

# Transport for the North Audit & Governance Committee Agenda

<b>Date of Meeting</b>	<b>Friday 21 July 2023</b>
<b>Time of Meeting</b>	<b>11.00 am</b>
<b>Venue</b>	<b>Virtual</b>

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<b>Item No.</b>	<b>Agenda Item</b>	<b>Page</b>
<b>1.0</b>	<b>Welcome, apologies and Chair's remarks</b> The Chair to welcome Members to the meeting and to update on progress for recruitment of independent members. <b>Lead:</b> Chair	
<b>2.0</b>	<b>Declarations of Interest</b> Members are required to declare any personal, prejudicial, or disclosable pecuniary interest they may have relating to items on the agenda and state the nature of such interest. <b>Lead:</b> Chair	
<b>3.0</b>	<b>Minutes from the Previous Meeting</b> To approve as a correct record the minutes of the Audit & Governance Committee held on Friday 17 <sup>th</sup> February 2023. <b>Lead:</b> Chair	5 - 10
<b>4.0</b>	<b>Corporate Risk Update</b> To provide a Corporate Risk Update <ul style="list-style-type: none"> <li>Update on Risk Management Strategy with the inclusion of the TfN Assurance Framework</li> </ul>	11 - 44

	<ul style="list-style-type: none"> <li>• Deep Dive Corporate Risk 643 Recruitment and Retention of Staff</li> </ul> <p><b>Lead:</b> Daniella Della Cerra Smith and Stephen Hipwell</p>	
<b>5.0</b>	<p><b>Year-end draft Statutory Accounts including Annual Governance Statement</b></p> <p>To note and discuss the draft Statutory Accounts for 2022/23 and the Annual Governance Statement.</p> <p><b>Lead:</b> Paul Kelly and Angela Harwood</p>	45 - 124
<b>6.0</b>	<p><b>Internal Audit Update</b></p> <p>To note the reports from RSM Risk Assurance Services</p> <ul style="list-style-type: none"> <li>• Progress Report 2023/24</li> <li>• Follow up Report</li> <li>• ED&amp;I Framework Report</li> <li>• Project Management Arrangements Report</li> <li>• Annual Summary</li> <li>• IT and Remote Working Asset Management Review</li> </ul> <p><b>Lead:</b> Alex Hire</p>	125 - 202
<b>7.0</b>	<p><b>External Audit Update</b></p> <p>To note the Audit Strategy Memorandum (ASM) for 2022/23 audit.</p> <p><b>Lead:</b> Daniel Watson</p>	203 - 234
<b>8.0</b>	<p><b>Quarterly Operating Report (Jan - Mar)</b></p> <p>Note the Transport for the North Quarterly Operating Report Jan – Mar 2023.</p> <p><b>Lead:</b> Paul Kelly</p>	235 - 260
<b>9.0</b>	<p><b>Date and Time of Next Meeting</b></p> <p>The next meeting of the Audit and Governance Committee will be held on Friday 15<sup>th</sup> September 11:00 – 13:00</p>	

## Transport for the North Audit & Governance Committee Minutes

**Date of Meeting** Friday 17 February 2023  
**Time of Meeting** 11.00am  
**Venue** Microsoft Teams

### Attendees

#### Members:

Graham Bell (Chair)	Chair
Cllr Keith Little (Vice Chair)	Vice Chair
Kevin Brady	Committee Member
David Pevalin	Committee Member
Campbell Dearden	Invitee
Karen Murray	Invitee
Alex Hire	Invitee

#### Officers in Attendance:

Paul Kelly	Interim Finance Director
Daniella Della-Cerra-Smith	Risk Manager
Emma Young	Senior Lawyer
Tim Foster	Head of Policy Strategy and Research
Andrea Shepherd	Executive Assistant
Katie Day	Director of Strategy and Communication

### 1. Welcome and Apologies

- 1.1 The Chair welcomed Members to the meeting. Apologies were received from Cllr Jonathan Owen.
- 1.2 Acknowledgements and thanks for work contribution were given to Cllr Little and Mr Pevalin as it is their final meeting. Cllr Little and Mr Pevalin emphasised the importance of the Audit and Governance Committee.
- 1.3 Mr Kelly thanked both members on behalf of TfN and indicated an intention to build on their legacy.
- 1.4 The Chair asked for Members thoughts regarding how the Committee can fill the membership gaps. Mr Kelly stated that a cyclical arrangement needs to be considered with individual tenures overlapping. The Committee were informed that a recruitment process is due to start for independent members with potential candidates needing to be identified at the General Purposes Committee (GPC) or TfN Board. He added that it may be beneficial to target potential members who hold specific skill sets going forward.

Mr Brady agreed with the cyclical approach and suggested that a combination of targeted and broader adverts be used during the recruitment process would make sense.

- 1.5 Cllr Little stated that he will raise the issue of recruitment at the forthcoming Board meeting.

## **2. Minutes of the Previous Meetings**

- 2.1 The minutes of the meeting held on 21 September 2022 were considered for their accuracy.
- 2.2 Ms Hire advised that Mr Ciaran Barker of RSM, attended the November meeting.
- 2.3 Mr Brady raised the issue regarding the transfer of information outside the organisation as part of the ECVI Deep Dive. Mr Brady was assured by the IT department that there was not a concern transferring information to him outside of the TfN network.

### **RESOLVED:**

That subject to the inclusion of Mr Barker's attendance the minutes of the Audit & Governance Committee held on 21 September 2022 be noted.

## **3.0 Quarterly Operating Report Oct - Dec 2022**

- 3.1 Members received the report from the Interim Strategy and Programme Director

The Chair noted that the Chief Executive's summary was powerful and a great way of articulating how TfN is seeking to deliver better outcomes and value.

Mr Foster explained that the report is now being published quarterly rather than monthly and that the Quarter 3 report included preparation for the next Strategic Transport Plan, due to be considered at the March Board.

Mr Foster indicated that five KPIs had been achieved seven were on track and two have been flagged as delayed.

- 3.2 Mr Kelly explained the proposed budget is, due to TfN's restructure, at a more sustainable level for 2023/24. Overall, there is approximately £8 million of non-ring-fenced grant activity. A major change this year, is incremental funding to extend TfN's services to Local Transport Authorities (LTAs) and other Subnational Transport Bodies (STBs). TfN has been allocated £710,00 a year, for 2 years, to develop this further.

The budget and business plan will be approved by the Board in March 2023.

Cllr Little acknowledged that the budget appears to be in an improved position.

Mr Kelly reiterated that following a challenging time, TfN is now in a position to influence and drive the agenda as opposed to responding to it.

- 3.3 The Chair indicated that a lot of the risk narrative is about existential risk and the KPIs are activity orientated rather than outcome orientated. More could be done through the KPIs to bring the values and outcomes



to life. Mr Kelly agreed that a review of KPIs will be considered for the next Business Plan.

**RESOLVED:**

That the report was noted.

**4.0 Corporate Risk Review**

- 4.1 Members received the report from Ms Della-Cerra-Smith who highlighted recent key changes and updates to the Corporate Risk Register. She explained that some previous risks have been closed or reduced whilst the rail and Co-Sponsorship risks have been merged and now fall under Rail risk.

- 4.2 On the issue of staff retention Mr Kelly stated that TfN is a high-profile organisation and that individuals delivering the service become high-profile themselves, hence losing people could become a normal for TfN. He acknowledged that as a relatively small organisation, it will be a challenge to retain people.

The Chair brought attention to the HR Turnover measure and suggested that as this is an important issue turnover of specific roles could be looked at in more detail.

Mr Brady reiterated how important the staffing deep dive will be in June; with current staff turnover high at 30.5%. Mr Brady asked whether staff surveys or exit interviews have been carried out.

- 4.3 Mr Brady then queried TCR02 (political environment) and TCR13 (funding). Ms Della-Cerra-Smith said although the probability has reduced for TCR02, the impact is still the same if the risk was to reoccur. The funding risk is still red overall due to funding sustainability issues beyond 2024/25.

The Chair stated that it would be useful if it was made clear to Board that although the risks may be reducing in some areas, there remains a lot of uncertainty in terms of the risk landscape TfN is working in, for example having had three Prime Ministers in 12 months.

- 4.4 Ms Della-Cerra-Smith then highlighted the Risk Management Strategy Updates including an action that came out of the RSM risk maturity review to include the factors that are to be considered when escalating risks to Operating Board; these have now been documented in the strategy.

Ms Della-Cerra-Smith went through the proposed Deep Dive schedule for the forthcoming year noting it could alter according to changes to risk.

Mr Brady suggested bringing the Great British Railways item forward on the schedule ahead of Fraud and Centre of Excellence. This was supported by Cllr Little.

The Chair was keen that Audit and Governance cover Fraud over the forthcoming calendar year but not necessarily as part of a Deep Dive. The Chair reiterated how helpful he found the deep dive to be at the last meeting.

Mr Kelly supported the suggested rearrangement and suggested that fraud and anti-fraud could be considered more thoroughly as part of the Annual Governance review.

- 4.5 Ms Day reiterated that working on the Centre of Excellence will be business as usual going forward, and that bringing it to Audit and Governance to view how it is coming together would be helpful, followed by an audit in 2024/25.

**RESOLVED:**

- 1) That the updates to the Corporate Risk Register be noted
- 2) That the update to the Risk Management Strategy be noted
- 3) That following consideration of the deep dive schedule:
  - a) That the Schedule timeline be rearranged
  - b) That Fraud/Anti-Fraud be considered more closely as part of the Annual Governance Review
  - c) That the audit of the Centre of Excellence be carried out in 2024/25

**5.0 Treasury Management Strategy Report**

- 5.1 Members received the report from Mr Kelly who stated that the level and complexity of treasury management within TfN has diminished due to the reduced level of funding. He explained that The Treasury Management Strategy has been simplified but retains a level of complexity if needed in the future.

**RESOLVED:**

That the Treasury Management Strategy for 2023/24 be noted.

**6.0 Internal Audit Update**

- 6.1 Members received the report from Ms Hire who highlighted the key points within the Progress Paper.

She informed the Committee that the Ethnicity, Diversity and Inclusion report has been finalised since the publication of the Committee papers and will be submitted to the next meeting.

Ms Hire then highlighted the points in the GDPR Audit Report. Ms Young assured the Committee that required actions are underway and will be fulfilled by 31 March 2023.

Mr Brady accepted that the report was advisory but expressed concern at the handling of GDPR across the organisation. He was pleased that assurance had been gained from the management actions and the tight timelines for achieving them, but requested a further review needs to be undertaken soon.

The Chair highlighted how the relationship between audit and risk can add value to the Committee and the Board in terms of providing visibility; the audit was able to show an area of exposure, that was not previously

reflected on the corporate risk register and this needs to be recognised in the risk narrative. An update at the July meeting was requested.

Ms Hire reiterated how important the training will be. She explained that the framework gives TfN an understanding of where the data is and demonstrates how the information is captured.

Ms Young stated that TfN receives a number of access requests for personal data and information, and they are dealt with expediently; TfN takes information law seriously.

The Report is in draft at this stage with management responses being sought.

Ms Hire outlined the audit plan for 2023/24. She explained that the relevant risks are linked to each of the areas of audit.

Mr Brady indicated that he was happy with the proposal made. He suggested that Value for Money may be a challenge and questioned whether there is any work that would need to be done in advance to show that the framework is fit for purpose.

The Chair asked what the marginal benefit of an internal audit is, in terms of value for money.

Mr Kelly commented that there are some interesting value for money decisions that need to be made and that assurance is needed in order to know that things are working well. He stated that the internal audit work can dovetail into the work being done with TfN's external auditors, Mazars. TfN has agreed that RSM remain for the 2023/24 period to maintain continuity and efficiency; if RSM is successful at the next stage of procurement in 6 months' time, TfN would be comfortable.

The Chair indicated Business Continuity was scheduled for 2024/25 but suggested this could be brought forward in order to move on from the pandemic disruption.

Ms Hire concluded that areas that could add value will be focused on going forward.

#### **RESOLVED:**

That the report be noted and the audit plan for 2023/24 was approved.

### **7.0 External Audit Update**

7.1 Members received the report from Ms Murray summarising the work that Mazars has carried out for TfN over the year. The Committee were informed that the report will be presented on TfN's website.

7.2 Ms Murray went through the accounts audit, highlighting where the Auditors had reached at the end of November 2022. She stated that all the information required to conclude the pension review had been received and TfN accounts had been prepared to a good standard.

Ms Murray indicated Mazars focused on the process / arrangements in place in order for TfN to deliver "Value for Money" as opposed to whether

they actually did deliver Value for Money i.e., it is not about outcomes but about arrangements that are in place to underpin what TfN do.

- 7.3 The Chair noted that this was an annual review and asked how TfN calls upon Mazars expertise throughout the year.

Ms Murray replied that Mazars do have a regular dialogue with the Finance Director in terms of how things are looking from a financial perspective. If at any stage there is evidence that things are going off track, Mazars would intervene and point out the significant weakness and what would need to be done to rectify it.

Mr Kelly stated that the red risk on funding is about sustainability. There has been a cost reducing exercise and the funding now needs to align with it. The Department for Transport has influenced the reduction in the reserve by reducing funding allocations in year. Use of reserves and planning assumptions will be discussed with the Department prior to March Board.

- 7.4 Mr Brady asked if TfN has a funding allocation for the next 2 years and lives within its means, will the same statement still occur next year or would the pressure ease.

Mr Kelly said for the next 2 years TfN would need support from reserves and is in a position to do that.

**RESOLVED:**

That the report be noted.

**8.0 Annual Governance Statement Review**

- 8.1 Members received the report from Ms Young who outlined the key points within it. She explained that there is a statutory obligation to prepare an Annual Governance statement each year that is presented with the accounts in the autumn. She further explained that this is an historic account showing what TfN has done in the last 12 months and ensuring it is compliant.

The next draft will be presented at the July Audit and Governance Committee Meeting, and it will be signed off at the September Board with the accounts.

The Risk Deep Dives will be reflected in the statement.

- 8.2 The Chair agreed that there needs to be evidence that controls are operating as intended rather than there just being a list of controls. He queried the timeline and asked whether the report could be circulated earlier than the July meeting, so comments/feedback could be given.
- 8.3 The Chair acknowledged that this is Ms Young's last meeting and extended best wishes for the future.

**9.0 Date and time of the next meeting**

Thursday 13 July 2023 at 1.00pm-3.00pm via Microsoft Teams.

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**Meeting:** Transport for the North Audit & Governance Committee  
**Subject:** Corporate Risk Report, Updates to the RMS and Risk Deep Dive  
**Author:** Daniella Della-Cerra-Smith, Risk Manager  
**Sponsor:** Paul Kelly, Finance Director  
**Meeting Date:** Friday 21 July 2023

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**1. Background:**

- 1.1 Transport for the North (TfN) has updated the Corporate Risk Register (CRR) to reflect the milestones and Business Objectives outlined in the Business Plan for Financial Year 2023/24.
- 1.2 The CRR was last presented to TfN Board on 23 March 2023. The next scheduled Board meeting at which the CRR is due to be presented is 27 September 2023.
- 1.3 The updated CRR was presented to Operating Board on 6 June.
- 1.4 TfN's corporate risks stem from the agreed milestones and from a range of other 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. TfN's Corporate Risk Register is presented at Appendix 4.1.
- 1.5
  - The CRR has been reviewed and updates have been made to risks, assessment of risks and mitigation actions, to reflect TfN's current environment, key milestones and 2023/24 business plan.
  - The format of the CRR has been updated. Key impacts are captured on the dashboard and actions/controls are now captured directly under each risk.
- 1.6 The two very high corporate risks are:
  - Material variations from the funding Planning assumptions that underpin medium term sustainability.
  - TfN could have a reduced role in the rail industry following the implementation of rail reform including the role with Great British Railways.

**2. Recommendations:**

- 2.1 In order to provide assurance that efficient and effective risk management practice and processes are in place
  - Note the new format with the focus on individual corporate risks and consider the updates to the CRR
  - Note update to the Risk Management Strategy with the inclusion of the assurance framework
  - As part of the scheduled deep dive process provide feedback on corporate risk 643, recruitment and retention of staff.

**3. Update to the Risk Management Strategy:**

- 3.1 Following on from one of the actions identified by RSM as part of the risk maturity audit, the Risk Management Strategy has been updated to include TfN - Three Lines of defence assurance model. The next step is to review the key corporate risks with

owners to ensure the framework is embedded and applied. Please see Appendix 4.2 for detail.

#### **4. Audit and Governance Committee Risk Deep Dive:**

- 4.1 The corporate risk scheduled for deep dive at Audit and Governance Committee on 21 July 23 is risk 643 recruitment and retention of staff. Please see Appendix 4.3 for deep dive detail.

#### **5. Considerations:**

- 5.1 Transport for the North's approach to managing risk is described in its Risk Management Strategy which sets out guidance for how risks are identified, assessed, managed, and reported. The RMS has been applied in updating the CRR.
- 5.2 It is essential that TfN and its teams recognise, understand, and manage the risks that could negatively impact on its ability to achieve its objectives and priorities.
- 5.3 This report provides the Committee with an update on the organisational risks and issues relating to the business milestones/objectives which can be found in the CRR.

#### **6. Corporate Considerations:**

##### **6.1 Financial Implications**

The financial implications are detailed within individual risks where applicable.

##### **6.2 Resource Implications**

The resource implications are detailed within individual risks where applicable.

##### **6.3 Legal Implications**

The legal implications are detailed within individual risks where applicable.

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

The Corporate Risk Register is part of this report.

##### **6.5 Environmental Implications**

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

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

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

##### **6.7 Consultations**

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

#### **7. Background Papers:**

- 7.1 The CRR presented as a standing item at each Audit & Governance Committee provides the background papers and context for this report.

#### **8. Appendices:**

- 8.1 Item 4.1 TfN Corporate Risk Register June 2023
- 8.2 Item 4.2 TfN Risk Management Strategy Update June 2023
- 8.3 Item 4.3 TfN Audit and Governance Committee - Risk 643 Deep Dive - July 23

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

a) CRR	Corporate Risk Register
b) RMS	Risk Management Strategy



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# Transport for the North

## Corporate Risk Register

June 2023

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**Section 1** provides an executive summary of TfN's Risk Environment and Emerging Risks, key changes to the register since the last risk review, TfN's 2023/24 milestones and corporate risk dashboard.

## **Executive Summary**

### **1.1 TfN's Risk Environment and Emerging Risks**

- 1.1.1 Recognising the current fiscal environment including the cost of inflation, TfN are closely monitoring funding risks and budget expenditure. There is a risk at functional level to manage and monitor budget assumptions and there is a corporate risk relating to medium term sustainability.
- 1.1.2 TfN received an additional £710,000 of grant funding to deliver the TfN offer. A working group has been established to manage alignment of the individual workstreams across the organisation, as part of this, risks and actions are being considered across TfN. TfN continue to engage with partners across the region to fully scope the offer we can bring to support local transport planning.
- 1.1.3 In September 23, TfN will be relocating the head office space. Risks and actions are being considered in relation to the office move. A working group has been established to discuss progress with the move.
- 1.1.4 TfN continue to monitor the political environment, particularly with the upcoming general election and how this may impact on the delivery of TfN's objectives.

### **Key Changes to the Corporate Risk Register**

- 1.1.5 The format of the CRR has been updated and corporate risks are no longer reported in themes, to ensure visibility of all TfN's corporate risks.
- 1.1.6 The Strategy, Analysis and Communication Director and the Rail/Roads Director commenced TfN in February 23. Ownership of all relevant risks and actions have been transferred to them.
- 1.1.7 Two new risks have been identified, 996 - TfN business continuity is disrupted during the office move and 999 - mismatch between TfN offer and TfN resources.

- 1.1.8 Opportunity O-913, TfN continues to develop and enhance services is closed, as additional funding now received to enhance the TfN offer to partners.
- 1.1.9 Opportunity O-915, Simplification of TfN processes is closed following the embedding of TfN's new operation model. Risk 920 remains open to ensure compliance with TfN policies and processes is maintained.
- 1.1.10 Risk 641, Alignment of STP with workstreams is closed as no longer applicable. TfN now have STP 2 draft approved by Board in March 23 and aligned to business plan for 23/24.
- 1.1.11 Risk 918, Loss of knowledge is closed. Duplication is incorporated as part of risk 643, recruitment and retention of staff.
- 1.1.12 Risk 884, Legal and commercial restrictions, risk is closed as TfN has a new process to manage this and the work is considered to be business as usual. A new risk has been identified at functional level in relation to embedding the process.
- 1.1.13 Risk 643 Recruitment and retention of staff, reduced current probability from medium to low due to turnover has reduced now that TfN has greater certainty in terms of its funding allocation and recruitment of the vast majority of current vacancy is progressing.
- 1.1.14 Risk 881 Endorsement of STP refresh, reduced current probability from medium to low and target from low to very low due approval of draft STP at board March 23.
- 1.1.15 Risk 916 Delivery of medium-term sustainability, risk rearticulated, reduced current probability from very high to medium and impacts increased from high to very high to represent material variations.

### Key Milestones

1.1.16 Our key milestones monitor and measure our progress and performance and ensure that we provide value for money. The milestones that we have adopted for 2023/24 are set out below:

Milestone	Detail	Delivery
<b>1</b>	Consult on a revised Strategic Transport Plan	Summer 2023
<b>2</b>	Publish Connected Mobility Strategy	Summer 2023
<b>3</b>	Secure adoption of revised Strategic Transport Plan	December 2023
<b>4</b>	Rail Reform – Issue Proposition for the North	December 2023
<b>5</b>	Provide annual STP action plan	March 2024
<b>6</b>	Update Future Transport Scenarios	March 2024
<b>7</b>	Consult on, and then publish final Strategic Rail Report	March 2024
<b>8</b>	Ensure a strong case is forwarded for recommended RIS investment in the North	March 2024
<b>9</b>	Publish TfN’s Bus Policy position.	March 2024
<b>10</b>	Implement an online local public transport data toolkit	March 2024
<b>11</b>	Develop a submission to government that identifies opportunities to build on TfN’s technical capabilities	March 2024



## Corporate Risk Dashboard

21 Risk factors	2 New risk factors	84 Mitigation actions	55 Ongoing actions	10 Mitigation actions due by 30 Sept 23	38 actions closed in the last quarter	16 New actions
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ID	Corporate risks, by highest current score	Current Score	Target Score	Risk Owners
916	Material variations from the funding Planning assumptions that underpin medium term sustainability.	19	19	Finance Director
310	There is a risk that TfN could have a reduced role in the rail industry following the implementation of rail reform including the role with Great British Railways.	19	17	Rail/Roads Director
296	There is a risk of disconnect between TfN's statutory powers/remit and stakeholder expectations.	18	15	Chief Executive Officer
880	TfN are unable to provide the One Voice for the north in relation to strategic transport investment priorities, and policy positions.	18	15	Chief Executive Officer
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.	18	15	Rail/Roads Director
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.	17	17	Chief Executive Officer
643	TfN's is unable to recruit and retain suitable staff to deliver the 2023/24 business plan and medium to long term TfN objectives.	17	17	Head of Human Resources
309	The long-term effect of Covid-19/current fiscal environment 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.	17	17	Rail/Roads Director
300	There is a risk that TfN fails to deliver Value for Money.	17	13	Finance Director
881	TfN are unable to produce a draft STP that will be endorsed by TfN Board and government in time to consult and then adopt the plan by the end of 2023.	17	8	Strategy, Analysis & Comms Director
640	Inappropriate disclosure of confidential information may create a legal liability.	15	15	Chief Executive Officer
311	Future timetable changes in the North reduce rail connectivity.	15	15	Rail/Roads Director
298	There is a risk that TfN might be unable to make a timely, robust, credible, evidence-based case for investment in transport.	15	11	Rail/Roads Director
877	TfN is unable to influence the NPR Programme to ensure that agreed outputs are delivered in a way that works for the North and that the TfN Board and TfN Partners have appropriate involvement in NPR and the ability to influence its development.	14	10	Chief Executive Officer

ID	Corporate risks, by highest current score	Current Score	Target Score	Risk Owners
303	TfN fails to comply with applicable law or exceeds its powers while carrying out its functions.	11	11	Head of Legal
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.	11	8	Strategy, Analysis & Comms Director
920	Failure to comply with governance and corporate processes across the organisation.	11	8	Chief Executive Officer
876	Cyber disruption/attacks to the available information and technical infrastructure. Inappropriate user access to confidential information. Access maybe limited for an unknown period of time.	10	10	IT Manager
882	Providing a direct service to DfT could create short term operational challenges to TAME's services in delivering TfN's objectives.	10	8	Strategy, Analysis & Comms Director
999	Mismatch between the TfN offer and what resources TfN currently have in place.	10	8	Strategy, Analysis & Comms Director
996	TfN business continuity is disrupted during the office move and closure of existing office is not completed in a timely manner.	7	6	Head of Human Resources

**Key impacts across risks:**

Failure to make timely, evidence-based advice to Government  
 Delaying or preventing the benefits of strategic transport plan  
 Recruitment and retention of staff/ Organisational culture could be impacted  
 TfN fails to deliver on its commitments laid out within the TfN Decarbonisation Strategy.  
 Less investment in services and infrastructure/ decline in rail services and local connectivity  
 Potential legal costs or challenges and/or programme delays could result in extra costs and resources.  
 TfN could lack the powers or the influence to deliver economic, social and sustainability benefits to the North  
 TfN reputational damage/ loss of credibility/ relationships with Partners & stakeholders could be adversely affected  
 TfN's ability to deliver statutory duties/ Failure to achieve Value for Money could impact on TfN's ability to access funding in the future.

**Key actions across risks:**

Structured engagement with government officials/ decision makers  
 Collaborate with DfT on NPR Sponsor Board  
 TfN to demonstrate value for money  
 Partner/stakeholder/DfT Engagement  
 Manage interdependencies

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

**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.

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

ID	Risk Description	Owner	Milestone	Current Score	Target Score	Trend
916	Material variations from the funding planning assumptions that underpin medium term sustainability	Finance Director	All	19	19	↓
ID	Control Level and Action Description			Owner		Due
2670	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		Mar 24
2671	Medium - There is structured engagement with government officials and decision-makers.			Chief Executive Officer		Mar 24
2672	Medium - TfN and DfT collaborative working to develop a revised version of Memorandum of Understanding.			Chief Executive Officer		Closed
2673	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		Mar 24
2674	Medium - TfN to explore wider funding opportunities through development of Centre of Excellence proposition.			Strategy, Analysis & Comms Director		Closed
2675	Medium – Early and continuous engagement with DfT in relation to business planning and subsequent performance.			Chief Executive Officer		Mar 24
2676	Fallback Plan - Conclude budget and business planning based on funding allocation.			Finance Director		Mar 24



ID	Risk Description	Owner	Milestone	Current Score	Target Score	Trend
310	There is a risk that TfN could have a reduced role in the rail industry following the implementation of rail reform including the role with Great British Railway.	Rail/Roads Director	2,4	19	17	↔
ID	Control Level and Action Description			Owner		Due
1638	High - TfN is working with the GBR transition team to work on a more detailed proposal as to how the white paper might be delivered in the North and are working to develop TfN proposition to define what our role would be in the rail industry going forward to present to GBR Transition team.			Rail/Roads Director		Dec 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).			Rail/Roads Director		Ongoing
2841	NEW: Medium - Rail North committee has agreed the establishment of a Northwest business unit and currently in the process of implementing that business unit.			Rail/Roads Director		Aug 23
2637	Fall-back Plan - Use rail-reform programme to strengthen TfN's relationships and position with GBRTT.			Rail/Roads Director		Mar 24

ID	Risk Description	Owner	Milestone	Current Score	Target Score	Trend
296	There is a risk of disconnect between TfN's statutory powers/remit and stakeholder expectations.	Chief Executive Officer	All	18	15	↔
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

ID	Risk Description	Owner	Milestone	Current Score	Target Score	Trend
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	All	18	15	↔
ID	Control Level and Action Description			Owner		Due
2494	High - As part of the second Strategic Transport Plan work, maximise utilisation of existing forums to ensure Partners are actively engaged.			Strategy, Analysis & Comms Director		Ongoing
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	High - Use established governance, to ensure that TfN activity continues to meet the priorities agreed by TfN Board.			Strategy, Analysis & Comms Director		Ongoing
2740	High - Maintain and enhance the recently developed EVCI evidence base, owned by TfN.			Rail/Roads Director		Closed
2741	Medium - Partners with the application of the EVCI evidence base in promoting provision of EV infrastructure across all areas of the North, developing EVCI infrastructure plans and securing funding.			Rail/Roads Director		Closed
2742	Medium - Co-ordinating engagement with DfT, Office for Zero Emissions, Electricity Distribution Network Operators, National Highways and Local Partners via the EVCI steering group.			Rail/Roads Director		Closed

ID	Risk Description	Owner	Milestone	Current Score	Target Score	Trend
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.	Rail/Roads Director	4, 7	18	15	↔
ID	Control Level and Action Description			Owner		Due
2510	Medium - Secure TfN's membership at programme boards to influence TfN's desired outputs as defined in the STP.			Rail/Roads Director		Nov 23

2511	Medium - TfN continue to chair the new TRU stakeholder forum that will directly influence the TRU programme board.	Rail/Roads Director	Ongoing
2547	Medium - TfN using its role on the North of England integration board to ensure alignment of benefits.	Rail/Roads Director	Ongoing
2639	Medium - Use NPR Sponsor Board as a mechanism for working with DfT to address programme alignment issues.	Chief Executive Officer	Ongoing
2782	Medium - Ensure STP reflects TfN's desired outcome for the rail network and is supported by evidence.	Rail/Roads Director	Dec 23

ID	Risk Description	Owner	Milestone	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	17	17	↔
ID	Control Level and Action Description			Owner		Due
2489	Medium - There is structured engagement with government officials and decision-makers.			Chief Executive Officer		Mar 24
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		Closed
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		Mar 24
2492	Fall-back Plan - Maximise the input and contribution of Partnership Board through increased engagement and consultation.			Chief Executive Officer		Ongoing

2493	Medium - Engagement with other Statutory Transport Bodies (STB's) to identify areas of common interest and opportunities for collaboration.	Chief Executive Officer	Ongoing
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ID	Risk Description	Owner	Milestone	Current Score	Target Score	Trend
643	TfN's is unable to recruit and retain suitable staff to deliver the 2023/24 business plan and medium to long term TfN objectives.	Head of Human Resources	All	17	17	↑
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, exit interviews, succession planning, recruitment and selection, talent, and performance management.			Head of Human Resources		Ongoing
1568	Medium - To continue to brief and update staff through the monthly updates, regular bulletins, Team talks, intranet, employee forum and SMT meetings.			Head of Human Resources		Ongoing
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.			Strategy, Analysis & Comms Director		Closed
2537	High - Full and proper consultation with UNISON - to continue regular formal meetings.			Head of Human Resources		Ongoing
2786	Fallback Plan - Recruitment of temporary consultants to ensure delivery of the business plan if required.			Head of Human Resources		Ongoing
2843	NEW: Medium - Rollout of employee engagement survey across TfN.			Head of Human Resources		Sep 23
2844	NEW: High - Fostering the right culture for TfN success and ensure integrity within organisational values through all members of OBT and SMT.			Chief Executive Officer		Ongoing
2663	NEW: High - All leavers (internal or consultants) to produce clear handover documentation and discuss outstanding work with managers through regular catch ups.			Head of Human Resources		Ongoing

ID	Risk Description	Owner	Milestone	Current Score	Target Score	Trend
309	The long-term effect of Covid-19/current fiscal environment 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.	Rail/Roads Director	7	17	17	↔
ID	Control Level and Action Description			Owner		Due
980	Low - To continue to use TfN's influence in the monthly Rail North Partnership Board, Rail North Committee to shape the re-introduction of services, and infrastructure developments and re-build passenger confidence.			Rail/Roads 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.			Rail/Roads Director		Ongoing
1578	Medium - To continue to track train service performance and delivery via regular reporting dashboards.			Rail/Roads Director		Closed
1579	Medium - Strategic Rail and Rail North Partnership (RNP) to work together to support Network Rail and Operators in producing and monitoring recovery plans that meet passengers' needs and rebuild confidence.			Rail/Roads Director		Ongoing
2840	NEW: Medium - Working with TAME on a latent demand study looking at post covid demand information and ideas or stimulate demand.			Rail/Roads Director		Ongoing

ID	Risk Description	Owner	Milestone	Current Score	Target Score	Trend
300	There is a risk that TfN fails to deliver Value for Money.	Finance Director	All	17	13	↔
ID	Control Level and Action Description			Owner		Due
962	High - Clear and well documented processes and procedures are in place that are designed to be fully compliant with the financial scheme of delegation. 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	Closed
1564	High - Introductory finance training and ongoing support and challenge from the finance function in relation to budget and financial management. Where required continue to brief and update staff through the monthly updates, regular bulletins, employee forum, OBT and SMT meetings, with regards to budget setting, and other current uncertainties TfN is facing to keep them fully appraised and address any questions or concerns in a timely fashion.	Finance Director	Ongoing

ID	Risk Description	Owner	Milestone	Current Score	Target Score	Trend
881	TfN are unable to produce a draft STP that will be endorsed by TfN Board and government in time to consult and then adopt the plan by the end of 2023.	Strategy, Analysis & Comms Director	1, 3, 5	17	8	↑
ID	Control Level and Action Description			Owner		Due
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.			Strategy, Analysis & Comms Director		Ongoing
2499	Medium – Clear programme of activity developed for STP consultation and adoption and managing through SOG exec board and TFN board.			Strategy, Analysis & Comms Director		Dec 23
2500	High - Work with partners to review and update Northern Power Independent Economic Review.			Strategy, Analysis & Comms Director		Jun 23
2501	High - Manage interdependencies with Northern Power Independent Economic Review, which will run in parallel with STP2.			Strategy, Analysis & Comms Director		Jun 23
2636	Fallback plan - Present second STP to July TfN board to allow further engagement with stakeholders.			Chief Executive Officer		Closed
2780	High - Engagement with external stakeholders on both NPIER and STP 2 and through to adoption end 2023, this includes ports and airports in relation to international connectivity.			Strategy, Analysis & Comms Director		Dec 23

ID	Risk Description	Owner	Milestone	Current Score	Target Score	Trend
640	Inappropriate disclosure of confidential information may create a legal liability.	Chief Executive Officer	All	15	15	↔
ID	Control Level and Action Description			Owner		Due
1551	Medium - TfN has confidentiality agreements with Local Partners to set parameters for data usage, data protection, and responsibility for compliance.			Head of Legal		Ongoing
1553	Medium - The Codes of Conduct for Members of Constituent Authorities state the circumstances in which information may be disclosed.			Head of Legal		Ongoing
1554	Medium - TfN's processes seek to restrict disclosure of confidential data via training and disciplinary procedures for deliberate or accidental data misuse.			Head of Legal		Ongoing

ID	Risk Description	Owner	Milestone	Current Score	Target Score	Trend
311	Future timetable changes in the North reduce rail connectivity.	Rail/Roads Director	7	15	15	↔
ID	Control Level and Action Description			Owner		Due
1581	Medium - TfN, working with Partners will continue to convey to Operators and the Department the key concerns of the regions.			Rail/Roads Director		Ongoing
985	High - Blueprint for both ECML and Manchester have been established and will be further developed and updated.			Rail/Roads Director		Ongoing
2638	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.			Rail/Roads Director		Ongoing

ID	Risk Description	Owner	Milestone	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.	Rail/Roads Director	All	15	11	↔
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.	Strategy, Analysis & Comms 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.	Strategy, Analysis & Comms Director			Closed	
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.	Strategy, Analysis & Comms Director			Closed	
957	High - TAME structure reviewed in line with 2023/24 business plan commitments.	Strategy, Analysis & Comms Director			Closed	
2502	High - Strengthen TAME governance for more transparent prioritisation of activity. Initial prioritisation undertaken. To be reviewed and communicated regularly to programmes and partners.	Strategy, Analysis & Comms Director			Ongoing	
2503	Medium – A policy Development Framework is being updated to identify clear and consistent approaches to policy development across the organisation.	Strategy, Analysis & Comms Director			Dec 23	
2504	Medium - Use evidence to provide recommendations to the Secretary of State for Road Investment Strategy (3).	Rail/Roads Director			Mar 24	
2505	Medium - Use evidence to provide recommendations to the Secretary of State for Rail Network Enhancements across the North.	Rail/Roads Director			Ongoing	
2851	NEW: Medium - Use the STP/our evidence base/our capacity and capability to inform future investment rounds and statutory advice.	Rail/Roads Director			Ongoing	



ID	Risk Description	Owner	Milestone	Current Score	Target Score	Trend
877	TfN is unable to influence the NPR Programme to ensure that agreed outputs are delivered in a way that works for the North and that the TfN Board and TfN Partners have appropriate involvement in NPR and the ability to influence its development.	Chief Executive Officer	4, 7	14	10	↔
ID	Control Level and Action Description		Owner		Due	
2481	Medium – Agree with DfT regular engagement forums to ensure alignment with programme/ escalation of key issues.		Rail/Roads Director		Jul 23	
2640	Medium - NPR sponsorship agreement to be agreed between DfT ministers and TfN board.		Chief Executive Officer		Jun 23	
2686	High - Ensure stakeholder engagement strategy for NPR in place.		Rail/Roads Director		Closed	
2682	NEW: Medium - Engagement with our partners so that they are aware of proposals and their views are fed back to the Department for Transport through the NPR Sponsor Board.		Rail/Roads Director		Mar 24	
2683	NEW: Medium - TfN restating the need for full HS2 and NPR networks as agreed by TfN board in the revised Strategic Transport Plan.		Rail/Roads Director		Dec 23	

ID	Risk Description	Owner	Milestone	Current Score	Target Score	Trend
303	TfN fails to comply with applicable law or exceeds its powers while carrying out its functions.	Head of Legal	All	11	11	↔
ID	Control Level and Action Description			Owner		Due
970	High - TfN has suitably qualified officers in all senior positions, particularly the Head of paid Service, S151 Officer, and Monitoring Officer. In addition, TfN has employed an in-house legal team.			Head of Legal		Ongoing

971	High - TfN ensures there are clear and well documented processes and procedures in place.	Head of Legal	Ongoing
972	High - Ongoing training on laws and legislation and communication across the organisation.	Head of Legal	Ongoing
973	High - Modern.gov is used for management of TfN Boards and Committees, with Modern.gov champions identified to support processes.	Head of Legal	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	Closed
1570	High - TfN will seek external legal advice on legal issues as identified by the legal in-house team.	Head of Legal	Ongoing
1571	High - TfN has employer's liability, public liability, and professional indemnity insurance in place to mitigate any financial liability.	Head of Legal	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	Ongoing

ID	Risk Description	Owner	Milestone	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.	Strategy, Analysis & Comms Director	1, 2, 3, 4,7,8,9	11	8	↔
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.		Strategy, Analysis & Comms Director		Ongoing	
2362	Medium - Develop mechanisms to ensure decarbonisation and sustainability are reflected in project and strategy decision-making.		Strategy, Analysis & Comms Director		Closed	

2506	Medium - Continue to influence and engage with stakeholders and maintain reputational credibility.	Strategy, Analysis & Comms Director	Ongoing
2507	Medium - Aspiration to undertake a strategic embodied carbon footprint study of schemes within TfN's Investment Programme.	Rail/Roads Director	Closed
2508	Medium - Embedding decarbonisation into wider TfN workstreams including freight and social inclusion and testing the interdependencies.	Strategy, Analysis & Comms Director	Ongoing
2746	Medium - Support Partners with the application of the EVCI evidence base in promoting provision of EV infrastructure across all areas of the North, developing EVCI infrastructure plans and securing funding.	Rail/Roads Director	Closed
2781	Medium - Refocusing on emerging decarbonisation priorities for TfN and its partners for the development of the decarbonisation strategy update 2025.	Strategy, Analysis & Comms Director	Ongoing

ID	Risk Description	Owner	Milestone	Current Score	Target Score	Trend
920	Failure to comply with governance and corporate processes across the organisation.	Chief Executive Officer	All	11	8	↔
ID	Control Level and Action Description		Owner		Due	
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 policies, processes and procedures.		Chief Executive Officer		Ongoing	

ID	Risk Description	Owner	Milestone	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.	IT Manager	All	10	10	↔

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 Manager	Ongoing
2473	Medium - Training to all TfN staff on new policies.	IT Manager	Ongoing
2474	Medium - Communications Plan in place for regular updates to employees when required.	IT Manager	Ongoing
2475	Medium - Monitoring and compliance checks performed (e.g. phishing attacks).	IT Manager	Ongoing
2476	Medium - On-going/monitoring security updates performed to user devices and software services.	IT Manager	Ongoing
2477	Medium - Business Continuity Plan checks, system reviews and restoration timescales regularly assessed.	IT Manager	Ongoing
2478	Medium - Insurance cover in place for ransoms where required.	IT Manager	Ongoing

ID	Risk Description	Owner	Milestone	Current Score	Target Score	Trend
882	Providing a direct service to DfT could create short term operational challenges to TAME's services in delivering TfN 's objectives	Strategy, Analysis & Comms Director	All	10	8	↔
ID	Control Level and Action Description		Owner		Due	
2515	High - Strengthen internal TfN TAME governance to enable more transparent prioritisation of activity. Initial prioritisation undertaken. To be reviewed and communicated regularly to programmes and partners.		Strategy, Analysis & Comms Director		Closed	
2666	High - TAME structure reviewed in line with 2022/23 business plan commitments. Work underway on future structure for 2023/24 business plan.		Strategy, Analysis & Comms Director		Closed	
2842	NEW: High - Develop TAME Master Programme and plan with individual TfN teams a realistic schedule of work.		Strategy, Analysis & Comms Director		Sep 23	

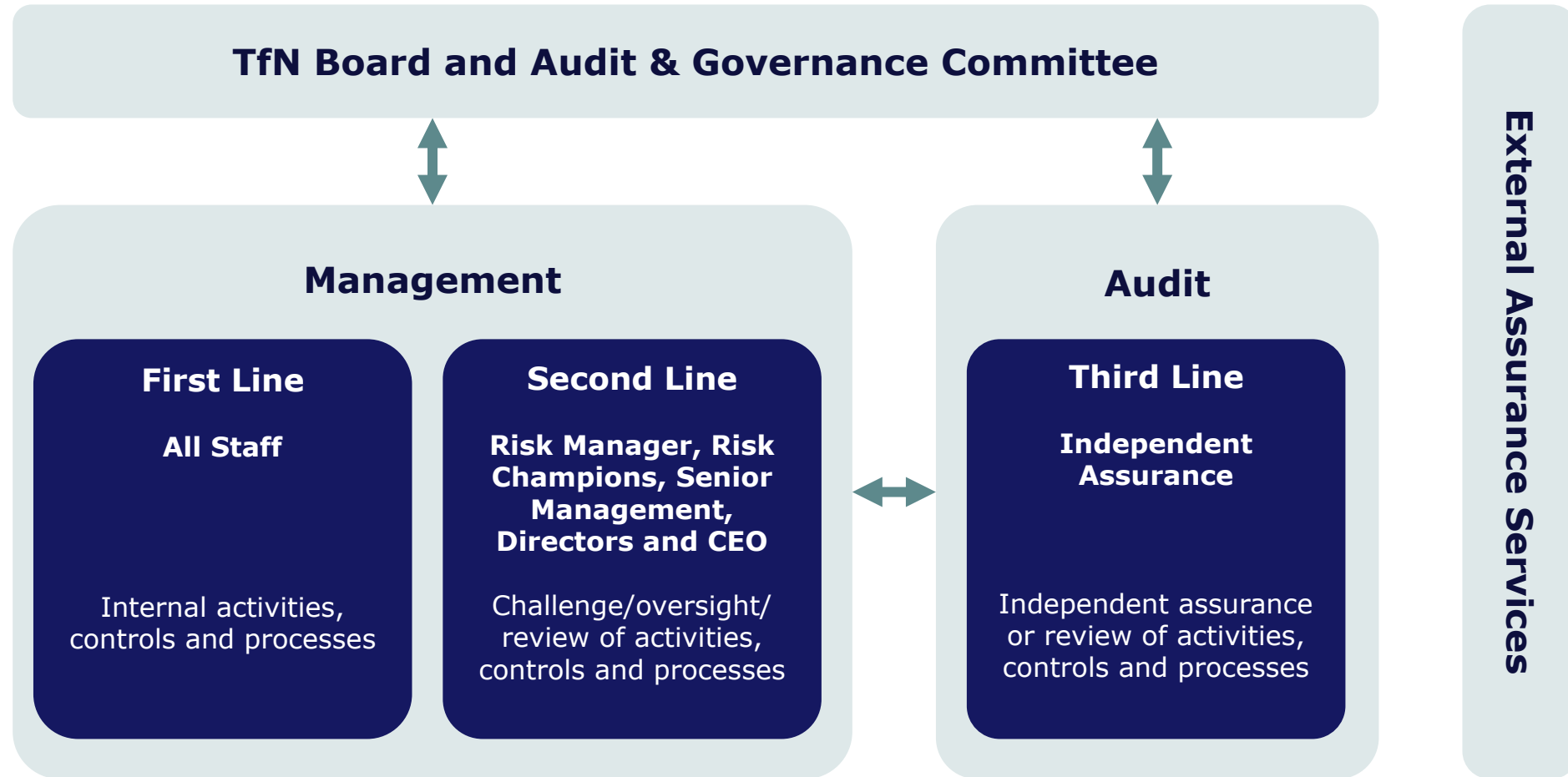
ID	Risk Description	Owner	Milestone	Current Score	Target Score	Trend
999	Mismatch between the TfN offer and what resources TfN currently have in place	Strategy, Analysis & Comms Director	All	10	8	New
ID	Control Level and Action Description			Owner		Due
2845	Medium - Partner engagement to discuss scope requirements and log partner requests in central location			Strategy, Analysis & Comms Director		Ongoing
2846	High - Internal working group to manage interdependencies, resource availability and progress.			Strategy, Analysis & Comms Director		Ongoing
2847	High - Agree mechanism for prioritising work across teams, and escalating matters if necessary			Strategy, Analysis & Comms Director		Jul 23
2848	Medium - Develop a TfN position on what our offer includes			Strategy, Analysis & Comms Director		Jul 23
2849	Medium - Create a route map to develop the TfN offer			Strategy, Analysis & Comms Director		Jul 23

ID	Risk Description	Owner	Milestone	Current Score	Target Score	Trend
996	TfN business continuity is disrupted during the office move and closure of existing office is not completed in a timely manner.	Head of Human Resources	All	7	6	New
ID	Control Level and Action Description			Owner		Due
2833	High - Ensure robust office move and closure project plan in place, delivered, complete according to plan.			Head of Human Resources		Sep 23
2834	High - Working group established to oversee the effective management and delivery of office move and closure project plan.			Head of Human Resources		Sep 23



# TfN - Three Lines of Defence Model

TfN has adopted an assurance model consisting of the three lines of defence. This provides a guide on how responsibilities should be divided and allows TfN to ensure effective controls are in place and managed appropriately.



If something we did stopped working or didn't perform as expected, who/how would we pick it up?

# TfN Assurance in Practise

## Note:

Controls are preventative measures that are tangible and already in place.

Mitigation actions are activities that are not already in place and need to be completed.

Prompt Questions

ID	Risk Description	Causes and Effects	Controls (Preventatives already in place, <i>not actions to be completed</i> ) Note: All comments should be SMART	1 <sup>st</sup> Line Internal activities, controls and processes	2 <sup>nd</sup> Line Challenge/oversight/ review of activities, controls and processes	3 <sup>rd</sup> Line Independent assurance or review of activities, controls and processes	Overall Risk Assurance	Gaps in evidence/ Actions required for risk	Flag for A&G deepdive
916	Material variations from the funding Planning assumptions that underpin medium term sustainability  Risk last updated: May 2023	C1 - Medium to long term misalignment of cost of funding, causes of which could be inflationary pressures, spending review, change in government, change in policy.  E1 - TfN unable to deliver statutory duties responsibilities. E2 - Failure to achieve Value for Money could impact on TfN's ability to access funding in the future. E3 - TfN's ability to retain/recruit suitably qualified staff. E4 - Damage to organisational culture and staff wellbeing. E5 - TfN's relationship with the DfT, partners and members could potentially be adversely affected	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. [C-2670]  Martin Tugwell  There is structured engagement with government officials and decision-makers. [C-2671]  Martin Tugwell  Early and continuous engagement with DfT in relation to business planning and subsequent performance [C-2674]  Martin Tugwell	Evidence would be sight of meeting minutes or calendar invites of private meetings, between TfN and stakeholders  Control is effective and managed by CEO. Evidence would be sight of meeting minutes or calendar invites of private meetings, between TfN and DfT	Control is overseen through OBT discussions (minutes to evidence)  Control is overseen by OBT members (meeting is minuted)  Control is overseen by OBT members (meeting is minuted)	Independent assurance provide via discussions at TfN board and partnership board (which are minuted)  Independent assurance provide via discussions at TfN board and partnership board (which are minuted)  Independent assurance provide via discussions at TfN board and partnership board (which are minuted)			Yes



Prompt Questions

**1<sup>st</sup> Line**  
1. Are the controls effective in managing the risk?  
2. Please reference tangible evidence to demonstrate effectiveness.  
3. Where controls are light, do actions fill the gap?  
4. Are the controls operating as intended?

**2<sup>nd</sup> Line**  
Is this control being overseen and how/where?

**3<sup>rd</sup> Line**  
Has this control been checked/monitored or reviewed independently?

Limited	Significant concerns over the adequacy/effectiveness of controls in place in proportion to the risk
Adequate	Controls are applied but improvements required
Effective	Controls in place are effective and proportionate to the risk
n/a	Not applicable

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# Corporate Risk 643 – Recruitment and Retention of Staff

July 2023

Risk Manager: Daniella Della-Cerra-Smith

Head of Human Resources: Stephen Hipwell

The Audit and Governance Committee are encouraged to review the following risks prior to the meeting to allow for feedback during the corporate risk review/deep dive.

## Purpose of Deep Dives:

- Allow the Audit and Governance Committee to undertake a comprehensive review of selected risks
- Provide the opportunity to check and challenge selected risks in more detail to ensure completeness, integrity and accuracy of data
- Demonstrate that the Audit and Governance Committee provide due diligence in the assurance of risk management
- Recommend areas for consideration, if required.

## Sample Deep Dive Questions:

1. Is the risk description, cause and impacts articulated clearly?
2. Is the risk scored against TfN's Risk Management Criteria?
3. Are there controls, actions and fallbacks in place?
4. Are the controls, actions and fallbacks effective enough to achieve the target score?
5. Any additional comments/ areas for consideration?

### 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>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>Reputation</b>	Minimal positive local media coverage/ increase of trust and credibility	Minor positive local media coverage/increase of trust and credibility	Moderate positive regional media coverage/increase of trust and credibility	National short – term positive media coverage/considerable increase of trust and credibility	National long – term positive media coverage, significant increase of trust and credibility.
<b>External Relationship</b>	Minimal increase in TfN's relationships with partners/third parties	Minor increase in TfN's relationships with partners/third parties	Moderate increase in TfN's relationships with partners/third parties	There is considerable evidence that TfN's relationships with partners/third parties is increasing	Relationships with partners/third parties significantly increased, benefitting TfN's credibility
<b>Quality</b>	Work is high quality with minimal changes	Work is high quality with minor changes	Moderate changes and no additional specialist resource to provide very high-quality outputs	Scope changes not required to exceed high quality outputs	Exceeds credible/robust project output expectations, with assurance & partners endorse reports
<b>Time</b>	0 – -1 month	-1 – -3 months	-3 – -9 months	-9 – -12 months	-12 – -18 months

# Corporate Risk 643

Description						Actions				Owner	Due Date
TfN’s is unable to recruit and retain suitable staff to deliver the 2023/24 business plan and medium to long term TfN objectives.						<div>1. Update People Strategy (People Management Framework) aligned to the outcomes of the ongoing change agenda and timescales. This may include, reward, workforce/skills planning, exit interviews, succession planning, recruitment and selection, talent, and performance management. [Control]</div> <div>2. To continue to brief and update staff through the monthly updates, regular bulletins, Team talks, intranet, employee forum and SMT meetings. [Control]</div> <div>3. Full and proper consultation with UNISON - to continue regular formal meetings [Control]</div> <div>4. Recruitment of temporary consultants to ensure delivery of the business plan if required. [Fallback]</div> <div>5. Roll out of employee engagement survey across TfN. [Mitigation]</div> <div>6. Fostering the right culture for TfN success and ensure integrity within organisational values through all members of OBT and SMT.[Control]</div> <div>7. All leavers (internal or consultants) to produce clear handover documentation and discuss outstanding work with managers through regular catch ups.</div>				<div>1. SH</div> <div>2. SH</div> <div>3. SH</div> <div>4. SH</div> <div>5. SH</div> <div>6. MT</div> <div>7. SH</div>	<div>1. Ongoing</div> <div>2. Ongoing</div> <div>3. Ongoing</div> <div>4. Ongoing</div> <div>5. 30 Sept</div> <div>6. Ongoing</div> <div>7. Ongoing</div>
Cause											
Increasing demand within the job market generally and for specialist skills, uncertainty in relation to further devolution, Great British Railways and the IRP.											
Impact										Current Score	Target Score
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, confidence, loss of knowledge and TfN reputational damage and loss of credibility.										17	17
Current Assessment						Target Assessment					
Probability Rating	External Relationship	Reputation	Financial Rating	Quality	Time Rating	Probability Rating	External Relationship	Reputation	Financial Rating	Quality	Time Rating
Low	Very High	Very High	Medium	n/a	Medium	Low	Very High	Very High	Medium	n/a	Medium

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**Meeting:** Transport for the North Audit & Governance Committee  
**Subject:** Draft Statutory Accounts  
**Author:** Emma Sanchez, Financial Accountant  
Julie Openshaw, Head of Legal and Monitoring Officer  
**Sponsor:** Paul Kelly, Finance Director  
**Meeting Date:** Friday 21 July 2023

**1. Purpose of the Report:**

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

**2. Recommendations:**

- 2.1 Note and approve the progress made on the production of the Annual Governance Statement.
- 2.2 Note the progress made on the production of the Annual Statement of Accounts 2022/23 which includes the draft Annual Governance Statement.
- 2.3 Note that the Committee will receive further report on the Accounts in September prior to approval by the Board at the end of September.

**3. Main Issues:**

**Annual Governance Statement**

- 3.1 The Statement of Accounts is the report in which the Annual Governance Statement ("AGS") is publicly disclosed. The draft AGS is included in the draft Statement of Accounts in Appendix 1.
- 3.2 A draft AGS was considered at the committee consultation call on 17 February 2023, when it was noted that the AGS could benefit from further revision and update prior to consideration at this meeting. The review and update has centred around simplifying the output and better reflecting the evidence that demonstrates a robust governance framework. This latter point was in part due to feedback from the review of the AGS by the A&G committee members in earlier years.
- 3.3 The revised AGS seeks to demonstrate that where appropriate, actions have been taken to improve governance. It also captures positive statements to confirm no issues in relation to the remit of statutory officers. In addition, it demonstrates that no disciplinary action has been necessary in respect of any breaches of the codes of conduct for members and officers
- 3.4 The Chair of the Committee has been kept informed with revision process and output.

**Narrative Statement and Financial Statements**

- 3.5 In line with other local government bodies, TfN is required by statute to prepare an annual Statement of Accounts and for those accounts to be audited by an external body.
- 3.6 In connection with the statutory accounts, this report is accompanied by two appendices:

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

These documents are presented to encourage review and scrutiny from Committee members.

- 3.7 The Statement of Accounts must include a Narrative Report which, in addition to a review of financial performance in year, must include information on the forward plans and financial sustainability of the organisation.
- 3.8 Mazars commenced their audit in July.
- 3.9 In line with guidelines, we published the draft Statutory Accounts for public inspection for a 30-day period commencing on 31 May 2023.
- 3.10 TfN Board will be presented with the final audited Accounts, the auditors' opinion, and the Committee's view on 27 September 2023. TfN Board – as 'those charged with governance' – will be asked to approve the accounts.

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

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

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

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

There are no resource implications within this report.

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

Legal implications are addressed within the report.

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

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

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

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

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

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

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

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

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

- 5.1 None

#### **6. Appendices**

- 6.1 1 - Draft Annual Statement of Accounts (Unaudited)
- 6.2 2 - Draft Annual Statement of Accounts Supporting Presentation



# Transport for the North Statement of Accounts 2022/23



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## **Narrative report**

### **Operational 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 the region's over 15 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.

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 first 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. Using our evidence base and policy positions developed since, we have revised the STP and will consult on the draft over summer 2023. The revised STP reflects not only economic growth ambitions for the North, but also the need to decarbonise our transport network and reduce those in transport related social exclusion. Subject to the outcome of the consultation, we expect to adopt the revised STP by end of 2023, with publication in early 2024.

## 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. The board is chaired by an independent Chair – Lord Patrick McLoughlin.

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



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

Our constituent authorities have increased from 19 to 21 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, and the creation of two new unitary authorities in Cumbria from 1 April 2023.

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, and further expanded in 2023 to include a representative from the Northern Chambers of Commerce and the Public Health Directors of the constituent authorities.

### 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 that



have significant input in the ongoing development of our Strategic Transport Plan and associated activities.

## Transport for the North Board and committee structure



## Business model and performance

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

Our Business Plan for 2022/23, published in June 2022 due to the need to restructure, set out TfN's Strategic Objectives and commitments for the year. That Business Plan can be downloaded here:

[Business Plan 2022/23 | Transport for the North - Transport for the North](#)

## Delivering on our objectives

### 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.

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.

## **Our people: Team TfN**

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.

### Our resourcing plan

As agreed by our Members and funders, 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.

Following confirmation of our budget settlement for 2022/23, a cost reduction programme and restructure was implemented in the year that underpins a more sustainable cost base.

Our proposed establishment for 2023/24 is:

	Permanent posts	Fixed term posts	Total posts
<b>Operational:</b>			
Operations	51	1	<b>52</b>
Back office	15	-	<b>15</b>
<b>Total operational and back office</b>	<b>66</b>	<b>1</b>	<b>67</b>
<b>Hosted:</b>			
Rail North Partnership	15	3	<b>18</b>
NPR Analytical Support	25	-	<b>25</b>
<b>Total hosted</b>	<b>40</b>	<b>3</b>	<b>43</b>
<b>Total establishment</b>	<b>106</b>	<b>4</b>	<b>110</b>

TfN's Business Plan outlines how we will mitigate these challenges on our resources, while meeting the ambitions of our partnership. It illustrates the pressing need to work closely with Government in 2023/24 and beyond to re-establish a multi-year funding settlement to support TfN's progression.

### 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.

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.

## Risk management

We have developed risk management processes through which we identify and address the risks associated with each area 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. Project, functional 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 our success in 2022/23

### Summary of activity in 2022/23

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

- Implemented revised TfN Operating model with accompanying restructure and cost reduction programme;
- Developed the governance for the NPR co-sponsor board;
- Delivered analytical support programme for the NPR SOBC programme;
- Updated the Northern Powerhouse Independent Economic Review scenarios for the revised STP;
- Finalised the draft Strategic Transport Plan ready for consultation in summer 2023;
- Launched EV Charging Infrastructure framework and online toolkit;
- Published TRSE research and mapping tool and finalise the strategy for consultation;
- Published the Freight and Logistics Strategy;
- Completed an evidence based assessment of the need for interventions in the RIS Programme;
- Continued to work 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; and
- Worked collaboratively with the six (non-statutory) Sub-national Transport Bodies on issues of common interest.

### Qualitative performance

In our 2022/23 Business Plan we set 20 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; and
- 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. Of the 20 KPIs, 15 were achieved in year. Whilst progress was made on the remaining five KPIs, they were not fully completed in year and have been carried forward into 2023/24. TfN continues to assess the implications of the Integrated Rail Plan for the delivery of KPIs in relation to the Northern Powerhouse Rail programme.



## Financial performance 2022/23

### Performance against budget

In delivering our activity in 2022/23, we incurred expenditure of £14.84m, which represents a variance of £1.68m against our budget. Our financial performance over the course of the year can be summarised as follows:

	Actual £m	Budget £m	Variance £m
<b>Operational</b>			
Rail and Roads	1.83	2.02	0.19
Strategy, Policy and Communications	2.55	2.77	0.22
Back office	2.63	2.61	(0.02)
Transition	1.04	1.44	0.40
<b>Total operational and back office</b>	<b>8.05</b>	<b>8.84</b>	<b>0.79</b>
<b>Hosted</b>			
Rail North Partnership	1.39	1.60	0.21
NPR Analytical Support	5.01	5.66	0.66
NPR closure costs	0.39	0.41	0.03
<b>Total hosted</b>	<b>6.78</b>	<b>7.68</b>	<b>0.89</b>
<b>Total budget</b>	<b>14.84</b>	<b>16.52</b>	<b>1.68</b>

The variance of £0.79m in operational expenditure is mainly as a consequence of savings on transition costs and as a result of recruitment delays, both associated with the organisational restructuring exercise carried out during the year.

Operational activity is predominantly funded by TfN core grant received from the DfT, supplemented by contributions from partners, and a small amount of income from contracts for services provided to partner bodies and interest on investing activities. In meeting operational expenditure, we applied both grant received in year and grant held in reserves from prior years. The underspend in this area therefore reduced the required draw on reserves in the year, leaving a higher reserve balance at the year-end than budgeted.

Hosted activities are entirely funded through specific ring-fenced grants, which cannot be repurposed for other activities. Underspend in these areas of £0.89m is a result of varying work programmes and staff vacancies.

### Reconciliation between outturn and CIES

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

Income	£m
<b>Outturn position</b>	<b>(14.84)</b>
<b>Adjustments for:</b>	
Pensions (IAS19)	(0.38) In CIES not in outturn
RNP grant taken to earmarked reserves	(0.07) In outturn not in CIES
Use of core reserves	0.76 In outturn not in CIES
<b>CIES balance</b>	<b>(14.52)</b>

Expenditure	£m
<b>Outturn position</b>	<b>14.84</b>
<b>Adjustments for:</b>	
Pensions (IAS19)	2.24 In CIES not in outturn
Movement on accumulated absence provision	(0.03) In CIES not in outturn
<b>CIES balance</b>	<b>17.05</b>

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; the treatment of accumulated employee absence costs; and the treatment of grants received.

#### Balance sheet movements

	2021/22	Movement	2022/23
	£m	£m	£m
<b>Assets</b>			
Cash & equivalents	8.68	(0.53)	8.14
Intangible assets	0	-	0
Debtors	1.40	(0.68)	0.73
	<b>10.08</b>	<b>(1.21)</b>	<b>8.87</b>
<b>Liabilities</b>			
Provisions	(0.07)	(0.17)	(0.24)
Grants received in advance	(0.35)	(2.95)	(3.29)
Pension liability	(10.45)	8.89	(1.56)
Creditors	(5.18)	3.66	(1.52)
	<b>(16.05)</b>	<b>9.43</b>	<b>(6.62)</b>
<b>Net assets/ (liabilities)</b>	<b>(5.97)</b>	<b>8.23</b>	<b>2.26</b>

The balance sheet position at 31 March 2023, shows a movement from net liabilities in the prior year, to a net asset position. This is driven by a significant reduction in the pension liability, which is impacted by a range of factors, most notably an increase in the discount rate.

Cash and cash equivalents have reduced as a result of the draw on reserves to fund expenditure in the year and the return of unused grant from prior years to the DfT. This reduction is partially offset by the early receipt of £2.75m of core grant for 2023/24. The balance of creditors has reduced significantly compared to the prior year, reflecting the reduced level of external expenditure.

These movements also affect the reserve balances held by TfN at the year end.

	2021/22 £m	Movement £m	2022/23 £m
<b>Unusable reserves</b>			
Accumulated absence reserve	0.11	(0.03)	0.09
Pension reserve	10.45	(8.89)	1.56
	<b>10.57</b>	<b>(8.92)</b>	<b>1.65</b>
<b>Usable reserves</b>			
Devolved powers earmarked reserve	(0.50)	0.50	-
RNP grant earmarked reserve	(0.03)	(0.07)	(0.10)
General fund reserve	(4.07)	0.26	(3.81)
	<b>(4.60)</b>	<b>0.69</b>	<b>(3.90)</b>
<b>Total reserves</b>	<b>5.97</b>	<b>(8.23)</b>	<b>(2.26)</b>

Unusable reserves, generally held to manage statutory adjustments to general accounting practice, have reduced reflecting the reduced pension deficit.

Usable reserves are uncommitted funds that can be applied to future expenditure. These have reduced reflecting the draw on reserves used to fund expenditure in the year. Amounts previously earmarked by the Board for use in response to changes to devolved powers, have now been released back to the general fund reserve, leaving core reserves at £3.81m.

## Looking ahead to 2023/24 and beyond

Our adopted Business Plan for 2023/24 represents the priorities of the Northern leaders who make up our governance and provides direction for our teams. Whilst our STP has a long-term common goal, our vision is underpinned by short, medium and longer-term plans that advance wide-ranging interventions right across the North.

### Summary of proposed activity in 2023/24

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 2023/24 Business Plan looks to build on that investment to the benefit of all TfN partners (nationally and regionally). In 2023/24 we will:

- Publish updated Strategic Transport Plan (STP2) for consultation – starting mid-May to August: adoption in December 2023;
- Development of advice on implementation of STP2 – to include consideration of indicative regional funding advice, 5-year funding allocations for all local transport authorities
- Road Investment Strategy – to provide advice to the Secretary of State
- Rail Reform – to seek further devolution (incl sub-regional units, building on the existing Rail North Partnership
- Alignment with other strategic infrastructure – including energy systems and ubiquitous digital connectivity, etc
- Developing the TfN 'offer' to partners (across the North and nationally) – utilising Technical Assurance, Modelling and Economic (TAME) team to support other STB's and LTA's.

### Financial planning 2023/24

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 2023/24 business planning process identified our key strategic priorities and identified a common 'golden thread' from strategy to delivery. This 'golden thread' ensured that when detailed individual departmental plans were being designed and objectives set, there was a common and coordinated approach to delivery across the organisation. These common goals are what underpin the expenditure profile and budget for 2023/24.

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 activities 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 and funding

In order to deliver the activity set out in our Business Plan, we have a total budgeted expenditure for 2023/24 of £16.12m. This includes £8.44m of expenditure supporting core operations and £7.68m of expenditure on hosted activities with the associated funding streams as shown below:

Budget by activity	£m	£m	Budget by fund	£m
<b>Operational:</b>			Core grant	7.21
Rail and Roads	2.30		In-year funding (23/24 c/f)	0.03
Strategy, Policy and Communications	3.33		Rail North grant/ Local contributions	0.32
		5.63	Contract income	0.04
<b>Back office</b>		2.81	Use of reserves	0.83
<b>Total operational and back office</b>		<b>8.44</b>	<b>Total operational and back office</b>	<b>8.44</b>
<b>Hosted:</b>			Rail North Partnership grant	0.96
Rail North Partnership	1.62		Rail North grant/ Local contributions	0.40
NPR Analytical Support	5.86		Contract income	0.27
NPR Closure Costs	0.20		NPR/ DfT Analytical support grant	6.06
<b>Total hosted</b>		<b>7.68</b>	<b>Total hosted</b>	<b>7.68</b>
<b>Total budget</b>		<b>16.12</b>	<b>Total budget</b>	<b>16.12</b>

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

Core duties includes operational and support costs. 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 £7.21m Core grant funding allocation, we receive funding that 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 updated reserves strategy set out in the 2023/24 Budget report is based upon a year-end General Fund Reserve of £3.7m, created from Core Grant underspends in prior years. It was agreed that £0.8m of this balance be drawn upon in 2023/24 to support the delivery of the business plan activities. This would reduce the reserve levels to £2.9m by the end of 2023/24, with a further reduction in 2024/25 of £0.5m. For the three subsequent years a financial planning assumption of receiving and increase in core grant from £6.5m to £8m (£7.2m to £8.7m including the support for STB's and LTA's) a year for a three year period has been made. This approach maintains the minimum level of £2m as outlined below in our medium-term financial plan.

The opening reserve position of £3.7m was based on forecast outturn, the actual reserve balance was £3.8m at year end.

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 term over which funding is granted.

In January 2023, the core grant for the two year period to March 2025 was announced at £6.5m with a further £0.71m to support the development of wider STB and LTA capacity and capability giving TfN funding certainty until the end of 2024/25. 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 can 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.

### **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, elements of our funding are ring fenced and can only be drawn down as required. This means 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 2022/23 year-end total reserve balance of £3.8m.

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.

## 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 2023.

Paul Kelly  
Finance Director  
31 May 2023

## Financial statements

### 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.

2021/22 As restated			Notes	2022/23		
Expenditure £000	Income £000	Net £000		Expenditure £000	Income £000	Net £000
41,692	(41,437)	255	NPR/ DfT Analytical Support	5,394	(5,394)	0
1,077	352	1,429	Integrated and Smart Ticketing	-	-	-
1,270	(992)	278	Rail North Partnership	1,668	(1,456)	212
10,019	(714)	9,306	Operational Areas	9,298	(625)	8,674
<b>54,058</b>	<b>(42,791)</b>	<b>11,267</b>	<b>Cost of services</b>	<b>16,360</b>	<b>(7,474)</b>	<b>8,886</b>
0	-	0	Other operating expenditure	-	-	-
492	(233)	259	<b>11</b> Financing and investment income and expenditure	685	(546)	139
0	(5,908)	(5,908)	<b>12</b> Taxation and non-specific grant income	-	(6,500)	(6,500)
<b>54,550</b>	<b>(48,932)</b>	<b>5,618</b>	<b>13</b> <b>Surplus or deficit on provision of services</b>	<b>17,046</b>	<b>(14,521)</b>	<b>2,525</b>
	(3,557)		<b>27</b> Remeasurement of the net defined benefit liability/asset			(10,750)
	<b>(3,557)</b>		<b>Other comprehensive income and expenditure</b>			<b>(10,750)</b>
		<b>2,061</b>	<b>Total comprehensive income and expenditure</b>			<b>(8,225)</b>



## 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.

### 2022/23

	General Fund Balance	Earmarked General Fund Reserves	Total General Fund Balance	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Reserves
	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 1 April 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>
<b>Movement in reserves during 2022/23</b>							
(Surplus) or deficit on the provision of services	2,525	-	2,525	-	2,525	-	2,525
Other Comprehensive Income / Expenditure	-	-	-	-	-	(10,750)	(10,750)
<b>Total Comprehensive Income and Expenditure</b>	<b>2,525</b>	<b>-</b>	<b>2,525</b>	<b>-</b>	<b>2,525</b>	<b>(10,750)</b>	<b>(8,225)</b>
Adjustments between accounting basis and funding basis under regulations (see note 9)	(1,832)	-	(1,832)	-	(1,832)	1,832	-
<b>Net (Increase) or Decrease before Transfer to Earmarked Reserves</b>	<b>693</b>	<b>-</b>	<b>693</b>	<b>-</b>	<b>693</b>	<b>(8,918)</b>	<b>(8,225)</b>
Transfer (to)/from Earmarked Reserves (see note 10)	(434)	434	-	-	-	-	-
<b>(Increase) or Decrease in 2022/23</b>	<b>259</b>	<b>434</b>	<b>693</b>	<b>-</b>	<b>693</b>	<b>(8,918)</b>	<b>(8,225)</b>
<b>Balance at 31 March 2023</b>	<b>(3,808)</b>	<b>(97)</b>	<b>(3,905)</b>	<b>-</b>	<b>(3,905)</b>	<b>1,649</b>	<b>(2,256)</b>

### 2021/22

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



## Balance sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by TfN. The net liabilities (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. The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'adjustments between accounting basis and funding basis under regulations.'

<b>31 March 2022</b>			<b>31 March 2023</b>
<b>£000</b>	<b>Notes</b>		<b>£000</b>
-	<b>14</b>	Intangible Assets	-
-		<b>Long Term Assets</b>	-
1,405	<b>15</b>	Short-Term Debtors	728
8,677	<b>16</b>	Cash and Cash Equivalents	8,144
<b>10,082</b>		<b>Current Assets</b>	<b>8,873</b>
(5,183)	<b>17</b>	Short-Term Creditors	(1,522)
(68)	<b>18</b>	Provisions	(240)
(346)	<b>8</b>	Grants Receipts in Advance - Revenue	(3,293)
<b>(5,597)</b>		<b>Current Liabilities</b>	<b>(5,055)</b>
(10,454)	<b>27</b>	Pension Liability	(1,562)
<b>(10,454)</b>		<b>Long term Liabilities</b>	<b>(1,562)</b>
<b>(5,969)</b>		<b>Net Assets/ (Liabilities)</b>	<b>2,256</b>
(4,598)	<b>19</b>	Usable Reserves	(3,905)
10,567	<b>19</b>	Unusable Reserves	1,649
<b>5,969</b>		<b>Total Reserves</b>	<b>(2,256)</b>

## 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>2021/22</b>	<b>2022/23</b>
<b>£000</b>	<b>£000</b>
5,618 Net (surplus) or deficit on the provision of services	2,525
3,726 Adjustment to surplus or deficit on the provision of services for noncash movements	(2,012)
0 Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	169
<b>9,344 Net cash flows from operating activities</b>	<b>682</b>
0 Net cash flows from investing activities	(149)
<b>9,344 Net (increase) or decrease in cash and cash equivalents</b>	<b>533</b>
18,021 Cash and cash equivalents at the beginning of the reporting period	<b>8,677</b>
<b>8,677 Cash and cash equivalents at the end of the reporting period</b>	<b>8,144</b>

## Disclosure notes

### 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).

2021/22 As restated				2022/23		
Net Expenditure Chargeable to the General Fund Balance £000	Adjustments (see note 2) £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000		Net Expenditure Chargeable to the General Fund Balance £000	Adjustments (see note 2) £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
-	255	255	NPR/ DfT Analytical Support	-	-	-
1,250	179	1,429	Integrated and Smart Ticketing	-	-	-
23	255	278	Rail North Partnership	(66)	278	212
8,080	1,226	9,306	Operational Areas	7,428	1,245	8,674
<b>9,352</b>	<b>1,915</b>	<b>11,267</b>	<b>Net Cost of Services</b>	<b>7,362</b>	<b>1,524</b>	<b>8,886</b>
(6,003)	354	(5,649)	Other Income and Expenditure	(6,669)	308	(6,361)
<b>3,349</b>	<b>2,269</b>	<b>5,618</b>	<b>Surplus or Deficit on Provision of Services</b>	<b>693</b>	<b>1,832</b>	<b>2,525</b>
(7,947)			Opening Combined General Fund Balance	(4,598)		
3,349			Plus/less Surplus or Deficit on the General Fund Balance for the Year (Statutory basis)	693		
<b>(4,598)</b>			<b>Closing Combined General Fund Balance</b>	<b>(3,905)</b>		

**Note 2 - Note to the expenditure and funding analysis****2022/23**

	<b>Net Capital Statutory Adjustments</b>	<b>Net Pensions Statutory Adjustments</b>	<b>Other Statutory Adjustments</b>	<b>Total Adjustments</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
NPR/ DfT Analytical Support	-	-	-	-
Rail North Partnership	-	279	(1)	278
Operational Areas	-	1,271	(25)	1,246
<b>Net Cost of Services</b>	<b>-</b>	<b>1,550</b>	<b>(26)</b>	<b>1,524</b>
Other Income and Expenditure	-	308	-	308
<b>Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement</b>	<b>-</b>	<b>1,858</b>	<b>(26)</b>	<b>1,832</b>

**2021/22 As restated**

	<b>Net Capital Statutory Adjustments</b>	<b>Net Pensions Statutory Adjustments</b>	<b>Other Statutory Adjustments</b>	<b>Total Adjustments</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
NPR/ DfT Analytical Support	-	287	(32)	255
Integrated and Smart Ticketing	185	9	(16)	178
Rail North Partnership	-	264	(10)	254
Operational Areas	-	1,299	(72)	1,227
<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>

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 – reversal of accumulated absence accruals from CIES to the accumulated absence account.

## **Note 3 - Accounting policies**

### **General principles**

The statement of accounts summarises TfN's transactions for the 2022/23 financial year and its position at the year-end of 31 March 2023. 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 have to be published before 1<sup>st</sup> June. 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 may not be settled, the balance of debtors is written down and a charge made to revenue in financing and investment income and expenditure for the income that might not be collected.

### **Cash and cash equivalents**

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

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

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

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

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

### **Leases**

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

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

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

### **Operating leases**

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

### **Events after the reporting period**

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

Two types of event can be identified:

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

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

## **Financial instruments**

### **Financial liabilities**

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

### **Financial assets**

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

### **Government grants and contributions**

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

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

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

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

## **Overheads and support services**

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

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

## **Provisions**

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

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

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

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

## **Reserves**

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

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

## **Revenue expenditure funded from capital under statute**

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

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



## **Value added tax (VAT)**

TfN neither provides services for consideration nor is able to recover the VAT incurred on expenditure. Costs are shown gross of VAT within the relevant service lines on the face of the CIES.

## **Intangible assets**

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

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

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

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

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

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

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

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

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

## **Employee benefits**

### **Benefits payable during employment**

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

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

### **Termination benefits**

Termination benefits are amounts payable as a result of a decision by TfN to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits. They are charged on an accruals basis to the appropriate service segment in the Comprehensive Income and Expenditure Statement at the earlier of when TfN can no longer withdraw the offer of those benefits or when TfN recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by TfN to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

### **Post-employment benefits**

Employees of TfN are enrolled in the Local Government Pension Scheme (LGPS). TfN pays an employer's contribution into the Greater Manchester Pension Fund, which is a fully funded defined benefit scheme administered by Tameside Metropolitan Borough Council.

The liabilities of the Greater Manchester Pension Fund attributable to TfN are included in the Balance Sheet on an actuarial basis using the projected unit method, i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projections of projected earnings for current employees.

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

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

1. quoted securities – current bid price
2. unquoted securities – professional estimate
3. 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 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.

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 £439k. However, the assumptions interact in complex ways; details of the sensitivities are set out in Note 27.

### Note 6 - Material items of income and expense

There were no material items of income and expenditure in the year.

### Note 7 - Events after the reporting period

The Statement of Accounts was authorised for issue by the Finance Director 31 May 2023. 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.

#### Grant income credited to services

2021/22 £000	2022/23 £000
(41,437) NPR Transport Development Fund	(5,394)
352 Integrated & Smart Ticketing Revenue	-
(809) Rail North Partnership Grant	(962)
- In-year funding	(265)
(17) External Audit - Redmond Review support grant	(16)
(61) Rail North Local Contributions	(62)
(567) Rail North Rail Grant (via Local Contributions)	(584)
<b>(42,539) Total Grant Income Credited to Services</b>	<b>(7,283)</b>
(252) Contract Income - Rail Services	(192)
<b>(42,791) Total Income Credited to Services in CIES</b>	<b>(7,474)</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 to fund NPR analytical support must be returned to the Department for Transport if not required.

**Grant receipts in advance - revenue**

<b>2021/22</b>	<b>2022/23</b>
<b>£000</b>	<b>£000</b>
(336) Department for Transport Project Funding	(71)
(10) Trans Pennine Tunnel Traffic Modelling	-
- NPR Transport Development Fund	(467)
- Core grant 2023/24	(2,754)
<b>(346) Total</b>	<b>(3,293)</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**

<b>2021/22</b>	<b>2022/23</b>
<b>£000</b>	<b>£000</b>
(6,000) Core Grant	(6,500)
92 Intergrated & Smart Ticketing Capital	-
<b>(5,908) Total</b>	<b>(6,500)</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. TfN no longer holds any capital grant.

**2022/23**

	General Fund Balance £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments to the Revenue Resources			
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:			
Pension cost (transferred to (or from) the Pensions Reserve)	(1,858)	-	1,858
Holiday pay (transferred to the Accumulated Absences Reserve)	26	-	(26)
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)	-	-	-
<b>Total Adjustments to Revenue Resources</b>	<b>(1,832)</b>	<b>-</b>	<b>1,832</b>
Adjustments between Revenue and Capital Resources			
Capital expenditure financed from Capital Grants Unapplied	-	-	-
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Adjustments</b>	<b>(1,832)</b>	<b>-</b>	<b>1,832</b>

**2021/22**

	General Fund Balance £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments to the Revenue Resources			
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:			
Pension cost (transferred to (or from) the Pensions Reserve)	(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>

**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.



	Balance at 31 March 2021	Transfers (in)/out	Balance at 31 March 2022	Transfers (in)/out	Balance at 31 March 2023
	£000	£000	£000	£000	£000
<b>Earmarked general fund reserves:</b>					
Integrated and Smart Ticketing Revenue Funding Reserve	(1,250)	1,250	-	-	-
Earmarked Devolved Powers Reserve	(500)	-	(500)	500	-
Earmarked RNP Grant Reserve	(31)	-	(31)	(66)	(97)
<b>Total earmarked general fund reserves</b>	<b>(1,781)</b>	<b>1,250</b>	<b>(531)</b>	<b>434</b>	<b>(97)</b>

## Note 11 - 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.

2021/22	2022/23
£000	£000
492 Interest payable on the net defined benefit liability	685
(233) Interest receivable and similar income	(546)
<b>259 Total</b>	<b>139</b>

## Note 12 - 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.

2021/22	2022/23
£000	£000
(6,000) TfN Core Grant	(6,500)
92 Integrated and Smart Ticketing Capital Grant	-
<b>(5,908) Total</b>	<b>(6,500)</b>

## Note 13 - 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.'

2021/22	2022/23
£000	£000
Nature of Expenditure or Income	
(253) Fees, charges and other service income	(192)
(233) Interest and investment income	(546)
(48,446) Government grants and contributions	(13,783)
10,600 Employee benefits expenses	8,995
43,458 Other service expenses	7,366
491 Interest payments	685
<b>5,618 (Surplus) or Deficit for Year</b>	<b>2,525</b>

Other service expenses includes all professional service costs, accommodation and business infrastructure costs relating to all activities delivered by TfN. Following the restructuring exercise

carried out in the year, employee benefits expenses now make up the largest share of our expenditure, with a reduced level of professional services expenditure.

## Note 14 - 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 2022				31 March 2023		
Assets Under Development	Operational Assets	Total		Assets Under Development	Operational Assets	Total
£000	£000	£000		£000	£000	£000
-	3,482	3,482	Balance at start of year:	-	1,009	1,009
-	(3,482)	(3,482)	Gross carrying amounts	-	(1,009)	(1,009)
-	-	-	Accumulated amortisation	-	-	-
-	-	-	<b>Net carrying amount at start of year</b>	-	-	-
-	-	-	Additions:	-	-	-
-	-	-	- Internal development	-	-	-
-	256	256	Assets that became operational in the year	-	-	-
-	(2,473)	(2,473)	Amortisation for the period	-	-	-
-	2,217	2,217	Disposal	-	-	-
-	-	-	Impairment losses recognised in the surplus/ deficit on the provision of services	-	-	-
-	-	-	<b>Net carrying amount at end of year</b>	-	-	-
-	1,009	1,009	Comprising:	-	1,009	1,009
-	(1,009)	(1,009)	- Gross carrying amounts	-	(1,009)	(1,009)
-	-	-	- Accumulated amortisation and impairment	-	-	-
-	-	-	<b>Total</b>	-	-	-

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

The note also recognises the development and implementation of TfN's enterprise resource planning (ERP) system asset valued at £1.01m (2022: £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 15 - 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.

Total debtors include financial assets of £0.56m (2022: £1.21m), 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.



31 March 2022	31 March 2023
£000	£000
1 Employees	-
1,043 Department for Transport	-
17 Department for Levelling Up, Housing and Communities	-
200 Prepayments	165
144 TfN Partners	543
- Other	20
<b>1,405 Total Debtors</b>	<b>728</b>

## Note 16 – Cash & cash equivalents

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

31 March 2022	31 March 2023
£000	£000
8,677 Cash and Bank Balances	6,144
- Short Term Investments	2,000
<b>8,677 Total Cash and Cash Equivalents</b>	<b>8,144</b>

## Note 17 - Creditors

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

31 March 2022	31 March 2023
£000	£000
(114) Employees	(89)
(20) HMRC	(16)
- Greater Manchester Pension Fund	(218)
(448) Department for Transport	-
<b>Train Operating Companies:</b>	
(62) Arriva Rail North/ Northern Trains Ltd.	-
(51) Transpennine Express	-
(26) Merseytravel	-
<b>TfN Partners:</b>	
(606) Transport for Greater Manchester	(141)
(60) North East Combined Authority	-
(1,229) Network Rail	-
(2,567) <b>Trade Suppliers</b>	(1,059)
<b>(5,183) Total Creditors</b>	<b>(1,522)</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 TfN partners relate to TfN's Manchester office space, which is leased from Transport for Greater Manchester (TfGM).

The table above includes financial liabilities of £1.52m (2022: £5.18m) 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 18 - Provisions

Provisions reflect the amount set aside for probable, but uncertain, economic obligations. At 31 March 2023 this only included forecast amounts due to settle contractual issues with suppliers.

31 March 2022		31 March 2023
£000	Total Provisions	£000
(68)	Opening Balance	(68)
-	(Increase)/decrease in provision during year	(172)
<b>(68)</b>	Closing Balance	<b>(240)</b>

## Note 19 - 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.

2021/22	2022/23
£000	£000
(500) Earmarked Devolved Powers Reserve	-
(31) Earmarked RNP Reserve	(97)
(4,067) General Fund	(3,808)
<b>(4,598) Total</b>	<b>(3,905)</b>

The Board in the past earmarked reserve for use in response to changes to devolved powers, this has now been released back to the general fund reserve.

### Unusable reserves

The following reserves are unusable for reasons explained below.

2021/22	2022/23
£000	£000
10,454 Pension Reserve	1,562
113 Accumulated Absence Account	87
<b>10,567 Total</b>	<b>1,649</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.

<b>2021/22</b>	<b>2022/23</b>
<b>£000</b>	<b>£000</b>
- <b>Balance 1 April</b>	-
(2,217) Charges for depreciation and impairment of non-current assets	-
(256) Amortisation of intangible assets	-
185 Revenue expenditure funded from capital under statute	-
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>185 Net written out amount of the cost of non-current assets consumed in the year</b>	-
(185) Application of grants and contributions from the Capital Grants Unapplied Reserve	-
<b>(185) Capital financing applied in year</b>	-
- <b>Balance 31 March</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.

<b>2021/22</b>	<b>2022/23</b>
<b>£000</b>	<b>£000</b>
<b>11,889 Balance at 1 April</b>	<b>10,454</b>
(3,557) Remeasurements of the net defined benefit (liability)/asset	(10,750)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	2,705
3,436 Employer's pensions contributions and direct payments to pensioners payable in the year	(847)
<b>10,454 Balance at 31 March</b>	<b>1,562</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.

2021/22 £000	2022/23 £000
<b>243 Balance 1 April</b>	<b>113</b>
Settlement or cancellation of accrual made at the end of the (243) preceding year	(113)
113 Amounts accrued at the end of the current year	87
(130) 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	(26)
<b>113 Balance 31 March</b>	<b>87</b>

## Note 20 - 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 covers the operating surplus or deficit to a cash basis.

2021/22 £000	2022/23 £000
2,217 Impairment and downward valuations	-
256 Amortisation	-
(2,473) Disposal of intangible assets	-
4,948 (Increase)/decrease in creditors	715
900 Increase/(decrease) in debtors	(696)
(2,122) Movement in pension liability	(1,858)
- Other non-cash movements charged to the surplus or deficit on provision of services	(172)
<b>3,726 Total</b>	<b>(2,011)</b>

## Note 21 - Cash flow from investing activities

2021/22 £000	2022/23 £000
- Purchase of property, plant and equipment, investment property and intangible assets	-
- Other receipts from investing activities	(169)
<b>0 Net cash flows from investing activities</b>	<b>(169)</b>

## Note 22 - Members' allowances

The authority pays an allowance to the Independent Members of its Audit and Governance Committee.

2021/22 £	2022/23 £
2,400 Independent Audit & Governance Committee Members	1,100

## Note 23 - 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 was as follows:

<b>Role</b>	<b>Salary (£)</b>	<b>Employer Pension Contribution (£)</b>	<b>Taxable Allowances (£)</b>	<b>Professional Memberships (£)</b>	<b>Redundancy Payments (£)</b>
Chief Executive (Head of Paid Service)					
<i>Martin Tugwell</i>	154,550	26,892	-	-	-
Chairman (pro-rata)					
<i>Patrick McLoughlin</i>	60,000	-	-	-	-
- <i>Chairman full-time equivalent</i>	225,000				
Rail & Roads Director	20,765	3,613	-	-	-
- <i>Joined 06/02/23</i>					
Strategy, Analysis and Communications Director	15,892	2,765	-	-	-
- <i>Joined 06/02/23</i>					
Rail North Partnership Director	125,435	21,826	-	-	-
Chief Financial Officer (Section 151)	121,475	21,137	-	415	-
Head of Legal Services (Monitoring Officer)	93,360	16,245	-	316	-
Major Roads Programme Director	32,950	4,597	87	362	163,413
- <i>Departed 01/07/22</i>					
Strategic Rail Director	125,435	21,826	379	-	-
- <i>Role removed 31/03/23</i>					
Business Capabilities Director	118,619	13,569	-	-	167,808
- <i>Departed 14/11/22</i>					
Strategy and Policy Director	119,822	20,849	-	-	-
- <i>Departed 31/03/23</i>					

## 2021/22

<b>2021/22</b>	<b>Salary (£)</b>	<b>Employer Pension Contribution (£)</b>	<b>Taxable Allowances (£)</b>	<b>Professional Memberships (£)</b>	<b>Severance Payments (£)</b>
<b>Role</b>					
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.*

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:

2021/22	2022/23
12 £50,000 – £54,999	8
8 £55,000 – £59,999	9
10 £60,000 – £64,999	7
2 £65,000 – £69,999	4
2 £70,000 – £74,999	3
5 £75,000 – £79,999	2
3 £80,000 – £84,999	5
1 £85,000 – £89,999	1
- £90,000 – £94,999	-
1 £95,000 – £99,999	-
44	39

## Note 24 - External audit costs

The fees payable to external auditors in 2022/23 with regard to external audit services carried out by the appointed auditor were £36k (2022: £45k).

## Note 25 - 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 2022/23 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 £15.75m (2022: £48.59) were received from the Department, which combined with the balance of grants received in the prior year made £16.41m of grant available. Of this, £13.12m (2022: £48.25m) was recognised as income in the year, the remaining £3.29m (2022: 0.34m) 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 and amounted to £0.65m (2022: £0.63m) 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 2022/23 income was recognised to the value of £0.18m (2022: £0.25m).

### 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 £0.52m (2022: £0.48m) with Transport for Greater Manchester.

### Note 26 - Capital Expenditure and Capital Financing

Following the closure of the Integrated and Smart Ticketing programme, TfN did not incur any capital expenditure in the year.

2021/22 £000	2022/23 £000
- Opening Capital Financing Requirement	-
Capital Investment:	
- Intangible Assets	-
185 Revenue Expenditure Funded from Capital Under Statute	-
<b>185 Total Capital Spending</b>	-
Sources of Finance:	
(185) Government grants and other contributions	-
<b>(185) Total Sources of Finance</b>	-
- Closing Capital Financing Requirement	-

### Note 27 - Defined benefit pension scheme

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

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



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

### General fund transactions

<b>Comprehensive Income &amp; Expenditure Statement</b>	
<b>Cost of Services</b>	
<b>2021/22</b>	<b>2022/23</b>
<b>£000</b>	<b>£000</b>
Service cost comprising:	
2,963 Current service cost	2,026
211 Past service cost	371
262 Net interest expense	308
<b>3,436 Total charged to Surplus or Deficit on Provision of Services</b>	<b>2,705</b>
<b>Other post employment benefits charged to the Comprehensive Income &amp; Expenditure Statement</b>	
<b>2021/22</b>	<b>2022/23</b>
<b>£000</b>	<b>£000</b>
Re-measurement of the net defined benefit liability comprising:	
(859) Return on plan assets (excluding the amount included in the net interest expense)	(441)
(255) Actuarial gains and losses arising on changes in demographic assumptions	(960)
(2,496) Actuarial gains and losses arising on changes in financial assumptions	(13,342)
53 Actuarial gains and losses arising on changes in other assumptions	3,993
<b>(3,557) Total charged to Other Comprehensive Income &amp; Expenditure Statement</b>	<b>(10,750)</b>
<b>(121) Total charged to the Comprehensive Income &amp; Expenditure Statement</b>	<b>(8,045)</b>
<b>Movement in Reserves Statement</b>	
<b>2021/22</b>	<b>2022/23</b>
<b>£000</b>	<b>£000</b>
(3,436) Reversal of net charges made to the Surplus or Deficit on the Provision of Services	(2,705)
Actual amount charged against the General Fund balance for pensions in the year	
1,314 Employers' contributions payable to the scheme	847

### 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:

<b>2021/22</b>	<b>2022/23</b>
<b>£000</b>	<b>£000</b>
(23,596) Present value of the defined obligation	(16,661)
13,142 Fair value of plan assets	15,099
<b>(10,454) Total charged to Surplus or Deficit on Provision of Services</b>	<b>(1,562)</b>



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

<b>2021/22</b>	<b>2022/23</b>
<b>£000</b>	<b>£000</b>
10,266 Opening fair value of scheme assets	13,142
- Revaluation of opening fair value of scheme assets	-
10,266 Revised opening fair value of scheme assets	13,142
229 Interest income	377
Re-measurement gain/(loss):	
859 Return on plan assets (excluding the amount included in the net interest expense)	441
1,314 Contributions from employer	847
536 Contributions from employees into the scheme	428
(62) Net benefits paid out	(136)
<b>13,142 Total charged to Surplus or Deficit on Provision of Services</b>	<b>15,099</b>

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

<b>2021/22</b>	<b>2022/23</b>
<b>£000</b>	<b>£000</b>
(22,155) Opening balance at 1 April	(23,596)
(2,963) Current service cost	(2,026)
(491) Interest cost	(685)
(536) Contributions from scheme participants	(428)
Re-measurement gains and losses:	
255 Actuarial gains and losses arising on changes in demographic assumptions	960
2,496 Actuarial gains and losses arising on changes in financial assumptions	13,342
(53) Actuarial gains and losses arising on changes in other assumptions	(3,993)
(211) Past service cost	(371)
62 Net benefits paid out	136
<b>(23,596) Total charged to Surplus or Deficit on Provision of Services</b>	<b>(16,661)</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.

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

2021/22			2022/23		
Quoted £000	Unquoted £000	Total £000	Quoted £000	Unquoted £000	Total £000
<b>411</b>	-	<b>411</b>	<b>383</b>	-	<b>383</b>
<b>Cash &amp; cash equivalents</b>					
Equity Securities					
1,023	-	1,023	907	-	907
914	-	914	835	-	835
622	-	622	745	-	745
1,374	-	1,374	1,288	-	1,288
701	-	701	756	-	756
702	-	702	1,066	-	1,066
161	-	161	172	-	172
<b>5,497</b>	-	<b>5,497</b>	<b>5,769</b>	-	<b>5,769</b>
<b>Subtotal Equity Securities</b>					
Debt Securities					
525	-	525	602	-	602
-	-	-	-	-	-
226	-	226	361	-	361
390	-	390	449	-	449
<b>1,141</b>	-	<b>1,141</b>	<b>1,412</b>	-	<b>1,412</b>
<b>Subtotal Debt Securities</b>					
Private Equity					
-	929	929	-	1,129	1,129
<b>-</b>	<b>929</b>	<b>929</b>	<b>-</b>	<b>1,129</b>	<b>1,129</b>
<b>Subtotal Private Equity</b>					
Real Estate					
-	509	509	-	587	587
<b>-</b>	<b>509</b>	<b>509</b>	<b>-</b>	<b>587</b>	<b>587</b>
<b>Subtotal Real Estate</b>					
Investment Funds & Unit Trusts					
870	-	870	807	-	807
1,356	-	1,356	1,340	-	1,340
-	-	-	-	-	-
-	-	-	-	-	-
-	762	762	-	1,207	1,207
265	1,491	1,756	368	2,097	2,465
<b>2,491</b>	<b>2,253</b>	<b>4,744</b>	<b>2,515</b>	<b>3,304</b>	<b>5,818</b>
<b>Subtotal Investment Funds &amp; Unit Trusts</b>					
Derivatives					
(89)	-	(89)	-	-	-
<b>(89)</b>	-	<b>(89)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Subtotal Derivatives</b>					
<b>9,451</b>	<b>3,691</b>	<b>13,142</b>	<b>10,079</b>	<b>5,020</b>	<b>15,099</b>
<b>Total Assets</b>					

## Basis for estimating assets and liabilities

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

Both the Local Government Pension Scheme and discretionary benefits liabilities have been estimated by Hymans Robertson LLP, an independent firm of actuaries, estimates for the fund being based on the latest full valuation of the scheme as at 31 March 2023.

**Financial**

Period Ended	31 March 2023	31 March 2022
	%p.a.	%p.a.
Pension Increase Rate (CPI)	2.95%	3.15%
Salary Increase Rate	3.75%	3.90%
Discount Rate	4.75%	2.75%

**Mortality**

	Male	Female
Current Pensioners	22.0 years	23.5 years
Future Pensioners*	22.6 years	25.6 years

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

**Historic mortality**

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

Current pensioners	Future pensioners
VitaCurves with improvements in line with the CMI 2021 model assuming a long-term rate of improvement of 1.50% p.a.	VitaCurves with improvements in line with the CMI 2021 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 50% of the maximum additional tax-free cash up to HMRC limits.

**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.

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

Change in assumptions at 31 March 2023	Approximate % increase to Defined Benefit Obligation	Approximate monetary amount (£000)
0.1% decrease in Real Discount Rate	3%	439
1 year increase in member life expectancy	4%	666
0.1% increase in the Salary Increase Rate	0%	42
0.1% increase in the Pension Increase Rate (CPI)	2%	404

## Note 28 - Leases

TfN has one property held under operating lease comprising the Manchester office. TfN also holds an operating lease for ICT equipment. The minimum lease payments due under non-cancellable leases in future years are:

31 March 2022	31 March 2023
£000	£000
313 Not later than one year	173
142 Later than one year and not later than 5 years	-
0 More than 5 years	-
<b>455 Total</b>	<b>173</b>

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 £0.49m (2022: £0.59m).

## Note 29 – Prior Year Adjustment

In 2022/23 TfN adopted a new reporting structure, the new structure has been reflected in the comprehensive income and expenditure statement and the expenditure and funding analysis. The prior year comparatives have been amended as shown in the tables below.

### Comprehensive income and expenditure statement

	As previously reported			Restatement	As restated		
	Expenditure £000	Income £000	Net £000		Expenditure £000	Income £000	Net £000
Major Road Programme (Strategic Development Corridors)	1,850	-	1,850	(1,850)			
Northern Powerhouse Rail	41,692	(41,437)	255	(255)			
Integrated and Smart Ticketing	1,077	352	1,429	-	1,077	352	1,429
Rail Operations	3,337	(1,689)	1,648	(1,648)			
Operational Areas	6,102	(17)	6,085	(6,085)			
NPR/ DFT Analytical Support				255	41,692	(41,437)	255
Rail North Partnership				278	1,270	(992)	278
Operational Areas				9,306	10,019	(714)	9,306
<b>Cost of Services</b>	<b>54,058</b>	<b>(42,791)</b>	<b>11,267</b>	<b>0</b>	<b>54,058</b>	<b>(42,791)</b>	<b>11,267</b>

### Expenditure and funding analysis

	As previously reported			Restatement	As restated		
	Net Expenditure Chargeable to the General Fund Balance £000	Adjustments £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000		Net Expenditure Chargeable to the General Fund Balance £000	Adjustments £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
Major Road Programme (Strategic Development Corridors)	1,747	103	1,850	(1,850)			
Northern Powerhouse Rail	-	255	255	(255)			
Integrated and Smart Ticketing	1,250	179	1,429	-	1,250	179	1,429
Rail Operations	1,237	411	1,648	(1,648)			
Operational Areas	5,118	967	6,085	(6,085)			
NPR/ DFT Analytical Support				255	-	255	255
Rail North Partnership				278	23	255	278
Operational Areas				9,306	8,080	1,226	9,306
<b>Cost of Services</b>	<b>9,352</b>	<b>1,915</b>	<b>11,267</b>	<b>-</b>	<b>9,353</b>	<b>1,915</b>	<b>11,268</b>

	As previously reported				Restatement	As restated			
	Net Capital Statutory Adjustments	Net Pensions Statutory	Other Statutory Adjustments	Total Adjustments		Net Capital Statutory Adjustments	Net Pensions Statutory	Other Statutory Adjustments	Total Adjustments
	£000	£000	£000	£000		£000	£000	£000	£000
Major Road Programme (Strategic Development Corridors)	-	107	(4)	103	(103)				
Northern Powerhouse Rail	-	287	(32)	255	(255)				
Integrated and Smart Ticketing	185	9	(16)	178	-	185	9	(16)	178
Rail Operations	-	427	(16)	411	(411)				
Operational Areas	-	1,030	(62)	968	(968)				
NPR/ DfT Analytical Support					255	-	287	(32)	255
Rail North Partnership					254	-	264	(10)	255
Operational Areas					1,227	-	1,299	(72)	1,227
<b>Net Cost of Services</b>	<b>185</b>	<b>1,860</b>	<b>(130)</b>	<b>1,915</b>	<b>(0)</b>	<b>185</b>	<b>1,860</b>	<b>(130)</b>	<b>1,915</b>

# Annual Governance Statement 2022/23

## 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.

Transport for the North was established from 1 April 2018 by the Sub-National Transport Body (Transport for the North) Regulations 2018 ("the 2018 Regulations"). This is its fifth Annual Governance Statement and its Constitution, policies, procedures, and systems continued to be developed during 2022/23. 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. Other powers devolved to TfN are included in the Regulations. Transport for the North is funded in this work by the DfT.

The Transport for the North Board is made up of the representatives of the 21 (formerly 20) Constituent Authorities in the North (in 2023 following the dissolution Cumbria County Council was dissolved and replaced by Cumberland and Westmorland and Furness, at the same time North Yorkshire County Council was replaced by North Yorkshire Council) 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 non-voting co-opted Members on the Board.

The Transport for the North Board has also appointed, as non-voting co-opted members, the representatives of the 11 Local Enterprise Partnerships (LEPs) in the Transport for the North Area and representatives of National Highways (formerly Highways England), Network Rail and HS2. Following the Government's announcement that the central funding of LEPs is to be discontinued, the Board will give consideration in 2023/24 as to how the business voice will continue to be represented moving forward. Transport for the North's governance arrangements are set out in its Constitution. Changes to the Constitution (except for minor amendments which can be made under officer delegated authority), 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. The Rail North Committee oversees the management of the Northern and Trans Pennine Express rail contracts (including delivery performance) under the Rail North Partnership Agreement with the Secretary of State for Transport. The arrangements under the Partnership Agreement have continued under the revised arrangements which have seen the Northern and Trans Pennine Express contracts (separately) taken over by the Operator of Last Resort (OLR).

The 2018 Regulations also provided for the appointment of a Partnership Board to advise on matters relating to transport in the area. The membership of the Partnership Board now includes representatives from each of Disability UK, the Committee on Climate Change, Transport Focus, the Northern Chambers of Commerce, the Directors of Public Health, three regional TUC representatives and a DfT observer. Transport for the North has a Scrutiny Committee made up of elected Members appointed by the 21 Constituent Authorities whose role is to scrutinise proposals prior to recommendation 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 a policy of "Scrutiny First" under which the Scrutiny Committee has an opportunity to comment on and advise on issues for decision by the Board before they are made rather than scrutinising decisions which have already been taken.

The Scrutiny Committee decided not to set up specific scrutiny panels but to continue to operate as a full committee.

Transport for the North has also established an Audit and Governance Committee consisting of six elected Members drawn from the 21 Constituent Authorities and four Independent Members, the latter of whom have been publicly recruited on the basis of, relevant skills.

The Committee's role is to provide assurance to the Board on governance, risk management and the internal control framework.

The General Purposes Committee began to meet from February 2022. Its role is to determine matters which are not specifically reserved to Board or delegated to any other Committee or Officer of Transport for the North. It has begun to establish its role and its relationship with Transport for the North Board and other Committees.

During the Covid-19 pandemic, Transport for the North implemented measures to allow remote working and made use of the ability to convene virtual meetings as permitted by legislation.

Since easing of the restrictions in June 2021, some of Transport for the North's Boards and Committees have been able to be held in person. Others have continued to be held as Consultation Calls where still necessary to enable the necessary consultation to be carried out by the Chief Executive to exercise his delegated powers. All in-person Transport for the North Board meetings and consultation calls continued to be streamed live to the public.

Following further removal of restrictions, Transport for the North has reverted to holding more meetings in person, particularly where decisions have needed to be made.

## **1.0 Scope of Responsibility**

- 1.1 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.
- 1.2 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.
- 1.3 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.
- 1.4 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. The Code of Corporate Governance is included in Transport for the North's Constitution and is on Transport for the North's website at <http://www.transportfornorth.com>.

## **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 2022/23 financial year and up to the date of approval of the Statement of Accounts.

### 3.0 The Corporate Governance Framework

- 3.1 Transport for the North has adopted a Code of Corporate Governance that incorporates Core Principles that align with CIPFA guidance. These are captured in the following table and supported by evidence that demonstrates compliance.

<b>A. 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>
<b>Evidence and Outcomes</b>
<p>Transport for the North's vision is:                      'To create a thriving North of England where world class transport supports sustainable economic growth, excellent quality of life and improved opportunities for all.'</p> <p>A new draft Strategic Transport plan (STP2) has been drafted and the TfN Board agreed to issue it for consultation in May 2023. The plan sets out the strategic outcomes for the region and the role that investment in the North's transport system has to play in delivering those outcomes. To assist in this ambition the draft STP2 includes specific 'right share metrics' against which progress will be monitored. The plan sets out a vision for improved connectivity across the wider region and is an ambitious transformational, pan northern strategy that seeks to secure long-term sustainable economic growth in the north.</p> <p>The updated STP2 will be used by the TfN Board to prepare its statutory advice to Government on pan-regional investment priorities for the North. We produce regular reports setting out its targets and achievement against them. The draft STP2 proposes that TfN will prepare and publish an annual report that will draw on the monitoring and evaluation framework set out in STP2.</p> <p>A medium-term financial strategy is prepared and scrutinised by members to ensure it supports the ambition of Transport for the North. Detailed annual budgets are approved and shared with constituent authorities.</p> <p>Annual accounts are produced within 3 months of the year end and an audit opinion on these and on the value for money position is provided by external auditors. Quarterly reports are produced to ensure that members and officers are aware of progress in relation to current projects. The format of these reports is under review to ensure that they remain relevant for their audiences.</p> <p>Other strategies and policy documents are developed by TfN officers working with our partners and after approval by members, are made available on the website. These strategies are all consistent with the overall vision of Transport for the North.</p> <p>We have established officer reference groups and an Executive Board where officers from the constituent Local Authorities across the region have an opportunity to help formulate Transport for the North's policies and proposals at an early stage.</p>



**B. Members and officers working together to achieve a common purpose with clearly defined functions and roles.**

**Evidence and Outcomes**

Members and officers work closely together with clear agendas at meetings of the Board and Committees. Agenda setting arrangements are in place with regular meetings between members and officers.

There is a clearly defined planning cycle for future meetings and there is a forward plan in place. Officers attend all committee and board meetings to support the members and provide any advice needed.

Relationships between officers and members are clearly defined and there is a member/officer protocol which is contained in the Constitution.

Schemes of delegation are in place to enable Committees, the Chief Executive, Monitoring Officer and Directors to work together effectively and make decisions in a transparent way.

Statutory officers with the appropriate skills and resources have been appointed and ensure appropriate advice is given on necessary financial and procedural matters.

We have clear Constitutional documents and a committee structure covering all aspects of Transport for the North's activities.

The Partnership Board brings together members, business leaders from the private sector and other appropriate representative groups, to advise on strategic decisions.

Chief officers and chairs of committees and the Board meet regularly to discuss future business and current activities.

The Constitution sets out how Transport for the North operates including standing orders, codes of conduct for officers and financial regulations.

The Constitution is reviewed annually, and internal audit also carry out investigations into selected areas of the organisation as part of an annual programme of work.

A scrutiny committee comprising of elected members from all the constituent authorities, has, within its terms of reference in the constitution, the ability to review any decision made by Transport for the North.

We operate on a 'scrutiny first' basis so that scrutiny committee can examine and influence proposed decisions before they are taken.

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. A Diversity Action group, comprising officer representatives who report into Senior Management Team, which in turn reports to Operating Board, is in place to help promote understanding across the organisation and legal compliance.

**C. Promoting values for Transport for the North and demonstrating the values of good governance through upholding high standards of conduct and behaviour**

**Evidence and Outcomes**

Those Members who are elected Members of a Local Authority are expected to adhere to the adopted Code of Conduct of their Local Authority while carrying out their duties in respect of Transport for the North. Other co-opted Members are expected to adhere to the Cabinet Office's Code of Conduct for Board Members of Public Bodies. There have been no complaints received about any members or co-opted members.

We have 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. However, no breaches of code or protocol have been reported.

Our induction process for new TfN officers outlines the behaviours and values that are expected from them. The annual appraisal system adopted for TfN officers incorporates the behaviours and values as part of the review process.

We have a zero-tolerance approach to fraud and corruption and have adopted strong Anti-Fraud and Corruption and Whistleblowing Policies. The Whistleblowing Policy was reviewed in a previous Annual Governance Statement. No fraud or corruption has been uncovered in the past year and no whistleblowing complaints have been made. The Anti-Fraud and Corruption Policy is to be reviewed this year.

Members are required to make a declaration of their disclosable pecuniary interests and to declare any disclosable pecuniary interests in the business of the meeting at the start of all board and committee meetings, and to take no part in such business, but to leave the meeting. The minutes of all meetings record any declarations of interest declared.

We have adopted a Code of Practice in relation to Gifts and Hospitality. A register of Gifts and Hospitality is maintained by the Monitoring Officer. Guidance in relation to gifts and hospitality is included in the induction for new employees and ad hoc advice is available and provided as necessary. We have a Monitoring Officer who works with Members and Officers to ensure that we comply with our legal duties and all legal requirements.

The Monitoring Officer has statutory reporting responsibilities in relation to any unlawful decisions or maladministration and has not made any reports in relation to this matter.

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. The S151 officer has not made any reports. All new officers are subject to a robust induction process and new members are offered an induction to familiarise themselves on our policy and procedures.

The Legal implications associated with agenda items are included in all Board/Committee reports and there have been no challenges to legal advice provided.

## **D. Taking informed and transparent decisions which are subject to effective scrutiny and managing risks**

### **Evidence and Outcomes**

During 2022 Transport for the North's risk management strategy was updated to include the implementation of 5x5 risk matrix and updated scoring criteria, refreshed risk management process diagram, risk appetite statement, how risk is mitigated through mitigation actions, controls and fall-back plans, risk reporting, updated RACI, frequency of risk reviews and criteria of when risk should be escalated to OBT.

A risk maturity audit was undertaken in Sept 2022 by RSM. This was an advisory review with no formal assurance to be provided. It did however conclude that we had clearly established work practices in place and made several recommendations to support ongoing development of the area.

We have a Risk Manager who is responsible for implementing our risk management strategy. The Audit and Governance Committee is responsible for independently monitoring and assessing the adequacy and effectiveness of the risk management framework.

Risk management reviews and updates are performed regularly across all business activities and subsequently reported to internal management, committees and the Board. Any risks are outlined in reports to Board and committees.

We have put in place a strong system of financial governance to manage and control our financial affairs and mitigate the risk of fraud. The Finance Director has overall responsibility for ensuring the effectiveness of internal controls. The Finance Director reports regularly to the Audit and Governance Committee and Board.

We have adopted rigorous procurement approval procedures which ensure that all procurements comply with its contract procurement rules. The Standing Orders and Financial and procurement rules are in the Constitution.

The IT and Information Manager is responsible for ensuring data is collected, stored and used appropriately. This post and that of the Data Protection Officer reports indirectly to the Finance Director who is also the Senior Information and Risk Officer (SIRO).

## **E. Developing the capacity and capability of members and officers to be effective**

### **Evidence and Outcomes**

We seek to ensure all Members and Officers have the necessary skills and training to fulfil their roles. Members receive an induction programme when they are appointed and this is supplemented by specialised training courses where appropriate. Officers are appointed using competency-based job descriptions and their performance against these competencies is regularly monitored and reviewed. A detailed learning and development plan ensures that training needs are met at both an individual and an organisational level.

During 2022, we established a Diversity Action Group formed with senior management team members, to develop a Diversity and inclusion Action Plan.

Mental-Health first aiders have been appointed from members of staff to help and advise any member of staff suffering from mental health issues.

Corporate Induction Guidance includes a thorough initial corporate induction programme for all new officers, with additional information for new line managers.

All new employees are subject to a formal six-month probationary process where performance is assessed alongside the provision of initial learning and development support and guidance.

Key Performance objectives are captured in the online appraisal tool 'PERFORM' and training is delivered via the core curriculum of training.

Members of the Senior Management Team have undertaken leadership training, with this programme also being rolled out to junior and aspiring leaders.

We have 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.

We hold regular wellbeing sessions for all employees addressing mental and physical health.

## **F. Engaging with local people and other stakeholders to ensure robust public accountability**

### **Evidence and Outcomes**

Board and Committee Agenda and minutes are available on our website.

Board and committee meetings are open to the public. Meetings of the TfN Board and Rail North Committee are live-streamed to enable broader access to them.

The membership of the Partnership Board has been broadened to ensure that it is representative of wider interests, including in relation to the environment and the interests of the travelling public.

Our 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. Including attending All Party Parliamentary Groups (APPG) meetings in Parliament, roundtable events, and speaking engagements across the North and the rest of the UK.

We held our annual conference in Newcastle in February 2023. The conference was held as an in-person event and on-line.

We host regular podcasts and webinars which include TfN officers, Board members and other relevant stakeholders. We launched a new Business Matters podcast series in 2022 and hosted a popular series on '5 Ways to Level up the North' series with Board Members.

We have facilitated Northern Evidence Academic Forum meetings, which bring together experts and policy makers on a range of topics linked to our research and policy.

In January 2023 we established a new citizens' panel called "Northern Transport Voices".

We use and promote activities across several channels including LinkedIn, Facebook, Instagram and YouTube.

## **G. Core Principle**

**Having regard to the promotion of sustainable economic growth, and the social and environmental impacts of its proposals.**

### **Evidence and Outcomes**

The draft Strategic Transport Plan 2 is now out to consultation. At its heart are three strategic outcomes that set out how the vision for the North is manifested in terms of economic, environmental and social outcomes. This is based on evidence provided from our programme of technical research and other reputable sources.

This includes cutting edge elements of the Analytical Framework, ensuring the forecast economic and social impacts of the NPR networks selected by DfT for examination are clearly and strongly articulated.

The findings of the initial Northern Powerhouse Independent Economic Review (NPIER) published in 2016, established a transformational vision for the North's economy by 2050. For STP2, this work has been refreshed and updated to provide a more comprehensive picture of the North's economic opportunities.

Transport for the North's internal Climate Change Group have undertaken a baselining assessment of Transport for the North's internal emissions (Scope 1, 2 and 3) during 2022/23.

In January 2023 we received an allocation of additional DfT funding (for 2023/24 and 24/25) to use our experience in data analytics to lead work on a Common Analytical Framework (CAF) for all STBs. 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 prioritisation of future interventions.

Reports to Board and committees, contain an assessment of the implications of the report in terms of sustainability, environmental impact, and equality impact.

## **H. Having regard for the impact of current decisions and actions on future generations**

### **Evidence and Outcomes**

Consultation with our partners is undertaken during the development of policies, the preparation of responses to consultations and in the drafting of advice to Government, to consider, all views and the potential future consequences of current decisions.

We have established a Scrutiny Committee made up of elected representatives from the 21 Constituent Authorities. It adopts a "Scrutiny First" model so all major decisions are subject to scrutiny before they are presented to the Board enabling Scrutiny Committee to influence the Board's decisions before they are made.

The Committee meets regularly and is supported by officers. It subjects proposals to scrutiny before they are presented to the Board, with the recommendations of the Scrutiny Committee being included in the officer's final report to the Board.

## **4.0 Annual Review of the Effectiveness of the Governance Framework**

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

## **5.0 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 to implement and review the operation of the governance framework to further strengthen its governance arrangements.

Signed

Signed

Chair of the Transport for the North Board

Chief Executive Officer

## Glossary

### ACCOUNTING PERIOD

The period of time covered by the accounts, normally a period of twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

### ACCRUALS

Sums included in the final accounts to recognise revenue and capital income and expenditure earned or incurred in the financial year, but for which actual payment had not been received or made as at 31 March.

### ACTUARIAL GAINS AND LOSSES

For a defined benefit pension scheme, the changes in actuarial surpluses or deficits that arise because;

- Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
- The actuarial assumptions have changed

### ASSET

An item having value to the authority in monetary terms. Assets are categorised as either current or non-current

- A current asset will be consumed or cease to have material value within the next financial year (e.g. cash and stock);
- A non-current asset provides benefits to the Authority and to the services it provides for a period of more than one year and may be tangible e.g. a community centre, or intangible, e.g. computer software licences.

### AUDIT OF ACCOUNTS

An independent examination of the Authority's financial affairs.

### BALANCE SHEET

A statement of the recorded assets, liabilities and other balances at the end of the accounting period.

### BORROWING

Using cash provided by another party to pay for expenditure, on the basis of an agreement to repay the cash at a future point, usually incurring additional interest charges over and above the original amount.

### BUDGET

The forecast of net revenue and capital expenditure over the accounting period.

### CAPITAL EXPENDITURE

Expenditure on the acquisition of a fixed asset, which will be used in providing services beyond the current accounting period, or expenditure which adds to and not merely maintains the value of an existing fixed asset.

### CAPITAL FINANCING

Funds raised to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, direct revenue financing, usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.



## CAPITAL PROGRAMME

The capital schemes the Authority intends to carry out over a specific period of time.

## CIPFA

The Chartered Institute of Public Finance and Accountancy

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

The account of the Authority that reports the net cost for the year of the functions for which it is responsible and demonstrates how that cost has been financed from precepts, grants and other income.

## CONSISTENCY

The concept that the accounting treatment of like items within an accounting period and from one period to the next are the same.

## CONTINGENT ASSET

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's accounts.

## CONTINGENT LIABILITY

A contingent liability is either:

- A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control; or
- A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

## CREDITOR

Amount owed by the Authority for work done, goods received, or services rendered within the accounting period, but for which payment has not been made by the end of that accounting period.

## CURRENT SERVICE COST (PENSIONS)

The increase in the present value of a defined benefits pension scheme's liabilities, expected to arise from employee service in the current period.

## DEBTOR

Amount owed to the Authority for works done, goods received, or services rendered within the accounting period, but for which payment has not been received by the end of that accounting period.

## DEFINED BENEFIT PENSION SCHEME

Pension schemes in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.

## AMORTISATION

The measure of the cost of wearing out, consumption or other reduction in the useful economic life of the Authority's fixed assets during the accounting period, whether from use, the passage of time or obsolescence through technical or other changes.

## DISCRETIONARY BENEFITS (PENSIONS)



Retirement benefits, which the employer has no legal, contractual or constructive obligation to award and are awarded under the Authority's discretionary powers such as the Local Government (Discretionary Payments) Regulations 1996.

#### EQUITY

The Authority's value of total assets less total liabilities.

#### EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

#### EXPECTED RETURN ON PENSION ASSETS

For a funded defined benefit scheme, this is the average rate of return, including both income and changes in fair value but net of scheme expenses, which is expected over the remaining life of the related obligation on the actual assets held by the scheme.

#### FAIR VALUE

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction.

#### FINANCE LEASE

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

#### GOING CONCERN

The concept that the Statement of Accounts is prepared on the assumption that the Authority will continue in operational existence for the foreseeable future.

#### GOVERNMENT GRANTS

Grants made by the government towards either revenue or capital expenditure in return for past or future compliance with certain conditions relating to the activities of the Authority. These grants may be specific to a particular scheme or may support the revenue spend of the Authority in general.

#### IMPAIRMENT

A reduction in the value of a fixed asset to below its recoverable amount, the higher of the asset's fair value less costs to sell and its value in use.

#### INFRASTRUCTURE ASSETS

Fixed assets belonging to the Authority that cannot be transferred or sold, on which expenditure is only recoverable by the continued use of the asset created. Examples are highways, footpaths and bridges.

#### INTANGIBLE ASSETS

An intangible (non-physical) item may be defined as an asset when access to the future economic benefits it represents is controlled by the reporting entity. This Authority's intangible assets comprise computer software licences.

#### INTEREST COST (PENSIONS)

For a defined benefit scheme, the expected increase during the period of the present value of the scheme liabilities because the benefits are one period closer to settlement.

#### INVESTMENTS (PENSION FUND)

The investments of the Pension Fund will be accounted for in the statements of that fund. However, authorities are also required to disclose, as part of the disclosure requirements relating to retirement

benefits, the attributable share of the pension scheme assets associated with their underlying obligations.

## LIABILITY

A liability is where the Authority owes payment to an individual or another organisation.

- A current liability is an amount which will become payable or could be called in within the next accounting period, e.g. creditors or cash overdrawn.
- A deferred liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over a period of time.

## LIQUID RESOURCES

Current asset investments that are readily disposable by the Authority without disrupting its business and are either:

- Readily convertible to known amounts of cash at or close to the carrying amount; or
- Traded in an active market.

## LONG-TERM CONTRACT

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken to substantially complete the contract is such that the contract activity falls into more than one accounting period.

## MATERIALITY

The concept that the Statement of Accounts should include all amounts which, if omitted, or mis-stated, could be expected to lead to a distortion of the financial statements and ultimately mislead a user of the accounts.

## NET BOOK VALUE

The amount at which fixed assets are included in the Balance Sheet, i.e. their historical costs or current value less the cumulative amounts provided for amortisation.

## NET DEBT

The Authority's borrowings less cash and liquid resources.

## NON-DISTRIBUTED COSTS

These are overheads for which no user now benefits and as such are not apportioned to services.

## NON-OPERATIONAL ASSETS

Fixed assets held by the Authority but not directly occupied, used or consumed in the delivery of services. Examples are investment properties, assets under construction or assets surplus to requirements pending sale or redevelopment.

## OPERATING LEASE

A lease where the ownership of the fixed asset remains with the lessor.

## OPERATIONAL ASSETS

Fixed assets held and occupied, used or consumed by the Authority in the pursuit of its strategy and in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

#### PAST SERVICE COST (PENSIONS)

For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to retirement benefits.

#### PENSION SCHEME LIABILITIES

The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. Scheme liabilities measured during the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

#### PROVISION

An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but the amounts or dates of when they will arise are uncertain.

#### RELATED PARTIES

There is a detailed definition of related parties in FRS 8. For the TfN's purposes related parties are deemed to include the Authority's members, the Chief Executive, its Directors and their close family and household members.

#### RELATED PARTY TRANSACTIONS

The Statement Of Recommended Practice requires the disclosure of any material transactions between the Authority and related parties to ensure that stakeholders are aware when these transactions occur and the amount and implications of such.

#### REMUNERATION

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits. Received other than in cash. Pension contributions payable by the employer are excluded.

#### RESERVES

The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Authority. Some capital reserves such as the fixed asset restatement account cannot be used to meet current expenditure.

#### RESIDUAL VALUE

The net realisable value of an asset at the end of its useful life.

#### RETIREMENT BENEFITS

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

#### REVENUE EXPENDITURE

The day-to-day expenses of providing services.

#### REVENUE EXPENDITURE CAPITALISED UNDER STATUTE (REFCUS)

Expenditure which ordinarily would be revenue but is statutorily defined as capital. Examples of REFCUS include grants of a capital nature to voluntary organisations and back pay expenditure capitalised under Secretary of State Direction.

#### USEFUL ECONOMIC LIFE (UEL)

The period over which the Authority will derive benefits from the use of a fixed asset.



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# TfN Audit & Governance Committee

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TfN Draft Statement of Accounts  
2022/23



# Contents

- Accounts preparation
- Structure of the accounts
- Core financial statements



# Accounts preparation

## Basis of preparation

- TfN's position as a local government body is set out in legislation
- The accounts are prepared in accordance with the CIPFA Code
- The CIPFA Code recognises accounting standards and statutory accounting requirements - where accounting standards and statute differ, statute has precedence

## Public inspection period

- Statute requires us to hold our draft accounts open to public inspection.
- The inspection period runs for 30 working days, from 31 May to 11 July

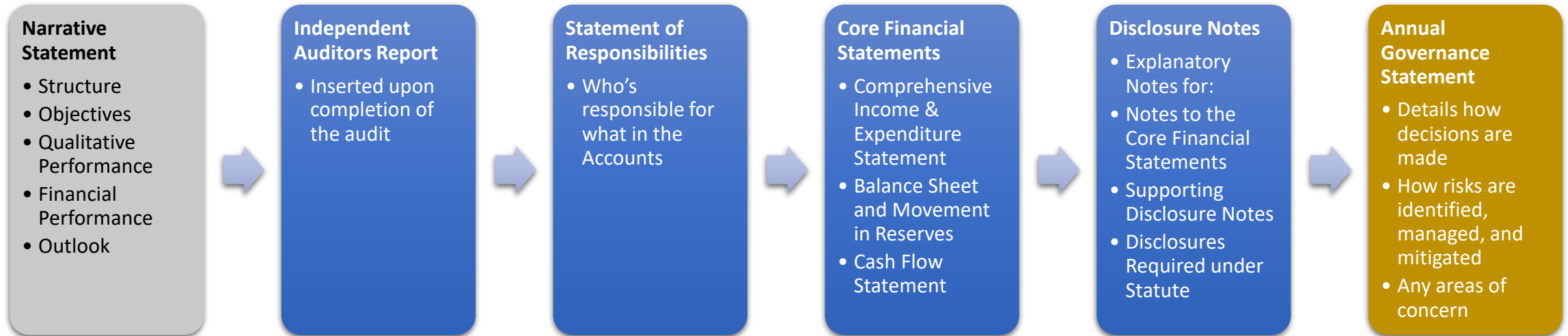
# Structure of the Accounts



# Structure of the Accounts

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

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



# Core Financial Statements



# Comprehensive Income & Expenditure Statement

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

# Comprehensive Income & Expenditure Statement

The CIES structure has been amended to reflect changes in the management accounts reporting structure. 2021/22 values have been restated to reflect revised structure.

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

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

Non-ringfenced core grant received in year

Significant reduction in estimated pension liability

2021/22 As restated			Notes	2022/23		
Expenditure £000	Income £000	Net £000		Expenditure £000	Income £000	Net £000
41,692	(41,437)	255	NPR/ DFT Analytical Support	5,394	(5,394)	0
1,077	352	1,429	Integrated and Smart Ticketing	-	-	-
1,270	(992)	278	Rail North Partnership	1,668	(1,456)	212
10,019	(714)	9,306	Operational Areas	9,298	(625)	8,674
<b>54,058</b>	<b>(42,791)</b>	<b>11,267</b>	<b>Cost of services</b>	<b>16,360</b>	<b>(7,474)</b>	<b>8,886</b>
0	-	0	Other operating expenditure	-	-	-
492	(233)	259	<b>11</b> Financing and investment income and expenditure	685	(546)	139
0	(5,908)	(5,908)	<b>12</b> Taxation and non-specific grant income	-	(6,500)	(6,500)
<b>54,550</b>	<b>(48,932)</b>	<b>5,618</b>	<b>13</b> <b>Surplus or deficit on provision of services</b>	<b>17,046</b>	<b>(14,521)</b>	<b>2,525</b>
		(3,557)	<b>27</b> Remeasurement of the net defined benefit liability/asset			(10,750)
		<b>(3,557)</b>	<b>Other comprehensive income and expenditure</b>			<b>(10,750)</b>
		<b>2,061</b>	<b>Total comprehensive income and expenditure</b>			<b>(8,225)</b>

# Reconciliation of Management Outturn to CIES

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

Income	£m
<b>Outturn position</b>	<b>(14.84)</b>
<b>Adjustments for:</b>	
Pensions (IAS19)	(0.38) In CIES not in outturn
RNP grant taken to earmarked reserves	(0.07) In outturn not in CIES
Use of core reserves	0.76 In outturn not in CIES
<b>CIES balance</b>	<b>(14.52)</b>

Expenditure	£m
<b>Outturn position</b>	<b>14.84</b>
<b>Adjustments for:</b>	
Pensions (IAS19)	2.24 In CIES not in outturn
Movement on accumulated absence provision	(0.03) In CIES not in outturn
<b>CIES balance</b>	<b>17.05</b>



# Pensions Accounting

- The 31 March 2023 IAS19 valuation of TfN's pension liabilities shows a deficit of £1.56m, a significant decrease from last year's deficit of £10.45m.
- This decrease was mainly due to changes in financial assumptions between the start and end of the year, with the most notable impact being the increase in the discount rate (the assumed levels of future return on assets).

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The newly available 31 March 2022 actuarial valuation, carried out every three years, has also been incorporated into the accounts, impacting the valuation of both assets and liabilities.

- The triennial actuarial valuation forms the basis for calculating TfN's ongoing contribution levels. Contribution levels have been maintained at the same level giving confidence that TfN has sufficient assets to meet its liabilities when they become due.
- This difference between the IAS and actuarial valuations is common within local authority schemes.

# Grant Accounting

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

# Grants Shown in the Consolidated Income & Expenditure Statement

## Grant income credited to taxation and non-specific grant income and expenditure

2021/22 £000	2022/23 £000
(6,000) Core Grant	(6,500)
92 Intergrated & Smart Ticketing Capital	-
<b>(5,908) Total</b>	<b>(6,500)</b>

Non-ringfenced core grant received in year

## Grant income credited to services

2021/22 £000	2022/23 £000
(41,437) NPR Transport Development Fund	(5,394)
352 Integrated & Smart Ticketing Revenue	-
(809) Rail North Partnership Grant	(962)
- In-year funding	(265)
(17) External Audit - Redmond Review support grant	(16)
(61) Rail North Local Contributions	(62)
(567) Rail North Rail Grant (via Local Contributions)	(584)
<b>(42,539) Total Grant Income Credited to Services</b>	<b>(7,283)</b>
(252) Contract Income - Rail Services	(192)
<b>(42,791) Total Income Credited to Services in CIES</b>	<b>(7,474)</b>

Grant for NPR Analytical Support recognised to match expenditure, surplus grant should be returned to the DfT.

RNP Grant recognised in full as surplus grant can be held for use in future years

Income received from service contracts with partners.

# Unapplied grant

## Reserves

Grant which has been recognised as income through the CIES - in the current or prior years - but has not been applied to expenditure. Can be held as general fund reserve or earmarked for specific purposes.

Earmarked grant for devolved powers has been released back to the general fund.

2021/22 £000	2022/23 £000
(500) Earmarked Devolved Powers Reserve	-
(31) Earmarked RNP Reserve	(97)
(4,067) General Fund	(3,808)
<b>(4,598) Total</b>	<b>(3,905)</b>

Surplus RNP grant held as an earmarked reserve

General fund reserve (core grant reserve) has reduced to reflect utilisation in the year.

## Grant received in advance

Grant received but not recognised as income in the CIES. Restrictions on the grant would mean it may have to be returned to the DfT.

2021/22 £000	2022/23 £000
(336) Department for Transport Project Funding	(71)
(10) Trans Pennine Tunnel Traffic Modelling	-
- NPR Transport Development Fund	(467)
- Core grant 2023/24	(2,754)
<b>(346) Total</b>	<b>(3,293)</b>

Core grant for 2023/24 received in advance

# Balance Sheet

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

# Balance Sheet

31 March 2022			31 March 2023
£000	Notes		£000
-	14	Intangible Assets	-
-		<b>Long Term Assets</b>	-
1,405	15	Short-Term Debtors	728
8,677	16	Cash and Cash Equivalents	8,144
<b>10,082</b>		<b>Current Assets</b>	<b>8,873</b>
(5,183)	17	Short-Term Creditors	(1,522)
(68)	18	Provisions	(240)
(346)	8	Grants Receipts in Advance - Revenue	(3,293)
<b>(5,597)</b>		<b>Current Liabilities</b>	<b>(5,055)</b>
(10,454)	27	Pension Liability	(1,562)
<b>(10,454)</b>		<b>Long term Liabilities</b>	<b>(1,562)</b>
<b>(5,969)</b>		<b>Net Assets/( Liabilities)</b>	<b>2,256</b>
(4,598)	19	Usable Reserves	(3,905)
10,567	19	Unusable Reserves	1,649
<b>5,969</b>		<b>Total Reserves</b>	<b>(2,256)</b>

Reduction in cash due to the planned draw on reserves. Partially offset by early receipt of 2023/24 grant, held as grant received in advance.

Reduction in the level of creditors reflecting reduced levels of external expenditure

Significant reduction in the IAS19 valuation of the pension liability. Off-setting reduction in the unusable reserves debit.

# Cash Flow Statement

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



# Cash Flow Statement

2021/22 £000	2022/23 £000
5,618 Net (surplus) or deficit on the provision of services	2,525
3,726 Adjustment to surplus or deficit on the provision of services for noncash movements	(2,012)
0 Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	169
<b>9,344 Net cash flows from operating activities</b>	<b>682</b>
0 Net cash flows from investing activities	(149)
<b>9,344 Net (increase) or decrease in cash and cash equivalents</b>	<b>533</b>
18,021 Cash and cash equivalents at the beginning of the reporting period	<b>8,677</b>
<b>8,677 Cash and cash equivalents at the end of the reporting period</b>	<b>8,144</b>

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

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

TfN has no financing activity, so this simply relates to investment items in the CIES.

Investment activity adjusted for non-cash movements.

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

$£8,677k - £8,144k = £533k$   
reduction

# Thank You

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**Emma Sanchez**  
Financial Accountant

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# TRANSPORT FOR THE NORTH

## Internal Audit Progress Report

21 July 2023

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



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# 1 Key messages

The internal audit plan for 2023/24 was approved at the February 2023 Audit and Governance Committee meeting.

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

The final two audit assignments for the internal audit plan for 2022/23 have been completed since the last Audit and Governance Committee meeting. These relate to following:

- Equality, Diversity and Inclusion Framework (5.22/23) review which resulted in a ‘reasonable’ assurance opinion. Two ‘medium’ and three ‘low’ management actions were agreed with management;
- Framework for Project Management - Project Approval, Delivery and Monitoring (6.22/23) review which resulted in a ‘reasonable’ assurance opinion. Two ‘medium’ and five ‘low’ management actions were agreed with management;

More detail is provided in section two below. [\[To discuss and note\]](#)

The first two audit assignments for the internal audit plan for 2023/24 have also been completed. These relate to following:

- IT and Remote Working Asset Management (1.23/24) review which resulted in a ‘reasonable’ assurance opinion. One ‘medium’ and two ‘low’ management actions were agreed with management; and
- Follow Up (2.23/24) review which resulted in a ‘good progress’ opinion with 12 out of 13 management actions considered as part of this review have been implemented.

More detail is provided in section two below. [\[To discuss and note\]](#)

One change has been made to the internal audit plan 2023/24 since the last Audit and Governance Committee meeting This is outlined in Appendix C below. [\[To note\]](#)

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

## 2 Reports

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

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

Assignment	Opinion issued	Actions agreed		
		L	M	H
<b>Equality, Diversity and Inclusion Framework (5.22/23)</b> An Action Plan/Tracker is in place outlining the steps to be achieved as part of the development of the TfN's Diversity Policy, which includes the incorporation of the resultant actions from TfN's own self-assessment in 2021 against the Local Government Equality Framework 2020 assessment. The Diversity Action Group has led on TfN's continued compliance with PSED in particular through the live action tracker. There is an opportunity, once a further self-assessment has been conducted against the Essential Guide to the Public Sector Equality Duty: England (and Non-Devolved Public Authorities in Scotland and Wales), to consider how compliance and the resultant action plan becomes further and more widely embedded in organisational business as usual action. We have included five actions relating to the embedding of the PSED within Policy considerations, alongside the completion of an Equality Impact Assessment. This will strengthen in the following areas: reporting and determining publicly available documentation.	Reasonable Assurance	3	2	0
<b>Framework for Project Management - Project Approval, Delivery and Monitoring (6.22/23)</b> Through our work we identified that there are elements of a consistent project management framework in use across the organisation, for example we confirmed that aspects of the existing Policy Development Framework are used by project teams. Overall, project approval, delivery and monitoring mechanisms vary across different projects and areas of the organisation. Due to the diverse portfolio of projects, varying in scope and size, we appreciate that flexibility is needed to ensure project managers can tailor their approach to the needs of the project. However, in line with good practice and based on what we have seen in place at other organisations, we have raised seven management actions (five 'low' priority and two 'medium' priority) to further strengthen TfN's existing framework in this area. The actions will help to ensure more consistency across the key stages of projects, such as project inception and approval, and project close-out stages to ensure that projects receive a consistent level of scrutiny, whilst also enabling some flexibility within the delivery phase to allow project teams to tailor their approach to the needs of the project. <i>Following the issue of our draft report, we were informed by the Director of Strategy, Analysis and Communications that the Senior Management Team believe there is an opportunity to</i>	Reasonable Assurance	5	2	0

Assignment	Opinion issued	Actions agreed		
		L	M	H
<i>refine the framework, given the change in TfN’s operating model, the nature of their work is less ‘large projects and programmes’ and more ‘strategic advice’. The initial framework was created for a different TfN operating model. The Senior Management Team believe there is an opportunity to include within the framework other key considerations when setting up new TfN workstreams, such as Equality Impact Assessment and arrangements for data sharing and GDPR compliance. Therefore, it has been agreed that a task and finish group from within the Senior Management Team will be formed to take forward the work on the project management framework, including reviewing and responding to the management actions within this report.</i>				
<b>IT and Remote Working Asset Management (1.23/24)</b> Our review has confirmed that a full reconciliation/ verification of the assets recorded on the Mojo system has been undertaken by the Information Technology Manager, with assistance of the Facilities Manager in March 2023 to ensure the accuracy of the data and to identify any issues. Additionally, we have confirmed that TfN has an Asset Management Policy and Procedure, which has recently reviewed and updated (April 2023), however through our review and testing undertaken, we have identified that further review of the Asset Management Policy and Procedures is required. We also noted that, as part of a full reconciliation process completed in March 2023, it was identified that 12 laptops had not been returned to TfN, following on from a member of staff leaving. Through the use of the Azure software, emails and telephone calls, where possible, three had been retrieved. However, at the time of review, there remained nine laptops still to be retrieved. Through discussions with the Information Technology Manager, we confirmed that they were actively pursuing these machines. Through our audit work, we are also aware that controls have now been implemented to limit the risk of this occurring in the future. As such, we have not raised a management action specifically in regards to the nine laptops which have not been retrieved. Our review has resulted in one 'medium' priority and two 'low' priority management actions being raised.	Reasonable Assurance	2	1	0
<b>Follow Up (2.23/24)</b> Taking account of the issues identified in the report, in our opinion Transport for the North has demonstrated <b>good progress</b> in implementing the agreed management actions included in the assignment reports considered as part of this review. 9 of the 22 management actions were not yet due for completion and have therefore been excluded when forming the opinion. Testing identified that 12/13 (92%) of the actions considered as part of this review have been implemented. For 1/13 (8%) management actions, we confirmed that progress had been made and this	Good Progress	12 out of 13 management actions have been implemented.		



Assignment	Opinion issued	Actions agreed		
		L	M	H

action should continue to be monitored until the action is fully implemented (we noted however, that part of one of this action was not due for implementation until October 2023).





## 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	2	1	0
Non-compliance with policies / procedures	0	0	1	0
Design of the control framework	4	4	2	0
Training / awareness for staff	0	0	0	0
Management or performance information	0	1	1	0
Lack of segregation of duties	0	0	0	0
Poor record keeping	0	1	0	0
Risk Management	0	0	0	0
Governance weaknesses	0	3	0	0
Information technology	0	0	0	0
Management actions from previous audit reports	0	0	1	1
<b>Total</b>	<b>4</b>	<b>11</b>	<b>6</b>	<b>1</b>

The arising theme that has been detected through our work in 2022/23 is in relation to the design of the control framework. This is reviewed following the completion of each audit assignment.



2.3 Themes arising from control observations in 2023/24 reports

	Advisory	Low	Medium	High
Planning	0	0	0	0
Policies and / or procedures	0	1	0	0
Non-compliance with policies / procedures	0	1	1	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	1	1	0	0
<b>Total</b>	<b>1</b>	<b>3</b>	<b>1</b>	<b>0</b>

No arising themes have been detected through our work conducted at this time. Themes will continue to be analysed throughout 2023/24 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
Payroll (2.22/23)	Substantial Assurance	0	0	0	November 2022	September 2022
Risk Maturity Review (3.22/23)	Advisory	3	1	0	November 2022	November 2022
General Data Protection Regulation Arrangements (4.22/23)	Advisory	Four 'uncategorised' management actions raised			February 2023	February 2023
Equality, Diversity and Inclusion Framework (5.22/23)	Reasonable Assurance	3	2	0	February 2023*	July 2023
Framework for Project Management - Project Approval, Delivery and Monitoring (6.22/23)	Reasonable Assurance	5	2	0	February 2023*	July 2023

\* The fieldwork for the Project Management Arrangements and Equality, Diversity and Inclusion Framework audits commenced in December 2022 and continued in January 2023 to accommodate the Christmas period and TfN staff availability.

## Appendix B – Progress against the internal audit plan 2023/24

Assignment and Executive Lead	Status / Opinion issued	Actions agreed			Target Audit and Governance Committee (as per IA plan 2023/24)	Actual Audit and Governance Committee
		L	M	H		
IT and Remote Working Asset Management (1.23/24)	Reasonable Assurance	2	1	0	July 2023	July 2023
Follow Up (2.23/24)	Good Progress	12 of 13 actions completed			July 2023	July 2023
Value for Money	Due to commence 10 July 2023	-	-	-	September 2023	-
Staff Mental Health and Wellbeing	Due to commence 4 September 2023	-	-	-	November 2023	-
IT: Security Review	Due to commence October 2023 (depending on the office move)	-	-	-	November 2023 (February 2024)	-
Performance Management and Appraisals	Due to commence 8 January 2024	-	-	-	February 2024 (July 2024)	-

## Appendix C – other matters

### On-going liaison and changes to the internal audit plan 2023/24

The internal audit plan 2023/23 and three year strategy were approved at the February 2023 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. Since presenting the plan in February 2023, there has been one change, our Governance review has been replaced by our IT and Remote Working Asset Management review, following discussions with the Finance Director, given that the organisation is currently in the process of moving office locations and that a review on the management of assets would be beneficial to support this move. In addition, the timeframes for the fieldwork of the individual audits have been discussed and agreed with management and Committee timeframes have been revised to reflect this.

### 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.

### Updates and briefings

Since the last Group Audit and Governance Committee meeting, we have issued the following:

- We have shared with management details regarding the following events:
  - NED Network: ESG, what do NEDs need to know, held 27 February 2023;
  - NED Network: Shrinking the gap between talent and strategy, held on 20 April 2023;
  - RSM and CIPFA Public Procurement webinar, held on 28 February 2023, 23 March 2023 and 23 May 2023.
- Procurement and Contract Management newsletter (February 2023, March 2023 and June 2023);
- RSM UK's Middle Market Business Index: Q1 2023 results (March 2023);
- Spring Statement (March 2023);
- Employment Matters (April 2023); and
- The Real Economy Business Resilience Part 2 (April 2023).



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

Our report is prepared solely for the confidential use of Transport for the North and solely for the purposes set out herein. This report should not therefore be regarded as suitable to be used or relied on by any other party wishing to acquire any rights from RSM 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

### Follow Up

Internal audit report: 2.23/24

FINAL

30 June 2023

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

## Background

As part of the approved internal audit plan for 2023/24 we have undertaken a review to follow up on the progress made by Transport for the North ('TfN') to implement previously agreed management actions. The following audits were considered as part of this review:

- Follow Up (1.22/23);
- Risk Maturity (3.22/23);
- General Data Protection Regulation (GDPR) Governance Framework (4.22/23);
- Equality, Diversity and Inclusion Framework (5.22/23)\*; and
- Framework for Project Management - Project Approval, Delivery and Monitoring (6.22/23)\*.

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

*\* Two management actions with our Equality, Diversity and Inclusion Framework (5.22/23) and seven actions within our Framework for Project Management - Project Approval, Delivery and Monitoring (6.22/23) were not due for implementation at the time of our audit fieldwork. Please see Appendix C for more details.*

Please note that no management actions were raised in the Payroll (2.22/23) report.

Given that nine management actions were not yet due for implementation, for the remaining 13 management actions considered in this review, these comprised of:

- One 'high' priority action;
- Three 'medium' priority actions; and
- Five 'low' priority actions; and
- Four 'advisory' actions.

## Conclusion

Taking account of the issues identified in the remainder of the report, in our opinion Transport for the North has demonstrated **good progress** in implementing the agreed management actions included in the assignment reports considered as part of this review.

9 of the 22 management actions were not yet due for completion and have therefore been excluded when forming the opinion. Details of the actions not yet due are included at Appendix C of this report.

Testing identified that 12/13 (92%) of the actions considered as part of this review have been implemented, and details of the implemented actions are included at Appendix B of this report. For 1/13 (8%) management actions, we confirmed that progress had been made and this action should continue to be monitored until the action is fully implemented (we noted however, that part of one of this action was not due for implementation until October 2023). Please refer to section 2 for further details.



# Progress on actions

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

Implementation status by review	Status of management actions						
	Number of actions agreed	Implemented (1)	Implementation ongoing (2)	Not implemented (3)	Superseded (4)	Not tested during this review* (5)	Completed or no longer necessary (1) + (4)
Follow Up (1.22/23)	2	2	0	0	0	0	2
Risk Maturity (3.22/23)	4	3	1	0	0	0	3
General Data Protection Regulation (GDPR) Governance Framework (4.22/23)	4	4	0	0	0	0	4
Equality, Diversity and Inclusion Framework (5.22/23)	5	3	0	0	0	2	3
Framework for Project Management - Project Approval, Delivery and Monitoring (6.22/23)	7	0	0	0	0	7	0
<b>Total</b>	<b>22</b>	<b>12</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>9</b>	<b>12</b>

\* Actions where implementation dates have not passed have been excluded when forming our overall conclusion.

## 2 FINDINGS AND MANAGEMENT ACTIONS

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

Risk Maturity (3.22/23)	
<b>Original management action/ priority/ original date</b>	<p>a) TfN will establish a Board Assurance Framework, which will include the main areas of risk for TfN and where TfN gets assurance in each area. This Board Assurance Framework will provide for cyclical assessment of controls and the provision of assurance and will be clearly detailed within the Risk Management Strategy.</p> <p>b) The Risk Manager will work alongside Risk Owners for the key corporate risks to ensure the Board Assurance Framework is embedded and applied for all assurance areas.</p> <p>(Low)</p> <p><b>a) 31 March 2023</b></p> <p><b>b) 31 October 2023</b></p>
<b>Audit finding/ status</b>	<p>We obtained a copy of the TfN Assurance Framework slides. By review, we confirmed the following information to be captured:</p> <ul style="list-style-type: none"><li>• TfN's Three Lines of Defence Model, which has been adopted to make up the assurance model. Each line feeds into oversight by the TfN Board and Audit and Governance Committee. The first line of assurance is detailed to consist of all TfN staff for internal activities, controls and processes. The second line of assurance is provided by the Risk Manager, Risk Champions, Senior Management, Directors, and Chief Executive Officer. They are in place to provide challenge, oversight, review of activities, controls and processes. The third line of assurance consists of independent assurance or review of activities, controls and processes;</li><li>• An example of the lines of assurance in practice is provided for a detailed risk; and</li><li>• Prompt questions for each line of assurance are captured, providing guidance of the questioning required to be undertaken for each line of assurances' effectiveness.</li></ul> <p>We were informed by the Risk Manager that the above slides were presented to Operational Board on 6 June 2023.</p>

### Risk Maturity (3.22/23)

Following this presentation, the next steps are to review the key corporate risks with Risk Owners and to ensure the framework is embedded and applied. We noted that the embedding of the Board of Assurance Framework is due to be completed by October 2023 and therefore we have revised the original management action to reflect this.

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

Management Action 1	<u>Revised Management Action</u>	Responsible Owner:	Implementation date:	Priority:
	Following presentation of the Assurance slides to the Operational Board, the Risk Manager will work alongside Risk Owners for the key corporate risks to ensure the Board Assurance Framework is embedded and applied for all assurance areas.	Daniella Della-Cerra Smith, Risk Manager	31 October 2023	Low

## APPENDIX A: DEFINITIONS FOR PROGRESS MADE

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

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

## APPENDIX B: ACTIONS COMPLETED

From the testing conducted and evidence provided during this review we have found the following actions to be implemented.

Assignment title	Management actions and categorisation
<b>Follow Up (1.22/23)</b>	<p><u>Investment Programme Insurance Review (7.20/21)</u></p> <p>A documented mapping exercise should be undertaken to formally link the actions included in the Northern Transport Charter to the Investment Programme objectives/actions and the KPIs included in the TfN Business Plan.</p> <p>In addition to this, management may wish to consider the nature of the Investment Programme-related KPIs and the way in which performance against the KPIs is reported going forward (e.g. to allow for more flexibility with the KPIs and the related update reporting).</p> <p>(Medium)</p> <hr/> <p><u>Cyber Security Assessment (5.21/22)</u></p> <p>Management will ensure that penetration testing is conducted as rescheduled, May 2022. The test results will be reviewed, and vulnerabilities addressed and remedied in a timeous manner.</p> <p>Where penetration testing does not go ahead, this will be reported to the relevant TfN governance and oversight groups.</p> <p>(High)</p>
<b>Risk Maturity (3.22/23)</b>	<p>Risk Champions will ensure all areas of the Predict Risk Management System are utilised, including:</p> <ul style="list-style-type: none"> <li>• Progress update – the progress function will be utilised to record decisions made during monthly risk workshops regarding each risk; and</li> <li>• The basis for assessment – the basis for assessment box will be completed to record the rationale for the current risk score. (Please refer to next section for details)</li> </ul> <p>(Low)</p> <hr/> <p>The Audit and Governance Committee will perform a deep dive into a chosen risk from the corporate risk register in November 2022. Following this, a programme of risk deep dives will be agreed with the Audit and Governance Committee for 2023. Deep dives will include risks that fall outside of TfN's risk appetite, emerging risk areas, or risks that are showing volatility in risk rating. These deep dives will focus on the controls, actions and fallback plans established to mitigate the risk to TfN and provide assurance that the risk is appropriately scored and controls are operating effectively.</p> <p>(Low)</p>

Assignment title	Management actions and categorisation
	<p>The Risk Management Strategy will be amended to include the factors that will be considered when escalating risks to the Operating Board. This could include risks that exceed the TfN risk appetite or could be driven by strategic themes outlined within the Business Plan.</p> <p>(Low)</p>
<p><b>General Data Protection Regulation (GDPR) Governance Framework (4.22/23)</b></p>	<p>A formal record of processing activities (ROPA) will be produced and maintained which will include:</p> <ul style="list-style-type: none"> <li>• The organisation's name and contact details, whether it is a controller or a processor (and where applicable, the joint controller, their representative and the Data Protection Officer (DPO));</li> <li>• The purposes of the processing;</li> <li>• A description of the categories of individuals and of personal data;</li> <li>• The categories of recipients of personal data;</li> <li>• Details of transfers to third countries, including a record of the transfer mechanism safeguards in place;</li> <li>• Information required for privacy notices, such as the lawful basis for the processing and the source of the personal data;</li> <li>• Information required for processing special category data or criminal conviction and offence data under the Data Protection Act 2018 (DPA 2018);</li> <li>• Records of consent;</li> <li>• Controller-processor contracts;</li> <li>• The location of personal data;</li> <li>• Data Privacy Impact Assessment reports;</li> <li>• Retention schedules; and</li> <li>• A description of the technical and organisational security measures in place</li> </ul> <p>Once completed, a process will be implemented to ensure that this central record is accurate and remains up to date to ensure that the organisation continues to hold a comprehensive, accurate and up to date record of all the personal data held. This could be undertaken via regular (at least annual) data audits with nominated data owners to capture any changes.</p> <p>(Advisory)</p> <p><b>Management Comment:</b></p> <p><i>As we can see that the implementation of the action has begun, and the embedding of the processes will be reviewed at least annually, we have reported this action as implemented.</i></p> <hr/> <p>The Data Protection Policy will be reviewed and updated to ensure that it reflects current roles and responsibilities. The date in the footer will be updated to align to the version control table.</p> <p>(Advisory)</p> <hr/> <p>Management will ensure that the incoming Data Protection Officer receives appropriate training to undertake the role effectively.</p> <p>(Advisory)</p>

Assignment title	Management actions and categorisation
	<p>Refresher training for existing staff will be undertaken annually to reflect GDPR requirements. (Advisory)</p> <p><b>Management Comment:</b></p> <p><i>Through discussions with the Senior Lawyer, we were informed that reminders have been sent to all staff to ensure that they complete their annual training and a deadline in July 2023 has been set for all staff. Going forward, there will be a six-week programme beginning in May of each year where everyone will be required to complete the refresher training. As we can see that the implementation of the action has begun, and the embedding of the processes will be reviewed annually, we have reported this action as implemented.</i></p>
<p><b>Equality, Diversity and Inclusion Framework (5.22/23)</b></p>	<p>Management will implement a formal mechanism to record the completion of annual policy reviews ensuring that due regard is given to the latest version of the Essential Guide to the Public Sector Equality Duty: England (and Non-Devolved Public Authorities in Scotland and England) when such reviews are completed.</p> <p>Any future changes or amendments made to the Diversity Policy (or any other HR policies) should be reflected in the completion of a formal EIA and this should be noted as a requirement in the Diversity Policy itself. (Low)</p> <p><b>Management Comment:</b></p> <p><i>The Head of HR confirmed that any future changes to the Diversity Policy would require an Equality Impact Assessment (EIA). The use of such a tool would be undertaken once the agreed framework of such is agreed and implemented. This is in relation to a further management action raised, which is due for implementation by the end of September 2023. Please see Appendix C for more details.</i></p> <hr/> <p>Management will undertake an assessment against the most recent Local Government Equality Framework available to ensure continuing compliance with the requirements of the PSED. The current Action Plan Tracker 21/22 will be revisited in light of the assessment with new responsible officers and timescales where appropriate. (Medium)</p> <hr/> <p>Management will ensure that the frequency at which the Senior Management Team will review the Diversity and Inclusion Action Plan Tracker (minimum quarterly) is included in the Terms of Reference. (Low)</p>

## APPENDIX C: ACTIONS NOT YET DUE

The table below lists the management actions that were not yet due for implementation at the time of our review:

Assignment title	Management action and categorisation
<b>Equality, Diversity and Inclusion Framework (5.22/23)</b>	<p>A framework/and or procedure will be introduced to ensure that existing policies and new TfN policies, procedures and strategies are reviewed for consideration in line with PSED and that Equality Impact Assessments (EIA) are incorporated into Policies moving forward. The framework should consider, but not limited to:</p> <ul style="list-style-type: none"> <li>• Why an EIA is important;</li> <li>• When an EIA should be completed and who should complete this;</li> <li>• Questions to consider within the EIA template (e.g. what policy or change is being introduced, who is affected by the policy/change, what engagement with stakeholders will take place and what data will be used);</li> <li>• Documentation of any actions from the EIA; and</li> <li>• The approval process for EIAs.</li> </ul> <p>(Medium)</p>
	<p>Management will, going forward update TfN's website to include clear information on the organisation's position in respect of diversity and inclusion, ensuring transparency at all times.</p> <p>(Low)</p>
<b>Framework for Project Management - Project Approval, Delivery and Monitoring (6.22/23)</b>	<p>Management will review and update the Policy Development Framework (PDF) to include a definition of what is considered to be a project (based on size, spend and scope).</p> <p>Once updated, the PDF will be formally rolled-out and implemented to ensure that the two-step process in relation to development of projects is followed consistently and the supporting documentation completed.</p> <p>(Low)</p>
	<p>Project Initiation Documents (PIDs) will be presented and approved as part of the project approval processes in line with the approval limits within the Scheme of Delegation and by an individual with assigned responsibility. Completed PIDs will be retained centrally within a shared drive to ensure they can be shared in case of a change in the project team.</p> <p>(Medium)</p>
	<p>Management will ensure that the full Responsible, Accountable, Supportive, Consulted, and Informed (RASCI) matrix exercise is completed for all projects, giving consideration to both internal and external stakeholders.</p> <p>(Low)</p>



Assignment title	Management action and categorisation
	<p>Management will review project management best practices and identify monitoring mechanisms which will be used consistently across projects. Once finalised templates will be developed and distributed to ensure consistency. (Low)</p>
	<p>Management will update the lessons learnt template to include a section in relation to benefits realisation. The completion of the lessons learnt template will then be made mandatory for Project Managers (or equivalent individual assigned responsibility) for all projects. This will include the identification of actions for improvement with action owners and intended implementation dates. Completed templates will be saved within an action log or a shared drive to enable Project Managers from across the organisation to benefit from the learnings. (Medium)</p>
	<p>Once completed, lessons learnt reports will be presented to a delegated relevant committee / forum for oversight and to monitor actions through to completion. (Low)</p>
	<p>Through discussions with Project Managers, Management will consider the value of the Interdependencies Tracker and identify based on the outcomes of discussions and the funding received from the DfT whether it will be maintained and kept up to date. (Low)</p>

# APPENDIX D: SCOPE

## Scope of the review

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

### Objective of the area under review

To ensure outstanding management actions agreed as part of previous internal audits performed at the University have been implemented.

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

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

- Follow Up (1.22/23);
- Risk Maturity (3.22/23)8;
- General Data Protection Regulation (GDPR) Governance Framework (4.22/23);
- Equality, Diversity and Inclusion Framework (5.22/23)\*; and
- Framework for Project Management - Project Approval, Delivery and Monitoring (6.22/23)\*.

The focus of this review is to provide assurance that actions previously raised have been adequately implemented. Full details of the management actions considered is provided in Appendix A.

\* This will be dependent on the completion of actions at the time of our audit fieldwork, noting that some are not due for implementation until after our fieldwork.

Please note that no management actions were raised in the Payroll (2.22/23) report.

### The following limitations apply to the scope of our work:

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

<b>Debrief held</b>	23 June 2023	<b>Internal audit contacts</b>	Lisa Randall, Head of Internal Audit <a href="mailto:lisa.randall@rsmuk.com">lisa.randall@rsmuk.com</a> / 07730 300 309
<b>Draft report issued</b>	27 June 2023		Alex Hire, Senior Manager <a href="mailto:alex.hire@rsmuk.com">alex.hire@rsmuk.com</a> / 07970 641 757
<b>Responses received</b>	29 June 2023		Ciaran Barker, Assistant Manger <a href="mailto:ciaran.barker@rsmuk.com">ciaran.barker@rsmuk.com</a> / 01782 216 187
<b>Final report issued</b>	30 June 2023		
		<b>Client sponsor</b>	Paul Kelly, Finance Director
		<b>Distribution</b>	Paul Kelly, Finance Director

We are committed to delivering an excellent client experience every time we work with you. Please take a moment to let us know how we did by taking our brief survey. Your feedback will help us improve the quality of service we deliver to you and all of our clients. If you have are you using an older version of Internet Explorer you may need to copy the URL into either Google Chrome or Firefox.

[RSM post-engagement survey](#)

We thank you again for working with us.

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

Our report is prepared solely for the confidential use of Transport for the North and solely for the purposes set out herein. This report should not therefore be regarded as suitable to be used or relied on by any other party wishing to acquire any rights from RSM 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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# TRANSPORT FOR THE NORTH

## Equality, Diversity and Inclusion Framework

Internal audit report 5.22/23

Final

14 February 2023

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, or undertake full population testing using data analytics tools, to complete the work in line with the agreed scope.

## Why we completed this audit

All public bodies have a duty under the Equality Act 2010 and the Public Sector Equality Duty (PSED) to ensure that equality and diversity is an active part of their decision-making processes. The PSED came into force across Great Britain on 5 April 2011. Under this legislation, public bodies must consider how different people will be affected by the organisation's activities, helping them to deliver policies and services which are efficient and effective; accessible to all; and which meet different people's needs. It also requires that public bodies have due regard to the need to:

- Eliminate discrimination;
- Advance equality of opportunity; and
- Foster good relations between different people when carrying out their activities.

The Essential Guide to the Public Sector Equality Duty: England (and Non-Devolved Public Authorities in Scotland and Wales), was published, March 2022, by the Equality and Human Rights Commission.

Our review was designed to review TfN's processes and framework in place to ensure it is meeting the requirements of the PSED.

## Conclusion

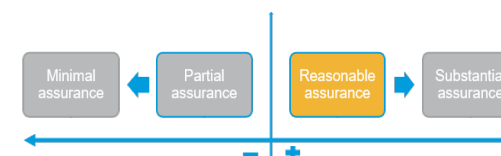
An Action Plan/Tracker is in place outlining the steps to be achieved as part of the development of the TfN's Diversity Policy, which includes the incorporation of the results actions from TfN's own self-assessment in 2021 against the Local Government Equality Framework 2020 assessment. The Diversity Action Group has led on TfN's continued compliance with PSED in particular through the live action tracker. There is an opportunity, once a further self-

assessment has been conducted against the Essential Guide to the Public Sector Equality Duty: England (and Non-Devolved Public Authorities in Scotland and Wales), to consider how compliance and the resultant action plan becomes further and more widely embedded in organisational business as usual action. We have included five actions relating to the embedding of the PSED within Policy considerations, alongside the completion of an Equality Impact Assessment. This will strengthen in the following areas: reporting and determining publicly available documentation.

### Internal audit opinion:

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

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



## Key findings

### We identified the following weaknesses / findings:



TfN has a Diversity Policy, available to all members of staff via the intranet. We noted that the Policy was last approved in April 2018 and takes into consideration the PSED and is reviewed periodically by TfN's HR Team in consultation with UNISON (TfN's recognised Trade Union). It was noted that the Essential Guide to the Public Sector Equality Duty: England (and Non-Devolved Public Authorities in Scotland and Wales), was last updated and published, March 2022, by the Equality and Human Rights Commission and the Policy has not been reviewed since the Essential Guide was issued. Whilst it is recognised that this is a guidance document, the Diversity Policy has not been updated since the release of the Guide. In addition, there is currently no framework or procedure to consider the PSED and complete an EIA for wider policies, strategies and plans across TfN.



At the time of review, we noted that TfN do not have a dedicated webpage in respect of Diversity and Inclusion, however the Diversity Policy and key information around recruitment is available on the website. The practice of a dedicated web-page has been observed for other public sector organisations.



TfN has a Diversity and Inclusion Action Plan/ racker 2021/22 (Tracker), which had been formulated taking into consideration the results of an internal assessment of the Local Government Equality Framework 2020, completed February 2021. From a review of the Tracker, it was noted that some actions have not been updated/completed, (e.g. areas showing as RAG rated as green, but no information in the 'Activities Undertaken' column).



By review of the 'Evaluation Date Collation April 2022 – September 2022' we confirmed the inclusion of HR related Key Performance Indicators (KPIs) only.



Whilst we accept that these KPIs have only recently been agreed, it was noted that they do not include the wider requirement included within the PSED, e.g. procurement and wider key performance indicators around diversity and inclusion within the workforce.

The responsibility for the monitoring of the Action Plan/Tracker has recently been transferred from the Diversity Action Group (DAG) to Senior Management Team (SMT). Our review of the Terms of Reference (ToR) for the SMT has confirmed that, whilst the responsibility to monitor the Action Plan/Tracker has been included in the ToR, the frequency of the review has not been stipulated.

### Additionally, we have identified the following good practice at the time of our review:



We noted that training has been undertaken across the organisation for all members of staff in respect of Diversity and Inclusion and this forms part of the induction process for new staff. Additionally, line managers have received related recruitment training pertaining to Diversity and Inclusion.



Key Performance Indicators (KPIs) for Diversity and Inclusion have recently been agreed by the DAG, Head of Human Resources and Business Capabilities Director. It was acknowledged that these will be reviewed and further developed following a 12 month period of reporting including the development of targets. The key performance indicators relate to wellbeing and yoga sessions as well as feedback on the corporate induction and recruitment training sessions. We recognise that TfN is developing and evolving the measures being put in place including the agreement of targets. After 12 months, there is an opportunity to review the KPIs to ensure they cover the right areas. TfN may wish to consider wider KPIs as part of this review including but not limited to areas such as retention, job satisfaction, leadership, exit interviews, employee engagement, equality impact assessments and procured services.



## 2. DETAILED FINDINGS AND ACTIONS

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

Area: Diversity Policy and Wider Policy Management				
Control	TfN has a Diversity Policy that is available to all members of staff via the intranet. The Policy makes reference to the responsibilities under the Public Sector Equality Duty There is, however, no formal mechanism or framework in place to review and ensure all policies reflect the PSED or whether each Policy has had an Equality Impact Assessment.	Assessment:		
		Design	Partial	
		Compliance	Partial	
Findings / Implications	Review of the Diversity Policy has confirmed the inclusion of responsibilities under the Public Sector Equality Duty. Additionally, we confirmed that the Policy is available to all members of staff via the intranet. We noted that the Policy was last approved April 2018, however it was not possible to determine the frequency of the review of this Policy. We were advised however, that all policies are reviewed on an annual basis in consultation with UNISON. If any changes are required these are then subsequently completed.			
	It was noted that the Essential Guide to the Public Sector Equality Duty: England (and Non-Devolved Public Authorities in Scotland and Wales), was published, March 2022, by the Equality and Human Rights Commission; however given the timing of the last review of the Policy, there has been no recent review to take into consideration the new Essential Guide			
	There is a risk that any amendments have not been captured in the currently Policy. Whilst the Head of Human Resources confirmed that the Policy has been subject to an EIA, this has not been captured within the document.			
	Furthermore, it was not possible to determine whether there is a wider framework in place to ensure all TfN policies, procedures & strategies have been considered in line with the PSED or that a documented EIA is part of the review framework more generally across TfN.			
Management Action 1	Management will implement a formal mechanism to record the completion of annual policy reviews ensuring that due regard is given to the latest version of the Essential Guide to the Public Sector Equality Duty: England (and Non-Devolved Public Authorities in Scotland and England) when such reviews are completed.	Responsible Owner:	Date:	Priority:
		Head of HR	Complete by end of June 2023	Low
	Any future changes or amendments made to the Diversity Policy (or any other HR policies) should be reflected in the completion of a formal EIA and this should be noted as a requirement in the Diversity Policy itself.			

### Area: Diversity Policy and Wider Policy Management

<b>Management Action 2</b>	<p>A framework/and or procedure will be introduced to ensure that existing policies and new TfN policies, procedures and strategies are reviewed for consideration in line with PSED and that Equality Impact Assessments (EIA) are incorporated into Policies moving forward. The framework should consider, but not limited to:</p> <ul style="list-style-type: none"> <li>• Why an EIA is important;</li> <li>• When an EIA should be completed and who should complete this;</li> <li>• Questions to consider within the EIA template (e.g. what policy or change is being introduced, who is affected by the policy/change, what engagement with stakeholders will take place and what data will be used);</li> <li>• Documentation of any actions from the EIA; and</li> <li>• The approval process for EIAs.</li> </ul>	<b>Responsible Owner:</b> Strategy, Policy and Communications Director	<b>Date:</b> Complete by end of September 2023	<b>Priority:</b> Medium
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### Area: Website Transparency

Control	The TfN's website includes a number of related documents/reports, however, this could be improved by having a dedicated diversity and inclusion section/pages on the Internet which will improve levels of transparency.	Assessment:		
		Design	Partial	
		Compliance	N/A	
Findings / Implications	We have observed in other public organisations a dedicated webpage in respect of diversity and inclusion publications. This includes but not limited to the following: <ul style="list-style-type: none"><li>Diversity and inclusion impact report (including for example, objectives, key achievements, key performance indicators); and</li><li>Equality Impact Assessments.</li></ul>			
Management Action 3	Management will, going forward update TfN's website to include clear information on the organisation's position in respect of diversity and inclusion, ensuring transparency at all times.	Responsible Owner: Head of Stakeholder Engagement and Communications/ Head of HR	Date: Complete by end of August 2023	Priority: Low

## Area: Diversity and Inclusion Action Plan/ Tracker

<b>Control</b>	TfN has an Action Plan 21/22 Tracker, which includes, the three main priorities defined for the implementation and progression of Equality, Diversity and Inclusion processes. The Action Plan includes areas identified from the completion of the Local Government Equality Framework 2020 – Audit Report, completed internally by TfN. The Action Plan is monitored through the Senior Management Team (SMT), previously monitored through the Diversity Action Group (DAG).	<b>Assessment:</b>  <b>Design</b> ✓  <b>Compliance</b> ×
<b>Findings / Implications</b>	<p>We obtained a copy of the Action Plan 21/22 and by review and through discussions with the Head of Human Resources and the Strategy and Programme Director, we confirmed that the Action Plan is a live document. Review of the Action Plan confirmed that it had been sectioned into the following three Priorities:</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>We confirmed that the Action Plan includes the following criteria to enable the Plan to be managed and monitored:</p> <ul style="list-style-type: none"><li>• Action (description)</li><li>• Alignment with Core Values</li><li>• By When</li><li>• Action Owner</li><li>• Supported by</li><li>• Progress Update</li><li>• Activity undertaken</li><li>• DAG Rep representative</li><li>• RAG Status</li></ul> <p>The Head of Human Resources confirmed that the Plan was originally monitored by the DAG until recently (now disbanded) and is now monitored through the SMT, as TfN embed the processes into the business.</p> <p>We noted that the internal assessment against the Local Government Equality Framework 2020, had been undertaken during 2021/22. We noted, in a number of cases where there was a red of amber rating, there had not been a recent update made to the Action Plan Tracker (Tracker). Therefore there is an opportunity to revisit the Tracker and refresh current compliance. Furthermore the Action Plan Tracker should be updated given that the DAS has now been disbanded.</p>	

<b>Management Action 4</b>	Management will undertake an assessment against the most recent Local Government Equality Framework available to ensure continuing compliance with the requirements of the PSED. The current Action Plan Tracker 21/22 will be revisited in light of the assessment with new responsible officers and timescales where appropriate.	<b>Responsible Owner:</b> Senior Management Team	<b>Date:</b> Complete by end of June 2023	<b>Priority:</b> Medium
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#### Area: SMT – Terms of Reference

<b>Control</b>	As previously stated, the Diversity and Inclusion Action Plan will be reviewed through SMT going forward.	<b>Assessment:</b>		
		<b>Design</b>		✓
		<b>Compliance</b>		×
<b>Findings / Implications</b>	We confirmed that the DAG reviewed the Action Plan Tracker on a monthly basis, however this is now undertaken by SMT as part of business as usual for TFN. We obtained a copy of the latest Terms of Reference for SMT and by reviewed confirmed the inclusion of the requirement to monitor the Diversity and Inclusion Action Plan. However, this does not state the frequency of when this will be reviewed.			
<b>Management Action 5</b>	Management will ensure that the frequency at which the Senior Management Team will review the Diversity and Inclusion Action Plan Tracker (minimum quarterly) is included in the Terms of Reference.	<b>Responsible Owner:</b> Senior Management Team	<b>Date:</b> Complete by end of June 2023	<b>Priority:</b> Low

# 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.

Area	Control design not effective*		Non Compliance with controls*		Agreed actions		
					Low	Medium	High
Equality, Diversity and Inclusion Framework	2	(9)	3	(9)	3	2	0
Total					3	2	0

\* Shows the number of controls not adequately designed or not complied with. The number in brackets represents the total number of controls reviewed in this area.

# APPENDIX B: SCOPE

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

## Scope of the review

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

### Objective of the audit

To review TfN’s processes and framework in place to ensure it is meeting the requirements of the Public Sector Equality Duty.

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

We will carry out a review of TfN’s control framework to ensure it is meeting its obligations to people protected under the Equality Act as defined in the Public Sector Equality Duty (PSED). As part of our audit we will review the following:

- How equality impact assessments/analysis are used in the delivery of TfN statutory responsibilities;
- Related policies and procedures and consider how these are implemented in practice;
- Staff training and awareness raising;
- How any actions identified in respect of the PSED are progressed;
- How TfN monitors the diversity of it staff throughout the respective lifecycle; and
- Reporting of equality, diversity and inclusion metrics.

**The following limitations apply to the scope of our work:**

- We will not give an opinion on all processes and systems to ensure the TfN fulfils its responsibilities for equality, diversity, and inclusion, but only on those for the points covered in the areas of consideration.
- The results of our work are reliant on the quality and completeness of the information provided to us.
- The review will be conducted on a sample basis and will not provide any guarantee against material errors, loss or fraud or provide an absolute assurance that material error, loss or fraud does not exist.
- Our work will not provide assurance that all EDI metrics are being reported or are accurate.
- We will not confirm that TfN is compliant with the PSED, only that there is a framework in place for assessing TfN's compliant with PSED.
- We will not comment on the quality of the data being reported.
- We will not comment on any decisions made by management which may have been informed by EDI requirements.
- We will not provide assurance as to whether TfN is likely to achieve any required performance targets.
- Conclusions are based on our assessments made through discussions with management and review of the information made available to us at the time of the review.
- Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

<b>Debrief held</b>	23 January 2023
<b>Draft report issued</b>	26 January 2023
<b>Responses received</b>	7 and 14 February 2023
<b>Revised draft report issued</b>	13 February 2023
<b>Final report issued</b>	14 February 2023

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<b>Client sponsor</b>	Paul Kelly, Finance Director Stephen Hipwell, Head of HR Tim Foster, Interim Strategy and Programme Director
<b>Distribution</b>	Paul Kelly, Finance Director Stephen Hipwell, Head of HR Tim Foster, Interim Strategy and Programme Director

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

Our report is prepared solely for the confidential use of Transport for the North, and solely for the purposes set out herein. This report should not therefore be regarded as suitable to be used or relied on by any other party wishing to acquire any rights from RSM 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.

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

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# TRANSPORT FOR THE NORTH

## Framework for Project Management - Project Approval, Delivery and Monitoring

Internal audit report 6.22/23

Final

14 June 2023

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 review and provide you with the assurances you require. Based on the information provided by you, we have been able to sample test, or undertake full population testing using data analytics tools, to complete the work in line with the agreed scope.

## Why we completed this audit

Transport for the North ('TfN') has been in a transitional phase with regards to projects in recent years. Historically, large programmes of work were undertaken with significant funding from the Department for Transport (DfT) such as Northern Powerhouse Rail, which was specifically designed to support the transformation of the North's economy by providing effective and efficient rail connectivity between the North's major economic centres. As a result of the scale of the programmes, a Project Management Office (PMO) was in place to manage coordination and interdependencies between programmes and projects.

During early 2021, TfN commissioned Nota Bene Consulting to advise on the management of strategic projects across the organisation, with a particular focus with how programmes engage with the Strategy Team. The consultant recommended that TfN establish an overarching way of working on strategy or policy associated projects and as a result of this recommendation, the Policy Development Framework (PDF) was produced

However, in 2021/22 the large programmes of work were transferred to the Department for Transport (DfT), and the operating budget and scale of further projects reduced and as such, it was identified that the PMO was no longer a necessity, and this was removed from the organisational structure. At the time of our review in January 2022, TfN has not introduced any alternative central arrangement in its place and the Policy Development Framework has not been formally rolled out. As such, delivery and reporting on individual projects are performed by individual Business Units, who are able to follow an agile approach to project management.

In consultation with Management, four projects of different scales and at various stages were selected to be considered as part of the review:

Project Name	Start Date	Cost/Funding
Northern Powerhouse Independent Economic Review (NPIER)	May 2022	£160k funded through 2022/23 Business Plan
Connected Mobility Hub pilot;	April 2022	£72k funding from DfT
International Connectivity Policy Position	July 2021	£40k funded through 2021/22 Business Plan
Electric Vehicle Charging Infrastructure (EVCI) project (phase two)	Autumn 2021	£60k funded by DfT

For each of the four projects we held discussions with the Project Manager and other relevant individuals involved, in order to ascertain the process each project has followed from initiation through to delivery and the specific project management methods used in each case, bearing in mind that the organisation has promoted a degree of flexibility in this area for project teams. We completed the work with a view to identifying whether TfN would benefit from introducing an overarching project management framework in which consistent processes are followed across all Business Units.

## Conclusion

Through our work we identified that there are elements of a consistent project management framework in use across the organisation, for example we confirmed that aspects of the existing Policy Development Framework are used by project teams. Overall, project approval, delivery and monitoring mechanisms vary across different projects and areas of the organisation.

Due to the diverse portfolio of projects, varying in scope and size, we appreciate that flexibility is needed to ensure project managers can tailor their approach to the needs of the project. However, in line with good practice and based on what we have seen in place at other organisations, we have raised seven management actions (five 'low' priority and two 'medium' priority) to further strengthen TfN's existing framework in this area. The actions will help to ensure more consistency across the key stages of projects, such as project inception and approval, and project close-out stages to ensure that projects receive a consistent level of scrutiny, whilst also enabling some flexibility within the delivery phase to allow project teams to tailor their approach to the needs of the project.

***Following the issue of our draft report, we were informed by the Director of Strategy, Analysis and Communications that the Senior Management Team believe there is an opportunity to refine the framework, given the change in TfN's operating model, the nature of their work is less 'large projects and programmes' and more 'strategic advice'. The initial framework was created for a different TfN operating model. The Senior Management Team believe there is an opportunity to include within the***

***framework other key considerations when setting up new TfN workstreams, such as Equality Impact Assessment and arrangements for data sharing and GDPR compliance. Therefore, it has been agreed that a task and finish group from within the Senior Management Team will be formed to take forward the work on the project management framework, including reviewing and responding to the management actions within this report.***

### Internal audit opinion:

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

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



## Key findings

### We identified the following findings:



Through review of the existing Policy Development Framework (PDF) we noted that included as part of the proposed two-step project initiation and development process is the completion of a Project Initiation Document (PID). The template PID document produced by TfN requires the user to outline SMART objectives, project aims, deliverables, resource commitments (both internal and external), links to the Strategic Transport Plan, 'golden thread' considerations and other projects and risks relevant to the project. Through our testing in relation to the sample of four projects, we confirmed that PIDs in the template developed as part of the PDF were completed for two of the four projects. In one case we were informed by the Project Manager that a PID was completed, however, when requested we were not provided with a copy. In the remaining case, a PID was not completed.



For three of the four projects assigned roles and responsibilities using the Responsible, Accountable, Supportive, Consulted, and Informed (RASCI) matrix had been completed. We confirmed that this includes assigning roles at a strategic level. The matrix is recommended within the PDF however it is not mandatory for project teams to use this. In the remaining case we identified that roles and responsibilities had yet to be formally assigned for relevant individuals other than the Project Manager due to the infancy of the project. We have not noted this as an issue as the project is new and we were assured this will be done in due course.



Whilst we confirmed that Project Managers were in place for all four projects, we identified one instance whereby the Project Manager for one of the projects in our sample changed and no formal handover took place. We were informed that the previous Project Manager left the organisation, and the intention was to replace the role through recruitment, however as this did not materialise a last-minute

decision was taken to fill the role internally. As such, an informal catch up took place between the old and new Project Managers but no formal handover took place. As a matter of good practice, where there are changes within the RASCI matrix formal handovers should take place with key details and documentation shared.



Risk Champions have been allocated for each functional unit of TfN who have responsibility for maintaining the risk registers recorded within Predict risk management system, including any project-specific registers. Champions and other relevant individuals such as risk owners meet with the Risk Manager on a monthly basis to discuss 'very high' and 'high' risks and make relevant updates where necessary. We confirmed that a Risk Champion was in place for the areas which cover the four projects within our sample. We also confirmed by review of screenshots of calendar invitations that monthly meetings take place between the Champions and the Risk Manager. Furthermore, the Risk Manager advised us that where necessary changes are made to the Predict risk management system during the meetings.



As part of a walkthrough of the Predict risk management system with the Risk Manager we confirmed that risks are included within the specific Business Units' risk registers for the four projects within our sample. We also confirmed that risk owners are assigned, and risks are scored.



At the time of our review, there was no guidance or recommendations provided to project managers in relation to monitoring throughout the delivery phase of a project. The Interim Director of Strategy and Programmes explained that project managers are encouraged to use their judgement and knowledge based upon the size and scope of a project. Through our discussions with the Project Managers of the four aforementioned projects, and through review of supporting evidence, we identified large variances between the range of mechanisms used.

For example, we confirmed that the NPIER Project Manager has a detailed project plan in the form of a Gantt chart which tracks the tasks to be completed on a weekly basis. Whereas the Connected Mobility project did not have a project plan in place at the time of our review.

A project 'Interdependencies Tracker' was maintained by the PMO prior to its removal from the organisational structure of TfN. However, through review of the tracker we identified that it is no longer kept up to date and does not include all ongoing projects at TfN. The tracker provides cross-organisational insight outlining similarities, differences, linkages, drivers and trade-offs between projects and as such should be kept up to date. Furthermore, from an oversight perspective we noted that TfN does not have a register or record of all projects.

A lessons learnt standard template is in place and available on the intranet. Through review of the template we noted that it requires lessons learnt to be identified along with actions to be taken to ensure improvements are made in the future, furthermore the actions require implementation dates to be defined and action owners outlined. The template also includes a section for more broad reflections on things that went well which were planned and unplanned and unsuccessful elements.

Whilst we confirmed that a standard lessons learnt report template is in place, we were informed by the Interim Strategy and Programme Director that this is not completed consistently across TfN. As such, we identified that there is not a consistent process across TfN with regards to reflecting back on a project to assess whether the deliverables and intended benefits were achieved, identifying learnings or sharing. Furthermore there is no process with regards to sharing of learnings across project teams. No lessons learnt exercises had been completed for the four projects in our sample,

however we are mindful that at the time of our review, the projects were not complete.

An operating report is produced on a quarterly basis and presented to the Audit and Governance Committee. The report provides an update on key activities and risk updates in relation to projects and provides Audit and Governance Committee with assurance that projects are being managed effectively. Through review of the report presented to Audit and Governance Committee on 18 November 2022 we confirmed that it includes updates in relation to individual projects, including the four projects in our sample.

We identified that further reports and updates are provided to other various groups and committees across TfN including (but not limited to) TfN Board, Strategic Oversight Group (SOG) and the Scrutiny Committee. For example, we obtained reports in relation to the NPIER project which were presented to the aforementioned committees and confirmed by review that the information included was consistent across all forums.

## 2. DETAILED FINDINGS AND ACTIONS

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

Policy Development Framework				
<b>Control</b>	TfN has in place an overarching Policy Development Framework (PDF) which was developed as a result of a recommendation by an external consultant. The Framework outlines a consistent approach to policy and research projects across TfN teams.  The PDF was presented to the Operating Board and approved.	<b>Assessment:</b>		
		<b>Design</b>		Partial
		<b>Compliance</b>		Partial
<b>Findings / Implications</b>	<p>In order to encourage greater communication across teams and disciplines, improve information flow and increase awareness of work being undertaken, the external consultants recommended that TfN establish an overarching way of working on strategy or policy associated projects. As a result of this recommendation, the Policy Development Framework (PDF) was produced in 2021.</p> <p>We obtained a copy of the PDF and through review, noted that it outlines a two-step process in relation to the development of projects. The steps are as follows:</p> <ol style="list-style-type: none"> <li>1. Sift the potential projects; and</li> <li>2. Develop projects for delivery through a Project Initiation Document (PID).</li> </ol> <p>However, we were informed by the Interim Strategy and Programme Director that despite its development, the framework has not been formally rolled out across TfN or integrated into business planning as was originally intended due to the PMO being disbanded and funding reduced. Whilst it has not been formally rolled out, the two-stage process has been used and applied to many strategy related projects over the past 12 months.</p> <p>Through our discussions with the four Project Managers as part of this review, we identified that all were aware of the PDF and the processes outlined within. We noted that the PDF states that its purpose is to provide a consistent framework for teams to work through, which will allow them to demonstrate their decision making through a consistent decision-making process and through consistent documentation. However, if the framework is not formally rolled out and mandatory, it will not achieve this purpose of ensuring consistency as teams can follow different approaches with no accountability or repercussions for not adhering to the PDF. As such, in line with good project management practices, management should formally implement the PDF and ensure the two step initiation process is followed. In addition, prior to rolling out the PDF, management should update the document to include a definition of what is considered to be a 'project' to clearly outline to the different Business Units when the framework should be used.</p>			
<b>Management Action 1</b>	Management will review and update the Policy Development Framework (PDF) to include a definition of what is considered to be a project (based on size, spend and scope).	<b>Responsible Owner:</b> Katie Day, Director of Strategy, Analysis and Communications	<b>Date:</b> 31 December 2023	<b>Priority:</b> Low

## Policy Development Framework

Once updated, the PDF will be formally rolled-out and implemented to ensure that the two-step process in relation to development of projects is followed consistently and the supporting documentation completed.

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<b>Management Comment</b>	<i>Management have agreed to form a task and finish group from within the Senior Management Team to take forward the work on the project management framework, recognising the new operating model.</i>
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Project Initiation Documents (PIDs)				
Control	Where a potential project is identified by Business Units, a PID is completed outlining the rationale, SMART objectives, approach and monitoring.  The PID also outlines the links between individual projects and the Strategic Transport Plan and 'golden thread' links with TfN's Business Plan.	Assessment:		
		Design	Partial	
		Compliance	Partial	
Findings / Implications	<p>We confirmed through review of the template that the PID is designed to assist teams to clearly define the project rationale, objective, and approach. The template is available on the intranet, and we confirmed this to be the case through review of a screenshot.</p> <p>The Interim Strategy and Programme Director highlighted that the PID process is encouraged, however it is not mandated and therefore not all projects follow this process. We confirmed that the PID template was completed in two out of the four projects in our sample.</p> <p>In addition, we were informed by management that there is no defined process in place as to where PIDs are required to be presented for consideration and approval. Historically, PIDs were sent to the Project Management Office (PMO) who used the information to update the interdependencies tracker. However, since the PMO was removed from the structure, as a general rule, PIDs have been presented to the Interim Strategy and Programme Director for oversight, however no formal approval is provided.</p> <p>A solid start to a project is key, no matter the size or scope. Completion of a PID helps guide the team early on by clearly defining the objectives, deliverables and success criteria and provides a resource which can be referred to in the future. In addition, the PID is a useful tool where there are staffing changes during a project, as it provides all the key information in one document. As such, as outlined above within control one, completion of a PID should be a mandatory element which is completed for all projects. See management action 1 above.</p> <p>Furthermore, through discussions with those involved in the projects in our sample we identified that at present it is not clear what the purpose of the PID is, and how this informs projects and project management. For example, we identified that there is no defined process in place with regards to what is done with completed PIDs and whether they require approval, as such we were unable to confirm whether PIDs are considered as part of the approval process for projects. At present a risk exists that projects are approved without clearly defining the purpose, objectives, deliverables, and strategic fit to TfN's overarching business plan. As such, management should include presentation and approval of the PID as part of the project approval process. Furthermore, where PIDs have been approved it provides an added layer of accountability for the project team to ensure they are delivering on the objectives, performance indicators and deliverables detailed within the PID. Getting the commercial planning and governance right at an early stage is important to achieving eventual project success. The ability to influence the project outcome diminishes as the project progresses. At the same time, the cost of change and rectification dramatically increases with time. Therefore, the quality of decision making at the outset is crucial to the eventual outcome and success of the project.</p>			
Management Action 2	Project Initiation Documents (PIDs) will be presented and approved as part of the project approval processes in line with the approval limits within the Scheme of Delegation and by an individual with assigned responsibility. Completed PIDs will be	Responsible Owner:	Date:	Priority:
		Katie Day, Director of Strategy, Analysis and Communications	31 December 2023	Medium



## Project Initiation Documents (PIDs)

retained centrally within a shared drive to ensure they can be shared in case of a change in the project team.

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<b>Management Comment</b>	<i>Management have agreed to form a task and finish group from within the Senior Management Team to take forward the work on the project management framework, recognising the new operating model.</i>
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Roles and Responsibilities				
<b>Control</b>	Projects within TfN are managed by different teams or functions and the roles and responsibilities are assigned in accordance with the Responsible, Accountable, Supportive, Consulted, and Informed (RASCI) matrix.	<b>Assessment:</b>		
		<b>Design</b>		✓
		<b>Compliance</b>		×
<b>Findings / Implications</b>	<p>Through discussions with the Interim Strategy and Programme Director we were informed that Business Units are encouraged to be clear on and assign roles and responsibilities for a project and the PDF includes reference to a RASCI matrix which the Project Teams may adopt. The RASCI matrix is used to help identify all the roles and responsibilities of each stakeholder on a project. It clearly defines who is working on a specific subtask of a project. Following the RASCI matrix is an area of good practice we have identified across our client base. It stands for the following:</p> <ul style="list-style-type: none"> <li>• Responsible (i.e. project owner);</li> <li>• Accountable;</li> <li>• Supportive;</li> <li>• Consulted; and</li> <li>• Informed.</li> </ul> <p>However, we were informed by management that it is not mandatory to assign roles and responsibilities using the matrix and in practice, teams may do this in a variety of ways to best suit the size and scope of the project. We confirmed that the RASCI matrix was used to assign roles and responsibilities for three of the four projects, of which two had an in-depth RASCI matrix spreadsheet defining all internal and external stakeholders and their roles. The other project (International Connectivity) where the RASCI matrix was used, has only given consideration to the internal stakeholders, and identified one individual for each of the roles defined by the matrix. Through discussions with the International Connectivity Project Manager we confirmed that there are various external stakeholders with a shared interest in the project who require consulting and kept informed. In the final project, roles and responsibilities had not been assigned at the time of our review as the project was in its infancy. In order to ensure that roles and responsibilities are defined and assigned consistently, management should ensure that the full RASCI exercise is completed for all projects and where external stakeholders are involved these should be included.</p>			
<b>Management Action 3</b>	Management will ensure that the full Responsible, Accountable, Supportive, Consulted, and Informed (RASCI) matrix exercise is completed for all projects, giving consideration to both internal and external stakeholders.	<b>Responsible Owner:</b>	<b>Date:</b>	<b>Priority:</b>
		Katie Day, Director of Strategy, Analysis and Communications	31 December 2023	Low
<b>Management Comment</b>	<i>Management have agreed to form a task and finish group from within the Senior Management Team to take forward the work on the project management framework, recognising the new operating model.</i>			

Project Management				
Control	TfN follows an agile approach in relation to the management and control of projects undertaken by Business Units and in relation to engagement with stakeholders.	Assessment:		
		Design	Partial	
		Compliance	N/A	
Findings / Implications	Through review of the supporting evidence provided for the four projects, and through our discussions with the Project Managers we identified that there is a range of monitoring mechanisms used between different projects. Whilst we appreciate that projects undertaken across TfN vary widely in terms of subject matter, scope, cost and size and therefore flexibility is needed, in line with good practice there should be some elements of standardisation. For example, a project plan and timeline and standard templates provided to staff in order to ensure there are some elements of consistency in line with TfN policy and good practice principles. In order to ensure there is a consistent foundation across all projects, management should identify some key elements of project management which should be completed by all project teams as a standard. Templates will be issued for these elements to ensure teams follow a consistent approach. However, Project Managers should still be allowed some flexibility as currently encouraged and promoted by the organisation.			
Management Action 4	Management will review project management best practices and identify monitoring mechanisms which will be used consistently across projects. Once finalised templates will be developed and distributed to ensure consistency.	Responsible Owner:	Date:	Priority:
		Katie Day, Director of Strategy, Analysis and Communications	31 December 2023	Low
Management Comment	Management have agreed to form a task and finish group from within the Senior Management Team to take forward the work on the project management framework, recognising the new operating model.			

Lessons Learnt				
<b>Control</b>	A standard lessons learnt template is in place for project teams to complete following the implementation of a project.		<b>Assessment:</b>	
			<b>Design</b>	✓
			<b>Compliance</b>	×
<b>Findings / Implications</b>	<p>Through review of the PDF, we noted that it includes details regarding a lessons learnt process and outlines that a standard template is available. We were informed by the Interim Strategy and Programme Director that this process has been trialled however it has not been rolled out formally. Furthermore, the impact of this had not been assessed internally. We obtained the lessons learnt template and through review identified that it requires lessons learnt to be identified with actions to be taken to ensure improvements are made in the future. Furthermore the actions require implementation dates to be defined and action owners outlined. The template also includes a section for more broad reflections on aspects that went well which were planned and unplanned and any unsuccessful elements. In line with good practice, the lessons learnt exercise should also consider whether the deliverables and benefits included within the PID have been realised and where they have not the project team should reflect upon the reasons behind this.</p> <p>The lessons learnt process had not been completed for any of the projects in our sample, however this was due to the projects still being in delivery phase and not yet reaching the point of reflection. We obtained an example of a completed lessons learnt template in relation to Integrated Rail Plan Scoping and confirmed by review that the template is complete, and actions identified.</p> <p>Overall, through our discussions with the Project Managers, the Interim Strategy and Programme Director and through our testing, we identified that at present, gaps in compliance exist with the control framework in relation to post-project reflections and completion of lessons learnt exercises. As a matter of good practice, lessons learnt exercises should be completed as standard by Project Managers and other relevant individuals assigned this responsibility, to ensure that continual improvements can be made.</p> <p>Furthermore, we identified that at present there are no mechanisms in place with regards to sharing lessons learnt across the organisation. As such, in line with good practice lessons learnt reports should be saved within a shared drive (given that the PMO does not exist now) which all project managers have access to, and thus enable organisational learnings to be shared.</p>			
<b>Management Action 5</b>	Management will update the lessons learnt template to include a section in relation to benefits realisation. The completion of the lessons learnt template will then be made mandatory for Project Managers (or equivalent individual assigned responsibility) for all projects. This will include the identification of actions for improvement with action owners and intended implementation dates. Completed templates will be saved within an action log or a shared drive to enable Project Managers from across the organisation to benefit from the learnings.	<b>Responsible Owner:</b>	<b>Date:</b>	<b>Priority:</b>
		Katie Day, Director of Strategy, Analysis and Communications	31 December 2023	Medium

Lessons Learnt				
<b>Management Action 6</b>	Once completed, lessons learnt reports will be presented to a delegated relevant committee / forum for oversight and to monitor actions through to completion.	<b>Responsible Owner:</b> Katie Day, Director of Strategy, Analysis and Communications	<b>Date:</b> 31 December 2023	<b>Priority:</b> Low
<b>Management Comment</b>	<i>Management have agreed to form a task and finish group from within the Senior Management Team to take forward the work on the project management framework, recognising the new operating model.</i>			

Project Tracker				
<b>Control</b>	All current projects are recorded within the 'Interdependencies Tracker' which outlines key milestones and interdependencies between projects.	<b>Assessment:</b>		
		<b>Design</b>		✓
		<b>Compliance</b>		×
<b>Findings / Implications</b>	<p>Through discussions with the Interim Strategy and Programme Director we were informed that the 'Interdependencies Tracker' was previously maintained by the PMO. We were informed that in the past when PIDs were completed, they were sent to the PMO where individuals updated the Interdependencies Tracker with information from the PIDs. Responsibility to update the spreadsheet sat with members of the PMO. However, we were informed that since the removal of the PMO the spreadsheet has not been updated on a regular basis. We confirmed through review of the last updated dates that the spreadsheet is not up to date.</p> <p>We were informed by the Interim Strategy and Programme Director that the spreadsheet was developed and implemented at a time where TfN had a number of large projects with various interdependencies and as such it was a beneficial tool at the time. However, TfN has since completed the large projects and the current projects are of a smaller scale and there are not as many critical interdependencies and as such the Interim Strategy and Programme Director outlined that it was identified internally that it was no longer necessary to update the tracker. . Furthermore, the decision as to whether to retain the spreadsheet will depend upon the funding received from the Department for Transport (DfT) and the projects pursued going forward.</p> <p>However, whilst we appreciate that the central PMO is no longer in place, as a matter of good practice management should ensure that project managers are updating the tracker on a regular basis and ensure that all projects undertaken by TfN are included to provide oversight of activities at a central level. Furthermore, through our discussions with the Project Managers, one informed us that they consider the tracker to have been a useful tool as it enables project teams to assess the drivers, efficiencies, similarities, and differences between projects.</p>			
<b>Management Action 7</b>	Through discussions with Project Managers, Management will consider the value of the Interdependencies Tracker and identify based on the outcomes of discussions and the funding received from the DfT whether it will be maintained and kept up to date.	<b>Responsible Owner:</b>	<b>Date:</b>	<b>Priority:</b>
		Katie Day, Director of Strategy, Analysis and Communications	31 December 2023	Low
<b>Management Comment</b>	<i>Management have agreed to form a task and finish group from within the Senior Management Team to take forward the work on the project management framework, recognising the new operating model.</i>			

# 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.

Risks	Control design not effective*		Non Compliance with controls*		Agreed actions		
					Low	Medium	High
TCR03: TfN's Strategic Transport Plan (STP)	3	(10)	3	(10)	5	2	0
TCR04: Delivery of robust and compelling evidence to support Investment Programmes							
Total					5	2	0

\* Shows the number of controls not adequately designed or not complied with. The number in brackets represents the total number of controls reviewed in this area.

# APPENDIX B: BENCHMARKING

We have included some comparative data to benchmark the number of management actions agreed in this audit compared to similar audits conducted across the sector, as shown in the tables below. Additionally, the tables illustrate the levels of assurance issued as a result of a number of similar audits undertaken across the sector. It should be noted that the assurance opinions and management actions raised within all our audits reflect the scopes agreed with management at the time of the audits.

Level of assurance	Percentage of reviews	Results of the audit
Substantial assurance	33.33%	
Reasonable assurance	47.22%	✓
Partial assurance	19.45%	
No assurance	0%	

Management actions	Average number in similar audits	Number in this audit
High	0.15	0
Medium	2.64	2
Low	1.74	5
Total	4.53	7

Our benchmarking data above shows that the level of assurance achieved by TfN is in line the sector average. In addition to this, the total number of management actions in this review is higher than the average number raised in this area across our clients.



# APPENDIX C: SCOPE

## Scope of the review

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

Objective of the area under review	Risks relevant to the scope of the review	Risk source
We will provide assurance that the governance arrangements around project approval and implementation relating to TfN projects have been appropriately followed by individual Business Units.	<ul style="list-style-type: none"> <li>TCR03: TfN's Strategic Transport Plan (STP)</li> <li>TCR04: Delivery of robust and compelling evidence to support Investment Programmes</li> </ul>	Corporate Risk Register

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

- TfN's Strategic Transport Plan and the 'golden thread' links with individual projects;
- Policies and procedures are in place outlining decision making processes to be followed for strategic and policy driven projects across any of TfN's programmes;
- Roles and responsibilities have been assigned for the projects including co-ordination and oversight at a strategic level;
- We will look to review a sample of current projects from different TfN business areas and test to determine how:
  - Define the rationale/business decision and criterion for the chosen project including the corresponding documentation and approval to go ahead with the proposed project;
  - Determine that the benefits are defined for each project and how these will be realistically measured;
  - Review how projects are developed to assess how the impact on quality has been considered in delivering such projects;
  - Review the framework to undertake ongoing monitoring of key milestones including any key performance indicators and evidence of actions taken where slippage is identified including escalation processes;
  - Review of the governance structure for reporting against the delivery of the projects; and
  - Review the proposed framework for the ongoing reviews of the implementation/ success of the project.
- As part of the audit, we will compare and contrast the approaches applied for a sample of projects to ensure that the key principles and considerations have been applied for each projects. We acknowledge that the size and scale of each project will vary. As part of this analysis, we will consider whether TfN requires a more standardised approach i.e. Policy Development Framework Policy Development Framework across the organisation.
- Project risks have been identified and are appropriately monitored;
- Engagement with key stakeholders for projects;
- The interdependencies of TfN projects and how this is effectively managed;

- How lessons learned and benefits realisation are identified, monitored, and reported on;
- Governance and reporting arrangements over projects;
- Reporting to Leadership Team and the Board is undertaken on a regular basis.

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

- We will not confirm that projects are delivered on budget or within agreed timescales;
- We will not review the initiation document for adequacy;
- We will not comment on the appropriateness or accuracy of projected costs;
- We will not comment on the outcome of the projects or that correct decisions were made throughout the course of the project life;
- We will not confirm on whether all lessons learned as a result of the project have been identified;
- The scope of the work will be limited to those areas examined in the context of the objectives set out for this review. It should not, therefore, be considered as a comprehensive review of all aspects of non-compliance that may exist now or in the future;
- We will not comment on whether value for money has been achieved from the projects considered as part of this review;
- Whilst we will consider the risk management arrangements and reporting specific to the projects included as part of this review, we will not comment on whether all risks have been identified and managed correctly;
- We will not comment on the appropriateness of the project plan, only whether the plan has been monitored and progress reported;
- We do not endorse any particular project management approach or methodology;
- The results of our work are reliant on the quality and completeness of the information provided to us;
- We will not comment on whether all stakeholders have been identified and engaged with;
- We will not validate any assumptions within the individual projects; and
- Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

**Debrief held** 27 January 2023  
**Draft report issued** 3 February 2023  
**Responses received** 8 June 2023

**Final report issued** 14 June 2023

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

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

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

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

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

# TRANSPORT FOR THE NORTH

Annual Summary 2022/23

Year ended 31 March 2023

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.



# Transport for the North

RSM UK Risk Assurance Services LLP was appointed by Transport for the North to deliver a series of assignments, addressing areas where management and/or the audit committee required coverage or testing to inform their decisions and knowledge of the governance, risk and control environment.

## ASSIGNMENTS COMPLETED

Assignment	Opinion issued	Findings agreed by priority			
		Low	Medium	High	Advisory
Follow Up (1.22/23)	Reasonable Progress	19 of 21 actions completed			
Payroll (2.22/23)	Substantial Assurance	0	0	0	0
Risk Maturity Review (3.22/23)	Advisory	3	1	0	0
General Data Protection Regulation Arrangements (4.22/23)	Advisory	Four 'uncategorised' management actions raised			
Equality, Diversity and Inclusion Framework (5.22/23)	Reasonable Assurance	3	2	0	0
Framework for Project Management - Project Approval, Delivery and Monitoring (6.22/23)	Reasonable Assurance	5	2	0	0

## SCOPE OF OUR WORK

These assignments are just one of the elements of Transport for the North assurance framework and, if used properly, the results of our work can help management to inform and update the organisation's risk profile.

The purpose of this report is to provide a summary of our work delivered during the year. Our work has been planned and delivered as a series of 'agreed upon procedures', delivering reviews and testing in areas at the request of management and the audit committee.

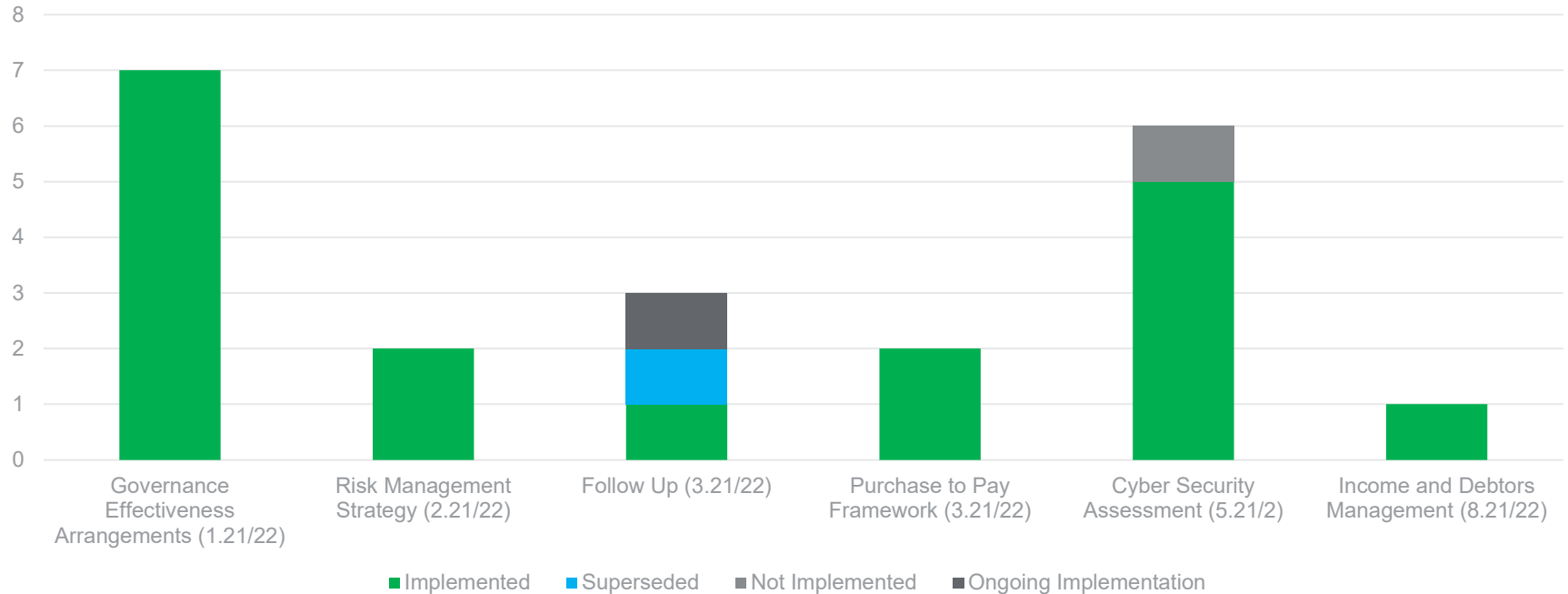
This report is prepared solely for the use of the board and senior management.

This report does not provide a formal annual internal audit opinion that would accord with Public Sector Internal Audit Standards and should not be taken to provide such an opinion.

# Transport for the North

## IMPLEMENTATION OF MANAGEMENT ACTIONS

The graph below shows the progress made by the organisation to implement actions previously agreed to address findings from our assignments.



We followed up the progress made by management to implement the 21 actions raised in our 2021/22 assignment reports. Of the 21 actions reviewed, we have confirmed that a total 19 (90%) actions have been fully implemented or superseded; one (5%) 'medium' priority action has been partly though not yet fully implemented; and one (5%) 'high' priority action has not yet been implemented.



## YOUR RSM TEAM

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# TRANSPORT FOR THE NORTH

## IT and Remote Working Asset Management

Internal audit report 1.23/24

Final

3 July 2023

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 to complete the work in line with the agreed scope.

## Why we completed this audit

Transport for the North are currently in the process of preparing for an office relocation. In preparation for this, it was agreed that RSM would conduct an audit on the management of IT and Remote Working Assets.

TfN's Information Technology Manager and Head of Facilities came into post from September 2022 and have recently reviewed the organisation's Asset Management Policy and Procedure (April 2023). The document includes the processes, practices, and procedures in relation to the purchase, control and disposal of all IT equipment and furniture assets to ensure that accountability and Value for Money (VfM) with regards to the effective management of all such assets is established and maintained at all times.

A new IT helpdesk system, Mojo software (which has an integrated asset management module) has also been implemented, which is utilised for the management and recording of assets. This is overseen and managed by the Information Technology Manager. TfN currently has 115 members of staff and 554 assets in total (consisting of laptops, monitors, phones and audio-visual equipment)

The purpose of the review was to consider how TfN physically manages IT and Remote Working Assets, recognising the improvements that the Information Technology Manager and Head of Facilities have implemented since coming into post.

## Conclusion

Our review has confirmed that a full reconciliation/ verification of the assets recorded on the Mojo system has been undertaken by the Information Technology Manager, with assistance of the Facilities Manager in March 2023 to ensure the accuracy of the data and to identify any issues.

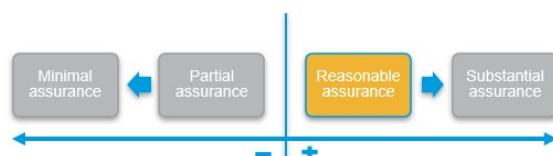
Additionally, we have confirmed that TfN has an Asset Management Policy and Procedure, which has recently reviewed and updated (April 2023), however through our review and testing undertaken, we have identified that further review of the Asset Management Policy and Procedures is required.

We also noted that, as part of a full reconciliation process completed in March 2023, it was identified that 12 laptops had not been returned to TfN, following on from a member of staff leaving. Through the use of the Azure software, emails and telephone calls, where possible, three had been retrieved. However, at the time of review, there remained nine laptops still to be retrieved. Through discussions with the Information Technology Manager, we confirmed that they were actively pursuing these machines. Through our audit work, we are also aware that controls have now been implemented to limit the risk of this occurring in the future. As such, we have not raised a management action specifically in regards to the nine laptops which have not been retrieved.

Our review has resulted in one 'medium' priority and two 'low' priority management actions being raised. Full details of our findings are included in section 2 of this report.

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

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



## Key findings

### We identified the following findings:



TfN has a recently revised Asset Management Policy and Procedure relating to the IT and Remote Working asset management requirements. The Policy and Procedure has been approved for publication by the Head of Facilities. As part of the review, we have identified that the appendices including both starter and leaver forms do not reflect the current forms utilised as part of the process and that the Policy and Procedure does not state the frequency of when the asset reconciliation/ verification process should be undertaken. As such, we have raised a management action.



TfN has an IT starter form that is completed for all newly appointed members of staff, which includes new employer details, devices required and system access levels. We performed testing of 10 newly appointed members of staff and by review of the IT starter form identified that in one case the form had not been signed by a member of the HR Department.



TfN has an IT leaver form that is completed for all members of staff leaving TfN. The form should be signed by a member of the HR Department and submitted to the IT Department 'no less than five working days in advance'. We performed testing of 10 leavers and identified the two forms that had not been signed by a member of HR Department and in four cases the form had not been submitted to the IT Department at least five working days of the member of staff leaving.

In both the case of the IT starter and leaver forms, we noted that the forms used differs to that attached to the Policy and Procedure. Additionally, the current forms require approval from two members of staff, however it was confirmed that only a member of the HR Department needs to approve both types of form.



It is the responsibility of the Information Technical Manager to ensure that the monitoring/ reconciliation of assets takes place. At the time of review, it was noted that a full reconciliation of assets recorded on the Mojo system had taken place in March 2023. For a sample of 10 assets, we confirmed that as part of the process that in all cases the asset had been verified to the Mojo system, either physically or by email verification by the user.

It was noted that, as part of the reconciliation process, that a number of laptops had not been returned to TfN, following on from a member of staff leaving. Through the use of the Azure software, emails and telephone calls where possible three had been retrieved, however at the time of review there remained nine laptops still to be retrieved. Through discussions with the Information Technology Manager, we confirmed that this was an active ongoing process. As such, we have not raised a management action.



TfN utilises the Helpdesk system, Mojo software module for the recording of assets, with a value of £50 or more. We performed testing of 10 newly appointed members of staff and confirmed that the following information had been recorded on the Mojo system:

- Description of the item/ classification;
- ID number/ serial number;
- Tag number of the asset;
- Name of member of staff asset allocated to; and
- Location i.e. remote.



In response to home-working and following on from a display screen equipment (DSE) assessment, three members of staff have been provided with an additional monitor. We confirmed that the three monitors had been recorded on the Mojo system against the individual members of staff.



It was confirmed by the Information Technology Manager and by review of a report produced from the Mojo system, that no assets have been recorded and disposed of in the last four years. Furthermore, through discussions with the Information Technology Manager, we were informed that only monitors or chairs would be formally disposed.

As laptops are on a lease deal these are not included and are kept regardless and then set in stock for re-use or prepped for sending back at the end of the lease deal. We were also informed that when assets are disposed of, it is the responsibility of the IT Team to wipe any company data. They also use Microsoft Azure to manage their devices and once removed from the portal, the device is unable to access the corporate network and the machine is reset. TfN has previously used a secure disposal recycling company to safely dispose of assets.

## 2. DETAILED FINDINGS AND ACTIONS

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

Area: Policies and Procedures				
<b>Control</b>	Transport for North (TfN) has a Asset Management Policy and Procedure relating to IT and Remote Working asset management requirements, including office furniture and equipment. The Policy and Procedure is subject to periodic review by a member of the senior management team to ensure that they remain up to date and reflect current operating practice. The Policy and Procedure is available to all staff via the Intranet.		<b>Assessment:</b>	
			<b>Design</b>	✓
			<b>Compliance</b>	×
<b>Findings / Implications</b>	<p>We obtained a copy of the latest Asset Management Policy and Procedure and by review confirmed that it was last updated in April 2023. The Information Technology Manager confirmed that the Policy and Procedures had been reviewed by the Head of Facilities and Risk Manager as part of the review process. We confirmed by review of an email that the Head of HR, acting as the Head of Facilities has approved the current Policy and Procedure. Additionally, we confirmed by review of a screenshot provided that the Policy and Procedure is available to all members of staff via the Intranet.</p> <p>As part of our review, we identified the following exceptions have been identified:</p> <ul style="list-style-type: none"> <li>• The standard forms currently utilised for the request of IT assets for new employees and for employees leaving the business were not referred to in the appendices in the Policy/ Procedures.</li> <li>• The frequency for the monitoring/ reconciliation of assets is not stated in the Policy and Procedure.</li> <li>• The process that is currently operating in respect of the approval of equipment for starters and leavers is not in line with the requirements as stated in the Policy and Procedure.</li> </ul> <p>There is a risk that if the Asset Management Policy and Procedures is not reflective of actual working practices, members of staff are not provided with the accurate information and guidance that should be applied.</p>			
<b>Management Action 1</b>	Management will update the current Asset Management Policy and Procedure to ensure the inclusion of the timeliness for the verification/ reconciliations of assets to be undertaken and the process for the approval of starters and leavers, to reflect actual working practices. Additionally, the forms (appendices) should be updated to reflect actual working practices.	<b>Responsible Owner:</b> IT and Information Manager, Facilities Manager.	<b>Date:</b> 31 July 2023	<b>Priority:</b> Low

Area: New Starters				
<b>Control</b>	<p>TfN has a standard form which is completed when requesting new IT equipment. The form is completed by the requester which, includes the new employee details, details of the device(s) requested and the systems for which access is required.</p> <p>The form is then authorised by a member of the HR Department and sent through to IT. Any amendments to existing devices/ access rights would be requested directly through to IT.</p>	<b>Assessment:</b>		
		<b>Design</b>		✓
		<b>Compliance</b>		×
<b>Findings / Implications</b>	<p>For a sample of 10 new employees selected from a system list (Dynamics 365 system) provided by HR (June 2022 to May 2023), We performed testing to confirm that the standard form had been completed and authorised appropriately. Testing identified that for one of the 10 new employees selected, the form had not been approved by HR. In all cases the form had been dated prior to the start date.</p> <p>There is currently a risk that access rights are being allocated/ assigned that have not been appropriate approved in line with the employees roles and responsibilities.</p> <p>It was also noted that the standard form in use differs from that of the form, as stated in the Asset Management Policy and Procedure. Discussions with the Information Technology Manager has confirmed that the process for the completion of the form has been changed in that, the Head of HR has agreed that the form only requires approval through the HR Department and not the Line Manager, therefore we have taken this into consideration when undertaking testing. We have raised a management action (control 1) in respect of this finding.</p>			
<b>Management Action 2</b>	<p>The HR Department will ensure that all IT starter forms are approved by a member of the HR Department prior to sending through to the IT Department for processing.</p> <p><b>Management Comment:</b></p> <p><i>The Head of HR has already discussed with their team and outlined this is critical to be completed on all future forms. The IT team will reject future forms without signature.</i></p>	<b>Responsible Owner:</b>	<b>Date:</b>	<b>Priority:</b>
		Head of HR.	3 July 2023	Low



Area: Leavers				
<b>Control</b>	<p>TfN has a standard form which is completed when a member of staff is leaving TfN. The form is then authorised by a member of the HR Department and sent through to the IT Department, <i>'no less than five working days in advance'</i>. It is the responsibility of the Information Technology Manager to organise the collection of assets from leavers and/ of movers, either through courier or the leaver returning the assets. This process also acts as notification for cancellation of leavers access on the system.</p> <p>In cases where a member of staff leaves TfN, arrangements for the retrieval of assets would only be actioned in cases where the nominal re-sale value is greater than £50 or a collective re-sale value greater than £150 applies, as stated in the Asset Management Policy and Procedure.</p>	<b>Assessment:</b>		
		<b>Design</b>		✓
		<b>Compliance</b>		×
<b>Findings / Implications</b>	<p>For a sample of 10 leavers selected from a system list (Dynamics 365 system) provided by HR (January 2022- May 2023), we performed testing and confirmed that in two out of 10 cases the leaver notification form had not been signed by a member of the HR Department prior to submission to the IT Department. Additionally, we identified four leaver notification forms were dated less than five working days of the date of leaving. One form had been dated on the same day as the date of leaving, one form had been dated three days prior to the date of leaving, two had been dated after the date of leaving. There is currently a risk that members of staff leaving TfN can still access emails/ systems if the IT has not been disabled, additionally, the assets will not be retrieved in a timely manner.</p> <p>It was also noted that the standard form in use differs from that of the form, as stated in the Asset Management Policy and Procedure. Discussions with the Information Technology Manager has confirmed that the process for the completion of the form has been changed in that the Head of HR has agreed that the form only requires approval through the HR department and not the Line Manager, therefore we have taken this into consideration when undertaking testing. We have raised a management action (control 1) in respect of this finding.</p>			
<b>Management Action 3</b>	<p>The HR department will ensure that leaver forms are approved by a member of the HR Department prior to sending through to the IT Department for processing. Additionally, the forms will be sent through to the IT Department at least five days prior to the date of leaving.</p> <p><b>Management Comment:</b></p> <p><i>Conversation with both the HR and IT teams has taken place and the leaver form has now been updated to state that the forms will be received at least 5 working days prior to leave date to ensure timely collection of TfN equipment and user account deletion.</i></p>	<b>Responsible Owner:</b>	<b>Date:</b>	<b>Priority:</b>
		Head of HR, IT and Information Manager	3 July 2023	Medium

## 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.

Risk	Control design not effective	Non Compliance with controls	Agreed actions		
			Low	Medium	High
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.	0	3	2	1	0
<b>Total</b>			<b>2</b>	<b>1</b>	<b>0</b>

# APPENDIX B: SCOPE

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

## Scope of the review

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

Objective of the risk under review	Risks relevant to the scope of the review	Risk source
Our review will consider how TfN manages ICT assets.	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.	Corporate Risk Register November 2022

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

The audit will consider the following;

Policies and Procedures

- Policies and procedures relating to IT and Remote Working asset management are in place. These are subject to periodic review to ensure that they remain up to date and reflect current operating practice.
- Guidance on IT and Remote Working asset management is clear and available to staff.

Governance of Assets:

- The process and controls in place for requesting and approving IT and Remote Working assets.
- The controls in place for the procurement, tagging and deployment of IT and Remote Working assets.
- The classification of assets (e.g. hardware/software).

Asset Monitoring:

- The framework in place to monitor and manage assets, e.g. use of a centralised software.
- The procedures in place for lost or stolen assets.

- The process in place for the monitoring of the location, status and use of IT and Remote Working assets.
- The process in place for the reconciliation of IT and Remote Working assets.

#### Secure Disposal of Assets:

- The awareness of asset life cycle and management of assets approaching their end-of-life and strategy and plans for replacement.
- The controls in place for ensuring a secure disposal of assets.

#### Asset Retrieval:

- We will assess and review the process and controls in place for the retrieval of assets from leavers and/or movers.

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

- We will not comment on the appropriateness of asset disposals just that the agreed process is adequate and has been followed.
- We will not substantively re-perform reconciliations or validate the existence of all assets..
- We will not assess the effectiveness of the utilisation of assets.
- We will not consider the purchase order process during this review
- We are not performing a full review of procurement or licencing of devices.
- We will not assess the quality and/or value of assets or assess whether assets were a good investment.
- Our review will not confirm the accuracy of the figures included in the financial accounts.
- Back-up controls will not form part of this review.
- We will undertake an assessment of the adequacy of selected aspects of the control framework and undertake limited testing to confirm its operation in practice.
- Our review is limited to reviewing selected key controls in relation to IT and Remote Working Asset Management. No other areas of TfNs financial systems will be reviewed.
- We will not comment on the appropriateness of assets purchased or disposed of by TfN.

- We will not verify the existence of assets, or comment on the condition of any assets.
- We will not look at data security arrangements for assets.

Our work does not provide assurance that material error, loss or fraud do not exist.

Please note that the full scope of the assignment can only be completed within the agreed budget if all the requested information is made available at the start of our fieldwork, and the necessary key staff are available to assist the internal audit team. If the requested information and staff are not available we may have to reduce the scope of our work and/or increase the assignment budget. If this is necessary we will agree this with the client sponsor during the assignment.

To minimise the risk of data loss and to ensure data security of the information provided, we remind you that we only require the specific information requested. In instances where excess information is provided, this will be deleted, and the client sponsor will be informed.

**Debrief held** 16 June 2023  
**Draft report issued** 27 June 2023  
**Responses received** 3 July 2023

**Final report issued** 3 July 2023

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# Audit Strategy Memorandum

## Transport for the North

Year ending 31 March 2023

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July 2023



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08	Materiality and misstatements
09	Appendix A – Key communication points
10	Appendix B – Revised auditing standard on Identifying and assessing the risks of material misstatement: ISA (UK) 315 (Revised 2019)

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

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

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

21 July 2023

Dear Sirs / Madams

**Audit Strategy Memorandum – Year ending 31 March 2023**

We are pleased to present our Audit Strategy Memorandum for Transport for the North for the year ending 31 March 2023. The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. As it is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, section 7 of this document also summarises our considerations and conclusions on our independence as auditors. We consider two-way communication with you to be key to a successful audit and important in:

- Page 203
- reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;
  - sharing information to assist each of us to fulfil our respective responsibilities;
  - providing you with constructive observations arising from the audit process; and
  - ensuring that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing Transport for the North which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

With that in mind, we see this document, which has been prepared following our initial planning discussions with management, as being the basis for a discussion around our audit approach, any questions, concerns or input you may have on our approach or role as auditor. This document also contains an appendix that outlines our key communications with you during the course of the audit, and explains the implications of the introduction of the new auditing standard for Identifying and assessing the risks of material misstatement: ISA (UK) 315 (Revised 2019).

Client service is extremely important to us and we strive to provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations so, if you have any concerns or comments about this document or audit approach, please contact me on 07909 985324 .

Yours faithfully

Signed: 

Daniel Watson

Mazars LLP

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

Tel: 44(0) 161 238 9200 – [www.mazars.co.uk](http://www.mazars.co.uk)

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# 01

Section 01:

## **Engagement and responsibilities summary**

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# 1. Engagement and responsibilities summary

## Overview of engagement

We are appointed to perform the external audit of Transport for the North (TfN) for the year to 31 March 2023. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: <https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/>. Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined below.

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**Audit opinion**

We are responsible for forming and expressing an opinion on whether the financial statements are prepared, in all material respects, in accordance with the Code of Practice on Local Authority Accounting. Our audit does not relieve management or Audit and Governance Committee, as Those Charged With Governance, of their responsibilities.

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



**Fraud**

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

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

**Wider reporting and electors' rights**

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

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounts of the TfN and consider objections made to the accounts. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom

# 02

Section 02:

**Your audit engagement team**

## 2. Your audit engagement team

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

Who	Role	E-mail
Daniel Watson	Key Audit Partner	<a href="mailto:Danie.watson@mazars.co.uk">Danie.watson@mazars.co.uk</a>
Muhammad Uzair Khan	Senior Manager	<a href="mailto:Muhammad-uzair,khan@mazars.co.uk">Muhammad-uzair,khan@mazars.co.uk</a>
Gareth Maher	Team Leader	<a href="mailto:Gareth.maher@mazars.co.uk">Gareth.maher@mazars.co.uk</a>

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# 03

Section 03:

**Audit scope, approach and timeline**

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# 3. Audit scope, approach and timeline

## Audit scope

Our audit approach is designed to provide an audit that complies with all professional requirements.

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

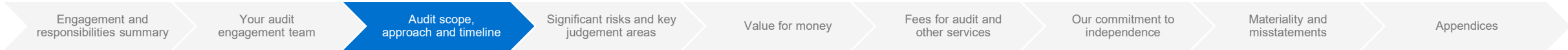
## Audit approach

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

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

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

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



# 3. Audit scope, approach and timeline

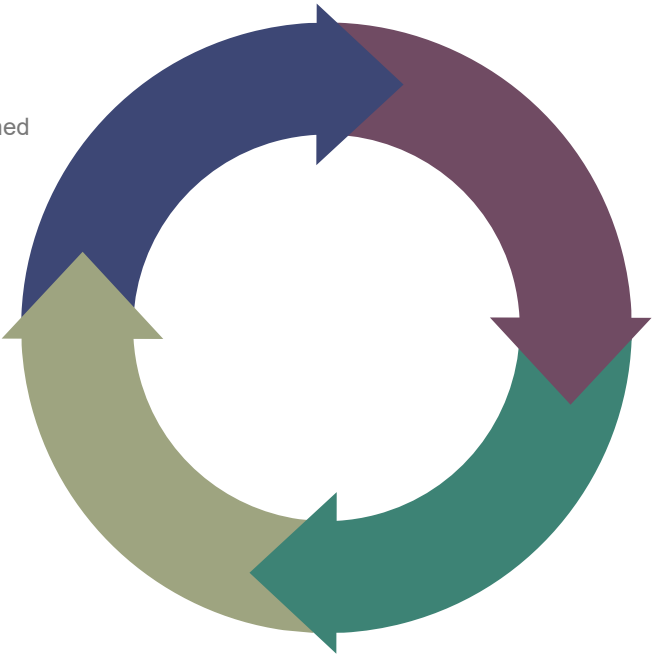
Page 210

## Planning and Risk Assessment March 2023

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

## Completion September 2023

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



## Interim March - April 2023

- Documenting systems and controls
- Performing walkthroughs
- Interim controls testing including tests of IT general
- Early substantive testing of transactions
- Reassessment of audit plan and revision if necessary

## Fieldwork July - August 2023

- Receiving and reviewing draft financial statements
- Delivering our audit strategy starting with significant risks and high risk areas including detailed testing of transactions, account balances and disclosures
- Communicating progress and issues
- Clearance meeting

### 3. Audit scope, approach and timeline

#### Reliance on internal audit

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

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

#### Management’s and our experts

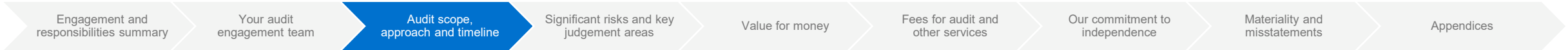
Management makes use of experts in specific areas when preparing TfN’s financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

Item of account	Management’s expert	Our expert
Defined benefit liability valuation and disclosures	Hymans Robertson Actuary for the Greater Manchester Pension Fund	PwC – Consulting actuary appointed 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 planned audit approach.

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



# 04

Section 04:

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

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# 4. Significant risks and other key judgement areas

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

## Significant risk

Significant risks are those risks assessed as being close to the upper end of the spectrum of inherent risk, based on the combination of the likelihood of a misstatement occurring and the magnitude of any potential misstatement. Fraud risks are always assessed as significant risks as required by auditing standards, including management override of controls and revenue recognition.

## Enhanced risk

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

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

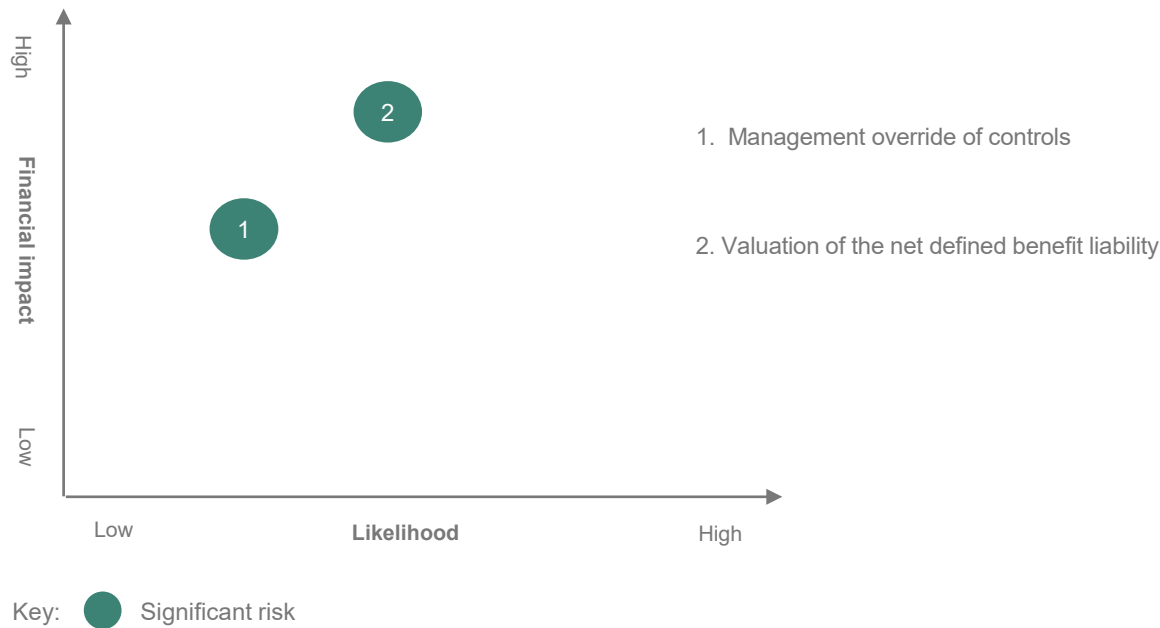
other audit assertion risks arising from significant events or transactions that occurred during the period.

## Standard risk

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

## Summary risk assessment

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



# 4. Significant risks and other key judgement areas

## Specific identified audit risks and planned testing strategy

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

## Significant risks

	Description	Fraud	Error	Judgement	Planned response
1	<p><b>Management override of controls</b> This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.</p> <p>Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.</p>	●	○	○	We plan to address the management override of controls risk through performing audit work over accounting estimates, journal entries and significant transactions outside the normal course of business or otherwise unusual

# 4. Significant risks and other key judgement areas

## Significant risks

	Description	Fraud	Error	Judgement	Planned response
2	<p><b>Net defined benefit liability valuation</b> <b>£1.562m (£10,545m 2021/22)</b></p> <p>The financial statements contain material pension entries in respect of retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.</p> <p>The TfN accounts contain material liabilities relating to the local government pension scheme administered by the Greater Manchester Pension Fund (GMPF), which had its last triennial valuation completed as at 31 March 2022.</p>	○	●	●	<p>We will discuss with key contacts any significant changes to the pension estimates. In addition to our standard programme of work in this area, we will evaluate the management controls you have in place to assess the reasonableness of the figures provided by the Actuary and consider the reasonableness of the Actuary's output, referring to an expert's report on all actuaries nationally.</p> <p>We will review the appropriateness of the key assumptions included within the valuations, compare them to expected ranges and review the methodology applied in the valuation. We will consider the adequacy of disclosures in the financial statements.</p> <p>We will carry out a range of substantive procedures on relevant information and cash flows used by the actuary as part of the annual IAS 19 valuation.</p> <p>We will also seek assurance from the auditor of the Greater Manchester Pension Fund including additional assurance in respect of the triennial valuation.</p>

# 05

Section 05:

**Value for money arrangements**



# 5. Value for money arrangements

## The framework for Value for Money work

We are required to form a view as to whether the TfN has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our view, and sets out the overall criterion and sub-criteria that we are required to consider.

2022/23 will be the third audit year where we are undertaking our value for money (VFM) work under the 2020 Code of Audit Practice (the Code). Our responsibility remains to be satisfied that the TfN has proper arrangements in place and to report in the audit report and/or the audit completion certificate where we identify significant weaknesses in arrangements. Separately we provide a commentary on the TfN arrangements in the Auditor's Annual Report.

## Specified reporting criteria

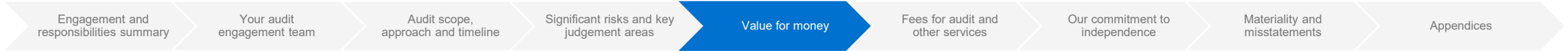
The Code requires us to structure our commentary to report under three specified criteria:

- Page 217
- Financial sustainability** – how the TfN plans and manages its resources to ensure it can continue to deliver its services.
  - Governance** – how the TfN ensures that it makes informed decisions and properly manages its risks.
  - Improving economy, efficiency and effectiveness** – how the TfN uses information about its costs and performance to improve the way it manages and delivers its services.

## Our approach

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

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



# 5. Value for money arrangements

## Identified risks of significant weaknesses in arrangements

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

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

	Risk of significant weakness in arrangements	Financial sustainability	Governance	Improving the 3Es	Planned procedures
1	<p><b>Financial Sustainability</b></p> <p>The Integrated Rail Plan for the North and Midlands, published in November 2021, set out that the arrangements for Northern Powerhouse Rail (NPR) would transition from a co-client hosted by TfN to sole-clienting by the Department for Transport (DfT). The Transport Development Fund (TDF) grant to TfN for the NPR programme therefore ceased as at 31 March 2022.</p> <p>The 40% reduction to Core funding in 2021/22 was mitigated, with the assistance of the DfT, by £1.5 million of recharges into the NPR programme and a release of £2.5 million of TfN reserves. Neither of these options are available in 2022/23 given the change in arrangements. As a consequence, the full impact of the funding reductions now have to be managed in 2023/24 and beyond. This represents a significant risk in respect of financial sustainability</p>	●	○	○	<p>We will review the financial performance of TfN in 2022/23 and the financial plan for 2023/24. We will critically assess how the new operating model support TfN’s medium term financial plan (MTFS).</p> <p>The new operating model 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.</p>

# 06

Section 06:

**Fees for audit and other services**

# 6. Fees for audit and other services

## Fees for work as the TFN's appointed auditor

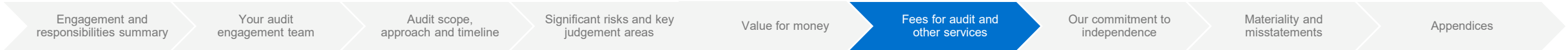
In the 2021/22 Auditor's Annual Report that we presented to the Audit and Governance Committee on 17 February 2023, we explained that there would be additional recurring fees in respect of regulatory pressures and the additional work required under the new Code from 2020/21 onwards in relation to our value for money work. We set value for money fees at the minimum of the range in Public Sector Audit Appointments Limited's (PSAA) consultation document as explained in the Auditor's Annual Report. We are still awaiting approval for the fees noted in the table below for 2021/22 but we have included them for transparency.

At this stage we are not proposing any fee increase in 2022/23 from our final fees for 2021/22. All fees are excluding VAT.

Area of work	2022/23 Proposed Fee	2021/22 Actual Fee
Planned fee in respect of our work under the Code of Audit Practice	£35,902	£33,000
Additional testing on Defined Benefit Pensions Schemes as a result of changes in regulatory expectations (recurring)	-	£3,200
Additional work arising from the change in the Code of Audit Practice in respect of Value for Money arrangements (recurring)	£5,000	£5,000
Total fees	£40,902	£41,200

## Fees for non-PSAA work

At this stage we are not expecting to undertake any non-PSAA work at TfN in 2022/23.



# 07

Section 07:

**Our commitment to independence**

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# 7. Our commitment to independence

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

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

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

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

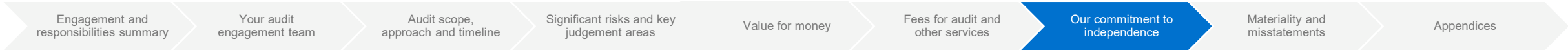
We confirm, as at the date of this document, that the engagement team and others in the firm as appropriate, Mazars LLP are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence please discuss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

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

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

No threats to our independence have been identified.

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# 08

Section 08:

## **Materiality and misstatements**

Page 223

# 8. Materiality and misstatements

## Summary of initial materiality thresholds

Threshold	Initial threshold £'000s
Overall materiality	£341
Performance materiality	£273
Specific materiality (Senior Officer Remuneration)	£5
Trivial threshold for errors to be reported to the Audit and Governance Committee.	£10

## Materiality

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

Information is considered to be material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

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

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

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

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

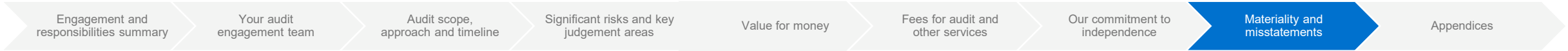
Whilst planning, we make judgements about the size of misstatements which we consider to be material and which provides a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and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

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

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

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

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





# 8. Materiality and misstatements

## Materiality (continued)

We expect to set a materiality threshold at 2% of gross expenditure at the surplus/ deficit level. Based on 2022/23 draft financial statements we anticipate the overall materiality for the year ending 31 March 2023 to be in the region of £341m ( £1.251m in the prior year). The significant reduction in the materiality thresholds is due to cost reductions and the restructuring programme implemented at TfN during the year under review.

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

## Performance Materiality

Performance materiality is the amount or amounts set by the auditor at less than materiality for the financial statements as a whole to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

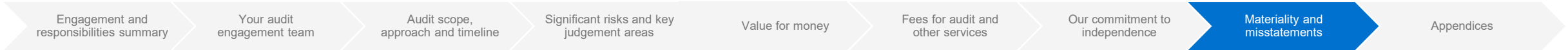
## Misstatements

We accumulate misstatements identified during the audit that are other than clearly trivial. We set a level of triviality for individual errors identified (a reporting threshold) for reporting to Audit and Governance Committee that is consistent with the level of triviality that we consider would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements. Based on our preliminary assessment of overall materiality, our proposed triviality threshold is £10,000 based on 3% of overall materiality. If you have any queries about this please do not hesitate to raise these with Daniel Watson.

## Reporting to Audit and Governance Committee

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

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





# Appendices

A: Key communication points

B: Revised auditing standard on Identifying and assessing the risks of material misstatement: ISA (UK) 315 (Revised 2019)

# Appendix A: Key communication points

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

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

## Form, timing and content of our communications

We will present the following reports:

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

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

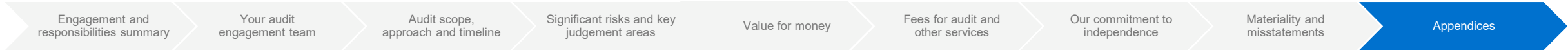
## Key communication points at the planning stage as included in this Audit Strategy Memorandum

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

- Responsibilities for preventing and detecting errors;
- Materiality and misstatements; and
- Fees for audit and other services.

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

- Significant deficiencies in internal control.
- Significant findings from the audit.
- Significant matters discussed with management.
- Significant difficulties, if any, encountered during the audit.
- Qualitative aspects of the entity’s accounting practices, including accounting policies, accounting estimates and financial statement disclosures.
- Our conclusions on the significant audit risks and areas of management judgement.
- Summary of misstatements.
- Management representation letter.
- Our proposed draft audit report.
- Independence.



# Appendix A: Key communication points

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

Required communication	Where addressed
Our responsibilities in relation to the financial statement audit and those of management and those charged with governance.	Audit Strategy Memorandum
The planned scope and timing of the audit including any limitations, specifically including with respect to significant risks.	Audit Strategy Memorandum
<div> <div>Page 228</div> <div>                     With respect to misstatements:                      uncorrected misstatements and their effect on our audit opinion;                      the effect of uncorrected misstatements related to prior periods;                      a request that any uncorrected misstatement is corrected; and                      in writing, corrected misstatements that are significant.                 </div> </div>	Audit Completion Report
With respect to fraud communications: <ul style="list-style-type: none"> <li>enquiries of Audit and Governance Committee to determine whether they have a knowledge of any actual, suspected or alleged fraud affecting the entity;</li> <li>any fraud that we have identified or information we have obtained that indicates that fraud may exist; and</li> <li>a discussion of any other matters related to fraud.</li> </ul>	Audit Completion Report and discussion at Audit and Governance Committee , Audit planning and clearance meetings

# Appendix A: Key communication points

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

# Appendix A: Key communication points

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

# Appendix B: Revised auditing standard on Identifying and assessing the risks of material misstatement: ISA (UK) 315 (Revised 2019)

## Background

ISA (UK) 315 (Revised 2019) introduces major changes to the auditor’s risk identification and assessment approach, which are intended to drive a more focused response from auditors undertaking work to obtain sufficient appropriate audit evidence to address the risks of material misstatement. The new standard is effective for periods commencing on or after 15 December 2021 and therefore applies in full for the TfN’s 2022/23 audit.

The most significant changes relevant to the TfN’s audit are outlined below.

## Enhanced risk identification and assessment

The standard has enhanced the requirements for the auditor to understand the audited entity, its environment and the applicable financial reporting framework in order to identify and assess risk based on inherent risk factors which include:

- subjectivity;
- complexity;
- uncertainty and change; and
- susceptibility to misstatement due to management bias or fraud.

Using these inherent risk factors, we assess inherent risk on a spectrum, at which the higher end of which lies significant risks, to drive an audit that is more focused on identified risks. Auditors are now also required to obtain sufficient, appropriate evidence from these risk identification and assessment procedures which means documentation and evidence requirements are also enhanced.

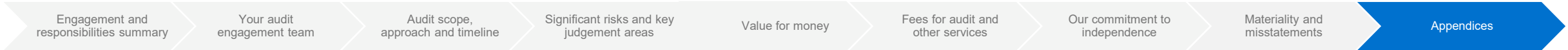
## Greater emphasis on understanding IT

In response to constantly evolving business environments, the standard places an increased emphasis on the requirements for the auditor to gain an understanding of the entity’s IT environment to better understand the possible

risks within an entity’s information systems. As a result, we are required to gain a greater understanding of the IT environment, including IT general controls (ITGCs).

## Increased focus on controls

Building on the need for auditors to gain a greater understanding of the IT environment, the standard also widens the scope of controls that are deemed relevant to the audit. We are now required to broaden our understanding of controls implemented by management, including ITGCs, as well as assess the design and implementation of those controls.



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# Transport for the North Quarterly Operating Report January to March 2023



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# Introduction

## Summary from the Chief Executive

As the financial year ended, we were pleased to secure TfN Board agreement to the draft Strategic Transport Plan (STP2) allowing us to commence a 12-week statutory consultation over the summer. Work is now underway in earnest to prepare for that consultation with partners and stakeholders across the North.

Alongside, and central to STP2 ambitions, our work on transport-related social exclusion will be published. Now the 'Connecting Communities' strategy, it sets an ambitious target for our region to reduce TRSE by 1.0 million people, against a current level of 3.3 million, by 2050. We've also completed our update to the Northern Powerhouse Independent Economic Review (NPIER) scenarios, which has informed STP2. The headline message is clear: the economic potential of the North remains huge and by pulling the right policy levers together, we can grow our economic and improve productivity.

More widely, poor rail performance (particularly by TransPennine Express ("TPE")) continued to be at the centre of the TfN Board's concerns on rail services. With a detailed recovery plan now in place, TfN – working through the Rail North Partnership continues to closely monitor TPE performance to ensure it meets the standards passengers expect and need. Elsewhere, there has been encouraging progress for customers as part of the Transpennine Route Upgrade ("TRU"), with the delivery of planned station improvements and more staff available to support users. Greater accessibility is a critical part of upgrading our rail infrastructure across the North, so more citizens and businesses can use our network.

Our Board also supported TfN's initial recommendations for future Road Investment Strategy (RIS) investments and our advice has been shared with the Department for Transport and National Highways. While we keenly await the Strategic Road Network ("SRN") Initial Report, Route Strategies Report and Connecting the Country vision this spring, we were able to share our perspective on road funding arrangements at the recent Transport Select Committee enquiry.

Within TfN, our new directors – Darren Oldham (Roads and Rail Director) and Katie Day (Director of Strategy, Analysis and Communications) joined us on 6 February – the final step in delivering our re-shaping programme. With our new Operational Business Team now fully resourced, we have finalised our business plan for 2023/24 and expect to publish that shortly.

And finally, I'd like to thank our partners and stakeholders for joining us on 6 February in Newcastle at our annual conference. Our best yet in my view, which gave us the opportunity to consider how, together, we can transform the North through an effective, efficient and sustainable transport system.

# Strategic Transport Plan ("STP")

## Quarterly summary

Work has continued at pace to prepare our second STP ("STP2"), focused on three strategic ambitions: transforming economic performance; decarbonisation of the transport network; and significantly reducing social exclusion. This culminated in a full draft STP2 being endorsed by TfN Board on 23<sup>rd</sup> March 2023 to commence a 12-week statutory consultation over the summer.

Progress on the second Integrated Sustainability Appraisal (ISA2) has been aligned to STP2 development with an initial report being shared with partners as part of the Board papers.

## Activity update

- Following TfN Board in December we have continued to further refine the headline objectives and metrics we will use to support STP2, including developing a series of interim 2030 targets.
- On account of issuing the first draft STP2 with partners for feedback in December 2022 we received over 600 detailed comments from partners which we methodically assessed and considered as we prepared further iterations of the draft ahead of sharing with the Board in March.
- Throughout February and March, we undertook a series of pre-Board engagements with several stakeholders including DfT, TfN partnership Board, the Northern local enterprise partnerships (LEPs) and political leaders.
- The outputs from the Northern Powerhouse Independent Economic Review ("NPIER") Scenarios Commission were incorporated into the draft STP2, and all necessary workstream reports are being prepared for publication alongside the ST2 for consultation in May 2023.
- In March we procured a supplier to support us running the statutory consultation and have begun detailed planning. We intend to update partners during April and early May on plans.
- Following a first initial appraisal of the evolving plan in November 2022, subsequent appraisals were carried out in January 2023 and again in March 2023 on later versions of the STP2, the full Integrated Sustainability Appraisal ("ISA") report will be published for consultation in May 2023. The results of the full appraisal, conducted independently by external consultants (Arup), are currently being reviewed. The initial report shared with our Board in March, indicated that the STP objectives gave a good underpinning for sustainable performance. Given the STP a strategic document, there are some uncertain impacts, which would need to be considered at the more detailed, operational/project level in future. Following the consultation period, the ISA report will be updated to reflect any updates to the STP2 and published alongside an ISA Post Adoption Statement, at the same time as the STP2.

- A Habitat Regulations Assessment has also been prepared and will form part of the suite of consultation documents alongside the Full ISA Report. TfN is engaging with Natural England on this process.

## Risk

<i><b>Risk/Issue Summary</b></i>	<i><b>Summary of Mitigating Issues</b></i>	<i><b>KPI</b></i>
<b>Continued partner support.</b> Risk of lack of or insufficient partner support and alignment for the Strategic Transport Plan and the Investment Programme ambition and outcomes.	<ol style="list-style-type: none"> <li>1. Continue stakeholder engagement on an ongoing basis via Strategic Oversight Group (SOG) and other mechanisms. Ensure visibility of STP2 and research programmes to partners with timely updates to allow officers to plan engagement and activity. Early discussions with partners as part of the STP2 programme development process.</li> <li>2. Liaison with TfN Comms &amp; Engagement Team providing relevant information to feed into the communications plan.</li> </ol>	14
<b>STP buy-in from Government.</b> Uncertainty whether central government (DfT) will consider/accept TfN's advice on proposed transport interventions for the North as set out in STP2.	<ol style="list-style-type: none"> <li>1. Continue to provide the coherent message that TfN case is grounded in evidence, whilst seeking to achieve change required to meet wider policy outcomes (e.g. decarbonization, levelling—up)</li> <li>2. Continue direct engagement with DfT and other relevant departments over TfN's objectives and engagement.</li> <li>3. Continue to refine and build the tools required to deliver the STP2 vision and secure Government buy-in</li> </ol>	14,15
<b>Developing the STP evidence base. This risk will now be retired, following completion of evidence base in time for presenting the draft STP2 to the TfN Board in March.</b>	<ol style="list-style-type: none"> <li>1. Clear STP programme established and visible to stakeholders.</li> <li>2. Regular ongoing engagement and dialogue with wide range of stakeholders and partners, including with TfN partners, DfT, National Highways and Network Rail through SOG; and with the NP11 and other Northern bodies.</li> <li>3. Publication of TfN research and analysis, and regular engagement with academics and analysts across the North and UK.</li> <li>4. Agree and revise the NPIER in advance of STP2 to secure agreement to the economic objectives.</li> <li>5. Ensure STP2 aligns with partners updated local transport plans and subsequent strategies/plans.</li> </ol>	5, 10, 14
<b>Appropriate Comms &amp; Engagement support to promote our policies and strategies.</b> Due to other demands/resource constraints, there is a risk of insufficient Comms & Engagement support to promote our policies & strategies	<ol style="list-style-type: none"> <li>1. Development and communications of STP2 Comms &amp; Engagement Plan</li> <li>2. Regular TfN internal meetings to ensure appropriate prioritisation and progress is discussed and actioned.</li> </ol>	14

## Look ahead

- May to August 2023: Statutory public consultation on the draft STP2 and ISA Report.
- September 2023: Board report providing overview of consultation feedback and our plans for amends.
- December 2023: New STP2 presented to TfN Board for adoption.



# Strategic Rail

## Quarterly summary

Continued poor performance with rail services - particularly by TPE - continued to be a focus of concern for the TfN Board and therefore a focus of the team's work. In this quarter, through the Rail North Partnership (RNP), we secured a detailed Recovery Plan from TPE, which is now being monitored closely by TfN. More positively substantial work on the TRU continued with major work enabled by blockades successfully completed at Morley and Stalybridge.

## Activity update

### Rail Operations

Services continued to be impacted by industrial action and disputes, although at the time of writing, strike action has been suspended. Despite this, passenger demand on Northern and TPE continues to recover at a faster rate than other parts of the country – particularly in leisure market, with revenues growing closer towards pre-covid levels.

### Rail Strategy

TfN is continuing to develop more detailed proposals as to how rail reform should be implemented in the North with an initial focus on changes that can be made building upon existing devolution through the RNP that do not require legislation or structural change. **A North-West Regional Business Unit was approved for implementation in early 2023/24, this will sit within the overall framework provided by RNP.**

The draft STP2, which was approved by our Board for consultation in March, will be accompanied by a Strategic Rail Report to provide more details and evidence on rail investment.

Our rail investment planning function is now fully resourced within the Strategic Rail team, enabling TfN to step-up engagement with the major infrastructure schemes across the North.

Through our Chairmanship of the TRU Stakeholder Forum, TfN has established areas for improvement by the rail industry in the planning and management of possessions. Recommendations have been agreed including: the need for better wayfinding signage for customers both on stations and on rail replacement services; and more rail replacement service co-ordinators and other customer service improvements. TfN will continue to support the industry to ensure customers are adequately provided for as delivery of this much needed rail infrastructure programme builds momentum.

We are also updating our Statutory Advice on Manchester to reflect the progress made by the Manchester Task Force (MTF) in delivering the December 2022 timetable and the development of the Manchester Blueprint. In parallel work continues on the Leeds Area Improvement Plan (LAIP), which includes the development of infrastructure to support additional Bradford to London services with a decision to deliver expected in summer 2023.

Network Rail is producing a Strategic Outline Business Case for Sheffield, seeking to bring together schemes likely to affect the station including 'Restoring Your Railways', Hope Valley Upgrade and Midland Mainline Electrification.

Work has begun to produce a Rail Investment Pipeline, in collaboration with TfN partners and the rail sector in the North, bringing together all planned and aspirational infrastructure development into one place to assist in the identification of synergies, opportunities for efficiencies, and to enable prioritisation of resources amongst the team.

### Connected Mobility Strategy

The Connected Mobility Manager post has been filled in the period. Consultancy support that was procured in the interim will continue to finish the current commission, to develop the Connected Mobility Strategy and completing work on the Connected Mobility Hub pilot with partners. The Connected Mobility Strategy will be reported to the TfN board in June for their consideration. Work has started on establishing the knowledge exchange network with a plan to publish documentation and findings from the hub support.

## Risks

Risk/Issue Summary	Summary of Mitigating Measures	KPI
<b>Future timetable changes in the North reduce rail connectivity.</b>	<ol style="list-style-type: none"> <li>1. TfN, working with Partners, will continue to convey to Operators and the Department for Transport (DfT) the key concerns of the region.</li> <li>2. Blueprint for both East Coast Mainline (ECML) and Manchester have been established and will be further developed and updated.</li> <li>3. Contribute and influence the work of the Leeds area study as part of the implementation of the Integrated Rail Plan (IRP) and linked to ECML-future timetables</li> </ol>	17/18
<b>There is a risk that TfN could have a reduced role in the rail industry</b> following the implementation of rail reform under Great British Railway	<ol style="list-style-type: none"> <li>1. TfN is working with the Great British Railways (GBR) Transition Team to work on a more detailed proposal as to how the White Paper might be delivered in the North and are working to develop a TfN proposition to define what our role would be in the rail industry going forward to present to the GBR Transition team.</li> <li>2. TfN has established a rail reform programme board from April 2022 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 whole industry strategic plan (WISP). TfN has responded to the DfT led consultation on the rail reform legislation. The team is exploring short term interventions that can be delivered within the existing RNP arrangement and do not need legislation or structural change.</li> </ol>	9
<b>The long-term effect of Covid-19 may impact on the viability of train services and future investment decisions.</b> The pandemic has changed travel patterns and behaviours and	<ol style="list-style-type: none"> <li>1. To continue to use TfN's influence in the monthly RNP Board and Rail North Committee to shape the re-introduction of services, and infrastructure developments and re-build passenger confidence.</li> </ol>	17/18

therefore service and investment decisions will need to reflect new markets and emerging evidence of demand.	<ol style="list-style-type: none"> <li>2. Continue with the close working relationship and communication with TfN member authorities on deliverables and risks.</li> <li>3. TfN's Strategic Rail team and RNP to work together to support Network Rail and Operators in producing recovery plans that meet passengers' needs and rebuild confidence.</li> <li>4. Continue to track train service performance and delivery via regular reporting dashboards.</li> </ol>	
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## Look ahead

- Monitoring and reporting on train performance and operator recovery plans.
- Influencing the train operator business plans for 2024/25 (through the RNP) and making the case for continued investment in rail in the North.
- Progressing proposals for rail reform in the North and developing a proposal for the TfN Board.
- Using TfN's Stations Strategy to shape the development of Northern's business plan and "Stations as a Place" initiative.
- Revising the Statutory Advice for Manchester to ensure it is aligned with industry activity and relevant for the future.
- Progressing the Connected Mobility programme with a focus on providing support for TfN partners through the 'Hub'.
- Preparing reports for the future RNC and TfN Board meetings.



# Strategy, Policy, and Research

## Quarterly summary

We made further progress in implementing the priorities set out within our Transport Decarbonisation Strategy, in-particular on the tools to assist partners with the upcoming Quantified Carbon Reduction ("QCR") requirements expected within the new Local Transport Plan (LTP) guidance.

Following the public consultation on the socially inclusive transport strategy, we have made some revisions and the 'Connecting Communities' strategy, which underpins the STP2 ambition to reduce transport related social exclusion (TRSE), is ready for publication.

TfN's new citizens' panel, Northern Transport Voices, launched in January, and engagement activities with participants from the general public are underway. The Panel is intended to give us better perspectives on our work and the North's transport needs.

The NPIER Scenario outputs have been fully socialised with partners, and we expect to publish the final report when the STP2 consultation begins in spring. Alongside, we are now preparing a full refresh of the 2016 NPIER, using the updated economic scenarios. We expect to publish that later this year.

## Activity update

TfN continues to implement the priorities identified in the Transport Decarbonisation Strategy and has started to plan for the next update of the Strategy, due in 2025. Recent work has included:

- Working with DfT to help guide the development of upcoming DfT guidance on QCR and Infrastructure Carbon as a part of the expected LTP guidance.

Complementing this guidance, we are developing:

- An online QCR Dashboard for use by partners, providing baseline carbon emission forecasts for local authority areas within the North, along with a various 'slice and dice' analysis of relevant local authority level surface transport data. This dashboard is expected to be complete in May 2023.
- An interactive visualisation tool as part of our Clean Mobility Visions workstream, through which partners will be able to access place-based policy recommendations for vehicle reduction policies, along with accompanying evidence. The visualisation tool is expected to be functional by the end of May 2023.

This work involves collaboration with the DfT and other sub-national transport bodies (STBs), including Midlands Connect who are developing a carbon reduction calculator tool (the 'Decarbonisation Policy Playbook'). The intention is to bring complementary workstreams together to create a national suite of tools for local authorities to aid the development of their LTPs and QCRs.

- We have been building on previous work undertaken alongside Network-H2, Northern Gas Networks and others to develop a model based on transport flows and hydrogen gas pipeline proposals for the phased location of hydrogen

refuelling stations servicing heavy duty transport uses (and port equipment). We are working with Northern Gas Networks to obtain funding to further develop the model and produce a visualisation tool for use by the gas networks and our partners. Having been recently successful in obtaining this funding, this work is scheduled for April to September 2023, and is aligned with ongoing prioritisation work being carried out by the NP11. Workshops with potential tool users, to better define the visualisation tool outputs, are being planned for summer 2023.

- TfN has been supporting Nature North in the development of their Connected Green Pathways investable proposition, looking at opportunities for nature recovery along our linear infrastructure networks. TfN has been helping Nature North with data and stakeholder co-ordination.
- The public consultation for 'Connecting Communities' (TfN's socially inclusive transport strategy) was completed in January, the responses have been analysed internally, and the strategy has been revised. Additional analytical work has meant that the revised strategy now commits to reducing the size of the population at high risk of transport-related social exclusion by 1,000,000 by 2050. It also reflects the actions TfN will take and the wider policy outcomes needed to achieve this ambition. An update on the strategy consultation outcomes was provided to TfN Board in March.
- Scoping is underway on the first action from 'Connecting Communities' – a research project on the impacts of the current cost of living and inflationary pressures on populations affected by TRSE.
- Alongside the new strategy, we will also publish our Transport and Health policy position. It explains how TfN will act on the evidence gathered over the last year, which quantified the diverse and complex set of impacts the transport system has on the health and wellbeing of people in the North.
- The NPIER economic scenarios development commission is in its final stages, with the consultants responding to a few remaining queries. The modelling outputs have been shared with the LEAs and other partners, providing the opportunity to review and feedback throughout. An outline plan to deliver the full refresh document is being discussed with the project Steering Group.
- TfN has supported the development of NP11's Northern Evidence Network, specifically the workstream for a future research programme.
- TfN's new citizens' panel, named 'Northern Transport Voices', launched in January and has recruited over 500 members across the North. Several engagement activities are underway, including surveys on sustainable last-mile freight delivery solutions, and on electric vehicles, as well as a task to complete a rural travel diary. The Panel will provide insight and research to inform our evidence base and offer different perspectives and views on transport.
- Following TfN's rural mobility 'call for evidence' with our partners to identify best practice for rural interventions, we have now developed an interactive GIS tool showcasing case studies across the North to enable sharing of good practice amongst partners and stakeholders. This will be published alongside a wider communication and engagement programme to showcase our work in rural mobility.

- Ongoing engagement with other STBs has included support on Western Gateway's Rural Case for Investment piece and sharing with other STBs our rural focus within the Northern Transport Voices. We have also replicated this engagement with our local partners via the Northern Rural Working Group, sharing our work on Northern Travel Voices and alternative fuels.
- Following the launch of the TfN Freight and Logistics Strategy in December 2022, we are now preparing a policy position to set out the actions TfN will take, in line with STP2 ambitions, to support the sector.

## Risk

Risk/Issue Summary	Summary of Mitigating Measures	KPI
<b>TfN embedding the STP across programmes</b> and how we ensure TfN policy development is compliant with the STP and policy development framework.	<ol style="list-style-type: none"> <li>1. Adoption and in-bedding TfN's policy development framework across the organisation to streamline how we develop policies at TfN.</li> <li>2. Ensuring alignment of STP and programme activities with other core functions within TfN.</li> </ol>	14
<b>Within its Decarbonisation Strategy, TfN and its partners have committed to achieving close to zero emissions for surface transport in the North by 2045.</b> TfN is unable to deliver its contribution to achieving this target.	<ol style="list-style-type: none"> <li>1. Careful programme planning to ensure TfN activities proposed in the strategy are accommodated in business planning up until 2025 to ensure priority activities are given appropriate focus, resourcing, and funding.</li> <li>2. Develop mechanisms to ensure decarbonisation and sustainability are reflected in project and strategy decision-making.</li> <li>3. Continue to influence and engage with stakeholders and maintain reputational credibility.</li> <li>4. Embedding decarbonisation into wider TfN workstreams including freight and social inclusion and testing the interdependencies.</li> <li>5. Refocusing on emerging decarbonisation priorities for TfN and its partners for the development of the decarbonisation strategy update 2025.</li> </ol>	15
<b>NPIER programme.</b> The NPIER scenarios are a key piece of evidence for the STP2, which have informed the ambitions.; there is now a need for TfN to produce a refreshed NPIER document in agreement with Northern partners.	<ol style="list-style-type: none"> <li>1. Assurance processes, such as weekly progress calls and steering groups built into the project to ensure the outputs are high quality are being held.</li> <li>2. We have sought to develop a collaborative process for refreshing the NPIER through the stakeholder workshops and will keep TfN and Northern partners involved throughout the project; however, the NPIER will cover sensitive policy areas such as population, migration, housing and spatial planning which may make it challenging to agree a consensus across all Northern partners. To mitigate this risk we will take the steps set out above to keep stakeholders involved in the development of the work, but also ensure our comms and engagement team are involved to help manage stakeholder relations. The external and internal project steering groups will play a key role in providing direction and taking decisions in instance where consensus among the wider stakeholder group is difficult to establish.</li> </ol>	10

## Programme and look ahead

- Further engagement with Northern Partners on the development of the NPEIR refresh publication.
- Northern Transport Voices public engagement activities for the pilot phase will continue through to June.
- Hydrogen refuelling network potential user workshop expected in summer 2023.
- Scoping and commencement of new workstream: Research into the proportionate costs of our different travel choices.
- TfN response (and possibly Select Committee evidence) for the Government's National Networks National Policy Statement consultation.
- Scoping of Decarbonisation Strategy update.
- Publication of rural mobility 'call for evidence' and supporting case study GIS tool through our various communication channels in spring 2023.
- Engagement with airport and ports operators across April and May 2023 to discuss current priorities since publication of International Connectivity and Aviation policy position and introduce forthcoming consultation on STP2.

# Major Road Network (MRN)

## Quarterly summary

Our recommendations for future Road Investment Strategy (RIS) investments were endorsed by the TfN Board, and these have been shared with DfT and National Highways, and the team will continue to work on influencing plans for the RIS Programme. The Strategic Road Network (SRN) Initial Report, Route Strategies Report and Connecting the Country vision are expected to be published for consultation in Spring 2023; TfN will work with partners on preparing a response.

The team submitted written evidence to the Transport Select Committee inquiry into Strategic Road Investment in England, and TfN attended a Select Committee hearing on 29 March 2023<sup>1</sup>.

We are undertaking enhancements to TfN's Electric Vehicle Charging Infrastructure (EVCI) framework, working closely with partners, the energy sector, National Highways and Government. We are also developing plans for roll out of our EVCI tool to other STBs, where appropriate.

Work on the first phase of development of the Bus Service Improvement Plans (BSIP) analytical mapping tool is now complete. Based on evidence from the tool, we have shared tailored feedback to the four local authority partners participating in this initial work.

## Activity update

- We provided a response to the Transport Select Committee inquiry on Strategic Road Investment in England and attended the Committee's Inquiry on 29 March 2023.
- Our recommendations for future Road Investment Strategy (RIS) investments were endorsed at TfN Board.
- We began Phase 3 of EVCI evidence upgrades and are working with local partners via the regional EV Steering Group and other stakeholders to refine options to enhance and apply the Framework in support of EVCI delivery.
- A phased approach to the national roll out of the EVCI Framework has been agreed, with Midlands Connect and Transport for the South East, expected to be the first STB's to collaborate with us.
- We are planning the approach towards updating TfN's Future Travel Scenarios during 2023/24, which will include local and national partner engagement to ensure TfN's 'decide and provide' approach is captured in TfN workstreams and is an effective enabling tool to support our objectives.
- Working across TfN, with WSP, we have completed work developing a tool that integrates bus and light rail timetables into TfN's Analytical Framework. This mapping tool allows users to analyse bus services against accessibility data to demonstrate potential demand for future bus services.
- We have shared tailored feedback to the four local authorities, who volunteered to be case studies, including suggestions for future BSIPs.

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<sup>1</sup> The Strategic Director for Rail & Road provided oral evidence at the inquiry on 29<sup>th</sup> March:  
<https://committees.parliament.uk/event/17356/formal-meeting-oral-evidence-session/>

- TfN is in the process of developing scope for the next stage of work in supporting local partners with their BSIPs. This will include providing further analytical services and developing a TfN bus policy, which will detail how TfN can provide added value to the region in supporting plans for improved bus services.
- TfN had a further meeting with the National Infrastructure Commission's (NIC) team who are leading work on the second NIC Interurban Transport Project. The NIC have since published interim advice to Government on roads in April.
- We submitted a TfN response to National Highways' Simister Island Interchange public consultation.
- We had a paper published in the Journal of Urban Regeneration and Renewal, 'How Road investment can improve economic prosperity: The case for Northern England'<sup>2</sup>

## Risks

Risk/Issue Summary	Summary of Mitigating Measures	KPI
<b>Alignment with delivery partners.</b> There is a risk that TfN and its partners may not have an effective relationship that supports the delivery of TfN's objectives. This could be due to ineffective communication that causes a lack of clarity and understanding of partners and/or partners understanding of TfN's policy positions and priorities. This would lead to relationship challenges that would impact our credibility and affect our partnership working.	1. Continue to influence National Highways in planning future RIS investments. 2. Manage expectations with partners at SOG, Major Roads Group and Executive Board partner briefings. 3. Implement and update the Joint Engagement and Action Plan (JEAP) with National Highways. 4. Facilitate a risk workshop around partner engagement to discuss how to improve engagement with partners that can feed into workstreams. 5. Respond to consultations when National Highways publish the SRN Initial report, Route Strategies report and Connecting the Country report.	11
<b>EVCI stakeholder expectations and interaction.</b> If there is any misalignment of objectives or miscommunication with key stakeholders, there is a risk that stakeholders may not be clear on the outputs to be delivered, its uses, and their inputs required. This could lead to reputational risk, poor partner relations, and project outputs that are not applied effectively.	1. Significant partner engagement during TfN governance sign offs of products and to encourage and suggest uses of project outputs. This will be achieved through the steering group, one-to-one discussions, and the governance structure. 2. The team is seeking new avenues to promote the work, including National Grid, Office of Gas and Electricity Markets (OFGEM) and the Energy Saving Trust (a delivery body for Government regarding electric vehicles) 3. Work with TfN legal/TAME to ensure Phase 3 outputs can be shared. 4. Engagements with stakeholders such as DfT, Office for Zero Emission Vehicles (OZEV) and the Northern electricity Distribution Network Operators (DNOs) to ensure this work can support the national agenda and actions. 5. TfN will seek to make the most of opportunities for good press/ advertising outcomes of work.	12

<sup>2</sup> Journal of Urban Regeneration and Renewal Volume 16 Number 2 (2023).

## Programme and look Ahead

- Now the Business Plan 2023/24 has been endorsed at TfN Board, we are confirming the resources available, programme and any risks or opportunities to be managed across each workstream for the upcoming year in major roads.
- The next Major Roads Group will be held 18 April 2023.
- We are planning workshop with National Highways in early May, further inputting to the development of plans for the RIS programme.
- We expect to complete one-to-one calls with local authority sponsors of MRN/LLM schemes in April/May, gathering partner feedback on lessons learned to inform planning for improved delivery of business cases.
- We are scoping BSIP work with TAME colleagues, and partners, aiming to start the next phase of work in June.
- We will be presenting an updating on the EVCI project at National Highways' Network Planning Directorate Regional Insights event on 20 April.
- Completion of EVCI phase 3 planned for end-June 2023.
- We are finalising the scope and will then initiate 2023/24 EVCI enhancements. We will trial new developments via a Northern tool in the first instance.
- We expect to agree delivery programme and partnership agreements to begin STB roll out with identified regional partners. We will continue maintaining engagement with STB EV group to understand future extensions to other regions and opportunities for STBs to support national and local authority delivery of EVCI.
- We plan to finalise the scope and then begin our Future Travel Scenarios update.



# Operations summary

## Quarterly introduction

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

## Activity update

Updates on key activities from TfN operational teams are as follows:

### **Stakeholder Engagement & Communications Team (SECT)**

#### **March 2023**

- We held our Annual Conference in Newcastle which saw nearly 200 attendees attend. We surpassed media coverage from 2021 and generated high levels of traffic to website and social channels.
- Other engagement activities included our fringe at the Liberal Democrat Spring Conference, which was well-attended, and we are finalising plans for our All party Parliamentary (APPG) AGM and continued working on our plans for Party Conferences later in the year.
- We held our Board meeting in Leeds on 23<sup>rd</sup> March and following this we circulated a letter from Lord McLoughlin to the Secretary of State for Transport.
- We supported our appearance at the Transport Select Committee with briefing and preparation.
- We received, and responded as appropriate, to external media enquiries on topics such as HS2 delays, Mayor Ben Houchen's comments about TfN and post-conference requests.
- Internally, we held an online TfN Live session on 14<sup>th</sup> March and supported internal campaigns such as Women in Transport. Other internal communications included blogs about health and wellbeing, and decarbonisation.
- We led on the collation of the TfN Business Plan, drafting forewords for the Chair, Vice-Chair and LEPS.

#### **February 2023**

- External media activity included our annual conference set for Newcastle on Monday 6 March, and we received media queries about the RNC meeting on 22 February, as well as relating to industrial relations, TPE and rail performance figures.



- Lord McLoughlin was featured on a number of regional BBC radio stations.
- Published an Insights piece on our [International Connectivity and Aviation policy position](#).
- Martin Tugwell and Lord McLoughlin spoke at The Northern Transport Summit in Liverpool on Thursday 23 February.
- Owen Wilson featured in the Journal of Urban Regeneration and Renewal while Lucy Hudson's article on Freight appeared in Rail Director magazine.
- Amplified National Highways partner content promoting the A66 consultation and outlined our position on the benefits of the scheme.
- We held our first 2023 in-person TfNLive event on February 14 at the Hilton.
- Total channel views on YouTube passed 50k and total followers on LinkedIn passed 12k.

### **January 2023**

- External media activity included our [International Connectivity and Aviation](#) policy position and we secured an interview with Bradford radio.
- TRSE research featured in Impact Magazine.
- The team supported Martin Tugwell on his visit to Warrington and Chester.
- Published an Insights on TfN's [2023 forward look](#).
- We had a stall at the Convention for the North in Manchester.
- We received, and responded as appropriate to, several media enquiries relating to industrial relations, TPE and rail performance figures.
- Internally, we continued to promote wellbeing resources.
- Shared partner information on social channels in relation to the ongoing disruption caused by industrial action.
- Amplified our Freight and Logistics strategy through a series of animations and graphics on our social media channels.

### **Finance, Procurement and Risk**

Normal operations have been delivered during the quarter with the following being prominent developments.

- 2023/24 final budget and draft business plan submitted to and approved by the Board in March 2023.
- The corporate risk register was presented to the Audit and Governance Committee on 17 February and TfN board on 23<sup>rd</sup> March.
- A risk deep dive process has now been implemented at Audit and Governance Committee meetings.

### **Legal & Democratic**

The team continues to provide support across TfN for all corporate meetings and operational legal advice including on areas including procurement and information law, the Strategic Transport Plan, North West Regional Business Unit and Centre of Excellence. Recruitment to the vacant Senior Lawyer role is under way. The Constitution is being updated following the report to March Board.

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

### **NPR Strategic Outline Business Case (SOBC)**

- The NPR SOBC analytical and reporting programme has been completed in accordance with the programme agreed with DfT. This provides the necessary set of input into the SOBC for DfT internal governance. A further two months of sensitivity testing and responding to any DfT queries as the SOBC is taken through governance.
- Analysis to investigate high levels of crowding evident in NPR network tests was completed and presented findings to the DfT.
- The Model Development Report (MDR) for the Northern Economy and Land Use Model 3 has been reviewed as part of the SOBC programme.
- Analytical work has commenced to test further network and local ambition sensitivities to provide a wider range of benefit and economic forecasts for the scheme.
- The Northern Model Integration Tools (NorMITS) Demand contract partner have provided all commissioned analytical and visualisation support in relation to the NPR SOBC programme.
- The inception meeting for provision of analytical support to Rotherham Mainline Outline Business Case has taken place and work has commenced on this project. This will see TAME working with Network Rail and Fore Consulting to provide inputs the OBC.
- Planning is underway for the next round of recruitment, due to take place in May 2023. Role Profiles have been provided to HR for review and five roles will be advertised, growing TAME to 35 FTE.
- Progress has been made on planning TAME activities for the new financial year. A new TAME Master Programme is being developed to identify all activities where the team will be providing support to the wider business alongside any NPR work planned.
- The team is engaging with other STBs to prepare tailored offers of analytical support, via a Common Analytical Framework. A roadmap of potential support to local transport Authorities has also been prepared and will be discussed with partners in the spring.

# Financial performance

## Financial Update

### Summary

Expenditure incurred year-to-date (YTD): £14.84m

YTD budget: £16.52m

YTD variance against budget: £1.6m underspend (10%)

### Headlines

- Actuals are monitored against the budget revision.
- Underspend YTD is driven by hosted activities. Underspend in operational and backoffice areas relates to transition cost savings, staff savings due to the timing of onboarding to new roles and phasing differences in externally contracted work, with the completion of some work slipping into the new financial year.

### **Hosted Services:**

- Expenditure of £6.78m YTD is £0.89m (12%) under budget. Expenditure in these areas is subject to dedicated funding streams which cannot be repurposed.

### NPR Programme Closure:

- YTD expenditure of £0.39m is broadly aligned to the budget. Remaining expenditure in this area relates to contractual office infrastructure commitments which cannot be mitigated.

### NPR Analytical Support:

- Expenditure of £5.00m YTD, represents an underspend of £0.66m (12%). The work programme has evolved in discussion with the DfT and as previously forecast the full funding envelope has not been required.

### Rail North Partnership:

- Expenditure of £1.39m YTD, is £0.21m under budget. Underspend is driven by staff vacancies, £0.15m in the TRU team, where one position remains unfilled. The remainder relates to vacancies in the RNP team, all of which have now been filled.

### **Operational Areas:**

Expenditure of £3.45m YTD, represents an underspend of £0.46m (12%).

### Strategy & Policy:

- Expenditure of £1.98m YTD against a budget of £2.12m, an underspend of £0.14m (7%). The majority of this variance relates to slippage where activity underway will complete in Q1 of the new financial year.

### Major Roads:

- Expenditure of £0.44m YTD, represents a marginal underspend of £0.03m (7%). This is due to the phasing of the next phase of the EVCI work, which will now complete in the new financial year.

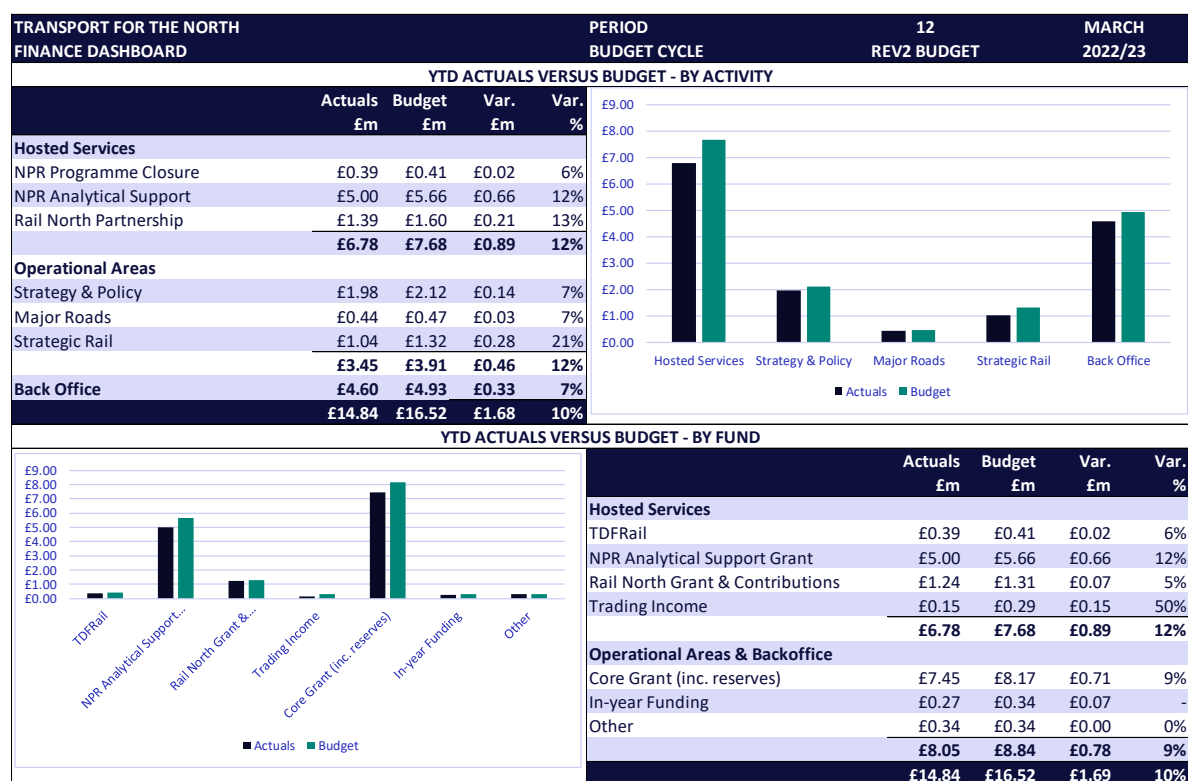
### Strategic Rail:

- Expenditure of £1.04m YTD, represents an underspend of £0.28m (21%). The underspend is driven by several vacancies in the team in Q4, all have which have been filled for the beginning of the new financial year. Further underspend in professional services is a mixture of savings and slippage of some activity into the new financial year.

### Backoffice:

- Expenditure of £4.60m YTD against a budget of £4.93m, an underspend of £0.33m (7%)
- Savings of £0.40m have been made against the original transition budget of £1.44m.
- A number of small variances across backoffice areas representing a total overspend of £0.07m.

## Finance Dashboard



## Human Resources update

Salaried Establishment as at **11 April 2023**

### Established Permanent/Fixed-term Posts

Area	Permanent Posts (Over 2 years)	Fixed-term Posts (Up to 2 Years)	Total Establishment
CEO Office	2 (2.00 FTE)	-	2 (2.00 FTE)
Support Services	18 (18.00 FTE)	-	18 (18.00 FTE)
Operational & Delivery	48 (47.84 FTE)	1 (1.00 FTE)	49 (48.84 FTE)
DfT Data Services (Hosted)	24 (23.69 FTE)	-	24 (23.69 FTE)
Rail North Partnership (Hosted)	15 (15.00 FTE)	3 (3.00 FTE)	18 (18.00 FTE)
<b>Total Establishment</b>	<b>107 (106.53 FTE)</b>	<b>4 (4.00 FTE)</b>	<b>111 (110.53 FTE)</b>
Strength (in post)	90 (89.53 FTE)	2 (2.00)	92 (91.53 FTE)
Appointed (start date pending)	-	-	-
Active/Pending Recruitment	10 (10.00 FTE)	-	10 (10.00 FTE)
Vacant – On-hold	7 (7.00 FTE)	2 (2.00 FTE)	9 (9.00 FTE)

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

Area	Posts (FTE's)
Support Services	2 Posts (1.60 FTE)
Operational & Delivery	7 Posts (7.00 FTE)
<b>Total</b>	<b>9 Posts (8.60 FTE)</b>

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

Corporate Sickness Level:	<b>3.1%</b>
Employment Policy Application:	<b>3%</b>
Rolling 12 Month - Employee Turnover (Voluntary Leavers):	<b>21.4%</b>
% of Employees from an Ethnic Minority Background:	<b>14%</b>
% of Employees declaring a Disability:	<b>23%</b>
Gender Mix - % of Female Employees:	<b>39%</b>
% of Male Employees:	<b>61%</b>

# Key Performance Indicators

## Key

## Colour

## Number of KPIs with this status

Achieved (complete)		<b>15</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>5</b>
Not Started		<b>0</b>

Area	KPI	Detail	Progress	Status
Rail	1	Establish the Stakeholder Forum for Trans-Pennine Route Upgrade	Achieved	
			The stakeholder forum for TRU has been set up and is chaired by TfN, with the inaugural meeting having taken place in June.	
Strategy	2	Publish the TfN work on Transport Related Social Exclusion	Achieved	
			The TRSE research and mapping tool was published on the 22 September. The inclusive transport strategy was agreed by the Board on the 29 September.	
CEO	3	Complete the reshaping of TfN and implement new operating model	Achieved	
			The reshaping of the organisation was completed in August and the recruitment of new Directors concluded in November with new Directors arriving in February.	
CEO/Rail	4	Implement effective governance arrangements for the Co-Sponsor Board.	Delay BTYE	
			The NPR Sponsor Agreement has now been agreed by DfT Ministers. The Sponsor Agreement was discussed at the TfN Board in March 2023 however deferred pending further discussion and consultation. Further discussions planned with DfT and Network Rail on TfN and Partner engagement. TfN has agreed that going forward, one of its seats on the NPR Sponsor Board will be filled by a senior Partner representative, with Executive Board agreement that this should be the Chief Executive of WYCA.	
Strategy	5	Publish the TfN Freight and Logistics Strategy	Achieved	
			The Strategy was published in December 2022.	
Strategy	6	Establish the agreed NPR analytical work programme for DfT through TAME.	Achieved	
			The Grant Funding Agreement between TfN and DfT was agreed in June 2022. An initial work programme for 2022/23 has been agreed with DfT and analytical steering group now established. The majority of the analytical programme has been completed in support of the SOBC programme.	

<b>Finance/Strategy</b>	7	Develop an autumn submission to Government that identifies opportunities to build on TfN's technical capabilities	Achieved	
			Additional funding has been allocated to TfN for 2023/24 and 2024/25 to build our capabilities for support to local authority partners and other STBs.	
<b>CEO/Strategy</b>	8	Develop the business model that enables TfN to support its partners across the north	Delay BTYE	
			initial development work and discussions with Partners commenced in September and will continue in the next quarter.	
<b>Rail</b>	9	Working with partners, prepare a Northern proposition for the implementation of the Williams-Shapps rail reforms	Achieved	
			Work is continuing to develop more detailed proposals of how rail reform should be implemented in the North. Initial focus on areas that can be taken forwards within existing RNP agreement and do not require legislative or structural change. Consultants appointed to develop a business case for various options for TfN involvement in future scenarios, all of which build on the existing RNP arrangement. Discussions with GBRTT now being progressed following the Secretary of State's confirmation that he intends to proceed with establishing Great British Railways. Additional post recruited to take forwards Rail reform work from April 2023. North West Business Unit agreed by RNC in February 2023.	
<b>Strategy</b>	10	Publish a refreshed Northern Powerhouse Independent Economic Review	Achieved	
			The NPIER economic scenarios have been updated and informed STP2. A full refresh document will be delivered during 2023.	
<b>Road</b>	11	Identify investment priorities for consideration as part of Road Investment Strategy (RIS3)	Achieved	
			Informed through engagement with partners and supported by TAME, the team have completed an initial evidence-based assessment of the need for interventions in the RIS Programme. This work will underpin ongoing engagement with National Highways / DfT on influencing plans for RIS3 and help inform TfN's response to the SRN Initial Report, and National Highways RIS documents, when published.	

<b>Road</b>	12	Use the EV Charging Infrastructure framework to support partners – nationally and across the North	Achieved	
			TfN launched the EVCI Framework and online toolkit in 2022 and the team are now progressing work to further enhance the EVCI evidence based on local authority partner feedback regarding priorities.	
			TfN's EVCI work has attracted significant interest from the public and private sector, including from National Government (DfT, OZEV and Geospatial Commission), indicating appetite to extend the evidence capabilities nationally and further integrate with other sectors (spatial and energy planning).	
<b>Strategy</b>	13	Make the Clean mobility visions (CMV) outputs available for use by partners – nationally and across the North	Achieved	
			The development of CMV evidence base is now complete and work is underway on a suitable dissemination model.	
<b>Strategy</b>	14	Prepare a draft Strategic Transport Plan and secure TfN Board agreement to consult	Achieved	
			The Board approved the draft STP2 for consultation at its March meeting. Consultation is expected to begin in May 2023.	
<b>Strategy</b>	15	Complete an Integrated Sustainability Appraisal (ISA) of the revised Strategic Transport Plan	Achieved	
			ISA was shared with Board, with the draft STP. The final ISA will be published with the STP2 for consultation.	
<b>Rail/Road</b>	16	Develop a draft Connected Mobility Strategy and secure TfN Board agreement to publish	Achieved	
			Internal work completed, as planned. and a report will be presented to TfN Board in June 2023. A draft Connected Mobility Strategy has been developed, with the newly appointed Connected Mobility Manager to review.	
<b>Rail</b>	17	Develop and implement the Manchester Recovery Taskforce 'Blueprint' and apply the same approach to the East Coast mainline	Delay BTYE	
			Delayed due to staff vacancy. The Manchester Task, with input from TfN, continue to develop and deliver the Blueprint for Manchester following delivery of configuration state one in December 2022. The Blueprint for the ECML (North) has been refreshed and was presented to Rail North Committee in February 2023 and will continue to be used in engagement with Network Rail and DfT to pursue the	



			enhancements and services required for the north.
<b>Rail</b>	18	Contribute to the work of the Leeds Area Study as part of the implementation of the IRP	Delay BTYE
			Delayed as DfT has not published the Terms of Reference. Network Rail has been asked to lead the Leeds Area Study, which will examine HS2 connections to Leeds and connections between Bradford and Leeds. These should be funded from the overall IRP budget. TfN input is to be provided. Terms of Reference still awaited.
<b>Strategy/Road/Rail</b>	19	Deliver projects on BSIP's, hydrogen and local mobility in support of partners	Delay BTYE
			The team is making good progress in concluding the EVCI, hydrogen and connected mobility schemes, and having discussed with DfT, these schemes will be concluded early in 2023.
<b>Road</b>	20	Submit to DfT an update on progress with the implementation of the Major Road Network Programme.	Achieved
			TfN submitted a report to DfT in 2022. DfT has not requested a report in 2022/23, however we maintain an ongoing engagement through the Major Roads Group and keep a record of progress with delivery of the MRN programme.



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