

# Transport for the North Audit & Governance Committee Agenda

<b>Date of Meeting</b>	<b>Wednesday 21 September 2022</b>
<b>Time of Meeting</b>	<b>2.00 pm</b>
<b>Venue</b>	<b>Virtual</b>

### Filming and broadcast of the meeting

This meeting is not a formal meeting of the Audit & Governance Committee but is being held as a Consultation Call by the Finance Director under the delegated powers of the Finance Director to take action in consultation with Members of the Committee. Following the Consultation Call the Finance Director will take delegated actions having regard to the consultation.

The Agenda and reports for the Consultation Call are being made available to the public and the Call is being livestreamed on the Transport for the North website to ensure openness and transparency. Members of the Committee will attend the Call virtually.

Item No.	Agenda Item	Page
<b>1.0</b>	<p><b>Welcome and Apologies (2 Minutes)</b></p> <p>The Chair to welcome Members to the meeting.</p> <p><b>Lead:</b> Chair</p>	
<b>2.0</b>	<p><b>Declarations of Interest (1 Minute)</b></p> <p>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.</p> <p><b>Lead:</b> Chair</p>	
<b>3.0</b>	<p><b>Minutes from the Previous Meeting (7 Minutes)</b></p> <p>To approve as a correct record the minutes of the Audit &amp; Governance Committee held on 14 July 2022.</p> <p><b>Lead:</b> Chair</p>	3 - 8

<p><b>4.0</b></p>	<p><b>Risk Review (15 Minutes)</b></p> <p>To review the current risks held on the Transport for the North Corporate Risk Register.</p> <p><b>LEAD: Daniella Della-Cerra Smith</b></p>	<p>9 - 74</p>
<p><b>5.0</b></p>	<p><b>Business Planning (10 Minutes)</b></p> <p>To present the TfN Business Plan for 2022/23</p> <p><b>LEAD: Paul Kelly</b></p>	<p>75 - 92</p>
<p><b>6.0</b></p>	<p><b>Internal Audit Update (15 Minutes)</b></p> <p>To note the Internal Audit report.</p> <p><b>Lead: Alex Hire</b></p>	<p>93 - 114</p>
<p><b>7.0</b></p>	<p><b>External Audit Update (15 Minutes)</b></p> <p>To note the report from Mazars.</p> <p><b>Lead: Campbell Dearden and Karen Murray</b></p>	<p>115 - 150</p>
<p><b>8.0</b></p>	<p><b>Draft Audit &amp; Governance Committee Annual Report to the TfN Board (30 Minutes)</b></p> <p>To review the draft report of the Chair of the Audit &amp; Governance Committee summarising the Committee's activities over the previous year against its Terms of Reference and Annual the 2021/22 Annual Governance Statement.</p> <p><b>LEAD: Paul Kelly/Manjit Dhillon</b></p>	<p>151 - 162</p>
<p><b>9.0</b></p>	<p><b>Year End Statutory Accounts (10 Minutes)</b></p> <p>To recommend to the TfN Board the sign off of the Year End Annual Statement of Accounts for 2021/22</p> <p><b>LEAD: David Spilsbury</b></p>	<p>163 - 246</p>
<p><b>10.0</b></p>	<p><b>Date and Time of Next Meeting</b></p> <p>18 November 2022 11.00 – 13.00 Consultation Call</p>	

# Transport for the North

## Audit & Governance Committee – Minutes

**Meeting:** Transport for the North Audit and Governance Committee  
**Date:** Thursday 14 July 2022, 11:00 – 13:00  
**Venue:** Executive Boardroom, Lower Ground Floor, Holiday Inn Manchester, 25 Aytoun Street, Manchester M1 3AE

### Attendees:

Cllr Keith Little (Vice-Chair)	Cumbria County Council
Kevin Brady	Independent Member
Graham Bell	Independent Member
Cllr Liam Robinson	Liverpool City Region
Cllr Hans Mundry	Warrington

### Invitees:

Karen Murray	Mazars
Alex Hire	RSM UK

### Officers:

Paul Kelly	Interim Finance Director
Emma Sanchez	Financial Accountant
Julie Openshaw	Head of Legal
Kevin Willans	Head of IT
Gary Rich	Democratic Services Officer
James Lyon	Legal Officer
Andrea Shepherd	Executive Assistant

### Apologies:

David Pevalin	Independent Member
Cllr Jonathan Owen	East Riding of Yorkshire

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**1. Welcome and Apologies**

- 1.1 The Vice-Chair welcomed Members to the meeting. Apologies were noted from David Pevalin and Cllr Jonathan Owen.

**2. Declarations of Interest**

- 2.1 There were no declarations of interest.

- 2.2 The Committee noted that this would be the last that James Lyon would be administering before leaving TfN at the end of July and that Andrea Shepherd would assist with support for future meetings.

The Committee thanked James Lyon for his work over the previous 3 years and welcomed Andrea Shepherd to the role.

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

- 3.1 The minutes from the previous consultation calls were formally approved as true and accurate records of the calls held on 19 November 2021 and 25 February 2022.

**4. Appointment of the Audit & Governance Committee Chair**

- 4.1 The Vice-Chair noted that Graham Bell had expressed an interest in standing as Chair of the Audit & Governance Committee and proposed his appointment to the role.

- 4.2 There were no other nominations for the role and Kevin Brady seconded the proposal. Having been duly elected, Graham Bell took the Chair for the remainder of the meeting.

**RESOLVED:** Graham Bell be elected Chair of the Audit & Governance Committee.

**5. 2022/23 Budget and Business Plan**

- 5.1 This item, presented to and approved by TfN Board in June 2022, was included to enable the Committee to understand the future financial and operating environment for TfN.

- 5.2 Paul Kelly highlighted the key points within the budget:

- £16.5m overall budget
- c50% operational / core funded, and 50% hosted / ring fenced funded
- Discretionary spend equates to contractual spend and this mainly relates to the TAME NPR activity
- Notable shift from commissioned activity to staff costs within core funded activity. Consistent with business plan and the move towards retaining capacity and capability to deliver core duties
- Fully funded budget with several grant streams some of which, due to the process and timing of agreement, are effectively index linked. Core funding allocation is not index linked and any shortfalls are managed using reserves
- Use of reserves works for budget and two following years but becomes a challenge in future years. This emerging issue will be shared with DfT in due course.
- Key budget assumptions highlighted including 3% provision for staff cost increases and the need to consider office arrangements (Leeds office to

close and Manchester office arrangements to be considered as part of the 2023/24 business planning process).

- 5.3 Committee members responded with their thoughts and comments which included:
- Cllr Little aired his concern and sought more clarity around office arrangements. Paul Kelly reiterated the matter will be considered within our normal business planning process.
  - Kevin Brady noted the need to consider ways of working post covid and suggested other partner bodies would be faced with similar issues and / or could provide opportunities. Kevin also reiterated the critical nature of the risk where core funding was not directly linked to our cost base. Paul Kelly indicated offers of office accommodation had been made by board member organisations. Paul expanded further on the use of reserves to fund cost increases and that it was not sustainable in the long term.
  - Cllr Robinson noted the assumption that core funding levels were assumed to continue in future years. He aired the current political changes and the lack of recognition for levelling up or NPR and the need to continuously lobby. He echoed the previous comments on flexible working. He also noted that VAT was a sizeable element of the budget and sought assurance that we continued to pursue a non-vatable status and / or intelligent ways to procure that minimised this tax. Paul Kelly welcomed the support to creative ways of working and conveyed that the largest proportion of VAT related to the NPR Tame programme (due to contracted activity) and that the level of exposure within core funded activity was reduced due to the migration towards staff costs. TfN would continue to pursue a non-vatable arrangement.
  - Cllr Mundry requested clarity on how any changes to our working environment would be planned and that staff would be consulted as part of the process. He echoed Cllr Robinson's views on VAT and better ways of working that would enable TfN to make the most of its funding allocation. Paul Kelly reiterated that staff consultation was a critical element of any change process as they had been in relation to the closure of the Leeds office. Any proposal for the Manchester office would come through the business planning cycle.
- 5.4 The Chair noted the various budget assumptions and requested regular updates on any changes to TfN assumptions and re-forecasting, especially in light of the forthcoming change of leadership within Government at the time of the meeting. He also highlighted the level of change that TfN would be facing, both from a governance and a control perspective, and the need for the A&G committee to consider this change whilst delivering its duties. In particular, the reduced number of senior personnel and this impact on the control environment would need to be considered.
- Paul Kelly conveyed the intention to prepare and submit budget reforecasts on a quarterly basis and the next reforecast would be brought back to this committee.
- 6. Monthly Operating Report (May 2022)**
- 6.1 The report, included as a standing item, was taken as read and outlined some of the period of change covered in the previous agenda item. The finalisation of the 2022/23 business plan with its KPI's was discussed and that this was likely to be

captured in the July report. It was agreed the July report would be distributed to members when finalised.

6.2 The committee made a number of comments:

- The Chair requested sight of the KPI's as soon as they were published.
- Kevin Brady asked us to recognise the level and speed of economic change in recent months especially in the NPIER programme.

## **7. Draft Statutory Accounts**

7.1 Paul Kelly referenced the slide pack within the papers which picked out the key points of the draft accounts which are due to be published for statutory public inspection no later than 1 August.

7.2 The accounts captured the closure of the IST programme and disposal of the intangible assets as well as pensions liability.

7.3 The challenges relating to utilising core reserves alongside annual funding allocations was highlighted.

7.4 Kevin Brady enquired about the pension liabilities and asked if future presentations from Greater Manchester Pension Funds could be considered, noting that the last one in July 2021 had been very useful.

**RESOLVED:** The Committee noted the challenges with the budget and resulting restructure and welcomed the clarity of the document and information.

## **8. Internal Audit Update**

8.1 Alex Hire provided an overview of the Follow Up Audit, designed to report on the progress made on actions agreed on the previous year's audits. Of the 21 actions identified, 19 had been implemented or superseded. One of the delayed actions on Penetration Testing within the IT infrastructure had now been completed.

8.2 Within the Progress Report, it was noted that the timings of some of the planned audits had changed due to the restructure of the organisation. The Payroll Audit had been brought forward with the GDPR Audit moved back to accommodate this. However, there were no material issues to raise.

8.3 Graham Bell wanted to ensure there was a clear link between the Risk Register and the internal audit plan in terms of highlighting controls and processes to manage and mitigate risk, and he thanked RSM for their work.

**RESOLVED:** The Committee noted the reports and the audit plan.

## **9. External Audit Update**

9.1 Karen Murray reminded the Committee that the papers covered the audit of financial statements as well as the audit in respect of Value for Money. The report had been originally scheduled for the June meeting which had been cancelled so she noted that the information within it was slightly out of alignment with the actual process due to the timings.

9.2 The work is due for completion in September. The Value for Money audit had captured the risk of ongoing sustainability and had suitable representations from management. It was noted that the minimum level of reserves had been agreed between TfN and DfT.

- 9.3 Cllr Keith Little advised the Committee that the reserve level had been raised at the previous TfN Board meeting as part of the ongoing funding discussions.

**RESOLVED:** The Committee acknowledged the funding risks outlined alongside the overall positive nature of the ongoing audit.

## **10. Risk Management**

- 10.1 As noted within the report, the original schedule had been to bring the Risk Register to Audit & Governance in advance of TfN Board in June, but the cancellation of the June meeting meant this had not been possible. Paul Kelly advised that the Risk Register had been discussed at TfN Board after feedback from A&G members.
- 10.2 The focus of the risk management review had been to refresh the Risk Management Strategy in light of the transfer of the NPR programme to DfT. It was noted that a dashboard had been introduced to aid in the auditing and reporting.
- 10.3 It was noted as the A&G meeting in June did not go ahead as planned, feedback had been requested and received on the risk management item.
- 10.4 Kevin Brady inquired that now risks relating to NPR business case have closed does co-sponsor arrangements with the department remain as risks?
- 10.5 Kevin Brady asked, in relation to the Co-sponsorship arrangement – Unclear Who owns sponsor board? Is it TfN led?
- 10.6 Kevin Brady felt the risk register did not tease out how full member buy in would be achieved for the STP2 related risk.
- 10.7 Kevin Brady raised that there was challenge in terms of the TAME opportunity for TfN on how we free up resource to explore the opportunity and how do we follow those opportunities and aspirations without impacting on grant deal with department?
- 10.8 Kevin Brady thought TCR13 – Funding - mitigations were clear for value for money and case for funding but no reference to underpinning principle of devolution and that subsidiarity to the North.
- 10.9 Keith Little raised the risk around relationship with the department. Currently have no secretary of state. Uncertain what government wants the relationship to be between ourselves and other Strategic transport bodies.
- 10.10 Graham Bell asked that evidence of the relationship between the KPI's and the risk register be presented for the next committee meeting.

**RESOLVED:** The comprehensive nature of the Risk Register was again noted.

## **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 16 September at a venue to be confirmed.

**The meeting concluded at 13:00**

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**Meeting:** Transport for the North Audit & Governance Committee  
**Subject:** Corporate Risk Register Report  
**Author:** Daniella Della-Cerra-Smith, Risk Manager  
**Sponsor:** Paul Kelly, Interim Finance Director  
**Meeting Date:** Friday 16 September 2022

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**1. Background:**

- 1.1 Transport for the North has updated the Corporate Risk Register ("CRR") to reflect the Key Performance Indicators (KPIs) and business objectives outlined in the Business Plan for Financial Year 2022/23.
- 1.2 The CRR was last presented to TfN Board on 30 June 2022.
- 1.3 The updated CRR and RMS was presented to Operating Board on 6 September.
- 1.4 The next scheduled Board meeting at which the CRR is due to be presented is 29 September 2022.
- 1.5 The Audit and Governance Committee's role in relation to risk is included in the broader detail of the constitution, which is defined below.
- 1.6 "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".
- 1.7 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".
- 1.8 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 1.

**2. Recommendations:**

- 2.1 That the Committee consider updates to the report and the Risk Management Strategy and provide assurance to the Board on 29 September 2022, that efficient and effective risk management practice and processes are in place.

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

- 3.1 Risk workshops have taken place with Directors across TfN and all existing risks and mitigation actions have been reviewed and updated. New risks and actions have been identified where appropriate.
- 3.2 A thorough review of the Risk Management Strategy has been undertaken and the following updates have been made:

- Section 3 incorporates TfN's risk appetite statement
- Section 4 updated risk process diagram
- Risk treatment, page 13, has been updated to include and define 3 types of mitigation plans - Controls, Mitigation actions and Fallback plans
- Section 5 includes the frequency of risk reviews
- Section 6 Risk Reporting Diagram has been updated based on TfN's current environment, definition of the roles in relation to risk management for Operating Board, Audit and Governance Committee and TfN Board are included in this section, as is frequency of reporting
- Roles and responsibilities section has been included, with an updated RACI chart

#### **4. TfN Themes:**

4.1 The top risk themes are currently:

- TfN resources
- TfN funding
- TfN's Strategic Transport Plan (STP)
- Technical appraisal, modelling, and economics
- TfN's reputation, political engagement, and effectiveness
- Rail operations - franchise management and investment

Four new risk factors have been identified

1. Medium term funding sustainability challenges
2. Severance process
3. Loss of knowledge
4. Failure to comply with governance and corporate processes

#### **5. TfN Issues:**

5.1 The issue on the Corporate Risk Register which relates to TfN receiving a one-year funding settlement has now been closed as mitigation actions have been completed. Two funding risks still remain. For further details including mitigation actions can be found in the Corporate Risk Register Appendix 1.

#### **6. TfN Opportunities:**

6.1 Two new opportunities have been identified:

1. Simplification of and reduction in processes
2. TfN can provide more services and guidance to support national, regional, and local partners, as a centre of excellence

Further details of these opportunities can be found in the Corporate Risk Register Appendix 1.

#### **7. Considerations:**

- 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 RSM are undertaking a risk maturity review week commencing 19 September.

## **8. Corporate Considerations:**

### **8.1 Financial Implications**

The financial implications are detailed within individual risks where applicable.

### **8.2 Resource Implications**

The resource implications are detailed within individual risks where applicable.

### **8.3 Legal Implications**

The legal implications are detailed within individual risks where applicable.

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

The Corporate Risk Register is part of this report.

### **8.5 Environmental Implications**

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

### **8.6 Equality and Diversity**

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

### **8.7 Consultations**

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

## **9. Background Papers:**

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

## **10. Appendices:**

10.1 Appendix 1 Corporate Risk Register Sept 2022

10.2 Appendix 2 Risk Management Strategy

### **Glossary of terms, abbreviations and acronyms used**

a) CRR	Corporate Risk Register
b) KPI's	Key Performance Indicators
c) RACI	Responsible, Accountable, Consulted and Informed
d) STP	Strategic Transport Plan
e) RMS	Risk Management Strategy

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# Transport for the North

Corporate Risk Register

September 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 Risk Environment and Emerging Risks, corporate risk themes and factors, key changes to the register since the last risk review, key impacts/action themes, and TfN's 2022/23 KPIs.

**Section 2** 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 TfN's Risk Environment and Emerging Risks**

- 1.1.1 Budget setting and Business planning for 2022/23 has now been concluded. Recognising the current fiscal environment including the rising cost of inflation, TfN are closely monitoring funding risks and budget expenditure. A risk has been captured at functional level to manage and monitor budget assumptions. An additional corporate risk has been identified for medium term financial sustainability.
- 1.1.2 In Autumn, TfN will be preparing the Business Plan for 2023/24, based on a planning assumption that underpins the work that has been done this financial year. TfN will continue to work closely with DfT to ensure effective resource planning of agreed priorities, including the retention and recruitment of skills for roles.
- 1.1.3 In response to the current political uncertainty the probability of the risk which relates to changes in government commitments, has been increased. This will need to be monitored closely in the next six months. Engagement with government at political and officer level will be a key priority for TfN.

### **1.2 Key Changes to the corporate risk register**

- 1.2.1 A review of the corporate risk register has been conducted across TfN to reflect the Key Performance Indicators (KPIs) and business objectives outlined in the Business Plan for Financial Year 2022/23.
- 1.2.2 TCR02: Within the TfN reputation, political engagement, and effectiveness theme, the current and target position of the risk Changes in Government Commitment, has increased, due to current political uncertainty.
- 1.2.3 TCR02: One new risk and two new opportunities have been identified under the theme TfN reputation, political engagement, and effectiveness, which are *failure to comply with governance and corporate processes, TfN centre of excellence and simplification of TfN processes*.
- 1.2.4 TCR12: The opportunity for *TAME centre of excellence* has been closed and subsumed into the wider opportunity (TCR02) *TfN can provide more services and guidance to support national, regional and local partners, as a centre of excellence*.

- 1.2.5 TCR12: The risk *TAME, providing a direct service to DfT limits TAME's services in delivering TfN's objectives*, has an increased current and target position due to ongoing recruitment.
- 1.2.6 TCR13: One new funding risk factor has been identified under the funding theme, which is *medium term funding sustainability challenges*.
- 1.2.7 TCR13: The issue which related to the, *one year funding settlement* has been closed as mitigation actions are now complete and based on the funding allocation received budget and business planning for 2022/23 has been concluded and approved at TfN board in June.
- 1.2.8 TCR13: The risk *funding levels are significantly reduced*, has decreased in probability as TfN have received a material reduction in funding for 2022/23.
- 1.2.9 TCR14: Two new risk factors have been identified for the resources theme, which are *loss of knowledge and severance process*.
- 1.2.10 Fall back plans have been identified for risks scored very high.
- 1.2.11 The Risk Management Strategy has been reviewed and updated to incorporate TfN's risk appetite statement, updated process diagram, risk reporting, risk review frequency, roles and responsibilities and updated RACI. Training will be rolled out to staff in September/October.

1.2.12 Our Key Performance Indicators (KPI's) framework monitors and measures our progress and performance and ensures that we provide value for money. The KPIs that we have adopted for 2022/23 are set out below:

<b>KPI</b>	<b>Detail</b>	<b>Deliver</b>	<b>Responsible</b>
<b>1</b>	Establish the stakeholder forum for Trans-Pennine Route Upgrade	Jul-22	Rail
<b>2</b>	Publish the TfN work on Transport related social exclusion	Sep-22	Strategy
<b>3</b>	Complete the reshaping of TfN and implement new operating model	Sep-22	CEO
<b>4</b>	Implement effective governance arrangements for the Co-Sponsor Board	Sep-22	CEO/Rail
<b>5</b>	Publish the TfN Freight and Logistics Strategy	Sep-22	Strategy
<b>6</b>	Establish the agreed NPR analytical work programme for DfT through TAME	Sep-22	Strategy
<b>7</b>	Develop and autumn submission to Government that identifies opportunities to build on TfN's technical capabilities	Oct-22	Finance/Strategy
<b>8</b>	Develop the business model that enables TfN to support its partners across the north	Oct-22	CEO/Strategy
<b>9</b>	Working with partners to prepare a Northern proposition for the implementation of the Williams-Shapps rail reforms	Dec-22	Rail
<b>10</b>	Publish a refreshed Northern Powerhouse Independent Economic Review	Dec-22	Strategy
<b>11</b>	Identify investment priorities for consideration as part of Road Investment Strategy (RIS3)	Dec-22	Road
<b>12</b>	Use the EV charging infrastructure framework to support partners - nationally and across the North	Dec-22	Road
<b>13</b>	Make the Clean mobility visions outputs available for use by partners - nationally and across the North	Dec-22	Strategy
<b>14</b>	Prepare a draft Strategic Transport Plan and secure TfN Board agreement to consult	Mar-23	Strategy
<b>15</b>	Complete an Integrated Sustainability Appraisal of the revised Strategic Transport Plan	Mar-23	Strategy
<b>16</b>	Develop a draft connected Mobility Strategy and secure TfN Board agreement to publish	Mar-23	Rail/Road
<b>17</b>	Develop and implement the Manchester Recovery Task Force "blueprint" and apply the same approach to the East Coast Main Line	Mar-23	Rail
<b>18</b>	Contribute to the work of the Leeds Area Study as part of the implementation of the IRP	Mar-23	Rail
<b>19</b>	Deliver projects on BSIPS, hydrogen and local mobility in support of partners	Mar-23	Strategy/Road/Rail
<b>20</b>	Submit to DfT an update on progress with the implementation of the Major Road Network Programme	Mar-23	Road

### 1.3. Corporate Risk Dashboard



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

**Key impacts across themes:**

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

**Key action themes:**

- Partner Engagement
- Developing a revised MoU with the DfT
- Collaborate with DfT on NPR Sponsor Board
- Establishing and following realistic programmes

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

KPIs 2022/23 are aligned to corporate risks. KPI's also aligned at project level risks and are included as part of the Monthly Operating Report. Management of some risks is required to meet all KPIs.



884	Technical appraisal, modelling and economics	Legal and commercial restrictions. TfN is not legally allowed to share its models or data with Partners.	<ol style="list-style-type: none"> <li>1. Early engagement with legal team</li> <li>2. Develop TfN Licensing Strategy</li> <li>3. Obtain licences for all data inputs</li> </ol>	Interim Strategy and Programme Director
879	TfN's reputation, political engagement and effectiveness	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	<ol style="list-style-type: none"> <li>1. Structured engagement with government officials and decision-makers</li> <li>2. TfN continue to respond to any DfT proposals and develop a revised version of MOU</li> <li>3. TfN to demonstrate that it delivers value for money</li> <li>4. Maximise the input and contribution of Partnership Board</li> <li>5. Engagement with other STB's to identify areas of common interest</li> </ol>	Chief Executive Officer
310	Rail Operations	There is a risk that TfN could have a reduced role in the rail industry following the implementation of the Williams-Shapps review.	<ol style="list-style-type: none"> <li>1. Collaboration with the GBR transition team</li> <li>2. Established rail-reform programme board chaired by TfN's CEO</li> </ol>	Strategic Rail Director

## 2. Qualitative Risk Analysis of TfN’s Corporate Level Risk

### Contents

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

ID	Risk Description	Owner	KPI	Current Score	Target Score	Trend
879	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	All	19	19	↑
296	There is a risk of disconnect between TfN's statutory powers/remit and stakeholder expectations.	Chief Executive Officer	All	18	15	↔
640	The internal and external leaking of confidential information may create a legal liability.	Chief Executive Officer	All	15	15	↔
880	TfN are unable to provide the One Voice for the north in relation to strategic transport investment priorities, and policy positions.	Chief Executive Officer	8, 20	18	15	↔
920	Failure to comply with governance and corporate processes across the organisation.	Chief Executive Officer	All	11	8	New
913	Opportunity: TfN can provide more services and guidance to support national, regional, and local partners, as a centre of excellence.	Interim Strategy and Programme Director	2, 5, 7, 8, 13, 19	-11	-18	New
915	Opportunity: TfN could exploit the benefits of being a more focused organisation e.g., Simplification of and reduction in processes, overheads and services arising from reshaping of TfN.	Chief Executive Officer	3	-15	-18	New

**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 and relationship with DfT, partners and members could potentially be adversely affected, with potential legal costs.
- TfN could lack the powers or the influence to deliver the economic, social and sustainability benefits to the North that is set out in the Strategic Transport Plan.
- 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.
- Simplification of processes in-line with organisational redesign has the potential to reenergise the workforce, increases operational efficiencies and allows for efficient use of resource, time.

#### 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	Fall-back Plan - Maximise the input and contribution of Partnership Board through increased engagement and consultation.	Chief Executive Officer	Mar 23
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	Complete

**Mitigation actions for risk:640**

<b>ID</b>	<b>Control Level and Action Description</b>	<b>Owner</b>	<b>Due</b>
1551	Medium - TfN has in place Confidentiality Agreements with Constituent Authorities in relation to Northern Powerful House Rail and the Rail North Partnership to regulate information disclosed. In addition, the Confidentiality Agreement demonstrates how information and data may and may not be used, ensures compliance with data protection legislation, and impose responsibility for compliance.	Head of Legal Services	Ongoing
1553	Medium - The Codes of Conduct relating to Members of Constituent Authorities make provision as to the circumstances in which information may be disclosed. Each Constituent Authority will have its own Officer Code of Conduct and/or Disciplinary Policy which are likely to have similar provisions to TfN's, dealing with the treatment of confidential information.	Head of Legal Services	Ongoing
1554	Medium - TfN's processes seek to restrict where possible disclosure of data only to those within the organisation who need to possess such data in order to carry out TfN's business as a public authority. This will support the reduction of the risk of deliberate or accidental disclosure of information shared on a confidential basis.	Head of Legal Services	Ongoing

**Mitigation actions for risk 880:**

<b>ID</b>	<b>Control Level and Action Description</b>	<b>Owner</b>	<b>Due</b>
2494	High - As part of the second Strategic Transport Plan work, maximise utilisation of existing forums to ensure Partners are actively engaged.	Interim Strategy and Programme Director	Sept 22
2495	High - Use established governance to ensure that focus on key priorities are understood and that stakeholders are actively engaged.	Interim Strategy and Programme Director	Complete
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
2635	NEW: High - Use established governance, to ensure that TfN activity continues to meet the priorities agreed by TfN board	Interim Strategy and Programme Director	Ongoing

**Mitigation actions for risk 920:**

<b>ID</b>	<b>Control Level and Action Description</b>	<b>Owner</b>	<b>Due</b>
2678	High - Ensure staff have relevant induction, policy reminders through internal communications, annual training of key policies.	Chief Executive Officer	Ongoing
2679	High - Functional areas to monitor and assure teams adherence to internal polices, processes and procedures.	Chief Executive Officer	Ongoing
2680	Medium - Ensure that functional level mitigation actions in relation to this risk have been suitably identified, implemented	Chief Executive Officer	Nov 22

**Actions for opportunity 913:**

<b>ID</b>	<b>Control Level and Action Description</b>	<b>Owner</b>	<b>Due</b>
2642	High - Explore and identify capabilities and collaboration opportunities with partners through Strategic Oversight Group.	Interim Strategy and Programme Director	Ongoing
2643	High - TAME opportunity is outlined 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	Sept 22
2529	High - Ensure all core and NPR business plan commitments are prioritised before offering TAME services to third parties.	Interim Strategy and Programme Director	Ongoing
2644	High - TfN working group in place to define the different area of expertise which TfN can develop as a centre of excellence including opportunities for funding and development of longer-term road map. For example TAME, decarbonisation, freight and TRSE	Interim Strategy and Programme Director	Dec 22
2646	Medium - Develop an Autumn submission to Government that identifies opportunities to build on TfN's technical capabilities	Interim Strategy and Programme Director	Oct 22

**Actions for opportunity 915:**

<b>ID</b>	<b>Control Level and Action Description</b>	<b>Owner</b>	<b>Due</b>
2651	High - Establish a transparent and responsive TAME prioritisation approach to maximise the value we get from the TAME team	Interim Strategy and Programme Director	Dec 22

2652	Medium - Rollout of policy development framework as part of establishing a single technical programme across TfN to eliminate double handling and need for re-work	Interim Strategy and Programme Director	Dec 22
2653	Medium - Simpler internal governance arrangements, enabling more efficient use of budgets and allowing TfN to respond more rapidly to emerging opportunities	Interim Strategy and Programme Director	Dec 22
2654	Medium - Simplifying external reporting, reducing the frequency and complexity of external reporting arrangements	Interim Strategy and Programme Director	Dec 22
2655	High - Streamlining partner engagement and improving information sharing	Interim Strategy and Programme Director	Dec 22
2656	Medium - Undertaking a review of how internal meetings are managed and identifying opportunities to reduce length and frequency and improve effectiveness	Interim Strategy and Programme Director	Dec 22

### TCR03: TfN's Strategic Transport Plan (STP)

ID	Risk Description	Owner	KPIS	Current Score	Target Score	Trend
641	Inconsistency between the second STP's policy positions and delivery of TfN workstreams.	Interim Strategy and Programme Director	2, 5, 14, 15, 16	11	8	↔
881	TfN are unable to produce a second STP that will be endorsed by TfN Board and government in time for the March 2023 deadline.	Interim Strategy and Programme Director	10, 14, 15	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	Sept 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

#### 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	Complete
2498	Medium - Continued direct and early engagement with partners and government departments over TfN's objectives and development of the 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
2636	NEW: Fallback plan: Present second STP to July TfN board to allow further engagement with stakeholders	Chief Executive Officer	Jul 23

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

ID	Risk Description	Owner	KPI	Current Score	Target Score	Trend
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	11	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 from DfT in a professional and timely manner.	Interim Strategy and Programme Director	Ongoing
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	Sept 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	Complete
957	High - Reviewing TAME structure in line with business plan commitments.	Interim Strategy and Programme Director	Sept 22
2502	High - Strengthen TAME governance for more transparent prioritisation of activity.	Interim Strategy and Programme Director	Sept 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 Strategy Manager	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	KPI	Current Score	Target Score	Trend
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	8	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	Dec 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	KPI	Current Score	Target Score	Trend
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	All	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. Since the recent restructure and reduction in posts, the size and capacity of the in-house team needs to be kept under review.	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 has been 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. Further training is planned to be rolled out in August/September 2022.	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	KPI	Current Score	Target Score	Trend
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, 18	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	9	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	17, 18	18	18	↔

### Impacts:

- Low passenger numbers post-Covid and the result of industrial relations issues 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:**

<b>ID</b>	<b>Control Level and Action Description</b>	<b>Owner</b>	<b>Due</b>
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:**

<b>ID</b>	<b>Control Level and Action Description</b>	<b>Owner</b>	<b>Due</b>
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 has established a rail-reform programme board from April 22 chaired by TfN's CEO. The programme board provides a programme of work to develop the partnership between TfN and GBR, defining TfN's future role on rail and its interface with the WISP (whole industry strategic plan).	Strategic Rail Director	Mar 23
2568	Medium - Responding to the DfT led consultation on the rail re-form legislation by the 4th August deadline. Complete	Strategic Rail Director	Complete
2637	NEW: Fall-back Plan - Use rail-reform programme to strengthen TfN's relationships and position with GBRTT	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
2638	NEW: Medium - Contribute and influence the work of the Leeds area study as part of the implementation of the IRP and linked to ECML future timetable.	Strategic Rail Director	Ongoing

**TCR10: TfN cyber security**

ID	Risk Description	Owner	KPI	Current Score	Target Score	Trend
876	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	All	10	10	↔
887	Data is removed purposefully from the TfN's systems.	Business Capabilities Director	All	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.	IT and Information Manager	Ongoing
2473	Medium - Training to all TfN staff performed on new policies.	IT and Information Manager	Ongoing
2474	Medium - Communications Plan in place for regular updates to employees when required.	IT and Information Manager	Ongoing

2475	Medium - Monitoring and compliance checks performed (e.g. Phishing attacks).	IT and Information Manager	Ongoing
2476	Medium - On-going/monitoring security updates performed to user devices and software services.	IT and Information Manager	Ongoing
2477	Medium - Business Continuity Plan checks, system reviews and restoration timescales regularly assessed.	IT and Information Manager	Ongoing
2478	Medium - Insurance cover in place for ransoms where required.	IT and Information Manager	Ongoing

**Mitigation actions for risk 887:**

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

## TCR11: Co-sponsorship

ID	Risk Description	Owner	KPI	Current Score	Target Score	Trend
877	Change to the agreed Terms of Reference for the NPR Sponsor Board and associated delivery arrangements. This also covers the effectiveness of co-sponsorship arrangements.	Chief Executive Officer	4, 6	14	10	↔
647	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	1, 4	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	Complete
2480	High - Agree governance for future decision making.	Chief Executive Officer	Sept 22
2481	Medium - Agree regular engagement forums to ensure alignment with programme/escalation of key issues.	Chief Executive Officer	Sept 22
2482	Medium - Design TfN sponsorship function and agree through business planning.	Chief Executive Officer	Sept 22
2640	NEW: Medium - NPR sponsorship agreement to be agreed between DfT ministers and TfN board	Chief Executive Officer	Dec 22

2686	NEW: High Level of Control: Ensure stakeholder engagement strategy for NPR in place	Interim Strategy and Programme Director	Dec 22
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**Mitigation actions for risk 647:**

<b>ID</b>	<b>Control Level and Action Description</b>	<b>Owner</b>	<b>Due</b>
2510	Medium - Define TfN's future role on programme boards through the design of the NPR sponsor function.	Interim Strategy and Programme Director	Sept 22
2546	High - Establish Sponsor Board and use it as a mechanism for working with DfT to address programme alignment issues.	Chief Executive Officer	Complete
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
2639	NEW: Medium - Use NPR Sponsor Board as a mechanism for working with DfT to address programme alignment issues.	Chief Executive Officer	Ongoing

## TCR12: Technical appraisal, modelling and economics

ID	Risk Description	Owner	KPI	Current Score	Target Score	Trend
882	Providing a direct service to DfT, limits TAME's services in delivering TfN 's objectives.	Interim Strategy and Programme Director	11, 12, 13, 14, 19	14	10	↑
884	Legal and commercial restrictions. TfN is not legally allowed to share its models or data with Partners.	Interim Strategy and Programme Director	All	20	15	↔

### 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.

### 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	Complete
2513	Medium – Ensure appropriate resources available for TfN facing programme through business planning.	Chief Executive Officer	Complete
2514	Medium - Establish the Analytical Steering Group (as set out in the GFA) and agree DfT requirements and deadlines.	Chief Executive Officer	Complete
2515	High - Strengthen internal TfN TAME governance to enable more transparent prioritisation of activity.	Interim Strategy and Programme Director	Sept 22

2666	NEW: High - Review structure of TAME following business planning and agree new operating model	Interim Strategy and Programme Director	Sept 22
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**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	Complete
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	Complete
2526	High - Contact all data input suppliers to obtain licences that allow TfN to share data.	Interim Strategy and Programme Director	Sept 22
2641	NEW: Fall-back Plan Agree action plan with legal team to overcome challenges and escalate where necessary with internal/external stakeholders	Interim Strategy and Programme Director	Mar 23

### TCR13: TfN funding

ID	Risk Description	Risk Owner	KPI	Current Score	Target Score	Trend
300	There is a risk that TfN fails to deliver Value for Money in all areas within the funding allocation.	Finance Director	All	17	13	↔
878	Funding levels are significantly reduced which creates a misalignment with TfN's medium to long term business planning.	Chief Executive Officer	All	17	17	↓
916	Funding allocations for 2023/24 might be a flat rate, which doesn't account for inflation, therefore presenting medium term/ 3 years sustainability challenges.	Chief Executive Officer	All	20	18	New

#### 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
- 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 risks 878 & 916:

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
2667	NEW: Medium - TfN to explore wider funding opportunities through development of centre of excellence proposition.	Interim Strategy and Programme Director	Dec 22
2668	NEW: Medium - Early engagement with DfT in relation to 2023/24 business planning.	Chief Executive Officer	Nov 22
2669	NEW: Fallback Plan Conclude budget and business planning for 2023/24 based on funding allocation.	Chief Executive Officer	Mar 23

## TCR14: TfN resources

ID	Risk Description	Owner	KPI	Current Score	Target Score	Trend
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	3	25	20	↔
917	Failure to comply with the redundancy process including consultations, administration, pension, and payroll.	Head of Human Resources	3	8	4	New
918	Loss of knowledge at TfN as it goes through a downsize.	Business Capabilities Director	All	17	13	New

### 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/external relationships and loss of credibility could be adversely affected.
- Potential successful legal challenges and fees.
- Programme delays due to loss of expertise and re-work required.
- Lessons learnt for the organisation and continuous improvement could be adversely affected.

### 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	Oct 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	Complete
2537	High - Full and proper consultation with UNISON - to continue regular formal meetings	Business Capabilities Director	Ongoing

#### Mitigation actions for risk 917:

ID	Control Level and Action Description	Owner	Due
2657	High - Defined process for TfN redundancies and reviewed for updates as required	Head of Human Resources	Ongoing
2658	Medium - Ensure a suitable payroll process is followed for severance pay-outs and pension administration (Including payroll audit)	Head of Human Resources	Dec 22
2659	Medium - Full and proper consultation with the Unions	Head of Human Resources	Ongoing
2660	High - Consult with legal team for advice and guidance if and when required.	Head of Human Resources	Ongoing
2661	Medium - Internal audit of the severance process in line with best practise and TfN policies	Head of Human Resources	Dec 22
2662	High - Lessons learnt workshop post reorganisation to identify any process or policy improvements/change	Head of Human Resources	Oct 22

#### Mitigation actions for risk 918:

ID	Control Level and Action Description	Owner	Due
2663	High - All leavers (internal or consultants) to produce clear handover documentation and discuss outstanding work with managers through regular catch ups	Business Capabilities Director	Ongoing
2664	Medium - Ensure a suitable succession plan is in place (Identifying successors for key posts and identify development and training opportunities	Business Capabilities Director	Dec 22
2665	High - Create a structured process/template for handovers. Ensure informal processes are formally recorded and updated accordingly	Business Capabilities Director	Complete



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# Risk Management Strategy



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## Version Control

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## 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 Projects/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 Project 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.
- **Control:** Ongoing 'business as usual' activities, which are embedded into processes, procedures, systems, projects, or programmes.
- **Mitigation:** Measures/ actions taken to reduce the possibility of the risk event occurring.
- **Fallback Plan:** A fallback plan will define how to minimise the impact after the event.
- **Predict:** Risk management software implemented by TfN to record, review, update and manage all risks.
- **Risk Appetite:** risk appetite as "the amount and type of risk that an organization is prepared to pursue, retain or take."
- **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 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. The report highlights the current and target risk position taking into account the spread of risks on a Probability and Impact Matrix.
- **Qualitative risk ranking:** the risk score, using colours (Red, Amber, Yellow, Green) to denote the severity of a risk.
- **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 Appetite

- 3.1. **Risk Appetite:** Risk appetite is "The amount of risk that an organisation is prepared to accept, tolerate, or be exposed to at any point in time" (Orange Book, 2004)
- 3.2. The purpose of a risk appetite statement is to provide the parameters for individuals to help inform decision making.
- 3.3. **TfN Risk Appetite Statement** "The level of risk TfN is prepared to tolerate (or not) in pursuing its strategic objectives." The risk appetite is based on an assessment of the current level of risk and will be regularly reviewed to ensure it remains appropriate.
- 3.4. TfN, the only statutory Sub-national Transport Body in England, funded by the government has a **cautious risk appetite** meaning a preference for safe business delivery options.
- 3.5. According to the Government's Risk Appetite guidance (Orange Book, 2021), a cautious approach means *a preference for safe options that have low degree of risk and only limited potential for benefit. Willing to tolerate a degree of risk in selecting which activities to undertake to achieve key deliverables or initiatives, where we have identified scope to achieve significant benefit and/or realise an opportunity.*
- 3.6. On the probability impact matrix, a current threat scoring of 14 or above (High) is considered to be outside of TfN's risk appetite. All mitigations should be proportional to the level of threat a risk poses. 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.

Table 1: Probability Impact Matrix for Risks

		<b>Threat Scoring</b>					
<b>PROBABILITY</b>	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
			<b>IMPACTS</b>				

Score		Threat Response
Very High	19-25	These risks are outside of TfN's risk appetite. Controls, mitigation actions, and fallback planning are required to reduce probability and impacts of the risk. These risks must be escalated to the Senior Responsible Owner (or functional director) and considered for reporting to TfN's Operating Board.
High	14-18	These risks are outside of TfN's risk appetite. Controls and mitigation actions are required to reduce the probability and impacts of the risk. These risks should be considered for escalation to the Senior Responsible Owner (or functional director).
Medium	7-13	Controls may be appropriate to manage the risk through daily activities and mitigation actions should be considered. Risks should be monitored through monthly risk workshops.
Low	1-6	Controls and mitigations actions to be considered. Risks to be monitored through monthly risk workshops but can be tolerated.

Table 2: Threat Responses

- 3.7. TfN acknowledges there will be some areas of exception, where TfN's risk appetite will vary; these are detailed below.
- 3.8. **Compliance and relevant laws and regulations, Health and safety, Information technology and cyber security:** In these areas, TfN has a risk averse appetite. The Orange Book defines an averse risk appetite as *an avoidance of risk and uncertainty in achievement of key deliverables or initiatives. Activities undertaken will only be those considered to carry virtually no risk.*
- 3.9. The risk appetite will be communicated to staff through training and to be included as part of new starter inductions.

## 4. Risk Management Process

- 4.1. The primary purpose of the Risk Management Process (RMP) is to identify the effect of uncertainty on project/programmes 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.
- 4.2. Risk Management is an iterative process through which risks are continually identified, assessed, managed and monitored. 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.
- 4.3. The Risk Management Process is subdivided into seven key steps listed below:
1. Establishing the Context;
  2. Risk Identification
  3. Risk Analysis;
  4. Risk Evaluation;
  5. Risk Treatment;
  6. Monitor and Control
  7. Risk Communication
- 4.4. 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.

## Establishing the context

4.5. This step involves defining the internal and external criteria, to be taken into a count when identifying and managing risk. Collating all information with regards to the activity. For example, scope documents, business case, cost estimates, assumptions log, schedules, PESTLE analysis, stakeholder requirements and constraints), 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.

## Risk Identification (Threats & Opportunities)

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

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

4.8. 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 or allocated Risk Champion.

4.9. Risks that the organisation face need to be considered when establishing the assurance programme.

## Risk Categories

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

4.11. 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"> <li>Corporate objectives relate to possible risks (threats and opportunities) that may either hinder or enhance the chances of successfully achieving TfN’s business plan.</li> <li>Risks such as funding / delivery management, integrated transport strategy and transport solutions</li> <li>Reputation and political environments are also to be considered.</li> </ul>
2	Resources	<ul style="list-style-type: none"> <li>Resources concentrate on the availability and engagement of appropriately skilled people (internal and external) and their ability to collaborate in the successful delivery of programmes.</li> <li>Skills and experience, knowledge, and talent development of the existing workforce are all considered.</li> <li>Tools including equipment, office space, IT, etc., are risks that also fall under this category.</li> </ul>

3	Commissioning, Commercial and Financial / Funding	<ul style="list-style-type: none"> <li>• Commissioning risks, include the ability to develop effective procurement and contracting strategies, and secure appropriate commercial agreements.</li> <li>• Commercial risks include an understanding of market or industry factors affecting the delivery and operations, and the contractual arrangements necessary to deliver successful outcomes.</li> <li>• Financial/ Funding risks include effective costing, budget estimating and cost control. Affordability and value for money are also key considerations, as well as the associated risks of the funding of projects and programmes.</li> </ul>
4	Technical Performance	<ul style="list-style-type: none"> <li>• Risks include the specification, design, build, commissioning and testing of project/ programme deliverables (e.g., new assets, processes, etc.)</li> <li>• Technical performance also includes how well the solutions are performing and delivering expected benefits.</li> </ul>
5	Public, Media and Stakeholders	<ul style="list-style-type: none"> <li>• Public, Media and Stakeholder related risks encompass the requirements and influences of Partners, Customers, Campaigners and associated reputational risks.</li> </ul>
6	Legislation and Regulation	<ul style="list-style-type: none"> <li>• These risks relate parliamentary/ legislative processes, and the requirements of central government and transport regulators that may possibly impact on TfN's objectives.</li> <li>• This category also includes the risk of changes in political policy, support, and regulations.</li> </ul>
7	Governance	<ul style="list-style-type: none"> <li>• The Governance category looks at the risks in relation to effective and efficient decision making, particularly in respect of TfN's responsibility as an STB for determining investment priorities across the North of England.</li> </ul>
8	Delivery Partners	<ul style="list-style-type: none"> <li>• This category includes for commissioning related risks in respect of TfN's relationships with its third-party delivery Partners, including Network Rail, Highways England, and HS2.</li> <li>• Interdependencies between the separate organisations' objectives and timescales are also considered.</li> </ul>
9	Service Delivery	<ul style="list-style-type: none"> <li>• Service delivery – or operational – risks include those factors that may hinder and/ or enhance TfN's current operations and future services.</li> <li>• In addition, service functionality and the opportunity to add value to customers and the wider public is also a consideration.</li> </ul>

Table 3: Risk Categories

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

### Risk Description

4.13. 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 Analysis and Evaluation

- 4.14. Risk assessment and evaluation is the process of analysing and evaluating risks and opportunities by applying the probability and impact rating of individual risks and opportunities. The exercise enables the risk identifier to prioritise risks to establish a most-to-least-severity ranking.
- 4.15. When a risk is identified, an estimate of the probability of the risk occurring and the likely impact needs to be determined.
- 4.16. Probability is the evaluated likelihood of the identified risk occurring.
- 4.17. Impact is the evaluated effect or result of a particular risk occurring. TfN assesses risk against 5 impact categories.
- Cost
  - Reputation
  - External Relationships
  - Quality
  - Time
- 4.18. 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

- 4.19. 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.
- 4.20. 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 4: Probability Impact Matrix for Risks

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

Table 5: 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 6: Probability Impact Matrix for Opportunities

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

Table 7: Opportunity Scoring

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

4.21. During risks assessment, mitigation plans should be identified. The 3 types of plans are;

**Controls** – Ongoing 'business as usual' activities, which are embedded into processes, procedures, systems, projects, or programmes. Controls should be applied after the inherent assessment. Controls should be ongoing but reviewed to ensure they remain appropriate.

**Mitigation Actions** – Specific actions to reduce risk from current to target level. Actions should have an agreed completion date.

**Fall back plans** – If the risk does occur a fallback plan will define how to minimise the impact after the event. Fallback plans should be captured for all very high risks.

- 4.22. A suitable response strategy should be selected for threats, opportunities and issues. Appropriate ownership will be identified in the risk register for all risks, together with the associated mitigating actions.
- 4.23. A mitigation response strategy is a key stage in the management of risks. It is the process by which a project/programme/directorate 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 8: Treatment Response Strategy (Threats)

### Treatment Response Strategy (TRS) for Opportunities

Table 9:

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.

Treatment Response Strategy (Opportunities)

- 4.24. To understand how TfN's corporate risks are impacted by the mitigation activities 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.
- 4.25. 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.
- 4.26. 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.

## Monitor and Control

4.27. 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

4.28. 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.

4.29. Any projects/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 project/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.

## 5. Risk Reviews

5.1. The frequency of risk review workshops will depend on the current risk score, as shown below:

Score	Frequency
1-6	Quarterly
7-13	Quarterly
14 -18	Monthly
19-25	Monthly

Table 10: Risk Workshop Frequency

## Predict Software

- 5.2. 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.
- 5.3. 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.
- 5.4. If staff have a query in regard to use of the system, they can email [risksystem@transportforthenorth.com](mailto:risksystem@transportforthenorth.com) for support.
- 5.5. All risks, issues, opportunities and actions are recorded into the Predict software and are reviewed and updated following risk workshops. Progress comments should be provided as an audit trail.

## 6. Risk Reporting

- 6.1. 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.
- 6.2. As a corporate body, the overarching risk reporting diagram illustrates the required risk governance that the organisation has adopted.
- 6.3. For governance and transparency reasons, risks will be managed and reported. As TfN uses project 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).

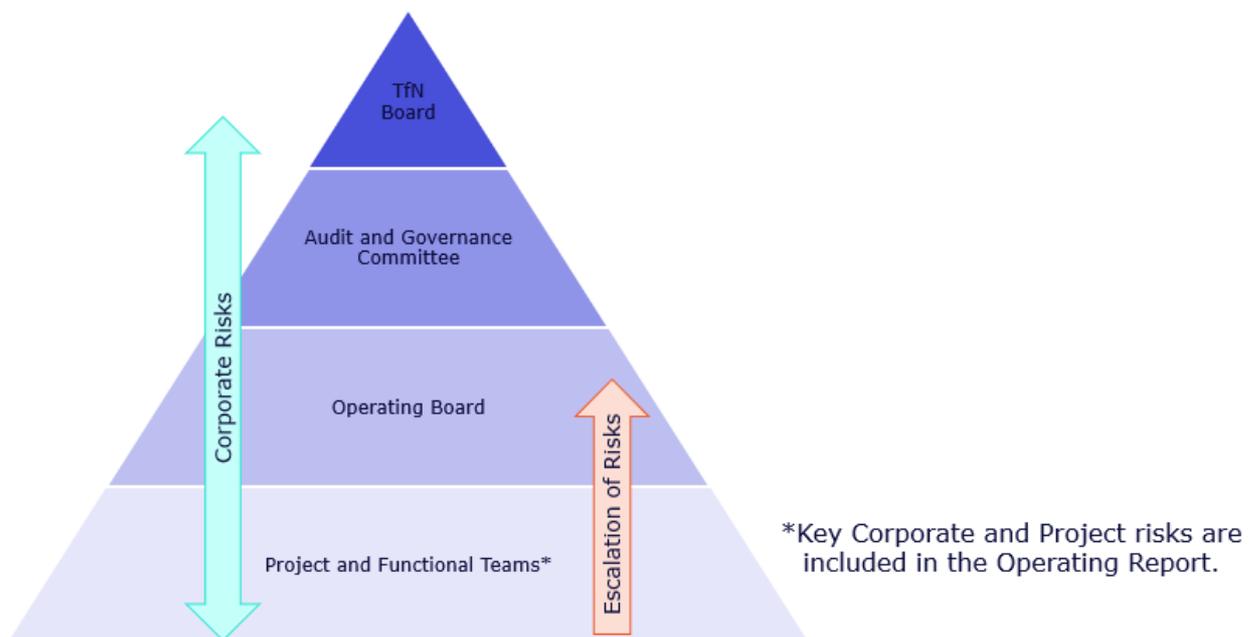


Figure 2: TfN's Reporting Structure

- 6.4. Conversely, it is imperative for strategic risks identified at the corporate level to be shared across departments to ensure a "bottom up" and "top down" risk awareness prevails.

### **Operating Board**

- 6.5. In accordance with Transport for the North's constitution, 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.

- 6.6. Operations Board manage and develop the risk management arrangements and oversee health and safety risks, ensuring compliance with health and safety legislation and an appropriate management of those risks. With support from the Risk Manager, the Operating Board will implement the risk management strategy, ensuring ownership and the active management of risk and the reporting of significant risks. If required, key significant risks across all programmes will be reported to OBT to ensure there is transparency and visibility of programme risk exposures and if required make informed decisions to mitigate reported risks.

### **Audit and Governance Committee (AGC)**

- 6.7. "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".
- 6.8. 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".
- 6.9. 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.
- 6.10. For further information on the core functions of the Audit and Governance, please see the TfN Constitution.

### **TfN Board**

- 6.11. The ultimate decision-making body with regards to Transport for the North activity. The board has delegated the assurance of Risk Management to the Audit and Governance Committee. Therefore, the corporate risks dashboard and executive summary will be presented to board bi-annually.
- 6.12. The guiding principles are that reporting will be:
- Understandable
  - Recognisable
  - Concise
  - Logical
  - Consistent
- 6.13. The below table outlines how risks will be reported. It summarises the key risk documents, the target audience, and the responsible owner(s) to ensure they are disseminated in a timely manner.

<b>Governance Platform</b>	<b>Document</b>	<b>Frequency</b>	<b>Author</b>
TfN Board	Section 1 Corporate Risk Register. Covering paper to include assurance statement from AGC and any material modifications to the RMS	Bi-Annual	Risk Manager
Audit and Governance	Updated Corporate Risk Register and RMS	Quarterly	Risk Manager
Operating Board	Updated Corporate Risk register, risk management process updates and escalated project risks (Very High/High) if appropriate	Quarterly/ Ad Hoc with key updates	Risk Manager
Public (published online)	Operating Report, including key risks (Very High/High) for each delivery area and corporate considerations	In line with Operating Report cycle	Risk Champions

Table 11: Risk Reporting

## Roles and Responsibilities

6.14. Below summarises the key roles and responsibilities involved in managing risks across TfN;

### Chief Executive Officer

- Understand the most significant risks to the organisation.
- Contributes to defining risks and mitigations actions.
- Owns and manages risks with the support of the board.

### Finance Director S151 Officer

- TfN's Constitution states the S151 Officer is responsible for discharging the functions of the 'responsible financial officer' under the Accounts and Audit (England) Regulations 2015, including ensuring risk is appropriately managed.

Examples duties for Risk Management that have been adopted in TfN include:

- Contributes to defining risks and mitigations actions.
- Ensure that risks within the organisation are effectively managed.
- Owns and manages risks with the support of the board.
- Approver of all corporate risks.
- Ensure that risk management is closely integrated with the business plan.
- Model the principles of good risk management.

### Risk Manager

- Take responsibility for the delivery of an effective and professional Risk Management service across TfN.

- Promote a robust Risk Management Strategy and framework throughout TfN.
- Work with Risk Champions, Senior Managers, Directors and CEO to support the embedding of risk management across the organisation.
- Lead the work of the Risk Champions to enhance collaboration and sharing of best practice and knowledge.
- Lead on the development, implementation and regular review of the risk management methodology, processes, procedures and practices.
- Design, develop and deliver training and provide support tools to help staff in managing risk effectively.
- Manage Risk Management software.
- Facilitate a risk aware culture within the organisation.
- Facilitate corporate risk workshops and manage corporate risk register.
- Compile risk information and prepare reports for OBT, AGC and TfN board.
- Model the principles of good risk management.

### **Risk Champions**

- Facilitate the effective and proactive identification, management and communication of threats, opportunities, and issues.
- Promoting the risk management process for the programme/project/function and a proactive risk management culture.
- Organising and managing risk workshops and risk reviews as required.
- Ensure Predict risk software is updated with appropriate information and audit trails.
- Working with project team to identify actions for risks and adequate risk fallback plans.
- Escalating risks to the Functional Director/Senior Responsible Owner, as required
- Share best practise with other risk champions
- Support the risk manager with any risk audit processes
- Support the risk manager with audit and governance reports
- Ensure risk mitigation actions are being pursued by risk owners
- Review and advise on top risks for the operating report.

### **Functional Directors**

Actively supporting and encouraging the implementation of formal risk management process.

Well informed about the external environment in which TfN operates, with a strong command of relevant issues.

Review of risk status reports/ other reports.

Review of escalated risks/issues and approve proposed risk responses.

Ensure that risks have been identified, assessed, and managed across all their work areas.

Attend risk reviews, manage and own risks, opportunities and issues at corporate level.

Ensure that key risk considerations are included in decision making processes.

Provide feedback on the Risk Management process and promote compliance to TfN Risk Management Strategy within the team.

### **Senior Management Team**

- Actively supporting and encouraging the implementation of formal risk management process, ensuring compliance with the TfN Risk Management Strategy.
- Attend and contribute to risk workshops, taking ownership risks/opportunities and mitigation actions/fallback plans where required.
- Consider risks for escalation to director level if required.
- Approval of new and closed risks for risk register.

### **Project Managers**

Actively supporting and encouraging the implementation of formal risk management process, ensuring compliance with the TfN Risk Management Strategy.

Ensure project has an up-to-date risk register, with risk and action owners assigned and appropriate controls/mitigation actions/fallback plans dependant on the level of risk.

Attend and contribute to risk workshops, identification, assessment and taking ownership of risks, opportunities, issues and mitigation actions/fallback plans where required.

Produce up to date project risk reports.

Consider risks for escalation to Senior Management Team.

### **Risk Owner**

The relevant individual with responsibility for ensuring identified risks are managed effectively in accordance with the RMS.

### **Action Owner**

- The relevant individual with responsibility to ensure mitigating actions are successfully managed and completed in accordance with the RMS.

6.15. All employees within in the organisation has a role in identifying, assessing monitoring and managing TfN's risks and opportunities. They should be aware of the risk management strategy and understand the risk process.

## RACI Chart

6.16. The below Responsible, Accountable, Consulted and Informed (RACI) chart shows the distribution of responsibilities in risk management.

### Key:

	R: Responsible	A: Accountable	C: Consult			I: Inform		
Activity	Risk Manager	Risk Champions	Risk/Action Owner	Project Manager/ Snr Management	Project Team	Functional Directors	Finance Director	CEO
Management of Predict inc. all risk and issue registers	A	R	C	C	C	C/I	C/I	
Preparing for and facilitating functional and project risk workshops	A	R	C	C	C	I		
Functional risk workshop attendance	C	R	R	C	C	A		
Project risk workshop attendance	C	R	R	A	C	C/I		
Raising new risks/ transferring risks/ closing risks	C	C	R	A	C	I		
Escalating risks/ issues	C	R	R	A	I	C		
Operating Report top risks/issues	C	R	C	C	C	A	I	I
Completing mitigation actions/ fallback plans/ issue resolution	C	C	R	A	R	R	R	R
Providing risk advice and guidance	A	R						
Aligning functional and corporate risks	A	R		C	C	I	I	
Corporate risk workshop attendance	A		R			R	C	C
Corporate risk register	R		R			C	A	C
Corporate risk/issue report	R					C	A	C
Maintaining Risk Management Strategy	R	C				C	A	C
Risk Training	R	I	I	I	I	I	A	I

Table 12: Risk Management RACI chart

## 7. Issue Management

- 7.1. 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.
- 7.2. When a group of high severity risks are judged as issues, it is a requirement for the project team to report the issues to TfN’s Operating Board.

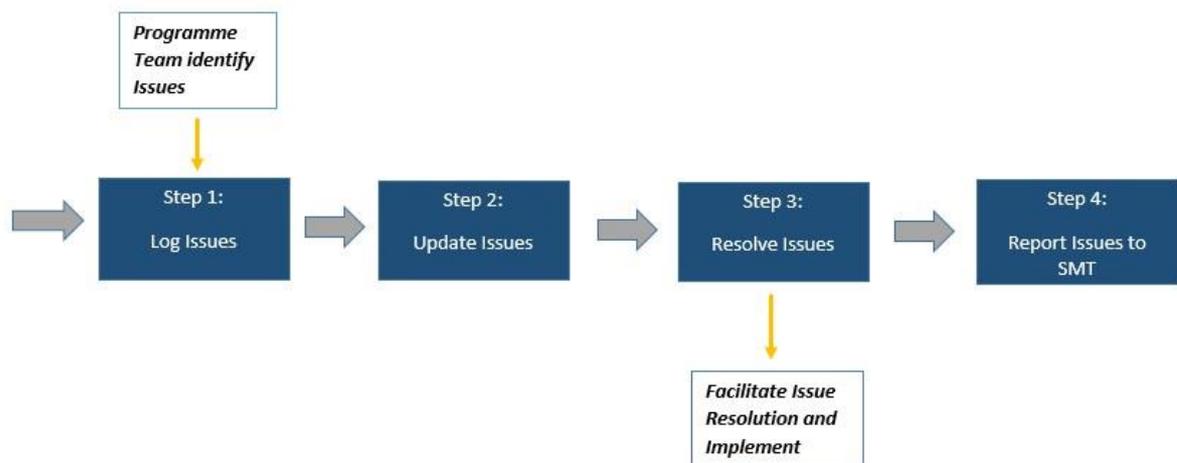


Figure 3: Issues Reporting

### Issue Management Process

- 7.3. As depicted below, the Issues Management process diagram depicted below follows a cyclical process with five discrete steps.
- 7.4. 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.

- 7.5. 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.

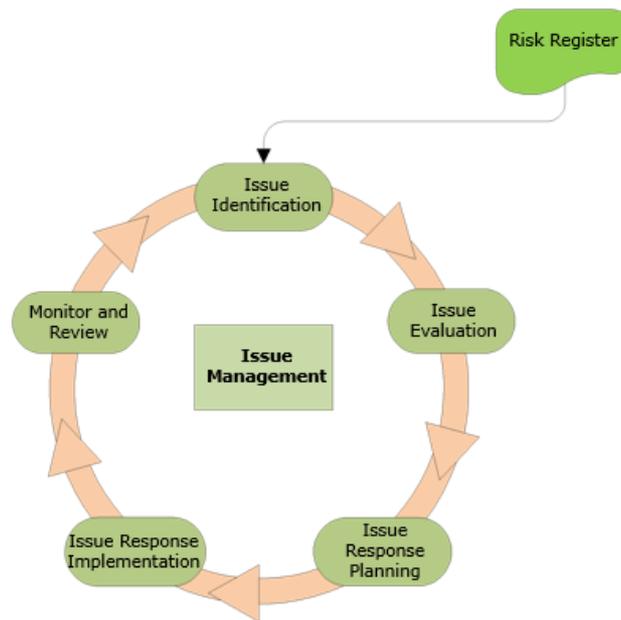


Figure 4: Issues Management Process

- **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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## 9. Appendices

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

#### 5 x 5 Threat Impact Scoring Criteria

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

#### 5 x 5 Opportunity Scoring Criteria

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

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<b>Meeting:</b>	Transport for the North Audit and Governance Committee
<b>Subject:</b>	Business Planning Report
<b>Author:</b>	Paul Kelly, Interim Finance Director
<b>Sponsor:</b>	N/A
<b>Meeting Date:</b>	Friday 16 September 2022

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**1. Purpose of the Report:**

- 1.1 To provide the committee with a copy of the 2022/23 Business Plan including the Key Performance Indicators (“KPI’s”) for the year.

**2. Recommendations:**

- 2.1 That the Committee notes the content of the 2022/23 Business Plan.

**3. Key Points:**

- 3.1 The full 2022/23 Business Plan including KPI’s is included as Item 5.1.

**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 business plan 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 Appendix 1 2022/23 Business Plan

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# Business Plan

2022/23



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“As we emerge from the worst of the pandemic so it is transport that can help to lead our way through recovery and onwards towards realising the North’s potential.”

**Lord McLoughlin**  
Chairman

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# Chairman’s welcome

Welcome to TfN’s business plan. This is the first time I’ve been able to say hello to all of you through TfN’s business plan. I’d like to firstly take the chance to thank my predecessor John Cridland for all the good work he did and to those who have stepped down from our Board this year.

Transport for the North is clear about the direction it needs to set for our people and our region – towards a more prosperous and rewarding future.

For all of us the last two years have been difficult as we have grappled with the pandemic, which has disrupted all our lives. Our transport system kept food and other supplies flowing throughout the pandemic, as well as allowing key workers to provide the services upon which we all depended. And as we emerge from the worst of the pandemic it is transport that can help to lead our way through the recovery and onwards towards realising the North’s potential.

TfN has a clear vision to unlock the full potential of the North of England by developing our transport infrastructure and services as a system that is user-centred, place-based and outcome focused.

As a statutory Sub-national Transport Body, we are tasked with producing a Strategic Transport Plan that looks at how investment can be prioritised in support of our shared ambition for the North. We aim that every proposal we bring forward has a strong evidence base. This, and the skills and capabilities within Team TfN, are the strengths that we bring to transport planning, and are the foundations on which we work with our partners – both across the North and nationally.

We are having to reshape our organisation this year. But our core job remains the same, to be:

- > A regional source of excellence on transport planning and policy; that is used to support the planning, development, and delivery of solutions
- > A trusted information source that people rely on locally, regionally, and nationally to make and shape decision making
- > A thought leader on strategic infrastructure, with a long-term, ambitious vision for the North of England

Our work to update our Strategic Transport Plan – our backbone narrative – is already underway: as is the review of the Northern Powerhouse Independent Economic Review. It is important we focus on addressing future needs, and not just addressing the past. We need significant investment in our transport system, but the pandemic showed that we need to rethink the nature of that investment.

We remain committed to working with the DfT as co-sponsor for the Northern Powerhouse Rail system so that the benefits of the funding announced in the IRP is delivered at the earliest possible opportunity.

We will work with DfT and the rail industry to make sure we meet our decarbonisation targets while making sure that rail travel is still affordable.

We welcomed the commitment to establish Great British Railways as a key opportunity to bring together track and train under one guiding mind. Our unique experience of rail devolution to date gives us knowledge and insight that we are sharing with the GBR transition team as it moves forward with its work.

Looking to the wider transport sector we will continue to work with our partners to ensure that we have a transport system that offers choice, to champion investment in our highways, and to promote active travel.

So, a lot of work to do, and with the help and support of our partners we are confident of making huge progress this year.

# Vice Chairs' forewords



**Cllr Louise Gittins**  
**Leader of Cheshire West and Chester Council**

This is a big year for Transport for the North, as regionally and locally we turn our attention back from the upheaval of the pandemic to delivering for our people the transport system they need.

TfN acts as 'one voice' for the North and is charged with providing statutory advice on pan-Northern investment priorities to the Secretary of State for Transport. That means we have a clear remit to identify the transport infrastructure required to support transformational economic growth that is also sustainable in the long term. Investment in our transport system (both infrastructure and services) will continue to be central to achieving the North's ambitions.

It is important to see the commitment to invest in HS2 as more than simply a transport scheme: as other parts of the UK have seen this investment will be a catalyst for transforming the economic offer more widely. Our existing business community and inward investors will choose to build on the initial investment, creating new opportunities for our residents and making a significant contribution towards making 'levelling up' real and tangible. It is why TfN will continue to work with DfT to make the case for bringing HS2 to Leeds, and why we will continue to make the case for investment in rail to improve connectivity to places like Bradford and Hull.

A key priority for TfN is ensuring that the investment in our transport system addresses the extent to which access to transport – both in terms of availability and affordability – continues to be a barrier to individuals realising their potential. And with an aging population just as much an issue for the North as elsewhere, ensuring our transport offer enables individuals to maintain independent living for longer will help improve quality of life and reduce the pressure on other public services.

The pandemic has shown us that there is nothing immutable about our travel patterns (or travel need). We saw how people adapted and adopted new ways of doing things – achieving overnight changes that we have sought to realise for many

years. We know that the climate emergency requires us to achieve further change and quickly: not simply for our benefit but for our children and grandchildren. Future generations are putting their trust in us to be bold now.

The work of our Technical Assurance, Modelling and Economics (TAME) team is one of TfN's unique capabilities, the tools it's developed providing the North and its partners with the evidence-based insight upon which action can be taken forward. TfN's cutting-edge work to develop a pan-regional electric vehicle charging infrastructure framework provides the basis for working across the transport and energy sectors to target investment in both in a timely and cost-effective way.

And the North is also extremely well placed to go beyond the technology of today and support the testing and trialling of many emerging technologies that will be crucial to transport decarbonisation in the UK. Existing initiatives such as the UK's first Hydrogen Transport Hub in the Tees Valley, Zero Carbon Humber and HyNet North West ensure that the North is at the forefront of alternative fuels more generally: a clear demonstration of how economic growth is part of the solution to meeting our environmental requirements.

Although TfN is a statutory body in its own right, it is by working collaboratively through partnerships and co-working with Local Authorities, Local Enterprise Partnerships, transport providers and regional academic and industry players, that the full potential of TfN is realised.

Together we have – through the Strategic Transport Plan and Northern Transport Charter – a shared vision and ambition for the North and its transport system. Together we are committed to promoting the North as hub for innovation, research and the testing of emerging technologies.

Together, we will deliver for the residents and businesses of the North.



**Cllr Charlie Edwards**  
**Lancashire Cabinet Member for Highways and Transport**

This year the Levelling Up agenda has progressed from a vision to a series of missions and over the coming year Transport for the North will be looking to align our work with these missions to grasp the once-in-a-generation opportunities that this presents for our region.

For if we are to realise those opportunities we need a change in the way we plan for, develop and deliver investment in our transport system. Levelling up must be focused on delivering outcomes that are place-based and which put the user at the heart of our transport system.

There is a growing package of investment in the North and we must take the chance to demonstrate first-hand how a commitment to levelling up brings economic, social, and environmental benefits – not just for the North but for the UK as a whole. It's why TfN welcomed the Union Connectivity Review whose approach to investing in strategic corridors mirrors many aspects of TfN's earlier work on the original Strategic Transport Plan. It's why addressing key bottlenecks on our strategic networks – both road and rail – not only benefits the North but also the UK economy.

We need to use the insight provided by the capabilities held within TfN to support our partners to form the basis of investment proposals that will enhance the lives of residents, business and visitors. We need to champion the priorities and schemes of our member authorities, whether that is their ambitious Levelling Up Fund bids or the various campaigns to ensure the Great British Railways Headquarters will be in the North, where it belongs. For it is in the North where the rail sector has bounced back. The nature of our economy, and the key role our rail services play, mean that we have seen a faster and stronger recovery in rail passengers than elsewhere in England.

Working through the Rail North Partnership we will continue to work collaboratively with Government and the rail sector to build on this recovery so that we can encourage even more people

to use trains. We will continue to work as part of the Manchester Recovery Task Force and use the 'blueprint' for the Castlefield Corridor in Manchester to make progress in addressing constraints that affect the wider rail network. Representing Lancashire on the board, it is equally important for my area and many others that we connect smaller towns and communities as well as the major cities of the North.

On our roads there's work to be done on taking forward key schemes such as the Tyne Bridge, A66, Preston Western Distributor Road, Simister Island and many others. And on a strategic level over the course of the year we'll continue to work with National Highways and our partners to ensure that the North's highways continue to receive the investment they need to meet the many demands on them.

At the end of the day the investment we make in our transport system is about making a difference for individuals. Our work on the availability and affordability of public transport – and how it currently constrains individuals from realising their potential – will be a game changer in this regard. For the first time we will understand where investment has the greatest potential to achieve a step change in access to opportunities.

Levelling up is about ending geographical inequality and boosting economic opportunity and productivity. Investment in the transport networks we all rely on, will deliver on this critical mission at a time where standing still is not an option. Transport for the North will work with the Government to provide user-centred, place-based and outcome-focused research and leadership, on behalf of the residents and business we are so very proud to serve.

There is so much to do. Let's get on and do it.

## Local Enterprise Partnerships/NP11 Foreword

Transport is a facilitator. A key facilitator of economic growth across the North, whether the transport - trains, trams, buses, barges or bicycles - is carrying passengers or freight. Transport also has an important role in helping the North reach net zero and to improve health & wellbeing through both reducing pollution and in encouraging more active travel. Finally, but equally importantly, transport gives everyone access to opportunity, whether it be access to education, training, work or to our town and city centres across the North for leisure.

This is why the 11 Northern LEPs are so actively involved in Transport for the North, alongside our political leaders. The LEPs have Strategic Economic Plans to deliver for their parts of the North and transport is a key element of those Plans.

The work of Transport for the North in giving statutory advice to Ministers sees business input and the business voice is heard at the organisation's Board Meetings and on its Working Groups. This bringing together of politicians and business leaders gives Transport for the North a unique perspective on key issues relating to transport in the North.

The disappointment last year of the government's Integrated Rail Plan for the North & Midlands saw the LEP business representatives join with political leaders and unanimously approve the submission to government [expressing disappointment and asking government to think again\*]. That is not perhaps as well known as it should be, but it is a demonstration of the North working together to support what is right for business and anyone living or working in the North. We continue to work with CEO Martin Tugwell and his team to try to ensure that the North gets its fair share of transport investment as part of our mission to level up the North. The effect of decades of under-investment is all too clear to anyone using public transport in the North of England and although the recent funding allocations under the Integrated Rail Plan and other government funding initiatives have been very welcome, they go nowhere near far enough in helping us with our mission to level up and develop the northern economy.

We remain determined to remind government at every opportunity of the importance of delivering Transport for the North's Strategic Transport Plan and the divisive effect of a bidding war over every pot of government funding. It is not right that the destination of transport investment is decided in Whitehall when northern leaders know best what is needed most critically. It is not right that passengers are still not put first by our transport operators. Our Northern Transport Charter, which will be embedded in the new updated Strategic Transport Plan being developed, sets out important and fair principles about transport investment in the North.

The next year is going to be challenging. Transport for the North has a key role to play in supporting the North's recovery from the pandemic, and ensuring that the pressures arising from inflation and supply shortages of labour and materials are addressed. The LEPs will continue to support and make the case for Transport for the North to be funded so as to ensure it is able to ensure these issues are addressed.



# Transport for the North

The North's transport system is at the heart of our communities and economy; it is also critical to the UK, with our ports and airports global gateways to the country and with our strategic transport corridors connecting with devolved administrations in Scotland and Wales.

Maintaining and enhancing our strategic infrastructure requires a long-term vision and a focus on solutions that achieve our desired outcomes, are affordable and deliverable. Transport for the North (TfN) was established to provide strategic leadership - the North's Political and Business leaders coming together to set out their vision for the North and to advise Government on what is required to realise the North's full potential.

TfN enables our region to speak with one voice on our transport needs. We became England's first Sub-national Transport Body (STB) in April 2018. Our Board is made up of our region's 20 Local Transport Authorities (LTAs) and 11 Local Enterprise Partnerships (LEPs). Together, they represent the people and businesses of the North of England on strategic transport matters, providing statutory advice to the Department for Transport (DfT) and working with delivery partners including National Highways and Network Rail, as well as train operating companies.

The pandemic reminded us of the critical importance of our transport system. Our response to the pandemic served to highlight that it is possible for travel demand and needs to change. Some of those changes are ones that we've sought over the years as we look to reduce the impact of travel.

TfN was established to prepare a transport strategy for the North and to provide advice to the Secretary of State about the operation of transport on the ground. Set against the backdrop of the need for change in the way we plan for, develop and implement strategic transport investment, so TfN's role takes on added value in terms of its technical capability and our ability to support its partners (nationally and across the North) in accelerating delivery.

This business year is a key one for TfN as we reshape ourselves to ensure that we are fit to meet the tasks ahead of us. Like any organisation, we have to live within our means. And that means TfN needs to prioritise its activities to reflect the funding available. We must consider the implications of the change from co-client to co-sponsor of Northern Powerhouse Rail, as well as ensuring that our activities continue to complement the work of our partners and Government.

Set against this backdrop it is important to ensure that TfN's activities are focused on its core role and responsibilities.

TfN will continue to be the 'Voice of the North' but, moving forward, our added value will come from focusing on issues and investment proposals that are genuinely strategic in nature. It means focusing on infrastructure needs that extend beyond individual local authority boundaries; it means focusing on those issues that are of a common interest, where a collaborative approach enables solutions to be developed and implemented in a timely and cost-effective manner; and it means continuing to use the accumulated knowledge and experience held by TfN to influence and shape processes and programmes at a national level.

Unlocking the full potential of the North remains at the heart of what TfN is about. The 'golden thread' that has shaped TfN from the start is even more relevant focusing as it does on:

- > Realising the **economic potential** of the North - our work on the Northern Powerhouse Independent Economic Review provides the foundation on which to build
- > Enabling **development that is sustainable** for the long term - our Regional Decarbonisation Strategy sets out both the need for change and the need for pace in that change
- > Ensuring that transport **solutions enable individuals to realise their potential** - our work on Transport Related Social Exclusion enables us to understand the scale the challenge and the areas where investment is most urgently needed

In reshaping TfN to ensure it remains fit for the future our Business Planning has been shaped by the need to deliver:

- > **A Strategic Transport Plan** - an outcome focused long-term strategic plan for the development of the North's transport system
- > **An Investment Programme** - ensuring that the North's strategic investment needs are reflected in the development and delivery of solutions
- > A focus on **Implementation** - investing in the technical capacity and capability that sits within TfN and making that available to our partners in order to help accelerate delivery on the ground

# 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.

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.

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.

Throughout the past year TfN has continued to demonstrate our inherent strengths as an organisation. 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. This Business Plan looks to build on that investment to the benefit of all TfN partners (nationally and regionally)

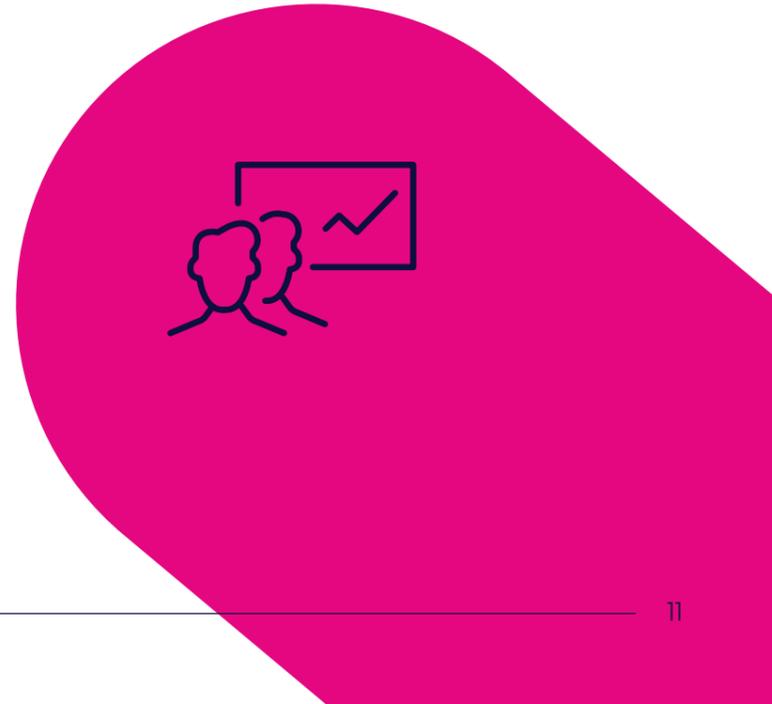
## Last year we:

- > 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 6 (non-statutory) Sub-national Transport Bodies on issues of common interest

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This 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



**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 Integrated Sustainability Appraisal 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 – continuing 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 project.
- > Work in support of partners in the application of the EV Charging Infrastructure evidence base to underpin proposals seeking investment funding
- > Review and update the evidence within TfN's Future Travel Scenarios, on policy levers and external factors influencing future travel behaviours and transport demand
- > 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 Great British Railways
- > 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 6 (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.

# Our Strategic Transport Plan

Our Strategic Transport Plan (STP) is at the heart of TfN's statutory role and responsibilities: it is how the North communicates a single vision for connecting the North.

The completion and adoption of the first STP in 2019 represented a major milestone for TfN and the North and set a benchmark for regional transport planning. Three years later, the STP remains a powerful articulation of the North's vision and ambition to transform connectivity for the benefit of both people and business.

Our 2019 plan was successful because it recognised that transport and connectivity are enablers to prosperity and unlocking opportunities for both businesses and people in all parts of the North. The next STP will build on the success of the original Plan, enhanced by the extensive additional evidence base and technical work completed by TfN since 2019.

The STP is the basis of TfN's statutory advice to government about the scale of investment required to realise an interconnected, decarbonised and inclusive North. It forms the statutory framework within which the plans and investment programmes of individual transport networks can be aligned to a single, shared vision. We will integrate the principles of the Northern Transport Charter into the new STP, so that there is a clear and agreed view of how TfN will continue to build and demonstrate capability in preparation for future devolution of funding decision-making.

The next STP will also need to respond flexibly to external developments, including most critically the change in travel demand and needs in the post pandemic world. It will harness the opportunity for change in the way people and businesses access services and opportunities as a means of effecting further change so as to deliver on the strategic outcomes underpinning the STP.

To ensure that the STP remains grounded in clear economic principles and outcomes, we are working with the NP11 to update the Northern Powerhouse Independent Economic Review originally undertaken in 2016 to sit alongside the TfN Travel Scenarios.

Our regional decarbonisation strategy helps define the scale of the challenge of the climate emergency and the economic opportunity for refocusing growth, as well as the need to address inequalities of opportunity arising from transport related social exclusion. The decarbonisation strategy is clear about the need for urgent action in the 2020s to decarbonise our transport network if we are to achieve near net zero emissions by 2045. The updated STP will therefore need a much sharper focus on what needs to happen in the next 5-10 years in order to effect the required change in our transport system.



## Our priority activities in 2022/23 will include:

- > Agree a revised set of outcomes and objectives with the TfN Board that balance decarbonisation, productivity and access to opportunities
- > Completion of the policy development programme
- > Finalise the evidence base, including the reset of the Northern Powerhouse Independent Economic Review and agree that with the Board by December
- > Produce a draft STP and agree with the Board by the end of March 2023
- > Alongside the preparation of the STP itself we will undertake an independent sustainability assessment in readiness for the consultation phase

In 2023/24 we will undertake a full statutory consultation on the new STP and produce a final post consultation version of the plan for the Board to adopt no later than Spring 2024. During that period we will also finalise and agree with the Board our short- and long-term priorities for funding of road and rail schemes, and continue to focus on implementing our freight and decarbonisation strategies.

# Shaping the Future

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In a short period of time, TfN has rapidly assembled an industry leading evidence base, produced a statutory transport plan for the North and brought forward clear investment priorities for transforming connectivity and decarbonising our transport network. That's just the start and the next phase of our work will focus on deploying our expertise, intelligence and evidence base to actively shape the future, affect change and accelerate the development of robust and affordable solutions. TfN will work with our partners, government and national delivery bodies on strategic issues to deliver outcomes for people and business across the North.

The first STP set an investment programme for the next 30 years, but since 2019, the context in which TfN is operating has changed fundamentally. The new STP must focus quickly on the need for change whilst being realistic about the challenges faced by the transport sector more generally. Alongside the development of our second STP we will take forward the actions and outcomes identified in our decarbonisation and freight strategies, put forward clear investment priorities for the next funding periods and deploy TfN's technical and analytical capability to support our partners as they take forward proposals into delivery.



## Our priorities in 2023/24 are to:

- > Develop a decarbonisation toolkit based on TfN's Decarbonisation Strategy and Future Travel Scenarios. The Clean Mobility Visions project comprises a series of evidence-based policy packages to support TfN's local authority partners in achieving transport decarbonisation and improving quality of place. The outputs provide a resource for Local Authorities to draw on in preparing Local Transport Plans, local decarbonisation plans, as well as Bus Service Improvement Plans
- > Prioritise and take forward the agreed actions identified within our Freight and Logistics Strategy, working with government, delivery bodies and the industry to support the sector
- > TfN will take forward the next phases of our ground-breaking work on EV charging infrastructure, focusing on accelerating rollout and delivery of investment on the ground. TfN will work with the energy networks and other stakeholders (covering hydrogen generation and potential users), to develop the strategy for Northern hydrogen transport refuelling networks. The work will identify potential locations for hydrogen infrastructure across the North focussed on refuelling along the Strategic and Major Road networks and at rail depots, linked to potential locations for storage and generation
- > We will help strengthen the evidence base and support our partners as they look to deliver on the commitments in the Government's Bus Back Better strategy, with a particular focus on how to develop an effective intra-regional bus network. TfN will support those partners delivering Bus Service Improvement Plans funded by Government and work across the North to support all its partners in reducing barriers to cross-boundary bus services. As our research on Transport Related Social Exclusion has demonstrated, a stronger evidence base, delivered more efficiently through TfN would add significantly to our understanding of the overall demand for travel and opportunities to raise patronage, including access to employment sites and key local services including education, health and retail. TfN's Connected Mobility Strategy will add value and capability for partners and supports more efficient, economical, and collaborative delivery of digital and ticketing interventions to help people stay better connected to place. In the short term we will be providing additional capacity through our pilot 'Connected Mobility Hub'. TfN's work will act as a catalyst for information sharing and knowledge exchange thereby avoiding duplication of effort, cost, and resources across partners. Through leveraging existing innovations, developments, and deliveries to create clear evidence bases, more common technical standards and frameworks we will be able to focus pan-northern energy on empowering our partners to provide smarter and better-connected mobility for passengers
- > Identify the North's investment priorities for the next two funding periods for road and rail schemes, based on TfN's evidence base and through our collaborative work with National Highways and Network Rail. In the next financial year, we will revisit the overall 30-year investment programme against the objectives agreed in the next STP

Alongside these activities, we will continue to explore with our partners across the North and nationally how TfN's capacity and capabilities can be deployed to support policy development and the planning and development of detailed solutions as we move forward into delivery.



# Implementation through Collaboration



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TfN's role and responsibility is to set the long-term strategic framework for the development of the North's transport system. This enables investment in individual elements of our transport system to be aligned to achieve a shared ambition for the North. Collaboration working between partners (regionally and nationally) and with infrastructure owners and service providers is fundamental to success. By establishing and maintaining a regional evidence base, TfN ensures there is a consistent baseline upon which all those with an interest in the North's transport system can build.

Through our new co-sponsor role with Northern Powerhouse Rail, we will work in partnership with DfT to ensure that the North's view is heard as committed investment in the Integrated Rail Plan is taken forward into delivery. This role sits alongside and complements our existing statutory functions. TfN will create a small sponsorship team to manage TfN's input into the programme, coordinate sponsorship activity, engage with individual Programme Boards and undertake engagement with partners in advance of the Sponsor Board. These arrangements will also need to be integrated with the new TRU stakeholder forum which TfN will chair, as well as the wider TfN governance mechanisms for officer and member engagement.

As infrastructure owners and as members of the TfN Board, the relationship with National Highways and Network Rail is particularly important when it comes to ensuring that the North's priorities are reflected in national investment programmes. The North already has the first phase of rail devolution through the Rail North Partnership, through which DfT works jointly with TfN to oversee the specification and delivery of the Northern and TransPennine Express service contracts. TfN will continue to support the partnership through strong collaboration and providing a single view from the North on all relevant matters. Under the new service contracts (post-pandemic) there is a focus on the annual Business Planning Cycle and TfN will ensure that evidence and local views are fed in to support the process and ensure that the needs of the North are adequately represented.

TfN will work with the industry to ensure that the rail sector in the north works as an integrated system. Whether that's linking service enhancements to rail infrastructure programmes (e.g blueprints for Manchester and ECML) or co-ordinating the approach of multiple operators in the North (for example through the North of England Contingency Group) we will use our influence and evidence base to get the best outcome for passengers. TfN will collaborate with Network Rail to develop the right investment schemes for the North (for example taking forward Line Speed Improvements and reliability schemes as Delivery Plans), drawing on the industry's expertise and TfN's local knowledge and evidence base. TfN will also continue to develop a proposition for Rail Reform in the North, working with partners and the Great British Railways Transition Team, building on the Rail North Partnership, but also supporting plans for 'double devolution' in city regions and other parts of the North.

TfN will also continue to work with its partners to support the delivery of the agreed Major Road Network programme and to ensure alignment with the RIS.

A key challenge at present is cost pressures within the supply chain that is having an adverse effect on scheme costs. TfN will continue to press for the need for costs to be challenged to ensure value for money, and in so doing continue to press for solutions that are affordable and deliverable.

Through the Highways North Board TfN will continue to work closely with the Department and National Highways in support of the delivery of agreed investment priorities on the Strategic Road Network. It will work with its partners in the North to identify the need for investment, and work with National Highways to agree a pipeline of scheme development that can form part of the Roads Investment Strategy (RIS).

# Evidence Based Strategic Thinking

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In setting a high-level long-term vision for the North through our Strategic Transport Plan it is essential that all our plans are underpinned by robust evidence, and we develop policies that can be turned into action. Our value as a regional body is directly linked to the credibility and robustness of our evidence base.

TfN was established to evidence the link between investment in improved connectivity and the realisation of economic, social and environmental benefits. Such a long term, transformational approach requires radical new approaches to understanding how transport investment is planned, funded and delivered.

The TfN Analytical Framework is a suite of industry-leading analytical tools, models and data, which together will ensure a single, robust evidence base for scheme development and evaluation across the North. Our tools enable a more comprehensive and rounded picture of economic benefits to be captured, looking beyond time savings and productivity to estimate improvements in economic prosperity, wellbeing and other benefits for people and places across the North and beyond.

The Analytical Framework is accompanied by a robust programme of research focused on the links between connectivity and wider social, environmental and economic outcomes and with a strong focus on place. The research programme includes our joint work with the NP11 and Northern LEPs to maintain and update the Northern Powerhouse Independent Economic Review (NPIER).

**In 2022/23, we will prioritise the application and delivery of the TfN evidence base through the following activities:**

- > Providing a full analytical service to DfT in support of Northern Powerhouse Rail and other activities related to the publication of the Integrated Rail Plan. This important partnership will ensure that the case for NPR fully reflects the wide and diverse benefits that NPR delivers to the North
- > Refreshing the NPIER to reflect the post Covid economy and establishing new economic scenarios to underpin the new Strategic Transport Plan
- > Applying the analytical framework consistently through our policy and implementation work, including on EV charging, hydrogen, freight, and rail reform. We are extending the analytical framework to cover buses and active travel to support the implementation of local transport plans and Bus Service Improvement Plans
- > Taking forward the next stages of our ground-breaking work on transport related social exclusion. Finalising and publishing important new research on the links between transport, health and wellbeing
- > Continuing to promote engagement and dissemination of the regional evidence base, through the Northern Evidence Hub and the TfN Academic Forum. TfN is working with the NP11 to establish a northern evidence network on economic development
- > Establishing a citizens' panel for TfN so the voice of the user is heard consistently through our policy and implementation work
- > We will also implement the TfN monitoring and evaluation strategy to ensure we are tracking the right outcomes across TfN interventions and linking these to specific interventions and policies to demonstrate added value

Alongside these activities, we will continue to explore with DfT how TfN can act as a regional centre of excellence on analytics and evidence, both for our STB colleagues and in supporting our LTA partners. Where, through our work, we identify issues that require further work, we will work with the DfT and other partners to develop a specific proposal.



# 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.

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**We make a difference**



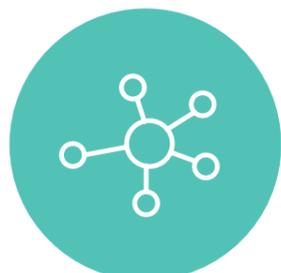
**We do the right thing**



**We are driven to succeed**



**We collaborate**



## Our core behaviours

- > **Cultivate innovation** - Creating new and better ways for the organisation to be successful.
- > **Instil trust** - Gaining the confidence and trust of others through honesty, integrity and authenticity.
- > **Ensure accountability** - Holding self and others accountable to achieve results, even under challenging circumstances.
- > **Financial acumen** - Interpreting and applying understanding of key financial indicators to make better business decisions.
- > **Collaborate** - Building partnerships and working collaboratively with others to meet shared objectives.

## A best practice employer

TeamTfN is made up of the bright minds we attract and retain through continually striving to be a best practice employer. We do this by embedding and celebrating our core values across the organisation, as well as committing to nurturing talent.

This is demonstrated through numerous initiatives and organisation-wide commitments, for example becoming one of the first full members of the Greater Manchester Good Employment Charter in 2021.

It is also demonstrated through various accreditations including as a Living Wage Employer; a Disability Confident Employer; and a signed-up member of the Chartered Institution of Highways & Transportation's Diversity and Inclusion Charter. This is backed-up in practice by championing our employee voice, for instance via our established Employee Forum, and team-led initiatives to drive improvement and tackle the challenges of today, including established Diversity & Inclusion and Climate Change groups. Alongside our close collaboration with UNISON, this ensures we retain our reputation as a pull for talent.

## Agile ways of working practice:

Based entirely on feedback from our leadership team and TeamTfN colleagues during 2021 TfN redesigned its office space and introduced a new more flexible/agile ways of working to best meet our future needs. Our new ways of working are all about maintaining the great upsides many of our colleagues experienced from working from home during the recent Covid-19 pandemic, whilst at the same time being able to unite with colleagues for team and collaborative working as well as for more social and informal interaction.

TfN believe that, as long as business needs are being achieved, colleagues should be able to plan where they work from and manage their own working hours.

## 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.

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 and finances



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TfN's Budget and Business Planning for this year has had to reflect

- > The Level of funding available to TfN
- > 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 required a review of activities to ensure that they are focused on TfN's core role and responsibilities and, are affordable.

In reshaping and reducing the establishment the focus has been on ensuring that TfN remains capable of delivering its priority areas of activity. A guiding principle throughout has been to focus on retaining TfN's technical capacity and capability. At the same time, given that TfN moving forward will be a smaller and less complex organization, the opportunity has been given to reduce support functions.

The need to reshape TfN will be used as the opportunity to rationalise and simplify our processes to minimise overheads whilst continuing to meet the requirements of being a statutory body.

TfN will continue to support its team members throughout the change process associated with the reshaping of TfN. In addition, the leadership and senior management team will work collectively throughout the year to ensure that the benefits of the reshaping of TfN are realised.

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

## Business Model

TfN is funded almost wholly by Government. Given the on-going uncertainty regarding future funding ahead of the 2021 Spending Review TfN proactively managed its establishment. The use of fixed term contracts and holding vacancies enabled on-liabilities to be pro-actively managed whilst enabling TfN to continue to deliver an extensive programme of work. Even so, some of TfN's planned activity for 2021/22 had to be slowed or rescheduled. The timing of the publication of the Government's Integrated Rail Plan (IRP) also impacted on TfN's ability to take forward some of the planned activity for 2021/22.

The transfer of the NPR programme to DfT in April 2022 (in line with the direction set out in the IRP) resulted in the transfer of the Northern Powerhouse Rail team (circa 17 posts) to the DfT under the TUPE regulations.

The new operating model for TfN places more emphasis on investing in TfN's technical capacity and capability. Therefore, the Budget and Business Planning processes have been implemented with a reduced emphasis on commissioned activity.

This Business Plan is based on a reduced establishment for 2022/23 of 103 roles. Of this 41 are to provide hosted activities (comprising 17 posts in the Rail North Partnership team and 24 posts within TAME. Recruitment of staff moving forward will be on a permanent basis given that this represents a better value for money proposition compared with the continued use of interim or consultant-based resourcing solutions.)

The key factor affecting TfN on a medium-term basis is a cost base that is subject to inflation with an assumed core funding allocation that is not directly inflation linked. Such factors are not unique to TfN and we will work with DfT to establish potential solutions ahead of a future Spending Review.

## Funding

Transport for the North received its funding allocation from the Department for Transport in February 2022. This included:

- > A one-year Core allocation of £6.5m including £0.4m to cover the Department's estimate of TfN undertaking its role as 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 to resource Rail North Partnership and Strategic Rail activity
- > Confirmation that DfT will fund NPR wind-down costs following the change from Co-Client to Co-Sponsor

In previous years TfN had a remit that included significant programme delivery. As a consequence, TfN's Budget was 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 analytical service in support of DfT's NPR programme using resources hosted by TfN, has provided the opportunity to represent the Budget structure.

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 enabled TfN to deliver upon its programmes of activity and broader aspirations.

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

TfN will draw from reserves to cover transition costs arising due to the reshaping of TfN to a longer-term sustainable organisational structure, and to support core activity.

The funding that we are able to draw on during the year to pay for our budgeted expenditure is therefore as follows:

Activity	Budget £m
Core grant	6.5
In-Year Funding	0.34
<i>Hosted Services</i>	
TTDF Rail Modelling	5.66
Rail North Partnership Grant	0.96
Rail North Grant/Local Contributions	0.65
Contract Income	0.33
NPR Closure Costs	0.41
Use of Reserves	1.66
<b>Total Resource</b>	<b>16.52</b>

**Reserves strategy**

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 all expenditure.

We have forecast 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.

**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 activities set out in the Business Plan, we have total budgeted expenditure for 2022/23 of £16.5m. As a Sub-national Transport Body, we are unable to recover VAT on our purchases of goods and services.

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 we have with the DfT.

In 2022/23 expenditure is anticipated to be incurred against the following activities:

Activity	Budget (£m)
Operational Costs	
· Major Roads	0.31
· Strategy and Policy	2.26
· Strategic Rail	1.20
· Business Capabilities	2.46
· Finance	0.82
· Leadership	0.35
· Transition Costs	1.44
Rail North Partnership	1.60
NPR Analytical Support	5.66
NPR Closer Costs	0.41
<b>Total Expenditure</b>	<b>16.52</b>

**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.

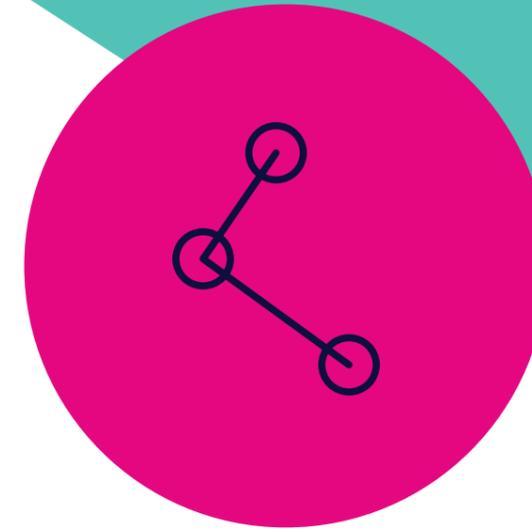
# Measuring success: KPIs

Our Key Performance Indicator (KPI) framework monitors and measures our progress and performance and ensures that we provide value for money. There are four measures used to monitor the performance of our programme delivery:

- ▶ project scope
- ▶ meeting programme objectives
- ▶ milestone delivery
- ▶ budget

These are reported to our boards, committees and externally through the TfN Operating Report produced on a quarterly basis.

The KPIs that we have adopted for 2022/23 are set out below.



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KPI	Detail	Deliver	Responsible
1	Establish the Stakeholder Forum for Trans-Pennine Route Upgrade	July '22	Rail
2	Publish the TfN work on Transport Related Social Exclusion	Sep '22	Strategy
3	Complete the reshaping of TfN and implement new operating model	Sep '22	CEO
4	Implement effective governance arrangements for the Co-Sponsor Board.	Sep '22	CEO/Rail
5	Publish the TfN Freight and Logistics Strategy	Sep '22	Strategy
6	Establish the agreed NPR analytical work programme for DfT through TAME.	Sep '22	Strategy
7	Develop an autumn submission to Government that identifies opportunities to build on TfN's technical capabilities	Oct '22	Finance/Strategy
8	Develop the business model that enables TfN to support its partners across the north	Oct '22	CEO/Strategy
9	Working with partners, prepare a Northern proposition for the implementation of the Williams-Shapps rail reforms	Dec '22	Rail
10	Publish a refreshed Northern Powerhouse Independent Economic Review	Dec '22	Strategy
11	Identify investment priorities for consideration as part of Road Investment Strategy (RIS3)	Dec '22	Road
12	Use the EV Charging Infrastructure framework to support partners – nationally and across the North	Dec '22	Road
13	Make the Clean mobility visions outputs available for use by partners – nationally and across the North	Dec '22	Strategy

KPI	Detail	Deliver	Responsible
14	Prepare a draft Strategic Transport Plan and secure TfN Board agreement to consult	Mar '23	Strategy
15	Complete an Integrated Sustainability Appraisal of the revised Strategic Transport Plan	Mar '23	Strategy
16	Develop a draft Connected Mobility Strategy and secure TfN Board agreement to publish	Mar '23	Rail/Road
17	Develop and implement the Manchester Recovery Task Force 'blueprint' and apply the same approach to the East Coast Main Line	Mar '23	Rail
18	Contribute to the work of the Leeds Area Study as part of the implementation of the IRP	Mar '23	Rail
19	Deliver projects on BSIPs, hydrogen, and local mobility in support of Partners	Mar '23	Strategy/Road/Rail
20	Submit to DfT an update on progress with the implementation of the Major Road Network Programme	Mar '23	Road

**Transport for the North**

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<b>Meeting:</b>	Transport for the North Audit and Governance Committee
<b>Subject:</b>	Internal Audit Update
<b>Author:</b>	Paul Kelly, Interim Finance Director
<b>Sponsor:</b>	N/A
<b>Meeting Date:</b>	Friday 16 September 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 RSM have also supplied:

- Progress report
- Payroll Audit

- 3.2 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 Appendix 1 Progress Report
- Appendix 2 Payroll Audit Report

# TRANSPORT FOR THE NORTH

## Internal Audit Progress Report

**16 September 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.



# Contents

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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 Payroll (2.22/23) review which resulted in a ‘substantial’ 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

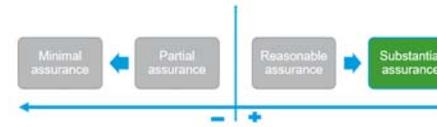
**Payroll (2.2022/23)**

Through our work, we confirmed that TfN has established systems and processes in place in regard to its payroll function.

Through sample testing, we confirmed that controls were being consistently complied with for all areas tested. As such, no exceptions were identified in our testing and we have not raised any management actions. As part of our review of the payroll data, we also performed data analytics testing by utilising our in-house software.

Substantial Assurance

0 0 0



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

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

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

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

Assignment and Executive Lead	Status / Opinion issued	Actions agreed			Target Audit and Governance Committee (as per IA plan 2022/23)	Actual Audit and Governance Committee
		L	M	H		
Follow Up (1.22/23)	Reasonable Progress	19 of 21 actions completed			June 2022	June 2022
Risk Maturity Review (4.22/23)	Due to commence 19 September 2022	n/a			November 2022	n/a
General Data Protection Regulation Arrangements (3.22/23)	Commencement date to be agreed with management*	n/a			September 2022*	n/a
Payroll (2.22/23)	Substantial Assurance	0	0	0	November 2022*	September 2022*
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

\* The General Data Protection Regulation Arrangements review was postponed at the request of management. The Payroll review was brought forward and completed in its place. This change was approved at the Committee meeting held on the 14 July 2022.



## Appendix B – Other matters

### On-going liaison and 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. Ongoing liaison has taken place between RSM and the Finance Director throughout the year to discuss progress against the internal audit plan.

### Updates and briefings

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

- RSM & CIPFA Public Procurement and Contract Management 2022 in-person conferences (June 2022);
- 'Employment Matters' (June and July 2022);
- The Real Economy – Global Supply Chains (July 2022);
- RSM and CIPFA Public Procurement Webinar (July 2022); and
- RSM's Technical Update Series 2022 (to take place during September and October 2022).

### Quality assurance and continual improvement

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

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



## For more information contact

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### **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.

# TRANSPORT FOR THE NORTH

## Payroll

Internal audit report 2.22/23

Final

25 August 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, 100 per cent of our audit has been conducted remotely. 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, and in some areas undertake full population testing, to complete the work in line with the agreed scope.

## Why we completed this audit

As part of our internal audit plan for 2022/23 we have carried out a review of Transport for the North's (TfN's) payroll controls. As per the agreed scope our review has assessed the following areas:

- Policies and procedures;
- Starters, leavers and amendments;
- Monthly payroll review and authorisation procedures;
- Segregation of duties; and
- Establishment checks.

TfN uses the Talent module in the Dynamics 365 system to record employee data and payroll information. Responsibility for generating monthly payroll payment files has been outsourced to an external organisation (Hawson's). Hawson's generates the files based on payroll data provided by TfN.

Responsibility and deadlines for carrying out monthly internal validation checks on the payment files is shared between TfN's Human Resources (HR) and Finance teams, as detailed in TfN's payroll process document.

Our review was designed to provide assurance regarding TfN's controls for ensuring payroll is processed in an accurate and timely manner.

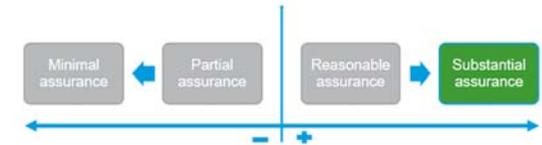
## Conclusion

Through our work, we confirmed that TfN has established systems and processes in place in regard to its payroll function.

Through sample testing, we confirmed that controls were being consistently complied with for all areas tested. As such, we have raised no management actions. As part of our review of the payroll data, we also performed data analytics testing by utilising our in-house software. The results of our data analytics testing are outlined at Appendix B of this report.

## Internal audit

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



## Key findings

We identified the following findings:

### Financial Procedures



Documented Financial Procedures are incorporated within the TfN Constitution, which was approved by the Board in September 2021. The Financial Procedures include references to payroll activities and are easily accessible to staff via TfN's website.



TfN has a Payroll Process document in place which provides detailed information on the monthly payroll activities carried out by the Payroll and Finance Teams. This includes steps required to validate and process the monthly payroll file. The document sets out deadlines and owners for each stage of the process. We confirmed that the document was up-to-date and includes monthly payroll cut-off dates. We confirmed that the process document is accessible to all HR staff via a Microsoft Teams shared drive. We also confirmed that TfN has procedure notes in place that clearly outline the calculations for carrying out various payroll activities.

### Starters



We obtained a report of all new starters for the testing period from 1 April 2021 to 30 June 2022. We selected a sample of 10 new starters, to confirm whether a new starter form had been completed and authorised in accordance with the Payroll signatory list.

Our sample testing of 10 identified:

- A new starter form had been fully completed in all cases sampled;
- All new starter forms had been completed and signed by a member of HR, in accordance with the Payroll signatory list;
- New starter forms had been approved by a member of HR and Finance, in accordance with the Payroll signatory list, for all ten new starters in the sample;
- All new starter forms sampled had been signed by the member of HR processing the form, in accordance with the Payroll signatory list; and
- All ten forms had been processed in a timely manner (before payroll cut-off dates for the first month of employment).

We also tested to confirm whether the details recorded on each new starter form had been accurately entered into the payroll system. We confirmed that the employee's start date, salary and grade had been accurately entered into the payroll system for all 10 new starters.

We confirmed that all new starters received their first payment in the correct month in accordance with the Payroll cut-off dates.

### Leavers



We obtained a report of all leavers for the testing period from 1 April 2021 to 30 June 2022 and selected a sample of 10 leavers to confirm whether a leavers form had been completed and approved in accordance with the Payroll signatory list.

Our sample testing of 10 identified:

- A leavers form had been fully completed in all cases;
- All leavers forms had been completed, signed and dated by a member of HR, in accordance with the Payroll signatory list;
- Leavers forms had been approved by a member of HR and Finance, in accordance with the Payroll signatory list, for all 10 leavers in the sample;
- All leavers forms had been signed by the member of HR processing the form, in accordance with the Payroll signatory list; and
- All 10 forms had been processed in a timely manner (before payroll cut-off dates for the last month of employment).

We also tested to confirm whether the details on the leaver forms had been accurately entered into the payroll system. We confirmed that all 10 leavers had been recorded as a leaver in the payroll system and the leave date and date of last day of service had been accurately entered into the payroll system for all 10 leavers. We confirmed that all 10 leaver final payments included necessary deductions and none of the leavers were paid in the months after they left.

### Amendments



We obtained a report of all amendments for the testing period from 1 April 2021 to 30 June 2022 and selected a sample of 10 amendments, to confirm whether an amendment form had been completed and it had been authorised in accordance with the Payroll signatory list.

Our testing identified for that the sample of 10:

- An amendment form had been fully completed for all 10 amendments;
- All amendment forms had been completed and signed by a member of HR, in accordance with the Payroll signatory list;
- All amendment forms had been approved by a member of HR and Finance, in accordance with the Payroll signatory list;
- Amendment forms had been signed by the member of HR processing the form, in accordance with the Payroll signatory list, for all amendments in the sample; and
- All 10 forms had been processed in a timely manner (the same month that the change was approved).

We also tested to confirm whether the details on the amendment form had been accurately entered into the payroll system. We confirmed that all ten amendments had been accurately changed in the payroll system and the change had been reflected in the following month's payroll run.

### Monthly payroll review and authorisation procedures



TfN payroll files are generated by an external organisation (Hawson's) based on payroll data in the payroll system. We reviewed the three most recent payment runs (April, May and June 2022) to determine whether verification checks have taken place before the payroll payment file has been processed. We confirmed that verification checks had been carried out for all payroll files in the sample. For each month, we confirmed that emails were exchanged with Hawson's to discuss payroll queries.



A salary payment template is generated for each month's payroll containing details of the payments scheduled for each employee. The salary payment template requires HR and Finance approval before it can be processed. For all three payroll payments in our sample (April, May and June 2022) we confirmed that the salary payment template had been approved by HR and Finance in accordance with the Payroll signatory list. Approval had been obtained before the payment had been processed. For all three payroll payments we confirmed that the BACs salary payment had been approved by two approvers (Head of HR and Finance Director), in accordance with the Payroll signatory list. Furthermore, we confirmed that the Financial Controller had completed a line-by-line analysis of payment templates prior to sending. We also confirmed that there was adequate segregation of duties between staff preparing and approving the payroll payments.



Following the monthly payroll run, the payroll journal is uploaded to the general ledger. For all three months' payroll runs reviewed (April, May and June 2022), we confirmed that the payroll journal had been uploaded to the ledger. In all three instances the payroll journal matched the amount on the payroll salary template.

### Segregation of duties



Access to the payroll system is restricted to authorised staff. We obtained a system-generated report detailing all staff with access to the 'Human Resource Manager' processing module in the Talent system and confirmed that four members of TfN staff have been set up as users. This was confirmed by the TfN HR Business Partner. Three members of TfN staff with access to the system were granted access when the system was set up for the first payroll payment in 2018. We were provided with a copy of an authorised 'Talent Authorisation Form' for the fourth individual. We reviewed the job titles of the four staff members with access to the system and confirmed that all four members of staff are of appropriate seniority for the responsibilities provided to them.



TfN has an authorised signatory list in place detailing the members of staff that can complete, process and approve payroll documentation and processes. As part of the audit, we have carried out testing to determine whether payroll forms and processes have been completed in accordance with the authorised signatory list.

#### **Establishment Checks**



Monthly establishment checks are carried out as part of the payroll review and verification process. For a sample of three monthly payroll runs (April, May and June 2022), we confirmed that establishment reviews were carried out as part of the monthly payroll review and validation process. Where necessary establishment reports include narrative to indicate review. All establishment reports are retained in the payroll files maintained by the Finance Team.

## APPENDIX A: CATEGORISATION OF FINDINGS

### Categorisation of internal audit findings

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

The following table highlights the number and categories of management actions made as a result of this audit. No management actions have been raised as a result of the work undertaken.

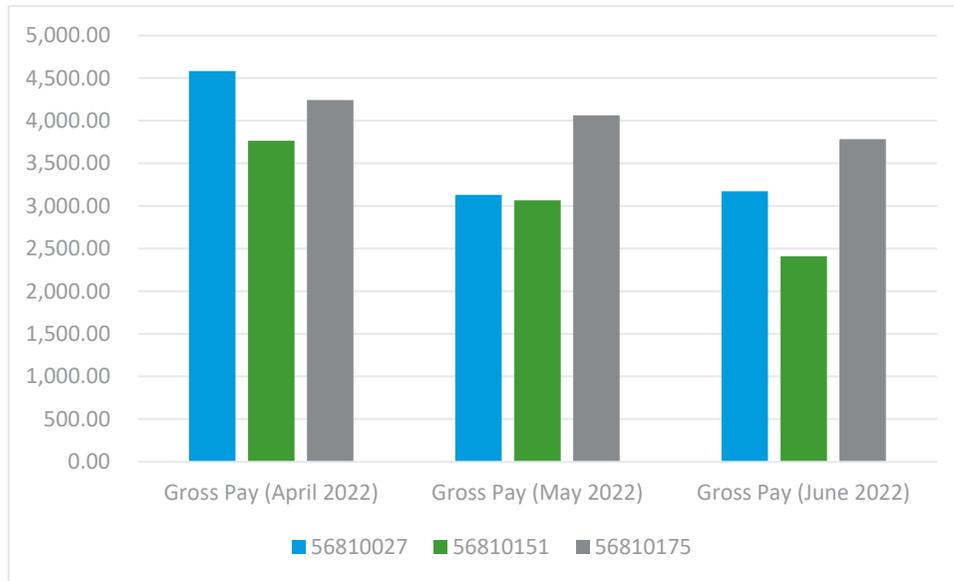
Area	Control design not effective*		Non Compliance with controls*		Agreed actions		
	0	(2)	0	(2)	Low	Medium	High
Financial Procedures	0	(2)	0	(2)	0	0	0
Starters, leavers and amendments	0	(3)	3	(3)	0	0	0
Monthly payroll review and authorisation procedures	0	(3)	0	(3)	0	0	0
Segregation of duties	0	(2)	0	(2)	0	0	0
Establishment checks	0	(1)	0	(1)	0	0	0
<b>Total</b>					<b>0</b>	<b>0</b>	<b>0</b>

# APPENDIX B: DATA ANALYTICS

We have provided a summary of the data analytics testing undertaken as part of our review. Our testing considered the accounting period from April 2022 to June 2022:

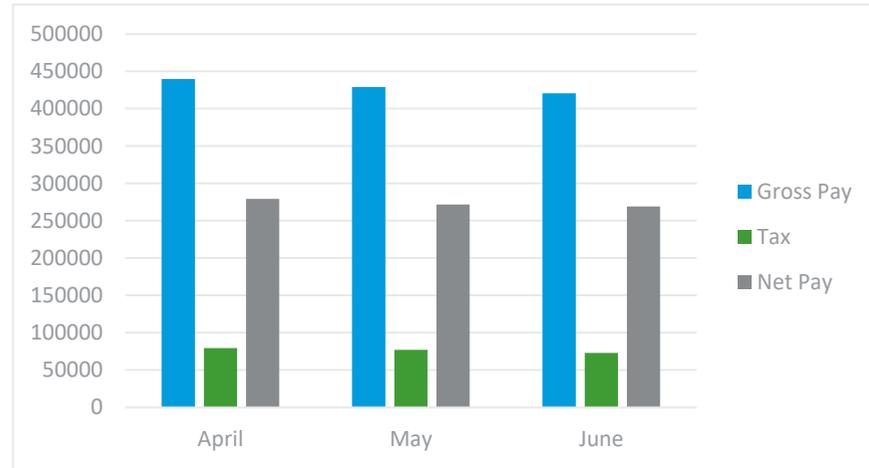
## Payroll Variances

We completed testing to compare payroll files to identify if any employees had received unusually large salary increases. We noted the following three individuals had large variances over the period:

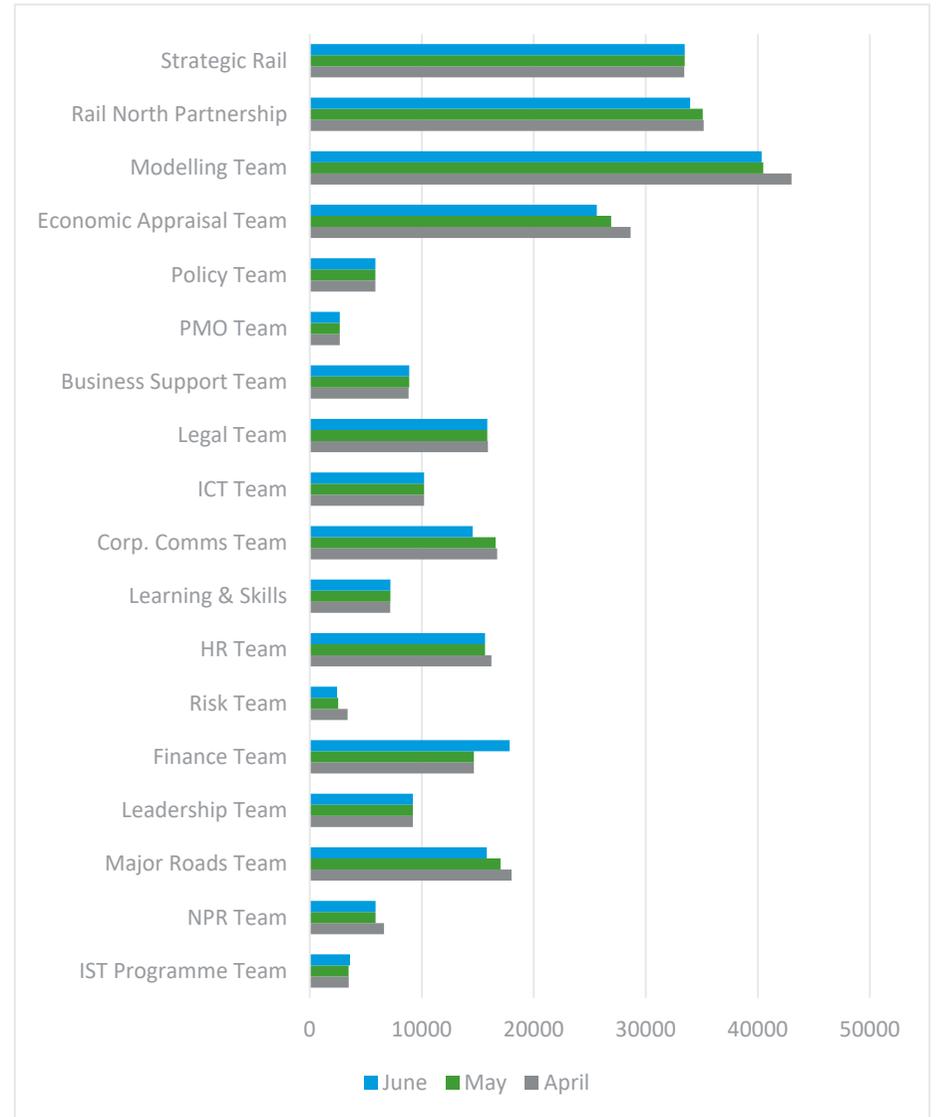


Through discussions with the HR Business Partner, we were informed these variances in pay related to maternity payments in two cases and flexible working arrangements in the remaining case. As such, no issues were identified.

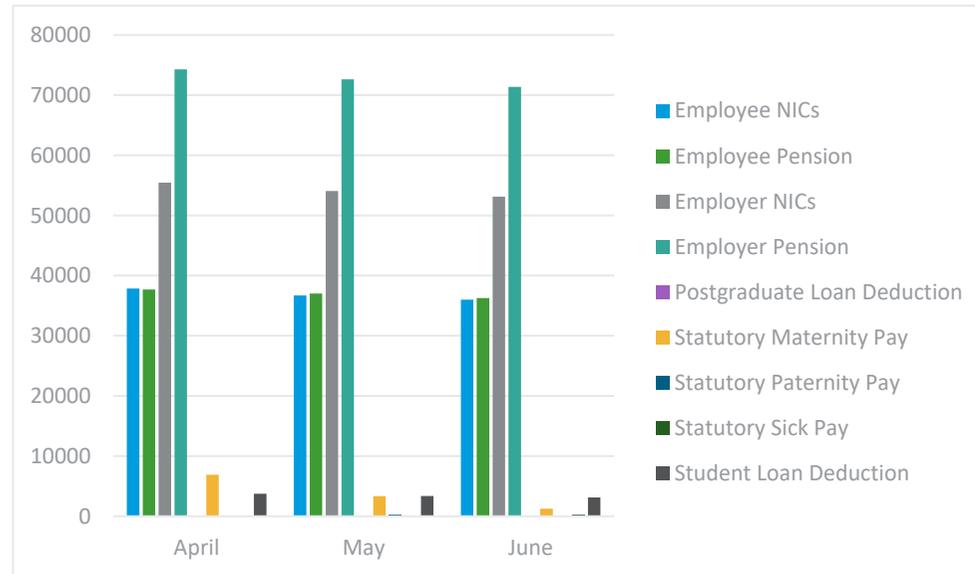
Gross Pay, Net Pay and Tax over the period (April – June 2022)



Net Pay over the period by Department (April – June 2022)



Payroll Elements over the period (April – June 2022)



The above graphs show consistent payroll figures throughout the period. As such, no issues have been identified.

## APPENDIX C: BENCHMARKING

We have included some comparative data to benchmark the level of assurance and number of management actions agreed in this audit compared to similar audits conducted across our clients.

Level of assurance	Percentage of reviews	Results of the audit
Substantial assurance	41.28%	✓
Reasonable assurance	46.18%	
Partial assurance	12.54%	
No assurance	0%	

Management actions	Average number in similar audits	Number in this audit
High	0.21	0
Medium	1.78	0
Low	2.19	0
<b>Total</b>	<b>4.18</b>	<b>0</b>

*Please note that the assurance opinions and management actions raised within all our audits reflect the scopes agreed with management at the time of the audits.*

# APPENDIX D: SCOPE

## Scope of the review

The scope was planned to provide assurance on the controls and mitigations in place relating to the following area:

### Objective of the area under review

This review is designed to provide assurance regarding TfN's controls for ensuring payroll is processed in an accurate and timely manner.

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

We will carry out a review of TfN's controls for ensuring payroll is processed in an accurate and timely manner. Our review will include consideration of the following areas:

- Policies and procedures in place;
- Starters, leavers and amendments to the payroll are appropriately authorised and passed for processing in a timely manner;
- Monthly payroll review and authorisation procedures;
- Segregation of duties; and
- Establishment checks.

As part of our review of the Payroll data, we will utilise our in-house data analytic software to identify the following:

1. Compare employee by name, address with data recorded in the HR system
2. Identify staff records with missing information such as national insurance; tax code; bank details
3. Summarise and stratify salaries by department for reconciliation to the general ledger
4. Analyse and summarise costs for special pay, overtime, maternity leave, bonuses and other allowances
5. Calculate gross pay, net pay, deductions and any other value fields
6. Identify items where the payment amount exceeds predefined limits requiring additional approval
7. Comparison of payroll file at different periods to determine the number of starters, leavers and changes in pay are as expected.
8. Identify duplicate items such as employee name, number, and address and bank account details (to the supplier database also)
9. Compare payroll files to identify if any employees had received unusually large salary increases
10. Ensure each employee's salary is between the minimum and maximum for his/her position or grade.

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

- The above tests are subject to the completeness and accuracy of the data captured within the key systems.
- We will not comment on the financial limits or benchmark these with other organisations to comment on the appropriateness.
- We will not verify the accuracy of the payroll data back to source documents for all employees, only where anomalies in the data warrant further investigation.
- Any testing undertaken as part of this audit will be subject to being completed remotely.
- We will not confirm the accuracy, or the appropriateness of all payments made.
- We did not test severance payments as part of our audit.
- Reconciliations will not be substantively re-performed.
- The results of our work are reliant on the quality and completeness of the information provided to us.
- As a result of TfN's system limitations we were unable to perform data analytics testing in relation to some of the 10 data analytics bullet points listed above in our scope. We were able to perform data analytics testing in relation to:
  1. Summarise and stratify salaries by department;
  2. Analyse and summarise costs for special pay, overtime, maternity leave, bonuses and other allowances;
  3. Calculate gross pay, net pay, deductions and any other value fields; and
  4. Compare payroll files to identify if any employees had received unusually large salary increases.
- Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

**Debrief held** 19 July 2022  
**Draft report issued** 27 July 2022  
**Responses received** 24 August 2022

**Internal audit Contacts** Lisa Randall, Head of Internal Audit  
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Andrew O'Donnell, Manager  
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**Final report issued** 25 August 2022

**Client sponsor** Paul Kelly, Finance Director  
**Distribution** Stephen Hipwell, Human Resources Manager  
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.

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<b>Meeting:</b>	Transport for the North Audit and Governance Committee
<b>Subject:</b>	External Audit Update
<b>Author:</b>	Paul Kelly, Interim Finance Director
<b>Sponsor:</b>	N/A
<b>Meeting Date:</b>	Friday 16 September 2022

---

**1. Purpose of the Report:**

- 1.1 To enable Mazars, as TfN's External Auditor, to report upon the progress of the external Statutory audit.

**2. Recommendations:**

- 2.1 That the Committee notes the External Audit report.

**3. Key Points:**

- 3.1 Mazars have provided the draft Audit Completion report and will brief Members on its contents and answer questions during the meeting.

**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 Appendix 1 – External Audit Report



# Audit Completion Report

Transport for the North

Year ended 31 March 2022

September 2022

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# Contents

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

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

5 September 2022

Dear Members

## Audit Completion Report – Year ended 31 March 2022

We are pleased to present our Audit Completion Report for the year ended 31 March 2022. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented on 14 July 2022. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

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

Yours faithfully

Signed: {{\_es\_:signer1:signature }}

Karen Murray  
Mazars LLP

Mazars LLP  
1 St Peter Square  
Manchester  
M2 3DE

# 01

Section 01:

## **Executive summary**

# 1. Executive summary

## Principal conclusions and significant findings

The detailed scope of our work as your appointed auditor for 2021/22 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

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

- Management override of controls; and

Net defined benefit liability valuation

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

## Status and audit opinion

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2022.

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

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



### Audit opinion

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



### Value for Money

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



### Whole of Government Accounts (WGA)

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



### Wider powers

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

# 02

Section 02:

**Status of the audit**

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# 2. Status of the audit

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

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

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

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# 03

## Section 03: **Audit approach**

# 3. Audit approach

## Changes to our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in July 2022 and have not made any changes to our audit approach since then.

## Materiality

Our provisional materiality at the planning stage of the audit was set at £1.251m using a benchmark of 2% of gross operating expenditure. Our final assessment of materiality, based on the final financial statements is £0.91m using the same benchmark.

## Use of experts

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

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

## Service organisations

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

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



# 04

## Section 04: **Significant findings**

# 4. Significant findings

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

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

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## Significant risks

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



# 4. Significant findings

<b>Net defined benefit liability valuation</b>	<p><b>Description of the risk</b></p> <p>The financial statements contain material pension entries in respect of retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.</p>
--	---

**How we addressed this risk**

We completed the following procedures:

- We discussed with key contacts any significant changes to the pension estimates. In addition to our standard programme of work in this area, we evaluated the management controls you have in place to assess the reasonableness of the figures provided by the Actuary and considered the reasonableness of the Actuary’s output, referring to an expert’s report on all actuaries nationally.
- We reviewed the appropriateness of the key assumptions included within the valuations, compared them to expected ranges and reviewed the methodology applied in the valuation. We considered the adequacy of disclosures in the financial statements.
- We also sought assurance from the auditor of the Greater Manchester Pension Fund.

**Audit conclusion**

Our work is ongoing as we require the pension fund auditor’s letter of assurance. We have not identified any material issues to bring to your attention at this stage.

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# 4. Significant findings

## Qualitative aspects of TfN's accounting practices

We have reviewed TfN's accounting policies and disclosures and concluded they comply with the 2021/22 Code of Practice on Local Authority Accounting, appropriately tailored to the TfN's circumstances.

Draft accounts were received from TfN on 6 June 2022 and were of a good quality and working papers were of a good standard to support the financial statements.

## Significant difficulties during the audit

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

## Wider responsibilities

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

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

We have not exercised any of these powers as part of our 2021/22 audit.

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

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# 05

## Section 05: **Internal control recommendations**

# 5. Internal control recommendations

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

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

Our findings and recommendations are set out below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

Priority ranking	Description	Number of issues
<b>1 (high)</b>	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	0
<b>2 (medium)</b>	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	0
<b>3 (low)</b>	In our view, internal control should be strengthened in these additional areas when practicable.	1

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# 5. Internal control recommendations

## Other recommendations in internal control – Level 3

### Description of deficiency

We tested one leaver where the system is still assigned with roles even after leaving date of 25 Feb 2022.

### Potential effects

There is a risk that users may continue to have access to the TFN’s information after they have left, resulting in the possible theft of sensitive and/or commercial information. Active accounts may be accessed and used for unauthorised activity.

### Recommendation

The leavers process should be followed in all circumstances. Any deviations from the agreed procedure should be considered on a case by case basis and approved at the appropriate level.

### Management response

The connection between our Azure Active Directory (AAD) and MS Dynamics 365 (D365) is intrinsically linked. When an account is created in D365 it is actually an import/link to our AAD, allowing access for the user using the credentials created within AAD. Therefore when access to an AAD account is removed the access to D365 is also removed. A D365 account remains but without the link to an AAD user, access will not be permitted. User account passwords are only stored within AAD therefore again, with the removal of the AAD user account no access will be possible. Therefore in this case although a user left the organisation and the D365 account remained, this could not be used to access any D365 functionality because their AAD account access had been removed.

## Follow up on previous internal control points

We have no internal control recommendations relating to 2020/21 to follow up.

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# 06

Section 06:

## Summary of misstatements

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# 6. Summary of misstatements

This section outlines the misstatements identified during the course of the audit, above the trivial threshold for adjustment of £33,000. There were no adjusted errors. The table below outlines the misstatements that have been left unadjusted by management.

## Unadjusted misstatements

		CIES		BS	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Intangible Assets			143	
	Cr: CIES Expenditure		143		
<p>One intangible asset should have been amortised over its useful economic life up to December 2022 but was fully amortised as at 31 March 2021. The impact in 2021/22 would be to increase the asset value on the balance sheet by £143k as at 31 March 2022. As this is not material, management has decided not to adjust.</p>					

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## Disclosure amendments

We identified a number of trivial errors that were adjusted in the financial statements (eg. typos, roundings). We have identified the following non-trivial disclosure errors:

**Note 26 Related Party Transactions:** The funding section of the note was amended to remove IST grant of £34k which related to the previous year.



# 07

## Section 07: **Value for Money**

# 7. Value for Money

## Approach to Value for Money

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

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

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

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

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

The primary output of our work on TfN's arrangements is the commentary on those arrangements that forms part of the Auditor's Annual Report.

## Status of our work

We are yet to complete our work in respect of TfN's arrangements for the year ended 31 March 2022. At the time of preparing this report, we have not identified any significant weaknesses in arrangements that require us to make a recommendation, however we continue to undertake work on TfN's arrangements.

Our draft audit report at Appendix B outlines that we have not yet completed our work in relation to TfN's arrangements. As noted above, our commentary on TfN's arrangements will be provided in the Auditor's Annual Report within 3 months of the opinion date.

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# 7. Value for Money

## Risks of significant weaknesses in arrangements

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

Risk of significant weakness in arrangements	Financial sustainability	Governance	Improving the 3Es	Work undertaken and conclusions reached
<p>1 <b>Financial Sustainability</b></p> <p>The Integrated Rail Plan for the North and Midlands, published in November 2021, set out that the arrangements for Northern Powerhouse Rail (NPR) would transition from a co-client hosted by TfN to sole-client by the Department for Transport (DfT).</p> <p>The Transport Development Fund grant to TfN for the NPR programme therefore ceases as at 31 March 2022. 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. 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><b>Work undertaken</b></p> <p>We have not completed our work in this area. At this stage, we have no significant weaknesses in arrangements to report.</p> <p><b>Conclusions</b></p> <p>We have not identified any significant weaknesses in arrangements at this time but work is still ongoing.</p>

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# Appendices

A: Draft management representation letter

B: Draft audit report

C: Independence

D: Other communications

# Appendix A: Draft management representation letter

Karen Murray  
1 St Peter Square  
Manchester  
M2 3DE

September 2022

Dear Karen

## Transport for the North - audit for year ended 31 March 2022

This representation letter is provided in connection with your audit of the financial statements of Transport for the North for the year ended 31 March 2022 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code).

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

### My responsibility for the financial statements and accounting information

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

### My responsibility to provide and disclose relevant information.

I have provided you with:

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

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

### Accounting records

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

### Accounting policies

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

### Accounting estimates, including those measured at fair value

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

### Contingencies

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

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

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

There are no contingent gains which should be disclosed.

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

# Appendix A: Draft management representation letter

## Laws and regulations

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

## Fraud and error

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

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

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

## Related party transactions

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

## Impairment review

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

## Charges on assets

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

## Future commitments

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

## Ukraine

We confirm we have carried out an assessment of the potential impact of Russian Forces entering Ukraine on Transport for the North and there is no significant impact on the Transport for the North's operations from restrictions or sanctions in place.

## Subsequent events

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

## Going concern

I confirm that I have carried out an assessment of the potential impact of the COVID-19 Virus pandemic on Transport for the North, including the impact of mitigation measures and uncertainties and am satisfied the going concern assumption remains appropriate and that no material uncertainty has been identified.

To the best of my knowledge there is nothing to indicate that Transport for the North will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

# Appendix A: Draft management representation letter

## Annual Governance Statement

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

## Unadjusted misstatements

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

Yours sincerely  
Interim Finance Director

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# Appendix B: Draft audit report

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

### Report on the audit of the financial statements

#### Opinion on the financial statements

We have audited the financial statements of Transport for the North for the year ended 31 March 2022, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

In our opinion, the financial statements:

- give a true and fair view of the financial position of Transport for the North as at 31<sup>st</sup> March 2022 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

#### Basis for opinion

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

#### Conclusions relating to going concern

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

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

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



# Appendix B: Draft audit report

## Other information

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

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

We have nothing to report in this regard.

## Responsibilities of the Interim Finance Director for the financial statements

As explained more fully in the Statement of Responsibility for the Accounts, the Interim Finance Director is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, and for being satisfied that they give a true and fair view. The Interim Finance Director is also responsible for such internal control as the Interim Finance Director determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Interim Finance Director is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and prepare the financial statements on a going concern basis on the assumption that the functions of Transport for the North will continue in operational existence for the foreseeable future. The Interim Finance Director is responsible for assessing each year whether or not it is appropriate for Transport for the North to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

## Auditor’s responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of Transport for the North, we identified that the principal risks of non-compliance with laws and regulations related to the Local Government Act 2003 (and associated regulations made under section 21), the Local Government Finance Acts of 1988, 1992 and 2012, and the Accounts and Audit Regulations 2015 and we considered the extent to which non-compliance might have a material effect on the financial statements.



# Appendix B: Draft audit report

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

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

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

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

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

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

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

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



# Appendix B: Draft audit report

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

### Matter on which we are required to report by exception

We are required to report to you if, in our view we are not satisfied that Transport for the North has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We have not completed our work on Transport for the North's arrangements. On the basis of our work to date, having regard to the guidance issued by the Comptroller and Auditor General in December 2021, we have not identified any significant weaknesses in arrangements for the year ended 31 March 2022.

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

### Responsibilities of Transport for the North

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

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

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

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

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

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

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

We have nothing to report in these respects.

Executive summary

Status of audit

Audit approach

Significant findings

Internal control  
recommendations

Summary of  
misstatements

Value for Money

Appendices

# Appendix B: Draft audit report

### Use of the audit report

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

### Delay in certification of completion of the audit

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

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

[Signature]

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

1 St Peter Square  
Manchester  
M2 3DE

September 2022



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# Appendix C: Independence

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

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



# Appendix D: Other communications

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

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# Appendix D: Other communications

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

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## Mazars

1 St Peter 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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<b>Meeting:</b>	Transport for the North Audit and Governance Committee
<b>Subject:</b>	Cover Report for the Draft A & G Committee Annual Report to TfN Board
<b>Author:</b>	Paul Kelly, Interim Finance Director
<b>Sponsor:</b>	N/A
<b>Meeting Date:</b>	Friday 16 September 2022

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**1. Purpose of the Report:**

- 1.1 For the Audit & Governance Committee to review the draft report of the Chair of the Audit & Governance Committee summarising the Committee's activities and recommending the approval of the 2021/22 Statutory Accounts and Annual Governance Statement. This report will be presented to the Transport for the North Board on 29 September.

**2. Executive Summary:**

- 2.1 The terms of reference of the Audit & Governance Committee are set out in the Transport for the North Constitution. The appendices to the report include the terms of reference in extract and a summary of the activity that the Committee has undertaken under each item.
- 2.2 The draft report describes the work that the Committee has undertaken, including consideration of the reports that have been received from RSM as Transport for the North's Internal Auditors.
- 2.3 In addition, the report summarises the work done in relation to the Statutory Accounts and Annual Governance Statement and recommends these documents to the Transport for the North Board for approval.

**3. Recommendations:**

- 3.1 That the Committee considers the report and recommends its submission to the Transport for the North Board.

**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 Appendix 1 – Audit Committee Annual Report
- Appendix 2 – Audit Committee Terms of Reference
- Appendix 3 – Audit Committee Terms of Reference Activity

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<b>Meeting:</b>	Transport for the North Audit and Governance Committee
<b>Subject:</b>	Draft Audit and Governance Committee Annual Report to TfN Board
<b>Author:</b>	Graham Bell and Cllr Keith Little, Chair and Vice Chair of TfN Audit and Governance Committee
<b>Sponsor:</b>	Paul Kelly, Interim Finance Director
<b>Meeting Date:</b>	Friday 16 September 2022

---

## **1. Purpose of the Report:**

- 1.1 This report updates Transport for the North Board on the work undertaken by the Audit & Governance Committee over the last year.
- 1.2 The report provides a summary on the Committee's activity against its terms of reference, and its findings against its areas of scrutiny.
- 1.3 The report concludes with a recommendation for the Board to approve the statutory Statement of Accounts as presented to Board at this meeting.

## **2. Executive Summary:**

- 2.1 The TfN constitution prescribes the requirement for an Audit & Governance Committee.
- 2.2 This Committee is comprised of six Members of the TfN Board and four Independent Members recruited on the basis of relevant skills.
- 2.3 In January 2022, after several years of service, the Chair advised of his intention to stand down. Until a replacement could be confirmed, the Vice Chair, Cllr Keith Little, agreed to act as an interim Chair. At the meeting of 14 July 2022, Graham Bell was confirmed as the new Chair of the Committee.
- 2.4 The Committee's terms of reference are appended to this report for reference (Appendix 2), but the Committee's principal purpose is to provide independent review and assurance to Members on governance, risk management and control frameworks.
- 2.5 During the 2021/22 financial year the Committee met five times, with a Chair appointed from its Independent Members. These meetings were a combination of remote and in person.
- 2.6 Given the environment of uncertainty within which TfN continues to operate, the Committee has focused on risk management, with the Corporate Risk Register Report being a standing agenda item. In addition, the Committee has continued to focus on gaining assurance as to the existence and efficacy of underlying processes and controls.
- 2.7 This report notes the progress the Committee has made in discharging its functions and contains a recommendation with regards to approval of the statutory Statement of Accounts.

## **3. Audit and Governance Committee Progress Report:**

- 3.1 The TfN Constitution prescribes the requirement for an Audit & Governance Committee to support Members in their oversight of TfN's affairs.
- 3.2 At its meeting of 30 June 2022, TfN Board approved the increase of the number of Members of the Audit & Governance Committee from five to six, supported by four Independent Members appointed by an open recruitment process. The Committee is

chaired by an Independent Member, with the TfN Board Member for Cumbria as Vice Chair.

In January 2022, after several years of service, the Chair advised of his intention to stand down. Until a replacement could be confirmed, the Vice Chair, Cllr Keith Little, agreed to act as an interim Chair. At the meeting of 14 July 2022, Graham Bell was confirmed as the new Chair of the Committee

- 3.3 Over the 2021/22 financial year the Committee met five times and once subsequently. Meetings have been attended by TfN's internal and external audit providers (RSM and Mazars respectively). At the request of the Committee an invitation to attend has been reconfirmed to DfT and they are anticipated to regularly attend.

### **Work Plan**

- 3.4 Over the year the Committee has agreed a number of standing items that should be brought before the Committee by officers. These include:

- The Corporate Risk Registers
- Financial Reporting
- Constitution Reviews

In addition, the relevant Monthly Operating Report is provided to the Committee for consideration.

- 3.5 The Committee also requires that instances, or suspicion, of fraud and corruption are reported to the Committee directly. No such reports were received in 2021/22.
- 3.6 In addition to this, the Committee also approved the internal audit programme of activity. This programme has been designed to provide the Committee with the assurance it requires that TfN has implemented a control framework that appropriately manages risk.
- 3.7 The Committee has received regular updates from internal audit against this plan, and also updates from external audit as they have progressed the statutory audit.
- 3.8 At the meeting of 10 June 2021, a representative of the Greater Manchester Pension Fund ("GMPF") briefed the committee on the key drivers underpinning the pension numbers and disclosure in the statutory accounts. This briefing, whilst focused on the content and drivers for the 2020/21 accounts, would be relevant for all subsequent years.
- 3.9 The Committee's activity vis-à-vis its terms of reference is presented in matrix form in Appendix 3.

### **Internal Audit Activity**

- 3.10 RSM was originally appointed as TfN's internal audit provider in 2018 following a competitive procurement exercise and the service provision was extended for two years to cover the period from 2021-23.
- 3.11 The Committee agreed the audit programme for the year, concentrating on the implementation of core control frameworks

3.12 RSM was able to provide the following level of assurance in these key areas:

Area	Assurance Level			
	Substantial	Reasonable	Partial	None
Governance Effectiveness		✓		
Risk Management	✓			
Purchase to pay	✓			
Flexitime process	✓			
Cyber Security Review			✓	

In addition, the audit to follow up on the recommendations made by the internal auditor in previous audit reports, identified “good progress” in relation to the follow up actions agreed with management.

3.13 The Committee is able to provide TfN Board with assurance from these reports that the necessary core controls expected of a public body have been implemented in the areas reviewed.

3.14 The Committee has tracked progress against agreed management actions throughout the year.

#### **External Audit Activity**

3.15 Mazars was appointed as TfN’s statutory auditor in 2018 via the Public Sector Audit Appointment (“PSAA”) process and continued in this role during the year. TfN is intending to continue its sourcing of external auditors through the PSAA arrangement. The PSAA are currently in the process of procuring a solution for the period from 2023/24 onwards.

3.16 Mazars conduct the external audit, as required by statute. This audit considers whether the Statement of Accounts presents a ‘true and fair view’ of TfN’s affairs, and also gives a value-for-money opinion.

3.17 The Committee has received Progress Reports from officers and Mazars throughout the year regarding progress in relation to the completion of the accounts and their subsequent audit and has reviewed the draft unaudited accounts at its meeting of 14 July 2022. The Committee will consider the findings of the external audit process, as conveyed at the A&G meeting of 16 September 2022, when formulating their view on whether the Statement of Accounts should be submitted to the TfN Board for approval.

3.18 The Committee notes that the process of finalising the Transport for the North accounts has been completed within the revised deadline of 30 November 2022 and that Transport for the North will use the 29 September 2022 Board to approve the 2021/22 financial statements in advance of that deadline.

3.19 Mazars will only report their audit opinion when they have the pension fund assurance letter from the auditors of the pension fund. However, the Committee has sufficient comfort to recommend the accounts to Board for approval.

3.20 As part of their audit, Mazars are required to consider whether TfN has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, ie value for money.

## **Risk**

- 3.21 One of the first exercises that the Committee undertook when it was first established was to review and approve Transport for the North's Risk Management Strategy. Subsequently, the Committee has a standing agenda item in relation to risk.
- 3.22 During the year the Committee has regularly reviewed the Risk Strategy and its output and provided feedback with regard to the presentation of the information provided. The Committee has also requested the Risk Management Strategy places a specific focus on emerging risks and their effect on the risk register. The emerging risk environment is now a standing item reported within each update.
- 3.23 DfT issued the Integrated Rail Plan in November 2021. This included the transfer of the NPR programme to DfT for development and subsequent delivery. This transfer, in conjunction with the funding allocation confirmed in February 2022, required TfN to reconsider its operating model and reduce its cost base. This presented the opportunity to review and streamline the Risk Management Strategy ("RMS") and its outputs. The revised RMS was presented to the Committee in June 2022 in advance of its subsequent submission to the TfN Board.

## **Next Steps**

- 3.24 The work programme for 2022/23 is intended to include the following:
- Consider the outputs produced by the Internal Audit plan.
  - Monitor Transport for the North's risk management activity.
  - Review corporate governance arrangements, supported by an internal audit review, against the Code of Corporate Governance and the good governance framework.
  - Based on the level of change faced by the organisation in the past and the rapidly changing environment going forward, the Committee will track progress on delivery against the key budget assumptions.
  - The Committee have requested year on year improvements are considered and, where necessary, formally captured.
- 3.25 The internal audit plan for 2022/23, approved by the Committee in February 2022, includes the following reviews of TfN activity:
- 2021/22 Follow up
  - Risk maturity review
  - General Data Protection Regulation ("GDPR")
  - Payroll
  - Health and Safety Framework
  - Equality, Diversity and Inclusion framework

The payroll audit has been completed and will be presented for review at the September 2022 meeting.

## **4. Conclusion:**

- 4.1 Having reviewed the findings of internal audit and the submissions of officers, the Committee can provide assurance to the Board that in the areas reviewed TfN has implemented a sound control framework that appropriately manages risk.
- 4.2 Having reviewed the Statement of Accounts and received representation from officers and external audit, the Committee commends to the Board the Statement of Accounts as contained in this pack.

## **5. Recommendations:**

- 5.1 It is recommended that the Board approve the corporate governance review and the Annual Governance Statement.
- 5.2 It is recommended that the Board notes the recommendation in the Annual Progress Report of the Audit & Governance Committee to approve the Statement of Accounts for 2021/22.
- 5.3 It is recommended that the Board approve the Statement of Accounts for financial year 2021/22.

## **6. Corporate Considerations:**

### **Financial Implications**

- 6.1 The financial implications are detailed in the report

### **Resource Implications**

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

### **Legal Implications**

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

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

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

### **Environmental Implications**

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

### **Equality and Diversity**

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

### **Consultations**

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

## **7. List of Background Papers:**

- 7.1 Transport for the North Constitution (latest copy available on TfN website) Internal Audit Reports to the Audit & Governance Committee (copies available on TfN website):

- Governance Effectiveness Arrangements (16 September 2021)
- Risk Management Framework (16 September 2021)
- Purchase to pay framework (19 November 2021)
- Flexible working hours scheme (19 November 2021)
- Cyber security assessment (25 February 2022)

Progress reports were presented at each meeting

## **8. Appendices:**

Appendix references are listed within the cover report.

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## **Item 8.2: APPENDIX 2**

### **Audit and Governance Committee (extract from TfN Constitution)**

#### **Statement of purpose**

The Audit and Governance Committee is a key component of corporate governance providing an independent, high-level focus on the audit, assurance and reporting framework underpinning financial management and governance arrangements. Its purpose is to provide independent review and assurance to Members on governance, risk management and control frameworks. It oversees financial reporting, the Annual Governance Statement process and internal and external audit, to ensure efficient and effective assurance arrangements are in place.

Membership comprises:

- a) six members of the TfN Board (not the Chair, or Vice Chair) appointed by TfN; and,
- b) four Independent members (to be recruited on the basis of relevant skills);

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

The Constitution places responsibility on the Audit and Governance Committee 'to oversee the effectiveness of TfN's risk management arrangements.' The Constitution also makes the Finance Director responsible for discharging the functions of the 'responsible financial officer' under the Accounts and Audit (England) Regulations 2015, including ensuring risk is appropriately managed.

#### **Terms of Reference**

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

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

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**Item 8.3 APPENDIX 3**

Terms of Reference Activity	Considered	Comment
Approve Accounts	✓	The Committee has reviewed the Statement of Accounts and received representation from officers and progress reports from external audit.
Recommend Approval of the annual statement of accounts for TfN	✓	The Committee has recommended the approval of the Statement of Accounts to TfN Board.
Governance, risk and control	✓	<p>The Committee commissioned a number of internal audit reports throughout the year around key risks and financial controls. These included Contract Management, New Commissioning and Payment process, Income &amp; Debtor Management and the Risk Register Deep Dive. In addition, reports were also received from internal audit which covered Recruitment and Selection, Cyber Security and Investment Programme Assurance.</p> <p>The Committee has further received reports from officers around Constitution reviews, programme and operational performance, and financial reporting. The Committee continues to review these areas as standing items on its agenda.</p>
Review corporate governance arrangements against the Code of Corporate Governance and the good governance framework	✓	The Committee oversaw the annual governance review, receiving a number of progress reports and reviewed and commented on the draft Annual Governance Statement prior to its publication for the statutory public inspection period.
Review the Annual Governance Statement (AGS)	✓	The Committee reviewed and commented on the draft Annual Governance Statement prior to its publication for the statutory public inspection period.
Monitor the effectiveness of arrangements to secure value for money	✓	<p>The Committee notes that effective arrangements for the delivery of value for money are derived from an effective control framework.</p> <p>The Committee has commissioned a number of reports from internal audit over the course of the year to test that framework. Internal audit reports found that substantial assurance could be had from TfN processes.</p>

		<p>Taken together, these reports give the Committee comfort that TfN has embedded a culture of value for money and implemented processes to ensure that those principles are at the heart of decision making.</p>
<p>Be satisfied that the assurance framework adequately addresses risks and priorities including governance arrangements in significant partnerships</p>	✓	<p>TfN is engaged in two principal partnerships, the Rail North Partnership and, up to 31 March 2022, a co-clienting arrangement for the NPR Programme. On 1 April 2022, the NPR programme was transferred back to DfT and a co-sponsor arrangement established with DfT. The ongoing risks to the delivery of TfN objectives that arise from these partnerships are reflected in the Corporate Risk Register Report, which is a standing item on the Committee agenda.</p>
<p>Monitor TfN's risk and performance management arrangements including review of the risk register, progress with mitigating action and the assurance map</p>	✓	<p>The Committee has received risk register reporting as a standing item over the course of the year. The Committee has also commissioned internal audit to independently review risk management arrangements via a deep dive of the register.</p> <p>The Committee requires delivery against internal audit management actions to be reported to it as a standing item to ensure recommendations are progressed.</p>
<p>Consider reports on the effectiveness of internal controls</p>	✓	<p>The Committee approved the internal audit work programme for 2022/23.</p> <p>Internal audit progress is a standing invitee to the Committee's sessions and are required to report on their programme reviews, actions against recommendations, and best practice that could be implemented.</p> <p>The Committee also consider progress reports from external audit which is also a standing item on the Committee's agenda. Representatives from both internal and external audit are present for the entire agenda.</p>
<p>Monitor the anti-fraud strategy, risk-assessment and any actions</p>	✓	<p>A review of the Anti-Fraud and Corruption policy was carried out by the Committee during 2021/22, as part of the consideration of the Annual Governance Statement. The Annual Governance Statement is reviewed by the A&amp;G Committee each year and submitted to the Board for formal approval prior to its inclusion in the Statutory Accounts.</p>

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<b>Meeting:</b>	Transport for the North Audit and Governance Committee
<b>Subject:</b>	Year End Statutory Accounts
<b>Author:</b>	David Spilsbury, Interim Financial Controller
<b>Sponsor:</b>	Paul Kelly, Interim Finance Director
<b>Meeting Date:</b>	Friday 16 September 2022

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**1. Purpose of the Report:**

- 1.1 To present to Audit & Governance Committee the draft Statement of Accounts of Transport for the North for consideration and recommendation to the TfN Board.
- 1.2 This is a follow up from the presentation given to A&GC on 14 July 2022.

**2. Recommendations:**

- 2.1 That the Committee considers the draft Statement of Accounts and recommends to the TfN Board meeting on 29 September that they be considered for approval.

**3. Main Issues:**

- 3.1 Unaudited draft accounts were presented to the committee on 14 July 2022. At that meeting it was explained that the external audit was ongoing and there was the possibility of final amendments to the draft accounts.
- 3.2 The audit has now been finalised and there are two minor changes to the draft unaudited accounts as presented at the meeting of 14 July 2022. For ease of reference, these have been highlighted in the attached accounts.
- 3.3 The change is in Note 26 on related parties and is made to the value stated for grants from DfT. In the original draft the values used were based upon the grant accounted for within the year but this has now been amended to the value of grant received within the year. This is believed to represent the connections more fairly with the related parties within the year, which is the essence of this note.
- 3.4 The Governance Challenge on page 72 has been updated to reflect ongoing activity.
- 3.5 The draft accounts were made available on our website for public inspection for the 30-day period as specified in regulations. No questions or queries were received in relation to the accounts.

**4. Corporate Considerations:****4.1 Financial Implications**

There are no financial implications within this report.

**4.2 Resource Implications**

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

**4.3 Legal Implications**

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

**4.4 Risk Management and Key Issues**

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

**4.5 Environmental Implications**

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

4.6 ***Equality and Diversity***

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

4.7 ***Consultations***

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

**5. Background Papers:**

5.1 Audit & Governance Committee 14 July 2022 – Item 7 Draft Statutory Accounts

**6. Appendices:**

6.1 1. Draft Statement of Accounts 2021/22

**Glossary of terms, abbreviations and acronyms used**

a) A&GC	<i>Audit &amp; Governance Committee</i>
b) TfN	<i>Transport for the North</i>
c) DfT	<i>Department for Transport</i>

# 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.

# Transport for the North Statement of Accounts 2021/22



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.

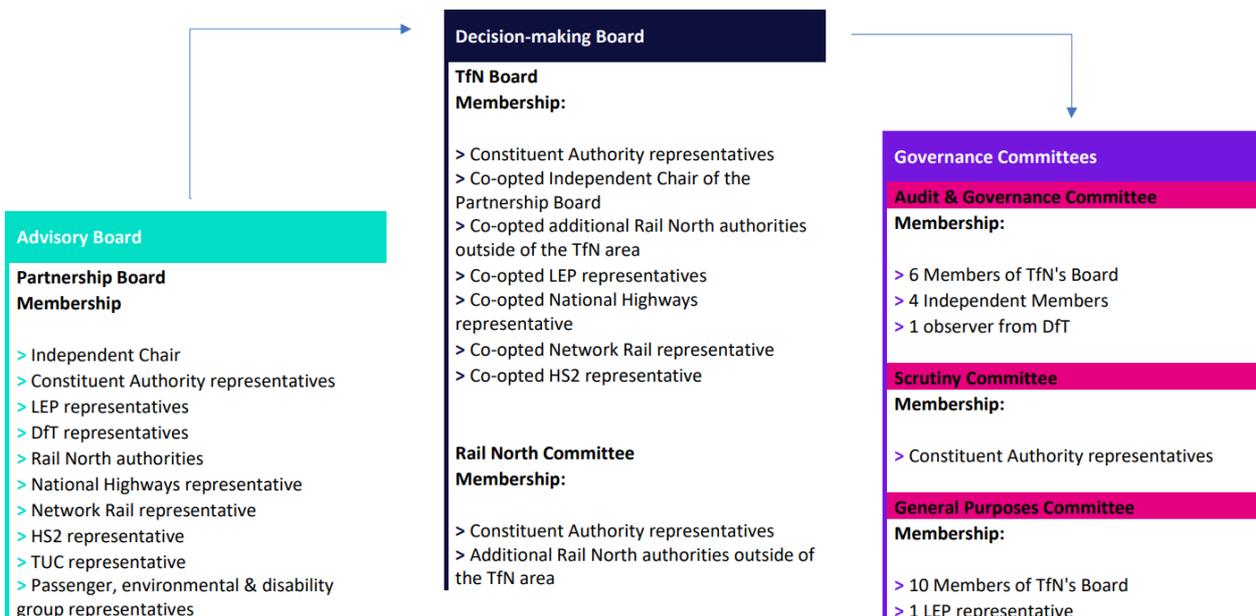
The Partnership Board was also expanded during 2019/20 to include new representative groups supporting the Board in drawing together a wider spectrum of views and expertise. Three regional Trade Union Council (TUC) representatives have joined the Board along with representatives of environmental, disability,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

# Transport for the North Statement of Accounts 2021/22

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:

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

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:

<b>Resource</b>	<b>£m</b>
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
	<b>60.18</b>
- Contingency Envelopes	18.52
<b>Net Resource Requirement</b>	<b>78.70</b>

## 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.

# Transport for the North Statement of Accounts 2021/22

## 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.

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

<b>Area</b>	<b>KPI</b>	<b>Detail</b>	<b>Progress</b>	<b>Status</b>
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	<p>Delay BTYPE</p> <p>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.</p> <p>The York – Scarborough route is progressing but will not be fully delivered by March 2022 due to lack of capacity within Network Rail.</p>	
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	<p>Achieved</p> <p>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.</p>	
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	<p>Achieved</p> <p>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.</p>	
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	<p>Delayed BTYPE</p> <p>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.</p>	
Northern Powerhouse Rail	8	Reconfirm NPR phasing plan in response to Government's Integrated Rail Plan. TBC post-IRP	<p>Not Started</p> <p>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.</p>	
Northern Powerhouse Rail	9	Complete initial survey work and commence OBC on early accelerated projects to start construction in FY 2024/25. September 2021	<p>Achieved</p> <p>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.</p>	
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	<p>Not Started</p> <p>Surveys and OBC development are no longer the responsibility of TfN with the transition to single client.</p>	
Northern Powerhouse Rail	11	Agree NPR governance arrangements with DfT as programme transitions to the next stage. TBC post-IRP	<p>Achieved</p> <p>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.</p>	
	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 <sup>rd</sup> 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:

<b>Total Net Expenditure</b>	<b>Actual £m</b>	<b>Budget £m</b>	<b>Variance £m</b>
<b>Revenue Programmes:</b>			
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
	<u>44.09</u>	<u>51.36</u>	<u>7.27</u>
<b>Capital Programmes:</b>			
Integrated & Smart Ticketing	0.18	0.29	0.11
<b>Rail Operations</b>			
	2.93	3.16	0.23
<b>Operational Areas</b>			
	5.13	5.37	0.24
	<b>52.33</b>	<b>60.18</b>	<b>7.85</b>

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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<b>Funding</b>	<b>In year (To)/From funding £m</b>	<b>Reserves £m</b>	<b>Total £m</b>
<b>Revenue Resource</b>			
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
	<b>48.88</b>	<b>3.00</b>	<b>51.88</b>
<b>Capital Grant</b>			
Integrated and Smart Ticketing Grant	0.00	0.18	0.18
<b>Total Grant</b>	<b>48.88</b>	<b>3.18</b>	<b>52.06</b>
<b>Other Income</b>	<b>0.27</b>	<b>0.00</b>	<b>0.27</b>
	<b>49.15</b>	<b>3.18</b>	<b>52.33</b>

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:

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

	2020/21 £m	Movement £m	2021/22 £m
<b>Revenue Grants Received in Advance</b>			
- DfT Project Funding	-	0.34	0.34
- Transport Development Fund - Road	0.01	-	0.01
	0.01	0.34	0.35
<b>Usable Reserves</b>			
<b>Capital Grants Unapplied</b>			
- Integrated & Smart Ticketing Grant	0.28	(0.28)	-
<b>General Fund Revenue Reserves</b>			
- Core Grant	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
<b>Total Resource</b>	<b>8.24</b>	<b>(3.29)</b>	<b>4.95</b>

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.

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

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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:

<b>Balance Sheet 2021/22</b>		<b>£m</b>			<b>£m</b>
<b>Assets</b>			<b>Reserves</b>		
Cash & Equivalents		8.68	<u>Unusable Reserves</u>		
Intangible Asset		-	Absence Reserve		0.11
Debtors		1.41	Capital Adjustment Account		-
		<b>10.09</b>	Pension Reserve		10.45
<b>Liabilities</b>					<b>10.56</b>
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)
		<b>(16.05)</b>	RNP Grant		(0.03)
			General Fund Reserve		(4.07)
					<b>(4.60)</b>
<b>Net Liabilities</b>		<b>(5.96)</b>	<b>Reserves</b>		<b>5.96</b>

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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
<b>Assets</b>			
Cash & equivalents	18.02	8.68	(9.34)
Intangible Asset	-	-	-
Debtors	0.51	1.41	0.90
	<b>18.53</b>	<b>10.09</b>	<b>(8.44)</b>
<b>Liabilities</b>			
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
	<b>(22.44)</b>	<b>(16.05)</b>	<b>6.39</b>
	<b>(3.91)</b>	<b>(5.96)</b>	<b>(2.05)</b>

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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<b>Reserves</b>	<b>2020/21</b>	<b>2021/22</b>	<b>Variance</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Unusable Reserves</b>			
Absence Reserve	0.24	0.11	(0.13)
Capital Adjustment Account	-	-	-
Pension Reserve	11.89	10.45	(1.44)
	<b>12.13</b>	<b>10.56</b>	<b>(1.57)</b>
<b>Usable Reserves</b>			
Capital Grants Unapplied	(0.28)	-	0.28
<b>General Fund</b>			
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
	<b>(7.94)</b>	<b>(4.60)</b>	<b>3.34</b>
	<b>(8.22)</b>	<b>(4.60)</b>	<b>3.62</b>
	<b>3.91</b>	<b>5.96</b>	<b>2.05</b>

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:

<b>Operations</b>	<b>£m</b>	<b>£m</b>
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
<b>Total</b>		<b>8.84</b>
<b>Hosted</b>		
Rail North Partnership	1.60	
NPR Analytical Support	5.66	
NPR Closure Costs	0.41	7.67
<b>Total Budget</b>		<b>16.51</b>

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%
<b>Total Resource</b>	<b>16.51</b>	<b>100%</b>

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

# Transport for the North Statement of Accounts 2021/22

## Movement in Reserves Statement

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

### 2021/22

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

### 2020/21

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

# Transport for the North Statement of Accounts 2021/22

## Balance Sheet

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

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

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

# Transport for the North Statement of Accounts 2021/22

## Cash Flow Statement

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

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

# Transport for the North Statement of Accounts 2021/22

## Note 1 - Expenditure and Funding Analysis

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

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

2020/21				2021/22		
Net Expenditure Chargeable to the General Fund Balance	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
<b>9,940</b>	<b>4,158</b>	<b>14,098</b>	<b>Net Cost of Services</b>	<b>9,352</b>	<b>1,915</b>	<b>11,267</b>
(7,002)	1,129	(5,873)	Other Income and Expenditure	(6,003)	354	(5,649)
<b>2,938</b>	<b>5,286</b>	<b>8,225</b>	<b>Surplus or Deficit on Provision of Services</b>	<b>3,349</b>	<b>2,269</b>	<b>5,618</b>
(10,885)			Opening Combined General Fund Balance	(7,947)		
2,938			Plus/less Surplus or Deficit on the General Fund Balance for the Year (Statutory basis)	3,349		
<b>(7,947)</b>			<b>Closing Combined General Fund Balance</b>	<b>(4,598)</b>		

# Transport for the North Statement of Accounts 2021/22

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

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

2020/21	Net Capital Statutory Adjustments	Net Pensions Statutory Adjustments	Other Statutory Adjustments	Total Adjustments
	£000	£000	£000	£000
Major Roads Programme (Strategic Development Corridors)	-	41	5	46
Northern Powerhouse Rail	-	113	8	121
Integrated and Smart Ticketing	2,917	68	(2)	2,983
Rail Operations	-	173	12	185
Operational Areas	354	411	57	822
<b>Net Cost of Services</b>	<b>3,271</b>	<b>806</b>	<b>80</b>	<b>4,157</b>
Other Income and Expenditure	983	146	-	1,129
<b>Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement</b>	<b>4,254</b>	<b>952</b>	<b>80</b>	<b>5,286</b>

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

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

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

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

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

# Transport for the North Statement of Accounts 2021/22

## Note 3 - Accounting Policies

### General principles

The statement of accounts summarises TfN's transactions for the 2021/22 financial year and its position at the year-end of 31 March 2022. TfN is required to prepare an annual statement of accounts by the Accounts and Audit Regulations 2015, which determine the timing of when the statements must be produced. The Statements usually have to be published before 1<sup>st</sup> June, but in recognition of the impact of the Covid-19 pandemic, this date has been amended to 1<sup>st</sup> August for 2020/21 and 2021/22. The Regulations also require that the accounts be prepared in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the 2003 Act. The accounting convention adopted in the statement of accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

### Going Concern Basis

TfN accounts for its operations on a going concern basis. This assumes that TfN will continue in operation for the foreseeable future.

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

### Qualitative Characteristics

The usefulness of financial statements is enhanced if they are comparable between similar organisations and between financial years. The Code of Practice promotes comparability by designating the form and content of the financial statements.

### Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments is accounted for as income on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts

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

may not be settled, the balance of debtors is written down and a charge made to revenue in financing and investment income and expenditure for the income that might not be collected.

### **Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

### **Prior period adjustments, changes in accounting policies and estimates and errors**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

### **Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

### **Operating leases**

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense to the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

### **Events After the Reporting Period**

Events after the reporting period are those events, both favourable and unfavourable, that occur between the end of the reporting period, and the date the Statement of Accounts is authorised for issue.

Two types of event can be identified:

# Transport for the North Statement of Accounts 2021/22

1. Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts are adjusted to reflect such events.
2. Those that are indicative of conditions that arose after the reporting period – the financial statements are not adjusted to reflect such events, but where a category of events would have a material effect disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

## **Financial Instruments**

### **Financial liabilities**

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

### **Financial assets**

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

### **Government Grants & Contributions**

Whether paid on account, by instalments, or in arrears, government grants and third-party contributions and donations are recognised as due to TfN when there is reasonable assurance that:

- TfN will comply with the conditions attached to the payments; and
- The grants or contributions will be received.

Amounts recognised as due to TfN are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor. Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as liabilities. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

When capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. When it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

### **Overheads and Support Services**

Costs of overheads and support services are charged to service segments in accordance with the authority's arrangements for accountability and financial performance.

# Transport for the North Statement of Accounts 2021/22

Principally, programme areas in receipt of permissive discrete grant will be recharged for the incremental costs of support teams on a calculated basis as agreed by the Finance Director.

## **Provisions**

Provisions are made where an event has taken place that gives TfN a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement when the authority has an obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the Comprehensive Income and Expenditure Statement.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.

## **Reserves**

Specific amounts are set aside as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund. When the expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the (Surplus) / Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.

Certain reserves are kept to manage the accounting processes for non-current assets and retirement benefits, and do not represent usable resources for TfN.

## **Revenue Expenditure Funded from Capital under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year.

Where TfN has determined to meet the cost of this expenditure from existing capital resources a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the usable reserves of TfN.

## **Value Added Tax (VAT)**

TfN neither provides services for consideration nor is able to recover the VAT incurred on expenditure.

# Transport for the North Statement of Accounts 2021/22

Costs are shown gross of VAT within the relevant service lines on the face of the CIES.

## **Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by TfN as a result of past events (e.g. software development) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to TfN.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and TfN will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset.

TfN determines a project to be technically feasible when it has passed an outline business case government approval gateway, or another appropriate review point undertaken by suitably qualified professionals.

Expenditure is capitalised where it can be measured reliably as attributable to the asset and restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise TfN's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by TfN can be determined by reference to an active market. In practice, no intangible asset held by the authority meets this criterion, and they are therefore carried at amortised cost. Where an intangible asset has an indefinite useful life, it shall not be amortised. Instead, it will be reviewed annually for impairment.

An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

## **Employee Benefits** **Benefits Payable During Employment**

Short term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to TfN.

An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end that employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to

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

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

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### Grant Receipts in Advance - Revenue

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

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

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

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

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

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

### General Fund Balance

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

### Capital Grants Unapplied

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

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

## 2020/21

	General Fund Balance	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000
Adjustments to the Revenue Resources			
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:			
Pension cost (transferred to (or from) the Pensions Reserve)	(952)	-	952
Holiday pay (transferred to the Accumulated Absences Reserve)	(80)	-	80
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to Capital Adjustment Account)	(4,254)	-	4,254
<b>Total Adjustments to Revenue Resources</b>	<b>(5,286)</b>	<b>-</b>	<b>5,286</b>
Adjustments between Revenue and Capital Resources			
Capital expenditure financed from Capital Grants Unapplied	-	725	(725)
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>-</b>	<b>725</b>	<b>(725)</b>
<b>Total Adjustments</b>	<b>(5,286)</b>	<b>725</b>	<b>4,561</b>

### Note 10 – Movement in Earmarked Reserves

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

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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
<b>General Fund Reserves:</b>							
Integrated and Smart Ticketing Revenue Funding Reserve	(3,928)	-	2,679	(1,250)	-	1,250	-
Earmarked Devolved Powers Reserve	(500)	-	-	(500)	-	-	(500)
Earmarked RNP Grant Reserve	-	-	(31)	(31)	-	-	(31)
<b>Total General Fund</b>	<b>(4,428)</b>	<b>-</b>	<b>2,648</b>	<b>(1,781)</b>	<b>-</b>	<b>1,250</b>	<b>(531)</b>

### Note 11 – Other operating expenditure

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

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

### Note 12 - Financing and Investment Income and Expenditure

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

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

### Note 13 - Taxation and Non-Specific Grant Income

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

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

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

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

### Note 14 - Expenditure and Income Analysed by Nature

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

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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
<b>8,225</b>	<b>(Surplus) or Deficit for Year</b>	<b>5,618</b>

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

### Note 15 - Intangible Assets

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

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

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

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

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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
<b>505</b>	<b>Total Debtors</b>	<b>1,405</b>

Total debtors include financial assets of £1.21m (2021: £0.29m), which are carried at amortised cost. There is no significant difference between the carrying value and the fair value of these financial assets. There is no significant credit risk in relation to TfN's financial assets.

### Note 17 – Cash & Cash Equivalents

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

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

### Note 18 - Creditors

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

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

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

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

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

The table above includes financial liabilities of £5.18m (2021: £10.47m) which are carried at amortised cost. There is no significant difference between the carrying value and fair value of these financial liabilities. There is no significant market or liquidity risk in relation to these financial liabilities which are all due to mature within 1 year.

### Note 19 - Provisions

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

<b>31 March 2021</b>	<b>31 March 2022</b>
<b>£000</b>	<b>£000</b>
(126)	(68)
Opening Balance	
58	-
(Increase)/decrease in provision during year	
<b>(68)</b>	<b>(68)</b>
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)
<b>(8,224) Total</b>	<b>(4,598)</b>

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

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

### Unusable Reserves

The following reserves are unusable for reasons explained below.

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

### Capital Adjustment Account

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

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

### Pension Reserve

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

2020/21 £000	2021/22 £000
6,080 Balance at 1 April	11,889
4,857 Remeasurements of the net defined benefit (liability)/asset	(3,557)
2,087 Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	3,436
(1,135) Employer's pensions contributions and direct payments to pensioners payable in the year	(1,314)
<b>11,889 Balance at 31 March</b>	<b>10,454</b>

### Accumulated Absences Account

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

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2020/21 £000	2021/22 £000
163 <b>Balance 1 April</b>	243
(163) Settlement or cancellation of accrual made at the end of the preceding year	(243)
243 Amounts accrued at the end of the current year	113
80 Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in year in accordance with statutory requirements	(130)
<b>243 Balance 31 March</b>	<b>113</b>

### Note 21 - Cash Flow from Operating Activities

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

2020/21 £000	2021/22 £000
(2,293) Impairment and downward valuations	2,217
(533) Amortisation	256
(1,996) Disposal of intangible assets	(2,473)
(2,702) (Increase)/decrease in creditors	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	-
<b>(8,514) Total</b>	<b>3,726</b>

### Note 22 - Cash Flow from Investing Activities

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

### Note 23 - Members' Allowances

The authority pays an allowance to the Independent Members of its Audit and Governance Committee. These allowances totalled £2,400 during 2021/22 (2021: £1,600)

### Note 24 - Officers' Remuneration

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

The remuneration paid to the authority's senior employees in 2021/22 was as follows:

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

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

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

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

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

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

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

### Note 25 - External Audit Costs

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

### Note 26 - Related Parties

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

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

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

#### Members

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

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

#### Officers

Officers may be able to influence financial or operational practices. There were no transactions in 2021/22 with bodies in which officers had a pecuniary interest and were able to exercise such an influence.

#### Funding

TfN is almost entirely funded from the Department for Transport. The Secretary of State for Transport is represented on the Transport for the North Board leading to common control. During the financial year, grants to a value of £48.59m (2021: £57.31m) were received from the Department. Of this, £48.25m (2021: £53.31m) was recognised as income in the year, the remaining £0.34m (2021: zero) of unused grant is held as grant received in advance for use in the following financial year.

TfN is the recipient of local funding contributions for its Rail North activities. These contributions are made by the Rail North authorities (detailed in the narrative statement) and amounted to £0.63m (2021:

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

£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
-	-
-	-
-	-
1,294	-
3,235	185
<b>4,528</b>	<b>185</b>
<b>Total Capital Spending</b>	<b>185</b>
<b>Sources of Finance:</b>	
(4,528)	(185)
(4,528)	(185)
-	-
-	-
<b>(4,528)</b>	<b>(185)</b>
<b>Total Sources of Finance</b>	<b>(185)</b>
-	-
<b>Closing Capital Financing Requirement</b>	<b>-</b>

# Transport for the North Statement of Accounts 2021/22

## Note 28 - Defined Benefit Pension Scheme

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

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

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

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

# Transport for the North Statement of Accounts 2021/22

## Pensions Assets and Liabilities Recognised in the Balance Sheet

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

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

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

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

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

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

## Discretionary post-retirement benefits

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

## Transactions relating to post-employment benefits

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

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

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

### Local Government Pension Scheme assets comprised

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

### Assumptions

### Basis for estimating assets and liabilities

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

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

## Financial

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

## Mortality

Average future life expectancies at age 65 are summarised below:

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

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

## Historic mortality

Life expectancies for the prior period end are based on the Fund's VitaCurves. The allowance for future improvements is shown below:

Current Pensioners	Future Pensioners
VitaCurves with improvements in line with the CMI 2020 model assuming a long-term rate of improvement of 1.50% p.a.	VitaCurves with improvements in line with the CMI 2020 model assuming a long-term rate of improvement of 1.50% p.a.

Please note that the mortality assumptions used to value the Obligations in the Employer's Closing Position are different to those used to value the Obligations in the Employer's Opening Position.

## Commutation

An allowance is included for future retirements to elect to take 55% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 60% of the maximum tax-free cash for post-April 2008 service.

## Sensitivity analysis

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

# Transport for the North Statement of Accounts 2021/22

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

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

## Note 29 - Leases

TfN has two properties held under operating leases comprising the Leeds and Manchester offices. TfN also holds an operating lease for ICT equipment. The minimum lease payments due under non-cancellable leases in future years are:

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

The expenditure charged to the relevant service area within the Comprehensive Income and Expenditure Statement during the year in relation to these leases reflects a rent-free period on one of the leases which has been spread over the life of the lease in accordance with the Code. The charge was £0.59m (2021: £0.59m). This charge is allocated across all service areas.

# Transport for the North Statement of Accounts 2021/22

## Annual Governance Statement 2021/22

### Introduction

This statement provides an overview of how Transport for the North's governance arrangements operate and reports on how they have been reviewed to ensure that they provide an effective system of internal control. It also summarises the governance challenges that the organisation faces, together with an explanation of what actions will be taken to implement improvements.

Transport for the North was established by the Sub-National Transport Body (Transport for the North) Regulations 2018 ("the 2018 Regulations") and came into being on the 1 April 2018, holding its inaugural meeting on 5<sup>th</sup> April 2018. This is therefore its fourth Annual Governance Statement and the organisation's Constitution, policies, procedures, and systems continued to be developed during 2021/22. As a Sub-National Transport Body, Transport for the North's core functions are to prepare a Transport Strategy for the area and to provide advice to the Secretary of State regarding the exercise of transport functions in the area. Transport for the North is funded in these activities by the Department for Transport.

The Transport for the North Board is made up of the representatives of the 20 Constituent Authorities in the North who are the voting Members of the Board, together with representatives of the six Rail North Authorities and the Independent Chair of the Partnership Board who are all co-opted Members on the Board. At its inaugural meeting the Transport for the North Board also appointed, as co-opted members, the representatives of the 11 Local Enterprise Partnerships in the Transport for the North Area and representatives of National Highways (formerly Highways England), Network Rail and HS2.

Transport for the North's governance arrangements are set out in its Constitution. All decisions relating to the Constitution, approval of the Budget and Business Plan and adoption of the Strategic Transport Plan are reserved to the Transport for the North Board. Other decisions are delegated to Committees, the Chief Executive, and other senior officers under the arrangements set out in the Constitution. The Rail North Committee oversees the management of the performance of the Northern and TransPennine Express rail contracts under a Partnership Agreement with the Secretary of State for Transport. The arrangements under the Partnership Agreement have continued under the new arrangements which have seen the Northern franchise taken over by the Operator of Last Resort (OLR) and the TransPennine Express franchise first moved onto an Emergency Measures Agreement during the Covid 19 pandemic and then on to a National Rail Contract.

The 2018 Regulations established Transport for the North and provided for the appointment of a Partnership Board to advise on matters relating to transport in the area. The membership of the Partnership Board includes the membership of the Transport for the North Board with the addition of a representative of the DfT. During 2019/20 Transport for the North decided to enlarge the Partnership Board and the Partnership Board now includes representatives from Disability UK, the Committee on Climate Change, Transport Focus and three regional TUC representatives.

Transport for the North has a Scrutiny Committee made up of elected Members appointed by the 20 Constituent Authorities whose role is to scrutinise the decisions recommended for approval by the Transport for the North Board and to make recommendations in relation to transport in the area. Transport for the North has decided to adopt a policy of "Scrutiny First" under which the Scrutiny Committee has an opportunity to comment on and influence decisions before they are made rather than scrutinising decisions which have already been taken.

Transport for the North has also established an Audit and Governance Committee consisting of five Board Members and four Independent Members, who have been publicly recruited on the basis of relevant skills, and whose role is to provide assurance to the Board on governance, risk management and the internal control framework. This year the General Purposes Committee has been set up and will begin to meet from February 2022. The committee will consider establishing its role and its relationship with Transport for the North Board and other Committees.

As reported in the 2020/21 Annual Governance Statement, since March 2020 Transport for the North, in common with the whole of the UK, has been affected by the Covid-19 pandemic. In response to the

# Transport for the North Statement of Accounts 2021/22

emergency, Transport for the North implemented its Business Continuity Plan and was able to move to full remote working. The implementation of the Business Continuity Plan has enabled the continuation of Transport for the North's governance arrangements and its internal system of controls.

Since easing of the restrictions in June 2021, some of Transport for the North's Boards and Committees were able to be held in person with others continuing to be held as Consultation Calls to inform the exercise of officer delegated powers where necessary. All in-person meetings and consultation calls have continued to be streamed live to the public.

## 1.0 Scope of Responsibility

- 1.1 Transport for the North is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently, and effectively. Transport for the North also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency, and effectiveness.
- 1.2 In discharging this overall responsibility, Transport for the North is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.3 Transport for the North has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework, Delivering Good Governance in Local Government. A copy of the Code of Governance is included in Transport for the North's Constitution and is on Transport for the North's website at <http://www.transportforthenorth.com>. Alternatively, it can be obtained via a written request to: Head of Legal, [tfnlegalteam@transportforthenorth.com](mailto:tfnlegalteam@transportforthenorth.com).
- 1.4 This Annual Governance Statement demonstrates how Transport for the North has reviewed the effectiveness of its internal systems of control and how it has complied with its adopted Code of Governance in carrying out its functions. It is published in accordance with the requirements of regulation 6(1) of the Accounts and Audit Regulations 2015.

## 2.0 Delivering Good Governance in Local Government

- 2.1 The governance framework comprises the systems, processes, culture, and values, by which Transport for the North is directed and controlled and the processes through which it accounts to and engages with the community. It enables Transport for the North to monitor the achievement of its strategic objectives and to consider whether those objectives will lead to the delivery of its goal of transformational economic growth in the North of England, facilitated by improved transport infrastructure.
- 2.2 The system of internal control is a significant part of the governance framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.
- 2.3 The system of internal control consists of a number of processes, policies and procedures that have been put in place in order to identify and prioritise the risks to the achievement of Transport for the North's aims and objectives, to evaluate the likelihood and resultant impact of those risks materialising, and to manage them efficiently, effectively and economically.
- 2.4 The governance framework was in place at Transport for the North for the 2021/22 financial year and up to the date of approval of the Statement of Accounts.

## 3.0 The Corporate Governance Framework

Transport for the North has adopted a Corporate Governance Framework that incorporates the following Core Principles:

1. Focusing on the purpose of Transport for the North, and the outcomes for the community, and creating and implementing a vision for the area;

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2. Members and officers working together to achieve a common purpose with clearly defined functions and roles;
3. Promoting values for Transport for the North and demonstrating the value of good governance through upholding high standards of conduct and behaviour;
4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
5. Developing the capacity and capability of Members and officers to be effective;
6. Engaging with local people and stakeholders to ensure robust public accountability,
7. Compliance with Section 102I of the Local Transport Act 2008 imposes a requirement on Transport for the North, in the preparation of its Strategic Transport Plan, to have regard to the promotion of economic growth and the social and environmental impacts of the implementation of its proposals. This includes having regard for the impact of decisions on future generations.

The table below sets out examples of how Transport for the North has met the principles set out in the CIPFA Framework and also adhered to its governance commitments set out in the Code of Governance; the final document will include hyperlinks within the Evidence column to sources of further information.

<b>A Behaving with integrity, demonstrating strong commitment to ethical values and respect for the rule of law</b>	
<b>Core Principle</b>	
<b>Promoting values for Transport for the North and demonstrating the value of good governance through upholding high standards of conduct and behaviour.</b>	
<i>How we met the principle</i>	<i>Evidence</i>
<p>Those Members of Transport for the North who are elected Members of a Local Authority are expected to adhere to the adopted Code of Conduct of their Local Authority while performing their duties in respect of Transport for the North. Other co-opted Members are expected to adhere to the Cabinet Office's Code of Conduct for Board Members of Public Bodies.</p> <p>Transport for the North has adopted a Code of Conduct for Officers and a Protocol on Member /Officer Relations, to which all officers are expected to adhere. Serious breaches of these Codes by officers would be investigated under the organisation's disciplinary code.</p> <p>Transport for the North's induction process for new recruits outlines the behaviours and values that are expected from officers.</p> <p>Transport for the North has a zero-tolerance approach to fraud and corruption and has adopted strong Anti-Fraud &amp; Corruption and Whistleblowing Policies which were reviewed in the previous Annual Governance Statement</p> <p>Members are required to make a declaration of their disclosable pecuniary interests and also to declare any disclosable pecuniary interests in the business of the meeting at the start of all meetings of the Transport for the North Board or its Committees, and to take no part in such</p>	<p>Constitution</p> <p>Code of Conduct for Officers (Constitution)</p> <p>Member/Officer Relations Protocol (Constitution)</p> <p>Human Resources On-boarding Policies</p> <p>Anti-Fraud and Corruption Policy (Constitution)</p> <p>Constitution</p>

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<p>business, but to leave the meeting. Members Declarations of Interest are available on the Transport for the North website.</p>	<p>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</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>Employees Induction</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>Register of Gifts and Hospitality</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>Board and Committee Reports</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>Constitution</p>
<ul style="list-style-type: none"> <li>• Priority 1 - Establishing a framework of equality impact assessments across TfN and building associated employee/supplier awareness of diversity and inclusion.</li> <li>• Priority 2 - Career progression, including the continuation to support and develop our people</li> <li>• Priority 3 - Health and wellbeing with resilience</li> </ul>	<p>Constitution</p>
	<p>Diversity Policy</p>
	<p>Diversity &amp; Inclusion Group Terms of Reference</p>

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<p>Each of the priorities, are underpinned by several activities, and using the Local Government Equality Framework, we ensure these are aligned to promote inclusion and diversity. Each of the activities will be assessed using an Equality Impact Assessment, which is also linked to our procurement activities, as well as our ways of working. This ensures that inclusion and diversity cut through all areas of TfN activity.</p>	
<p><b>B Ensuring openness and comprehensive stakeholder engagement</b></p>	
<p><b>Core Principle</b>  <b>Engaging with local people and stakeholders to ensure robust public accountability</b></p>	
<p><i>How we met the principle</i></p>	<p><i>Evidence</i></p>
<p>Transport for the North’s website is set out in a clear and accessible way, providing clear access to reports and minutes from Committee and Board meetings, along with updates on our core programmes and links to relevant documents. Transport for the North is also active on social media, which regularly shares links to the website where more information can be found (across several channels to widen audience), including promoting public meetings.</p> <p>All meetings of the Transport for the North Board and its formal Committees are held in public unless information which is either confidential under section 100A or exempt under Part 1 of Schedule 12A of the Local Government Act 1972 is to be disclosed. Copies of all minutes and agendas of the Board and formal Committees are available on Transport for the North’s website. All reports contain details of options considered and the advice provided by officers regarding legal and financial and other key implications. The minutes include the reasons supporting the decisions made. Transport for the North has a Freedom of Information Publication Scheme in place and seeks to publish information openly on its website wherever possible and practicable to do so.</p> <p>During 2021/22, with Covid restrictions having been lifted, Transport for the North has held some of its decision-making meetings in-person with remaining meetings being held virtually, as consultation calls, in order to balance public safety concerns. It has continued to livestream meetings and proactively promoted this on online channels, as well as directly to interested parties. All agendas and minutes continue to be available on the website.</p> <p>TfN has explored hybrid meeting capabilities to allow attendees to participate remotely and interact effectively with the governance session. Given the subsequent relaxation of Covid legislation and guidance more face to face meetings are legally possible so further exploration of this is only proposed if specifically requested in the future</p> <p>Live streams are publicised via Transport for the North’s social media platforms, and public attendance at meetings</p>	<p>Transport for the North website</p> <p>Board and Committee Agenda and Minutes</p> <p>Transport for the North website</p> <p>Transport for the North website</p>

<p>through watching the live stream has significantly increased from 2020/21 to the present.</p> <p>Under its 2018 Regulations, Transport for the North is required to establish a Partnership Board to advise it on all matters relating to transport to, from and within its area. The Partnership Board is a forum in which the elected Members of Transport for the North engage and consult with the business leaders of the area through representatives of the eleven northern Local Enterprise Partnerships and with the national transport delivery agencies Network Rail, Highways England and HS2. During 2019/20 Transport for the North reviewed the membership of the Partnership Board and widened its membership to include representatives of the Northern, North West and Yorkshire &amp; Humber Regional TUC areas, Disability Rights UK, Transport Focus and the Committee on Climate Change. This has broadened the interests represented on the Partnership Board particularly in relation to the environment and the interests of the travelling public.</p> <p>Transport for the North carries out extensive stakeholder engagement through its Engagement team and the wider organisation. Transport for the North Officers meet regularly with Parliamentarians, Members and officers of other Authorities, representatives of the Welsh and Scottish devolved governments, representatives of business organisations, and other stakeholders, such as community groups. The types of events vary from attending All Party Parliamentary Groups (APPG) meetings in Parliament, including the Transport Across the North APPG for which TfN is the secretariat; to roundtable events, and speaking engagements across the North and the rest of the UK.</p> <p>TfN’s Annual Conference 2021 took place at the Queens Hotel in Leeds. Speakers included TfN representatives, Board Members, Government Ministers, and other relevant stakeholders.</p> <p>241 delegates registered for the Conference; TfN had to limit registrations in line with the 200-maximum capacity as this was one of the first large public sector events held following the pandemic.</p> <p>The Conference was held as a hybrid event, the first for the region and sector on its scale, and the online viewing figures were particularly impressive when compared to other large events, such as the Convention of the North. The Main Hall and two breakout room viewing figures were 1,068 views, 464 views and 363 views respectively.</p> <p>Over the past 12 months, Transport for the North has facilitated TfNTalks webinars, covering Freight and Logistics, as well as on the Decarbonisation Strategy and accessibility of the transport networks. TfN are in the process of planning webinars on decarbonisation and transport related social exclusion.</p>	<p>Transport for the North 2018 Regulations Constitution</p> <p>Memorandum of Understanding signed with the Welsh Government and Midlands Connect</p> <p>Memorandum of Understanding and Joint Engagement Action Plan agreed with National Highways</p>
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<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><b>C Defining outcomes in terms of sustainable economic, social, and environmental benefits</b></p>	
<p><b>Core Principle</b></p> <p><b>Having regard to the promotion of sustainable economic growth, and the social and environmental impacts of its proposals and having regard for the impact of current decisions and actions on future generations.</b></p>	
<p><i>How we met the principle</i></p>	<p><i>Evidence</i></p>
<p>The creation of sustainable economic growth is a key driver behind the Strategic Transport Plan (STP). The initial Northern Powerhouse Independent Economic Review (NPIER) published in 2016 identified the persistent gap in GVA per capita and productivity performance in the North compared to the rest of the United Kingdom. The main purpose behind the establishing of Transport for the North is to achieve a rebalancing of the United Kingdom’s economy through improvements to transport and connectivity between the major conurbations in the North and across the region. Work is currently underway to begin the process of updating the NPIER with an intention to refresh the work in 2022/23.</p> <p>In developing the STP TfN undertook a thorough evaluation of the environmental and sustainability impacts of the proposals contained in the Plan.</p> <p>The STP outlined how the climate and environment will be factored in the design and development of transport interventions and plan. TfN’s Decarbonisation Strategy demonstrates a trajectory or “pathway” to 2045, which was developed in collaboration with partners and demonstrates what is required to deliver the ambitions of the STP and local transport plans in tackling carbon impacts and reductions from transport.</p> <p>During 2021/22 Transport for the North consulted on and adopted the first Decarbonisation Strategy for the North of England which sets ambitious targets for decarbonisation across the North by 2045.</p> <p>The Northern Transport Charter outlines an ‘Inclusive and Sustainable North’ as a key Transport for the North priority. This recognises that Transport for the North’s investment programme must: contribute towards a reduction in carbon</p>	<p>Northern Powerhouse Independent Economic Review</p> <p>STP Evidence base</p> <p>Integrated Sustainability Appraisal</p> <p>Decarbonisation Strategy</p> <p>The Northern Transport Charter</p>

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

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

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

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<b>Taking informed and transparent decisions which are subject to effective scrutiny and managing risk</b>	
<i>How we met the principle</i>	<i>Evidence</i>
<p>Transport for the North has adopted robust procedures for identifying, analysing, and managing risk.</p> <p>During 2021/22, to strengthen the robustness of the RMS, Transport for the North adopted a risk management software package ("Predict!") which will assist directorate and programme teams in the timely capture, escalation and reporting of risks, as set out in the RMS.</p> <p>The Audit and Governance Committee is responsible for independently monitoring and assessing the adequacy and effectiveness of the risk management framework with particular focus on:</p> <ul style="list-style-type: none"> <li>(i) the risk management strategy for managing key risks;</li> <li>(ii) risk ownership, accountability, and the development of mitigating actions;</li> <li>(iii) the alignment of internal audit and other assurance planning through a risk-based approach to auditing; and</li> <li>(iv) receiving reports from management on the adequacy and effectiveness of the internal control and risk management framework.</li> </ul> <p>Transport for the North has a Risk Manager who is responsible for reporting on risk to the Finance Director. The Corporate Risk Register Report is a standing item on the agenda of the Audit and Governance Committee. The organisation has adopted a robust process for identifying, assessing, and mitigating risks and these are reported regularly to the internal Operations Board through the Monthly Operating Report, the Audit &amp; Governance Committee and, twice a year to the Board. In accordance with the Constitution, the Finance Director is responsible for the presentation of Corporate Risks to the Transport for the North Board.</p> <p>Project management systems are in place for all programmes and Programme Directors' report regularly on performance to Programme Boards and to the Transport for the North Board.</p> <p>Transport for the North has put in place a strong system of financial governance to manage and control its financial affairs. The Finance Director has overall responsibility for ensuring the effectiveness of internal controls. The Finance Director is supported by the Financial Controller who has day to day responsibility for ensuring adherence to the adopted processes and procedures. Transport for the North has adopted rigorous procurement approval procedures which ensure that all procurements comply with its contract procurement rules.</p> <p>Robust people management policies and procedures have also been adopted and embedded within Transport for the</p>	<p>Risk Management Strategy (RMS)</p> <p>Risk Management System (Part of Transport for the North's Risk Management Strategy)</p> <p>Constitution</p> <p>Governance Framework</p> <p>Reports to Audit and Governance Committee and Transport for the North Board</p> <p>Contract Procedure Rules</p>

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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 &amp; Selection, Probationary, Absence &amp; Welfare, Performance Improvement, Disciplinary, Code of Conduct Policies</p>
<p><b>G Implementing good practices in transparency, reporting and audit to deliver effective accountability</b></p>	
<p><b>Core Principle</b></p> <p><b>Taking informed and transparent decisions which are subject to effective scrutiny and managing risk</b></p>	
<p><i>How we met the principle</i></p>	<p><i>Evidence</i></p>
<p>Transport for the North considers the available evidence when making decisions. Transport for the North commissions extensive research for all its programmes and explores different options before prioritising proposals.</p> <p>The Strategic Transport Plan is based on a robust evidence base and was subject to a 13-week statutory consultation exercise during which officers and Members considered in detail the representations made by members of the public and stakeholders. The Strategic Plan is available for public inspection on the website. In addition to this in FY 21/22 our Decarbonisation Strategy also underwent a full 12-week public consultation and our Freight &amp; Logistics Strategy has undertaken a public consultation utilising a virtual room, to garner views and help strengthen the strategies.</p> <p>Transport for the North has established a Scrutiny Committee made up of elected representatives from the 20 Constituent Authorities. The Board made a decision at its inaugural meeting to adopt a "Scrutiny First" model and so all major decisions are subject to scrutiny before they are presented to the Board. The Scrutiny Committee therefore has an opportunity to influence the Board's decisions before they are made, rather than reviewing decisions after they have been taken.</p> <p>The Committee meets regularly and is supported by Transport for the North officers. It subjects proposals to scrutiny before they are presented to the Transport for the North Board, with the recommendations of the Scrutiny Committee being included in the officer's final report to the Board.</p> <p>All policies and proposals developed by Transport for the North are considered first at Officer Reference Groups, made up of officers from all the Constituent Authorities, and then by the internal Operating Board of Transport for the North Directors. Policies and proposals are then further considered by the Executive Board comprising the Chief Executives (or their nominees) of all the Constituent Authorities, before being reported to the Transport for the North Board.</p> <p>All major work programmes also have Programme Boards, which are attended by representatives of the DfT, where the</p>	<p>Officer reference groups and ways of working.</p> <p>STP and Evidence base</p> <p>Constitution</p> <p>Reports to Operations Board, Executive Board, Scrutiny Committee, and the TfN Partnership Board / TfN Board.</p>

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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 12<sup>th</sup> March 2020 setting out governance arrangements including regular reporting of finances, performance, and risk to a Programme Board. Following the publication of the Integrated Rail Plan for the North and Midlands by Government in November 2021 this role will change to that of co-sponsor in 2022/23.</p>	<p>Constitution</p>
<p>Transport for the North operates under Memorandum of Understanding with the Secretary of State for Transport and Officers of Transport for the North meet with representatives of DfT at regular Sponsorship Meetings.</p>	<p>Memorandum of Understanding with the Secretary of State</p>
<p>During 2020/21 Transport for the North has produced a Monthly Operating Report that bring together performance and financial information to provide greater transparency in relation to ongoing operations. This report is provided to all members of the Transport for the North Board, the Scrutiny Committee and the Audit and Governance Committee so that all members have the information they need to challenge Transport for the North's performance.</p>	<p>Monthly Operating Report</p>
<p>The Rail North Partnership Team reports regularly to the Rail North Committee and is responsible to the Rail North Partnership Board which is made up of officers of the Constituent Authorities and the DfT where decisions in relation to the management of the performance of the Northern and TransPennine Express rail contracts.</p>	<p>Rail North Partnership Board</p>
<p>Transport for the North has adopted robust procedures for identifying, analysing, and managing risk. The risks are presented for discussion to Transport for the North's Operating Board, Audit and Governance Committee, DfT, and Transport for the North Board.</p>	<p>Programme and Corporate Risk Reports</p>
<p>Transport for the North has an Audit and Governance Committee which is responsible for independently monitoring and assessing the adequacy and effectiveness of the risk management framework.</p>	<p>Constitution</p>
<p>The Audit and Governance Committee receives a risk report at every meeting and the Committee selects key risks which it wishes to explore in greater detail.</p>	<p>Corporate Governance Framework</p>
<p>The Audit and Governance Committee includes four Independent Members appointed after a public recruitment exercise to provide an independent focus and additional expertise to support the Committee in its role.</p>	
<p>The Finance Director is responsible for the internal audit function. This has been contracted out to RSM which operates within an Annual Audit Plan that is approved by the Audit &amp; Governance Committee. RSM attends each</p>	<p>Reports to Audit and Governance Committee and Transport for the North Board</p>



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

Adoption of the Policy Development Framework	Implement and embed the Policy Development Framework in Transport for the North decision-making processes.	TfN is implementing a Policy Development Framework to support internal decision-making processes and ensure consistent development of TfN policies and advice to the TfN Board.	31/03/22
Provision of hybrid meetings for all governance sessions, to be explored only if specifically requested in the future	New hybrid meeting hardware has been purchased and is undergoing final testing.	Test meeting will be arranged before final roll-out to Committees and Boards. Further work needs to be undertaken to address quoracy matters.	Ongoing
Board Reporting	Embed and refine the Monthly Operating Report to ensure alignment of quantitative and qualitative reporting.	Monthly Operating Reports produced and circulated to Members on an ongoing basis.	Completed
Virtual Meetings in response to the Covid 19 Pandemic	Enable remote attendance by both Members and the public at meetings of the Transport for the North Board other Committees	Virtual Meetings established for all Boards and Committees and Virtual Meetings Procedure Rules adopted.	Completed
Review of Scrutiny function and in particular the policy of "Scrutiny First"	The review of the Scrutiny Committee took place over the previous 12 months; the Committee agreed to continue with the function and Scrutiny First policy.	Reports to TfN Board go through Scrutiny Committee first and now include comments from the Committee within them.	Completed
Appointment of new Chief Executive & Chair	To appoint a new Chief Executive and a new independent Chair of TfN Board and Partnership Boards.	Martin Tugwell appointed as Chief Executive in August 2021. Lord Patrick McLoughlin appointed as Chair in January 2022.	Completed

# Transport for the North Statement of Accounts 2021/22

## Conclusion

The governance arrangements as described above have been applied throughout this year and up to the date of the Annual Accounts providing an effective framework for identifying governance issues and taking mitigating action. Over the coming year Transport for the North will continue the operation of the governance framework and take steps to carry out the actions for improvement identified in the review of effectiveness to further strengthen its governance arrangements.

Signed .....  
Chair of the Transport for the North Board

Signed.....  
Chief Executive

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# Transport for the North Statement of Accounts 2021/22

## Glossary

### ACCOUNTING PERIOD

The period of time covered by the accounts, normally a period of twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

### ACCRUALS

Sums included in the final accounts to recognise revenue and capital income and expenditure earned or incurred in the financial year, but for which actual payment had not been received or made as at 31 March.

### ACTUARIAL GAINS AND LOSSES

For a defined benefit pension scheme, the changes in actuarial surpluses or deficits that arise because;

- Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
- The actuarial assumptions have changed

### ASSET

An item having value to the authority in monetary terms. Assets are categorised as either current or non-current

- A current asset will be consumed or cease to have material value within the next financial year (e.g. cash and stock);
- A non-current asset provides benefits to the Authority and to the services it provides for a period of more than one year and may be tangible e.g. a community centre, or intangible, e.g. computer software licences.

### AUDIT OF ACCOUNTS

An independent examination of the Authority's financial affairs.

### BALANCE SHEET

A statement of the recorded assets, liabilities and other balances at the end of the accounting period.

### BORROWING

Using cash provided by another party to pay for expenditure, on the basis of an agreement to repay the cash at a future point, usually incurring additional interest charges over and above the original amount.

### BUDGET

The forecast of net revenue and capital expenditure over the accounting period.

### CAPITAL EXPENDITURE

Expenditure on the acquisition of a fixed asset, which will be used in providing services beyond the current accounting period, or expenditure which adds to and not merely maintains the value of an existing fixed asset.

### CAPITAL FINANCING

Funds raised to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, direct revenue financing, usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

# Transport for the North Statement of Accounts 2021/22

## CAPITAL PROGRAMME

The capital schemes the Authority intends to carry out over a specific period of time.

## CIPFA

The Chartered Institute of Public Finance and Accountancy

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

The account of the Authority that reports the net cost for the year of the functions for which it is responsible and demonstrates how that cost has been financed from precepts, grants and other income.

## CONSISTENCY

The concept that the accounting treatment of like items within an accounting period and from one period to the next are the same.

## CONTINGENT ASSET

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's accounts.

## CONTINGENT LIABILITY

A contingent liability is either:

- A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control; or
- A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

## CREDITOR

Amount owed by the Authority for work done, goods received, or services rendered within the accounting period, but for which payment has not been made by the end of that accounting period.

## CURRENT SERVICE COST (PENSIONS)

The increase in the present value of a defined benefits pension scheme's liabilities, expected to arise from employee service in the current period.

## DEBTOR

Amount owed to the Authority for works done, goods received, or services rendered within the accounting period, but for which payment has not been received by the end of that accounting period.

## DEFINED BENEFIT PENSION SCHEME

Pension schemes in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.

## AMORTISATION

The measure of the cost of wearing out, consumption or other reduction in the useful economic life of the Authority's fixed assets during the accounting period, whether from use, the passage of time or obsolescence through technical or other changes.

# Transport for the North Statement of Accounts 2021/22

## DISCRETIONARY BENEFITS (PENSIONS)

Retirement benefits, which the employer has no legal, contractual or constructive obligation to award and are awarded under the Authority's discretionary powers such as the Local Government (Discretionary Payments) Regulations 1996.

## EQUITY

The Authority's value of total assets less total liabilities.

## EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

## EXPECTED RETURN ON PENSION ASSETS

For a funded defined benefit scheme, this is the average rate of return, including both income and changes in fair value but net of scheme expenses, which is expected over the remaining life of the related obligation on the actual assets held by the scheme.

## FAIR VALUE

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction.

## FINANCE LEASE

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

## GOING CONCERN

The concept that the Statement of Accounts is prepared on the assumption that the Authority will continue in operational existence for the foreseeable future.

## GOVERNMENT GRANTS

Grants made by the government towards either revenue or capital expenditure in return for past or future compliance with certain conditions relating to the activities of the Authority. These grants may be specific to a particular scheme or may support the revenue spend of the Authority in general.

## IMPAIRMENT

A reduction in the value of a fixed asset to below its recoverable amount, the higher of the asset's fair value less costs to sell and its value in use.

## INFRASTRUCTURE ASSETS

Fixed assets belonging to the Authority that cannot be transferred or sold, on which expenditure is only recoverable by the continued use of the asset created. Examples are highways, footpaths and bridges.

## INTANGIBLE ASSETS

An intangible (non-physical) item may be defined as an asset when access to the future economic benefits it represents is controlled by the reporting entity. This Authority's intangible assets comprise computer software licences.

## INTEREST COST (PENSIONS)

For a defined benefit scheme, the expected increase during the period of the present value of the scheme liabilities because the benefits are one period closer to settlement.

# Transport for the North Statement of Accounts 2021/22

## INVESTMENTS (PENSION FUND)

The investments of the Pension Fund will be accounted for in the statements of that fund. However, authorities are also required to disclose, as part of the disclosure requirements relating to retirement benefits, the attributable share of the pension scheme assets associated with their underlying obligations.

## LIABILITY

A liability is where the Authority owes payment to an individual or another organisation.

- A current liability is an amount which will become payable or could be called in within the next accounting period, e.g. creditors or cash overdrawn.
- A deferred liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over a period of time.

## LIQUID RESOURCES

Current asset investments that are readily disposable by the Authority without disrupting its business and are either:

- Readily convertible to known amounts of cash at or close to the carrying amount; or
- Traded in an active market.

## LONG-TERM CONTRACT

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken to substantially complete the contract is such that the contract activity falls into more than one accounting period.

## MATERIALITY

The concept that the Statement of Accounts should include all amounts which, if omitted, or mis-stated, could be expected to lead to a distortion of the financial statements and ultimately mislead a user of the accounts.

## NET BOOK VALUE

The amount at which fixed assets are included in the Balance Sheet, i.e. their historical costs or current value less the cumulative amounts provided for amortisation.

## NET DEBT

The Authority's borrowings less cash and liquid resources.

## NON-DISTRIBUTED COSTS

These are overheads for which no user now benefits and as such are not apportioned to services.

## NON-OPERATIONAL ASSETS

Fixed assets held by the Authority but not directly occupied, used or consumed in the delivery of services. Examples are investment properties, assets under construction or assets surplus to requirements pending sale or redevelopment.

## OPERATING LEASE

A lease where the ownership of the fixed asset remains with the lessor.

# Transport for the North Statement of Accounts 2021/22

## OPERATIONAL ASSETS

Fixed assets held and occupied, used or consumed by the Authority in the pursuit of its strategy and in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

## PAST SERVICE COST (PENSIONS)

For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to retirement benefits.

## PENSION SCHEME LIABILITIES

The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. Scheme liabilities measured during the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

## PROVISION

An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but the amounts or dates of when they will arise are uncertain.

## RELATED PARTIES

There is a detailed definition of related parties in FRS 8. For the TfN's purposes related parties are deemed to include the Authority's members, the Chief Executive, its Directors and their close family and household members.

## RELATED PARTY TRANSACTIONS

The Statement Of Recommended Practice requires the disclosure of any material transactions between the Authority and related parties to ensure that stakeholders are aware when these transactions occur and the amount and implications of such.

## REMUNERATION

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits. Received other than in cash. Pension contributions payable by the employer are excluded.

## RESERVES

The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Authority. Some capital reserves such as the fixed asset restatement account cannot be used to meet current expenditure.

## RESIDUAL VALUE

The net realisable value of an asset at the end of its useful life.

## RETIREMENT BENEFITS

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

## REVENUE EXPENDITURE

The day-to-day expenses of providing services.

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

### REVENUE EXPENDITURE CAPITALISED UNDER STATUTE (REFCUS)

Expenditure which ordinarily would be revenue but is statutorily defined as capital. Examples of REFCUS include grants of a capital nature to voluntary organisations and back pay expenditure capitalised under Secretary of State Direction.

### USEFUL ECONOMIC LIFE (UEL)

The period over which the Authority will derive benefits from the use of a fixed asset.

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# Independent auditor's report to the members of TfN

To be inserted

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