

Transport for the North Audit & Governance Committee Agenda

Date of Meeting	Friday 15 September 2023
Time of Meeting	11.00 am
Venue	Manchester City Council, Town Hall Extension, Albert Square, Manchester, M60 2LA

Filming and broadcast of the meeting

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Item No.	Agenda Item	Page
1.0	Welcome and Apologies The Chair to welcome Members to the meeting. Lead: Chair	
2.0	Declarations of Interest Members are required to declare any personal, prejudicial, or disclosable pecuniary interest they may have relating to items on the agenda and state the nature of such interest. Lead: Chair	
3.0	Minutes from the Previous Meeting (5 minutes) To approve as a correct record the minutes of the Audit & Governance Committee held on Wednesday 9 August 2023. Lead: Chair	5 - 10
4.0	Risk Management (30 minutes) To note the Risk Management Report <ul style="list-style-type: none"> • Corporate Risk Register • Deep Dive – Rail Reform Risk 310 Lead: Daniella Della-Cerra-Smith and David Worsley	11 - 40

<p>5.0</p>	<p>Business Plan and Quarterly Operating Report (10 minutes)</p> <p>To consider the 2023/24 Business Plan including the Key Performance Indicators for the year and the Quarterly Operating Report for April to June 2023.</p> <p>Lead: Paul Kelly</p>	<p>41 - 86</p>
<p>6.0</p>	<p>Internal Audit Update</p> <p>There is no Internal Audit Report.</p>	
<p>7.0</p>	<p>External Audit Update (5 minutes)</p> <p>To note the Audit completion report from Mazars</p> <p>Lead: Daniel Watson</p>	<p>87 - 120</p>
<p>8.0</p>	<p>Draft Audit and Governance Committee Annual Report to the TfN Board (10 minutes)</p> <p>To consider the draft Audit and Governance Committee Annual Report prior to September TfN Board</p> <ul style="list-style-type: none"> • Draft Audit and Governance Committee Annual Report to TfN Board • Audit and Governance Terms of Reference • Audit and Governance Terms of Reference Activity <p>Lead: Paul Kelly</p>	<p>121 - 130</p>
<p>9.0</p>	<p>Year End Statutory Accounts (5 minutes)</p> <p>That the committee considers the draft Statement of Accounts and recommends to the TfN Board Meeting on September 27 2023 that they be considered for approval.</p> <p>Lead: Paul Kelly</p>	<p>131 - 192</p>
<p>10.0</p>	<p>Date and Time of Next Meeting</p> <p>The next meeting of the Audit and Governance Committee will be held on Friday 15th December at 11:00am</p>	

Transport for the North Audit & Governance Committee Consultation Call Minutes

Date of Meeting Wednesday 9 August 2023
Time of Meeting 13.00pm
Venue Microsoft Teams

Attendees:

Members:

Graham Bell (Chair)	Chair
Kevin Brady	Committee Member
Cllr Shaukat Hussain	Committee Member
Cllr Joanna Baker-Rogers	Committee Member
Daniel Watson	Invitee
Ciaran Barker	Invitee
Kier Wilkins	Invitee

Officers in Attendance:

Paul Kelly	Finance Director
Daniella Della-Cerra-Smith	Risk Manager
Julie Openshaw	Head of Legal
Stephen Hipwell	Head of HR
Gary Rich	Democratic Services Officer
Andrea Shepherd	Executive Assistant
Danny Chapman	IT and Information Manager
James Mills	Head of Stakeholder, Engagement and Communication

1. Welcome and Apologies

1.1 The Chair welcomed everyone to the meeting and extended a warm welcome to the new Members and introductions were made. Apologies were received from Cllr Hans Mundry, Cllr Tom Ross and Cllr Arooj Shah.

2. Minutes of the Previous Meetings

2.1 The minutes of the consultation call meeting held on 17 February 2023 were considered for their accuracy and were agreed to be a true representation.

2.2 The Head of Legal updated the committee on the current position regarding the membership of the committee. She stated that there are six seats available for elected Members on the committee and five have been filled; there are also 2 vacancies for independent members and following a recent recruitment process, two independent members will be recommended to September Board for approval filling the four seats for independent members.

RESOLVED:

That the minutes of the Audit and Governance Committee consultation call meeting on 17 February 2023 were agreed.

3.0 Corporate Risk Update

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- 3.1 Members received the report from The Risk Manager, who highlighted key areas on the Corporate Risk Register. She explained that there has been a change in the format which will include a two-page dashboard giving more visibility. She explained that two new Directors joined TfN in February and relevant risks have now been transferred.
 - 3.2 Cllr Baker-Rogers asked whether the risk associated with the cost of inflation also included the cost-of-living crisis and whether the implications of the war in Ukraine had been considered. The Risk Manager replied that when assessing the funding risks at corporate and functional level, the cost of inflation and the cost of living are both taken into account, including the effect on these matters due to the war in Ukraine; it is the highest risk at corporate level.
 - 3.3 Cllr Baker-Rogers asked about the risk associated with rail operators losing their franchises and being taken back into public ownership. The Risk Manager said this was considered around rail reform and travel demands. There are various actions around those risks and a deep dive is due in September.
 - 3.5 Cllr Baker-Rogers enquired as to how the climate change risk was captured. The Risk Manager advised there is a risk on Decarbonisation, managed at a corporate level (risk 299). The Finance Director advised that functional risks are also managed across TfN. Cllr Baker-Rogers asked whether TfN has considered a stretched target, as the risk currently reads as a very qualitative measure in terms of close to net zero. It was noted that TfN will explore this further.
 - 3.6 The Chair expressed surprise at how low down the list cyber risk appeared to be and urged officers to continue to review this risk.
 - 3.7 The Chair asked whether there was an update on the risk relating to TfN moving office. The Risk Manager stated the move will take place mid-September and assured the committee that there are risks associated at both functional and corporate level. She explained that there is a working group which is managing the transition and its associated risks.
 - 3.8 The Risk Manager introduced TfN's Assurance Model. She went through the process and the tool that has been developed to show how TfN demonstrates the three lines of defence. The next step is to review the key corporate risks with owners to ensure the framework is embedded and applied. An initial assurance report will be produced in October.
 - 3.9 The Chair asked about the first lines of risk ownership and ownership of the framework. The Risk Manager stated that she will update the diagram to reflect the view.
 - 3.10 Mr Brady asked where both internal and external audit is reflected in the third line of defence. The Risk Manager gave examples of what would be included within the third line, such as RSM and TfN board, and examples of what would be included as part of an external audit such as Mazars.
 - 3.11 Cllr Baker-Rogers noted the comments in the controls section did not appear to be SMART. She highlighted that there is no time element within

the comments. The Risk Manager said she would remove the note indicating that all comments should be SMART.

- 3.12 The Finance Director informed the committee of the background and purpose of the deep dive process. He explained that risk had been elevated within the committee's focus and drilling down on risks through the deep dive process would provide the detail for ongoing review and challenge.

The Risk Manager introduced the deep dive on Corporate Risk 643 – Recruitment and Retention of Staff for TfN. Cllr Baker-Rogers asked whether recruitment and retention of Members could also be included in this Deep Dive.

- 3.13 The Chair asked whether a summary could be provided with regard to TfN's performance in the recruitment and retention of staff.

The Head of HR stated that TfN is in a stronger position in relation to this risk than it had been the previous year. He explained that the reorganisation of TfN and the increased certainty around its finances have contributed to bringing the annual staff voluntary turnover figure down from 25% last year to the current 9%. He further explained that the positive work that has been carried out on wellbeing, learning and development programmes including leadership development and the pay and grading review had also been beneficial.

- 3.14 The Head of HR stated that through various employee engagement mechanisms such as engagement surveys, HR business partner meetings, learning and development evaluations and exit questionnaires, there is a feeling of high satisfaction. Following the move to the new office a further engagement survey will be carried out, aligned to the Best Companies Framework.

- 3.15 Mr Brady indicted that he was surprised TfN had reached its target score and highlighted political and sectoral uncertainty that may have hindered progress. He asked whether secondment might become a fall-back action in future.

The Head of HR said scoring had increased due to successful first-time recruitment reaching 96% despite challenges in the market, and successful 6-month probationary completion is now at 100%; although the market is challenging, the mechanisms that TfN have in place appear to be successful. He informed the committee that this will be closely monitored.

The Finance Director stated that things are looking positive for TfN, because of its work and recognition, and it is becoming an organisation people want to join.

- 3.16 Cllr Baker-Rogers enquired as to whether TfN consulted with other unions as well as Unison. The Head of HR responded that TfN recognises Unison for collective bargaining purposes but if individuals do want to be represented by other trade unions, that requirement would be respected.

- 3.17 Cllr Baker-Rogers asked if there are strong fields of candidates when TfN is recruiting and whether there were any particular organisation that TfN staff leave TfN for. The Head of HR stated that there is good competition when recruiting to most roles and that this is monitored. There is a usually a

healthy short list in terms of diversity and quality of skills. There are fewer candidates available in some sectors such as legal and finance but this is not specific to TfN and is comparable in other organisations.

- 3.18 Cllr Baker-Rogers enquired about how health and safety matters were considered. The Head of HR stated that TfN works with Ellis Whittam, a health and safety support provider, and also has an Employee Forum where health and safety issues are raised. There have been no recordable accidents over the last two years. TfN has an Employee Assistance Programme and a good well-being programme.
- 3.19 Cllr Hussain enquired about personal development of staff. The Head of HR highlighted the Leadership Development programmes across the Senior and Middle management teams and that learning and development is a thread through the annual appraisal process.
- 3.20 After reviewing the risk, the Chair said that it wasn't clear where inclusivity sits in being a key factor in helping the organisation to attract and retain the right people. The Chair suggested that it would be helpful to have it as part of the risk narrative, for example the "older workers" week in November.

Cllr Baker-Rogers enquired as to how TfN was able to attract candidates from the disabled community. The Head of HR replied that TfN is at level 2 in terms of being a disability confident employer and is part of the Greater Manchester Employment charter.

RESOLVED:

Subject to matters arising as detailed in the minutes above, the following were resolved.

- 1) That the new format with the focus on individual corporate risks and the updates to the CRR be noted
- 2) That the update to the Risk Management Strategy with the inclusion of the assurance framework be noted.
- 3) That the Committee feedback on corporate risk 643, recruitment and retention of staff be noted.

4.0 Year End Draft Statutory Accounts including Annual Governance Statement

- 4.1 The Finance Director reported on the draft Accounts. He explained that they will be presented to committee in final form at the September meeting in readiness for recommending for approval at the Board meeting on 27 September.
- 4.2 The Head of Legal presented the Annual Governance Statement, explaining that it is prepared under a separate governance process and formally published as part of the accounts.
- 4.3 Cllr Baker-Rogers enquired about the process TfN follows when putting the accounts out for public consultation, noting that although the North has 15 million people, there was not a single request for information. Cllr Baker-Rogers made a number of suggestions as to how the accounts consultation process could reach a wider audience.

The Finance Director explained that they are published on the website in accordance with the statutory requirement and noted that consideration would be given to publicise our publication measures.

- 4.4 The Chair noted that the Governance Statement could in the future benefit from additional measures including a possible review of committee performance. During the independent member interviews, a consistent point was raised around how perspective members viewed assessing performance of the committee and the effectiveness of its work.

RESOLVED:

- 1) That the committee notes and approves the progress made on the production of the Annual Governance Statement.
- 2) That the committee notes the progress made on the production of the Annual Statement of Accounts 2022/23 which includes the draft Annual Governance Statement.
- 3) That it be noted that the committee will receive a further report on the Accounts in September prior to approval by the Board at the end of September.

5.0 Internal Audit Update

- 5.1 Members received the reports from Mr Barker who highlighted the key points within the progress report including the Equality Diversity and Inclusion review, Project Management and IT and Remote Working Asset review. The Follow Up report was also reported on.
- 5.2 Mr Barker stated that RSM is working with TfN management to confirm dates for the remaining audits for the year.
- 5.3 Cllr Baker-Rogers asked whether themes over a year, could also be analysed across a number of years to see whether there are any patterns or any recurring themes. Mr Barker said that this progress report encompasses two years but for 23/24 the themes can be summarised across 22/23 and gauge any themes for those years and future years.
- 5.4 In relation to the Project Management review, the Chair indicated some of the detail did not fit with the grading issued in the report; the absence of control in some areas provided a higher grading level than expected. The Finance Director explained an internal group of officers is working on a fit for purpose solution for TfN. The work will be finalised at the end of September and it will be implemented in the final quarter. The audit team will revisit this area of work to see whether it delivers what was intended in the original report.
- 5.5 Mr Barker summarised the annual summary report for the previous year's audit work.
- 5.6 Mr Barker introduced the IT and Remote Working Asset Management audit report.

Mr Brady queried the lack of controls in place for 13 laptops to have gone missing following staff departures. The Head of IT and Information Services assured the committee that a full IT asset management log was now in place and that the number of missing laptops has reduced.

The Finance Director assured the meeting that the missing laptops are encrypted and are not being used. The system that TfN has in place now is robust and strong. Mr Brady asked for the detail to be added to the follow up report. The Chair agreed it needs to be raised as an action due to the control failing.

RESOLVED:

That the reports be noted.

6.0 External Audit Update

- 6.1 Members received the Audit Strategy Memorandum report, setting out the intended audit strategy for the 22/23 audit of the financial statements, from Mr Watson.

Mr Watson focused on three areas - the significant audit risks that have been identified during the audit planning phase, the value for money arrangements and the materiality level of the audit. Mr Watson reported that since the report was drafted in July the audit was progressing well and although the pensions assurance from the pension fund audit would still be outstanding, Mr Watson will be able to report at the September meeting on the Audit Completion Report.

- 6.2 Mr Brady highlighted that last year a concern was flagged on the reserves but this does not appear to be present. Mr Watson stated that TfN's reserve strategy will be addressed in the financial sustainability risk. The Finance Director will assess what the required level of reserves are for the organisation under the Value for Money section.

RESOLVED:

That the report be noted.

7.0 Quarterly Operating Report (Jan – Mar 2023)

- 7.1 Members received the report from The Finance Director. The report going forward will be reduced.

RESOLVED: That the report was noted.

8.0 Date, time and location of the next meeting

Friday 15 September 2023 at 11.00am-13.00pm at Manchester Town Hall Extension.

Meeting: Transport for the North Audit & Governance Committee
Subject: Corporate Risk Report, RMS Update and Risk Deep Dive
Author: Daniella Della-Cerra-Smith, Risk Manager
Sponsor: Paul Kelly, Finance Director
Meeting Date: Friday 15 September 2023

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 8 August 2023.
- 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. Please see Appendix 4.1, TfN's Corporate Risk Register.
- 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 RMS has been updated to reflect risk reporting changes.
- 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
 - Consider the updates to the CRR
 - Note update to the Risk Management Strategy in relation to reporting changes
 - As part of the scheduled deep dive process provide feedback on corporate risk 310, TfN could have a reduced role in the rail industry following the implementation of rail reform including the role with Great British Railway.

3. Update to the Risk Management Strategy:

- 3.1 Functional risk continues to be managed at functional levels. In addition, functional risk is now considered individually and holistically at OBT quarterly. The new functional risk report has been produced which shows the risk profile across the organisation and key updates within the quarter. This report is to be presented to OBT quarterly. The RMS has been updated to reflect the reporting changes.

4. Audit and Governance Committee Risk Deep Dive:

4.1 The corporate risk scheduled for deep dive at Audit and Governance Committee on 15 September 23 is risk 310 TfN could have a reduced role in the rail industry following the implementation of rail reform including the role with Great British Railway. Please see Appendix 4.2 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 Sept 2023

8.2 Item 4.2 Audit and Governance Committee - Risk 310 Deep Dive - Sept 23

Glossary of terms, abbreviations and acronyms used

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

Transport for the North

Corporate Risk Register

September 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 Risk 299 – TfN's contribution to achieving Decarbonisation - Updated risk wording slightly. TfN's current decarbonation carbon trajectory assumes a reduction to between 1and2% of 2018 surface transport emission levels. The strategy is clear that the North need to get to as close to zero as possible and a net zero target is not appropriate. TfN will be updating the decarbonisation strategy next year, so we will be adjusting and strengthening our decarbonation trajectory as needed.
- 1.1.6 Risk 643 – Recruitment and retention of staff, as discussed as part of the deep dive at the Audit and Governance Committee meeting in August two additional controls have been included in relation to the recruitment process.

- 1.1.7 Risk 876 – Cyber disruption/attacks, an additional control has been included in relation to multifactor authentication.
- 1.1.8 Risk 877 – TfN’s influence on the NPR Programme, has been reassessed and reduced probability current and target due to co-sponsorship agreement and arrangements for engagement forums now in place and DfT have agreed to review connectivity to Bradford. Actions 2481 and 2640 are now complete.
- 1.1.9 Risk 882 – TAME capacity - a new action 2924 has been identified.
- 1.1.10 Risk 881 - Endorsement of STP refresh, action 2500 updated Northern Power Independent Economic Review complete; TfN to produce a summary document which will be presented at partnership board in September. Action 2501 complete as the NPIER scenarios were published with the STP in May.
- 1.1.11 Risk 916 – Funding, delivery of medium-term sustainability, closed two actions (2670 and 2675) as both are duplicates and included within existing controls 2671 and 2673.
- 1.1.12 Risk 999 –Resources for TfN offer– action 2849 updated to develop the brochure and the PID to confirm the plans/trajectory of the TfN offer over 2023/24 and 24/25.

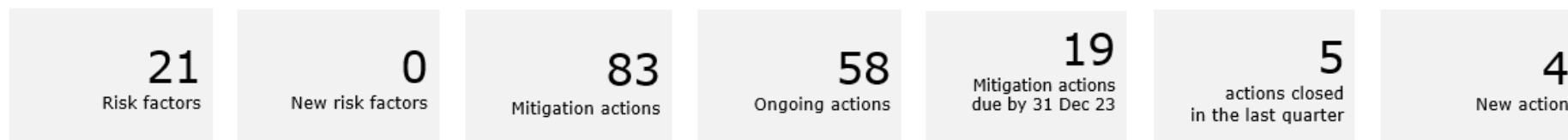
Key Milestones

- 1.1.13 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
1	Consult on a revised Strategic Transport Plan	Summer 2023
2	Publish Connected Mobility Strategy	Summer 2023
3	Secure adoption of revised Strategic Transport Plan	December 2023
4	Rail Reform – Issue Proposition for the North	December 2023
5	Provide annual STP action plan	March 2024
6	Update Future Transport Scenarios	March 2024
7	Consult on, and then publish final Strategic Rail Report	March 2024

8	Ensure a strong case is forwarded for recommended RIS investment in the North	March 2024
9	Publish TfN's Bus Policy position.	March 2024
10	Implement an online local public transport data toolkit	March 2024
11	Develop a submission to government that identifies opportunities to build on TfN's technical capabilities	March 2024

Corporate Risk Dashboard



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

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 (between 1&2% of 2018 levels) 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
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.	10	8	Chief Executive Officer
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.
 If the required level of policy commitment to deliver close to zero by 2045 is not achieved in the medium to long term, this might contribute towards an excess of agreed global temperature rise (as defined by the Paris Agreement) and climate change which might impact upon the resilience of the North's transport infrastructure.
 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:

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

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		Closed
2671	Medium - There is structured engagement with government officials and decision-makers.			Chief Executive Officer		Mar 24
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
2675	Medium - Early and continuous engagement with DfT in relation to business planning and subsequent performance.			Chief Executive Officer		Closed
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			Rail/Roads Director		Dec 23

	proposition to define what our role would be in the rail industry going forward to present to GBR Transition team.		
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	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	

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
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

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,			Head of Human Resources	Ongoing	

	workforce/skills planning, exit interviews, succession planning, recruitment and selection, talent, and performance management.		
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
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	Medium - Rollout of employee engagement survey across TfN.	Head of Human Resources	Sep 23
2844	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	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
2927	NEW: High - All individuals that participate in recruitment processes to either be CIPD qualified or have carried out TfN's recruitment and unconscious bias training.	Head of Human Resources	Ongoing
2928	NEW: High - TfN to maintain relevant accreditations including disability confidant employer, GM employment charter and CILT equality/diversity charter.	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
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	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			
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	Strategy, Analysis & Comms Director	1, 3, 5	17	8	↔

	consult and then adopt the plan by the end of 2023.				
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 - Northern Power Independent Economic Review complete; TfN to produce a summary document which will be presented at partnership board in September.	Strategy, Analysis & Comms Director	Sept 23		
2501	High - Manage interdependencies with Northern Power Independent Economic Review, which will run in parallel with STP2.	Strategy, Analysis & Comms Director	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	
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	Medium - Use the STP/our evidence base/our capacity and capability to inform future investment rounds and statutory advice.	Rail/Roads Director	Ongoing
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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			
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 (between 1&2% of 2018 levels) for surface transport in the	Strategy, Analysis & Comms Director	1, 2, 3, 4,7,8,9	11	8	↔

	North by 2045. TfN is unable to deliver its contribution to achieving this target.					
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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
2506	Medium - Continue to influence and engage with stakeholders and maintain reputational credibility.	Strategy, Analysis & Comms Director	Ongoing
2508	Medium - Embedding decarbonisation into wider TfN workstreams including freight and social inclusion and testing the interdependencies.	Strategy, Analysis & Comms Director	Ongoing
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 polices, 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 are in place, 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	
2929	NEW: High – Ensure multifactor authentication in place for all TfN accounts.			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	

2842	High - Develop TAME Master Programme and plan with individual TfN teams a realistic schedule of work.	Strategy, Analysis & Comms Director	Sept 23
2924	NEW: Medium - Work with DfT to scope and define requirements for further support to the NPR SOBC including work on Bradford.	Strategy, Analysis & Comms Director	Sept 23

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	10	8	↑
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	Closed		
2640	Medium - NPR sponsorship agreement to be agreed between DfT ministers and TfN board.		Chief Executive Officer	Closed		
2682	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	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
999	Mismatch between the TfN offer and what resources TfN currently have in place	Strategy, Analysis & Comms Director	All	10	8	↔
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	Sept 23
2848	Medium - Develop a TfN position on what our offer includes	Strategy, Analysis & Comms Director	Sept 23
2849	Medium - Develop the brochure and the PID to confirm the plans/trajectory of the TfN offer over 2023/24 and 24/25	Strategy, Analysis & Comms Director	Sept 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	↔
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	Sept 23			
2834	High - Working group established to oversee the effective management and delivery of office move and closure project plan.	Head of Human Resources	Sept 23			

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Corporate Risk 310 – TfN could have a reduced role in the rail industry

September 2023

Risk Manager: Daniella Della-Cerra-Smith

Rail Strategy Manager: David Worsley

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:

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- 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
Cost (Tier 1 - £0-£2m Budget)	£0 - £10k	£10k - £20k	£20k - £50k	£50k - £80k	£80k - £100k
Reputation	Minimal negative local media coverage quickly remedied /loss of trust and credibility	Minor negative local media coverage quickly remedied /loss of trust and credibility	Moderate negative regional media coverage/loss of trust and credibility	National short – term negative media coverage/considerable loss of trust and credibility	National long – term negative media coverage, significant loss of trust and credibility
External Relationship	Minimal strained relationship with partners/third parties	Minor strained relationship with partners/third parties	Moderate strained relationship with partners/third parties	Evidence of relationship issues with partners/third parties	Severe relationship issues with partners/third parties
Quality	Work is fit for purpose but may require minimal changes	Work is fit for purpose but may require minor changes	Moderate changes or specialist resource required to provide high quality outputs	Scope changes required to provide high quality outputs	Project outputs are not credible/robust, with no assurance and partners do not endorse reports
Time	0 – 1 month	1 – 3 months	3 – 9 months	9 – 12 months	12 – 18 months

5 x 5 Opportunity Scoring Criteria

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

Corporate Risk 310

Description						Actions						Owner	Due Date
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.						<ol style="list-style-type: none"> 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. 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 North committee has agreed the establishment of a North-west business unit and currently in the process of implementing that business unit. Fallback Plan use rail-reform programme to strengthen TfN's relationships and position with GBRTT. 						1. DO	1. 31 Dec
Cause												2. DO	2. Ongoing
The government published a white paper which does not make clear the future role of TfN under Great British Railway												3. DO	3. 31 Mar
Impact												4. DO	4. 31 Aug
The franchise system is being replaced by service contracts directly funded by the Treasury through Great British Railway, potentially diminishing TfN's role and influence over operations (although this also represents an opportunity for TfN to make a case for further involvement in the management of the rail network).													
												Current Score	Target Score
												19	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		
Medium	Very High	Very High	n/a	n/a	n/a	Low	Very High	Very High	n/a	n/a	n/a		

Background to TfN's approach to Rail Reform

- The way our railways are managed is changing, with a 'single guiding mind' in the form of Great British Railways (GBR) working with relevant bodies, such as combined authorities; GBR headquarters has been announced in Derby, but a legislative slot has not yet been secured.
 - Partners within the North are progressing on partnership arrangements with GBR and devolution 'trailblazer' arrangements, such as in Greater Manchester.
 - TfN Board position is that existing devolution – as set out in the Rail North Partnership arrangements (including establishment of sub-regional business units) – is the minimum expectation moving forward: creation of GBR should be viewed as opportunity to seek further devolution.
- Further devolution needs to recognise that the rail system operates on three levels, and decision making should therefore be aligned.
- National networks which should be specified nationally
 - Pan-regional, which is appropriate for TfN to specify (using sub-regional business units as appropriate, and acting as convening body or 'glue' across the system)
 - Local networks, which should be locally specified
- Rail reform must also recognise/deliver better integration between public transport modes, and fare/ticketing.

Background to TfN's approach to Rail Reform

- Rail reform must reflect how our railways are now being used, providing the reliability and service that meets growing leisure/tourism demand outside of traditional (peak) travelling times.
- Transformation of the Northern 'rail offer' – as exemplified by TfN Board commitment to NPR 'in full' – remains at the heart of the draft STP. [But the TfN voice must be protected and amplified]
- There are risks around inaction over rail reform, namely GBR becoming increasingly centralised and eroding local control over passenger services and investment priorities.
- Post-COVID rail demand has recovered strongly in the North, but it has changed in nature (for example, more weekend and tourism). Delivering significant rail growth is fundamental to decarbonisation of the North's transport system. We need to take a 'whole system' approach that re-energise stations as places, enables modal shift, enables greater freight use, support growing sectors (such as the visitor economy) and reduces transport related social exclusion.

The Rail North Committee (advised by the Rail North Partnership) has already approved TfN's principles for rail reform, to help guide what is needed:

1. Build on the existing devolved arrangements through the Rail North Partnership;
2. Include the next stage of 'double devolution' to provide city regions and other local areas with even greater autonomy to deliver fully integrated public transport networks with common fares and local accountability;
3. The industry structured with a single region for the North with a single North of England train operator (to provide economies of scale but internally structured around locally accountable business units);
4. A separately identified budget for the North (which the North can prioritise against) with the ability to invest to grow revenue and recycle it in the North;
5. A statutory role on rail investment, so that Transport for the North (and partners) are involved at every stage of development and delivery of investment projects; and
6. Transport for the North's statutory Strategic Transport Plan to underpin a growth plan for the North which links the role of the railway with wider economic growth, decarbonisation and social exclusion.

Meeting:	Transport for the North Audit and Governance Committee
Subject:	Business Planning Report
Author:	Paul Kelly, Interim Finance Director
Sponsor:	N/A
Meeting Date:	Friday 15 September 2023

1. Purpose of the Report:

- 1.1 To provide the committee with a copy of the 2023/24 Business Plan including the Key Milestones for the year and the Quarterly Operating Report for the first quarter to June 2023.

2. Recommendations:

- 2.1 That the Committee notes the content of the 2023/24 Business Plan and the Quarterly Operating Report for the first quarter to June 2023.

3. Key Points:

- 3.1 The full 2023/24 Business Plan including milestones and the Quarterly Operating Report are included as Appendix 1 and 2 respectively.

4. Corporate Considerations:**Financial Implications**

- 4.1 The financial implications are detailed in the report

Resource Implications

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

Legal Implications

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

Risk Management and Key Issues

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

Environmental Implications

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

Equality and Diversity

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

Consultations

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

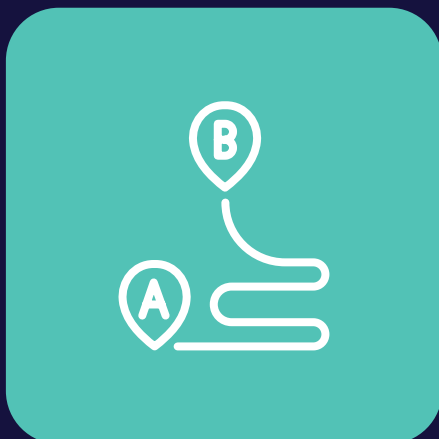
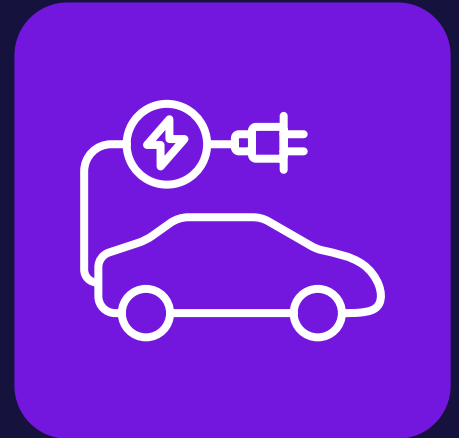
5. Background Papers:

- 5.1 There are no background papers to this report.

6. Appendices:

- 6.1 Appendix 1 - 2023/24 Business Plan
6.2 Appendix 2 - Quarterly Operating Report for the first quarter to June 2023.

2023-2024 Business Plan



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1.

Foreword: TfN Chair Lord McLoughlin

Welcome to Transport for the North's Business Plan for 2023-24. Five years on from being established as a statutory body the year ahead is important, both for TfN and for the communities and businesses across the North.

A key focus of this Business Plan is our work to review, refresh, and update the Strategic Transport Plan (STP). It is through this document that the political and business leaders on the TfN Board come together to set out a shared vision for the North, one that captures the potential of the North's economy, and which then sets out how the region's transport system needs to evolve to realise that potential.

The past year has brought many challenges for the North's transport system, particularly in terms of inflation and its effect on the costs of public transport operation, and on industrial relations within the rail sector. For our residents and businesses having access to a reliable and affordable transport system is a fundamental requirement. The user experience of late remains one that all too often fails to meet that expectation.

However, the evidence remains clear: the economic potential of the North is huge, the need to decarbonise our transport system remains a priority requiring urgent action, and we must do more to ensure that our transport system is more equitable.

We know we need to invest more in our transport infrastructure and services, but we also know that our approach needs to reflect the changes in travel choices and behaviours that we've seen in more recent times. Our work as TfN needs to be a catalyst for change in the way we plan, develop, and deliver solutions.

The revision of our STP is the North's opportunity to set out the way forward, using the evidence base assembled by TfN, and for all those with an interest in realising the potential of the North to recommit themselves to working in partnership to make that future real.

Set against a backdrop of a challenging financial environment it is heartening to see government continue to move forward with investment in the Trans-Pennine Route Upgrade and to retain its commitment to the initial stages of the Northern Powerhouse Rail through funding of the Integrated Rail Plan.

And so, we need to use our Strategic Transport Plan as the foundation for working with government, and our wider partners. We must use it as the means of ensuring that the North has a transport system that offers choice, to champion continued investment in our transport infrastructure and services, and to make the case for investment in enabling strategic infrastructure such as our energy systems and digital connectivity.

And we must also use the Strategic Transport Plan as a catalyst for setting out how we can simplify the process of getting things delivered on the ground. We believe that there are opportunities to simplify the way we identify investment priorities and provide better advice to the Secretary of State. We must continue to make the case for further devolution as the opportunity to reduce bureaucracy and accelerate delivery.



“ As we look forward to the year ahead, TfN stands ready to make the case for the North: one voice providing leadership on behalf of the North, grounded in cutting edge technical capability, working in partnership to grow, not just the North's economy, but the UK's. ”

Lord McLoughlin
Chair

2.

Foreword: Vice-Chair Cllr Louise Gittins

Never has it been more important for us to place the availability and affordability of our transport system at the heart of our thinking.

Transport for the North's (TfN) work on transport-related social exclusion has served to highlight how access to transport remains one of the biggest barriers to individuals realising their potential. And investing in transport to improve access to opportunities and services helps address issues of health inequalities that exist within our communities. It is why as TfN we focus on seeking to deliver outcomes, that are place-based, and user centred.

Energy price shocks over the course of the last year have underlined the need for the transport sector to innovate and diversify. Our work on electric vehicle charging infrastructure, and clean mobility, has helped to identify the path towards a cleaner road network and it is pleasing to see TfN's work in this area being shared more widely.

As we look forward to the next five-year Road Investment Strategy period it's important that we see our network of roads for what they are – multi-modal transport corridors. It is too easy sometimes to slip into thinking that roads are only about cars: they're not. For our highway network is the one used by pedestrians, by cyclists, and by buses (the public transport option used the most). It is along our highway network that goods and materials flow, bringing food to the shops, feeding raw materials in our factories, and distributing the end product to customers across the North and beyond.

TfN's work on decarbonising our transport system sets out the size of the challenge and the urgency with which we need to make real progress. And so, the revised Strategic Transport Plan is the opportunity to rewrite the narrative for our highway network to make it fit for the future.

Nearly 200 years on from the start of the first railway age that started with the opening of the Stockton and Darlington Railway, we need to plan for the second one. For growing our rail offer must be at the heart

of transforming the North's transport system. Through the Rail North Agreement, we have benefited from the first stage of rail devolution. Our experience of working in partnership with the government shows that empowering our operators creates opportunities to respond to changes in circumstances and target new markets in innovative ways.

We continue to see the creation of Great British Railways as an opportunity to build on the North's experience to date and to enable further devolution. Most of all we are up for the North being a pilot for rail reforms that will improve the offer to the user and retain our railways at the heart of the North's transport system.

These are challenging and uncertain times. Our bus and rail networks in particular are not giving our people the services they need and deserve. Routes are being cut and reliability has suffered. We are not prepared to let this continue. These problems have served to emphasise the importance of TfN and the need for a more coordinated and long-term approach to investment in our transport infrastructure and services.

“ Never has it been more important for us to place the availability and affordability of our transport system at the heart of our thinking. ”

Cllr Louise Gittins
Vice Chair

We understand just how transformational investment in better transport links are, bringing more jobs and greater economic opportunities. These connections open up our villages, towns and cities to the UK, and the world. Improving transport connectivity lies at the heart of what Transport for the North delivers for the region as a whole.



3.

LEP Perspective

Transport is the key to unlocking the North's unrivalled economic potential. Through an integrated, decarbonised transport network of rail and road, water, and air, we can not only reach our vital net-zero aims, but also add billions to the national economy. As we look to invest in green skills, in accessible employment and sustainable freight, Transport for the North's role is more vital than ever in bringing business and politics together as 'One Voice' for the North.

As a champion of the business voice, Transport for the North acts not just as a facilitator, but as an active amplifier of our voice through its unique ability to delicately reconcile the needs of enterprise with the political agenda. Through TfN, LEP's across the North have a voice that is listened to, and as we grapple with the ongoing economic challenges, we need Government to be an open ear.

Business is part of the solution to the ongoing challenges we face to the economy. As the newly-updated NPIER demonstrates, a transformed North can bring over £118 billion in GVA to the economy through the transformational infrastructure projects TfN has proposed through the right policy levels, at the right time, and with the right investment. Decades of underinvestment in our region has left our transport system

far less than the sum of their parts, meaning skilled workers are choosing to leave our region to work, freight is unreliable, and interconnectivity is poor. Passengers are experiencing disruption to planned journey's primarily due to poor performance by some rail operators.

The next year will be one of the most challenging TfN has faced. Inflation continues to put huge pressures on the economy, and this has seen HS2 be further delayed in order to reduce costs. It is our position as businesses across the North that we need Northern Powerhouse Rail to be delivered in full alongside HS2, to unlock our economy and instigate growth. However, whilst Whitehall makes the decisions about which pot of money goes where, it is the North that is suffering. Northern Leaders and businesses know best where this money is most needed, yet the areas that are most in need are missing out.

We need passengers to come first, Northern voices to be listened to, and vital transport and infrastructure projects to be delivered, and as we look to build the case for a thriving North of England with strong economic growth, the need for business to work with our elected leaders is as great as ever, and this is why we will continue to make the case for TfN's role as the voice of the North.

“ As the newly-updated NPIER demonstrates, a transformed North can bring over £118 billion in GVA to the economy through the transformational infrastructure projects TfN has proposed through the right policy levels, at the right time, and with the right investment.”



4.

About Transport for the North

Transport for the North is the voice of the North of England for transport. We are a statutory body of elected Political and Business leaders from across the North who collectively represent the region's sixteen million citizens and 1.1 million businesses. Complementing the work of existing Local Transport Authorities, and with powers devolved from central Government, our role is to add value by ensuring that funding and strategic decisions about transport for the North are informed by local knowledge, expertise, and requirements.

Transport for the North was established in 2018 with the following general functions:

- To prepare a transport strategy for its area;
- To provide advice to the Secretary of State about the exercise of transport functions in relation to its area (whether exercisable by the Secretary of State or others);
- To co-ordinate the carrying out of transport functions in relation to its area that are exercisable by different constituent authorities with a view to improving the effectiveness and efficiency in the carrying out of those functions;
- If TfN considers that a transport function in relation to its area would more effectively and efficiently be carried out by TfN to make proposals to the Secretary of State for the transfer of that function to TfN; and
- To make other proposals to the Secretary of State about the role and functions of TfN.



Jointly with DfT, we oversee rail services covering Northern and TransPennine Express contracts as part of the Rail North Partnership. We co-sponsor the Northern Powerhouse Rail (NPR) Programme which TfN co-designed with DfT and Network Rail. We also provide advanced analytical services to DfT in support of NPR business case and scheme development.

We work closely with Network Rail and contributed to long-term strategic planning for the railways in the North. We are working closely with the Department for Transport and the Great British Railways Transition Team on the opportunities for reforming the rail system for both passengers and freight.

We work collaboratively with National Highways to inform and influence the Road Investment Strategy. We ensure that our advice in respect of the Major Road Network complements the operation maintenance and improvement of the Strategic Road Network.



Our pan-Northern role means we are involved in many non-statutory partnerships to ensure we take a “systems approach” to transport planning. Our strategic partnerships, which we continue to maintain and develop to ensure our plans and those of our Local Transport Authority (LTA) partners are informed by evidence, include:



Regional economic strategy and development, through the NP11 and northern local enterprise partnerships (LEPs) who represent the business perspective on the TfN Board. We are supporting regional economic development, the Northern Powerhouse Independent Economic Review (NPIER), decarbonisation, and green growth activities.



Other pan-Northern bodies including Homes for the North, the Northern Powerhouse Partnership, the Northern Gas Network, and other energy providers. We are represented on the Yorkshire Climate Commission and have close links to bodies with a strategic interest in physical, digital, and spatial planning.



Our UK wide role as the largest Sub-national Transport Body (STB), including our formal and strategic partnerships with Transport Scotland, Transport Wales and the other STBs across England. We have close links to the National Infrastructure Commission, Rail Industry Association, Logistics UK, and Rail Freight Group.



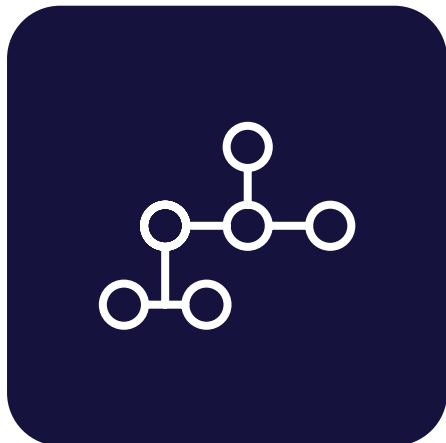
Our links to academics and research through the N8 and partnership with the Institute for Transport Studies as part of the Decarbon8 programme, as well as Herriot Watt and Durham Universities on Hydrogen and IPPR North on wider social issues. We established and chair the Northern Transport Academic Forum which brings together research interests to discuss key issues.

5.

Fit for the Future

In 2022/23, Transport for the North refocused on our statutory obligations. Reshaping TfN ensured that unlocking the full potential of North remains at the heart of what TfN is about.

This Business Plan reflects the new operating model for TfN, specifically focusing on being:



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

TfN's analytical capability is unique amongst Sub-national Transport Bodies. It remains central to TfN's work and is a capability that our partners increasingly look to make use of.

For 2023/24 TfN has been allocated additional funding by the Government to develop this capability further and develop business proposals that will enable our partners and other Sub-national Transport Bodies to draw upon it.

During 2022/23 we transitioned to our new co-sponsorship role on NPR. TfN has put together a new co-sponsorship team utilising existing and newly recruited staff located within the Strategic Rail team. We worked with DfT to develop the agreement that underpins the new relationship and establishing ways of working and reporting progress on NPR.

We have worked with partners on a new engagement strategy to ensure that both TfN and partners continue to have visibility of the relevant workstreams and can use the new co-sponsor agreements to seek to get the best outcome for the North. As part of the new arrangements the TAME team are continuing to provide bespoke technical support to the DfT business case work.

Separately, based on the evidence base underpinning the Strategic Transport Plan, TfN continues to make the case for delivery of NPR in full – the Board's preferred network as advised to the Secretary of State in 2021.

TfN continues to use its role as a Statutory Partner to shape the North of England rail programme. Notable achievements include implementation of the first stage in the strategy for unlocking congestion in Central Manchester (which has a knock-on impact across the North) through a major timetable change in December 2022. In 2023/34 TfN will continue to be an active partner in the Manchester Recovery Task Force to ensure a long-term solution for the congested Castlefield Corridor.

2022/23 has been particularly challenging for the North's rail passengers with Avanti, TPE and Northern passengers all experiencing unacceptable levels of performance. In 2023/24 TfN will continue to use its role in the Rail North Partnership to seek improvements including the development of detailed recovery plans.

Building on the progress made in 2022/23 our Business Planning has been shaped by the need to deliver.

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

6.

Our Strategic Transport Plan

Transport for the North's core statutory duty is to produce a Strategic Transport Plan on behalf of the North of England. Its purpose is to set out, based on robust evidence, the strategic ambitions for transport, specifically pan-regional infrastructure priorities and issues that are common to many partners where there is efficiency in tackling them regionally. A revised Strategic Transport Plan has been developed during 2022/23 and a statutory consultation process will be held during the summer of 2023. Following the consultation, the Plan will be revised and formally adopted by the TfN Board before the end of 2023.

The Plan presents a clear vision for the North's transport network, supported by three strategic ambitions:

- A** Transforming economic performance;
- B** Rapid decarbonisation of the transport network; and
- C** Significantly reducing transport related social exclusion.



The revised Plan will be clear about our connectivity requirements between places in the North and between the North and the rest of the UK to deliver the outcomes and objectives of the plan, including the key road, rail and freight connections within TfN's Strategic Development Corridors. It is realistic about the scale of challenge we face to improve connectivity across the North (with strongest focus for TfN on improving connectivity between places and key economic assets), and why the current system is holding back investment.

The vision and strategic ambitions for the North in the Plan will be underpinned by a clear set of outcome measures and supporting metrics that will, collectively, guide TfN government and partner authorities in its implementation. The inclusion of clearly defined metrics underpinned by a robust monitoring and evaluation strategy and clear 'golden thread' between activities and outcomes represents a major step forward from the previous STP, including:

- A** Including a "right share" metric that will support efforts to reduce car dependency and create the capacity required to accommodate growth on our public transport networks;
- B** Explicitly recognise the scale of change required in accessibility required to unlock opportunity and reduce social exclusion;
- C** Put in place a long-term ambition to double the share of freight carried by rail; and
- D** Adopting the "vision zero" approach to eliminating deaths on our major road network by 2050.

Interim milestones for key metrics will identify the progress required over the next 10 years to deliver on the longer-term outcomes, reported through an annual TfN action plan, which we intend to introduce from 2024.

The Plan will support the preparation of the next round of Local Transport Plans, and so with partners we have developed the Policy and Place framework to provide a more robust and transparent demonstration of what needs to be true to achieve the outcomes in this Plan across the different geographies of the North. This innovative approach provides a tool to help ensure the high-level vision and objectives of the plan translates into meaningful outcomes and policies for all parts of the North's economy and society. This will form part of TfN's offer to local transport and combined authorities as part of our new role supporting the development of local transport plans.



7.

Shaping the Future



Accompanying TfN's first Strategic Transport Plan was an ambitious Investment Programme which we have used, through Statutory Advice and other collaborative work, to feed into the respective investment processes for rail and road.

We will continue to make advice on the Roads Investment Strategy (RIS3) and the Rail Control Period 7 (CP7) process. In the case of rail, the majority of enhancements are delivered through the DfT's Rail Network Enhancements Programme (RNEP) and we will continue to use our seat at the table through Rail North Partnership to shape and support the programmes. We have supported the business case for central Manchester rail investment through the TAME team and are chairing the DfT's Stakeholder Forum for TransPennine Route Upgrade ensuring that partners have a strong voice in the delivery arrangements and helping ensure that the maximum value of the committed investment is delivered.



Whilst there is a clear need for investment in physical infrastructure on the North's road and rail networks, fares and ticketing (particularly complexity and value for money) are major barriers to travel. In 2023/24 TfN will continue to build on its new Connected Mobility service. An outline strategy was endorsed by the Board in 2022/23 and this is being developed into a full strategy to present to the board in summer 2023.

The core objective of this strategy is to be a catalyst for sharing best practice and common standards, reduce duplication of effort and make the case for more joined up investment through collaboration with partners. Whilst there will be a focus on fares and ticketing (including the roll out of Pay-As-You-Go Ticketing as committed in the IRP), the strategy will extend to other digital initiatives including bus data sharing, demand responsive systems and journey planning. In 2022/23 TfN utilised supplementary funding from the DfT to provide specific support to partner authorities who had identified a need and we plan to build on this under the guide of the Connected Mobility Hub.

We have led the way in publishing the UK's first Electric Vehicle Charging Framework and Evidence Base, using data on travel demand, the rate of and distribution of the uptake of electric vehicles to identify where, when, and how chargepoints will be required to meet demand over the next decade. This provides public and private sector partners with information they can use to plan for the installation of chargepoints and electricity supply infrastructure. In 2023/24 we will support local authority partners work on accessing government funding through the Local Electric Vehicle Infrastructure (LEVI) fund.

In 2023/24 we will update Transport for the North's Future Travel Scenarios. First developed with input from partners and industry experts in 2019 the scenarios identify a range of plausible futures, impacting on travel demand over the period up to 2050. The scenarios encompass a wide range of change levers (e.g., Spatial planning policy, mobility pricing, societal trends and use of technology). In 2023 we will update the scenarios to reflect the updated Northern Powerhouse Independent Economic Review, changes resulting from the impact of the Covid pandemic, and the increasing emphasis on the need to reduce carbon emissions. This will provide critical underpinning evidence to update the TfN Decarbonisation Strategy and to shape TfN recommendations on transport investment.

In 2020 the UK government made the commitment to end the sale of new petrol and diesel cars and vans by 2030. The electrification of road vehicles means that the exchequer will lose revenues from fuel duty and road tax. (c.£35bn/yr)¹. Future measures should not solely be about the money, nor should we be considering road pricing alone. TfN is committed to promoting the need to consider all modes of transport when making investment choices and will seek to engage with government and industry partners to help shape the debate on achieving a fair transition to a new approach to paying for how we use our roads and determine how revenue raised is invested in all forms of surface transport.

There is now a substantial pipeline of rail investment schemes through the North of England Programme (funded by the DfT). Whilst these are at various stages of development, and not all are committed, they cover the majority of areas that could be considered bottlenecks or in need of other investment (for example, Central Manchester, West Coast Main Line North, Hope Valley, Sheffield, TransPennine Route Upgrade, Leeds Station Area (including Bradford), East Coast Main Line (North of York), Darlington and Hartlepool).

In parallel with the planned review of rail services, TfN will also review the investment programme against the emerging Strategic Transport Plan and bring forward recommendations to the board where gaps are identified or there are opportunities to speed up or otherwise enhance delivery. Examples of the latter are contained in TfN's Journey Time and reliability/resilience programmes where there are opportunities to add to speed up industry schemes to deliver quick wins that could significantly improve the position for customers in the short-term.

¹Source Office for Budget Responsibility (obr.uk). this figure excludes VAT applied at a rate of 20% to fuel.



8.

Implementation through Collaboration



Implementation of the Strategic Transport Plan outcomes relies on a combination of statutory advice (to the Secretary of State for Transport) and effective collaboration with the delivery partners. Network Rail, National Highways and HS2 are members of the TfN's Board.

TfN works with DfT to oversee delivery of the rail service contracts for Northern and TPE. TfN also inputs into the DfT's rail investment programme, through involvement in industry programmes.

This is the first stage of devolution and a building block for the Rail Reform plans for greater localisation. We will continue to use our roles to shape the development of services and infrastructure and help ensure that the two are integrated as far as possible.

Train services and other outputs are determined through an annual business planning process. TfN's will continue to ensure that its input helps ensure that the North's specific needs and issues are reflected in funding allocations. Given the tight financial situation for rail services we will take a lead on co-ordinating a review of rail services in the North to demonstrate how the available resources can be best deployed to maximise value for money alongside specific social and economic need in line with the Strategic Transport Plan.

Building on the Rail North Partnership, TfN's Board has set out the principles for entering into a new partnership with Great British Railways as part of the Rail Reform agenda. We will develop these principles into a specific proposal and 'case for change' with a view to transitioning to the new set of arrangements in parallel with the formal creation of Great British Railways. The core principles of transparency, accountability, localisation and integration will continue to be at the heart of our proposal which will be developed alongside (and integrated with) other partnerships including between GB Railways and Greater Manchester.

We are working collaboratively with National Highways to provide evidence on the North's requirements for investment in the strategic road network (SRN), inputting to RIS2 Programme delivery and work on shaping recommendations for future RIS investment. This includes development of TfN recommendations for SRN investment and contributing to the strategic and economic dimensions for RIS3 pipeline studies, feedback on emerging SRN Route Strategy documents and support for early stage assessment of the strategic need for interventions.



The STP is about effecting change in the way we plan, develop, and implement solutions with our partners. Delivering the outcomes in the revised STP will require longer term system reform, including:

- The simplification of funding streams, thereby removing cost and inertia from the delivery of investment.
- Greater flexibility in the application of the funding available, to ensure that it is targeted towards the delivery of outcomes that are place-based and user-centred.
- An increase in the total investment made in the North's infrastructure and services.

9.

Evidence-Based Strategic Thinking

Our core technical capability and capacity has been developed to make the case for investment in transport in the North of England and the opportunity is now to deploy that capability for the benefit of our partner organisations in our developing role as a regional Centre of Excellence. This includes:



Our advanced analytical framework and TAME team will continue to support the department's work on Northern Powerhouse Rail and the Integrated Rail Plan. TfN will work with our STB partners and DfT to develop products for wider application as part of the Common Analytical Framework.



Our support for Local Transport Authorities and Combined Authorities to deliver revised local transport plans, including direct support on Quantified Carbon Reduction. TfN will develop new tools and deploy existing assets to support LTAs with their plans.



In 2023/24, TfN will explore and agree with partners how we'll develop the offer to partners on a wider range of transport and economic development activities including business case and scheme development, helping to accelerate investment and reduce development costs.

10.

Our People and Finances

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

In reshaping and reducing our establishment over the last 12 months the focus has been on ensuring that TfN remains capable of delivering its priority areas of activity. A guiding principle throughout has been to focus on retaining and further strengthening TfN's technical capacity and capability which will be critical as we continue to develop our role.



Business Model

The need to reshape TfN has been an opportunity to rationalise and simplify our processes and support functions to minimise overheads whilst continuing to meet the requirements of being a statutory body.

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

TfN is funded almost wholly by Government. Our new operating model for TfN, which was successfully introduced during 2022-23, places greater emphasis on investing in TfN's technical capacity and capability. Therefore, our Budget and Business Planning processes have been implemented with a reduced emphasis on externally procured services.

This Business Plan is based on an establishment for 2023/24 of 111 roles; of which 42 are to provide hosted activities (comprising 18 posts in the Rail North Partnership team and 24 posts within TAME). This modest increase in our establishment (circa 7 roles) is being made to support the delivery of the incremental priorities identified in the funding allocation letter around support for local government partners and other Strategic Transport Bodies. Recruitment of staff moving forward will be on a permanent basis given that this represents a better value for money proposition compared with the continued use of interim or consultant-based resourcing solutions.

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



Expenditure

In order to deliver the activities set out in the Business Plan, we have total budgeted expenditure for 2023/24 of £16.1m. As a Sub-national Transport Body, we are unable to recover VAT on our purchases of goods and services.

We are subject to the same regulatory environment as local and combined authorities and must discharge our responsibilities as an autonomous body. We must also act in accordance with the Memorandum of Understanding that we have with the DfT.

In 2023/24 expenditure is anticipated to be incurred against the following activities:

Activity	Budget (£m)
<p>Operational Costs</p> <ul style="list-style-type: none"> → Rail and Roads → Strategy, Policy and Comms 	<p>2.30</p> <p>3.33</p> <p>5.63</p>
<p>Business support costs</p> <ul style="list-style-type: none"> → Information technology → Finance, procurement and risk → Leadership → Human resources and accommodation 	<p>0.47</p> <p>0.87</p> <p>0.40</p> <p>1.07</p> <p>2.81</p> <p>8.44</p>
<p>Hosted Services</p> <ul style="list-style-type: none"> → Rail North Partnership → NPR Analytical Support → NPR Closure Costs 	<p>1.62</p> <p>5.86</p> <p>0.20</p> <p>7.68</p>
<p>Total Expenditure</p>	<p>16.12</p>

Funding

Transport for the North received its core funding allocation from the Department for Transport in January 2023. This included a Core funding allocation of £6.5m for each of the next two years and a further £0.71m, for each of the next two years, to support specific DfT initiatives that extract value from work performed by TfN to date. Subsequent to this allocation, DfT have reconfirmed the budget to support Rail Operations and the analytical support for the NPR programme.

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

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

TfN will draw from reserves, the majority of which will be utilised to cover one off costs in 2023/24.

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

Activity	(£m)
Core duties	
→ Core Grant	7.21
→ Rail North Grant/Local Contributions	0.32
→ Other income	0.08
→ Use of reserves	0.83
	8.44
Hosted Services	
→ NPR Analytical Support	5.86
→ Rail North Partnership Grant	0.96
→ Rail North Grant/Local Contributions	0.40
→ Contract Income	0.28
→ NPR Closure Costs	0.20
	7.68
Total Resource	16.12



Reserves strategy

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

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

We have forecast an opening reserve balance of £3.7m, based on forecast outturn at 31 March 2023.

Based on the new operating model, which places more emphasis on investing in retaining TfN's technical capacity and capability 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.



We have developed risk management processes through which we identify and address the risks associated with each main 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 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.



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



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**



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.

Instil 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.



A best practice employer

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

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

This is backed-up in practice by championing our employee voice, for instance via our established Employee Forum, alongside our close collaboration with UNISON as TfN recognised Trade Union; this ensures we retain our reputation as a pull for talent.

We are committed to providing equal opportunities and diversity in all our employment practices and provision of all our services. As an organisation we always strive to do the right thing and understand that in order to make a difference in our society and workplace, we must be committed to respecting equality and diversity, showing kindness, tackling discrimination and promoting inclusion and have signed the CIHT Diversity and Inclusion Charter Statement to further endorse our commitment.

We are also an accredited Living Wage Employer this means that every employee earns a real Living Wage and are recognised as Disability Confident employer (stage 2) acting as a disability confident champion within our local and business communities and business networks.

All appointments at TfN are entirely merit based and we actively encourage and welcome applications for all our vacancies from everyone regardless of age, disability, gender, ethnicity, religion and sexual orientation. We are particularly keen to encourage applications from women, members of ethnic minority groups and people with disabilities who are currently under-represented within TeamTfN.



Based entirely on feedback from our leadership team and TeamTfN colleagues our ways of working are all about maintaining the great upsides many of our colleagues experienced from working from home during the recent Covid-19 pandemic, whilst at the same time being able to unite with colleagues for team and collaborative working as well as for more social and informal interaction.

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

The year-ahead will, however, require TfN to re-locate its current Head Office accommodation and operations to another location within Manchester City Centre as a result our current lease arrangements coming to an end later this year. It is envisaged that this relocation process will draw out significant cost savings over years to come, whilst ensuring TfN maintains an effective and conducive working space for all colleagues.



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

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

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

Key Milestones

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

Transport for the North

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Quarterly Operating Report August 2023



1 Chief Executive's Introduction

- 1.1 Updating the Strategic Transport Plan (STP) is front and centre of the business plan and we were pleased to launch our 12-week consultation on the Plan in May, which involved teams from right across the organisation. We've already had lots of interest and feedback on the draft document and remain on course to seek approval for the final version from our Board later in the year. The plan will be supported by our advice to the Government on its implementation.
- 1.2 In the re-shaping and re-positioning of TfN we wanted to ensure that TfN developed its 'offer' in support of our partners. Developing our offer has focused on drawing on the evidence base and growing analytical capability and how to provide access to it. It is also good to be able to report progress on this activity including continued support for the NPR business case and initial work on updating our Future Travel Scenarios. TfN's Board has also agreed the Connected Mobility Strategy which re-positions TfN's role in integrated ticketing, information and in supporting partners with bus initiatives.
- 1.3 The North continues to face a number of risks including the future funding for the delivery of the transformational infrastructure schemes we need and, of course, ongoing challenges with the delivery of the North's railways. Rail North Partnership has continued to be at the forefront of this, navigating TransPennine Express into Operator of Last Resort and focusing on their recovery plan to get things back on track.
- 1.4 We have re-formatted our quarterly report as part of the reshaping of TfN. The revised version is focussed around reporting on progress in meeting the milestones set out in our 2023/24 business plan. That is supported by more succinct functional reports and complemented with the standard updates on people and finance. I hope you find this format more readable and informative, but we would welcome any feedback on the format.

2 Progress Against Business Plan Milestones

BP1: Consult on revised Strategic Transport Plan - Summer 2023

- 2.1 A statutory 12-week consultation for our second Strategic Transport Plan officially was launched on 26 May 2023, including a virtual consultation room to provide feedback and comments.
- 2.2 First consultation workshop held in June 2023, a further two in July 2023 and a virtual workshop are planned. Collectively over 150 attendees registered. Further engagement with STP2 in July 2023 including Transport for the North's citizens' panel (Northern Transport Voices).
- 2.3 TfN colleagues are attending partner meetings and events to present the STP, and given stakeholders the opportunity to feedback, including politicians, Chambers of Commerce, and business groups.

A meeting of our All-Party Parliamentary Group was held on 19 July 2023 to brief the North's MPs on our plan and seek their support.

BP2: Publish Connected Mobility Strategy – Summer 2023

- 2.4 The Connected Mobility Strategy was endorsed by the Scrutiny Committee and on 22 June 2023 the TfN Board agreed to it being published - scheduled for mid-August 2023.
- 2.5 Work was completed on identifying the Connected Mobility support to partners using DfT additional funding and reports being published and disseminated more widely amongst partners.

BP3: Secure Adoption of the Revised Strategic Transport Plan – December 2023

- 2.6 Work against this milestone is progressing through the consultation on the draft STP, which is on programme.

BP4: Rail reform – Issue Proposition for the North – December 2023

- 2.7 Policy position papers on Rail Reform have been developed and the Rail Reform Programme Board has been re-established: this is being used to develop the North's proposition linked with the rail reform agenda.

BP5: Provide Annual STP Action Plan – March 2024

- 2.8 Work has begun on Transport for the North's modelling and evaluation framework, specifically on the development of a dashboard to monitor progress of the STP2 against agreed metrics. A first iteration of the dashboard will be presented to partners in October 2023.

BP6: Update Future Transport Scenarios – March 2024

- 2.9 The requirements for the 2023-24 update to Transport for the North's Future Travel Scenarios have been finalised and will go out to tender July 2023.
- 2.10 Transport for the North is engaging with National Highways and DfT on Road Investment Strategy pipeline studies, including work following the announcement on TransPennine Connectivity, as well as the A19 North of Newcastle, and a programme of smaller regional schemes.

BP7: Consult on and then publish final Strategic Rail Report – March 2024

- 2.11 A draft of the Strategic Rail Report was published in May as part of the supporting documents for the draft STP consultation: responses will be reviewed as part of the work associated with the analysis of responses to the STP consultation.

BP8: Ensure a strong case is forwarded for recommended RIS investment in the North – March 2024

- 2.12 The Department for Transport (working with National Highways) published RIS 3 documents for consultation, including Connecting the Country, SRN initial report and route strategies. Transport for the North drafted the regional response, which has been reviewed by local Partners outside of a formal meeting given the shortened timeframe within which to respond.
- 2.13 TfN completed a series of one-to-one meetings with Local Partners to complete a mid-year review of the Major Road Network and Large Local Major schemes previously identified by TfN as being priorities to be completed 2020-2025. Outputs will be used in a workshop with DfT and scheme promoters, 5 July 2023, to inform an action plan.

BP9: Publish Transport for the North's Bus Policy Position – March 2024

- 2.14 At Transport for the North's Executive Board, the executive discussed areas of opportunity for support to Partners in their development of Bus Service Improvement Plans. An example of the support possible is through an update of Transport for the North's Public Transport Model and development of a regional policy position.

BP10: Implement an online local public transport data toolkit – March 2024

- 2.15 TfN has developed a brochure which sets out the technical offer to partners, including creation of a depository of our 'off the shelf' data and evidence. Brochure also set out how TfN could help scope specific policy workshops on key

topics such as place based planning and demand management, as well as setting out what is possible to be developed using our analytical tools. We expect to publish the brochure to partners in September.

BP11: Develop a submission to government that identifies opportunities to build on Transport for the North’s technical capabilities – March 2024

- 2.16 Analytical tools being further developed in order to support partners included Quantified Carbon Reduction (QCR) tool, Clean Mobility Visions (CMV) tool and existing Electric Vehicle Charging Infrastructure (EVCI) and Bus Service Improvement Plan (BSIP) tools.

3 Functional Reports

Strategy and Analysis

Progress in Quarter 1

- 3.1 The focus this quarter has been on the STP consultation as set out above. Other progress is set out below.
- 3.2 Engaged with Transport for the North’s Analytical Advisory Group, Strategic Oversight Group and Executive Board. We engaged by LEP geography a total eight sessions and over 120 attendees.
- 3.3 The economic scenario modelling work **for the Northern Powerhouse Independent Economic Review (NPIER)**, setting the new transformational vision of the economy of the North in 2050, was completed and published as a supporting document alongside the STP2 consultation.
- 3.4 Working with partners, a series of local economic profiles outlining the key Northern assets to support the economic narrative have been produced and are being developed and agreed through a series of partner workshops.
- 3.5 Connected Communities Strategy, developed from the earlier research work on **Transport-Related Social Exclusion (TRSE)**, was published alongside the draft STP2 consultation in May 2023.
- 3.6 TRSE tool developed with partner feedback, working on version 3.
- 3.7 Research undertaken on impact of the current cost of living challenge on those experiencing TRSE, and two workshops have been held. The intention is to publish this work in the next quarter.
- 3.8 Completed the first three months of research with the **Northern Transport Voices (NTV)** public panel. Topics covered have included surveys to understand consumer attitudes to last mile deliveries and electric vehicles, plus diary-based exercise to understand the challenges of rural travel.
- 3.9 Findings from NTV published shortly, further fieldwork planned.

Priorities for Quarter 2

- 3.10
- The STP will remain the focus with obtaining and incorporating feedback into the document
 - Related to the above consideration will be moving to how best to commence the implementation of the strategies and actions emerging from the STP.

Rail and Roads

Progress in Quarter 1

- 3.11 TransPennine Express was transferred to the Operator of Last Resort in May and Transport for the North has continued to support work to stabilise and improve performance in the short term.

- 3.12 Work has continued on monitoring and reporting on train performance and operator recovery plans, supporting RNP and partners.
- 3.13 The Transport for the North June 2023 Board endorsed a number of recommendations in support of the Transpennine Route Upgrade (TRU) and restated its support for the project as part of the next steps for the TRU business case.
- 3.14 TRU completed major works and construction of a new station at Morley. Transport for the North chaired a meeting of the TRU Stakeholder Forum and continued to lead first and last mile work.
- 3.15 TfN input to the Train Operator Business plans for 2024/25 (Northern and TPE) was provided, including Transport for the North priorities for the year ahead.
- 3.16 Providing information and observations into the various timetable options analysis work now being undertaken for the predicted post 2025 travel demand scenarios.
- 3.17 Technical input into the development of Business Cases for improvements at Manchester Piccadilly, Manchester Airport and Manchester Oxford Road through continued work on implementing outputs from Manchester Task Force (MTF).
- 3.18 The Major Roads team contributed to developing TfN's response to the National Networks National Policy Statement consultation, in partnership with the Strategy team.
- 3.19 TfN finalising Electric Vehicle Charging Infrastructure (EVCI) Phase 3 enhancements, and working with Government agencies to obtain data sets, test outputs, and support Local Transport Planning guidance.
- 3.20 EVCI methodology roll out to other STBs begun starting with Transport for the South-East (TfSE). Cost and time savings from obtaining all Regional Traffic Models and associated data from National Highways. Midlands Connect likely next STB in line, dependent on their highways modelling. Transport for the North mapping way forward for remaining STBs to inform actions in 2024.
- 3.21 EVCI Phase 4: the team is currently finessing the scope and reviewing internal capabilities and partnership opportunities with a view to launching procurement during summer.

Priorities for Quarter 2

- 3.22
 - Finalisation of revised Statutory Advice on Manchester rail priorities for September 2023 Rail North Committee
 - Re-establishment of Rail Reform Programme Board
 - Responding to the consultation on proposed Ticket Office Closures
 - Progressing the Connected Mobility Strategy programme with a focus on providing support for Transport for the North partners through the 'Hub' - a support service to assist LTAs developing new ticketing initiatives.
 - TfN response to SRN Initial Report consultation to be submitted to Government
 - TfN response to Connecting the Country, Route Strategies and Environmental Sustainability Strategy to be submitted to National Highways
 - Appoint supplier for work to update TfN Future Travel Scenarios
 - Inception for Transport for the North's Public Transport Model development
 - Delivery of EVCI roll out to TfSE.

TAME (NPR contract)

Progress in Quarter 1

- 3.23 Final economic tests on the Northern Powerhouse Rail (NPR) Strategic Outline Business Case (SOBC) delivered on programme.

- 3.24 Recruitment round finished with three new appointments to the TAME: additional capacity provided by this will be focused largely on delivering Transport for the North service 'offer' to partners.
- 3.25 Development of master programme of work completed its first iteration: to be used in managing resource available in support of required TAME activity.

Priorities for Quarter 2

- 3.26
 - Working with DfT to understand next phases of the NPR programme
 - Commencing roll out of analytical products to sub-national transport bodies
 - Commencing support to LTA's with decarbonisation analysis and evidence for Local Transport Plans.

Rail North Partnership

Progress in Quarter 1

- 3.27 Northern Service Agreement - The Northern Team is focussed on closing out enforcement action following a series of year-end non deliveries by NTL and working to improve the operator's reporting and programming capabilities. Discussions are ongoing to reintroduce Dales services.
- 3.28 TPT Service Agreement - The new TPT operator (the name used by the Operator of Last Resort for the previous TPE service) is bedding in, with a new MD and changes to the senior team. The Team has been overseeing the operator's Recovery Plan and scanning ahead to likely changes to the timetable – such as Newcastle to Edinburgh improvements, including those driven by other operators (such as LNER on East Coast); they are also considering the trains to operate when leases end in May 24. Commercial discussions are ongoing to close out the contract with FTPE – a high effort, high value piece of work.
- 3.29 Transpennine Route Upgrade - the team are finalising the TRU services element this year (we receive circa £50m p.a. direct funding in the "Delivery Partner" set-up between NR and TPE/T), as well as helping integrate passenger services fully into the TRU "Enterprise Model" and drive forward the procurement of new rolling stock.
- 3.30 Planning and Procurement Programme - this function is leading input into the Northern Services Review and near-medium term TT development, as well as the replacement of hundreds of life-expired "I5x" trains; looking ahead to the replacement of the TPE and NTL contracts – an opportunity to set the course of the operations for the coming decade; leading discussions on TPE's new rolling stock; looking forward to the formal commencement of Business Planning 2024/5, and commercial "scorecards" can extend in to our public-sector operators; taking forward discussions on the Northern Driver Training Academy.
- 3.31 Stakeholder and Comms has been working through the MoU between RNP and the new Northwest Business Unit which approach will then be rolled out to the NE and potentially Yorks; we have been dealing with the correspondence – including FoI - from the TPT transfer and new timetable etc, as well as stakeholder reactions to ongoing cost constraints on grow-back.
- 3.32 Finance - the team is focussed on keeping NTL and TPT to their collective budget – (NTL came in with an accuracy of 99+% to forecast), whilst TPT has been moved across from the commercial operator to the public-sector OLR. Finance elements of in-year and annual planning are hugely demanding on the team and the industry – with the challenge only likely to grow into 2024/5.

Priorities for Quarter 2

- 3.33
 - Moving TPT into a stable operational position
 - Clarity and sign off on Timetables able to run for both operators into 2024

- Continuation of Business Planning process including engagement with RNC members
- Progress on Rolling Stock Replacement.

Communications and Engagement

Progress in Quarter 1

3.34 Liaison with TRU Comms to ensure information flow between the programme and TfN Comms is working so that risks and opportunities to be captured.

Liaison with DfT Comms and HS2 to ensure that key milestones are identified and exploited.

3.35 Drafted and disseminated media lines on the termination of the TPE contract and its transfer to OLR; on the proposals to close ticket offices; issued regular dashboard updates to RNC members on performance; provided updates where necessary on key select committees, parliamentary statements and pertinent media stories.

Liaison with DfT comms re: Manchester Castlefield Corridor investment and attendance at photocall and subsequent push out on social media.

Priorities for Quarter 2

- 3.36
- Organise a Community Rail event to convene those groups across the North at a TfN hybrid event to ensure this key stakeholder group is covered off and that any risks and opportunities are captured
 - Finalise an NPR Comms Plan as to how we plan to engage with the forthcoming SOBC and DfT consultation and how partners can play a role in feeding into this
 - Support TfN presence at party conferences to ensure that TfN's profile is promoted and key stakeholders at the conferences can engage with our communications team
 - Refresh the TfN NPR pages, with updates on our co-sponsor role and key milestones in the project
 - Planning for new year events including, TfN annual conference, Convention of the North, and others
 - TfN Comms to hold the chair of the STB Comms Group for 2023/4.

4 People and Finance

Established Permanent/Fixed-term Posts

4.1	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	19 (19.00 FTE)	-	19 (19.00 FTE)
	Operational & Delivery	49 (48.84 FTE)	-	49 (48.84 FTE)
	DfT Data Services (Hosted)	24 (23.79 FTE)	-	24 (23.79 FTE)
	Rail North Partnership (Hosted)	14 (14.00 FTE)	3 (3.00 FTE)	17 (17.00 FTE)
	Total Establishment	108 (107.63 FTE)	3 (3.00 FTE)	111 (110.63 FTE)
	Strength (in post)	90 (89.63 FTE)	2 (2.00)	92 (91.63 FTE)

Appointed (start date pending)	8 (8.00 FTE)	-	8 (8.00 FTE)
Active/Pending Recruitment	4 (4.00 FTE)	1 (1.00 FTE)	5 (5.00 FTE)
Vacant – On-hold	6 (6.00 FTE)	-	6 (6.00 FTE)

HR Metrics – 2023/24 Year-to-Date:

4.2	Corporate Sickness Level:	1.5%
	Employee Turnover (Voluntary Leavers):	2.1%
	% of Employees from an Ethnic Minority Background:	15%
	% of Employees declaring a Disability:	22%
	Gender Mix - % of Female Employees:	37%
	% of Male Employees:	63%

Finance

TRANSPORT FOR THE NORTH FINANCE DASHBOARD		PERIOD BUDGET CYCLE		Q1 BASE BUDGET		2023/24	
YTD ACTUALS VERSUS BUDGET - BY ACTIVITY							
	Actuals	Budget	Var.	Var.			
	£m	£m	£m	%			
Hosted services							
NPR Programme Closure	£0.05	£0.06	£0.01	12%			
DfT Analytical Support	£0.97	£1.36	£0.39	28%			
Rail North Partnership	£0.39	£0.43	£0.04	9%			
	£1.41	£1.84	£0.43	23%			
Operational areas							
Rail and Roads	£0.51	£0.55	£0.03	6%			
Strategy, Policy and Communication	£0.66	£0.74	£0.08	11%			
	£1.17	£1.29	£0.12	9%			
Business support	£0.55	£0.58	£0.03	4%			
	£3.13	£3.71	£0.57	15%			
YTD OPERATIONAL & BUSINESS SUPPORT EXPENDITURE - BY COST TYPE							
Actuals		Actuals	Budget	Var.	Var.		
		£m	£m	£m	%		
		Staff	£1.24	£1.36	£0.12	9%	
		Staff support	£0.08	£0.06	-£0.02	-34%	
		Business infrastructure	£0.17	£0.21	£0.04	19%	
		Professional services	£0.15	£0.18	£0.02	14%	
		VAT	£0.08	£0.08	£0.00	-1%	
			£1.72	£1.88	£0.16	8%	

- 4.4 Total expenditure YTD is £3.13m, £0.57m (15%) below base budget.
- 4.5 The underspend is mainly due to DfT Analytical Support (within Hosted Services), partly due to vacancies in the team but primarily because of the delay in agreeing the workplan for the year. An update is expected mid-July 2023.
- 4.6 From an operational and business support perspective, staff underspends are the key driver resulting from delays in recruitment. Any savings to date are being monitored and where possible, mitigated through reallocating to new opportunities/new priorities as they arise.
- 4.7 Budget virements approved to date total £0.4m with 51% relating to discretionary spend, 38% on staffing (interims, extensions, promotions) and the remainder on business infrastructure.

August 2023

Meeting:	Transport for the North Audit and Governance Committee
Subject:	External Audit Update
Author:	Paul Kelly, Interim Finance Director
Sponsor:	N/A
Meeting Date:	Friday 15 September 2023

1. Purpose of the Report:

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

2. Recommendations:

- 2.1 That the committee notes the External Audit report.

3. Key Points:

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

4. Corporate Considerations:**Financial Implications**

- 4.1 The financial implications are detailed in the report

Resource Implications

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

Legal Implications

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

Risk Management and Key Issues

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

Environmental Implications

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

Equality and Diversity

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

Consultations

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

5. Background Papers:

- 5.1 There are no background papers to this report.

6. Appendices:

- 6.1 Appendix 1 – External Audit Completion Report

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Audit Completion Report

Transport for the North – Year ended 31
March 2023

September 2023
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Our reports are prepared in the context of the 'Statement of Responsibilities of auditors and audited bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited. Reports and letters prepared by appointed auditors and addressed to the Transport for the North are prepared for the sole use of the Transport for the North and we take no responsibility to any member or officer in their individual capacity or to any third party. Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.

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

15 September 2023

Dear Committee Members

Audit Completion Report – Year ended 31 March 2023

We are pleased to present our Audit Completion Report for the year ended 31 March 2023. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented on 09 August 2023. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 07909 985324 .

Yours faithfully

Signed:

Daniel Watson

Mazars LLP

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

01

Section 01:

Executive summary

1. Executive summary

Principal conclusions and significant findings

The detailed scope of our work as your appointed auditor for 2022/23 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

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

- Management override of controls; and
- Valuation of the net defined benefit liability

Misstatements and internal control recommendations

Section 5 sets out internal control recommendations and section 6 sets out audit misstatements. Section 7 outlines our work on the Transport for the North (TfN) arrangements to achieve economy, efficiency and effectiveness in its use of resources.

Status and audit opinion

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

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



Audit opinion

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



Value for Money

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



Whole of Government Accounts (WGA)

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



Wider powers

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

02







Section 02:

Status of the audit

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2. Status of the audit

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

Audit area	Status	Description of the outstanding matters
Income Testing		We are awaiting evidence (banks statements and other supporting working papers) in respect of our sample testing of income transactions.
Exit Packages		The draft accounts did not include a note detailing the number and cost of exit packages. We are awaiting a draft note to audit.
Operating Expenditure Testing		We are awaiting evidence (supporting working papers and confirmations) in respect of our sample testing of expenditure transactions.
Pensions		We are awaiting assurances from the Greater Manchester Pension Fund (GMPF) auditor and a response from TfN regarding pensionable pay
Key Business Processes		We are awaiting responses to some queries in respect of our walkthrough testing of debtors and creditors.
Review and closure procedures		Including reviews of completed work, checking the final version of the financial statements and consideration of any post balance sheet events.
Whole of Government Accounts		Reviewing and submitting the Whole of Governments Accounts consolidation schedules. The NAO has not yet issued guidance to auditors



Likely to result in material adjustment or significant change to disclosures within the financial statements.



Potential to result in material adjustment or significant change to disclosures within the financial statements.



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

03

Section 03: **Audit approach**

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3. Audit approach

Changes to our audit approach

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

Materiality

Our provisional materiality at the planning stage of the audit was set at £0.341m using a benchmark of 2% of gross operating expenditure at the surplus/ deficit level. Our final assessment of materiality, based on the final financial statements and qualitative factors has remained unchanged.

Use of experts

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

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

Service organisations.

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

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

04

Section 04: **Significant findings**

Page 96

4. Significant findings

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

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

Significant risks

Page 97

Management override of controls

Description of the risk

In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.

How we addressed this risk

We addressed this risk through performing audit work over:

- Accounting estimates impacting amounts included in the financial statements;
- Consideration of identified significant transactions outside the normal course of business; and
- Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.

Audit conclusion

Our work on management override of controls is complete and there are no matters to bring to the Committee's attention.

4. Significant findings

Net defined benefit liability valuation.
£1.562m (£10.545m 2021/22)

Description of the risk

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.

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

How we addressed this risk

We completed the following procedures:

- We discussed with key contacts any significant changes to the pension estimates. In addition to our standard programme of work in this area, we evaluated the management controls you have in place to assess the reasonableness of the figures provided by the Actuary and considered the reasonableness of the Actuary's output, referring to an expert's report on all actuaries nationally.
 - We reviewed the appropriateness of the key assumptions included within the valuations, compared them to expected ranges and reviewed the methodology applied in the valuation. We considered the adequacy of disclosures in the financial statements.
 - We carried out a range of substantive procedures on relevant information and cash flows used by the actuary as part of the annual IAS 19 valuation
 - We also sought assurance from the auditor of the Greater Manchester Pension Fund
-

Audit conclusion

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

4. Significant findings

Qualitative aspects of the TfN's accounting practices

We have reviewed TfN's accounting policies and disclosures and concluded they comply with the 2022/23 Code of Practice on Local Authority Accounting, appropriately tailored to the TfN's circumstances.

Draft accounts were received from TfN on 31 May 2023 and were of a good quality. TfN provided comprehensive working papers which were of a good standard to support the financial statements.

Significant difficulties during the audit

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

Wider responsibilities

- Our powers and responsibilities under the 2014 Act are broad and include the ability to:
- issue a report in the public interest;
 - make statutory recommendations that must be considered and responded to publicly;
 - apply to the court for a declaration that an item of account is contrary to law;
 - make an application for judicial review; and
 - issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2022/23 audit.

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

05

Section 05: **Internal control recommendations**

Page 100

5. Internal control recommendations

As part of our audit of the financial statements, we obtained an understanding of internal controls sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to Audit Committee any significant deficiencies identified during the course of our work.

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

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

No significant findings or recommendations in relation to internal controls have been noted as at the date of this memorandum.

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

06

Section 06:

Summary of misstatements

Page 102

6. Summary of misstatements

This section outlines the misstatements identified during the course of the audit, above the trivial threshold for adjustment of £10k.

Unadjusted misstatements

None identified from our testing.

Adjusted misstatements

None identified from our testing.

Disclosure amendments

We identified the following adjustments during our audit that have been corrected by management:

Cashflow Statement - Net Cashflows from Investing Activities has decreased from £(149k) to £(169k). This difference related to £20k accrued investment income not included in the calculation.

Note 25 Related Parties - The total value of grants received from the Department for Transport was incorrectly disclosed as £15.75m instead of £16.75m.

Exit packages – A new note is being included in the revised Statement of Accounts to disclose the amount and cost of exit packages in line with the requirements of the CIPFA Code.

Other minor presentational and disclosure amendments are included in the revised Statement of Accounts.

07

Section 07: **Value for Money**

7. Value for Money

Approach to Value for Money

We are required to consider 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 and sets out the reporting criteria that we are required to consider. The reporting criteria are:

- **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

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

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

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

The primary output of our work on the TfN arrangements is the commentary on those arrangements that forms part of the Auditor's Annual Report. We intend to issue the Auditor's Annual Report within 3 months of the opinion date.

Status of our work

We are yet to complete our work in respect of the TfN arrangements for the year ended 31 March 2023. At the time of preparing this report, we have not identified any significant weaknesses in arrangements that require us to make a recommendation, however we continue to undertake work on the TfN arrangements.

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

7. Value for Money

Risks of significant weaknesses in arrangements

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

Risk of significant weakness in arrangements	Financial sustainability	Governance	Improving the 3Es	Work undertaken and conclusions reached
<p>1 Financial Sustainability 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>Work undertaken Our work on this risk is underway and we plan to report our findings in our Auditor’s Annual Report following the conclusion of the audit. At this stage, we have no significant weaknesses in arrangements to report.</p> <p>Conclusions We have not identified any significant weaknesses in arrangements at this time but work is still ongoing.</p>

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Appendices

A: Draft management representation letter

B: Draft audit report

C: Independence

D: Other communications

Appendix A: Draft management representation letter

Daniel Watson
1 St Peter Square
Manchester
M2 3DE

Month 2023

Dear Daniel

Transport for the North - audit for year ended 31 March 2023

This representation letter is provided in connection with your audit of the financial statements of Transport for the North for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets ("the Code Update"), published in November 2022 and applicable law.

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

My responsibility for the financial statements and accounting information

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

My responsibility to provide and disclose relevant information.

I have provided you with:

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

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

Accounting records

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

Accounting policies

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

Accounting estimates, including those measured at fair value

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

Contingencies

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

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

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

There are no contingent gains which should be disclosed.

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

Laws and regulations

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

Appendix A: Draft management representation letter

Fraud and error

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

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

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

Related party transactions

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

Impairment review

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

Charges on assets

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

Future commitments

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

Ukraine

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

Subsequent events

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

Going concern

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

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

Annual Governance Statement

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

Unadjusted misstatements

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

Yours sincerely

Paul Kelly
Finance Director

Appendix B: Draft audit report

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

Report on the audit of the financial statements

Opinion on the financial statements

We have audited the financial statements of Transport for the North for the year ended 31 March 2023, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets ("the Code Update"), published in November 2022.

In our opinion, the financial statements:

give a true and fair view of the financial position of the Transport for the North as at 31st March 2023 and of its expenditure and income for the year then ended; and

have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Code Update.

Basis for opinion

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

Conclusions relating to going concern

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

Based on the work we have performed, and taking into account the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Code Update, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Transport for the North's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Appendix B: Draft audit report

Other information

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

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

We have nothing to report in this regard.

Responsibilities of the Finance Director for the financial statements

As explained more fully in the Statement of the Finance Director's Responsibilities, the Chief Financial Finance Director is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Code Update, and for being satisfied that they give a true and fair view. Finance Director is also responsible for such internal control as the Finance Director determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Finance Director is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Code Update and prepare the financial statements on a going concern basis on the assumption that the functions of the Transport for the North will continue in operational existence for the foreseeable future. The Finance Director is responsible for assessing each year whether or not it is appropriate for the Transport for the North to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

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

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

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

Appendix B: Draft audit report

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

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

We evaluated the Finance Director's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to list the balances/ classes of transaction where you identified a fraud risk relating to a significant accounting estimate, and significant one-off or unusual transactions.

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

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

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

We are also required to conclude on whether the Finance Director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in February 2023.

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

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

Matter on which we are required to report by exception

We are required to report to you if, in our opinion, we are not satisfied that the Transport for the North has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

Appendix B: Draft audit report

We have not completed our work on the Transport for the North's arrangements. On the basis of our work to date, having regard to the guidance issued by the Comptroller and Auditor General in January 2023, we have not identified any significant weaknesses in arrangements for the year ended 31 March 2023.

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

Responsibilities of the Transport for the North

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

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

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

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in January 2023.

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

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

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

We have nothing to report in these respects.

Use of the audit report

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

Appendix B: Draft audit report

Delay in certification of completion of the audit

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

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

[Signature]

Daniel Watson, Key Audit Partner

For and on behalf of Mazars LLP
One St Peter’s Square
Manchester
M3 3DE





DD/MM/2023

Appendix C: Independence



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

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

Appendix D: Other communications

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

Appendix D: Other communications

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

Daniel Watson- Director

Mazars

One St Peter Square
Manchester
M2 3DE

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

*where permitted under applicable country laws.

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Meeting:	Transport for the North Audit and Governance Committee
Subject:	Cover Report for the A & G Committee Annual Report to TfN Board
Author:	Paul Kelly, Interim Finance Director
Sponsor:	N/A
Meeting Date:	Friday 15 September 2023

1. Purpose of the Report:

- 1.1 For the Audit & Governance Committee to review the draft report of the Chair of the Audit & Governance Committee summarising the Committee's activities and recommending the approval of the 2022/23 Statutory Accounts and Annual Governance Statement. This report will be presented to the Transport for the North Board on 27 September.

2. Executive Summary:

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

3. Recommendations:

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

4. Corporate Considerations:**Financial Implications**

- 4.1 The financial implications are detailed in the report

Resource Implications

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

Legal Implications

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

Risk Management and Key Issues

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

Environmental Implications

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

Equality and Diversity

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

Consultations

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

5. Background Papers:

5.1 There are no background papers to this report.

6. Appendices:

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

Meeting:	Transport for the North Audit and Governance Committee
Subject:	Draft Audit and Governance Committee Annual Report to TfN Board
Author:	Graham Bell, Chair of TfN Audit and Governance Committee
Sponsor:	Paul Kelly, Interim Finance Director
Meeting Date:	Friday 15 September 2023

1. Purpose of the Report:

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

2. Recommendations:

- 2.1 It is recommended that the Board approve the corporate governance review and the Annual Governance Statement.
- 2.2 It is recommended that the Board notes the recommendation in the Annual Progress Report of the Audit & Governance Committee to approve the Statement of Accounts for 2022/23.
- 2.3 It is recommended that the Board approve the Statement of Accounts for financial year 2022/23.

3. Main Issues/Audit and Governance Committee Progress Report:

- 3.1 The TfN Constitution prescribes the requirement for an Audit & Governance Committee to support Members in their oversight of TfN's affairs. The committee's terms of reference are appended to this report for reference (Appendix 2), but the committee's principal purpose is to provide independent review and assurance to Members on governance, risk management and control frameworks.
- 3.2 At its meeting of 30 June 2022, TfN Board approved the increase of the number of Members of the Audit & Governance Committee from five to six, supported by four Independent Members appointed by an open recruitment process. The committee is chaired by an Independent Member. At the meeting of 14 July 2022, Graham Bell was confirmed as the new Chair of the Committee. Aligned with local authority elections, new elected members were appointed by the Board in July 2023. A recruitment process to fill the final two independent seats was conducted over the summer and was submitted to the General Purposes Committee for approval.
- 3.3 Over the 2022/23 financial year the committee met five times. Meetings have been attended by TfN's internal and external audit providers (RSM and Mazars respectively) and representatives from DfT.

Work Plan

- 3.4 Over the year the committee has agreed a number of standing items that should be brought before the committee by officers. These include:
 - The Corporate Risk Register
 - Financial Reporting

- Constitution Reviews

In addition, the relevant Operating Report is provided to the Committee for consideration. For 2022/23 the frequency of the report was changed from monthly to quarterly.

- 3.5 The committee also requires that instances, or suspicion, of fraud and corruption are reported to the committee directly. No such reports were received in 2022/23.
- 3.6 In addition to this, the committee also approved the internal audit programme of activity. This programme has been designed to provide the committee with the assurance it requires that TfN has implemented a control framework that appropriately manages risk.
- 3.7 The committee has received regular updates from internal audit against this plan, and also updates from external audit as they have progressed the statutory audit.
- 3.8 At the meeting of 9 August 2023, the Statutory Accounts, including the Annual Governance Statement, were presented to the A&G committee.
- 3.9 The committee’s activity vis-à-vis its terms of reference is presented in matrix form in Appendix 3.

Internal Audit Activity

- 3.10 RSM was originally appointed as TfN’s internal audit provider in 2018 following a competitive procurement exercise and the service provision was extended for two years to cover the period from 2021-23. We are currently going out to tender for the Internal Audit service for the three-year period from 2024-2027.
- 3.11 The committee agreed the audit programme for the year, concentrating on the implementation of core control frameworks
- 3.12 RSM was able to provide the following level of assurance in these key areas:

Area	Assurance Level			
	Substantial	Reasonable	Partial	None
Payroll	✓			
Risk Maturity (Advisory)				
GDPR (Advisory)				
Equality and Diversity		✓		
Project Management		✓		

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

- 3.13 The committee is able to provide TfN Board with assurance from these reports that the necessary core controls expected of a public body have been implemented in the areas reviewed.
- 3.14 The committee has tracked progress against agreed management actions throughout the year.

External Audit Activity

- 3.15 Mazars was appointed as TfN’s statutory auditor in 2018 via the Public Sector Audit Appointment (“PSAA”) process and continued in this role during the year. The PSAA

concluded the process of reprocurring a solution for the period from 2023/24 onwards which resulted in the reappoint of Mazars.

- 3.16 Mazars conduct the external audit, as required by statute. This audit considers whether the Statement of Accounts presents a 'true and fair view' of TfN's affairs, and also gives a value-for-money opinion.
- 3.17 The committee has received Progress Reports from officers and Mazars throughout the year regarding progress in relation to the completion of the accounts and their subsequent audit and has reviewed the draft unaudited accounts at its meeting of 8 August 2023. The committee will consider the findings of the external audit process, as conveyed at the A&G meeting of 15 September 2023, when formulating their view on whether the Statement of Accounts should be submitted to the TfN Board for approval.
- 3.18 The committee notes that the process of finalising the Transport for the North accounts has been completed within the deadline of 30 September 2023 and that Transport for the North will use the Board meeting of 27 September 2023 to approve the 2022/23 financial statements in advance of that deadline.
- 3.19 Mazars will only report their audit opinion when they have the pension fund assurance letter from the auditors of the pension fund. However, the committee has sufficient comfort to recommend the accounts to Board for approval.
- 3.20 As part of their audit, Mazars are required to consider whether TfN has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, ie value for money.

Risk

- 3.21 One of the first exercises that the committee undertook when it was first established was to review and approve Transport for the North's Risk Management Strategy. Subsequently, the committee has a standing agenda item in relation to risk.
- 3.22 During the year the committee has regularly reviewed the Risk Strategy and its output and provided feedback with regard to the presentation of the information provided. The committee has also requested the Risk Management Strategy places a specific focus on emerging risks and their effect on the risk register. The emerging risk environment is now a standing item reported within each update.
- 3.23 During the year we introduced a deep dive process around key risks. In November 2022 we reviewed the EVCI risk and at the subsequent meeting we agreed a programme of deep dives for 2023/24.

Next Steps

- 3.24 The work programme for 2023/24 is intended to include the following:
- Consider the outputs produced by the Internal Audit plan;
 - Monitor Transport for the North's risk management activity;
 - Review corporate governance arrangements, supported by an internal audit review, against the Code of Corporate Governance and the good governance framework;
 - Based on the level of change faced by the organisation in the past and the rapidly changing environment going forward, the committee will track progress on delivery against the key budget assumptions;
 - The Committee has requested year on year improvements are considered and, where necessary, formally captured;
 - Continuation of deep dives;
 - Active consideration of committee performance; and
 - Further enhancements to the AGS.

4. Conclusion:

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

5. Corporate Considerations:

Financial Implications

- 5.1 The financial implications are detailed in the report

Resource Implications

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

Legal Implications

- 5.3 Legal implications are included in the report.

Risk Management and Key Issues

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

Environmental Implications

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

Equality and Diversity

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

Consultations

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

6. List of Background Papers:

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

7. Appendices:

n/a.

Item 8.2: APPENDIX 2

Audit and Governance Committee (extract from TfN Constitution)

Statement of purpose

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

Membership comprises:

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

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

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

Terms of Reference

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

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

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Item 8.3 APPENDIX 3

Terms of Reference Activity	Considered	Comment
Approve Accounts	✓	The Committee has reviewed the Statement of Accounts and received representation from officers and progress reports from external audit.
Recommend Approval of the annual statement of accounts for TfN	✓	The Committee has recommended the approval of the Statement of Accounts to TfN Board.
Governance, risk and control	✓	<p>The Committee commissioned a number of internal audit reports throughout the year around key risks and financial controls.</p> <p>The Committee has further received reports from officers around Constitution reviews, programme and operational performance, and financial reporting. The Committee continues to review these areas as standing items on its agenda.</p>
Review corporate governance arrangements against the Code of Corporate Governance and the good governance framework	✓	The Committee oversaw the annual governance review, receiving a number of progress reports and reviewed and commented on the draft Annual Governance Statement prior to its publication for the statutory public inspection period.
Review the Annual Governance Statement (AGS)	✓	The Committee reviewed and commented on the draft Annual Governance Statement prior to its publication for the statutory public inspection period.
Monitor the effectiveness of arrangements to secure value for money	✓	<p>The Committee notes that effective arrangements for the delivery of value for money are derived from an effective control framework.</p> <p>The Committee has commissioned a number of reports from internal audit over the course of the year to test that framework. Internal audit reports found that substantial and partial assurance could be had from TfN processes.</p> <p>Taken together, these reports give the Committee comfort that TfN has embedded a culture of value for money and implemented processes to ensure that those principles are at the heart of decision making.</p>

<p>Be satisfied that the assurance framework adequately addresses risks and priorities including governance arrangements in significant partnerships</p>	<p>✓</p>	<p>TfN is engaged in two principal partnerships, the Rail North Partnership and, from 1 April 2022, a co-sponsor arrangement for the NPR Programme. The ongoing risks to the delivery of TfN objectives that arise from these partnerships are reflected in the Corporate Risk Register Report, which is a standing item on the Committee agenda.</p>
<p>Monitor TfN's risk and performance management arrangements including review of the risk register, progress with mitigating action and the assurance map</p>	<p>✓</p>	<p>The Committee has received risk register reporting as a standing item over the course of the year. The Committee has also commissioned internal audit to independently assess risk maturity.</p> <p>The Committee requires delivery against internal audit management actions to be reported to it as a standing item to ensure recommendations are progressed.</p>
<p>Consider reports on the effectiveness of internal controls</p>	<p>✓</p>	<p>The Committee approved the internal audit work programme for 2023/24.</p> <p>Internal audit progress is a standing invitee to the Committee's sessions and are required to report on their programme reviews, actions against recommendations, and best practice that could be implemented.</p> <p>The Committee also consider progress reports from external audit which is also a standing item on the Committee's agenda. Representatives from both internal and external audit are present for the entire agenda.</p>
<p>Monitor the anti-fraud strategy, risk-assessment and any actions</p>	<p>✓</p>	<p>A review of the Anti-Fraud and Corruption policy was carried out by the Committee during 2021/22, as part of the consideration of the Annual Governance Statement. The Annual Governance Statement is reviewed by the A&G Committee each year and submitted to the Board for formal approval prior to its inclusion in the Statutory Accounts.</p>

Meeting: Transport for the North Audit and Governance Committee
Subject: Year End Statutory Accounts
Author: David Spilsbury, Interim Financial Controller
Sponsor: Paul Kelly, Interim Finance Director
Meeting Date: Friday 15 September 2023

1. Purpose of the Report:

- 1.1 To present to Audit & Governance Committee the draft Statement of Accounts of Transport for the North for consideration and recommendation to the TfN Board.
- 1.2 This is a follow up from the presentation given to A&GC on 9 August 2023.

2. Recommendations:

- 2.1 That the committee considers the draft Statement of Accounts and recommends to the TfN Board meeting on 27 September that they be considered for approval.

3. Main Issues:

- 3.1 Unaudited draft accounts were presented to the committee on 9 August 2023. At that meeting it was explained that the external audit was ongoing and there was the possibility of final amendments to the draft accounts.
- 3.2 In addition to a number of presentational and consistency matters, the main update relates to the addition of disclosure of exit packages for all employees (we had previously disclosed for senior employees). For ease of reference, these have been highlighted in the attached accounts.

4. Corporate Considerations:

4.1 Financial Implications

There are no financial implications within this report.

4.2 Resource Implications

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

4.3 Legal Implications

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

4.4 Risk Management and Key Issues

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

4.5 Environmental Implications

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

4.6 Equality and Diversity

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

4.7 Consultations

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

5. Background Papers:

5.1 Audit & Governance Committee 9 August 2023 – Item 5 Draft Statutory Accounts

6. Appendices:

6.1 1. Draft Statement of Accounts 2022/23

Glossary of terms, abbreviations and acronyms used	
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a) A&GC	Audit & Governance Committee
b) TfN	Transport for the North
c) DfT	Department for Transport

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 ("RNP") and Highways North Board;
- Oversee (jointly with the Department for Transport (DfT)) franchised rail services covering Northern and TransPennine Express ("TPE") 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

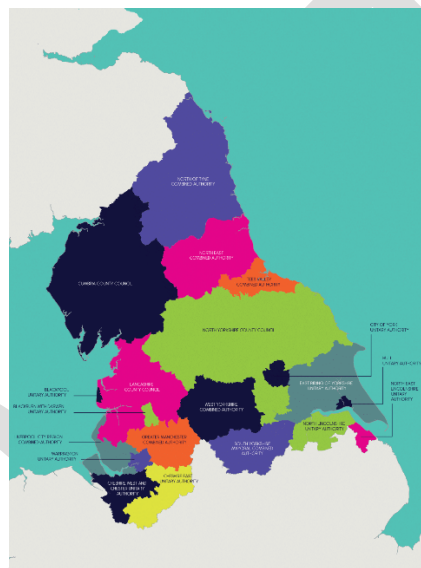
In February 2019, we published our first Strategic Transport Plan (STP), which outlined our vision for a future transport network that would enable sustainable economic growth across the whole of the North. Using our evidence base and policy positions developed since, we have revised the STP and will 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.

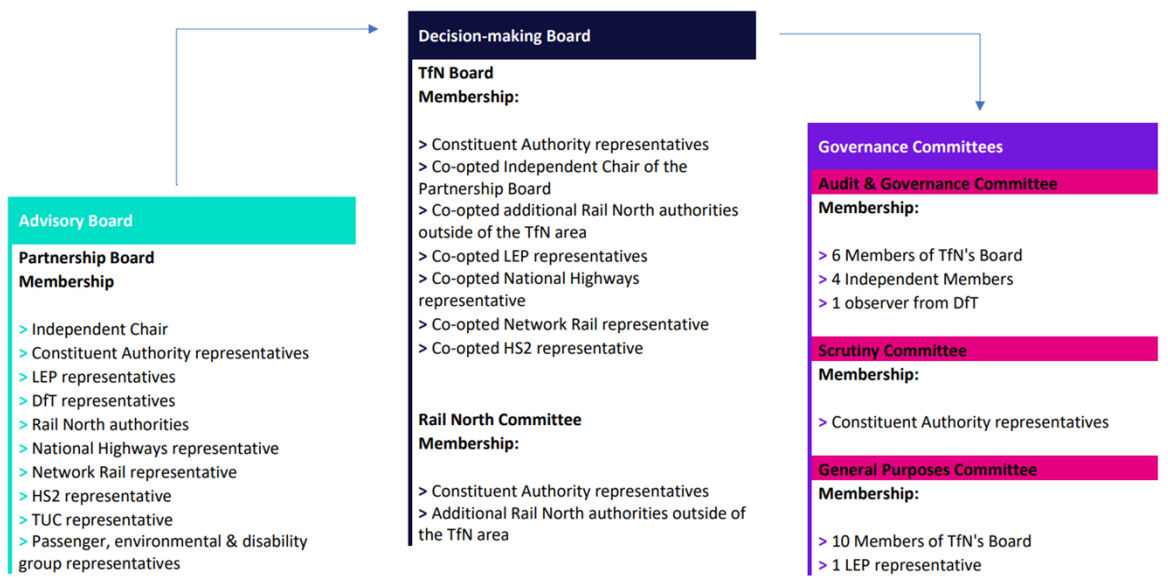
How we make decisions

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

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 STP 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 RNP 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
Operational			
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
Total operational and back office	8.05	8.84	0.79
Hosted			
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
Total hosted	6.78	7.68	0.89
Total budget	14.84	16.52	1.68

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
Outturn position	(14.84)
Adjustments for:	
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
CIES balance	(14.52)

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

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
Assets			
Cash & cash equivalents	8.68	(0.53)	8.14
Debtors	1.40	(0.68)	0.73
	10.08	(1.21)	8.87
Liabilities			
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)
	(16.05)	9.43	(6.62)
Net assets/ (liabilities)	(5.97)	8.23	2.26

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
Unusable reserves			
Accumulated absence reserve	0.11	(0.03)	0.09
Pension reserve	10.45	(8.89)	1.56
	10.57	(8.92)	1.65
Usable reserves			
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)
	(4.60)	0.69	(3.90)
Total reserves	5.97	(8.23)	(2.26)

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
Operational:			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
Back office		2.81	Use of reserves	0.83
Total operational and back office		8.44	Total operational and back office	8.44
Hosted:			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
Total hosted		7.68	Total hosted	7.68
Total budget		16.12	Total budget	16.12

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		5,394	(5,394)	0
1,077	352	1,429		-	-	-
1,270	(992)	278		1,668	(1,456)	212
10,019	(714)	9,306		9,298	(625)	8,674
54,058	(42,791)	11,267		16,360	(7,474)	8,886
0	-	0		-	-	-
492	(233)	259	11	685	(546)	139
0	(5,908)	(5,908)	12	-	(6,500)	(6,500)
54,550	(48,932)	5,618	13	17,046	(14,521)	2,525
		(3,557)	27			(10,750)
		(3,557)				(10,750)
		2,061				(8,225)

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
Balance at 1 April 2022	(4,067)	(531)	(4,598)	-	(4,598)	10,567	5,969
Movement in reserves during 2022/23							
(Surplus) or deficit on the provision of services	2,525	-	2,525	-	2,525	-	2,525
Other Comprehensive Income / Expenditure	-	-	-	-	-	(10,750)	(10,750)
Total Comprehensive Income and Expenditure	2,525	-	2,525	-	2,525	(10,750)	(8,225)
Adjustments between accounting basis and funding basis under regulations (see note 9)	(1,832)	-	(1,832)	-	(1,832)	1,832	-
Net (Increase) or Decrease before Transfer to Earmarked Reserves	693	-	693	-	693	(8,918)	(8,225)
Transfer (to)/from Earmarked Reserves (see note 10)	(434)	434	-	-	-	-	-
(Increase) or Decrease in 2022/23	259	434	693	-	693	(8,918)	(8,225)
Balance at 31 March 2023	(3,808)	(97)	(3,905)	-	(3,905)	1,649	(2,256)

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

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.'

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

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.

2021/22	2022/23
£000	£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
9,344 Net cash flows from operating activities	682
0 Net cash flows from investing activities	(149)
9,344 Net (increase) or decrease in cash and cash equivalents	533
18,021 Cash and cash equivalents at the beginning of the reporting period	8,677
8,677 Cash and cash equivalents at the end of the reporting period	8,144

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
9,352	1,915	11,267	Net Cost of Services	7,362	1,524	8,886
(6,003)	354	(5,649)	Other Income and Expenditure	(6,669)	308	(6,361)
3,349	2,269	5,618	Surplus or Deficit on Provision of Services	693	1,832	2,525
(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		
(4,598)			Closing Combined General Fund Balance	(3,905)		

Note 2 - Note to the expenditure and funding analysis

2022/23

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

2021/22 As restated

	Net Capital Statutory Adjustments	Net Pensions Statutory Adjustments	Other Statutory Adjustments	Total Adjustments
	£000	£000	£000	£000
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
Net Cost of Services	185	1,860	(130)	1,915
Other Income and Expenditure	92	262	-	354
Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement	277	2,122	(130)	2,269

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 1st 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 2022/23, 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 unusual or unexpected 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	2022/23
£000	£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)
(42,539) Total Grant Income Credited to Services	(7,283)
(252) Contract Income - Rail Services	(192)
(42,791) Total Income Credited to Services in CIES	(7,474)

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

2021/22	2022/23
£000	£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)
(346) Total	(3,293)

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

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

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

2021/22

	General Fund Balance	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000
Adjustments to the Revenue Resources			
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:			
Pension cost (transferred to (or from) the Pensions Reserve)	(2,122)	-	2,122
Holiday pay (transferred to the Accumulated Absences Reserve)	130	-	(130)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to Capital Adjustment Account)	(185)	-	-
Total Adjustments to Revenue Resources	(2,177)	-	1,992
Adjustments between Revenue and Capital Resources			
Capital expenditure financed from Capital Grants Unapplied	-	185	-
Total Adjustments between Revenue and Capital Resources	-	185	-
Total Adjustments	(2,177)	185	1,992

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
Earmarked general fund reserves:					
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)
Total earmarked general fund reserves	(1,781)	1,250	(531)	434	(97)

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)
259 Total	139

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	-
(5,908) Total	(6,500)

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
(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
5,618 (Surplus) or Deficit for Year	2,525

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:	-	-	-
-	(3,482)	(3,482)	Gross carrying amounts	-	1,009	1,009
-	-	-	Accumulated amortisation	-	(1,009)	(1,009)
-	-	-	Net carrying amount at start of year	-	-	-
-	-	-	Additions:	-	-	-
-	-	-	- Internal development	-	-	-
-	-	-	Assets that became operational in the year	-	-	-
-	256	256	Amortisation for the period	-	-	-
-	(2,473)	(2,473)	Disposal	-	-	-
-	2,217	2,217	Impairment losses recognised in the surplus/ deficit on the provision of services	-	-	-
-	-	-	Net carrying amount at end of year	-	-	-
-	1,009	1,009	Comprising:	-	1,009	1,009
-	(1,009)	(1,009)	- Gross carrying amounts	-	1,009	1,009
-	-	-	- Accumulated amortisation and impairment	-	(1,009)	(1,009)
-	-	-	Total	-	-	-

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
1,405 Total Debtors	728

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
8,677 Total Cash and Cash Equivalents	8,144

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	-
Train Operating Companies:	
(62) Arriva Rail North/ Northern Trains Ltd.	-
(51) Transpennine Express	-
(26) Merseytravel	-
TfN Partners:	
(606) Transport for Greater Manchester	(141)
(60) North East Combined Authority	-
(1,229) Network Rail	-
(2,567) Trade Suppliers	(1,059)
(5,183) Total Creditors	(1,522)

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)
(68) Closing Balance		(240)

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)
(4,598) Total	(3,905)

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
10,567 Total	1,649

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.

2021/22 £000	2022/23 £000
- Balance 1 April	-
(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	-
185 Net written out amount of the cost of non-current assets consumed in the year	-
Application of grants and contributions from the Capital Grants	-
(185) Unapplied Reserve	-
(185) Capital financing applied in year	-
- Balance 31 March	-

Pension reserve

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

2021/22 £000	2022/23 £000
11,889 Balance at 1 April	10,454
(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	2,705
Employer's pensions contributions and direct payments to pensioners payable in the year	(847)
(1,314)	(847)
10,454 Balance at 31 March	1,562

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
243 Balance 1 April	113
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)
113 Balance 31 March	87

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)
3,726 Total	(2,011)

Note 21 - Cash flow from investing activities

2021/22 £000	2022/23 £000
- Other receipts from investing activities	(149)
0 Net cash flows from investing activities	(149)

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:

2022/23	Salary	Employer Pension Contribution	Taxable Allowances	Professional Memberships	Redundancy Payments
Role	(£)	(£)	(£)	(£)	(£)
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	88,619	13,569	-	-	197,808
- <i>Departed 14/11/22</i>					
Strategy and Policy Director	119,822	20,849	-	-	-
- <i>Departed 31/03/23</i>					

2021/22	Salary	Employer Pension Contribution	Taxable Allowances	Professional Memberships	Severance Payments
Role	(£)	(£)	(£)	(£)	(£)
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	

The numbers of exit packages (for all officers including the senior employees detailed above) with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

Exit package cost band (including special payments)	No. of compulsory redundancies		No. of other departures agreed		Total no. of exit packages by cost band		Total no. of exit packages by cost band	
	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23
£0 - £20,000		1	1	2	1	3	17,686	33,897
£20,000 - £40,000			2	5	2	5	48,046	158,064
£40,001 - £60,000	1				1	-	54,223	-
£60,001 - £80,000					-	-	-	-
£80,001 - £100,000			1		1	-	97,100	-
£100,001 - £150,000				2	-	2	-	361,220
Total cost included in bandings and in the CIES							217,055	553,181

The total cost of £553k in the table has been charged to the CIES in the current year.

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 £16.75m (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	-
185 Total Capital Spending	-
Sources of Finance:	
(185) Government grants and other contributions	-
(185) Total Sources of Finance	-
- 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

Comprehensive Income & Expenditure Statement	
Cost of Services	
2021/22	2022/23
£000	£000
Service cost comprising:	
2,963 Current service cost	2,026
211 Past service cost	371
262 Net interest expense	308
3,436 Total charged to Surplus or Deficit on Provision of Services	2,705
Other post employment benefits charged to the Comprehensive Income & Expenditure Statement	
2021/22	2022/23
£000	£000
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
(3,557) Total charged to Other Comprehensive Income & Expenditure Statement	(10,750)
(121) Total charged to the Comprehensive Income & Expenditure Statement	(8,045)
Movement in Reserves Statement	
2021/22	2022/23
£000	£000
(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:

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

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

2021/22	2022/23
£000	£000
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)
13,142 Total charged to Surplus or Deficit on Provision of Services	15,099

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

2021/22	2022/23
£000	£000
(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
(23,596) Total charged to Surplus or Deficit on Provision of Services	(16,661)

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
411	-	411	383	-	383
Cash & cash equivalents					
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
5,497	-	5,497	5,769	-	5,769
Subtotal Equity Securities					
Debt Securities					
525	-	525	602	-	602
-	-	-	-	-	-
226	-	226	361	-	361
390	-	390	449	-	449
1,141	-	1,141	1,412	-	1,412
Subtotal Debt Securities					
Private Equity					
-	929	929	-	1,129	1,129
-	929	929	-	1,129	1,129
Subtotal Private Equity					
Real Estate					
-	509	509	-	587	587
-	509	509	-	587	587
Subtotal Real Estate					
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
2,491	2,253	4,744	2,515	3,304	5,818
Subtotal Investment Funds & Unit Trusts					
Derivatives					
(89)	-	(89)	-	-	-
(89)	-	(89)	-	-	-
Subtotal Derivatives					
9,451	3,691	13,142	10,079	5,020	15,099
Total Assets					

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 2022.

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 £000	31 March 2023 £000
313 Not later than one year	173
142 Later than one year and not later than 5 years	-
455 Total	173

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
Cost of Services	54,058	(42,791)	11,267	0	54,058	(42,791)	11,267

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
Cost of Services	9,352	1,915	11,267	-	9,353	1,915	11,268

	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
Net Cost of Services	185	1,860	(130)	1,915	(0)	185	1,860	(130)	1,915

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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.

<p>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.</p>
<p>Evidence and Outcomes</p> <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.

<p>H. Having regard for the impact of current decisions and actions on future generations</p> <p>Evidence and Outcomes</p> <p>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.</p> <p>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.</p> <p>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.</p>

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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