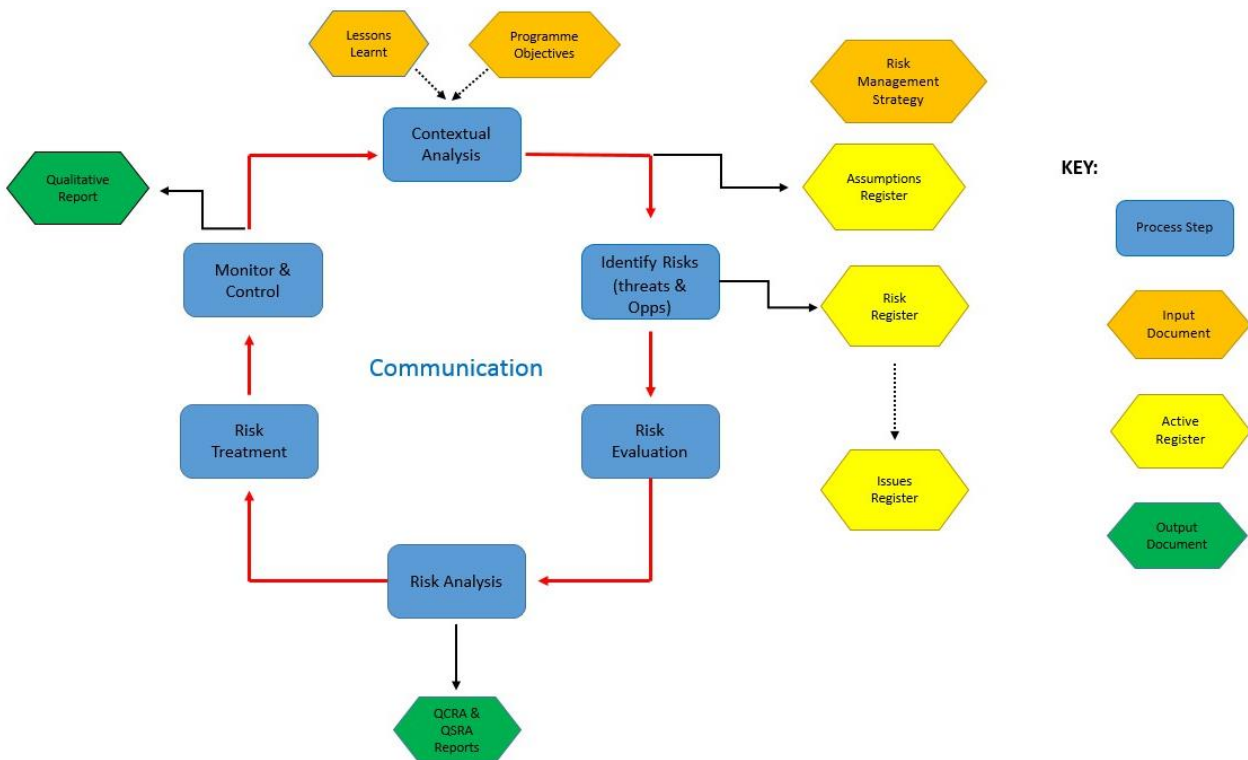


Figure 1: TfN's Risk Management Process

## Contextual Analysis

3.9. This step requires the manager to collate the maximum amount of information with regard to the scope of the activity, thus enabling the identification of risks that may have an impact upon TfN's objectives. Information collated will assist in defining appropriate probability and impact scoring.

## Identification of Risks (Threats & Opportunities)

3.10. Risk identification sets out to identify the exposure to uncertainty. This process should identify sources of risk (upside and downside) where these are deemed to have an effect. Risks will be identified against the explicit activity objectives identified during Contextual Analysis. As such, a comprehensive list of risks, known as a risk register, will be developed.

3.11. Opportunities need to be identified along with threats. Each item will be identified by category and given a distinct risk reference.

3.12. It is important that risk identification is conducted as a group activity that considers the opinions of relevant team members and, where appropriate, Subject Matter Experts (SME). This process should be facilitated by the Risk Manager (unless otherwise agreed with the Risk Manager).

## Risk Categories

3.13. The categorisation of risks in the table below will enable risks to be classified and assessed consistently across the organisation.

3.14. The following categories should be considered when assessing risks:

<b>Item</b>	<b>Risk Category</b>	<b>Description / Risks associated with</b>
<b>1</b>	Corporate Objectives	<ul style="list-style-type: none"> <li>• Corporate objectives relate to possible risks (threats and opportunities) that may either hinder or enhance the chances of successfully achieving TfN's business plan.</li> <li>• Risks such as funding / delivery management, integrated transport strategy and transport solutions</li> <li>• Reputation and political environments are also to be considered.</li> </ul>
<b>2</b>	Resources	<ul style="list-style-type: none"> <li>• Resources concentrate on the availability and engagement of appropriately skilled people (internal and external) and their ability to collaborate in the successful delivery of programmes.</li> <li>• Skills and experience, knowledge, and talent development of the existing workforce are all considered.</li> <li>• Tools including equipment, office space, IT, etc., are risks that also fall under this category.</li> </ul>
<b>3</b>	Commissioning, Commercial and Financial / Funding	<ul style="list-style-type: none"> <li>• Commissioning risks, include the ability to develop effective procurement and contracting strategies, and secure appropriate commercial agreements.</li> <li>• Commercial risks include an understanding of market or industry factors affecting the delivery and operations, and the contractual arrangements necessary to deliver successful outcomes.</li> <li>• Financial/ Funding risks include effective costing, budget estimating and cost control. Affordability and value for money are also key considerations, as well as the associated risks of the funding of projects and programmes.</li> </ul>
<b>4</b>	Technical Performance	<ul style="list-style-type: none"> <li>• Risks include the specification, design, build, commissioning and testing of project/ programme deliverables (e.g., new assets, processes, etc.)</li> <li>• Technical performance also includes how well the solutions are performing and delivering expected benefits.</li> </ul>
<b>5</b>	Public, Media and Stakeholders	<ul style="list-style-type: none"> <li>• Public, Media and Stakeholder related risks encompass the requirements and influences of Partners, Customers, Campaigners and associated reputational risks.</li> </ul>
<b>6</b>	Legislation and Regulation	<ul style="list-style-type: none"> <li>• These risks relate parliamentary/ legislative processes, and the requirements of central government and transport regulators that may possibly impact on TfN's objectives.</li> <li>• This category also includes the risk of changes in political policy, support, and regulations.</li> </ul>
<b>7</b>	Governance	<ul style="list-style-type: none"> <li>• The Governance category looks at the risks in relation to effective and efficient decision making, particularly in respect of TfN's responsibility as an STB for determining investment priorities across the North of England.</li> </ul>
<b>8</b>	Delivery Partners	<ul style="list-style-type: none"> <li>• This category includes for commissioning related risks in respect of TfN's relationships with its third-party delivery Partners, including Network Rail, Highways England, and HS2.</li> </ul>

		<ul style="list-style-type: none"> <li>• Interdependencies between the separate organisations' objectives and timescales are also considered.</li> </ul>
<b>9</b>	Service Delivery	<ul style="list-style-type: none"> <li>• Service delivery – or operational – risks include those factors that may hinder and/ or enhance TfN's current operations and future services.</li> <li>• In addition, service functionality and the opportunity to add value to customers and the wider public is also a consideration.</li> </ul>

Table 1: Risk Categories

3.15. Further risk categories may be established at any time in consultation with the Risk Manager.

### Risk Description

3.16. An accurate risk description (i.e. describing a risk in a structured manner) should be formed of three parts as follows:

- The Risk: Defined as an uncertain event or set of events that, should it occur, will have an effect on the achievement of objectives;
- Risk Cause: A description of the source of the risk, i.e. the event or situation giving rise to the risk;
- Risk Impact: The extent of the adverse or positive effect on objectives.

### Risk Evaluation

3.17. Risk evaluation is the process of assessing the probability and impact of individual risks. The exercise enables the risk identifier to prioritise risks in order to establish a most-to-least-severity ranking.

3.18. When a risk is identified, an estimate of the probability of the risk occurring and the likely impact needs to be determined.

3.19. Probability is the evaluated likelihood of the identified risk occurring.

3.20. Impact is the evaluated effect or result of a particular risk occurring. Impact should ideally be considered under the elements of:

- Time
- Financial
- Reputation
- Quality
- Benefit
- People/ Resource

3.21. For example, there may be a "Low" probability of damage to a relationship with a key delivery partner, but enormous reputation impact may result if the risk occurs. Conversely, a "High" probability risk of a systems failure may not have a major impact on the business.

### 5x5 Risk Matrix and Scoring

- 3.22. A Probability Impact Matrix (PIM), as illustrated below, is a tool that allows risk severity to be calculated. Risks are plotted according to the probability of occurrence and the impact upon an activity should the risk happen.
- 3.23. The qualitative risk ranking (risk score) will be generated by multiplying the probability with the maximum of the impacts for each risk. The risks with the highest scores will be reported for review and decision-making.

		THREAT SCORING					
PROBABILITY	75 – 100%	Very High 5	5	10	17	20	25
	51 – 74%	High 4	4	8	14	18	20
	26 – 50%	Medium 3	3	7	10	15	19
	6 – 25%	Low 2	2	6	8	11	17
	≤5%	Very Low 1	1	2	4	8	13
			Very Low 1	Low 2	Medium 3	High 4	Very High 5
		IMPACTS					

Table 2: Probability Impact Matrix for Risks

Score		Threat response
Very High	19 – 25	<b>Focus</b> Terminate, treat, transfer, fallback planning
High	14 – 18	<b>Control</b> Terminate, treat, transfer
Medium	7 – 13	<b>Control/ Monitor</b> Terminate, treat, transfer, tolerate
Low	1 - 6	<b>Monitor</b> Tolerate

Table 3: Threat Scoring

		OPPORTUNITY SCORING					
PROBABILITY	75 – 100%	Very High 5	-5	-10	-17	-20	-25
	51 – 74%	High 4	-4	-8	-14	-18	-20
	26 – 50%	Medium 3	-3	-7	-10	-15	-19
	6 – 25%	Low 2	-2	-6	-8	-11	-17
	≤5%	Very Low 1	-1	-2	-4	-8	-13
			Very Low 1	Low 2	Medium 3	High 4	Very High 5
		IMPACTS					

Table 4: Probability Impact Matrix for Opportunities

Score	
Very High	-19 - -25
High	-14 - -18
Medium	-7 - -13
Low	-1 - -6

Table 5: Opportunity Matrix

## Risk Analysis

- 3.24. As the organisation matures in its approach to Risk Management, further risk analysis will be undertaken to determine the aggregated effect of the threats and opportunities on an activity. This will include consideration of any interdependencies or mutual exclusivity between risks.
- 3.25. Detailed analysis will be conducted by way of a quantified risk assessment (QRA), using recognised risk tools and software with the capability to build probabilistic risk models to produce risk analysis and allow greater confidence in the assessment of risks. These analyses will be facilitated by the Risk Manager who will produce the QRA results.

## Risk Treatment (also referred to as Mitigation Actions)

- 3.26. This is the process of selecting the most suitable response strategy to the management of individual or groups of risks. These are applied to both threats and opportunities. Appropriate ownership will be identified in the risk register for all risks, together with the associated mitigating actions.
- 3.27. A mitigation response strategy is a key stage in the management of risks. It is the process by which a programme decides how and by whom risks will be managed. For example, programme teams may agree to transfer a particular risk from one team to another.

## Treatment Response Strategy (TRS) for Threats

TRS	Description
Tolerate	Accept the threat without any further action.
Treat	An action taken to minimise both the probability and impact of risk.
Transfer	Transfer risk to another programme / party.
Terminate	Choose a different option to completely eliminate the threat.
Share	Share the risk with another programme / third party.

Table 6: Treatment Response Strategy (Threats)

## Treatment Response Strategy (TRS) for Opportunities

TRS	Description
Enhance	Action taken to increase the probability or impact of the opportunity occurring.
Exploit	Take action to ensure the opportunity happens, and the outcome is optimised.
Share	Share the opportunity with another programme / third party.
Accept	Accept the opportunity and move on.

Table 7: Treatment Response Strategy (Opportunities)



## Monitor and Control

3.28. This is the process by which the risk planning measures are monitored and controlled. Usually conducted as part of regular risk reviews, the monitoring activity will enable the generation of Action Reports and an updated Qualitative Risk Report. The output of this process step will allow for corrective action to be taken should the risk planning measures be judged as not working effectively and thus further actions may be required.

## Risk Communication

3.29. In support of the six steps outlined above, the effective communication of risk is the process whereby risk information is shared amongst relevant parties in a consistent manner, thus promoting and enhancing a coordinated approach to Risk Management.

3.30. Any programme's exposure to risk evolves over its lifecycle and continuous effective communication is therefore critical to the identification of new threats and opportunities or changes within the programme. In particular, the identification of new risks depends upon the maintenance of good communication networks. It is imperative that management engages with staff across the programme and ensures stakeholders have:

- Clearly defined roles and responsibilities;
- Clear and precise understanding of the risk escalation channels;
- Good knowledge of transferred lessons learned.

## 4. Risk Reporting

- 4.1. An efficient and effective risk reporting process allows management to be informed regarding key threats and opportunities that requires attention at a higher level, and the results of the risk assessments may be presented in a variety of formats depending on the stakeholder audience and reporting needs. Generally, key risks are presented in the form of graphs and tables with the most probable outcome plotted for a range of values and probabilities.
- 4.2. The reporting structure shown below outlines the different reporting audiences for the reporting of risks. It is important to note that given the unique nature of TfN's various programmes and governance structures, there are some projects and programmes that report risks through external governance such as the NPR Working Group and Programme Board. However, as a corporate body, the overarching risk reporting diagram illustrates the required risk governance that the organisation has adopted.
- 4.3. For governance and transparency reasons, programme risks will be managed and reported within programmes. As 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 Operating Board as risks requiring corporate focus. Furthermore, critical challenges and issues which may require the attention of senior executives will be escalated to TfN's Operating Board (OBT).
- 4.4. In accordance with Transport for the North's constitution, paragraph 19.3 makes TfN's Finance Director is "responsible for discharging the functions of the responsible financial officer under the Accounts and Audit (England) Regulation 2015, including ensuring risk is appropriately managed". Furthermore, paragraph 63.4.11 emphasises that "the Operating Board manages the risk management arrangements to ensure the appropriate management of risks" is in place across the organisation. Consequently, programme and corporate risks will be reported to TfN Operating Board to assist decision-making and to allow it to consider the reporting of risks to our members and partners.
- 4.5. Conversely, it is imperative for strategic risks identified at the corporate level to be shared across programmes to ensure a "bottom up" and "top down" risk awareness prevails.

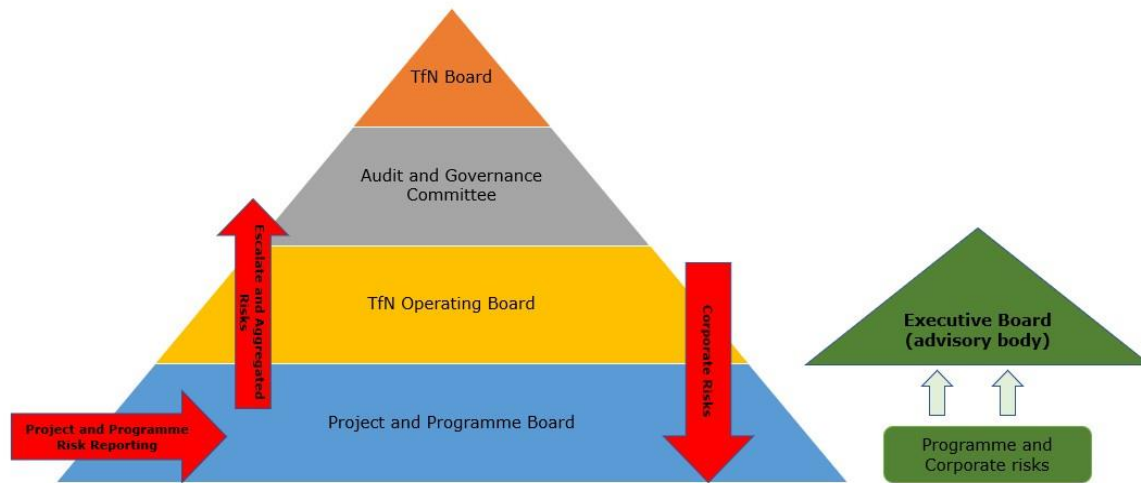


Figure 2: TfN's Reporting Structure

- 4.6. **Project and Programme Board** - Based on an agreed tolerance, the programme teams must report high severity risks that might impact the delivery of programme objectives to their respective board members.
- 4.7. **Operating Board** - On a periodic basis, key significant risks across all programmes will be reported to OBT to ensure there us transparency and visibility of programme risk exposures and if required make informed decisions to mitigate reported risks.
- 4.8. **Audit and Governance Committee (AGC)** - TfN's corporate and key programme risks are reported to the AGC to provide assurance to the committee that risks, and challenges related to the programmes are being recognised, analysed, and robustly managed.
- 4.9. **TfN Board** - The ultimate decision-making body with regard to Transport for the North activity. As a result, TfN's corporate risks will be shared to the Board.
- 4.10. Qualitative risk management reporting will be produced after each risk assessment/ review.
- 4.11. The guiding principles are that reporting will be:
  - Understandable
  - Recognisable
  - Concise
  - Logical
  - Consistent
- 4.12. The below table outlines how risks will be reported internally. It summaries the key risk documents, the target audience, and the responsible owner(s) to ensure they are disseminated in a timely manner.

Document	Target Audience	Schedule	Author/Responsible
Risk Register	Programme Teams OBT	Ongoing	Risk Manager
Risk Dashboard & Key Risks	Programme Teams/EB/PB	Monthly	Risk Manager
Programme Key Risks	OBT	Monthly	Risk Manager
Qualitative Risk Report (QRR)	OBT	Quarterly	Risk Manager

Table 8: TfN's Internal Risk Reporting

The following Responsible, Accountable, Consulted, and Informed (RACI) chart shows the distribution of responsibilities and sets out who should be notified when one of the following risk reports is to be generated.

Risk Document	Responsible	Accountable	Consulted	Informed
Programme Risk Monthly Report	RM	PD	PT	PD
Risk Register	PM / RM	PM	PT	PD
Risk Mitigation	PM	PM	PT	PT
Early Warning	PM	PM / PT	RM	RM
New Risk	PM	PM / PT	PT	PT
Risk Transfer	PM	PM	PT	PD
Risk Dashboard/ Key Risks	RM	RM	PM	EB/PB / SMT
Quarterly Qualitative Risk Report	RM	RM	PT	SMT

**Key:**

- EB Executive Board
- PB Programme Board
- RM Risk Manager
- PM Project Manager
- PT Programme Team
- PD Programme Director
- SMT Senior Management Team

Table 9: Risk RACI Chart

## 5. Issue Management

- 5.1. Issue management plays an important part in TfN’s risk management approach. An issue arises when a risk has crystallised or materialised and the actual event is known and currently occurring or has a 100% probability of happening unless action is taken immediately.
- 5.2. When a group of high severity risks are judged as issues, it is a requirement for the programme team to report the issues to TfN’s Operating Board.

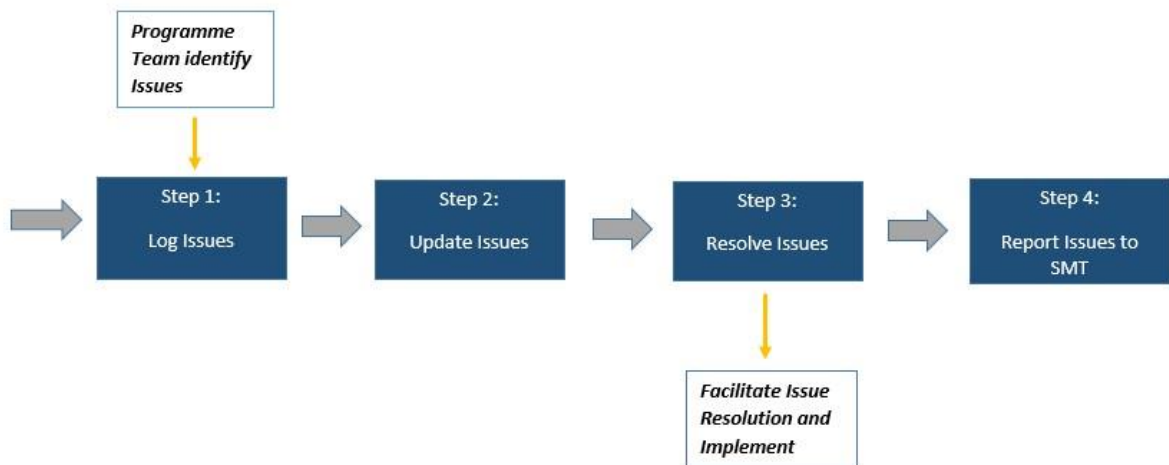


Figure 3: Issues Reporting

- 5.3. The following Responsible, Accountable, Consulted, and Informed (RACI) chart shows the distribution of responsibilities with the following issues reporting.

Issue Document	Responsible	Accountable	Consulted	Informed
Issue Register	PM / RM	PM	PT	PD
Issue resolution	PD	PD	PT	PM / PT
Issue Reporting	RM	PM / RM	PT	SMT
Issue Report	RM	RM	PT	PT / SMT

**Key:** RM Risk Manager  
 PM Project Manager  
 PT Programme Team  
 PD Programme Director  
 SMT Senior Management Team

Table 10: Issues RACI Chart

### Issue Management Process

- 5.4. As depicted below, the Issues Management process diagram depicted below follows a cyclical process with five discrete steps. The results from these steps are stored in the Programme Issues Register. The Programme Management Group will monitor the effectiveness of the issues process as a whole and will modify this procedure as appropriate as the organisation develops.

- 5.5. The Issues Management process will focus on critical issues, also known “showstoppers”. A showstopper is an event that is serious enough to halt an activity or a programme.
- 5.6. Unlike risk ranking, all critical issues will be treated as very significant (i.e. Very High) including those requiring external interface and internal resolution. Individual reviews will be held on a regular basis with issue owners to update the status of the issues.

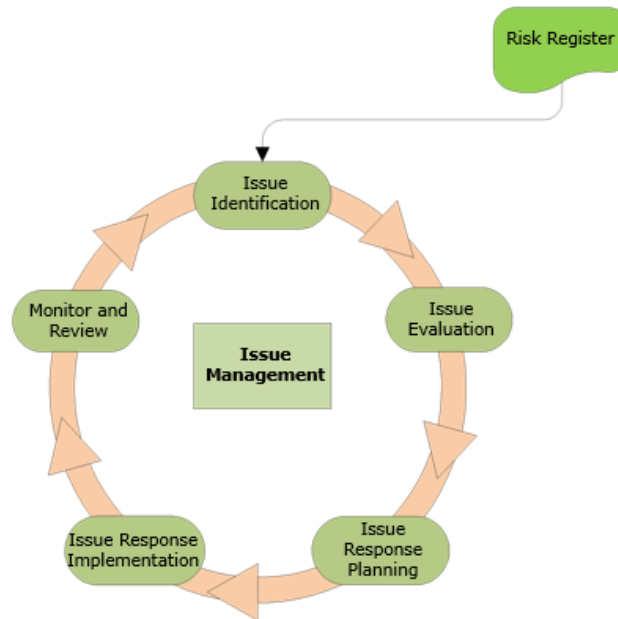


Figure 4: Issues Management Process

- **Issue Identification:** the process by which issues are identified and recorded in an Issues Register. An event can either be identified originally as an issue or as a form of crystallised risk.
- **Issue Evaluation:** the process by which identified issues are analysed based on the information known. The output of this evaluation greatly assists in determining the appropriate management response strategy.
- **Issue Response Planning:** the creation of appropriate management response to the issues evaluated.
- **Issue Response Implementation:** the process by which management puts a response strategy in place to tackle the identified issues. Including the dissemination of mitigation strategies and the allocation / implementation of required responses.
- **Monitoring and Review:** This component enables the management team to evaluate the effect of the response strategy implemented. That is, the effectiveness of the mitigation strategies and actions is monitored.

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## 7. Appendices

### Appendix 1: 5x5 Threat and Opportunity Scoring Criteria

#### 5 x 5 Threat Impact Scoring Criteria

Likelihood Criteria	Very Low	Low	Medium	High	Very High
	≤5%	6-25%	26-50%	51-74%	>75%
Impact Criteria	Very Low	Low	Medium	High	Very High
<b>Cost (Tier 1 - £0-£2m Budget)</b>	£0 - £10k	£10k - £20k	£20k - £50k	£50k - £80k	£80k - £100k
<b>Cost (Tier 2 - £2-6m Budget)</b>	£0 - £40k	£40k - £80k	£80k - £200k	£200k - £320k	£320k - £400k
<b>Cost (Tier 3 - £6-14m Budget)</b>	£0 - £100k	£100k - £200k	£200k - £500k	£500k - £800k	£800k - £1m
<b>Reputation</b>	Minimal negative local media coverage quickly remedied /loss of trust and credibility	Minor negative local media coverage quickly remedied /loss of trust and credibility	Moderate negative regional media coverage/loss of trust and credibility	National short – term negative media coverage/considerable loss of trust and credibility	National long – term negative media coverage, significant loss of trust and credibility
<b>External Relationship</b>	Minimal strained relationship with partners/third parties	Minor strained relationship with partners/third parties	Moderate strained relationship with partners/third parties	Evidence of relationship issues with partners/third parties	Severe relationship issues with partners/third parties
<b>Quality</b>	Work is fit for purpose but may require minimal changes	Work is fit for purpose but may require minor changes	Moderate changes or specialist resource required to provide high quality outputs	Scope changes required to provide high quality outputs	Project outputs are not credible/robust, with no assurance and partners do not endorse reports
<b>Time</b>	0 – 1 month	1 – 3 months	3 – 9 months	9 – 12 months	12 – 18 months

#### 5 x 5 Opportunity Scoring Criteria

Likelihood Criteria	Very Low	Low	Medium	High	Very High
	≤5%	6-25%	26-50%	51-74%	>75%
Impact Criteria	Very Low	Low	Medium	High	Very High
<b>Cost (Tier 1 - £0-£2m Budget)</b>	£0 - -£10k	-£10k - -£20k	-£20k - -£50k	-£50k - -£80k	-£80k - -£100k
<b>Cost (Tier 2 - £2-6m Budget)</b>	£0 - -£40k	-£40k - -£80k	-£80k - -£200k	-£200k - -£320k	-£320k - -£400k
<b>Cost (Tier 3 - £6-14m Budget)</b>	-£0 - -£100k	-£100k - -£200k	-£200k - -£500k	-£500k--£800k	-£800k- -£1m
<b>Reputation</b>	Minimal positive local media coverage/ increase of trust and credibility	Minor positive local media coverage/increase of trust and credibility	Moderate positive regional media coverage/increase of trust and credibility	National short – term positive media coverage/considerable increase of trust and credibility	National long – term positive media coverage, significant increase of trust and credibility.
<b>External Relationship</b>	Minimal increase in TfN's relationships with partners/third parties	Minor increase in TfN's relationships with partners/third parties	Moderate increase in TfN's relationships with partners/third parties	There is considerable evidence that TfN's relationships with partners/third parties is increasing	Relationships with partners/third parties significantly increased, benefitting TfN's credibility
<b>Quality</b>	Work is high quality with minimal changes	Work is high quality with minor changes	Moderate changes and no additional specialist resource to provide very high-quality outputs	Scope changes not required to exceed high quality outputs	Exceeds credible/robust project output expectations, with assurance & partners endorse reports
<b>Time</b>	0 – -1 month	-1 – -3 months	-3 – -9 months	-9 – -12 months	-12 – -18 months



## Corporate Risk Register - May 2022 Key Changes

- 1.** A thorough risk review has been conducted across TfN. All risks have been rearticulated/reassessed in line with the transition to the 5x5 risk matrix, updated scoring criteria, post IRP position, change in TfN's organisational environment and reduction in funding allocation. All actions have been reviewed and updated and new actions have been put in place where required.
- 2. TCR01** COVID 19, closed risk theme Covid restrictions have been lifted, TfN offices are now open and recovery phase has commenced.
- 3. TCR02** Reputational, Political Engagement and Effectiveness, risk factor 1 has closed (Central Government's intention with regards 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). Closed as departments commitment to STB's is clear. New risk raised in relation to potential for material change in government's commitment to STB's. Risk factor 2 closed (TfN's ability to produce a robust budget), closed as funding allocation received in Feb 22. Interim budget now been produced. Final budget to be produced June 22. Risk factors 3 and 4 remain open and have been rearticulated and reassessed. New risk identified - TfN are unable to provide one voice for the North.
- 4. TCR03** Embedding strategic Transport Plan across programmes, risk factor 1 has been re-articulated and reassessed (Inconsistency between the second STP policy positions and delivery of TfN workstreams). Quality impact has been assessed. New risk identified - TfN unable to produce a second STP that is acceptable to both the TfN board and government.
- 5. TCR04** Delivery of robust and compelling evidence to support investment programmes, TfN might be unable to make a timely, robust, credible, evidence-based case for investment in transport. Risk has been re-articulated and reassessed. Quality impact has been assessed.
- 6. TCR05** Transport Decarbonisation and Climate Change, risk factor 1 has been re-articulated and reassessed. Risk factor 2, TfN's Investment Programme is misaligned to the agreed Decarbonisation Trajectory has been closed, risk to be managed at programme level. Transferred to Strategy function.
- 7. TCR06** TfN operations, replaced with 2 new themes; funding and resources, risk factor 1 (TfN fails to deliver value for money in all areas within the funding allocation) has been transferred to funding theme, rearticulated and reassessed. Risk factor 2 has closed Interim budget now been produced. Final budget to be produced June 22. Risk factor 3, (TfN unable to recruit and retain suitable staff) has transferred to resources theme, re-articulated and reassessed.
- 8. TCR07** TfN compliance and relevant Laws and Regulations, Risk reassessed, and actions reviewed.
- 9. TCR08** Northern Powerhouse Rail Business Case Delivery Programme Development, closed Feb22. IRP has been published. NPR will transition to a single client arrangement, with the single client being DfT, and a co-sponsorship arrangement between DfT and TfN from 1st April 2022. TfN overarching objectives in relation to NPR need to be reconsidered and agreed with the board
- 10. TRC09** Rail Operations – Franchise Management and investment, Risk factor 1, 2, 3 re-articulated and reassessed. Risk factor 4 (existing government commitments on TRU are re-opened) risk closed and now being actioned as part of the co-sponsorship arrangement.

**11.** 5 new risk themes have been identified based on risk reviews conducted across the organisation and in line with TfN's organisational environment moving forward.

- TfN cyber security,
- Co-Sponsorship,
- Technical appraisal, modelling and economics (TAME), includes 3 risk factors and 1 opportunity,
- TfN Funding,
- TfN Resources.