

Transport for the North Audit & Governance Committee Agenda

Date of Meeting	Thursday 14 July 2022
Time of Meeting	11.00 am
Venue	Holiday Inn Manchester, 25 Aytoun Street, M1 3AE

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Item No.	Agenda Item	Page
1.0	Welcome & Apologies The Vice-Chair to welcome Members to the meeting.	Verbal Report
2.0	Declarations of Interest Members are required to declare any personal, prejudicial, or disclosable pecuniary interest they may have relating to items on the agenda and state the nature of such interest.	Verbal Report
3.0	Minutes from the Previous Committee To 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
4.0	Appointment of the Audit & Governance Committee Chair To elect, from the current Independent Members, a new Chair of the Audit & Governance Committee.	15 - 16
5.0	2022/23 Budget & Business Plan As presented to and approved by TfN Board on Thursday 30 June 2022 and included to frame the financial environment for the year.	17 - 32

6.0	Monthly Operating Report (May 2022) To note and discuss the Transport for the North Monthly Operating Report.	33 - 52
7.0	Draft Statutory Accounts To note and discuss Draft Statutory Accounts for 2021/22. Statutory Accounts (inc AGS) Summary Slidepack	53 - 158
8.0	Internal Audit Update To note the reports from RSM Risk Assurance Services - Follow Up Audit - Progress Report	159 - 184
9.0	External Audit Update To note the report from Mazars - Audit Strategy Memorandum	185 - 230
10.0	Risk Management To confirm satisfaction with the progress of the Risk Management Strategy and the Corporate Risk Register updates.	231 - 290
	Close of Meeting	

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:

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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Meeting:	Audit and Governance Committee
Subject:	Appointment of New Chair of Audit and Governance Committee and recruitment for an Independent Member
Author:	Julie Openshaw, Head of Legal
Sponsor:	Paul Kelly, Interim Finance Director
Meeting Date:	Thursday 14 July 2022

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

Meeting: Transport for the North Board

Subject: TfN Budget and Reserve Strategy 2022/23

Author: Paul Kelly, Interim Finance Director

Sponsor: Martin Tugwell, Chief Executive

Meeting Date: Thursday 30 June 2022

1. Purpose of the Report:

- 1.1 This report sets out TfN’s financial operating environment, and the budgets that will support delivery of the TfN business plan for 2022/23 and beyond. These budgets are underpinned by a reserve strategy, which serves as TfN’s back-stop mitigation against financial risk.

2. Recommendations:

- 2.1 It is recommended that TfN Board:
- a) Approves the Budget as presented in this report;
 - b) Approves the transfer of the earmarked devolution reserve of £0.5m to general reserve. This activity would be considered alongside normal business planning;
 - c) Approves the reserve strategy as presented in this report; including the use of reserves in 2022/23 of £1.7m;
 - d) Notes the Outturn reserves as detailed in section 7.10; and
 - e) Notes that the staffing numbers included within this report are projected and subject to on-going UNISON and employee consultation.

3. Executive Summary

- 3.1 Financial year 2022/23 represents the fifth period over which Transport for the North (TfN) has existed as a statutory sub-national transport body (STB). The proposed budget for 2022/23 is £16.5m.
- 3.2 As previously reported to the Board, TfN received its funding allocation from the Department for Transport (“DfT”) on 14 February 2022 that set out a reduced funding envelope for 2022/23 compared to TfN’s CSR submission but an increase on the funding allocation of 2021/22.
- 3.3 The TfN remit for 2022/23 includes the delivery of core duties and hosted services. TfN proposes a gross budget for the year of £16.52m, inclusive of expenditure slipped from 2021/22 of £0.1m.

The following summarises the budget against activity.

	22/23
	£m
Operational Areas	8.84
Rail North Partnership	1.60
NPR Analytical Support	5.66
NPR Closure Costs	0.41
	16.52

The following summarises the budget by cost type.

22/23	
Budget	
Total by Cost Type	£m
Staff	7.31
Staff Support	0.35
Business Infrastructure	1.33
Discretionary Spend	6.09
	15.07
Transition costs	1.44
Total:	16.52

3.4 The budget is funded through a number of sources as detailed below:

22/23	
Budget	
Funding	£m
Core grant	6.50
In-Year funding	0.34
Use of Reserves	1.66
	8.50
Contract Income*	0.04
Rail North Grant/Local Contributions*	0.30
Core Duties	8.84
<i>Hosted Services:</i>	
TDF Rail Modelling	5.66
Rail North Partnership Grant	0.96
Rail North Grant/Local Contributions*	0.35
Contract Income*	0.29
NPR Closure Settlement	0.41
Hosted Services	7.68
Total Resource	16.52

*Revenue partly funds Core activities

3.5 As previously discussed with the Board members, TfN's Budget and Business Planning processes this year needs to reflect:

- The level of funding available to TfN;
- The request from DfT to provide the Analytical modelling function for NPR; and
- The change in TfN's role in relation to Northern Powerhouse Rail – from Co-client to Co-sponsor.

Whilst there is no change in TfN's statutory role as a Sub-national Transport Body, the Budget and Business Planning processes have required a review of activities, to ensure that they are focused on TfN's core responsibilities and role and are affordable.

- 3.6 Given the uncertainty regarding future funding ahead of last year's Spending Review, since last summer the Executive has been proactively managing the establishment. The use of fixed term contracts and holding vacancies enabled on-going liabilities to be managed whilst enabling TfN to continue to deliver an extensive programme of technical work. This proactive approach, coupled with applications for Voluntary Redundancy (eight offers made and accepted), will enable the reshaping of TfN to take place more quickly than would otherwise have been possible, noting that all proposed changes to TfN's structure and individual job roles will be subject to full and meaningful consultation with employees affected and TfN's recognised Trade Union, UNISON.
- 3.7 In reshaping and reducing the establishment, the Executive will ensure that TfN is both capable of delivering its priority areas of activity and affordable in the medium-term. A guiding principle throughout has been a focus on retaining (and in some instances increasing) the technical capacity and capability. At the same time, given that TfN moving forward will be a smaller and less complex organisation, the opportunity has been taken to reduce support functions.
- 3.8 Focusing on investing in TfN's technical capacity and capability means that the budget for commissioning specialist advice from consultants can be reduced significantly.
- 3.9 The key planning assumptions that underpin the Budget include:
- DfT core funding levels assumed to continue at £6.5m for this spending review period;
 - In-year funding of £336k secured in autumn 2021 is for 2022/23 only;
 - To mitigate against higher cost interim solutions, future appointments to TfN will be on a permanent basis unless circumstances are such that fixed term contracts are more appropriate;
 - Employee costs to increase in line with existing terms and conditions;
 - Cost of living increase assumed at 3% per annum;
 - The majority of voluntary redundancies are assumed to be made on or before 1 July, but a limited number deferred until 30 September and 30 October to allow business continuity. These dates may vary based on operational roll out;
 - Closure of the Leeds office – this is budgeted to be vacated before the end of Q2/September 2022;
 - Retention of Manchester office – current lease runs until December 2023: a review of future accommodation requirements will be undertaken as part of Business Planning for 2023/24; and
 - Discretionary/commission costs from 2023/24 onwards anticipated to be capped at c£0.7m plus VAT going forward (consistent with the focus on investing in retaining TfN's technical capability and capacity).
- 3.10 TfN is funded almost wholly by Government and continuing uncertainty during 2021/22 over future funding caused some of our planned activity to slow down or be rescheduled. Therefore, much of last year's planned recruitment was put on hold. As a result, TfN's staff numbers varied between 105-110 in the second half of 2021/22, averaging 25-30 vacant posts.
- 3.11 The funding settlement for 2022/23 required a material cost reduction, alongside the TUPE transfer of the Co-client North Powerhouse Rail Team (circa 17 Posts) to the DfT in April 2022 following publication of the Integrated Rail Plan with a further 24 FTE posts ring-fenced to deliver a dedicated analytical "hosted service" to DfT for FY2022/23 (circa 30% reduction to TfN's core people establishment). This context has naturally shaped our approach to resource planning which seeks to ensure TfN

continues to progress and organise itself to best meet our organisational priorities and objectives, which are directed and approved by TfN's Board.

- 3.12 Our approach to people resourcing reflects the financial constraints within which we operate, with a proposed circa 38 post reduction in our established posts alongside a review and re-alignment of our Senior Management Structure which will be implemented during quarter 2/3 of this financial year. As part of that review it is proposed that the number of Directors will be reduced from 8 to 5 (including CEO and Rail North Partnership director), with a realignment of the reporting lines for individual teams to reflect that proposed reduction. It should be noted that all proposed changes to TfN's structure and individual roles will be subject to full and meaningful consultation with employees affected and TfN's recognised Trade Union, UNISON.
- 3.13 We have sought to manage the required reduction in the previous establishment of 137 posts in 2021/22 through removal of vacant posts where possible, noting also the change in terms of the 41 posts (circa 30%) affected by the NPR Team TUPE transfer or the move to the dedicated analytical service to DfT. However, as previously advised to the Board, the scale of reductions and proposed re-organisation will necessitate both voluntary and possibly compulsory redundancies. As part of this process TfN is also undertaking a grading and evaluation exercise to ensure that pay and grading levels across TfN remain robust aligned to TfN's future operating model and organisational remit. The Board will be kept informed of the outcome of this exercise as necessary.
- 3.14 This Budget and associated Business Planning is based on our proposed establishment for 2022/23 being 103 roles of which 41 are within hosted activities, comprising 17 posts in the Rail North Partnership team and 24 posts within the NPR Tame Analytical Modelling team. Within the 62 core funded roles, priority has been given to retaining technical capability and capacity. This will be a second year of workforce reductions across the organisation and will see TfN's core service establishment reduced by 57% (83 posts) and overall total establishment by 36% (58 posts).
- 3.15 Transition costs represent estimated one-off costs relating to staff who will be displaced either through redundancy (voluntary or potentially compulsory). These include redundancy terms and notice periods commensurate with an individual's terms and conditions of employment. These costs are effectively crystallising a future liability that would only be avoided if the individual was retained in the organisation and chose to resign at a point in the future that suited their individual circumstances. Therefore, the transition cost is a cost of implementing the optimal solution for TfN, any other solution being sub-optimal. The proposed approach, which crystallises a future cost, allows the wider structure to be implemented with immediate effect and allow focus on business plan activities.
- 3.16 The key factor affecting TfN budgeting and funding on a medium-term basis is a cost base that is subject to inflation with an assumed core funding allocation that is not inflation linked. This will be an increasing issue to mitigate going forward as we effectively make a large proportion of our costs non-variable/staff based with limited flexible discretionary/commission based spend (as detailed above). Recruiting staff on a permanent basis is a better value for money proposition compared with the continued use of interim or consultant-based resourcing solutions.
- 3.17 Based on the new operating model, which places more emphasis on investing in retaining TfN's technical capacity and capability, a subsequent reduction in commissioned activity and the challenge of an unindexed grant allocation with a cost base subject to inflationary pressure, the minimum reserve has been retained at its current levels.

- 3.18 On this current trajectory, TfN will encounter sustainability issues in the medium-term as the ability of the brought forward reserve to accommodate ongoing activity is placed under pressure. Due to the assumptions around staff levels, staff cost increases, the move to a resource based operating model and an unindexed core grant, the draw in 2025/26 would be significantly higher than in earlier years and, all else being equal, forecast a reserve level below the minimum reserve. Many of these pressures are not unique to TfN and will require the Executive to work with the DfT as potential solutions are looked at ahead of a future Spending Review.
- 3.19 As discussed previously with Board members the Business Planning process used the 'golden thread' from strategy to implementation that continues to define TfN's work. This ensures that detailed individual departmental plans are aligned to a common and coordinated approach to delivery across the organisation. These common goals are what underpin the expenditure profile and budget for 2022/23.
- 3.20 The Executive have in place specific monitoring arrangements that will ensure progress against the Budget monitored and allow potential variances to be identified and managed to ensure that momentum in delivering the objectives set out in the business plan is maintained.

4. Operating Environment:

- 4.1 TfN's financial affairs are shaped by its operating environment. Parameters are set by the way in which the organisation is funded, and the practical consequences of certain limitations that are not common to local and combined authorities.
- 4.2 These limitations affect the organisation's approach and ability to access funds to manage risk. Unlike most partner authorities, TfN cannot access credit in the form of loans for capital investment and overdrafts to manage short-term cash flow fluctuations. In addition, it cannot levy or precept upon local tax bases to manage longer-term requirements as a council or local transport authority would.
- 4.3 These limitations mean that careful management is required in order to avoid insolvency risk: that is, ensuring TfN maintains sufficient cash and the resource to meet our liabilities. The need for careful management is increased by TfN's inability to recover VAT, which means that it is exposed to higher costs without an associated increase in its resources.
- 4.4 These issues emphasise the importance of risk management when developing budgets, particularly the need for focused cost transparency, and alignment of costs to funding streams. In particular, it underscores the importance of managing resource to ensure TfN protects funding streams which afford TfN flexibility.
- 4.5 Due to the conditions placed upon the discrete grants which fund hosted activities, discretionary resource is limited to TfN's annual Core grant (increased by £0.5m to £6.5m in 2022/23 with a recognition that co-sponsor arrangements could cost in the region of £0.4m) and the deployment of the reserve created from underspends against this grant in prior years. This grant, and the reserves that flow from it, must also be used to mitigate the insolvency risk to which TfN could otherwise be exposed.
- 4.6 The key factor affecting TfN budgeting and funding on a medium-term basis is a cost base that is subject to inflation with an assumed core funding allocation that is not inflation linked. This will be an increasing issue to mitigate going forward as we effectively make a large proportion of our costs non-variable/staff based with limited flexible discretionary/commission based spend (as detailed above). Based on our three-year budget planning assumptions recruiting staff on a permanent basis is a better value for money proposition compared with the continued use of interim or consultant-based resourcing solutions.

4.7 This approach is complemented by the manner in which TfN manages its discrete grant streams. 'Discrete' grant streams refer to funding which is restricted to certain activity.

5. Budget Structure:

5.1 In previous years TfN had a remit that included significant programme delivery. Previous budgets were therefore structured with a distinction between programme and operational activities.

The transfer of the NPR programme to DfT, coupled with reduced core funding levels, and the agreement to provide a ring fenced funded analytical service in support of DfT's NPR programme using resources hosted by TfN, has provided the opportunity to re-present the budget structure.

5.2 Organisational operational expenditure consists of those costs incurred in the delivery of the ongoing business of TfN, the infrastructure required of any public body, and the supporting functions that enable TfN to deliver upon its programmes of activity and broader aspirations.

5.3 The "hosted" services include Rail North Partnership and those analytical modelling services provided to DfT in support of the NPR outline business case.

5.4 The Rail North Partnership team is hosted by TfN and manages the northern rail franchises on behalf of the Secretary of State. TfN's Strategic Rail team which advises the Rail North Committee on franchise matters, is captured within operational activities above.

5.5 Drawing a differentiation between operations and hosted activities in this manner assists TfN in the management of its financial affairs and HR strategy as it aligns activities to funding streams.

5.6 The budget structure is aligned to how activities are funded. Hosted activities are funded by discrete grants awarded by DfT. Conversely, the varied business functions of TfN within the operations element of the budget structure must be funded from the finite £6.5m Core grant, over which TfN has discretion on its application and its historic reserves.

6. Budget 2021/22 Background:

6.1 As previously discussed with the Board members, TfN's Budget and Business Planning processes this year needs to reflect:

- The level of funding available to TfN;
- The request from DfT to host a dedicated Analytical modelling function for NPR; and
- The change in TfN's role in relation to Northern Powerhouse Rail – from Co-client to Co-sponsor.

Whilst there is no change in TfN's statutory role as a Sub-national Transport Body, the Budget and Business Planning processes have required a review of activities, to ensure that they are focused on TfN's core responsibilities and role and are affordable.

6.2 Given the uncertainty regarding future funding ahead of last year's Spending Review, since last summer the Executive has been proactively managing the establishment. The use of fixed term contracts and holding vacancies enabled on-going liabilities to be managed whilst enabling TfN to continue to deliver an extensive programme of technical work. This proactive approach, coupled with applications for Voluntary Redundancy (eight offers made and accepted), will enable the reshaping of TfN to take place more quickly than would otherwise have been possible, noting that all proposed changes to TfN's structure and individual job roles will be subject to full and meaningful consultation with employees affected and TfN's recognised Trade Union, UNISON. Only once all such consultation processes are

concluded can actual establishment numbers be confirmed, and the full establishment profile reported back to the Board.

- 6.3 In reshaping and reducing the establishment, the Executive will ensure that TfN is both capable of delivering its priority areas of activity and affordable in the medium-term. A guiding principle throughout has been a focus on retaining (and in some instances increasing) the technical capacity and capability. At the same time, given that TfN moving forward will be a smaller and less complex organisation, the opportunity has been taken to reduce support functions.
- 6.4 Focusing on investing in TfN's technical capacity and capability means that the budget for commissioning specialist advice from consultants can be reduced significantly.
- 6.5 As reported at the CEO consultation call on 23 February 2022 and the TfN Board meeting on 30 March 2022, TfN received its funding allocation from the department on 14 February. This included:
- A one-year Core allocation of £6.5m including £0.4m to cover DfT's estimate of TfN undertaking its role of NPR Co-sponsor.
 - DfT confirming that it would like TfN to continue to provide analytical support to the NPR programme.
 - Confirmation that the Rail North Partnership Grant will remain at current levels, subject to indexation and confirmation from DfT regarding any additional posts. TfN will also continue to receive Rail Administration Grant and local authority member contributions to resource Rail North Partnership and Strategic Rail activity.
 - Confirmation that DfT will fund NPR wind down costs.
- 6.6 In addition, the meetings noted:
- An incremental grant allocation of £336,000, the majority of which was anticipated to be expended in 2022/23.
 - The 40% cut to Core funding that was received in January 2021 had been mitigated, with the assistance of DfT, by £1.5m of recharges into the NPR programme and by the release of £2.5m of reserves. Neither of these were now possible given the change in working arrangements post-IRP. As a consequence, the full impact of the FY2021/22 funding cuts would now flow through into the organisation and require a material reduction in activity and expenditure from previous years.
 - The requirement to utilise reserves in 2022/23 to meet transition costs incurred in moving to a sustainable organisational structure and that this value would be firmed up during the process to finalise the 2022/23 Business Plan and Budget.
- 6.7 An interim budget for Quarter 1 was agreed by the Board at its meeting on 30 March therefore providing time to complete the business planning and budget processes for conclusion at the June 2022 Board meeting.
- 6.8 On 25 April the CEO took Board members through the proposed priority areas of work and key deliverables. Following the endorsement of those proposals, the Executive has used them to guide the Business Planning process that includes the programmes of activity that will deliver the key priorities, but also the role of the organisation: what it will do, and how it will do it. That business plan in turn drives the proposed resourcing and financial plans for the organisation, resulting in the annual budget.
- 6.9 Following an iterative process, the Budget being presented aligns the available resource to key priorities. The budget itself is differentiated between the costs incurred in running TfN and the costs of delivering hosted services. This is reflective of the different governance arrangements around these activities.

7. 2022/23 Budget

7.1 Based on the above operating and funding environment, a number of budget and planning assumptions were made in order to propose a sustainable budget for the medium term/next three years. These included:

- DfT core funding levels assumed to continue at £6.5m for this spending review period;
- In year funding of £336k secured in Autumn 2021 for 2022/23 only;
- To mitigate against higher cost interim solutions, future appointments to TfN will be on a permanent basis unless circumstances are such that fixed term contracts are more appropriate;
- Employee costs to increase in line with existing terms and conditions;
- Cost of living increase assumed at 3% per annum;
- The majority of voluntary redundancies are assumed to be made on or before 1 July, but a limited number deferred until 30 September and 30 October to allow business continuity. These dates may vary based on operational roll out;
- Closure of the Leeds office – this is budgeted to be vacated before the end of Q2/September 2022;
- Retention of Manchester office – current lease runs until December 2023: a review of future accommodation requirements will be undertaken as part of Business Planning for 2023/24; and
- Discretionary / commission costs from 2023/24 onwards anticipated to be capped at c£0.7m plus VAT going forward (consistent with the focus on investing in retaining TfN’s technical capability and capacity).

7.2 The TfN remit for 2022/23 includes the delivery of core duties and hosted services. TfN proposes a gross budget for the year of **£16.52m**, inclusive of expenditure slipped from 2021/22 of £0.1m.

The following summarises the budget against activity.

	22/23
	Budget
	£m
Operational Areas	8.84
Rail North Partnership	1.60
NPR Analytical Support	5.66
NPR Closure Costs	0.41
	16.52

The following summarises the budget by cost type.

	22/23
	Budget
Total by Cost Type	£m
Staff	7.31
Staff Support	0.35
Business Infrastructure	1.33
Discretionary Spend	6.09
	15.07
Transition costs	1.44
Total:	16.52

7.3 The budget is funded through a number of sources as detailed below:

	22/23
	Budget
Funding	£m
Core grant	6.50
In-Year funding	0.34
Use of Reserves	1.66
	8.50
Contract Income*	0.04
Rail North Grant/Local Contributions*	0.30
Core Duties	8.84
<i>Hosted Services:</i>	
TDF Rail Modelling	5.66
Rail North Partnership Grant	0.96
Rail North Grant/Local Contributions*	0.35
Contract Income*	0.29
NPR Closure Settlement	0.41
Hosted Services	7.68
Total Resource	16.52

*Revenue partly funds Core activities

- 7.4 It should be noted that VAT costs cannot be recovered. Irrecoverable VAT accounts for £1.5m of the overall budget of £16.5m. Of this, £0.8m relates to the NPR Analytical Support budget and the balance of £0.7m in operational expenditure.
- 7.5 The proposed draw from reserves for 2022/23 is £1.7m. This includes £1.4m for transition costs as detailed below and £0.3m to support the operation in year.
- 7.6 TfN's reserves were created from Core grant underspends in previous years when TfN was building its capacity and capability and are drawn upon in line with the reserve strategy adopted by TfN each year. The Core funding allocation received on 14 February 2022, coupled with the transfer of the NPR programme to DfT, has reaffirmed the need to utilise reserves to deliver a balanced budget.
- 7.7 That strategy will see a planned draw on reserves to deliver a funded budget which includes material one-off costs, including the costs associated with the transition of TfN to its new operating model, but also supports ongoing activity levels. This approach will result in general reserves of approximately £2.9m at the end of the 2022/23 financial year and is set out in more detail in Section 7.18.
- 7.8 The operational / core duty element of the budget is summarised in the following table. Overall operational area expenditure is proposed at £8.84m, (inclusive of £1.44m of transition costs) and £7.39m (excluding £1.44m of transition costs).

	21/22	22/23
	Outturn	Budget
Operational by Cost	£m	£m
Staff	4.98	5.08
Staff Support	0.33	0.23
Business Infrastructure	0.88	0.83
Discretionary Spend	3.02	1.26
	9.21	7.39
Transition costs		1.44
Programme recharge	(1.54)	
Total Operational:	7.67	8.84

- 7.9 TfN is funded almost wholly by Government and continuing uncertainty during 2021/22 over future funding caused some of our planned activity to slow down or be rescheduled. Therefore, much of last year's planned recruitment was put on hold. As a result, TfN's staff numbers varied between 105-110 in the second half of 2021/22, averaging 25-30 vacant posts.
- 7.10 The funding settlement for 2022/23 required a material cost reduction, alongside the TUPE transfer of the Co-client North Powerhouse Rail Team (circa 17 Posts) to the DfT in April 2022 following publication of the Integrated Rail Plan, with a further 24 FTE posts ring-fenced to deliver a dedicated analytical "hosted service" to DfT for FY2022/23 (circa 30% reduction to TfN's core people establishment).
- This context has naturally shaped our approach to resource planning which seeks to ensure TfN continues to progress and organise itself to best meet our organisational priorities and objectives, which are directed and approved by TfN's Board.
- 7.11 Our approach to people resourcing reflects the financial constraints within which we operate, with a proposed circa 38 post reduction in our established posts alongside a review and re-alignment of our Senior Management Structure which will be implemented during quarter 2/3 of this financial year. As part of that review it is proposed that the number of Directors will be reduced from 8 to 5 (including CEO and Rail North Partnership director), with a realignment of the reporting lines for individual teams to reflect that proposed reduction. It should be noted that all proposed changes to TfN's structure and individual roles will be subject to full and meaningful consultation with employees affected and TfN's recognised Trade Union, UNISON.
- 7.12 We have sought to manage the required reduction in the previous establishment of 137 posts in 2021/22 through removal of vacant posts where possible, noting also the change in terms of the 41 posts (circa 30%) affected by the NPR Team TUPE transfer or the move to the dedicated analytical service to DfT. However, as previously advised to the Board, the scale of reductions and proposed re-organisation will necessitate both voluntary and possibly compulsory redundancies.
- As part of this process TfN is also undertaking a grading and evaluation exercise to ensure that pay and grading levels across TfN remain robust aligned to TfN's future operating model and organisational remit. The Board will be kept informed of the outcome of this exercise as necessary.
- 7.13 This Budget and associated Business Planning is based on our proposed establishment for 2022/23 being 103 roles of which 41 are within hosted activities, comprising 17 posts in the Rail North Partnership team and 24 posts within the NPR

Tame Analytical Modelling team. Within the 62 core funded roles, priority has been given to retaining technical capability and capacity.

This will be a second year of workforce reductions across the organisation and will see TfN's core service establishment reduced by 57% (83 posts) and overall total establishment by 36% (58 posts) as set-out below:

Financial Year	Establishment		
	Core Services	Hosted Funded Services	Total Establishment
FY2020/21	145	16	161
FY2021/22	121	16	137
FY2022/23 (Projected)	62	41	103
Change over Two Years	-83 posts (-57%)	+25 posts (+256%)	-58 posts (-36%)

- 7.14 Adjusting the current year staffing budget of £5.08m for year-on-year inflation (£0.25m) and the premium associated with interim solutions (£0.18m), the like for year-on-year comparison would be £4.65m, representing a reduction of £0.33m against the prior year outturn. This comparison does not recognise the effect of the lower base due to the vacancy management initiative.
- 7.15 Transition costs represent estimated one-off costs relating to staff who will be displaced either through redundancy (voluntary or potentially compulsory). These include redundancy terms and notice periods commensurate with an individual's terms and conditions of employment. These costs are effectively crystallising a future liability that would only be avoided if the individual was retained in the organisation and chose to resign at a point in the future that suited their individual circumstances. Therefore, the transition cost is a cost of implementing the optimal solution for TfN, any other solution being sub-optimal. The proposed approach, which crystallises a future cost, allows the wider structure to be implemented with immediate effect and allow focus on business plan activities.
- 7.16 The following table analyses the operational budget across each business unit. This is indicative reporting on a basis comparable with the prior year. The format and content of reporting may be adjusted to reflect any changes to organisational structure.

	21/22	22/23
	Budget	Budget
	£m	£m
Operational:		
Major Roads	0.88	0.31
Strategy & Policy	2.64	2.26
Strategic Rail	1.65	1.20
Business Capabilities	2.85	2.46
Finance	0.89	0.82
Leadership	0.30	0.35
	<hr/>	<hr/>
	9.21	7.39
Transition costs		1.44
Programme recharge	(1.54)	
Total Operational:	<hr/>	<hr/>
	7.67	8.84

- 7.17 Operational area expenditure (excluding transition costs) is impacted across business areas as a consequence of the resource planning outlined above and the resultant reduction in discretionary spend as a consequence of building in-house capability.
- 7.18 Within the £16.52m overall budget, £1.6m relates to RNP and £5.66m relates to TAME analytical modelling undertaken on behalf of DfT.
- 7.19 The Rail North Partnership budget totals £1.6m of which £1.5m relates to staff related costs.
- 7.20 The TAME analytical modelling budget includes £1.5m (as identified within TfN's funding letter) to maintain the capability of the team and £4.16m for external contracted services to meet the service requirements.
- 7.21 TfN will continue to implement specific monitoring arrangements that will allow potential variances to be identified and resources to be managed to ensure that momentum in delivering the objectives set out in the business plan is maintained.

8. Medium-Term Financial Strategy & Reserve Strategy

- 8.1 Under statute, all local government bodies – including TfN – are required to operate to a locally defined reserves strategy that ensures that the organisation always holds a prudent level of reserves.
- 8.2 Such reserves enable the organisation to operate with a degree of flexibility and guard against financial shock.
- 8.3 A prudent reserve strategy is particularly important to TfN as it has few other levers to mitigate financial risk. As previously noted, unlike other its partners, TfN cannot access credit for short-term cash flow management and long-term investment, nor can it levy or precept upon a local tax-base to underwrite its operations.
- 8.4 TfN's approach to managing financial risk therefore has to rest on two pillars:
 - a) A prudent risk culture that ensures TfN limits its exposure to financial risk arising from contracting and business operations; and
 - b) A prudent reserve strategy that ensures TfN always holds a level of cash at bank to guard against residual financial shock.

Practically, this means that TfN must work in collaboration with DfT and partners when entering into multi-year and high-risk transactions to ensure that the right balance of risk share is achieved.

- 8.5 It also means that TfN's reserve strategy must be managed in conjunction with the use of the annual Core grant allocations. As Core grant is the only discretionary resource TfN holds that can fund expenditure, it follows that financial risk must primarily be managed through this resource.
- 8.6 Following discussions with the DfT when TfN was established as a statutory body, it was agreed that TfN would target a core cash balance of *no less than* £2m to be held as a cash reserve in any given year.
- 8.7 The minimum of £2m was considered sufficient to allow for modest draws to be made in-year to meet un-budgeted opportunities that may arise, whilst also ensuring cash remained at bank to meet both unexpected costs and cash flow fluctuations.
- 8.8 Based on the new operating model, which places more emphasis on investing in retaining TfN's technical capacity and capability, a subsequent reduction in commissioned activity and the challenge of an unindexed grant allocation with a cost base subject to inflationary pressure, the **minimum reserve has been retained at its current levels.**

- 8.9 From year to year, this reserve may be drawn upon in-year, or contributions made from surpluses, with adjustments being made in following years to replenish.
- 8.10 In 2021/22 TfN budgeted to utilise £2.54m in reserves to support activity delayed from earlier years (principally IPBA) and support core activity. In addition, we were able to mitigate further draws on reserves by allocating £1.54m of cost to the NPR programme.
- The actual reserve utilisation for 2021/22 was £2.1m giving a closing general reserve of £4.6m as of 31 March 2022. The main reasons for the reduction in reserve utilisation were slippage into 2022/23 of £0.1m, increased RNP funding (for originally core fund budgeted activity) of £0.1m and general cost savings of c£0.3m.
- 8.11 As detailed above, TfN is proposing a draw from reserves totalling £1.7m of which £1.4m relates to transition costs arising due to the movement to a longer-term sustainable structure and £0.3m to support core activity. The in-year allocation is marginally lower than would normally be expected as a consequence of in-year grants allocated in the last financial year but agreed for delivery in 2022/23.
- 8.12 At the Board meeting of 30 March 2022, the actual value of transition costs wasn't known (it still is an estimate and dependent on the number and mix of personnel and timing) but the principle of utilising reserves for these costs was agreed by the Board.
- 8.13 This reserve release is forecast to leave TfN with total Core Grant Reserves of £2.9m by the end of 2022/23. At this level the Core Grant Reserves equate to 45% of current annual Core funding respectively.
- 8.14 If longer term funding arrangements more closely aligned to our proposed cost base are agreed, and such funds are agreed and remitted in advance, TfN would be able to reassess its reserves strategy, including the required minimum.
- 8.15 This approach to TfN's medium-term financial strategy is predicated on the following approach to programme expenditure:
- Non-core funded activity will be resourced from specific grants; and
 - Activity levels will be tailored to the funding available and any grant restrictions thereon.
- 8.16 The principal variables to manage through the medium-term financial strategy are therefore around the Core grant activity and, in particular, how to align the reserve strategy with business plans to allow key priorities to be resourced whilst managing inflationary pressures.
- 8.17 In a previous year, TfN created a Devolved Powers Reserve, an additional £0.5m of earmarked reserves, to support the development of future devolution proposals. Longer term sustainability assessments indicate this reserve will be required to support ongoing operations, so it is proposed this reserve is transferred back into General Reserves. The reserve table below has been prepared on the assumption this transfer will be approved.
- 8.18 TfN proposes to draw £1.7m from the General Reserve in financial year 2022/23, based on a brought forward Core Grant Reserve balance of £4.6m. The following table highlights forecast core grant requirements, resource, and the associated requirements for reserve support:

	21/22	22/23	23/24	24/25
	Act	Bud	Bud	Bud
Reserves	£m	£m	£m	£m
General Reserve:				
Balance b/f	6.17	4.07	2.90	2.50
Draw	(2.10)	(1.66)	(0.40)	(0.50)
Contribution	-	-	-	-
Transfer		0.50		
Balance c/f	4.07	2.90	2.50	2.00
Earmarked Devolved Powers:				
Balance b/f	0.50	0.50	-	-
Draw	-	-	-	-
Contribution	-	-	-	-
Transfer		(0.50)		
Balance c/f	0.50	-	-	-
Total Core Grant Reserve:				
Balance b/f	6.67	4.57	2.90	2.50
Draw	(2.10)	(1.66)	(0.40)	(0.50)
Contribution	-	-	-	-
Balance c/f	4.57	2.90	2.50	2.00

- 8.19 Future year draws on the reserve may be affected by differences from the assumptions made on pay and price inflation and also any future cost mitigation initiatives.
- 8.20 On this current trajectory, TfN will encounter sustainability issues in the medium-term as the ability of the brought forward reserve to accommodate ongoing activity is placed under pressure. Due to the assumptions around staff levels, staff cost increases, the move to a resource based operating model and an unindexed core grant, the draw in 2025/26 would be significantly higher than in earlier years and, all else being equal, forecast a reserve level below the minimum reserve. Many of these pressures are not unique to TfN and will require the Executive to work with the DfT as potential solutions are looked at ahead of a future Spending Review.
- 8.21 TfN would perform a review of its expenditure and its reserves strategy if a longer-term funding settlement were achieved.

9. Corporate Considerations

9.1 Financial Implications

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

9.2 Resource Implications

Proposed resource plans for all business areas have been identified and agreed as part of the business planning process.

All proposed changes to TfN’s structure and individual job roles will be subject to full and meaningful consultation with employees affected and TfN’s recognised Trade Union, UNISON.

This will be a second year of workforce reductions across the organisation and will see TfN’s core service establishment reduced by 57% (83 posts) and overall total establishment by 36% (58 posts) as set-out below:

Financial Year	Establishment		
	Core Services	Hosted Funded Services	Total Establishment
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FY2021/22	121	16	137
FY2022/23 (Projected)	62	41	103
Change over Two Years	-83 posts (-57%)	+25 posts (+256%)	-58 posts (-36%)

9.3 **Legal Implications**

Legal implications are covered within the report

9.4 **Risk Management and Key Issues**

A risk assessment has been carried out and the key risks are included in the report and risk register.

9.5 **Environmental Implications**

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

9.6 **Equality and Diversity**

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

9.7 **Consultations**

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

10. **Background Papers**

10.1 (TfN Board): Budget & Business Planning - January 2022

10.2 (TfN Board): Funding, Business Planning & Budget Update – February 2022

10.3 (TfN Board): Budget & Business Planning 2022/23 – March 2022

10.4 (Executive Board): Member’s Briefing – April 2022

11. **Appendices**

11.1 None

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Transport for the North Monthly Operating Report May 2022



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Introduction

Summary from the Chief Executive

TfN continues to follow an extended business planning process in light of its funding settlement and the change in role with regards to Northern Powerhouse Rail. 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 Rail North Committee met at the end of May with the discussion focused on current performance issues across the North, as well as updates on both East Coast Mainline (ECML) and the Castlefield Corridor. Short-term performance 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 despite a timetable designed to make the service more reliable for passengers. A meeting between the Chairman of TfN and the Rail Minister is being planned for June.

A new Stakeholder Forum for the TransPennine Route Upgrade (TRU), chaired by TfN, will meet for the first time in June. The Forum is a formal part of the governance framework for the project. TfN is committed to ensuring that the Forum strengthens the two-way flow of information with the wider stakeholder community. Work on a Connected Mobility Strategy also continues.

TfN has concluded the final planning phase for the second Strategic Transport Plan (STP2) with discussions convened through our internal governance groups and a series of one-to-ones with TfN partners. Technical work supporting STP2, including the scoping of Social Inclusion and Local Connectivity, has continued. A report to the TfN Board in June will set out the proposed structure and principles of STP2.

The Research team is currently scoping the Northern Powerhouse Independent Economic Review (NPIER) Economic Scenarios Development commission with the appointed suppliers, while Strategy colleagues progress the implementation of the priorities in the Transport Decarbonisation Strategy including supporting work on international connectivity, finalising the plans for TfN's hydrogen workstream with partner organisations, and working with DfT to help guide the development of upcoming DfT guidance on 'Quantifying Carbon Reductions' and Infrastructure Carbon.

Our Major Roads Team have worked with partner authorities to agree how TfN should set clear Northern priorities for the next Road Investment Strategy (RIS). Work is now underway to develop recommendations for Board agreement in the autumn. We continued to finalise material for the publication of the Electric Vehicle Charging Infrastructure (EVCI) evidence and provided initial feedback on early drafts of National Highways' Route Strategy reports.

Strategic Rail

Monthly Summary

Rail North Committee (RNC) was held on 31 May. Members discussed updates on the East Coast Main Line (ECML) and Central Manchester (including the Castleford Corridor). Operational updates were provided by the Rail North Partnership (RNP), the main train operators and Network Rail. Members expressed frustration with the current service performance. In particular concern was expressed that having agreed to a reduced timetable in order to make the service more reliable for passengers, that timetable was itself performing so poorly. The Chairman of TfN has written seeking a ministerial meeting with a view to exploring how TfN and DfT might work together to address the issues raised.

TfN is continuing to develop more detailed proposals as to how rail reform should be implemented in the North with the first meeting of TfN's Rail Reform Programme Board taking place this month. The TfN team is working closely with DfT through the RNP on train operator business plans for next year and a RNC working group met for the first time in May. Work to agree how to incorporate an updated rail strategy into the Strategic Transport Plan refresh is underway. Work continues in developing the Connected Mobility in the North report and the Connected Mobility Hub pilot began with engagement now underway with specific Local Transport Authorities.

Activity Update

Rail Operations

Passenger demand on Northern and TransPennine Express (TPE) continues to recover and continues to be faster and higher than the national average. Performance in the short-term is being impacted by higher rates of staff absence and local industrial relations issues, leading to services being cancelled and/or reduced timetables across both operators. TfN is working with the operators through the RNP to ensure robust recovery plans are in place and implemented. Following the national RMT ballot for industrial action, the North of England Contingency Group has been re-established to co-ordinate plans in the event of industrial action.

Rail Investment

A new Stakeholder Forum for the TransPennine Route Upgrade (TRU), chaired by TfN, will meet for the first time in June. The Forum is a formal part of the governance framework for the project. TfN is committed to ensuring that the Forum strengthens the two-way flow of information with the wider stakeholder community to inform, update and advise in identifying programme risks and opportunities to address them.

A presentation was made to Network Rail's Northwest and Central Industry Planning Advisory Group on 12 May on post-IRP changes to TfN and key infrastructure projects and priorities. A report was taken to the May RNC, with input from Local Authority partners, giving an update on development of a revised ECML timetable and on TfN's work with partners to develop a 'Blueprint' for the development of services and infrastructure on the ECML. This work adopts the same model that is being successfully applied by the Manchester Recovery Task Force. Discussions have begun with Northern as to how TfN's Stations Strategy analysis could support their station investment programme. A Network

Rail led workshop took place involving DfT, TfN, Local Authority partners and train operators on Manchester Piccadilly Throat to agree the issues that needed to be prioritised and the way forward. TfN continues to support Network Rail and Bradford Council on delivering additional Bradford - London services.

Connected Mobility Strategy

The pilot Connected Mobility Hub launched and partner engagement is now underway. The first guidance publication is due in July in support of Multi-Operator Ticketing schemes. The Light Rail Contactless Working Group has met and developed clear Terms of Reference. Work on our Connected Mobility report also continues.

Risks

Risk/Issue Summary	Summary of Mitigating Measures	KPI
Future timetable changes in Manchester and potential East Coast Main Line in May 2023 that reduces rail connectivity for the North	<ol style="list-style-type: none"> 1. TfN, working with Partners, has outlined to Operators and the Department the key concerns of the region. TfN has appointed a consultant to explore how regional services that would be lost can be restored on ECML. TfN has also produced economic impacts of the timetable change on the ECML 2. 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 	Tbc
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"> 1. 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 2. TfN is establishing a programme board from April 2022 chaired by TfN's CEO. 	Tbc
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.	<ol style="list-style-type: none"> 1. 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 2. 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 3. 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. 	Tbc

Programme and Look Ahead

- Through RNC, TfN is ensuring the development of future timetables for ECML reflects agreed priorities reflected in the 'blueprint' aligning service improvements with infrastructure investment.
- Work is ongoing through 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 progressing with the development of its proposals for Rail Reform in the North through the Programme Board and Members' Working Group.
- TfN is reviewing and finalising the draft Stations Strategy.
- TfN is preparing reports for the TfN Board on 30 June covering RNC feedback and Rail Reform.

Strategic Transport Plan (STP)

Monthly Summary

In May, we presented the findings from the final phase of the planning for the second Strategic Transport Plan (STP2) to TfN's Strategic Oversight Group and Executive Board for discussion. We went out to market to commission a supplier to prepare an Integrated Sustainability Appraisal for STP2. A series of one-to-ones were conducted with TfN partners to discuss the emerging plans for STP2 and to ensure TfN officers are well sited on local transport priorities. Work began to scope out further policy development work regarding Social Inclusion and Local Connectivity to support STP2. Further work to refine and revise the International Connectivity position was undertaken following review from the independent experts.

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.
- Engagement activity continues to focus on sharing the recommendations for the structure of STP2 and key drafting principles with partners, seeking their comments. To date this has included presentations to TfN's Strategic Oversight Group and Executive Board and in June we will present the work to TfN's Scrutiny committee and TfN Board.
- To ensure alignment between respective strategies, a series of one-to-ones between the Acting Head of Policy & Strategy and partners took place in May and will continue throughout June, to discuss the plans for STP2 and to understand local priorities.
- In May we went out to market to commission a supplier to support us in preparing an Integrated Sustainability Assessment of STP2. This is a key legal requirement for STP2 and integral to ensuring the STP2 is developed with due consideration of the full range of sustainability criteria.
- 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.
- The Rural Mobility and Spatial Planning policies have now been designed and are scheduled for publication in June.
- Further work has continued on the draft international connectivity position including further revision following check and challenge from two independent experts, Piers Forster and Chris Paling.
- Work has begun on the next round of policy development for STP2 which will focus on Social Inclusion and Local Connectivity. Initial scopes of work and draft papers for these policy areas will be shared with TfN partner officers over the summer for comment.
- On 12 May we held our Strategic Oversight Group with the strategy leads in our partner authorities. Highlights from the May meeting included updates on STP2 planning, Northern Powerhouse Independent Economic Review (NPIER) and

Monitoring & Evaluation Strategy, a discussion on TfN recommendations for Road Investment Strategy, a summary of the results from our research into Health & Wellbeing as well as an external presentation from North Yorkshire County Council on their YorBus scheme which is an innovative rural mobility case study.

- The programme to refresh the Northern Powerhouse Independent Economic Review (NPIER), first published in 2016, is moving from the capabilities commission to the development of the economic scenarios for the future of the North’s economy. The outputs of these modelled scenarios will underpin the narrative and evidence base to support the STP2. The outputs will be ready to input to the draft STP2 document in December 2022. The next series of consultations with partners, following on from the early-stage work, to inform the scenario development is currently being scoped with the supplier.

Risk

Risk/Issue Summary	Summary of Mitigating Issues	KPI
<p>Continued partner support. 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"> 1. Continue stakeholder engagement on an ongoing basis via SOG and other mechanisms. 2. Ensure visibility of STP and research programmes to partners with timely updates to allow officers to plan engagement and activity. 3. Early discussions with partners as part of the STP programme development process. 	Tbc
<p>STP buy-in from Government. 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"> 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) 2. Continue direct engagement with Government departments over TfN's objectives and engagement. 3. Continue to refine and build the tools required to deliver the STP vision and secure Government buy-in. 	Tbc
<p>Developing the STP evidence base. 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"> 1. Clear STP programme established and visible to stakeholders. 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. 3. Publication of TfN research and analysis, and regular engagement with academics and analysts across the North and UK. 	Tbc

Programme and Look Ahead

Through the programme there will be significant decisions, including:

- 30 June 2022: Report to TfN Board setting out the proposed structure and principles of the next STP.
- July 2022: Discussion with TfN Partnership Board on International Connectivity policy position.
- September 2022: Discussion with TfN Partnership Board on Active Travel.
- 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 activities included further progress on implementing the priorities set out within the TfN Transport Decarbonisation Strategy and the initial scoping to support further policy development of two key areas focused on local connectivity and social inclusion. The research team is now scoping the Northern Powerhouse Independent Economic Review (NPIER) Economic Scenarios Development commission with suppliers and is developing policy positions relating to recently completed projects.

Activity Update

- In May TfN had an introductory meeting with officials from Active Travel England (ATE) to discuss the emerging body, TfN's Active Travel policy position and how we can collaborate to deliver our joint priorities moving forward.
- TfN continues to implement the priorities identified in the Transport Decarbonisation Strategy, including:
 - Working with DfT to help guide the development of upcoming DfT guidance on 'Quantifying Carbon Reductions' and Infrastructure Carbon as a part of the expected DfT Local Transport Plan (LTP) guidance;
 - Finalising our Electric Vehicle Charging Infrastructure (EVCI) Framework (led by the Major Roads team) including the release and socialisation of our EVCI online tool for use by our partners;
 - Finalising the Discovery Stage of TfN's hydrogen workstream, working alongside Network-H2, Northern Gas Networks and others and having successfully secured funding from Ofgem and UK Research and Innovation (UKRI) to progress this study further. A further stage of funding is being prepared with the Alpha phase bid submitted in May.
 - Continuing to finalise the procurement exercise related to TfN's Clean Mobility Vision work. 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.
- A revised draft policy position for International Connectivity and Aviation has been produced based on input from independent experts and comments received from engagement with airport/port operators and Environmental Transport Organisations (ETOs).
- Initial scoping has been undertaken for TfN's policy development around local connectivity. To support this, we held an initial internal workshop with colleagues, further scoping is now underway to identify the suitable structure for this work, as well as how it will align with the Strategic Transport Plan, in particular the 'Policies for Places Framework.'
- The Transport-Related Social Exclusion (TRSE) research report will be published in July and work continues on the development of a public-facing data tool for release in the autumn. The Transport, Health, and Wellbeing project is now complete and publication is expected later in the summer.

- The NPIER capabilities commission is almost complete, with final documents due for delivery at the beginning of June. The inception meeting for the new NPIER Economic Scenarios Development commission has been held with the suppliers and work has started scoping the workstream 1 consultations with partners.
- Work is continuing to finalise the Monitoring and Evaluation Strategy. The strategy forms a major building block for monitoring and evaluating the STP.
- The Economics and Research team’s Northern Evidence Hub now comprises 155 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
<p>TfN embedding the STP across programmes. 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.</p>	<ol style="list-style-type: none"> 1. TfN has recently completed work on the TfN Policy Development Framework which will ensure consistency across TfN workstreams. 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. 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. 	Tbc
<p>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.</p>	<ol style="list-style-type: none"> 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. 2. Develop mechanisms to ensure decarbonisation and sustainability are reflected in project and strategy decision-making 3. Continue to influence and engage with stakeholders and maintain reputational credibility 4. Embedding decarbonisation into wider TfN workstreams including freight and social inclusion and testing the interdependencies 	Tbc
<p>NPIER programme. Potential risk around timescales and quality of outputs which are crucial elements of the STP and wider TfN evidence base.</p>	<ol style="list-style-type: none"> 1. Close monitoring of progress against programme timetable and weekly catch-ups with suppliers are taking place to flag any potential timescale delays. 2. Thorough discussion of methodology and approach and early sight of outputs is taking place to prevent poor quality outputs. 3. Detailed timescales and deliverables are being developed with supplier at inception meeting. Project Manager to is to monitor progress against these. 	Tbc

Programme and Look Ahead

- Publication of the Freight & Logistics Strategy expected in June 2022
- Rural Mobility working group scheduled for June 2022
- Publication of the TRSE research in July 2022
- NPIER Economic Scenarios Development consultation phase with external partners starting June 2022
- Monitoring and Evaluation Strategy publication October 2022, following discussion at Partnership Board in September 2022

Major Road Network (MRN)

Monthly Summary

The team has started a round of engagement with partners on developing recommendations for the future Road Investment Strategy programme. 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

- The team presented TfN's proposed approach for making recommendations for the Road Investment Strategy (RIS) pipeline at Strategic Oversight Group and are now engaging with TfN partners on discussing their priorities for the 2025-30 RIS 3 Programme.
- Major Roads and TAME have completed an initial 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. Led by TAME, work is also progressing on integrating bus service data into the TfN Analytical Framework.
- TfN is finalising the material for the publication of the Electric Vehicle Charging Infrastructure (EVCI) evidence, including a position paper and interactive online tool. In March, the team presented the draft position paper to Strategic Oversight Group (SOG) and TfN Scrutiny Committee, with the TfN Board agreeing to its publication (later in Spring). TfN held an EV Steering Group session to outline our findings and capabilities with our local authority, Distribution Network Operators (DNO), National Government and other partners. This release will deliver on the Sub-national Transport Body (STB) requirements set out in the National Electric Vehicle (EV) Strategy in March.
- The team is finalising the scope and programme of EVCI Phase 3, which will aim to enhance our evidence base and further support the planning, delivery and monitoring of EV charging in response to additional funding provided by the Department for Transport (DfT).
- The team have provided initial feedback on early drafts of National Highways' Route Strategy reports, six of which cover areas of the North. National Highways plan to consult more widely on their Route Strategies Reports over the summer, at which point TfN will work with partners on preparing a formal response.
- 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>Alignment with delivery partners. There is a risk that TfN and its Partners are not aligned in order to support the delivery of TfN's objectives. This would be due to an ineffective communication resulting in a lack of clarity and understanding of Partners' and/or Partners understanding of TfN's policy positions and priorities. This could lead to relationship challenges that would impact our credibility and affect our partnership working.</p>	<ol style="list-style-type: none"> 1. TfN to work with Partners to provide Road Investment Strategy (RIS3) recommendations to National Highways. 2. TfN to manage expectations with partners at Strategic Oversight Group, Major Roads Group and Executive Board partner briefings. 3. Implementing and updating the Joint Engagement and Action Plan (JEAP) with National Highways 	Tbc
<p>EVCi stakeholder expectations and interaction. 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.</p> <p>This could lead to reputational risk, poor partner relations, and project outputs that are not applied effectively.</p> <p>Risk of data sharing and licensing issues meaning TfN cannot share either the EVCi model / outputs / associated tools with Partners and other stakeholders. This includes confirmation that TfN can share the EVCi interactive tool through the Open Government License.</p>	<ol style="list-style-type: none"> 1. TfN is to host ongoing EVCi Steering Group to drive effective outputs and shape future work to enhance capabilities across the region. 2. 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. 3. The suppliers are to support the partner agreement of inputs to the modelling tool. 4. Engage with partners to encourage and suggest uses of project outputs. 5. The team is using the work to enhance collaboration with a number of partners, including other STBs, National Highways, Ofgem, National Grid, the Department for Business, Energy and Industrial Strategy (BEIS), Cabinet Office Geospatial team, CIHT, the Catapult Network, and the Energy Saving Trust. 6. TfN will demonstrate the outputs in a visually accessible way. 7. Advice on outputs and data sharing approaches was sought from the TfN Legal team. TfN have undertaken a thorough review of inbound data sources and licenses. All actions regarding the model data sources have been completed and confirmed. 8. TfN have requested confirmation from DfT that the EVCi interactive tool can be shared under the Open Government License. Awaiting confirmation. 	Tbc

Programme and Look Ahead

- The team will be preparing a formal response to the Route Strategies Report, to be published by National Highways, in Summer.

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)

- We drafted and launched the Connected Mobility and Hub pages on our website, along with the first run of social media assets to promote the programme. This will be built out further when the press release is launched.
- Edited and published two policy position videos featuring staff outlining the key points from the documents. These helped give a face and personality to our work on top of the previously launched content. Further policy position videos will be filmed in June.
- Worked to develop the Electric Vehicle Charging Infrastructure (EVCI) webpages and associated content. All drafted and awaiting sign off. The document has been sent to the designers ahead of publication and launch.
- TfN issued a statement welcoming the Queen's Speech which set out plans for rail reform. This received coverage both locally and nationally. We also issued releases to promote the Northern Evidence Academic Forum and the Rail North Committee.
- We attended the Sub-National Transport Body conference held at the NEC in Birmingham. Communications manned a well-attended stand and fielded many enquiries from delegates. Footage of TfN speakers was filmed, filed and uploaded to our social media channels.
- We have received several media enquiries relating to industrial relations, rail performance figures and service reductions on the Northern trains network. We also arranged for interviews on our response to the Queen's Speech.
- Internal comms during the month focused on keeping colleagues updated on the business planning process, with the weekly bulletins providing regular information and an all staff update at TfN Live.

- The internal comms team also continued to promote wellbeing resources to help ensure colleagues are aware of the support available, which is of particular importance during the ongoing uncertainty. Wellbeing sessions this month included *Yoga* and *Challenging Negative Thinking*.

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. A proposed budget for 2022/23 will be considered by the Board on 30 June.
- 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. A first draft of the accounts will be reviewed by the Audit & Governance Committee on 10 June.
- A comprehensive review of the Corporate Risk Register has been undertaken and will also be presented to the Audit and Governance Committee.
- 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 next Audit and Governance Committee meeting scheduled for 14 July. A Rail North Committee consultation call took place 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 report outlines the land use and economic growth impacts of the Integrated Rail Plan on the North of England.
- The WESIP supplier continues to address technical queries from DfT and TfN on the Northern Economy Land Use Model 3 (NELUM3), including

undertaking runs to explore the impact of separate model levers on scheme benefits.

- Application of NELUM 3 in the NPR Strategic Outline Business Case (SOBC) has been progressed through internal DfT Analytical Governance Groups.
- 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 an Analytical Framework wide Quality Assurance process which will be used as an independent check and review on NPR Strategic Outline Business Case (SOBC) related analysis.
- 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 (DM) and working through technical challenges to the specification. Specification of the DM now largely complete and coding underway
- RMAP is currently scoping updates to the NPR operating cost (OPEX) and capital cost (CAPEX) models to align with latest guidance, rolling stock and other assumptions to be delivered to DfT by 17 June
- 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.
- The first quarterly Analytical Steering Group was held on 27th May, between DfT and TfN to agree prioritisation of TAME technical input into the NPR programme.
- 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. A draft of this is expected to be ready by 10 June
- 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 May: £1.14m

Expenditure incurred year-to-date (YTD): £2.10m

Q1 total budget: £3.90m

Remaining Q1 budget: £1.81m (46%)

Headlines

- Pending the completion of a full business planning and budgeting exercise, TfN is currently operating with an interim Q1 budget.
- During this period our focus is upon the position compared to the approved level expenditure for the first quarter for the whole organisation. Therefore, actuals to date 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 £0.47m in the month, £0.77m YTD, against a Q1 total budget of £1.62m. Includes both costs associated with the closure of the NPR programme (£0.09m) and continued analytical support provided to the NPR by the TAME team (£0.67m).
 - Expenditure is below the assumed run rate pending full instruction from the DfT regarding modelling requirements.

Rail Operations:

- Expenditure of £0.18m in the month, £0.37m YTD, against a Q1 total budget of £0.58m. This is predominantly staff costs with some external expenditure carried over from the previous financial year and run rates are in line with the Q1 budget.

Operational Areas:

- Expenditure of £0.43m in the month, £0.96m YTD, 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.
 - The run rate of operational expenditure is slightly behind the Q1 budget as discretionary activity will pick up to the end of the quarter as new work commences. Several procurements have recently completed with work intended to commence in June.

Activity Dashboard

TRANSPORT FOR THE NORTH FINANCE DASHBOARD					PERIOD BUDGET CYCLE		2 Q1 INTERIM BUDGET		MAY 2022/23	
YTD ACTUALS VERSUS Q1 BUDGET - BY ACTIVITY					YTD ACTUALS VERSUS Q1 BUDGET - BY FUND					
	Actuals £m	Budget £m	Var. £m	Var. %		Actuals £m	Budget £m	Var. £m	Var. %	
NPR Programme Closure	£0.09	£0.20	£0.10	52%	TDFRail	£0.09	£0.20	£0.10	52%	
NPR Analytical Support	£0.67	£1.42	£0.75	53%	NPR Analytical Support	£0.67	£1.42	£0.75	53%	
Rail Operations	£0.37	£0.58	£0.21	36%	Rail North Grant & Contributions	£0.23	£0.36	£0.14	38%	
Operational Areas	£0.96	£1.71	£0.75	44%	Trading Income	£0.03	£0.08	£0.05	68%	
					Additional STB Grant	£0.00	£0.00	£0.00	-	
					Core Grant	£1.08	£1.85	£0.77	42%	
	£2.10	£3.90	£1.81	46%		£2.10	£3.90	£1.81	46%	

Human Resources Update

Salaried Establishment as at **8 June 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	45 (44.04 FTE)	5 (5.00 FTE)	50 (49.04 FTE)
DfT Data Services (Hosted)	13 (12.80 FTE)	11 (11.00 FTE)	24 (23.80 FTE)
Rail North Partnership (Hosted)	14 (14.00 FTE)	3 (3.00 FTE)	17 (17.00 FTE)
Total Establishment	99 (97.84 FTE)	21 (21.00 FTE)	120 (118.84 FTE)
Strength (in post)	78 (76.84 FTE)	8 (8.00 FTE)	86 (84.84 FTE)
Appointed (start date pending)	-	-	-
Active/Pending Recruitment	-	-	-
Vacant – On-hold	21 (21.00 FTE)	13 (13.00 FTE)	34 (34.00 FTE)

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)
Total	11 Posts (11.00 FTE)

Resourcing Update – For Information

Business Planning – A temporary pause on permanent recruitment to core budget funded roles remains in place whilst 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 2022/23 Business planning process, to be presented at the June TfN Board meeting – resource planning is an integral part of this. Due to the 2022/23 core budget reduction the organisation has opened its Voluntary Redundancy process and is currently feeding back on VR applications – an update will be given to Board

Additionally, given the change to the organisations scale and size a job grade evaluation exercise is currently being undertaken, Board will be kept updated.

HR Metrics – 2022/23 Year-to-Date:

Corporate Sickness Level:	5.7%
Employment Policy Application:	0%
Rolling 12 Month - Employee Turnover (Voluntary Leavers):	29.1%
% of Employees from an Ethnic Minority Background:	12%
% of Employees declaring a Disability:	21%
Gender Mix - % of Female Employees:	42%
% of Male Employees:	58%

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)		0
On Track (in progress, no delays)		0
In Progress (in progress, may become delayed)		0
Delay (has missed a key deadline)		0
Delay BTYE (delayed beyond this year end)		0
Not Started		0

Area	KPI	Detail	Progress	Status
Tbc	Tbc	Tbc	Tbc	
			Tbc	



Transport for the North
2nd Floor
4 Piccadilly Place
Manchester
M1 3BN



Transport for the North
Ground Floor
West Gate
Grace Street
Leeds
LS1 2RP



0161 244 0888



info@transportforthenorth.com



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Meeting:	Transport for the North Audit & Governance Committee
Subject:	Draft Statutory Accounts
Author:	David Spilsbury, Financial Controller
Sponsor:	Paul Kelly, Interim Finance Director
Meeting Date:	Friday 14 July 2022

1. Purpose of the Report:

- 1.1 This report provides an update on progress on the production of TfN's Statement of Accounts.

2. Recommendations:

- 2.1 Note the progress made on the production of the Annual Statement of Accounts 2021/22.
- 2.2 Note that the Committee will receive further report on the Accounts in September prior to approval by the Board at the end of September.

3. Main Issues:

- 3.1 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.
- 3.2 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.

- 3.3 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.
- 3.4 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 was approved by the board at its last meeting and has now been captured in the Narrative report. This represents the main update from the version in the papers circulated for the last meeting.
- 3.5 Mazars commenced their audit in early June. Their confirmation on the technical accounting matters within the accounts is a key step.
- 3.6 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.

- 3.7 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 Item 7.1 - Draft Annual Statement of Accounts (Unaudited)
6.2 Item 7.2 - Draft Annual Statement of Accounts Supporting Presentation

Transport for the North Statement of Accounts 2021/22



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Transport for the North Statement of Accounts 2021/22

Narrative Report

Organisational Overview and External Environment

Our Purpose

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

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

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

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

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

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

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

Vision & Objectives

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

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

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

Our Plan

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

Transport for the North Statement of Accounts 2021/22

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

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

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

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

Building on Success

TfN has established itself as a regional centre of excellence for strategic transport planning, our award-winning Strategic Transport Plan and Future Travel Scenarios work testament to the quality of our work and the leadership we provide. The capability and capacity provided by TfN is greatly valued by its members and is seen as something that needs to be retained and nurtured.

The 2022/23 Business Plan builds on those foundations and ensures that the new operating model is focused on being:

- A centre of technical excellence for the North – holding and collating information and analytical tools that are available to all partners
- A sourced of trusted information – one that is available to all our partners locally, regionally, and nationally as a foundation on which to develop solutions
- A strategic thought leader and champion of strategic transport planning – one that ensures the linkages between transport, digital and energy systems are reflected in decision making
- An enabler of accelerated delivery – applying our capability and capacity in support of our partners as they bring forward solutions for implementation
- A trusted collaborator – working with partners (nationally and across the North) in order to maximise the leverage of its own activity to the benefit of our communities and businesses.

Moving forward TfN will be a smaller, leaner organisation. TfN will focus on its core role and responsibilities, as part of which it will develop its ability to support its partners as they turn strategy into delivery on the ground.

TfN's analytical capability is unique amongst Sub-national Transport Bodies. It remains central to the work underway, led by the DfT, to develop the Business Case for Northern Powerhouse Rail. It is a capability that our partners across the North are increasingly looking to make use of and we will work with them to develop the working arrangements that will enable this to happen.

In the immediate aftermath of the pandemic public finances are under increased pressure. This makes it essential for TfN to continue to use its knowledge and evidence base to demonstrate how investment in the North's transport system remains central to enabling its communities and businesses realise their potential.

At the same time TfN's work on the first Strategic Transport Plan, together with more recent work, serves to demonstrate the need for a step change in investment in the North's transport system. TfN will continue to make the case for the North's needs to be better reflected in national investment programmes.

Transport for the North Statement of Accounts 2021/22

TfN's approach, which is grounded in its understanding of the North's transport system and its future needs, enables the Board to take informed decisions. Fundamentally though there remains the need to ensure that those decisions are affordable. In this context TfN will continue to make the case for a regional indicative funding envelope for the North, one that enables the TfN Board to give better advice to Government.

Summary of activity in 2021/22

Throughout the past year TfN has continued to demonstrate our inherent strengths as an organisation. Last year we:

- Agreed with the TfN Board the programme of work required to review and update the Strategic Transport Plan
- Began work to support the updating of the Strategic Transport Plan, including work associated with the review of the Northern Powerhouse Independent Economic Review
- Published our Regional Decarbonisation Strategy – the first such regional strategy in the country
- Worked with partners through the Regional Steering Group to develop the EV Charging Infrastructure evidence base
- Worked with partners to develop the evidence base on Transport Related Social Exclusion
- Consulted on our draft Freight and Logistics Strategy – including for the first-time use of a virtual 'consultation room'
- Submitted an update on progress with delivery of the Major Road Network to the Department for Transport
- Agreed with the TfN Board a response to the Williams-Shapps Review and agreed an approach to developing a Northern 'proposition' for implementing rail reform
- Submitted statutory advice ahead of the publication of the Integrated Rail Plan on TfN's preferred network and way forward
- The TfN Board considered and responded to the publication of the Integrated Rail Plan
- Worked as part of the Manchester Recovery Task Force to develop a 'blueprint' that aligns infrastructure and service changes – and then began to apply the experience gained to consideration of issues relating to the East Coast Main Line
- Continued to work as part of the Rail North Partnership to ensure that the North's priorities are reflected in the Business Plans of Northern and TPE
- Worked with partners across the North to define the scope of work for a Connected Mobility Strategy
- Worked collaboratively with the six (non-statutory) Sub-national Transport Bodies on issues of common interest.

Summary of proposed activity in 2022/23

The investment made in TfN to date has developed a capacity and capability that is technically at the leading edge of strategic transport planning nationally. The 2022/23 Business Plan looks to build on that investment to the benefit of all TfN partners (nationally and regionally). In 2022/23 we will:

- Complete and publish the updated Northern Powerhouse Independent Economic Review
- Prepare the draft of the revised Strategic Transport Plan and publish it for consultation
- Complete an Environmental Impact Assessment of the revised Strategic Transport Plan and publish it for consultation as supporting documentation
- Consider and respond to the Government's proposals in response to the Union Connectivity Report – continue to build stronger working relationships with the devolved administrations in Scotland and Wales
- Continue with the implementation of the key actions set out in our Regional Decarbonisation Strategy, including developing proposals for a North of England Hydrogen infrastructure, and continuing with the development of our Clean Mobility Visions
- Work in support of partners in the application of the EV Charging Infrastructure evidence base to underpin proposals seeking investment funding

Transport for the North Statement of Accounts 2021/22

- Complete and publish the on-going research into Transport Related Social Exclusion, and health and well-being
- Publish our Freight and Logistics Strategy and work with the sector to take forward key actions identified in it
- Contribute to National Highways programme of Route Strategies and support their input into the development of the Road Investment Strategy (RIS3)
- Continue to support National Highways in the delivery of schemes identified in RIS2 and support partners with the delivery of schemes in the Major Road Network programme
- Complete development of a Northern proposition for implementing rail reform and use this to shape the legislative framework for GBR
- Through the Co-Sponsor role support the development of the Business Case required to secure funding identified in the Integrated Rail Plan – including delivery of technical support from TAME as required by the Department
- Continue to contribute to the work of the Manchester Recovery Task Force and the development of the 'blueprint' for the East Coast Main Line
- Work with the Department to ensure the Sheffield to Leeds study identified in the Integrated Rail Plan is taken forward at pace
- Work through the Rail North Partnership to ensure that train operators' business plans continue to reflect the North's priorities and to identify opportunities to make progress on workforce reform that enhances the customer experience
- Prepare and secure the agreement of the Board to publish a Connected Mobility Strategy for the North
- Work with partners to support the delivery of their Bus Service Improvement Plans
- Continue to work collaboratively with the six (non-statutory) Sub-national Transport Bodies on issues of common interest
- Plan for and deliver the second STB national conference in partnership with the other STBs
- Complete the reshaping of TfN and put the organisation on a stable footing.

Governance

Transport for the North is England's only sub-national transport body set up as a statutory public authority, a unique arrangement that sees Northern elected leaders and Local Enterprise Partnerships (LEPs) working together to speak to central government with a united voice.

Our Partnership Board is made up of elected and LEP representatives from all areas of the North, along with the Secretary of State for Transport and representatives from Highways England, Network Rail and HS2 Ltd. This body along with the rest of TfN's governance arrangements allows the North to speak with one voice on the transport infrastructure investment needed to boost the North's economy.

After nearly six years of service John Cridland CBE, TfN's Chair, indicated to the TfN Board on 9 June 2021 his intention to retire from the role. The board thanked John his work on behalf of TfN and his substantial contribution to the organisation since 2015. Councillor Louise Gittins as Majority Vice Chair acted as the Interim Chair until a new Independent Chair, Lord Patrick McLoughlin replaced John Cridland from early 2022, following a publicly advertised recruitment process.

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

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

Our constituent authorities increased from 19 to 20 in total, reflecting the creation of the North of Tyne Combined Authority and the North East Combined Authority (South of Tyne) from the former North East Combined Authority.

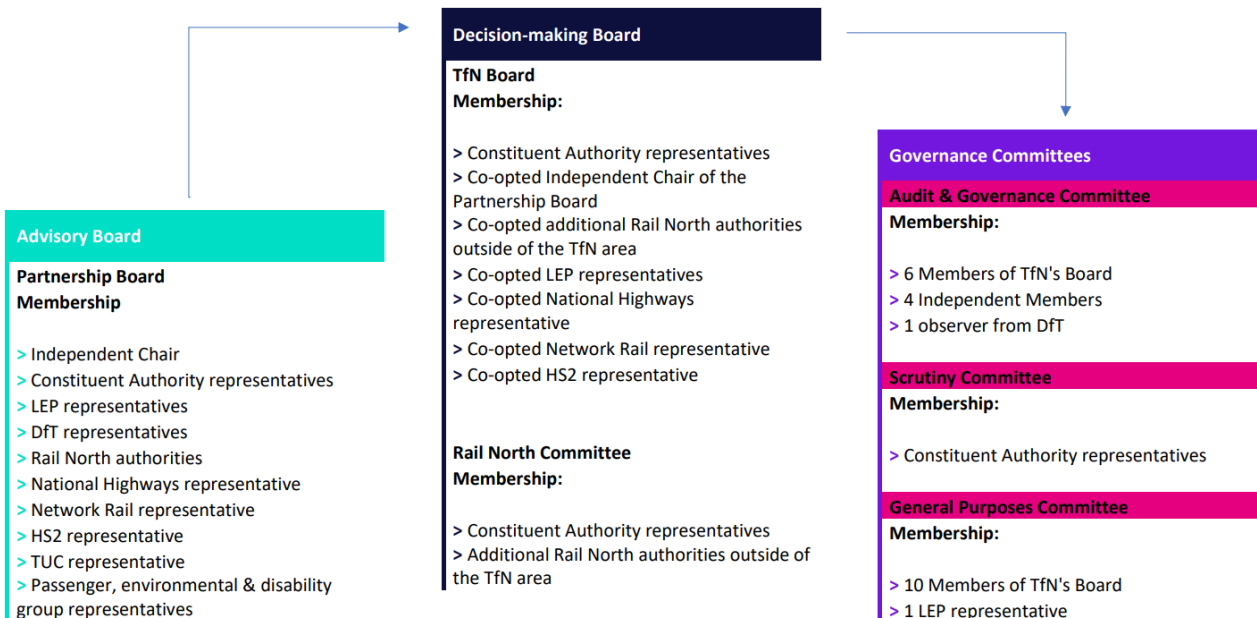
The Partnership Board was also expanded during 2019/20 to include new representative groups supporting the Board in drawing together a wider spectrum of views and expertise. Three regional Trade Union Council (TUC) representatives have joined the Board along with representatives of environmental, disability,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

How we make decisions

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

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

Transport for the North Board and Committee Structure



Business Model & Performance

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

Transport for the North Statement of Accounts 2021/22

Our Business Plan for 2021/22, published in April 2021, set out TfN's Strategic Objectives and commitments for the year. That Business Plan can be downloaded here:

<https://transportforthenorth.com/reports/business-plan-2021-22/>

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

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

Delivering on Our Objectives

Our Values and Behaviours

Our values

Developed with our employees, our values and behaviours underpin our unique culture and ways of working. They influence how we operate as individuals and as an organisation, creating an agile and dynamic working environment where employees are trusted, valued and invested in.

We make a difference

We do the right thing

We are driven to succeed

We collaborate

Our core behaviours

Cultivate innovation - Creating new and better ways for the organisation to be successful.

Ensure accountability - Holding self and others accountable to achieve results, even under challenging circumstances.

Collaborate - Building partnerships and working collaboratively with others to meet shared objectives.

Instill trust - Gaining the confidence and trust of others through honesty, integrity and authenticity.

Financial acumen - Interpreting and applying understanding of key financial indicators to make better business decisions.

Health and Safety

Health and Safety continues to be the cornerstone of TfN's strategy for improving the wellbeing of staff. This area of activity offers an enhanced level of resilience in providing a suitable, fit for purpose facility and associated facilities management advisory and support service.

Our approach fulfils our statutory obligations by effectively providing a framework for securing the wellbeing of our employees and others who could be affected by our actions. The appointment of a 'competent person' combined with a contracted support service offering means that the majority of Health and Safety matters, training programmes for employees and contractors, and proactive risk management, can be effectively managed/delivered flexibly to recognised standards in-house.

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This approach provides the right level of engagement across a variety of stakeholders, creating knowledge and awareness of health and safety risks, and encouraging behavioural change through assessments and direct interventions including inspections and investigations, but we must continue to evolve our approach to face fresh challenges or to address existing problems in new ways such as those presented as a result of the recent Covid-19 pandemic.

Our People: TeamTfN

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

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

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

This commitment to being among the best was demonstrated by our full membership of Greater Manchester Good Employment Charter – an initiative aimed at developing good jobs and more opportunities for people to progress.

We hold ourselves to the same high standards as our peers across the North. As well as being an accredited Living Wage employer – an expectation of which extends to our supply chain - we are also an agile organisation, adopting family friendly working practices that mean our teams can work in different locations and at flexible times. Such agile and remote working practices mean we attract and retain talent from across the whole of the North. In return, we get the best out of people with a diverse range of backgrounds and experiences. Recognising that everyone has the ability to shape and improve our organisation is a fundamental principle. The importance of our employee voice is enshrined in our established Employee Forum and effective line management. Linked to this is our recognition of UNISON, with whom we regularly collaborate to support our teams regarding working practices and ensuring we always do the right thing.

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

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

We embrace and open the door for the next generation of talent too. Our apprenticeships scheme provides school-leavers with the opportunity to develop in high-skilled and rewarding roles. We are extremely proud of what our apprentices have achieved, with many going on to other opportunities within TfN, broadening their skillsets and experience.

Our Resourcing Plan:

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

Transport for the North Statement of Accounts 2021/22

TfN is funded almost wholly by Government and continuing uncertainty during 2021/22 over future funding, caused some of our planned activity to slow down or be rescheduled. Therefore, much of last years planned recruitment was put on hold. As a result, TfN's staff numbers varied between 105-110 in the second half of the year, averaging 25-30 vacant posts.

Following confirmation of our budget settlement for 2022/23 which will require a cost reduction of circa 39%, alongside the TUPE transfer of the co-client North Powerhouse Rail Team (circa 17 Posts) to the DfT in April 2022 following publication of the Integrated Rail Plan, has naturally shaped our approach to resource planning. This is all at the same time of ensuring we continue to progress and organise ourselves to best meet our organisational priorities and objectives, which are directed and approved by TfN's Board.

Our approach to people resourcing reflects these financial constraints, with a circa 25% reduction in our established posts alongside a review and re-alignment of our Senior Management Structure which will be implemented during quarters 2 and 3 of this financial year.

We have sought to manage this reduction, from 137 established posts in 2021/22 to 103 posts in 2022/23, through removal of vacant posts where possible. However, the scale of reductions and re-organisation required will necessitate both voluntary and compulsory redundancies. Our proposed establishment for 2022/23 is:

	Permanent Posts (FTE)	Fixed-Term Posts (FTE)	Total Posts (FTE)
Core TfN Operations			
Operational Services	41 (40.84)	1 (1.00)	42 (41.84)
Support Services	20 (20.00)	-	20 (20.00)
Total	61 (60.84)	1 (1.00)	62 (61.84)
Hosted (Non-Core Funded) Services			
Rail North Partnership	14 (14.00)	3 (3.00)	17 (17.00)
NPR TAME Modelling Team	9 (8.80)	15 (15.00)	24 (23.80)
Total	23 (22.80)	18 (18.00)	41 (40.80)

As we look to re-align our resources, we plan to maintain resource levels across operational delivery areas and increasingly utilising our in-house skills and capabilities to reduce our dependency on external consultancy support. At the same time resource level across our support services will reduce to reflect the reduction in overall size and complexity of TfN's operations and programmes. As detailed in the table above, circa 40% of TfN's total establishment will be accounted for by hosted (non-core funded) service roles.

TfN's Business Plan outlines how we will mitigate these challenges on our resources, while meeting the ambitions of our partnership. While this may not be at the full scope we would have hoped, it illustrates the pressing need to work closely with Government in 2022/23 to re-establish a multi-year funding settlement to support TfN's progression ahead of the next Spending Review, anticipated for 2024.

Our Funding

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

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

Transport for the North Statement of Accounts 2021/22

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

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

At the beginning of the year the DfT made grant available in 2021/22 to resource our opening gross base budget of £78.70m:

Resource	£m
Core Revenue Grant	6.00
General Fund Core Grant Reserves	2.54
Rail North Grant & Contributions	1.32
Contracted Income	0.32
Integrated and Smart Ticketing Grants	1.52
Transport Development Fund	48.48
	60.18
- Contingency Envelopes	18.52
Net Resource Requirement	78.70

Our Medium-Term Financial Plan

All local government bodies – including Transport for the North – are required to operate to a locally defined reserves strategy that ensures the organisation always holds a prudent level of reserves. A prudent reserve strategy is particularly important to us as an organisation as we have few other levers to mitigate financial risk. We cannot access credit for short-term cash flow management or long-term investment, nor can we levy or precept upon a local tax base to underwrite our operations.

As noted above, most of our programme funding can only be drawn down as and when it is required, while most is ringfenced for the purpose for which it has been allocated. This means that our reserve strategy must be managed in conjunction with the use of the annual core grant allocations, as core grant is the only discretionary resource we hold that can fund any and all expenditure.

We have planned ahead based upon a 2021/22 year-end total reserve balance of £4.6m.

Based on the new operating model, which places more emphasis on investing in retaining TfN's technical capacity and capability, a subsequent reduction in commissioned activity and the challenge of unindexed grant allocation with a cost base subject to inflationary pressure, our strategy retains the requirement for a minimum reserve of £2m. If longer term funding arrangements align to the cost base associated with the new operating model, TfN would be able to reassess its reserves strategy including the required minimum.

Risk management

We have developed risk management processes through which we identify and address the risks associated with each programme of activity. We have adopted a Risk Management Strategy using industry best practice to create a framework within which risks are identified and evaluated prior to mitigation plans being put in place. Programme and corporate risks are monitored regularly - risk is a standing item on the Audit and Governance Committee agenda, and the Corporate Risk Register is provided twice each year to the Transport for the North Board.

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Measuring our success in 2021/22

Qualitative Performance

In our 2021/22 Business Plan we set 26 Key Performance Indicators (KPIs) to ensure a culture of accountability and excellence for our organisation and our partners.

The KPIs were developed by:

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

We have monitored our performance against these KPIs using a combination of qualitative and quantitative measures. The below table outlines the programme and organisational KPIs and provides a summary of progress. TfN continues to assess the implications of the Integrated Rail Plan for the delivery of KPIs in relation to the Northern Powerhouse Rail programme.

Key	Number of KPIs with this status	
Achieved (complete)		19
On Track (in progress, no delays)		0
In Progress (in progress, may become delayed)		0
Delay (has missed a key deadline)		0
Delay BTYE (delayed beyond this year end)		4
Not Started		3

Area	KPI	Detail	Progress	Status
Strategic Rail	1	Demonstrate clear Northern input in supporting and developing return to rail initiatives across the North to rebuild passenger numbers and aid economic recovery. March 2022	Achieved Messaging and communications will continue to promote safe use of public transport. The team is working with Train Operating Companies identifying ticketing/marketing/offers to rebuild confidence, attract passengers back, and entice new passengers when appropriate.	
Strategic Rail	2	Deliver plans for rail hub enhancements around two major stations to maximise the potential of the network. October 2021/February 2022	Delay BTYE Work was undertaken on developing a Strategic Outline Business Case for a radical plan for Leeds station, with the delivery of an economic case by Atkins. However, following publication of the IRP, this workstream will now be incorporated into a larger study of Leeds led by Network Rail. Therefore, a second Hub Delivery Plan (for Carlisle) began in December 2021.	
Strategic Rail	3	Demonstrate meaningful and beneficial engagement for the North on rail reform within three months of publication of the Williams White Paper. September 2021	Achieved A draft formal response was agreed with by Transport for the North Board in September. The Transport for the North Board agreed that TfN's future role in the railway should be centred on four pillars where TfN adds the most value to the industry structure. This has already formed the basis of discussion between TfN officers and the industry to shape the next phase of work with the GBR Transition Team.	

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Strategic Rail	4	Further embed the TfN rail journey time improvement initiative with Network Rail to deliver better reliability on at least two rail routes during 2021/22. March 2022	Delay BTYE Network Rail is now fully engaged with the Theoretical Line Speed process and is progressing and funding the delivery of the line speed improvements on the Darlington – Bishop Auckland and York – Scarborough routes. The York – Scarborough route is progressing but will not be fully delivered by March 2022 due to lack of capacity within Network Rail.	
Strategic Rail	5	Pursue the digital transformation of fares, ticketing and information through collaboration and the development of business cases across the North and/or through national rail reform. March 2022	Achieved Policy statement on contactless capping endorsed by Executive Board on 9 December. Bus Service Improvement Plans collated, and areas of digital collaboration identified. Northern Digital Mobility Strategy is planned for Transport for the North Board on 30 March 2022.	
Strategic Rail	6	Continue to use TfN's existing powers and role in the Rail North Partnership to deliver the best outcomes for passengers, within the financial and legacy infrastructure constraints, by influencing train operators and major programmes including TRU and central Manchester. March 2022	Achieved TfN is actively using its powers and voice to get a better outcome for passengers in central Manchester, for example by working collaboratively with DfT to secure the right infrastructure and services for Manchester.	
Northern Powerhouse Rail	7	Completion and submission of the Strategic Outline Case, timescale to be agreed following publication of the Government's Integrated Rail Plan. TBC post-IRP	Delayed BTYE The DfT asked TfN to delay submission of the SOC until after the publication of the IRP. DfT subsequently confirmed that it intends to complete the SOC in 2022.	
Northern Powerhouse Rail	8	Reconfirm NPR phasing plan in response to Government's Integrated Rail Plan. TBC post-IRP	Not Started Final phasing position in the SOC will be led by DfT and awaiting clarification regarding the co-sponsor arrangements to enable TfN to feed into phasing.	
Northern Powerhouse Rail	9	Complete initial survey work and commence OBC on early accelerated projects to start construction in FY 2024/25. September 2021	Achieved Survey works completed in February 2022, bringing this workstream to a close. Development of business cases is no longer the responsibility of TfN, with transition to single client post IRP.	
Northern Powerhouse Rail	10	Initiate additional survey work and commence Outline Business Case on early accelerated projects to enable delivery partners to start construction in 2024/25. January 2022	Not Started Surveys and OBC development are no longer the responsibility of TfN with the transition to single client.	
Northern Powerhouse Rail	11	Agree NPR governance arrangements with DfT as programme transitions to the next stage. TBC post-IRP	Achieved The IRP sets out the Government's intention to replace co-clienting with a co-sponsorship governance arrangement. Arrangements for the joint sponsor board were agreed by the Board in March 2022.	
	12		Achieved	

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Investment Programme Benefits Analysis		Commission the Investment Programme Benefit Analysis work and deliver the programme up to the Gateway Review. September 2021.	The GPR is now complete. The GPR has identified minor changes to be introduced to the project scope and re-baselining of the project programme.	
Investment Programme Benefits Analysis	13	Subject to Gateway Review, complete work on the Investment Programme Benefit Analysis which will be used as the evidence base for the next STP. March 2022	Achieved	
			Due to the significant changes in the rail network published in the Integrated Rail Plan, further work to assess the impacts of this on the TfN Investment Programme will be required next financial year, subject to business planning. The IPBA project work has been delivered and the interim SPOC, setting out the benefits analysis of the current Investment Programme, will be completed in Spring 2022.	
Major Roads	14	Produce a robust evidence base monitoring performance and types of journey on the MRN. This will support analysis of the impacts of Covid-19 to monitor and evaluate outcomes including changes in travel patterns and behaviours. October 2021	Achieved	
			The mobile data project for the 2020 dataset is complete.	
Major Roads	15	Publish the updated Major Roads Report, following DfT publication of the national Transport Decarbonisation Plan and TfN's Transport Decarbonisation Strategy. October 2021	Achieved	
			The MRR was approved at Transport for the North Board on 24 November.	
Major Roads	16	Use our evidence base to work with National Highways and DfT to identify TfN's priorities to be considered as part of DfT's Road Investment Strategy 3. March 2022	Achieved	
			This KPI is complete for 2021/22. TfN's evidence has informed the development of NH's route strategies. TfN will continue to work in close partnership with NH in 2022/23.	
Major Roads	17	Work with our partners and DfT to scope out how TfN can best support plans for an integrated electric vehicle and/or hydrogen charging infrastructure network, supporting all communities in the adoption of low and zero emission vehicles. March 2022	Achieved	
			The EV Charging Infrastructure (EVCI) project has completed its first phase work with strong industry and partner support for the initial outputs. The conclusions were presented at the Transport for the North Board in March. In addition, strong partnerships have been established to take forward work on hydrogen fuelling networks in 2022.	
Major Roads	18	Continue to work with DfT's Acceleration Unit to ensure their awareness of the schemes identified in TfN's Economic Recovery Plan for their consideration of accelerating delivery. March 2022	Achieved	
			TfN have met the Acceleration Unit twice to discuss opportunities to accelerate schemes.	
	19		Achieved	

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Strategy, Policy and Research		Consult on the draft Decarbonisation Strategy and seek adoption by the Transport for the North Board in Autumn 2021. November 2021	The final strategy was adopted by Transport for the North Board on 24 November and published on 8 December 2021.
Strategy, Policy and Research	20	Agree a plan to adopt a new Strategic Transport Plan by 2024, and commence a new NPIER programme as a first step. October 2021	Achieved Principals of the proposed programme were taken through TfN governance in September 2021 and agreed by the Transport for the North Board on 29 September 2021. The first steps in the new NPIER programme have now commenced.
Strategy, Policy and Research	21	Progress the advanced prioritisation mechanisms set out in the Northern Transport Charter, including analytical tools to allow prioritisation on a wider basis (economic, social, and decarbonisation) and independent assurance arrangements. March 2022	Delayed BTYE While significant progress has been made in advancing the Northern Transport Charter, the work on prioritisation and implementing independent assurance arrangements has been delayed into the first quarter of 2022/23.
Strategy, Policy and Research	22	Consult and adopt the TfN Freight & Logistics Strategy and work with the industry to agree implementation arrangements. December 2021	Achieved The final strategy was adopted by Transport for the North Board on 3 rd March 2022 and will be published in May/June 2022 following the end of local election period.
Strategy, Policy and Research	23	Provide input into the final stages of the Union Connectivity Review and respond on its publication. September 2021	Achieved TfN submitted a formal response into the Call for Evidence in December 2020. The final report was delayed and published in late November 2021. The Board has responded positively to the publication.
Corporate	24	Develop and provide a Comprehensive Spending Review submission to Government. In line with timetable set by Government	Achieved TfN's Spending Review submission was made to DfT on 9 September 2021.
Corporate	25	Feed into emerging procurement practice as the UK's current 'EU style' regime is updated and look at opportunities to further increase social value. March 2022	Delayed BTYE TfN are operating in accordance with the latest UK Government Procurement Policies; procurement guidance documents will be updated to reflect changes. Opportunities to increase Social Value will be considered on an ongoing basis.
Corporate	26	Implement and further develop the agreed new Ways of Working, to include physical office design, office and remote working, corporate and constitutional meetings and IT strategy. Within three months of return to office	Achieved TfN fully implemented its agreed hybrid ways of working to time and budget. Our new ways of working have been underpinned by the physical re-design to our Manchester and Leeds offices which was fully completed September 2021. TfN constitutional meetings in the main moved to "in-person" meetings from September 2021.

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Financial Performance 2021/22

Summary

In delivering the activity outlined in our qualitative performance we incurred expenditure of £52.33m. This is lower than our budget (net of contingency) estimate of £60.18m, and principally relates to changes in the scope of programmes. Our financial performance over the course of the year can be summarised as follows:

Total Net Expenditure	Actual £m	Budget £m	Variance £m
Revenue Programmes:			
Northern Powerhouse Rail	41.44	48.48	7.04
Major Roads	1.75	1.65	(0.10)
Integrated & Smart Ticketing	0.90	1.23	0.33
	44.09	51.36	7.27
Capital Programmes:			
Integrated & Smart Ticketing	0.18	0.29	0.11
Rail Operations			
	2.93	3.16	0.23
Operational Areas			
	5.13	5.37	0.24
	52.33	60.18	7.85

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

Underspend in the Northern Powerhouse Rail (NPR) programme was driven by a lower level of activity as a result of uncertainty pending the publication of the IRP. Underspend in the Integrated & Smart Ticketing (IST) programme was driven by a combination of lower than anticipated costs to complete programmes and curtailment of activity due to withdrawal of ongoing funding.

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

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

In meeting this expenditure, we applied grants received in year from the DfT and contributions from partners, grant held in reserve received in prior years along with a small amount of income generated from contracts for services provided to partner bodies:

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Funding	In year (To)/From funding £m	Reserves £m	Total £m
Revenue Resource			
Core Grant	6.00	2.10	8.10
Transport Development Fund - Rail	41.44	0.00	41.44
Rail North Grants & Contributions	1.44	-	1.44
Integrated and Smart Ticketing Grant	0.00	0.90	0.90
	48.88	3.00	51.88
Capital Grant			
Integrated and Smart Ticketing Grant	0.00	0.18	0.18
Total Grant	48.88	3.18	52.06
Other Income	0.27	0.00	0.27
	49.15	3.18	52.33

Over the course of the financial year TfN recognised funding totalling £52.33m. Grant received in year are supplemented with grant held from the prior year. Both grants received in-year and grants held from prior years were used to fund expenditure.

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

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

As at the year-end, unapplied grants held in this manner have decreased by £3.29m:

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	2020/21 £m	Movement £m	2021/22 £m
Revenue Grants Received in Advance			
- DfT Project Funding	-	0.34	0.34
- Transport Development Fund - Road	0.01	-	0.01
	0.01	0.34	0.35
Usable Reserves			
Capital Grants Unapplied			
- Integrated & Smart Ticketing Grant	0.28	(0.28)	-
General Fund Revenue Reserves			
- Core Grant	6.17	(2.10)	4.07
- Devolved Powers (Earmarked)	0.50	-	0.50
- RNP Grant (Earmarked)	0.03	-	0.03
- Integrated & Smart Ticketing Grant (Earmarked)	1.25	(1.25)	-
Total Usable Reserves	8.23	(3.63)	4.60
Total Resource	8.24	(3.29)	4.95

The grants retained at 31 March 2022 will be applied to expenditure in 2022/23 and future accounting periods where possible or be returned to the DfT if it becomes likely that we will fail to comply with grant conditions.

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

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

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

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

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

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

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Capital Accounting

- All expenditure is reported in our outturn, but capital expenditure is excluded from the CIES in line with generally accepted accounting practice.
- The differences between the outturn and accounting standards are reflected in the unusable Capital Adjustment Account Reserve.

Pensions Accounting

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

Accumulated Absences

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

Grant Treatments

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

The balance sheet as at the 31 March 2022 recognises these reserves and unapplied grants, along with our other financial transactions.

The balance sheet can be summarised as follows:

Balance Sheet 2021/22		£m			£m
Assets			Reserves		
Cash & Equivalents		8.68	<u>Unusable Reserves</u>		
Intangible Asset		-	Absence Reserve		0.11
Debtors		1.41	Capital Adjustment Account		-
		10.09	Pension Reserve		10.45
Liabilities					10.56
Provisions		(0.07)	<u>Usable Reserves</u>		
Grants Received in Advance		(0.35)	Capital Grants Unapplied		-
Pension Liability		(10.45)	Earmarked Revenue Grants		-
Creditors		(5.18)	Devolved Powers Reserve		(0.50)
		(16.05)	RNP Grant		(0.03)
			General Fund Reserve		(4.07)
					(4.60)
Net Liabilities		(5.96)	Reserves		5.96

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Year-on-year variances highlight key issues that have arisen during the year. The following table highlights net liabilities have increased by £2.05m to a net liability of £5.96m, with some notable movements:

	2020/21	2021/22	Variance
Net assets	£m	£m	£m
Assets			
Cash & equivalents	18.02	8.68	(9.34)
Intangible Asset	-	-	-
Debtors	0.51	1.41	0.90
	18.53	10.09	(8.44)
Liabilities			
Provisions	(0.07)	(0.07)	-
Grants Received in Advance	(0.01)	(0.35)	(0.34)
Pension Liability	(11.89)	(10.45)	1.44
Creditors	(10.47)	(5.18)	5.29
	(22.44)	(16.05)	6.39
	(3.91)	(5.96)	(2.05)

Cash and cash equivalents have reduced significantly in part due to a reduced level of creditors as payments to suppliers are made and major programmes end. In addition, the use of core reserves to fund in year activities has an important impact upon the levels of cash that are retained.

In contrast with last year, the pensions liability has reduced by £1.44m which illustrates the point made noted earlier about the instability of the results likely to be reported in accordance with accounting standards. This liability is measured in accounting terms and can vary dramatically from the actuarial forecasts and the pension fund's strategy for managing the future pension entitlements. This is due, in part, to the basis on which the accounting is performed; notably valuing the net assets and future liabilities on the basis of market conditions at the date of valuation.

A wide range of factors have impacted both positively and negatively on the pension liability. The main issue that has positively impacted upon the net liability at 31 March 2022 is the increase in the real discount rate (discount rate net of inflation) that is used to value scheme assets and liabilities, which means that we are forecasting a better rate of future return on investments (£4.78m). Returns during the year were also better than forecast (£0.86m)

These positive factors are partly offset by negative movements over the year. Pay (£0.31m) and pensions in payment (£1.97m) have increased by more than assumed a year ago. Life expectancy has reduced over the year and this has reduced forecast pension obligations (£0.26m).

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

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

As at the end of financial year 2021/22 TfN's reserve position can be summarised as changing by £2.05m, reflecting the movement in net-assets:

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Reserves	2020/21	2021/22	Variance
	£m	£m	£m
<u>Unusable Reserves</u>			
Absence Reserve	0.24	0.11	(0.13)
Capital Adjustment Account	-	-	-
Pension Reserve	11.89	10.45	(1.44)
	12.13	10.56	(1.57)
<u>Usable Reserves</u>			
Capital Grants Unapplied	(0.28)	-	0.28
General Fund			
Earmarked Revenue Grants	(1.25)	-	1.25
Devolved Powers Reserve	(0.50)	(0.50)	-
RNP Grant Reserve	(0.03)	(0.03)	-
General Fund Reserve	(6.16)	(4.07)	2.09
	(7.94)	(4.60)	3.34
	(8.22)	(4.60)	3.62
	3.91	5.96	2.05

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

Lower than anticipated expenditure in the year was offset by a reduction of in-year core grant, resulting in a draw on core grant of £2.09m in 2021/22.

Looking Ahead to 2022/23 and Beyond

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

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

Our adopted Business Plan for 2022/23 details what we have achieved in the last year, but it also looks ahead, providing direction for our teams and representing the priorities of the Northern leaders who make up our governance. Whilst our STP and accompanying Investment Programme have a long-term common goal, a sustained pipeline of infrastructure investment is needed. That means our vision being underpinned by short, medium and longer-term plans that advance wide-ranging interventions right across the North.

Financial Planning 2022/23

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

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

The 2022/23 business planning process identified our key strategic priorities and identified a common 'golden thread' from strategy to delivery. This 'golden thread' ensured that when detailed individual departmental plans were being designed and objectives set, there was a common and coordinated

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approach to delivery across the organisation. These common goals are what underpin the expenditure profile and budget for 2022/23.

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

Value for money

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

Expenditure

In order to deliver the activity set out in our Business Plan, we have a total budgeted expenditure for 2022/23 of £16.51m. This includes £8.84m of underlying programme expenditure supporting core operations and £7.67m of expenditure on hosted activities as shown below:

Operations	£m	£m
Major Roads	0.31	
Strategy & Policy	2.26	
Strategic Rail	1.20	
Business Capabilities	2.46	
Finance	0.82	
Leadership	0.35	7.40
Transition costs		1.44
Total		8.84
Hosted		
Rail North Partnership	1.60	
NPR Analytical Support	5.66	
NPR Closure Costs	0.41	7.67
Total Budget		16.51

As a Sub-National Transport Body, we are unable to recover VAT on our purchases of goods and services.

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

TfN will remain almost entirely funded by grants from the DfT. Aside from a £6.5m Core grant funding allocation, this funding is ring-fenced for the purpose for which it has been allocated and in the main can only be drawn down as and when it is required. The funding that we are able to draw on during the year to pay for our budgeted expenditure is as follows:

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TfN Funding	2022/23	
	£m	%
Core Grant	6.50	39%
In-Year Funding	0.34	2%
TDF Rail Modelling	5.66	34%
Rail North Partnership Grant	0.96	6%
Rail North Grant/Partner Contributions	0.65	4%
Contract income	0.33	2%
NPR Closure Settlement	0.41	3%
Use of Reserves	1.66	10%
Total Resource	16.51	100%

The updated reserves strategy set out in the 2022/23 Budget report is based upon a year-end General Fund Reserve of £4.57m, created from Core Grant underspends in prior years. It was agreed that £1.66m of this balance be drawn upon in 2022/23 to support the delivery of the business plan including funding transition costs of £1.44m which are non-recurrent. This, along with specific earmarking, would reduce the reserve levels to £2.91m by the end of 2022/23, with further reductions in the two subsequent years of £0.4m and £0.5m respectively. By 31 March 2025, it is planned that reserves will have reached their currently specified minimum level of £2m.

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

TfN notes the potential for grants to be increased in future Spending Reviews and as part of that process and through ongoing dialogue with DfT, will continue to press for a revised funding settlement that reflects inflationary pressures and the growing maturity of the organisation's activities and aspirations.

Financial Outlook

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

During 2021/22 we experienced a 40% cut to our Core funding allocation from £10m to £6m. In February 2022, the core grant for 2022/23 was announced at £6.5m, with no information available for the two years following. This means that TfN only has funding certainty until the end of 2022/23. We are continuing constructive dialogue with DfT on how we can enhance our funding and secure greater certainty of future funding to aid our business planning.

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

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

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
7 July 2022

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
60,253	(46,155)	14,098	Operational Areas	54,058	(42,791)	11,267
			Cost of Services			
1,996	-	1,996	11 Other operating expenditure	-	-	-
325	(181)	144	12 Financing and Investment Income and Expenditure	492	(233)	259
0	(8,013)	(8,013)	13 Taxation and Non-specific Grant Income	-	(5,908)	(5,908)
62,574	(54,349)	8,225	14 Surplus or Deficit on Provision of Services	54,550	(48,932)	5,618
		4,857	28 Remeasurement of the net defined benefit liability/asset			(3,557)
		4,857	Other Comprehensive Income and Expenditure			(3,557)
		13,082	Total Comprehensive Income and Expenditure			2,061

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

2020/21

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

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.'

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

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.

2020/21		2021/22
£000		£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	-
724	Net cash flows from operating activities	9,344
561	Net cash flows from investing activities	-
1,286	Net (increase) or decrease in cash and cash equivalents	9,344
19,307	Cash and cash equivalents at the beginning of the reporting period	18,021
18,021	Cash and cash equivalents at the end of the reporting period	8,677

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	Adjustments (see note 2)	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund Balance	Adjustments (see note 2)	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000		£000	£000	£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
9,940	4,158	14,098	Net Cost of Services	9,352	1,915	11,267
(7,002)	1,129	(5,873)	Other Income and Expenditure	(6,003)	354	(5,649)
2,938	5,286	8,225	Surplus or Deficit on Provision of Services	3,349	2,269	5,618
(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		
(7,947)			Closing Combined General Fund Balance	(4,598)		

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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
Net Cost of Services	185	1,860	(130)	1,915
Other Income and Expenditure	92	262	-	354
Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement	277	2,122	(130)	2,269

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
Net Cost of Services	3,271	806	80	4,157
Other Income and Expenditure	983	146	-	1,129
Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement	4,254	952	80	5,286

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 1st June, but in recognition of the impact of the Covid-19 pandemic, this date has been amended to 1st 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

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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:

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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.

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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.

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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

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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.

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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 7 July 2022. 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)
(45,912) Total Grant Income Credited to Services	(42,539)
(243) Contract Income - Rail Services	(252)
(46,155) Total Income Credited to Services in CIES	(42,791)

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)
(10) Total	(346)

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
(8,013) Total	(5,908)

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.

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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)	-	-
Total Adjustments to Revenue Resources	(2,177)	-	1,992
Adjustments between Revenue and Capital Resources			
Capital expenditure financed from Capital Grants Unapplied	-	185	-
Total Adjustments between Revenue and Capital Resources	-	185	-
Total Adjustments	(2,177)	185	1,992

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

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.

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	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
General Fund Reserves:							
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)
Total General Fund	(4,428)	-	2,648	(1,781)	-	1,250	(531)

Note 11 – Other operating expenditure

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

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)
144 Total	259

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
(8,013) Total	(5,908)

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.'

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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
8,225	(Surplus) or Deficit for Year	5,618

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
2,112	2,072	4,184	Balance at start of year:	-	3,482	3,482
-	(655)	(655)	Gross carrying amounts	-	(3,482)	(3,482)
2,112	1,417	3,529	Net carrying amount at start of year	-	-	-
			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
-	-	-	Net carrying amount at end of year	-	-	-
			Comprising:			
-	3,482	3,482	- Gross carrying amounts	-	1,009	1,009
-	(3,482)	(3,482)	- Accumulated amortisation and impairment	-	(1,009)	(1,009)
-	-	-	Total	-	-	-

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.

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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
505	Total Debtors	1,405

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

Note 18 - Creditors

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

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

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.

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

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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.

2020/21	2021/22
£000	£000
(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)
(8,224) Total	(4,598)

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.

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

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.

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2020/21 £000	2021/22 £000
(3,529) Balance 1 April	-
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
8,057 Net written out amount of the cost of non-current assets consumed in the year	185
(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)
(4,528) Capital financing applied in year	(185)
- Balance 31 March	-

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)
11,889 Balance at 31 March	10,454

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 Balance 1 April	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)
243 Balance 31 March	113

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	4,948
(94) (Increase)/decrease in debtors	900
(952) Movement in pension liability	(2,122)
58 Other non-cash movements charged to the surplus or deficit on provision of services	-
(8,514) Total	3,726

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	-
561 Net cash flows from investing activities	-

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 2021/22 with regard to external audit services carried out by the appointed auditor for the year were £45k (2020: £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 (2020: £57.31m) were received from the Department. Of this, £47.80m (2020: £53.31m) was recognised as income in the year, the remaining £0.45m (2020: £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 (2020: £0.63m).

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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
4,528 Total Capital Spending	185
Sources of Finance:	
(4,528) Government grants and other contributions	(185)
Sums set aside from revenue:	
- - Direct revenue contributions	-
(4,528) Total Sources of Finance	(185)
-	-
Closing Capital Financing Requirement	

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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.

General Fund Transactions	
Comprehensive Income & Expenditure Statement	
Cost of Services	
2020/21	2021/22
£000	£000
Service cost comprising:	
1,918 Current service cost	2,963
23 Past service cost	211
146 Net interest expense	262
2,087 Total charged to Surplus or Deficit on Provision of Services	3,436
Other post employment benefits charged to the Comprehensive Income & Expenditure Statement	
2020/21	2021/22
£000	£000
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
4,857 Total charged to Other Comprehensive Income & Expenditure Statement	(3,557)
6,944 Total charged to the Comprehensive Income & Expenditure Statement	(121)
Movement in Reserves Statement	
2020/21	2021/22
£000	£000
(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
(11,889) Total charged to Surplus or Deficit on Provision of Services	(10,454)

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)
10,266 Total charged to Surplus or Deficit on Provision of Services	13,142

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
(22,155) Total charged to Surplus or Deficit on Provision of Services	(23,596)

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
204	-	204	411	-	411
		Cash & cash equivalents			
		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
4,500	-	4,500	5,497	-	5,497
		Subtotal Equity Securities			
		Debt Securities			
496	-	496 Corporate bonds (investment grade)	525	-	525
133	-	133 Corporate bonds (non-investment grade)	-	-	-
-	-	- UK Government	226	-	226
-	-	- Other	390	-	390
629	-	629	1,141	-	1,141
		Subtotal Debt Securities			
		Private Equity			
-	611	611 All	-	929	929
-	611	611	-	929	929
		Subtotal Private Equity			
		Real Estate			
-	384	384 UK property	-	509	509
-	384	384	-	509	509
		Subtotal Real Estate			
		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
2,446	1,499	3,945	2,491	2,253	4,744
		Subtotal Investment Funds & Unit Trusts			
		Derivatives			
(8)	-	(8) Other	(89)	-	(89)
(8)	-	(8)	(89)	-	(89)
		Subtotal Derivatives			
7,772	2,494	10,266	9,451	3,691	13,142
		Total Assets			

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:

Change in assumptions at 31 March 2022	Approximate % increase to Defined Benefit Obligation	Approximate monetary amount (£000)
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:

31 March 2021		31 March 2022	
£000		£000	
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.

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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 5th 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.
- 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.

A Behaving with integrity, demonstrating strong commitment to ethical values and respect for the rule of law	
Core Principle	
Promoting values for Transport for the North and demonstrating the value of good governance through upholding high standards of conduct and behaviour.	
<i>How we met the principle</i>	<i>Evidence</i>
<p>Those Members of Transport for the North who are elected Members of a Local Authority are expected to adhere to the adopted Code of Conduct of their Local Authority while 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 & 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>Declarations of Interest</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>Code of Practice on Gifts and Hospitality Employees Induction</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>Register of Gifts and Hospitality</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>Constitution Board and Committee Reports</p>
<p>The Monitoring Officer has statutory reporting responsibilities in relation to any unlawful decisions or maladministration.</p>	<p>Constitution</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>Constitution</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>	<p>Diversity Policy Diversity & Inclusion Group Terms of Reference</p>
<ul style="list-style-type: none"> • Priority 1 - Establishing a framework of equality impact assessments across TfN and building associated employee/supplier awareness of diversity and inclusion. • Priority 2 - Career progression, including the continuation to support and develop our people • Priority 3 - Health and wellbeing with resilience 	

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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 Ensuring openness and comprehensive stakeholder engagement</p>	
<p>Core Principle Engaging with local people and stakeholders to ensure robust public accountability</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 & 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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<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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<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>C Defining outcomes in terms of sustainable economic, social, and environmental benefits</p>	
<p>Core Principle</p> <p>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.</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>

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<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>D Determining the interventions necessary to optimise the achievement of the intended outcomes</p>	
<p>Core Principle</p> <p>Focusing on the purpose of Transport for the North and the outcomes for the community and creating and implementing a vision for the area.</p>	
<p><i>How we met the principle</i></p>	<p><i>Evidence</i></p>
<p>The Strategic Transport Plan is a pan regional strategy that is based on a robust evidence base and sets out our vision</p>	<p>Strategic Transport Plan</p>

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<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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<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>E Developing the organisation’s capacity, including the capacity of its leaders and the individuals within it</p>	
<p>Core Principle</p> <p>Developing the capacity and capability of members and officers to be effective</p>	
<p><i>How we met the principle</i></p>	<p><i>Evidence</i></p>
<p>Transport for the North has adopted officer development programmes, including a thorough initial corporate induction programme for all new officers and line managers.</p> <p>All new employees to Transport for the North are subject to a formal six-month probationary process where performance</p>	<p>Corporate Induction Guidance</p> <p>Probationary Policy</p>

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<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>F Managing risks and performance through robust internal control and strong public financial management</p>	
<p>Core Principle</p>	

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Taking informed and transparent decisions which are subject to effective scrutiny and managing risk	
<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"> (i) the risk management strategy for managing key risks; (ii) risk ownership, accountability, and the development of mitigating actions; (iii) the alignment of internal audit and other assurance planning through a risk-based approach to auditing; and (iv) receiving reports from management on the adequacy and effectiveness of the internal control and risk management framework. <p>Transport for the North has a Risk Manager who is responsible for reporting on risk to the Finance Director. 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 & 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>

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<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 & Selection, Probationary, Absence & Welfare, Performance Improvement, Disciplinary, Code of Conduct Policies</p>
<p>G Implementing good practices in transparency, reporting and audit to deliver effective accountability</p>	
<p>Core Principle</p> <p>Taking informed and transparent decisions which are subject to effective scrutiny and managing risk</p>	
<p><i>How we met the principle</i></p>	<p><i>Evidence</i></p>
<p>Transport for the North considers the available evidence when making decisions. Transport for the North commissions extensive research for all its programmes and explores different options before prioritising proposals.</p> <p>The Strategic Transport Plan is based on a robust evidence base and was subject to a 13-week statutory consultation exercise during which officers and Members considered in detail the representations made by members of the public and stakeholders. The Strategic Plan is available for public inspection on the website. In addition to this in FY 21/22 our Decarbonisation Strategy also underwent a full 12-week public consultation and our Freight & 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>

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<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 12th 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 & Governance Committee. RSM attends each</p>	<p>Reports to Audit and Governance Committee and Transport for the North Board</p>

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<p>committee meeting and reports on progress against the Audit Plan.</p> <p>Mazars were appointed as Transport for the North's external Auditors via the PSAA. The firm attends every meeting of the Audit & Governance Committee where it provides updates on progress throughout the year and can gain in-depth insights into the workings of Transport for the North. During 2021/22 the TfN Board approved the renewal of the PSAA arrangement for the next three years.</p> <p>In line with best practice, Transport for the North publishes financial transparency reports each quarter, detailing all individual items of expenditure greater than £500 and all procurement card spend.</p> <p>Organisational organograms and salary information is also made available for public consumption on the external website.</p>	<p>Annual Audit Plan</p> <p>Transparency Reports</p> <p>Transport for the North website</p>
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Annual Review of the Effectiveness of the Governance Framework

The effectiveness of key elements of the governance framework are assessed throughout the year by the Chief Executive and Directors meeting as the Operations Board (OBT), by internal audit and by the Audit and Governance Committee. Significant risks are included in the Monthly Operating Report. Performance in relation to corporate risks is a standing item on the agenda of the Audit and Governance Committee and is reported twice a year to the Transport for the North Board. Significant risks to performance in relation to key programmes is also reported as required to the Executive Board of Senior Officers of the Constituent Authorities at a monthly meeting.

Governance Challenges (ongoing and completed)

Subject	Action	Progress	Target Completion Date
Review of the Constitution	To review the Constitution to bring in changes flowing from the Blake-Jones Review and the wider Members' review of the role of Transport for the North.	The review was postponed awaiting the publication of the findings of the Williams Review. Ad hoc review has been carried out, although more detailed ongoing review will be required.	Ongoing.
Review of TfN Boards and Committees with particular reference to the General Purposes Committee	To review the function of all Boards and Committees and to develop the General Purposes Committee for matters that do not require full Board sign off but sit above the delegated powers of the Chief Executive.	The first meeting of the General Purposes Committee is Wednesday 23 rd February 2022.	Ongoing.

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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

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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

DRAFT

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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.

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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.

DRAFT

Independent auditor's report to the members of TfN

To be inserted

DRAFT



Transport for the North
2nd Floor
4 Piccadilly Place
Manchester
M1 3BN



Transport for the North
Ground Floor
West Gate
Grace Street
Leeds
LS1 2RP



0161 244 0888



info@transportforthenorth.com



transportforthenorth.com

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TfN Audit & Governance Committee

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TfN Draft Statement of Accounts
2021/22



Contents

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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.

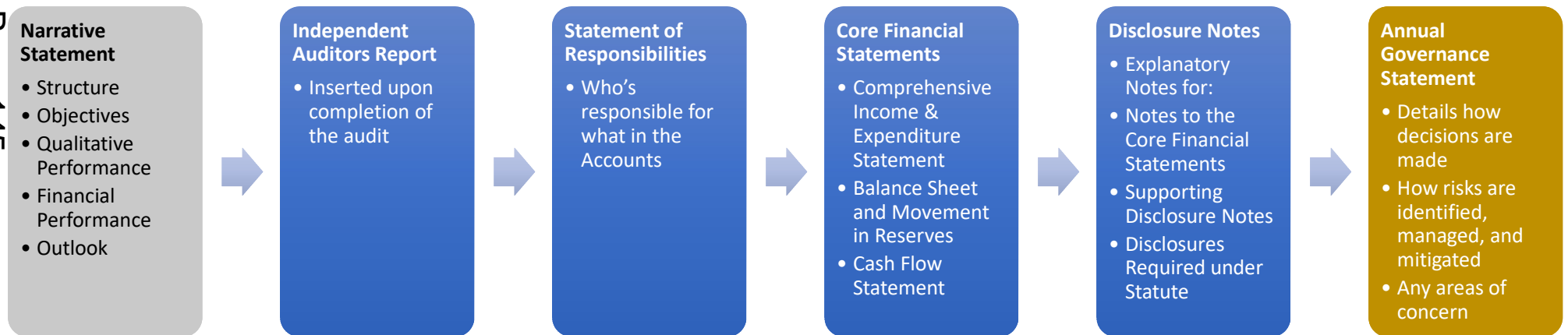
Structure of the Accounts



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



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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

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

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
60,253	(46,155)	14,098	Operational Areas	54,058	(42,791)	11,267
			Cost of Services			
1,996	-	1,996	11 Other operating expenditure	-	-	-
325	(181)	144	12 Financing and Investment Income and Expenditure	492	(233)	259
0	(8,013)	(8,013)	13 Taxation and Non-specific Grant Income	-	(5,908)	(5,908)
62,574	(54,349)	8,225	14 Surplus or Deficit on Provision of Services	54,550	(48,932)	5,618
		4,857	28 Remeasurement of the net defined benefit liability/asset			(3,557)
		4,857	Other Comprehensive Income and Expenditure			(3,557)
		13,082	Total Comprehensive Income and Expenditure			2,061

Reconciliation of Management Outturn to CIES

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

Income	£m	
Outturn Position	(52.33)	
Adjustments for:		
Pensions	(0.23)	In CIES not in outturn
Capital Funding from Reserves	0.28	In outturn not in CIES
Amounts taken to/from General Fund Balance		
Revenue Funding from Earmarked IST Reserves	1.25	In outturn not in CIES
Use of Core Reserves	2.10	In outturn not in CIES
CIES Balance	(48.93)	
Expenditure	£m	
Outturn Position	52.33	
Adjustments for:		
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
CIES Balance	54.55	

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
(8,013) Total	(5,908)

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.

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)
(45,912) Total Grant Income Credited to Services	(42,539)
(243) Contract Income - Rail Services	(252)
(46,155) Total Income Credited to Services in CIES	(42,791)

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
Revenue Grants Received in Advance			
- 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>
Usable Reserves			
Capital Grants Unapplied			
- Integrated & Smart Ticketing Grant	-	(0.28)	0.28
General Fund Revenue Reserves			
- 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>
Total Resource	4.94	(3.30)	8.24

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

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.

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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	-
724	Net cash flows from operating activities	9,344
561	Net cash flows from investing activities	-
1,286	Net (increase) or decrease in cash and cash equivalents	9,344
19,307	Cash and cash equivalents at the beginning of the reporting period	18,021
18,021	Cash and cash equivalents at the end of the reporting period	8,677

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

david.spilsbury@transportforthenorth.com



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: Thursday 14 July 2022

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 8.1 – Follow Up Audit

Item 8.2 – 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.

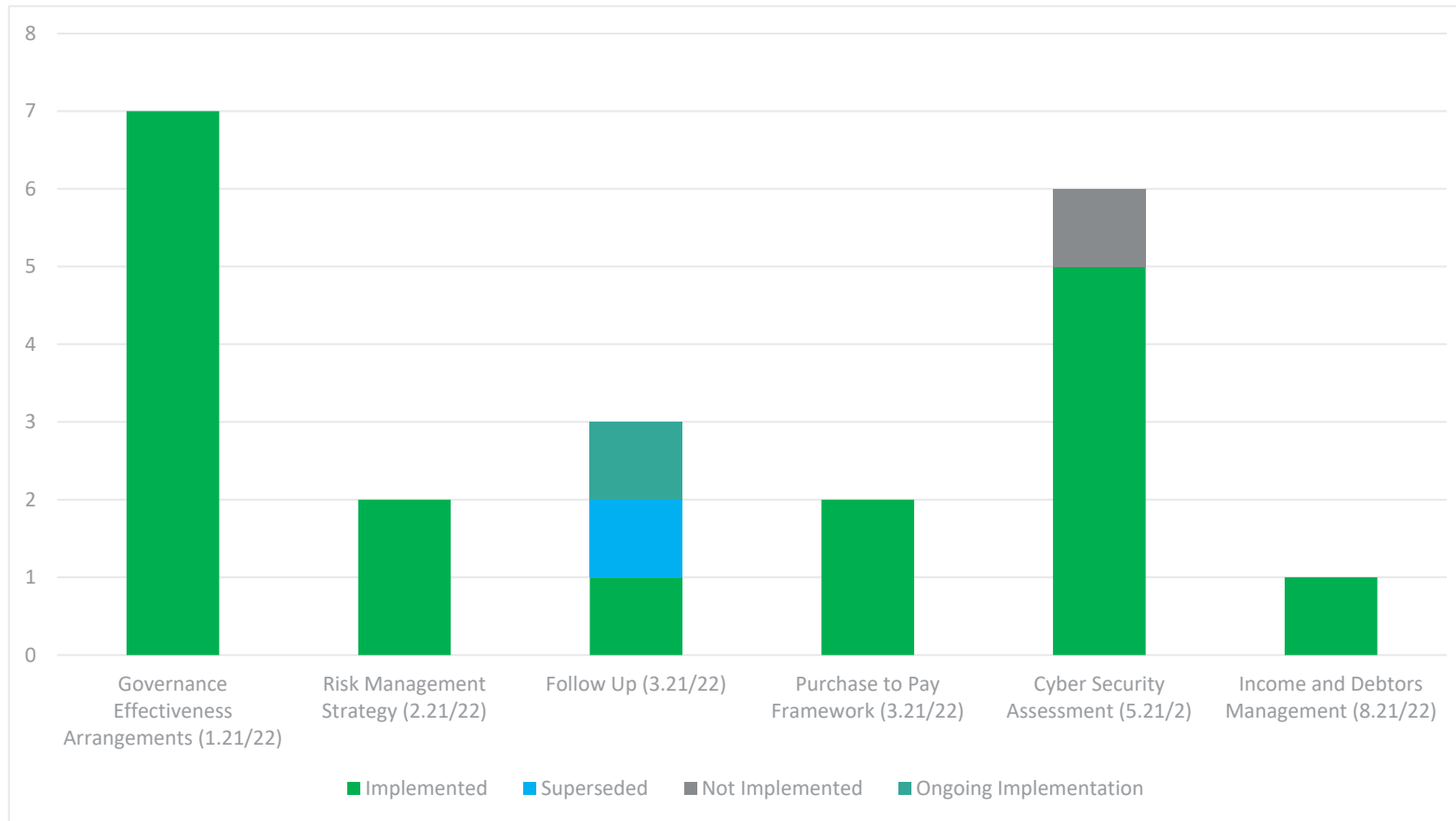
Of the 21 actions considered as part of the review, we have confirmed that a total 19 (90%) actions have been fully implemented or superseded; one (5%) 'medium' priority action has been partly though not yet fully implemented; and one (5%) 'high' priority action has not yet been implemented.

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
Total	21	18	1	1	1	19



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	<p><u>Investment Programme Insurance Review (7.20/21)</u></p> <p>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.</p> <p>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)</p>
--	--

Audit finding / status	<p>Management response</p> <p>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.</p> <p>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.</p> <p>RSM assessment</p> <p>2 - The action has been partly though not yet fully implemented.</p>
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Management Action 1	<p>Management action restated</p> <p>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.</p> <p>In addition to this, management may wish to consider the nature of the Investment Programme-related KPIs and the way in which performance</p>	Responsible Owner:	Date:	Priority:
		Policy & Strategy Director	End of June 2022	Medium

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.

Management Action 2	Management action updated	Responsible Owner:	Date:	Priority:
	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)	<p>Implemented</p> <p>Management will consider the follow actions in regard to Board reports:</p> <ul style="list-style-type: none"> • Ensure report writers 'spell out' acronyms in reports the first time they are used; • Consider how executive summaries can be improved to more effectively summarise the report. <p>(Low)</p>
	<p>Implemented</p> <p>Adopt a formal Calendar of Business for the TfN Board and Committees to ensure full and cyclical coverage.</p> <p>(Low)</p>
	<p>Implemented</p> <p>Agreed actions should make clear who is responsible for the action and by when.</p> <p>(Low)</p>
	<p>Implemented</p> <p>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'.</p> <p>(Low)</p>
	<p>Implemented</p> <p>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.</p> <p>(Low)</p>
	<p>Implemented</p> <p>Management will review the Member induction process including the following actions:</p>

Assignment title	Management actions
	<ul style="list-style-type: none"> • Review the content and approach used to deliver inductions to ensure that a consistent programme is in place for newly appointed Members of the TfN Board; • Develop procedure notes to detail the Member induction process; and • Maintain a record of inductions completed by Members. <p>(Medium)</p> <hr/> <p>Implemented</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>
Risk Management Strategy (2.21/22)	<p>Implemented</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>
	<p>Implemented</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>
Follow Up (3.21/22)	<p>Superseded</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>Internal Audit Comment:</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>Implemented <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>Implemented 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>Implemented 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>Implemented 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>Implemented 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>Implemented</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>Implemented</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"> • Responsibility for requesting and actioning starter, mover and leaver requests; • Appropriate authorisation of access requests; • Appropriate access to Email and OneDrive data which was linked to the account is granted to an approved manager; • 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 <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>Implemented</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>Implemented</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.

Debrief held	10 May 2022
Draft report issued	17 May 2022
Responses received	23 May 2022
Final report issued	23 May 2022

Internal audit Contacts Lisa Randall, Head of Internal Audit
lisa.randall@rsmuk.com / 07730 300 309

Alex Hire, Senior Manager
alex.hire@rsmuk.com / 07970 641 757

Andrew O'Donnell, Manager
andrew.o'donnell@rsmuk.com / 0141 285 3937

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>Follow Up (1.2022/23)</p> <p>In our opinion management 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.</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
Total	0	0	1	1

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

Lisa Randall, Head of Internal Audit

lisa.randall@rsmuk.com

07730 300 309

Alex Hire, Senior Manager

alex.hire@rsmuk.com

07970 641 757

Andrew O'Donnell, Manager

andrew.o'donnell@rsmuk.com

0141 285 3937

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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.

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Audit Strategy Memorandum

Transport for the North

Year ending 31 March 2022

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Agenda Item 9

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- 02 Your audit engagement team
- 03 Audit scope, approach and timeline
- 04 Significant risks and other key judgement areas
- 05 Value for money
- 06 Fees for audit and other services
- 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

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

24 May 2022

Dear Sirs / Madams

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:

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

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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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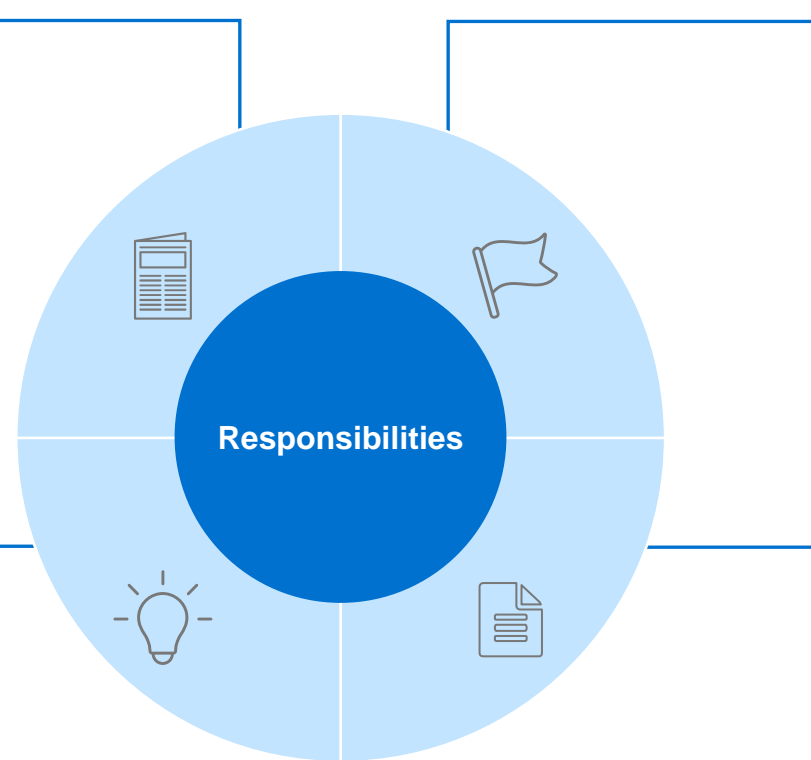
Audit opinion

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

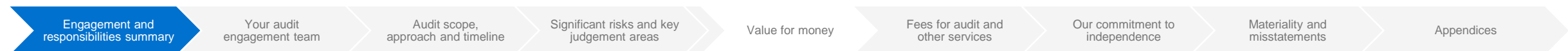
The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both those charged with governance and management. This includes establishing and maintaining internal controls over reliability of financial reporting.

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	karen.murray@mazars.co.uk
Campbell Dearden, CPFA	Manager	campbell.dearden@mazars.co.uk
Taylor Joseph, CA (SA)	Team Leader and Assistant Manager	taylor.joseph@mazars.co.uk

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Engagement and responsibilities summary	Your audit engagement team	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.

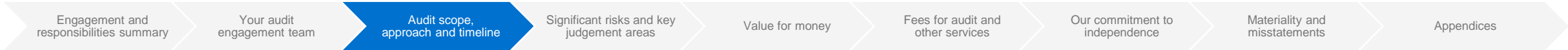
Audit approach

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

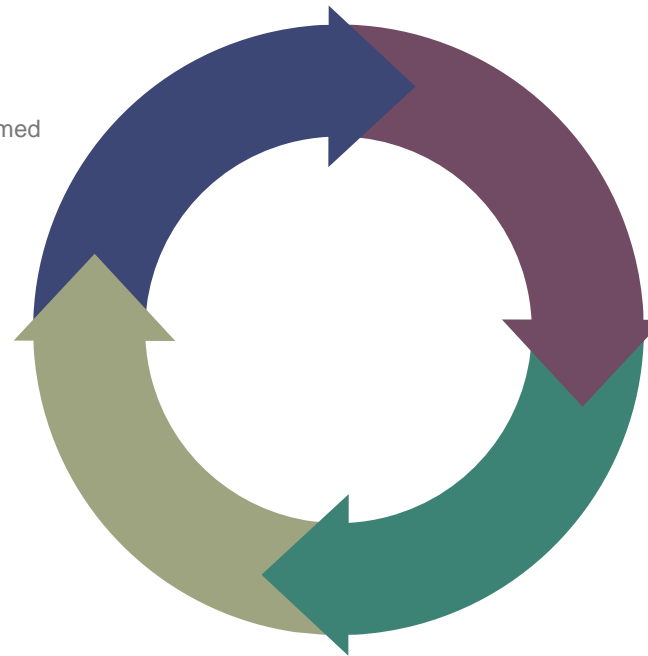
Page 194

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

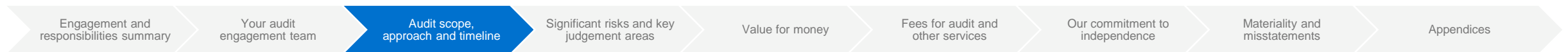


Interim March – April 2022

- 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

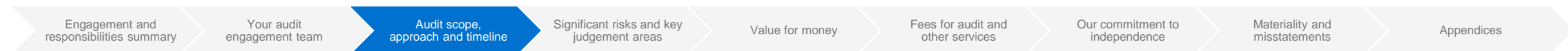
Management makes use of experts in specific areas when preparing TfN’s financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

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

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.

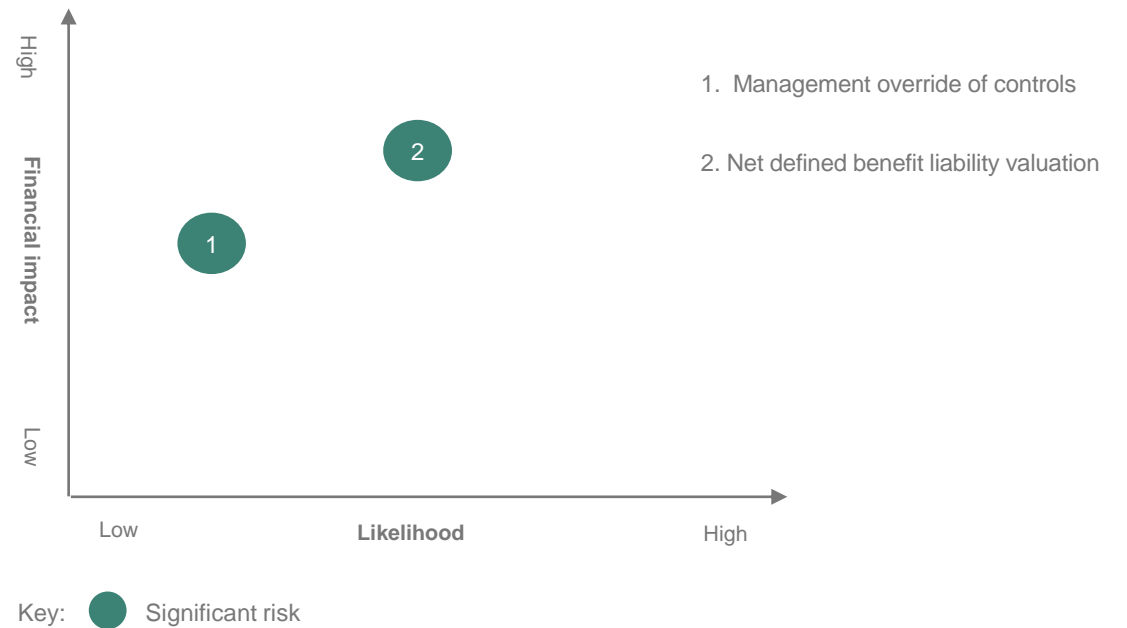
These should include all areas of judgement and significant estimation uncertainty reported by TfN in the financial statements, which would be expected to give rise to enhanced audit risks as relevant.

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

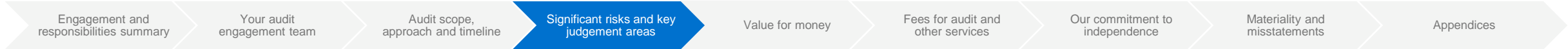
Specific identified audit risks and planned testing strategy

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>Management override of controls 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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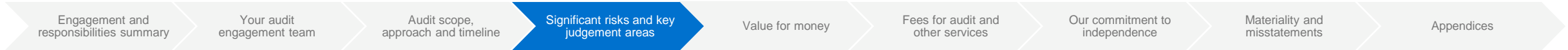


4. Significant risks and other key judgement areas

Significant risks

	Description	Fraud	Error	Judgement	Planned response
2	<p>Net defined benefit liability valuation</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 200

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

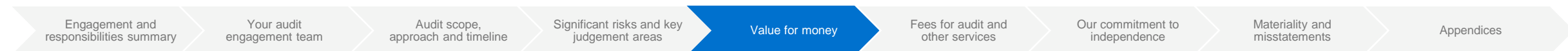
The Code requires us to structure our commentary to report under three specified criteria:

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.

Planning and risk assessment	<p>Obtaining an understanding of TfN's arrangements for each specified reporting criteria. Relevant information sources will include:</p> <ul style="list-style-type: none"> NAO guidance and supporting information Information from internal and external sources including regulators Knowledge from previous audits and other audit work undertaken in the year Interviews and discussions with staff and members
Additional risk based procedures and evaluation	<p>Where our planning work identifies risks of significant weaknesses, we will undertake additional procedures to determine whether there is a significant weakness.</p>
Reporting	<p>We will provide a summary of the work we have undertaken and our judgements against each of the specified reporting criteria as part of our commentary on arrangements. This will form part of the Auditor's Annual Report.</p> <p>Our commentary will also highlight:</p> <ul style="list-style-type: none"> Significant weaknesses identified and our recommendations for improvement Emerging issues or other matters that do not represent significant weaknesses but still require attention from TfN



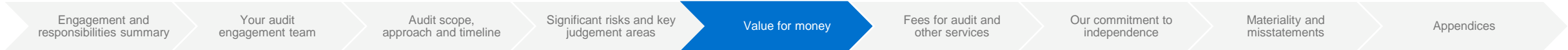
5. Value for money

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
Page 202	<p>1 Financial Sustainability</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>	●	○	○	<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.</p>



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.

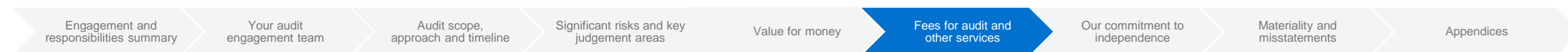
At this stage we are not proposing any fee increase in 2021/22 from our final fees for 2020/21. All fees are excluding VAT.

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
Total fees	£41,200	£43,500

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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

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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.

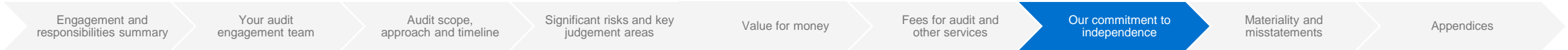
We confirm, as at the date of this document, that the engagement team and others in the firm as appropriate, Mazars LLP are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence please discuss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

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"> Senior officer remuneration 	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.

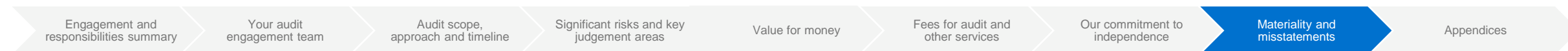
Whilst planning, we make judgements about the size of misstatements which we consider to be material and which provides a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and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

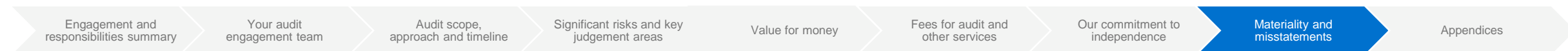
Misstatements

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).





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.

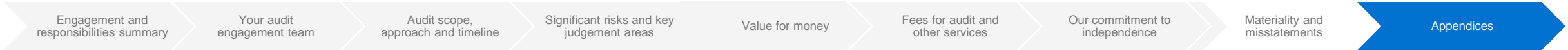
Key communication points at the planning stage as included in this Audit Strategy Memorandum

- 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.

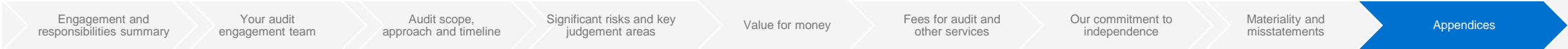


Appendix: Key communication points

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"> uncorrected misstatements and their effect on our audit opinion; the effect of uncorrected misstatements related to prior periods; a request that any uncorrected misstatement is corrected; and in writing, corrected misstatements that are significant. 	Audit Completion Report
<p>With respect to fraud communications:</p> <ul style="list-style-type: none"> enquiries of the Audit and Governance Committee. to determine whether they have a knowledge of any actual, suspected or alleged fraud affecting the entity; any fraud that we have identified or information we have obtained that indicates that fraud may exist; and a discussion of any other matters related to fraud. 	<p>Audit Completion Report and discussion at the Audit and Governance Committee.</p> <p>Audit planning and clearance meetings</p>

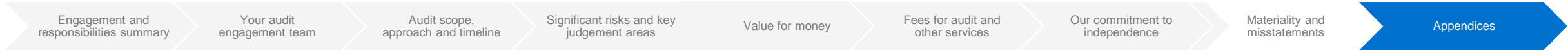
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Appendix: Key communication points

Required communication	Where addressed
Significant matters arising during the audit in connection with the entity’s related parties including, when applicable: <ul style="list-style-type: none"> • non-disclosure by management; • inappropriate authorisation and approval of transactions; • disagreement over disclosures; • non-compliance with laws and regulations; and • difficulty in identifying the party that ultimately controls the entity. 	Audit Completion Report
Significant findings from the audit including: <ul style="list-style-type: none"> • our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures; • significant difficulties, if any, encountered during the audit; • significant matters, if any, arising from the audit that were discussed with management or were the subject of correspondence with management; • written representations that we are seeking; • expected modifications to the audit report; and • 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. 	Audit Completion Report
Significant deficiencies in internal controls identified during the audit.	Audit Completion Report
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.	Audit Completion Report

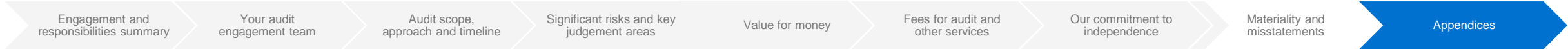
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Appendix: Key communication points

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"> • whether the events or conditions constitute a material uncertainty; • whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; and <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

karen.murray@mazars.co.uk

Mazars

One St Peter's Square
Manchester
M2 3DE

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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

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
Chartered Institute of Public Finance and Accountability (CIPFA)		
1.	CIPFA launches value for money toolkit with the University of Oxford's GO Lab	Based on the UK National Audit Office's standard definition of value for money, the toolkit offers a consistent approach to programme evaluation.
2.	New Prudential and Treasury Management Codes	These two statutory and professional codes are important regulatory elements of the capital finance framework within which local authorities operate.
Department for Levelling Up, Housing and Communities		
3.	Measures to improve local audit delays and accounts and audit timetable confirmed	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.
National Audit Office (NAO)		
4.	Climate change risk: A good practice guide for Audit and Assurance Committees	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.	Cyber and Information Security: Good practice guide	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.	The Government's preparedness for the COVID-19 pandemic: lessons learned for government on risk management	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.	The Local Government finance system in England: Overview and Challenges	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.

National Publications

	Publication/update	Key points
National Audit Office (NAO) - continued		
8.	Departmental Overview 2020-21: Department for Levelling Up, Housing and Communities	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.	Inspection findings into the quality of major local body audits	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>

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.

NATIONAL PUBLICATIONS

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;

NATIONAL PUBLICATIONS

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

Mazars

Partner: Karen Murray

Email: karen.murray@mazars.co.uk

Manager: Campbell Dearden

Email: campbell.dearden@mazars.co.uk

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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: Thursday 14 July 2022

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

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.

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

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



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) (including an opportunity)	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

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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"> 1. Preparation of Business Plan on the basis of a reasonable planning assumption for future years' funding 2. Secure DfT endorsement for Business Plan 3. Demonstration of TfN value for money through agreement with DfT on KPIs 	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"> 1. Update People Strategy as required 2. Continue to brief and update staff 3. Redesign and downsize TfN to fit 22/23 budget 4. Provide training and development opportunities 5. Agree recruitment strategy for TAME 6. Full and proper consultation with UNISON 	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"> 1. Align business plan with TfN's objectives 2. Engagement with Partners and Government 3. Manage programme via TfN's Strategic Oversight Group 4. Update Northern Powerhouse Independent Economic Review (NPIER) 5. Manage interdependencies with NPIER 	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"> 1. Early engagement with legal team 2. Develop TfN Licensing Strategy 3. Train employees on derived data 4. Create flow chart of model in/outputs 5. Obtain licences for all data inputs 	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"> 1. Collaboration with the GBR transition team 2. Establish a programme board chaired by TfN's CEO 	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
Cost	£0 - £100k	£100k - £200k	£200k - £500k	£500k - £800k	£800k - £1m
Reputation	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
External Relationship	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.
Quality	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
Time	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
Cost	-£0 - -£100k	-£100k - -£200k	-£200k - -£500k	-£500k--£800k	-£800k- -£1m
Reputation	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
External Relationship	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
Quality	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
Time	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:

ID	Control Level and Action Description	Owner	Due
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:

ID	Control Level and Action Description	Owner	Due
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:

ID	Control Level and Action Description	Owner	Due
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



Transport for the North
2nd Floor
4 Piccadilly Place
Manchester
M1 3BN



Transport for the North
Ground Floor
West Gate
Grace Street
Leeds
LS1 2RP



0161 244 0888



info@transportforthenorth.com



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 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.

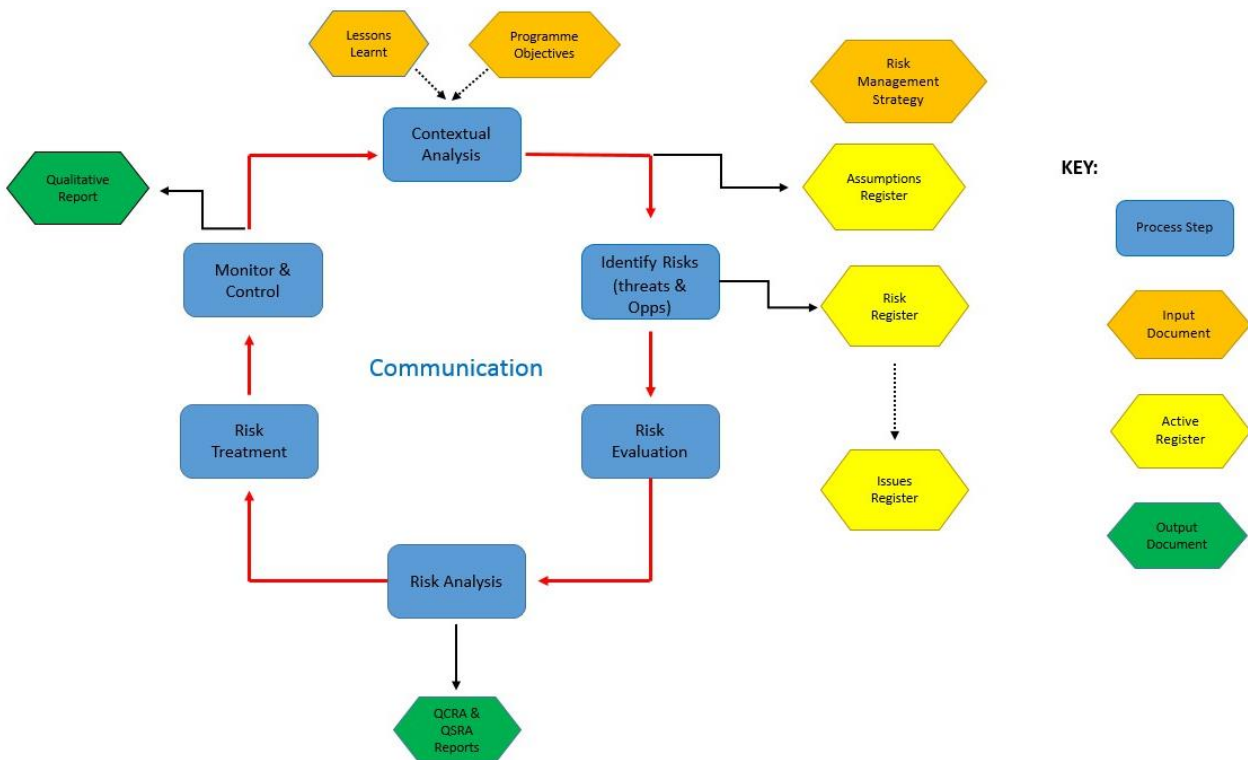


Figure 1: TfN's Risk Management Process

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:

Item	Risk Category	Description / Risks associated with
1	Corporate Objectives	<ul style="list-style-type: none"> • Corporate objectives relate to possible risks (threats and opportunities) that may either hinder or enhance the chances of successfully achieving TfN's business plan. • Risks such as funding / delivery management, integrated transport strategy and transport solutions • Reputation and political environments are also to be considered.
2	Resources	<ul style="list-style-type: none"> • 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. • Skills and experience, knowledge, and talent development of the existing workforce are all considered. • Tools including equipment, office space, IT, etc., are risks that also fall under this category.
3	Commissioning, Commercial and Financial / Funding	<ul style="list-style-type: none"> • Commissioning risks, include the ability to develop effective procurement and contracting strategies, and secure appropriate commercial agreements. • Commercial risks include an understanding of market or industry factors affecting the delivery and operations, and the contractual arrangements necessary to deliver successful outcomes. • 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.
4	Technical Performance	<ul style="list-style-type: none"> • Risks include the specification, design, build, commissioning and testing of project/ programme deliverables (e.g., new assets, processes, etc.) • Technical performance also includes how well the solutions are performing and delivering expected benefits.
5	Public, Media and Stakeholders	<ul style="list-style-type: none"> • Public, Media and Stakeholder related risks encompass the requirements and influences of Partners, Customers, Campaigners and associated reputational risks.
6	Legislation and Regulation	<ul style="list-style-type: none"> • These risks relate parliamentary/ legislative processes, and the requirements of central government and transport regulators that may possibly impact on TfN's objectives. • This category also includes the risk of changes in political policy, support, and regulations.
7	Governance	<ul style="list-style-type: none"> • 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.
8	Delivery Partners	<ul style="list-style-type: none"> • 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.

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

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	Focus Terminate, treat, transfer, fallback planning
High	14 – 18	Control Terminate, treat, transfer
Medium	7 – 13	Control/ Monitor Terminate, treat, transfer, tolerate
Low	1 - 6	Monitor 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.

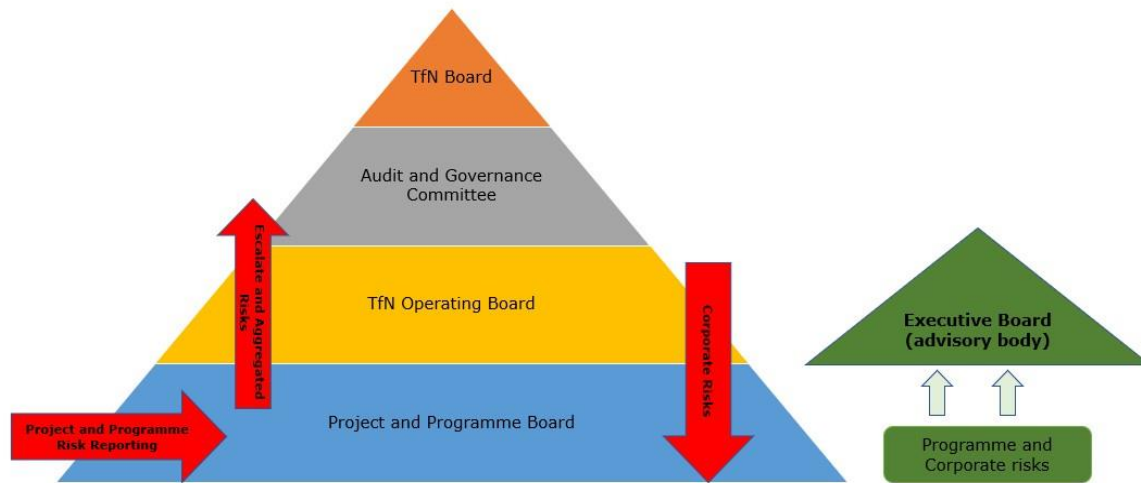


Figure 2: TfN's Reporting Structure

- 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.

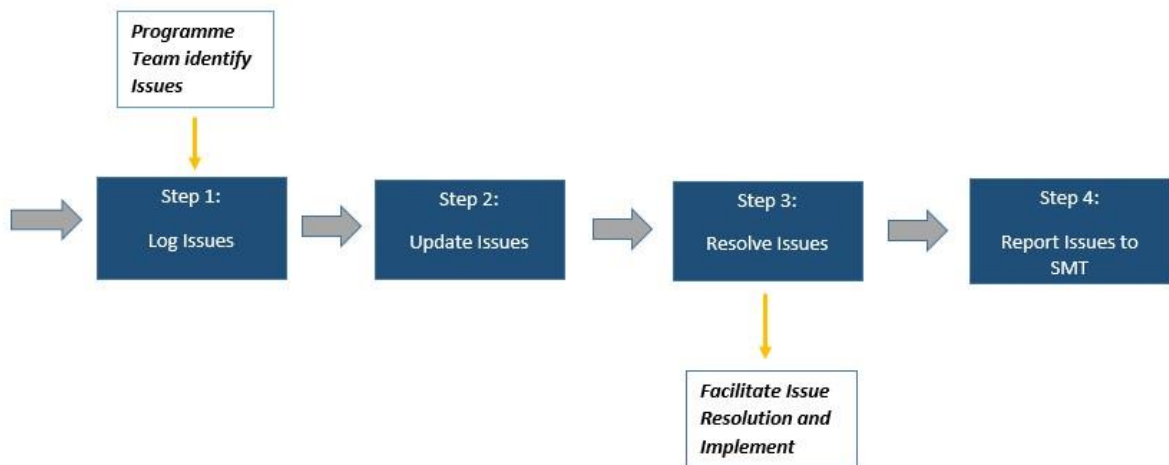


Figure 3: Issues Reporting

- 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.

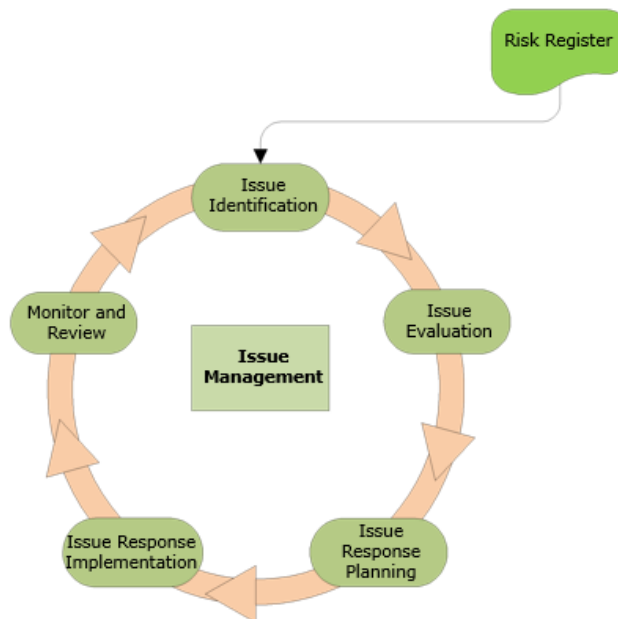


Figure 4: Issues Management Process

- **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
Cost (Tier 1 - £0-£2m Budget)	£0 - £10k	£10k - £20k	£20k - £50k	£50k - £80k	£80k - £100k
Cost (Tier 2 - £2-6m Budget)	£0 - £40k	£40k - £80k	£80k - £200k	£200k - £320k	£320k - £400k
Cost (Tier 3 - £6-14m Budget)	£0 - £100k	£100k - £200k	£200k - £500k	£500k - £800k	£800k - £1m
Reputation	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
External Relationship	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
Quality	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
Time	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
Cost (Tier 1 - £0-£2m Budget)	£0 - -£10k	-£10k - -£20k	-£20k - -£50k	-£50k - -£80k	-£80k - -£100k
Cost (Tier 2 - £2-6m Budget)	£0 - -£40k	-£40k - -£80k	-£80k - -£200k	-£200k - -£320k	-£320k - -£400k
Cost (Tier 3 - £6-14m Budget)	-£0 - -£100k	-£100k - -£200k	-£200k - -£500k	-£500k--£800k	-£800k- -£1m
Reputation	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.
External Relationship	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
Quality	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
Time	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.