

Transport for the North

Transport for the North Board

Agenda

Date of Meeting	Wednesday 18 November 2020
Time of Meeting	10.45 am
Venue	MS Teams

Filming and broadcast of the meeting

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Item No.	Agenda Item	Page
1.0	Welcome & Apologies	
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.	
3.0	Minutes of the Previous Meeting To consider the approval and signature of the minutes of the meeting held on 17 September 2020 as a correct record and to consider any requests for updates on matters contained therein.	3 - 10
4.0	Annual Governance Statement, Statement of Accounts and Audit Opinion 2019/20 Members are asked to consider the report from the Finance Director.	11 - 148
5.0	Year To Date / Budget Revision 2 and Mid-Year Treasury Management Update Members are asked to consider the report from the Finance Director.	149 - 172

<p>6.0</p>	<p>Exclusion of Press and Public</p> <p>To resolve that the public be excluded from the meeting during consideration of Items 7 & 8 on the grounds that:</p> <p>(1) It is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the public were present during such item(s), confidential information as defined in S100A(2) of the Local Government Act 1972 (as amended) would be disclosed to them in breach of the obligation of confidence; and/or 1.1</p> <p>(2) it / they involve(s) the likely disclosure of exempt information as set out in the Paragraphs [where necessary listed below] of Schedule 12A of the Local Government Act 1972 (as amended) and that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.</p>	
<p>7.0</p>	<p>Part 2 Minutes of the Previous Meeting</p> <p>To consider the approval and signature of the Part 2 minutes of the meeting held on 17 September 2020 as a correct record and to consider any requests for updates on matters contained therein.</p>	<p>173 - 180</p>
<p>8.0</p>	<p>Northern Powerhouse Rail Preferred Way Forward and Phasing</p> <p>Members are asked to consider the report from the Northern Powerhouse Rail Director.</p>	<p>To Follow</p>

Transport for the North Board Minutes

**Thursday 17 September 2020
Microsoft Teams**

Present:

John Cridland (Chairman)

Attendee

Cllr Phil Riley
Cllr Lynn Williams
Cllr Craig Browne
Cllr Gittins
Cllr Shore
Cllr Keith Little
Mayor Andy Burnham

Cllr Matthews
Cllr Daren Hale
Michael Green
Mayor Steve Rotheram
Cllr Carl Marshall
Cllr Stewart Swinburn
Cllr Don Mackenzie
Mayor Dan Jarvis
Cllr Heather Scott
Cllr Hans Mundry
Cllr Judith Blake

Local Authority

Blackburn with Darwen;
Blackpool;
Cheshire East;
Cheshire West & Chester;
Cheshire West & Chester;
Cumbria;
Greater Manchester Combined
Authority;
East Riding of Yorkshire;
Hull;
Lancashire;
Liverpool City Region;
North East Combined Authority;
North East Lincolnshire;
North Yorkshire;
Sheffield City Region;
Tees Valley;
Warrington;
West Yorkshire Combined Authority;

Rail North Authorities Attendees

Councillor Trevor Ainsworth
Councillor Chris Brewis
Councillor David Williams

Derbyshire
Lincolnshire
Staffordshire

Local Enterprise Partnership (LEP) Attendees

Graeme Bristow
Steve Curl
Mark Roberts
Matthew Lamb
Peter Kennan

Cheshire & Warrington LEP
Cumbria LEP
Leeds LEP
North Yorkshire LEP
Sheffield City Region LEP

Partners in Attendance:

Nick Bisson	DfT
Ben Smith	Department for Transport
Lorna Pimlott	HS2
Graham Botham	Network Rail

Officers in Attendance:

Name	Job Title
Iain Craven	Finance Director
Deborah Dimock	Solicitor
Tim Foster	Head of Economic Advice
David Hoggarth	Strategic Rail Director
David Hughes	Programme and Strategy Director
Dawn Madin	Director of Capabilities
Peter Molyneux	Major Roads Director
Julie Openshaw	Head of Legal
Gary Rich	Democratic Services Officer
Barry White	Chief Executive
Tim Wood	Northern Powerhouse Rail Director
Jeremy Acklam	IST Director

Item No: Item**1. Welcome & Apologies**

- 1.1 The Chairman welcomed Members and apologies were received from Cllr Waltham, Cllr Hannigan and Mark Rawstron.

2. Declarations of Interest

- 2.1 There were no declarations of interest.
- 2.2 Cllr Gittins asked the Chairman to comment on his new role as President of the Northern Transport Acceleration Council (NTAC) and what it will involve.

The Chairman explained that the meeting that has taken place was a founding meeting of the Council. He explained to Members that he believed that the position would enable him to help to bring the views of northern leaders to NTAC meetings and link into Transport for the North. He explained that by accepting the position he believed it was the best way for TfN to have influence.

The Chairman stated that if required to do so he would update his register of interests following the discussion in item 8.

3. Exclusion of Press and Public

To resolve that the public be excluded from the meeting during consideration of Items 4 on the grounds that:

(1) It is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the public were present during such item(s), confidential information as defined in S100A(2) of the Local Government Act 1972 (as amended) would be disclosed to them in breach of the obligation of confidence; and/or

(2) it / they involve(s) the likely disclosure of exempt information as set out in the Paragraphs [where necessary listed below] of Schedule 12A of the Local Government Act 1972 (as amended) and that the public interest in maintaining the exemption outweighs the public interest in disclosing the

4. Northern Powerhouse Rail Preferred Phasing Scenario

4.1 The report was received by Members and they were invited to ask questions and make comments.

Resolved:

- 1) That the report from Rail North Partnership be noted.
- 2) That the discussed recommendations be agreed.

5. Minutes of the Previous Meeting

5.1 The minutes of the meeting of the Transport for the North Board held on 29 July 2020 were considered.

5.2 Cllr Scott stated that both she and Mayor Houchen had offered their apologies for the last meeting.

5.3 Cllr Shore noted that a response had been provided in relation to membership of Rail North Committee, but requested that the minute 4.1 record the fact that Cllr Gittens had asked whether the membership of Rail North Committee needed to be reviewed to allow for substitute members to attend.

5.4 Referring to the minute on the Northern Transport Charter Cllr Little sought clarity on the report Members were due to receive in August and whether this had been circulated. The Chairman explained that the minuted agreement on the Northern Transport Charter was that the work would be taken forward under the Comprehensive Spending Review. The paper was circulated for draft comment to the meeting of the Scrutiny Committee and Executive Board. He explained that as the report needed

to be with the DfT for the 28 August copies were circulated to Board Members at the time of it being submitted.

- 5.5 The Chairman highlighted minute 6.2 which related to Mayor Burnham's comment on risk assessment and he requested that the Chief Executive send a note to Mayor Burnham on this matter.

Resolved:

That subject to the above changes the minutes of the Transport for the North Board held on 29 July 2020 be approved as a correct record.

6. Governance

- 6.1 The Governance report was received by Members.
- 6.2 The Head of Legal explained that three matters needed to be resolved, namely the election of the minority parties Vice Chair, the election of two new Members to the Audit and Governance Committee and the approval of the calendar of meetings.
- 6.3 Cllr Scott nominated Mayor Houchen to be the minority parties Vice Chair. There were no further nominations.
- 6.4 Cllr Little nominated Cllr Brett and Cllr Scott to become the new Members of the Audit and Governance Committee.
- 6.5 Mayor Burnham noted that the Partnership Board had not recently met and suggested that whilst Board and Partnership Board continue to meet virtually during the current crisis then the two meetings could be held on different dates.

The Chairman explained that for the next meeting more time may be needed to discuss NPR which was why there may be no Partnership Board; however he acknowledged Mayor Burnham's thoughts on this matter.

- 6.6 Cllr Hale asked whether meetings would continue to be virtual. The Chairman confirmed that this is likely to be the case.
- 6.7 Cllr Green highlighted that some Rail North Committee meetings are due to take place following Board meetings.

The Strategic Rail Director explained that these dates were set earlier in the year but he is happy to review them and respond to Cllr Green.

Resolved:

- 1) That Mayor Houchen be elected as the minority parties Vice Chair;
- 2) That Cllrs Allen Brett and Heather Scott be elected to the Transport for the North Audit and Governance Committee;
- 3) That the Calendar of meetings be approved.

7. Integrated Rail Plan Update

- 7.1 The report was received by Members and the Head of Policy, Strategy, Economics and Research highlighted key areas of the report before Members were able to make comments and ask questions.
- 7.2 Mayor Burnham sought reassurance that the Board's discussions on NPR would be reflected in the papers to the National Infrastructure Commission (NIC) and circulated to Members before anything is submitted.
- The Chairman confirmed that this would be the case.
- 7.3 Cllr Scott requested that clarification on Darlington station be included as it is seen as a priority for TfN early investment.
- 7.4 Cllr Swinburn stated that the plan should not include anything that will cause detriment to existing services and should include the wider growth areas such as North East Lincolnshire. He stressed the importance of aligning HS2 and NPR and the issue of freight.
- 7.5 Cllr Shore requested that the outstanding improvements to the mid-Cheshire line be included.
- 7.6 Referring to Annex A, point 1.5, Cllr Green expressed disappointment that the East Lancashire Calder Valley route and the reinstatement of the line between Colne and Skipton had been omitted and he requested that these schemes be included.
- 7.7 Cllr Hale emphasised the need to act as one North, and emphasised the importance of planning for freight. He highlighted the need for electrification between Hull and Sheffield and Hull-Leeds ensuring connectivity for the whole north so it can rival the economy in the South East of the country.
- 7.8 The Chairman stated that whilst NPR is an important project, it is not the only part of TfN's long term rail strategy. TfN is also working on other important areas, which includes freight which he stated is "in the DNA" of the organisation.

Resolved:

That the paper be noted.

8. Comprehensive Spending Review

- 8.1 Members received the report and were updated by the Chairman on the current position.
- 8.2 The Chairman stated that he believed that progress has been made since the last Board meeting in delivering the mandate from that meeting with Transport for the North having positive engagements with the new transport initiatives.

Members were informed that the Chairman together with a delegation of Members including; Mayor Burnham, Cllr Blake, Cllr Gittins, Cllr Green and Mr Mark Roberts had had a positive meeting with the Secretary of State.

During the meeting a number of issues were discussed including: the role of TfN alongside the Northern Transport Acceleration Council (NTAC), the Integrated Rail Plan, the work TfN is doing on Northern Powerhouse Rail (NPR) and wider work linked to the forthcoming Devolution White Paper. The Chairman confirmed that the Secretary of State had stated that there was a role for TfN going forward and that it was complementary to the role of NTAC. It was stated that both organisations have their own distinctive roles, but there were also some areas of overlap.

He further explained that the Secretary of State was complimentary about Transport for the North but he wanted the organisation to focus in on key priorities. He also wants to strengthen the relationships between the Department and Transport for the North and requested that representations be made directly to him rather than being lobbied in public.

The Chairman stated that he believed that the Secretary of State is being supportive of Transport for the North. Members were informed that the Chief Executive will write to the Secretary of State on the Northern Transport Charter, outlining the proposals and how things can move forward.

The Chairman stated that the meeting reduced concern about the role of TfN going forward and he believed it was a positive sign that he had been asked to be President of NTAC and felt that this is the best way to sustain the TfN mission. He said he had a dozen messages of support from Members and no messages to the contrary. There had been an anonymous negative but factually inaccurate comment in the Yorkshire Post.

- 8.3 Cllr Swinburn looked for assurances for North East Lincolnshire that that any capital investment from TfN won't exclude them from bidding for any further funding.

The Finance Director explained that there is nothing that stops localities asking for money.

- 8.4 Cllr Mundry asked about funding for programmes and where the money should come from, as he believed that it should not be out of core funding.

The Chairman explained that this issue would be considered as he believes it isn't right or possible that core funding should be used for programmes and that this should be part of the debate with the department about further roles TfN wants to do which would have programme funding implications.

- 8.5 Mayor Burnham provided Members with his perspective following the meeting with the Secretary of State. He informed them that progress has been made following the uncertainty about TfN over the last few months. He explained that he highlighted the importance of TfN to the Secretary of State and specifically the work done during the 2018 timetable issues. Members were told that TfN needs to be defended as an organisation.

He then spoke about NTAC, TfN and the role of the Chairman. He explained that the North needs more than just speeded up delivery but needs to be acceleration of right thing. He believed that it is the role of TfN to "put the brakes on" if what is being offered is not correct for the North. He emphasised the fact that there may not always be alignment between NTAC and TfN and that would be where the Chairman would need to be involved to ensure that the balance between acceleration and ambition is achieved.

He informed Members that the Chairman needs to be supported in his role as President of NTAC and balancing these two aims so the right ambition is achieved. Cllr Brewis also fully supported the Chairman's actions.

Resolved:

That the report be noted.

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Transport for the North Board Meeting

- Subject:** Annual Governance Statement, Statement of Accounts and Audit Opinion 2019/20
- Author:** Paul Kelly, Financial Controller
- Sponsor:** Iain Craven, Finance Director
- Meeting Date:** Wednesday 18 November 2020

1. Purpose of the Report:

- 1.1 This report requests the Board's approval of Transport for the North's Annual Governance Statement and Statement of Accounts for financial year 2019/20.
- 1.2 The report is supported by an appended report from Transport for the North's independent external auditor which provides an unqualified, clean opinion.
- 1.3 This report should also be considered alongside the Annual Report from the Chair of the Audit & Governance Committee which recommends approval of the Accounts.

2. Executive Summary:

- 2.1 Under Regulation 6(1) of the Accounts and Audit Regulations 2015 Transport for the North is required to carry out an annual review of the effectiveness of its system of internal controls and to publish a report of the review in its Annual Governance Statement. The Board is required to approve the Annual Governance Statement. The Annual Governance Statement Report is set out within Appendix 4.1. The Annual Governance Statement is included in the Statement of Accounts at appendix 4.3a.
- 2.2 In common with partner authorities Transport for the North is required to publish a set of annual Statements of Accounts and an Annual Governance Statement in compliance with statute. Those Accounts are held open for public inspection and formally audited by an external auditor.
- 2.3 Under Transport for the North's constitution the Accounts are reviewed by the Audit & Governance Committee who are then required to offer an opinion to the Transport for the North Board. The Annual Progress

Report of the Audit & Governance Committee is included at Appendix 4.2.

- 2.4 Transport for the North Board, as 'those charged with governance', are required to approve the Accounts and the Chairman of the Board is required to sign the Statement of Accounts. For the 2018/19 Accounts this was to be no later than the 31 July but due to the Covid-19 pandemic the approval date has been extended to 30 November 2020. Appendix 4.3 provides a summary of the production, audit, and scrutiny of the Accounts and concludes by noting the audit completion report from Mazars which offers an unqualified opinion on the Accounts, and the recommendation from the Audit and Governance Committee for the board to approve the Accounts.
- 2.5 The Transport for the North Statement of Accounts for 2019/20 are included at Appendix 4.3a. The report of Transport for the North's independent external auditor which provides an unqualified, clean opinion on that Statement of Accounts is included at 4.3b.

3. Recommendations:

- 3.1 It is recommended that the Board approve the corporate governance review and the Annual Governance Statement.
- 3.2 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 2019/20.
- 3.3 It is recommended that the Board approve the Statement of Accounts for financial year 2019/20.

4. Appendices:

- 4.1 Appendix 4.1 – Corporate Governance Review and Annual Governance Statement Report
- 4.2 Appendix 4.2 – Annual Progress Report of the Audit & Governance Committee
- Appendix 4.2a – Audit & Governance Committee terms of reference
- Appendix 4.2b – Summary of progress
- 4.3 Appendix 4.3 – Annual Statement of Accounts Report
- Appendix 4.3a - Annual Statement of Accounts
- Appendix 4.3b – Independent Audit Report

List of Background Documents:

There are no background papers to this report.

Required Considerations

Please confirm using the yes/no options whether or not the following considerations are of relevance to this report. <Delete this line from completed report.>

Equalities:

Age	Yes	No
Disability	Yes	No
Gender Reassignment	Yes	No
Pregnancy and Maternity	Yes	No
Race	Yes	No
Religion or Belief	Yes	No
Sex	Yes	No
Sexual Orientation	Yes	No

Consideration	Comment	Responsible Officer	Director
Equalities	A full Impact assessment has not been carried out because it is not required for this report.	Paul Kelly	Iain Craven

Environment and Sustainability

Yes	No
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Consideration	Comment	Responsible Officer	Director
Sustainability / Environment – including considerations regarding Active Travel and Wellbeing	A full impact assessment has not been carried out because it is not required for this report.	Paul Kelly	Iain Craven

Legal

Yes	No
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Consideration	Comment	Responsible Officer	Director
Legal	The legal implications have been considered and are included in the report.	Debbie Dimmock	Julie Openshaw

Finance

Yes	No
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Consideration	Comment	Responsible Officer	Director
Finance	The financial implications have been considered and are included in the report.	Paul Kelly	Iain Craven

Resource

Yes	No
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Consideration	Comment	Responsible Officer	Director
Resource	Transport for the North HR Team has confirmed there are no resource implications.	Stephen Hipwell	Dawn Madin

Risk

Yes	No
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Consideration	Comment	Responsible Officer	Director
Risk	The Transport for the North Risk Manager has confirmed that there are no risk implications	Haddy Njie	Iain Craven

	associated with this report.		
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Consultation

Yes	No
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Consideration	Comment	Responsible Officer	Director
Consultation	A consultation has not been carried out because it is not required for this report.	Paul Kelly	Iain Craven

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Transport for the North Board Meeting

Subject: Corporate Governance Review and Annual Governance Statement

Author: Deborah Dimock, Solicitor

Sponsor: Iain Craven, Finance Director

Meeting Date: Wednesday 18 November 2020

1. Purpose of the Report:

1.1 The purpose of this report is for Members to consider the corporate governance review and to approve the Annual Governance Statement.

2. Executive Summary:

2.1 Under Regulation 6(1) of the Accounts and Audit Regulations 2015 Transport for the North is required to carry out an annual review of the effectiveness of its system of internal controls and to publish a report of the review in its Annual Governance Statement.

2.2 The Annual Governance Statement is set out within the Annual Statement of Accounts at Appendix 4.3b.

3. Discussion:

3.1 Under the provisions of the Regulation 6(1)(a) of the Accounts and Audit Regulations 2015 Transport for the North is required to carry out an annual review of the effectiveness of its internal systems of control and to publish a report of that review. This report, the Annual Governance Statement, was published at the end of May, as required by statute, along with the Statement of Accounts and Narrative Statement.

3.2 The system of internal controls is all the measures taken together which Transport for the North has put in place to ensure that it safeguards public funds and delivers value for money. This includes Transport for the North's financial regulations and contract procurement rules which are set out in the Constitution. It also includes the risk management framework through which Transport for the North ensures that risks to its operations are identified and managed.

3.3 Throughout the year we have continuously reviewed the policies and procedures that Transport for the North has put in place since its inauguration in relation to procurement, financial management and risk management in order to identify areas for improvement.

3.4 In carrying out the annual review Transport for the North is required to comply with the guidance issued by CIPFA in its guidance "Delivering Good Governance". The guidance sets out six principle of good governance:

A Behaving with Integrity, demonstrating strong commitment to ethical values and respect for the rule of law

B Ensuring openness and comprehensive stakeholder Engagement

C Defining outcomes in terms of sustainable economic, social and environmental benefits

D Determining the interventions necessary to optimise the achievement of the intended outcomes

E Developing the organisation's capacity including the capacity of its leaders and the individuals within it

F Managing risks and performance through robust internal control and strong public financial management

G Implementing good practices in transparency, reporting and audit to deliver effective accountability

3.5 The review assesses to what extent Transport for the North can demonstrate that it has acted in accordance with these principles in carrying out its functions over the year 2019/20.

3.6 The report of the review is set out in the Annual Governance Statement which is included within the 2019/20 Statement of Accounts.

4. Conclusion:

4.1 The corporate governance review has demonstrated that Transport for the North has an effective system of internal controls and that it has acted in accordance with the six principles of good governance during 2019/20. The report of this review is set out in the Annual Governance Statement.

5. Appendices:

5.1 The Annual Governance Statement is included within the Annual Statement of Accounts.

List of Background Documents:

There are no background papers to this report.

Required Considerations
Equalities:

Age	No
Disability	No
Gender Reassignment	No
Pregnancy and Maternity	No
Race	No
Religion or Belief	No
Sex	No
Sexual Orientation	No

Consideration	Comment	Responsible Officer	Director
Equalities	A full Impact assessment has not been carried out because the report does not propose any new strategy or service provision.	Deborah Dimock	Julie Openshaw

Environment and Sustainability

Yes	No
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Consideration	Comment	Responsible Officer	Director
Sustainability / Environment – including considerations regarding Active Travel and Wellbeing	A full impact assessment has not been carried out because the report does not propose any new strategy or service provision	Deborah Dimock	Julie Openshaw

Legal

Yes

Consideration	Comment	Responsible Officer	Director
Legal	The legal implications have been considered and are included in the report.	Deborah Dimock	Julie Openshaw

Finance

No

Consideration	Comment	Responsible Officer	Director
Finance	TfN Finance Team has confirmed there are no new financial implications.	Gareth Sutton	Iain Craven

Resource

No

Consideration	Comment	Responsible Officer	Director
Resource	TfN HR Team has confirmed there are no new resource implications.	Stephen Hipwell	Dawn Madin

Risk

No

Consideration	Comment	Responsible Officer	Director
Risk	A risk assessment has been carried out and the key risks are included in the report.	Deborah Dimock	Julie Openshaw

Consultation

No

Consideration	Comment	Responsible Officer	Director
Consultation	A public consultation has not been carried because the report does not propose any new strategy or service provision.	Deborah Dimock	Julie Openshaw

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Transport for the North Board Meeting

Subject: Audit & Governance Committee Annual Report

Author: Chris Melling, Chair of the Audit & Governance Committee

Sponsor: Iain Craven, Finance Director

Meeting Date: Wednesday 18 November 2020

1. Purpose of the Report:

- 1.1 This report updates Transport for the North Board on the work undertaken by the Audit & Governance Committee during the 2020/21 financial year.
- 1.2 The report provides a summary on the Committee's activity against its terms of reference, and its findings against its areas of scrutiny.
- 1.3 The report concludes with a recommendation for the Board to approve the statutory Statement of Accounts as presented to Board at this meeting.

2. Executive Summary:

- 2.1 The TfN constitution prescribes the requirement for an Audit & Governance Committee.
- 2.2 This Committee is comprised of five members of the TfN Board, and three independent members recruited on the basis of relevant skills.
- 2.3 The Committee's terms of reference are appended to this report for reference (Appendix 1), but the Committee's principal purpose is to provide independent review and assurance to Members on governance, risk management and control frameworks.
- 2.4 During the 2019/20 financial year the Committee met five times, with a Chair appointed from its independent members. The committee has met twice in the current financial year and its operation has been largely unaffected by the Covid-19 pandemic, other than that it has been required to meet remotely.
- 2.5 Given that TfN was established relatively recently, the Committee has continued to focus on gaining assurance as to the existence and efficacy of underlying processes and controls. In addition, the Committee has focused on the risks faced by TfN and the processes in

place to assure that these are identified, reported, managed and mitigated.

- 2.6 This report notes the progress the Committee has made in discharging its functions and contains a recommendation with regards the approval of the statutory Statement of Accounts.

3. Audit & Governance Committee Progress Report

- 3.1 The TfN Constitution prescribes the requirement for an Audit & Governance Committee to support Members in their oversight of TfN's affairs.
- 3.2 The Audit & Governance Committee consists of five TfN Board members and three independent members (appointed by an open recruitment process). The Committee is chaired by an Independent member, with the TfN Board member for Cumbria as Vice Chair.
- 3.3 Over the year the Committee met five times. Meetings have been attended by Department for Transport representatives, along with TfN's internal and external audit providers (RSM and Mazars respectively).

Work Plan

- 3.4 Over the year the Committee has agreed a number of standing items that should be brought before the Committee by officers. These include:
- The Corporate Risk Registers;
 - Financial Reporting; and,
 - Constitution Reviews.
- 3.5 The Committee also requires that instances, or suspicion, of fraud and corruption are reported to the Committee directly.
- 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 During the year the committee required a number of specific items of work to be undertaken. These included a review of the governance arrangements for the NPR programme, which resulted in the NPR MOU being presented to the January 2020 Board, and a presentation on management of the assets generated by the IST programme.

- 3.9 The Committee’s activity vis-à-vis its terms of reference is presented in matrix form in Appendix 2.

Internal Audit Activity

- 3.10 RSM was appointed as TfN’s internal audit provider in 2018 following a competitive procurement exercise.
- 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
Treasury Management Framework	√			
Review of Sharepoint		√		
Absence Management & Wellbeing	√			
Risk Management: Risk Register Deep Dive	√			

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 In addition, an advisory review in relation to the governance arrangements for the Northern Powerhouse Rail programme was carried out at the request of the Committee. This resulted in the NPR MOU that was presented to the TfN Board for approval on 12th March 2020.
- 3.14 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.
- 3.15 The Committee has tracked progress against agreed management actions throughout the year.

External Audit Activity

- 3.16 Mazars were appointed as TfN’s statutory auditor in 2018 via the Public Sector Audit Appointment process and continued in this role during the year.
- 3.17 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.

- 3.18 The Committee has received progress reports from officers and Mazars throughout the year regarding progress in the completion of the accounts and their subsequent audit and has twice formally reviewed the draft unaudited accounts.
- 3.19 The Committee was notified regarding the impact of issues arising in Phase 3 of the IST programme as part of the process to finalise the 2018/19 financial statements and, having discussed the matter with the Finance Director and Mazars, were content with the approach that was adopted within the financial statements. The subsequent decision of the TfN Board to first pause and then cancel Phase 3 has required consequential adjustments in the financial statements. Again, following discussion with officers and the external auditor the Committee is content that these adjustments have been properly recorded in the financial statements of TfN.
- 3.20 Recognising the specific circumstances generated by the Covid-19 outbreak, the Committee notes that the process of finalising the Transport for the North accounts was substantially completed by the end of July. However, the pandemic caused delays to the audit of the pension fund, with consequential impact on the ability of the auditors to provide an opinion on our financial statements. Transport for the North has therefore utilised the revised statutory deadlines for Local Authority reporting put in place by government earlier in the year and will use the November Board to approve the 2019/20 financial statements in advance of the 30 November deadline.
- 3.21 Whilst Mazars will not formally report their audit findings until release of the ISA 260 audit opinion to TfN Board, the Committee has sufficient comfort to recommend the accounts to Board for approval.

Risk

- 3.22 One of the first exercises that 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.
- 3.23 During the year the Committee has reviewed both corporate and programme risks and provided feedback with regard to the presentation of the information provided. This has included changes in the presentation of the corporate risk register to enhance the users understanding of the likely effectiveness of TfN's risk mitigation strategies.
- 3.24 In September 2019 the Committee approved a number of amendments to the TfN Risk Management Strategy. These changes were made in response to recommendations made by Internal Audit, and also to reflect the benefit of operational experience.

Next Steps

- 3.25 The work programme for 2020/21 is intended to include the following:
- Consider the outputs produced by the Internal Audit plan for 2020/21.
 - Consider the impacts of Covid-19 on TfN operations.
 - Monitor Transport for the North's risk management activity.
 - Review the Anti-Fraud and Corruption Policy.
 - Review corporate governance arrangements against the Code of Corporate Governance and the good governance framework
 - Consider the assurance framework that is being developed as part of the 2020/21 business plan.

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. Recommendation:

5.1 That the Board approve the Statement of Accounts for financial year 2019/20.

6. Appendices:

6.1 Appendix 4.2a - TfN Audit & Governance Committee terms of reference

6.2 Appendix 4.2b - Activity Matrix

List of Background Documents:

The following background papers were considered in preparation of this report –

Transport for the North Constitution:

<https://transportforthenorth.com/wp-content/uploads/Item-5.1-Appendix-1-Constitution.pdf>

Internal Audit Reports to the Audit & Governance Committee:

Payment Authorisation, Expense, Procurement Cards:-

<https://transportforthenorth.com/wp-content/uploads/Item-7.0-2-Payment-Authorisation-Processes-Expenses-and-use-of-Procurement-Cards.pdf>

Payroll:-

<https://transportforthenorth.com/wp-content/uploads/Item-8.4-Core-Financial-Controls-Payroll-5.18.19-FINAL-T4N.pdf>

Procurement Framework:-

<https://transportforthenorth.com/wp-content/uploads/Item-6.2-Procurement-Framework-3.18.19-FINAL-T4N.pdf>

Risk Management:-

<https://transportforthenorth.com/wp-content/uploads/Item-8.1-Risk-Management-Risk-Register-Deep-Dive-1.19.20-FINAL-T4N.pdf>

Framework for Corporate Governance:-

<https://transportforthenorth.com/wp-content/uploads/Item-8.2-Framework-for-Corporate-Governance---SDC-Programme.pdf>

ICT – Cyber Security:-

<https://transportforthenorth.com/wp-content/uploads/Item-8.3-IT-Audit-Cyber-Security-Controls-4.18.19-FINAL-T4N.pdf>

Appendix 4.2a

Audit and Governance Committee

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) five members of TfN (not the Chair, or Vice Chair) appointed by TfN; and,
- b) three 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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APPENDIX 4.2b Activity Matrix

Terms of Reference Activity	Considered	Comment
Approve Accounts	✓	The Committee has twice reviewed the Statement of Accounts and received representation from officers and progress reports.
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 financial controls; the procurement framework; risk management; and the corporate governance framework.</p> <p>The Committee has further received reports from officers around Constitution reviews, programme 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 undertook a review of the governance arrangements for the NPR programme, which resulted in a Memorandum of Understanding being developed with DfT that was presented to the TfN Board for approval in March 2020. In addition, the committee reviewed and commented on a draft of the 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 a draft of the Annual Governance Statement prior to its publication for the statutory public inspection period.
Monitor the effectiveness of arrangements to secure value for money	✓	<p>The Committee notes that effective arrangements for the delivery of value for money are derived from an effective control framework.</p> <p>The Committee has commissioned a number of reports from internal audit over the course of the year to test that framework. Internal audit reports found that substantial assurance could be had from TfN processes. The Committee also gained assurance from the reports provided by internal audit concerning the decision-making processes and risk management.</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 the co-clienting arrangements for the delivery of the NPR Programme. In both cases TfN is in Partnership with the DfT. The Committee undertook a review of the governance arrangements for the NPR programme, which resulted in a Memorandum of Understanding being developed with DfT that was presented to the TfN Board for approval in March 2020.</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 review risk management arrangements via a deep dive of the register.</p> <p>The Committee requires delivery against internal audit management actions to be reported to it as a standing item to ensure recommendations are progressed.</p>
<p>Consider reports on the effectiveness of internal controls</p>	<p>✓</p>	<p>The Committee approved the internal audit work programme for 2019/20 and the forward programme for 2020/21.</p> <p>Internal audit are 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 representation from external audit who also hold a standing invite to the Committee's sessions.</p>
<p>Monitor the anti-fraud strategy, risk-assessment and any actions</p>		<p>A review of the Anti-Fraud and Corruption policy will be carried out by the committee during 2020/21.</p>

Transport for the North Board Meeting Appendix 4.3

Subject: Statement of Accounts and Audit Opinion 2019/20

Author: Paul Kelly, Financial Controller

Sponsor: Iain Craven, Finance Director

Meeting Date: Wednesday 18 November 2020

1. Purpose of the Report:

- 1.1 provides a summary of the production, audit, and scrutiny of the Accounts and concludes by noting the audit completion report from Mazars which offers an unqualified opinion on the Accounts, and the recommendation from the Audit and Governance Committee for the board to approve the Accounts

2. Executive Summary:

- 2.1 In common with partner authorities Transport for the North is required to publish a set of annual Statements of Accounts and an Annual Governance Statement in compliance with statute.
- 2.2 Those Accounts are held open for public inspection and formally audited by an external auditor.
- 2.3 Under Transport for the North's constitution the Accounts are reviewed by the Audit & Governance Committee who are then required to offer an opinion to the Transport for the North Board.
- 2.4 Transport for the North Board, as 'those charged with governance', are required to approve the Accounts. For the 2018/19 Accounts this was to be no later than the 31 July but due to the Covid 19 pandemic the approval date has been extended to 30 November 2020.
- 2.5 This report provides a brief summary on the production, audit, and scrutiny of the Accounts.
- 2.6 The report concludes by noting the audit completion report from Mazars which offers an unqualified opinion on the Accounts, and the recommendation from the Audit and Governance Committee for the board to approve the Accounts.

3. The Accounts Process:

- 3.1 The statutory finance officer approved the publication of Transport for the North's draft Statement of Accounts on the 31 May. The Accounts were then laid open to public inspection from the 1 June to 10 July, in accordance with statute.
- 3.2 Whilst all supporting documentation is also available for inspection if requested, no requests for such information was made.
- 3.3 Under Transport for the North's constitution the draft accounts are scrutinised by the Audit and Governance Committee on behalf of the Transport for the North Board.
- 3.4 The Committee are supported in this oversight by the statutory external auditors. The Committee approved Transport for the North opting into the Public Sector Audit Appointment (PSAA) process, with Mazars being appointed as the external auditor.
- 3.5 The Audit and Governance Committee formally reviewed the draft accounts in sessions on the 12 June and 16 September 2020.
- 3.6 At the latter session Mazars provided an audit completion report which supported an unqualified audit opinion. This opinion covers:
 1. whether the accounts offer a 'true and fair view' of Transport for the North's financial affairs over the period; and
 2. whether the organisation's governance, processes, and structures support statutory value-for-money considerations.
- 3.7 Following the issue of the draft audit completion report and following its own scrutiny, the Committee resolved to formally recommend approval of the Accounts to the Board.
- 3.8 On 21 October 2020 the government announced that, due to ongoing uncertainty arising from the Covid-19 pandemic, it would undertake a one-year Comprehensive Spending Review (CSR) rather than the three-year exercise that it had originally intended. The narrative in the Annual Statement of Accounts has therefore been updated to reflect this. This approach has been shared with the external auditors and agreed with the Chair and Vice Chair of the Audit and Governance committee.

4 Responsibilities:

- 4.1 Under the Transport for the North constitution the Board are 'those charged with governance'. This function requires the Board to:
 - make arrangements for the proper administration of its financial affairs;

-
- appoint an officer to take responsibility for those affairs (the Finance Director);
 - manage its affairs to secure value-for-money; and,
 - formally approve the Accounts in session, within the prescribed timeline.

- 4.2 Board are supported in the formation of this decision by the work of the external auditors and their findings presented through the statutory report, and also the recommendation of the Audit and Governance Committee following its scrutiny.
- 4.3 The report of the external auditor is appended to this report (Appendix 4.3b), whilst the Annual Report of the Chair of the Audit Committee is also presented at this meeting.
- 4.4 Acknowledging officer responsibilities for the veracity and proper preparation and presentation of the information within the accounts, the Finance Director, as statutory finance officer, is required to physically sign the Accounts.
- 4.5 The Chairman, as the representative of the Board, is also required to physically sign the accounts to certify that the Board has formally approved them.
- 4.6 Both the Chairman and the Chief Executive, as Head of Paid Service, are also required to sign the Annual Governance Statement which forms part of the Accounts documentation.

5. Conclusion:

- 5.1 This report notes that Transport for the North's draft accounts were laid open to public inspection for the statutory period without objection being raised.
- 5.2 The report further notes the clean, unqualified audit opinion as offered by Mazars, the statutory external auditor.
- 5.3 The report finally notes the recommendation from the Audit and Governance Committee that the Board approve the Statement of Accounts for financial year 2019/20.

6. Appendices:

- 7.1 Appendix 4.3a - Annual Statement of Accounts
Appendix 4.3b – Independent Audit Report

List of Background Documents:

There are no background papers to this report.

Required Considerations

Please confirm using the yes/no options whether or not the following considerations are of relevance to this report. <Delete this line from completed report.>

Equalities:

Age	Yes	No
Disability	Yes	No
Gender Reassignment	Yes	No
Pregnancy and Maternity	Yes	No
Race	Yes	No
Religion or Belief	Yes	No
Sex	Yes	No
Sexual Orientation	Yes	No

Consideration	Comment	Responsible Officer	Director
Equalities	A full Impact assessment has not been carried out because it is not required.	Paul Kelly	Iain Craven

Environment and Sustainability

Yes	No
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Consideration	Comment	Responsible Officer	Director
Sustainability / Environment – including considerations regarding Active Travel and Wellbeing	A full impact assessment has not been carried out because it is not required.	Paul Kelly	Iain Craven

Legal

Yes	No
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Consideration	Comment	Responsible Officer	Director
Legal	The legal implications have been considered and are included in the report.	Debbie Dimmock	Julie Openshaw

Finance

Yes	No
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Consideration	Comment	Responsible Officer	Director
Finance	The financial implications have been considered and are included in the report.	Paul Kelly	Iain Craven

Resource

Yes	No
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Consideration	Comment	Responsible Officer	Director
Resource	Transport for the North HR Team has confirmed there are no resource implications.	Stephen Hipwell	Dawn Madin

Risk

Yes	No
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Consideration	Comment	Responsible Officer	Director
Risk	A risk assessment has been carried out and the key risks are included in the report.	Paul Kelly	Iain Craven

Consultation

Yes	No
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Consideration	Comment	Responsible Officer	Director
Consultation	A consultation has not been carried out because it is not required.	Paul Kelly	Iain Craven

Transport for the North Draft Unaudited Accounts 2019/20



 TRANSPORT FOR THE
NORTH

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Narrative Report

Organisational Overview and External Environment

Our Purpose

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

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

On 1 April 2018, after receiving parliamentary approval, we became a statutory body, the first of its kind in England. This meant for the first time, TfN became a standalone organisation, with the ability to hold our own funds, transact on our own behalf and employ our own staff.

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

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

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

We also play an important role in the here and now, delivering programmes that change the way people travel (such as Integrated and Smart Travel) and jointly overseeing rail franchise operators, which has entailed significant challenges in the past year.

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 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.

Four pan-Northern objectives guide our members' decisions:

1. Increasing efficiency, reliability, integration and resilience in the transport system
2. Transforming economic performance
3. Improving inclusivity, health, and access to opportunities for all
4. Promoting and enhancing the built, historic and natural environment

These objectives have informed the development of our Strategic Transport Plan and align closely with the five foundations of productivity set out in the Government's Industrial Strategy; infrastructure, ideas, people, business environment and places.

Our Plan

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

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

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

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

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

Summary of activity in 2019/20

The past 12 months have seen the North rise up the national agenda like never before, thanks in no small part to the collaborative working by TfN, our Members and partners. Together we have spoken out on the many challenges that have faced our people and businesses, and it is clear that our voices have been heard.

During 2019/20 passengers have had to deal with ongoing rail disruption, in part due to decades of underinvestment and also train operators not delivering the expected service levels. We've taken action on this, calling for the Operator of Last resort to take on the Northern franchise, giving statutory advice to Government on investment needed in key congested areas, and securing new trains as part of our co-management of the franchises. These measures are not a silver bullet but are the starting point for restoring passenger trust and rebuilding a reliable service.

Whilst there have been problems, we should also recognise in the past year there were many more services running in the North. Northern ran an additional 2,000 services per week compared to 2016 and as the new trains were added the number of seats on many routes increased significantly.

On roads investment, we have seen funding granted for several road schemes, including five that were part of our National Roads Fund bid, and others as part of the RIS2 announcement in the 2020 Budget. We have welcomed the Government's decision to bring forward the implementation date for electric

vehicles to 2035 from 2040, an essential move and something that we called for in our Strategic Transport Plan.

More than anything else the past 12 months have seen a significant shift in the Government's approach to investment in infrastructure in general and more specifically with an appetite to rebalance the economy by investing in the North. This year we've had further commitment to Northern Powerhouse Rail, and with the green light for HS2, the launch of an Integrated Rail Plan, and the prospect of a reassessment of how spending decisions are made, indicating a national determination for improving our connectivity in a way that can transform travel for generations to come. Now, more than ever, we need that collaborative effort and passion to continue.

Summary of proposed activity in 2020/21

At the time of publishing this Business Plan, the world is dealing with the Covid-19 pandemic (see below). It is more than a health crisis and will have wide-reaching and long-lasting effects on our economies, our wellbeing, and our environment.

In parallel we will work with the DfT on the High Speed North Integrated Rail Plan. This is an exciting and ambitious project that has the opportunity to map out the next 20 years of investment in HS2, NPR and other major rail schemes in the North. Our role in overseeing rail franchises in the North will continue to focus on putting passenger needs first. With the Northern franchise having been taken over by the Operator of Last Resort as of 1 March 2020, and with TransPennine Express now receiving Government support, we must work hard with Government and operators to ensure key workers making essential journeys to work can do so safely.

We will continue to monitor the changing environment for rail, and act accordingly to help ensure our rail service can survive these turbulent times. We still expect the Williams Review to be published, which will ensure passenger interests remain a top priority for those operating services, and we will maintain the pressure for investment in long overdue infrastructure upgrades around the North.

Roads must be a sustainable part of our way of travelling for generations to come, by actively providing for public transport and active travel, and offering support for electric vehicles and other new technologies and services such as car sharing. During the Covid-19 pandemic we are seeing substantial falls in road use. We must use this opportunity to assess how fit-for-purpose our roads are, and make the most of opportunities to change the way we use them. Roads are not just for cars and lorries, so we welcome Government support for bus operators to ensure they can survive until such a time as we need them again.

In the year ahead, we will map out a Northern Transport Decarbonisation Strategy, first of all by providing statutory advice to DfT's national decarbonisation strategy, which we believe will now be published in 2021. Then we will also set out the specific additional measures from a Northern perspective including the need to push ahead with pilot projects using hydrogen and battery power on the rail network.

We will publish a Northern Transport Charter setting out the case for local decision-making over transport investment and how those devolved powers can be used to deliver inclusive and sustainable growth.

This is where the industry-leading modelling and appraisal capability that TfN has developed can ensure that decisions are taken to secure the right long-term benefits. Of course, we can't do any of this without our colleagues. Their hard work behind the scenes underpins the collective "One North" voice with which our Members speak. In this difficult time they have shown their resilience, dedication and commitment to the Northern agenda, and we thank them for working so hard in uncertain times.

Our Values & Behaviours

Developed in close collaboration with our employees, our values and behaviours underpin our unique culture which brings together experience and expertise from the public and private sectors. 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.

Values:

We make a difference

- We will create opportunities for people and businesses that would not happen without us
- We will improve and change the way things are done, capitalising on the North's unique strengths
- We will make the most of our position to stretch the boundaries of what we can achieve

We do the right thing

- We make sustainable, evidence-based decisions that maximise the positive outcomes they deliver for people and businesses across the North
- We will work together to improve connectivity and deliver a vibrant and growing economy across the North of England over the short, medium and long-term
- We embrace diversity and work with others with honesty and respect

We are driven to succeed

- We want to be the very best we can be. The drive for excellence and innovation informs everything we do
- We will develop and grow, learning from both our mistakes and successes and sharing this with our partners
- We are proud to represent the North and will facilitate a step change in connectivity across the North of England by being role models for how things are done

We collaborate

- We consult our partners and are the embodiment of a 'single voice for the North'
- We make the most of all our relationships, spanning the North of England and beyond, to deliver the right solutions
- We build our relationships based on openness, transparency, trust and integrity

Core Behaviours:

Cultivate Innovation: Creating new and better ways for the organisation to be successful

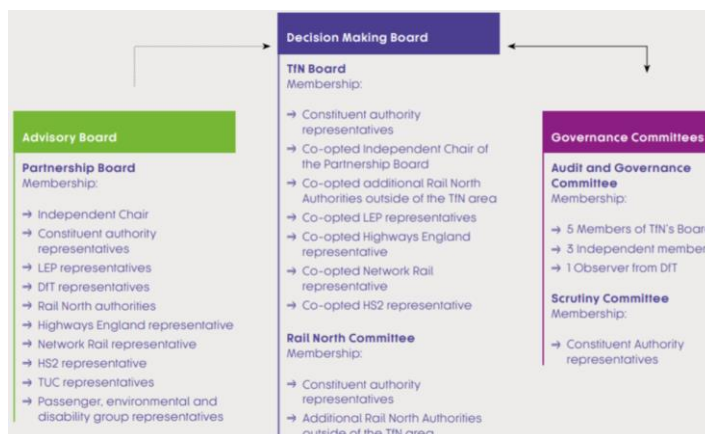
Ensure Accountability: Holding self and others accountable to achieve results, even under challenging circumstances

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

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.

Transport for the North Board and Committee Structure



Business Model

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

Our Business Plan for 2019/20, published in March 2019, set out TfN's Strategic Objectives and commitments for the year. That Business Plan can be downloaded here:

<https://transportforthenorth.com/calendar/transport-north-board-7-february-2019/>

The Business Plan is set out around our four pan-Northern objectives, set out in the previous 'Vision and Objectives' section of this report.

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

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

Delivering on Our Objectives

Our People: TeamTFN

Central to the success of our shared Northern goal is our team. We're 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'll soon enter our third 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 when we became among the first supporters of the 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're 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.

But we don't rest on our laurels. The importance of our employee voice, enshrined in our established Employee Forum and effective line management, has been further heightened with our #TeamTfN initiative. Based on the results of an organisation-wide survey, our ongoing action plan ensures TfN remains a great place to work. With everyone responsible for its delivery, it includes new and existing initiatives to promote teamwork, leadership, and health and wellbeing among other areas.

Recognising that everyone has the ability to shape and improve our organisation is a fundamental principle. 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've also established a Diversity sub-group – made up of employees - to make sure we reflect, embrace and celebrate the North's differences, and equip our teams to do so in practical ways.

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

We embrace and open the door for the next generation of talent too. Our apprenticeships scheme provides school-leavers with the opportunity to develop in high-skilled and rewarding roles. We currently employ 3 apprentices, with this number planned to shortly rise to 4 (2.7%) – which is ahead of the Government's 2.3% of all new starters target by March 2021. We're extremely proud of what our apprentices have achieved, with some going on to other opportunities within TfN, broadening their skillsets and experience.

Our Resourcing Plan:

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

Over the next 12-month period it is projected that TfN's current workforce (permanent and fixed-term) will increase from 147 posts to circa 190 posts, supplemented by external consultant (service-based) resource where required.

The main changes are around ensuring we meet the demanding workload of the priorities of the North. With additional Transport Development Funding for Northern Powerhouse Rail, we will need further highly skilled team members across the business to support the programme's pace.

Our projected increase in people to support our Strategic Rail and Rail North Partnership teams will mainly be funded from a proposed increase in the rail grant we receive. This is in response to the significant events over the last two years across the North's rail network and the ongoing need for a strong voice and oversight from Transport for the North.

As outlined in the Business Plan, essential to making the case for investment across the North is a robust and credible evidence base. In order to deliver on the ambitions of our Investment Programme, additional resource is planned for our analysis and appraisal team.

Reflecting this substantial increase in activity, further modest additions are also planned to be made to support services to underpin the uplift in organisational outputs – aligned to the funding we are receiving over 2020/21.

Covid-19 Pandemic

TfN moved to full remote working in line with Government advice on 17 March 2020. We made this decision to support our colleagues, their families, and the community as a whole, and thanks to our robust contingency plans are confident that we can continue to operate effectively whilst navigating the changing situation. We are working closely with operators through the Rail North Partnership to support their efforts to run essential services and keep passengers updated. We also remain in close contact with all our Members and partners, ensuring that, when we emerge from the current emergency, we will be ready to support our people, businesses and economy in the short-term and the long-term.

Robust Covid-19 processes, procedures and support mechanisms have been implemented to support employees and facilitate TfN's ongoing operations. An enhanced programme of internal communications has been introduced to keep employees well informed and supported, alongside a health & well-being (both physical & mental health) support programme. TfN has emphasised its pre-existing flexible working policies to support employees with carer's responsibilities and has regular HR business partner meetings with all line managers to support both employee welfare and on-going business operations/delivery. Finally, in order to deliver the activity that is set out in the 2020/21 business plan, TfN was in the midst of a recruitment programme when lockdown commenced, resulting in the need for it to develop remote on-boarding processes (and off-boarding processes for leavers).

The long-term impact of the pandemic is currently uncertain. As much as is possible and practical within the current context, and allowing for changeable partner priorities which will inevitably impact our focus and the pace at which we work, TfN will continue its work as passionately as ever. Northern Powerhouse Rail will be a prominent area of activity for TfN in the coming year as we work with the Department for Transport (DfT) and partners to make key decisions on routes and submit a business case to Government in early 2021 for the £39bn of investment needed to transform the North's economy.

Our Funding

Transport for the North 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.

That grant funding principally comes in the form of discrete grant ring-fenced to specific areas of programme activity. Each year, the DfT also 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.

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.

In 2019/20 the DfT made grant available to resource our opening gross base budget of £105.11m:

Resource	£m
Core Revenue Grant	£10.00
General Fund Core Grant Reserves	£1.46
Rail North Grant & Contributions	£1.18
Integrated and Smart Ticketing Grants	£62.46
Transport Development Fund	£30.00
	£105.11
- Contingency Envelopes	£27.40
Net Resource Requirement	£77.71

Our Medium-Term Financial Plan

Our medium-term financial plan is focused on two key financial challenges:

1. Ensuring that our financial resource is aligned to our Business Plan objectives in a sustainable manner; and
2. Managing key inherent financial risk that arises from TfN's organisational design and legal form.

The latter issue reflects that we are unable to access long or short-term credit (such as bank loans and overdrafts) to either support investment or manage day-to-day cash flow fluctuations, and also have very limited means of generating funds.

With discrete ring-fenced grants being made available to support our programme activity, our principal medium-term budgetary challenge is to ensure that our finite Core grant allocations are used in a manner that enables us to:

1. Discharge our statutory obligations through the implementation and maintenance of organisational capacity and infrastructure;
2. Manage programme generated requirements for enhanced control and support where it is not possible to charge the costs of that activity into discrete grants; whilst,
3. Delivering on our commitment to evidenced based decision making; and
4. Support preliminary development activity on key priorities that do not attract discrete grant support, such as the Strategic Development Corridor workstreams.

Whilst Core grant allocations are fixed annually, our activity and resource requirements inevitably change. To manage this challenge, we have implemented a reserves strategy that supports the flexible use of Core grant allocations over a multi-year period.

Principally, this means holding over Core grant allocations in reserves and then releasing to support one-off development costs. This policy was used in 2019/20 to support the delivery of the Strategic Development Corridors and will be used again in 2020/21 to support the quantitative modelling and economic appraisal work required to take this activity towards strategic outline case submission.

This reserve strategy also supports us in managing a key financial risk around organisational financial solvency. Given the limitations on our ability to raise resource and access credit, the reserve strategy requires us to hold no less than £2m in reserve at any one point.

This policy secures a cash buffer to manage unexpected events and financial shock.

Measuring our success in 2019/20

Qualitative Performance





In our 2019/20 Business Plan we set 22 KPIs to ensure a culture of accountability and excellence for our organisation and our partners.

The KPIs were developed by:

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




We have monitored our performance against these KPIs using a combination of qualitative and quantitative measures:

Area	KPI	Detail	Progress	Status
Northern Powerhouse Rail	1	Fully agree NPR provision within the HS2 Phase 2b Hybrid Bill by June 2019.	Superseded	
			This item will now feed into the Integrated Rail Plan activity, with input from TfN to be determined.	
Northern Powerhouse Rail	2	Agree indicative delivery phasing for the NPR network by February 2020. (NB Board took place in March)	Achieved in year	
			NPR approach to phasing, and agreement to the principles by which the evidence base on phasing of NPR interventions will be developed, was taken to the TfN Board on 12 March 2020.	
Northern Powerhouse Rail	3	Prepare a mid-way point NPR progress report for Board by February 2020. (NB Board took place in March)	Achieved in year	
			A progress report was presented and discussed at TfN Board 8 January 2020.	
Strategic Rail	4	Hold the industry to account for the delivery of Franchise commitments and the recovery of acceptable levels of performance.	Achieved in year	
			Industry has been held to account throughout the year. By its nature this work has and will continue, but has been temporarily superseded by the Covid-19 emergency.	
Strategic Rail	5	Publish the Long-Term Rail Strategy (LTRS) by July 2019 and begin delivery of the LTRS including input to the Trans-Pennine Route Upgrade.	Achieved in year	
			The LTRS principles were integrated into the STP when this was published in February 2019. Instead of publishing an updated LTRS, resources were re-allocated to operational issues and to develop	

			Delivery Plans. Input / advice in relation to TRU has been submitted through communications with Ministers and at a local level.
Strategic Rail	6	Input TfN view to the Williams Review. Follow up to implement the recommendations on the Joint Rail North Partnership review.	Achieved in year  Input to Williams Review complete. A plan for the implementation of Blake – Jones review recommendations has been prepared, initial work has started, and discussions are underway with the Department regarding the funding for the required resources for full implementation.
Integrated and Smart Travel	7	Complete the delivery of the integrated smart ticketing on Rail programme (Phase 1) by September 2019.	Not completed by the year end  Phase 1 had a very successful year with the uptake of smart season tickets exceeding all expectations. A final element, delivered by Northern and Merseyrail installing platform validators has been delayed. The current target completion date for the final element is August 2020. However new plans are being finalised in light of Covid-19 which has delayed both hardware delivery and civil engineering installation work. Depending on the duration of the lockdown, this current estimate is that this work is likely to conclude in the autumn.
Integrated and Smart Travel	8	Deliver Phase 2 – ‘informed customers’ - of the IST programme by December 2019.	Achieved in year  The plan at the start of the year was to have the disruption messaging tool (DMT) go live in December 2019 and to have work ongoing on the fares tool (FT) with a view to it going live in 2020/21. The DMT going live was achieved in March 2020 and the FT private ‘Alpha’ development has been completed. The FT continues to be developed with a view to ‘Beta’ Public launch in August 2020.
Integrated and Smart Travel	9	Complete the procurement of the Phase 3 ABBOT back office by December 2019.	Superseded  The delivery approach for account based travel (ABT) has been re-evaluated and the original ABBOT procurement has been cancelled. A revised approach, agreed at the TfN Board in January, is focusing on

			delivering on contactless on Rail (a new Phase 3) with a series of local schemes (Phase 4) being developed.
Modelling & Analysis	10	Develop analysis and modelling capability so that we can accurately represent the economic ambition of the North in our business case submissions by March 2020.	<p>Not completed by the year end</p> <p>A re-focus on delivering NPR Corridor Sift with changed ways of working has pushed the delivery of the Analytical Framework overall programme into May 2020. The programme encompasses significant areas of innovation and is therefore subject to close monitoring.</p>
Modelling & Analysis	11	Consolidation / Quality Assurance of Analytical Framework by March 2020.	<p>Not completed by the year end</p> <p>With the delay to the Analytical Framework described above there has been a consequential delay to the quality assurance activity. The project has significant elements of innovation and requires close involvement with DfT and external reviewers throughout development activities.</p>
Major Roads	12	Input to three strategic road studies by March 2020.	<p>Achieved in year</p> <p>TfN attend Stakeholder Reference Group meetings for Manchester North West Quadrant (MNWQ) and A66. For the TransPennine Tunnel and M6-A1(M) projects, TfN is represented on project board. All projects are due to report to the Investments, Programmes and Delivery Committee (IPDC) (formerly known as BICC) in Spring/Summer 2020.</p>
Major Roads	13	Act as an advocate for northern investment and critical friend on RIS2 by November 2019.	<p>Achieved in year</p> <p>TfN has shared its Investment Programme with Highways England and DfT to inform the RIS2 programme. RIS2 was announced in March 2020.</p>
Major Roads	14	Working with partners, submit priorities for investment through the National Roads Fund by Summer 2019.	<p>Achieved in year</p> <p>TfN worked with partners to submit 16 Major Road Network and Large Local Major schemes for funding from the National Roads fund, as was agreed by TfN Partnership Board on 31 July 2019.</p>

Strategic Development	15	Complete the Strategic Development Corridor (SDCs) studies, to at least Option Assessment stage, by September 2019. Monitor and refresh the TfN Investment Programme by February 2020.	Not completed by the year end
			Great progress has been made with Strategic Programme Outline Cases (SPOCs) completed for all of the SDCs. Work to sequence and profile the TfN Investment Programme reported in early April. The revised Investment Programme is now being taken through the governance process.
Strategic Development	16	Develop an Inclusive and Sustainable Growth Framework that will sit alongside the Strategic Transport Plan by February 2020.	Superseded
			This has been included as one of four ambitions that form part of the Northern Transport Charter that is under development. Significant work has also been undertaken on decarbonisation to provide a framework for activity, with a technical pathway, due for completion in December 2020.
Strategic Development	17	Prepare Freight and Logistics and International Connectivity Progress Reports that will reflect how these important areas have been embedded in the TfN Investment Programme and work programmes by July 2019.	Achieved in year
			Freight and logistics have been embedded alongside the International Connectivity work within TfN's work programme and the outputs have been published. The approach to freight is being developed in light of the discussion at the September 2019 TfN Board. This work continues.
Strategic Development	18	Develop and adapt an Assurance Framework to inform the development of the Investment Programme by February 2020.	Not completed by the year end
			Good progress has been made with a draft Assurance Framework having been developed. The intention is to present an update on this to the Board as part of an overall update on the Investment Programme. Subject to Covid-19 impacts, this is planned for summer 2020.
Organisational	19	Develop a 5-year corporate strategic plan / develop a spending review	Achieved in year
			As was presented to the TfN Board in September 2019, the intended corporate planning activity has been

		submission by September 2019.	superseded by the work on the Northern Transport Charter (NTC). NTC principles were agreed at the September Board to allow business planning and preparation of spending review submission processes to take place. A spending review submission was prepared, but the 2019 spending review was postponed by HMT. Further detailed work on the NTC continues with completion expected in June 2020.
Major Roads	20	Building on the published STP, the Major Roads Report will be updated in February 2020.	Not completed by the year end  TfN made good progress on the update to the Major Roads Report, however it was decided to link this work with work on the decarbonisation plan and delay publication. This delay is to ensure that report reflects the decarbonisation policies that Government and TfN will finalise towards the end of 2020.
Rail Fares	21	A Long-Term Fares Strategy, identifying short-term opportunities to provide enhancement of the current franchises and providing a long-term plan for the next round of franchises, will be published by June 2019.	Achieved in year  The fares delivery plan was presented to and endorsed by the TfN Board in January 2020. It was agreed that further work through pilot studies should now be undertaken to provide the necessary evidence to support recommendations within the delivery plan. Opportunities for fares pilots will now need to be explored through the Operator of Last Report (OLR).
PMO	22	A Portfolio, Programme and Project Management System (PPPMS), including a formal assurance framework, will be implemented by December 2019.	Not completed by the year end  The most pressing element of the PPPMS, the planning tool Primavera P6, is up and running across TfN. The risk and benefits management tools are in procurement. A metadata filing system has been put on hold to ensure the right long term solution is specified.

Financial Performance 2019/20

Summary

In delivering the activity outlined in our qualitative performance we incurred expenditure of £46.82m.

This value is £30.89m lower than our opening net budget estimate of £77.71m, and principally relates to major changes to the scope of the capital programme.

Our financial performance over the course of the year can be summarised as follows:

Total Net Expenditure	Actual £m	Budget £m	Variance £m
Revenue Programmes:			
Northern Powerhouse Rail	£27.89	£29.75	£1.86
Major Roads	£1.43	£2.57	£1.14
Integrated & Smart Ticketing	£5.36	£3.28	-£2.08
	£34.68	£35.60	£0.92
Capital Programmes:			
Integrated & Smart Ticketing	£4.55	£33.00	£28.45
Rail Operations	£1.86	£1.92	£0.06
Operational Areas	£5.73	£7.19	£1.46
	£46.82	£77.71	£30.89

Financial reporting throughout the year has been dominated by the financial implications of the pause and subsequent cancellation of the Phase 3 'Accounts Based Back Office' capital project within the Integrated and Smart Ticketing Programme.

This major movement led to significant underspend on the capital programme as development activity ceased. Conversely, expenditure incurred in developing new proposals to take the project forward led to higher than initially forecast revenue expenditure. This expenditure was supported and funded by the DfT.

Underspend also accrued across the areas for which TfN's modelling and appraisal function is responsible. Delayed and deferred activity within this area led to notable underspend within the NPR Programme and the Strategic Development Corridor Programme, as well as within the Operational Areas.

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

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

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

Funding	£m
Revenue Resource	
Core Grant	£8.72
Transport Development Fund - Rail	£26.94
Transport Development Fund - Road	£0.01
Rail North Grants and Contributions	£1.19
Integrated & Smart Ticketing Grant	£5.36
Contract Income	£0.05
	£42.27
 Capital Resource	
Integrated & Smart Ticketing Grant	£4.55
	£46.82

Over the course of the financial year we have received grant totalling £44.82m. Grant received in year complements that grant held from the prior year. Both grant received in-year and grants held from prior years were used to fund expenditure.

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

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

As at the year-end, unapplied grants held in this manner have increased by £1.38m:

	2019/20 £m	Movement £m	2018/19 £m
Revenue Grants Received in Advance			
- Transport Development Fund - Rail	£0.00	-£0.87	£0.87
- Transport Development Fund - Road	£0.01	-£0.01	£0.02
	£0.01	-£0.88	£0.89
Usable Reserves			
Capital Grants Unapplied			
- Integrated & Smart Ticketing Phase 1 Grant	£0.30	-£1.11	£1.41
- Integrated & Smart Ticketing General Grant	£0.70	-	£0.70
	£1.00	-£1.11	£2.11
General Fund Revenue Reserves			
- Core Grant	£6.46	£0.88	£5.58
- Devolved Powers (Earmarked)	£0.50	£0.50	£0.00
- Integrated & Smart Ticketing Grant (Earmarked)	£3.93	£1.99	£1.94
	£10.89	£3.37	£7.52
Total Usable Reserves	£11.89	£2.26	£9.63
Total Resource	£11.90	£1.38	£10.52

These grants will be applied to expenditure in 2020/21 and future accounting periods where possible or be returned to the DfT if the restrictions require us to do so.

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

The balance sheet as at the 31/03/2020 recognises these reserves and unapplied grants, along with our other financial transactions.

The balance sheet can be summarised as follows:

Balance Sheet 2019/20		£m			£m
Assets			Reserves		
Cash & Equivalents	£19.31		<u>Unusable Reserves</u>		
Intangible Asset	£3.53		Absence Reserve	£0.16	
Debtors	£0.60		Capital Adjustment Account	-£3.53	
	£23.44		Pension Reserve	£6.08	
Liabilities				£2.71	
Provisions	-£0.13		<u>Usable Reserves</u>		
Grants Received in Advance	-£0.01		Capital Grants Unapplied	-£1.00	
Pension Liability	-£6.08		Earmarked Revenue Grants	-£3.93	
Creditors	-£8.05		Devolved Powers Reserve	-£0.50	
	-£14.27		General Fund Reserve	-£6.46	
				-£11.89	
Net Assets	£9.17		Reserves	-£9.17	

Year-on-year variances highlight key issues that have arisen during the year. The following table highlights that although net assets under control have reduced by £2.51m, there have been a number of notable movements:

Net Assets	2019/20	2018/19	Variance
	£m	£m	£m
Assets			
Cash & Equivalents	£19.31	£14.37	£4.94
Intangible Asset	£3.53	£5.82	-£2.29
Debtors	£0.60	£0.18	£0.42
	£23.44	£20.37	£3.07
Liabilities			
Provisions	-£0.13	-£0.08	-£0.05
Grants Received in Advance	-£0.01	-£0.89	£0.88
Pension Liability	-£6.08	-£3.63	-£2.45
Creditors	-£8.05	-£4.09	-£3.96
	-£14.27	-£8.69	-£5.58
	£9.17	£11.68	-£2.51

Cash and cash equivalents have increased on the prior year in part due to an associated increase in payables. Those cash balances will reduce as invoices related to those payables are received and settled.

Of more significant note are the movements associated with intangible assets and the pensions liability.

Transport for the North's intangible assets consist of its Enterprise Resource Planning (ERP) system and the complex information systems being developed within the Integrated and Smart Ticketing programme.

At the beginning of the financial year Transport for the North recognised intangible assets at £5.82m. At the end of the financial year, despite additions of £2.39m that balance had reduced by £2.29m:

Intangible Assets	2019/20	Additions	Reductions	2018/19
	£m	£m	£m	£m
<u>Integrated & Smart Ticketing</u>				
Phase 2 - Customer Information	£3.18	£2.28		£0.90
Phase 3 - Accounts Based Back Office (ABBOT)	£0.00		-£4.32	£4.32
ERP System	£0.35	£0.11	-£0.35	£0.60
	£3.53	£2.39	-£4.67	£5.82

Intangible assets reduced for two reasons:

1. The ERP system was amortised in line with adopted accounting policies aligned to the length of the contract for the system's usage; and
2. Phase 3 Accounts Based Back Office (ABBOT) intangible assets under development were written out of the balance sheet.

The decision to impair and write-off the previously recognised £4.32m of intangible assets under development relating to the ABBOT scheme reflected the decision to cancel the scheme.

The ABBOT scheme sought to create the systems and technology infrastructure that would allow for a multi-modal, multi-operator ticketing system that would give the northern public transport user a similar ticketing experience as that enjoyed by passengers in the integrated London transport system.

ABBOT expenditure incurred in 2018/19 was capitalised and recognised as an asset in line with accounting standards based upon the following considerations:

1. The technical feasibility of the proposals had been tested and approved by a number of government reviews; and
2. There was a reasonable assumption that economic benefit would be derived from the expenditure into the future.

However, over the course of financial year 2019/20, it became apparent that the primary initial proposed users of the system – bus operators – were no longer willing to support the scheme to the extent required to give Transport for the North the comfort to enter into the next stage of development at material cost to the public purse.

Without the forecast transaction volumes that would be generated by bus-operators, the scheme in its proposed guise was no longer financially viable. Recognising this, in January 2020 the Transport for the North Board took the decision to cancel the scheme and focus instead on the development of alternative options that could achieve some of the objectives of the scheme.

Cancellation of the scheme rendered the 2018/19 capitalised expenditure abortive. To recognise this, Transport for the North has written out the intangible asset under development to the Consolidated Income & Expenditure Statement (CIES). This reduces the asset value to zero and generates increased expenditure in the CIES.

To support Transport for the North in the management of this issue, the DfT advanced a revenue grant to fully fund the write-down should it be required. The final accounting approach, agreed with external technical advisors, did not require additional revenue funding and the grant was partially used to fund in year IST expenditure with the balance taken to earmarked IST reserves to fund future activity.

The second prominent movement recognised in-year reflects the net £2.45m increase in TfN's pension liability. The pension liability shown on the balance sheet recognises the estimated net deficit of the future pensions payable to past and current employees.

This liability is measured in accounting terms and can vary dramatically from the actuarial forecasts and the pension fund's strategy for managing the future pension entitlements. This is due, in part, to the basis on which the accounting is performed; notably valuing the net assets and future liabilities on the basis of market conditions at the date of valuation.

Three key issues have impacted on the valuation as at the end of the financial year:

1. The triannual revaluation of the overall fund, which resets forecasts for performance of the fund and forecast draws on the fund every three years;
2. The performance of the fund's portfolio, as measured at the 31st March 2020; and
3. The measurement of assets and forecast future pension entitlements associated with those members who have transferred into Transport for the North's scheme during the year.

The triennial revaluation of Transport for the North's scheme has led to an increase in the forecast net deficit on pensions payable. The pension fund's strategy for managing future pension entitlements has reflected this by requiring increased employer contributions from 2020/21 onwards, with those contributions increasing by 14% compared to 2019/20.

The fund's performance over 2019/20 also fell below forecast with returns on investments -8.9%. This poor performance recognises, in part, the valuation of the fund portfolio at the 31st March as the Covid-19 pandemic impacted upon financial markets. The long-term impact of the pandemic is uncertain.

Finally, those officers who join Transport for the North are eligible to join the organisation's local government pension scheme (LGPS). In some circumstances, such as when an officer joins from another local government body, entrants are allowed to transfer in their previous LGPS position. This position reflects the accrued service which confers future pension benefit entitlements on the officer, and also the assets accrued on behalf of the officer by the scheme administrator through employee and employer contributions and the investment of them.

At the point of transfer this position is measured by the actuary in a particularly prudent way which places a greater value on the transferred service liability than it does on the assets transferred in. As a result of this measurement, Transport for the North's net forecast pension deficit has increased by circa £1m.

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

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

As at the end of financial year 2019/20 Transport for the North's reserve position can be summarised as changing by £2.51m, reflecting the movement in net-assets:

Reserves	2019/20 £m	2018/19 £m	Variance £m
<u>Unusable Reserves</u>			
Absence Reserve	£0.16	£0.14	£0.02
Capital Adjustment Account	-£3.53	-£5.82	£2.29
Pension Reserve	£6.08	£3.63	£2.45
	£2.71	-£2.05	£4.76
<u>Usable Reserves</u>			
Capital Grants Unapplied	-£1.00	-£2.11	£1.11
Earmarked Revenue Grants	-£3.93	-£1.94	-£1.99
Devolved Powers Reserve	-£0.50	£0.00	-£0.50
General Fund Reserve	-£6.46	-£5.58	-£0.88
	-£11.89	-£9.63	-£2.26
	-£9.17	-£11.68	£2.51

The impairment and write-down of the Phase 3 ABBOT scheme, as previously referenced, impacts on both the Capital Adjustment Account (CAA) and the General Fund. Accounting convention assigns the cost of the impairment to the CIES, but a statutory exemption allows the General Fund to be replenished for this accounting adjustment.

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

At the time the Phase 3 ABBOT scheme was being cancelled, it was uncertain whether a revenue grant would be required to offset this expenditure. Based on this uncertainty, the DFT provided a revenue

grant of £4.32m. During the external audit of the accounts, it was clarified that an impairment did not require specific incremental funding. The revenue grant was therefore used to partially fund IST expenditure in the year with the balance taken to earmarked reserves.

Underspend on activity funded by TfN's Core Grant has also led to an unplanned contribution to the General Reserve of £0.88m. This contribution largely reflects activity and associated expenditure delayed or deferred into the new financial year. Resource will be matched to this expenditure, and the General Reserve will decrease accordingly.

Finally, in March 2020 the TfN Board approved the continued earmarking of £0.50m Core Grant savings to a specific reserve to support the development of proposals for the devolution of further powers from central government to the North, as proposed through the Northern Transport Charter.

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

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

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

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

Income	£m	
Outturn Position	-£46.82	
Adjustments for:		
Pensions	-£0.13	In CIES not in outturn
Funding of Phase 3 write-down	-£4.32	In CIES not in outturn
Revenue Funding from Reserves	£1.67	In outturn not in CIES
Capital Funding from Reserves	£2.44	In outturn not in CIES
Amounts taken to General Fund Balance:		
IST Revenue Grant - Transferred to Earmarked Reserve	-£0.66	In CIES not in outturn
Core Grant - Taken to General Fund Reserve	-£0.88	In CIES not in outturn
Core Grant - Transferred to Devolved Powers Reserve	-£0.50	In CIES not in outturn
CIES Balance	-£49.21	
Expenditure	£m	
Outturn Position	£46.82	
Adjustments for:		
Depreciation	£0.35	In CIES not in outturn
Pensions	£2.58	In CIES not in outturn
Write-down of Phase 3	£4.32	In CIES not in outturn
Movement on Absence Provision	£0.03	In CIES not in outturn
IST Capital - Phase 2	-£2.28	In outturn not in CIES
Enterprise Resource Planning Capital	-£0.11	In outturn not in CIES
CIES Balance	£51.72	

Capital Accounting

- Capital expenditure is shown in our capital programme management accounts reporting but is not shown in the CIES as it results in the creation of a balance sheet asset. This results in a lower level of expenditure being shown in the CIES than in the overall management accounts.
- Depreciation costs are not shown in the management accounts as they do not require a draw upon resource (the resource use being reported on the initial expenditure). Depreciation costs are, however, shown in the CIES with the associated reduction in the value of assets. This results in a higher level of expenditure in the CIES than in the overall management accounts.
- It should be noted that where TfN grants money to third parties to fund their asset creation – as in the Phase 1 ITSO on Rail project – the costs are shown in both the management accounts and on the face of the CIES. This is because no asset is created for TfN, and the expenditure would ordinarily be treated as revenue were it not for statutory override. That override allows TfN to use capital resource to fund the expenditure, with the treatment referred to as Revenue Expenditure Funded from Capital under Statute (REFCUS). This treatment simply reflects that sometimes public bodies can achieve their objectives through third parties, rather than delivering and owning things directly.
- The differences between management accounts and accounting standards are reflected in the unusable Capital Adjustment Account Reserve.

Pensions Accounting

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

Accumulated Absences

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

Grant Treatments

- The management accounts show those grants applied to expenditure in-year. This results in a balanced outturn position where income matches expenditure.
- Accounting standards require us to treat grants as income received through the CIES where the conditions of use have been met, even if the resource has not been applied to expenditure. This treatment effects Core Grant unapplied and IST Revenue grant unapplied, which have both been recognised in the CIES and taken to the General Fund. Where the conditions of capital grants have been met but not applied to expenditure, the balance of grant is taken to Capital Grants Unapplied.

Looking Ahead to 2020/21 and Beyond

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

We do this by employing the brightest minds who have a passion for our mission to create more opportunities. This passion and commitment – demonstrated every day through our core values – is essential if we're to achieve our strategic goals and deliver against our plans outlined in this document.

Our adopted Business Plan for 2020/21 details what we have achieved in the last year, but it also looks ahead, providing direction for our teams and representing the priorities of the Northern leaders who make up our governance.

There will be no let-up in 2020/21. With the Strategic Transport Plan submitted and our programmes maturing, we will need to drive forward progress across each area of TfN. From ensuring a strong and credible business case for Northern Powerhouse Rail is created at pace; to embedding the ambitions of the Northern Transport Charter into our day-to-day work; we will continue to monitor progress at organisational, departmental and individual level.

Whilst our STP and accompanying Investment Programme have a long-term common goal, a sustained pipeline of infrastructure investment is needed to deliver. That means our vision being underpinned by short, medium and longer-term plans that advance wide-ranging interventions right across the North.

The forthcoming year presents both opportunities and challenges. With the Williams Review into the UK railways proposing a new model for how the system is run, TfN will need to respond and work with the Government to ensure our Northern leaders play an increased and integral role in the re-shaping of a widely acknowledged complex and fragmented industry. Coupled with change on the current franchises, our role in operational rail will continue to be a key area of focus and resources.

Further work will also be carried out on the Northern Transport Charter – a blueprint for further devolution to the North. This will continue the strategic planning exercise with our partners regarding TfN's future role and informing our submission to the anticipated Comprehensive Spending Review.

With national attention and promises of significant investment in the North's infrastructure – including commitment to HS2 and Northern Powerhouse Rail – 2020/21 will also bring significant opportunity to understand and advance delivery of such once-in-a-generation projects and the legacy they will leave for the North.

Financial Planning 2020/21

Transport for the North 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 2019/20 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 2019/20.

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

Value for Money

We recognise the requirement to deliver our programme of works efficiently and effectively. The procurement of goods and services from external suppliers represents a major element of our expenditure. In order to ensure value for money, we have implemented a procurement framework that 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.

As both the scope and scale of the organisation's activities expands, we have recognised the need to provide additional procurement and contracting support to ensure that we are sufficiently resourced to discharge our obligations in this area.

Expenditure

In order to deliver the activity set out in our Business Plan, we have a total budgeted expenditure for 2020/21 of £88.05m. This includes £55.35m of underlying programme expenditure, £22.27m of programme contingency; £7.46m of expenditure on core operations; and £2.98m of expenditure on rail operations. As a Sub-National Transport Body, we are unable to recover VAT on our purchases of goods and services.

In 2020/21 it is expected that there will be three elements of the programme budget:

Programme	£m
Integrated & Smart Ticketing	£9.68
Northern Powerhouse Rail	£43.78
Major Roads (Strategic Development Corridors)	£1.88
	£55.35

In addition, the programme budgets include contingencies of £22.27m, held to manage risk and exploit opportunities that may arise during the year.

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

Accordingly, the activity carried out within these areas represents the required enabling functions familiar to all public sector organisations, but also the teams that develop and deliver upon much of our aspirations. The total value of the operational budget is £7.46m, with the expenditure falling as follows:

Core Operational Area	£m
Leadership	£0.32
Finance & Business Systems	£1.35
Business Capabilities	£3.78
Programme Management Office	£0.32
Strategy & Policy	£2.70
Gross Total	£8.46
Recharges to Programmes	-£1.00
Net Total	£7.46

Transport for the North also differentiates the expenditure incurred in delivering upon its statutory duties towards the North's rail franchises from the rest of its expenditure. This differentiation is drawn to reflect the different governance and funding streams associated with this activity, along with its high-profile nature.

The work of the Rail North Partnership team and Transport for the North's Strategic Rail team are grouped under the headline title of 'Rail Operations':

	2020/21
Rail Operations	£m
Strategic Rail Team	£1.39
Rail North Partnership Team	£1.59
	£2.98

Transport for the North will remain almost entirely funded by grants from the DfT. Aside from a £10m Core grant funding allocation, this funding is ring-fenced for the purpose for which it has been allocated and in the main can only be drawn down as and when it is required. The funding that we are able to draw on during the year to pay for our budgeted expenditure is as follows:

TfN Funding	2020/21	
	£m	%
Core Grant	£10.00	11%
Integrated & Smart Ticketing Grant	£15.78	18%
Transport Development Fund - NPR	£59.00	67%
Rail Operations Grants, Contributions & Traded Income	£1.88	2%
Use of Reserves	£1.39	2%
Total Resource	£88.05	

The updated reserves strategy forecast a year-end General Fund Reserve of £5.97m, created from Core Grant underspends in prior years. It was agreed that £1.39m of this balance be drawn upon in 2020/21 to help meet the spike in the cost-base that will occur in year, including finalising the Strategic Corridor Studies and other non-repeating costs. This, along with specific earmarking, would reduce the reserve levels to £4.58m by the end of 2020/21, with further draws in subsequent years.

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 pressure to reduce discretionary expenditure.

Transport for the North notes the Spending Review planned for 2020 and will seek to feed into that exercise to press for a revised funding settlement that reflects inflationary pressures and the growing maturity of the organisation's activities and aspirations.

Financial Outlook

Transport for the North is almost entirely funded by the DfT. This means that we are particularly sensitive to the government funding cycles and decisions.

Our current funding packages are largely driven by historic budgetary decisions. Re-commitment of this funding is required periodically to ensure we retain sufficient resources to both deliver our programmes and retain the necessary business infrastructure to deliver our statutory obligations.

On 28 October 2020, the government announced that, due to the ongoing uncertainty created by the Covid-19 pandemic, it would undertake a one year Comprehensive Spending Review (CSR) rather than the three year exercise that it had originally intended. This will be announced on 25 November and will

determine the funding to be made available to us over financial year 2021/22. At present we have no certainty regarding the level of funding that will be made available to Transport for the North.

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

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

Reflecting on this, we have undertaken our medium-term financial planning based upon a number of prudent assumptions, notably that our Core Grant funding allocations will continue at broadly their current levels. We have also sought to limit our exposure to potential changes in our discrete programme funding by ensuring that we do not make financial commitments in excess of the funding commitments made to us by government.

Statement of Responsibility for the Accounts

Transport for the North's responsibilities

Transport for the North 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 Transport for the North 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 Transport for the North 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
- 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 2020.

Iain Craven

.....
Iain Craven
Finance Director
31 May 2020

Chairman's certificate

I certify that the Statement of Accounts for the year ended 31 March 2020 was approved at the meeting of the Board on 18 November 2020.

Signed on behalf of Transport for the North

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John Cridland
Chairman of Board
18 November 2020

Financial Statements and Disclosure Notes

Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from grants and other income. Authorities generate income to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost.

2018/19				2019/20		
Expenditure	Income	Net		Expenditure	Income	Net
£000	£000	£000	Notes	£000	£000	£000
2,638	(99)	2,539		1,500	(11)	1,489
			Major Roads Programme (Strategic Development Corridors)			
14,173	(13,379)	794		28,077	(26,932)	1,145
4,129	(5,974)	(1,845)		12,181	(9,850)	2,331
			Northern Powerhouse Rail			
1,772	(1,081)	692		2,138	(1,243)	895
			Integrated and Smart Ticketing			
9,184	(0)	9,184		6,582	(0)	6,582
			Rail Operations			
			Operational Areas			
31,896	(20,532)	11,364	Cost of Services	50,478	(38,036)	12,442
134	(154)	(20)	11	234	(234)	0
			Financing and Investment Income and Expenditure			
0	(23,470)	(23,470)	12	0	(10,940)	(10,940)
			Taxation and Non-Specific Grant Income			
32,030	(44,156)	(12,126)	Surplus or Deficit on Provision of Services	50,712	(49,210)	1,502
		989	29			1,009
			Remeasurement of the net defined benefit liability / asset			
		989	Other Comprehensive Income and Expenditure			1,009
		(11,137)	Total Comprehensive Income and Expenditure			2,511

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.

	General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund Balance £000	Capital Grants Un-applied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 31 March 2019	(5,577)	(1,944)	(7,521)	(2,106)	(9,627)	(2,057)	(11,684)
Opening Asset Balance Transferred	0	0	0	0	0	0	0
Revised opening balance	(5,577)	(1,944)	(7,521)	(2,106)	(9,627)	(2,057)	(11,684)
Movement in reserves during 2019/20							
Surplus or deficit on the provision of services	1,502		1,502		1,502		1,502
Other Comprehensive Income / Expenditure						1,009	1,009
Total Comprehensive Income and Expenditure	1,502	0	1,502		1,502	1,009	2,511
Adjustments between accounting basis and funding basis under regulations	(4,866)		(4,866)	0	(4,866)	4,866	0
Net Increase or Decrease before Transfers to Earmarked Reserves	(3,364)	0	(3,364)	0	(3,364)	5,875	2,511
Transfers to / from Earmarked Reserves	2,484	(2,484)	0	1,104	1,104	(1,104)	0
Increase or Decrease in 2019/20	(880)	(2,484)	(3,364)	1,104	(2,260)	4,771	2,511
Balance at 31 March 2020	(6,457)	(4,428)	(10,885)	(1,002)	(11,887)	2,714	(9,173)

	General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund Balance £000	Capital Grants Un-applied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Opening balances pre transfer	0	0	0	0	0	0	0
Opening Asset Balance Transferred	0	0	0	0	0	(547)	(547)
Movement in reserves during 2018/19							
Surplus or deficit on the provision of services	(12,126)		(12,126)		(12,126)		(12,126)
Other Comprehensive Income / Expenditure						989	989
Total Comprehensive Income and Expenditure	(12,126)	0	(12,126)		(12,126)	989	(11,137)
Adjustments between accounting basis and funding basis under regulations - Note 09	4,605		4,605	(2,106)	2,499	(2,499)	0
Net Increase or Decrease before Transfers to Earmarked Reserves	(7,521)	0	(7,521)	(2,106)	(9,627)	(1,510)	(11,137)
Transfers to / from Earmarked Reserves - Note 10	1,944	(1,944)	0		0	0	0
Increase or Decrease in 2018/19	(5,577)	(1,944)	(7,521)	(2,106)	(9,627)	(1,510)	(11,137)
Balance at 31 March 2019	(5,577)	(1,944)	(7,521)	(2,106)	(9,627)	(2,057)	(11,684)

Balance Sheet

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

Reserves are reported in two categories. The first category of reserves are usable reserves: those reserves that TfN 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 are those that TfN is not able to use to provide services. This category of reserves includes reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2019			31 March 2020
£000	Notes		£000
5,824	14	Intangible Assets	3,529
5,824		Long Term Assets	3,529
178	15	Short-Term Debtors	599
14,371	16	Cash and Cash Equivalents	19,307
14,549		Current Assets	19,906
(4,087)	17	Short-Term Creditors	(8,046)
(77)	18	Provisions	(126)
(893)	26	Grants Receipts in Advance - Revenue	(10)
(5,058)		Current Liabilities	(8,182)
(3,631)	29	Pension Liability	(6,080)
11,684		Net Assets	9,173
(9,627)	19	Usable Reserves	(11,887)
(2,057)	20	Unusable Reserves	2,714
(11,684)		Total Reserves	(9,173)

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.

	2018/19		2019/20
Notes	£000		£000
	(12,126)	Net (surplus) or deficit on the provision of services	1,502
	(7,279)	Adjustment to surplus or deficit on the provision of services for noncash movements	(9,082)
	7,328	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	940
21	(12,076)	Net cash flows from operating activities	(6,641)
22	(2,295)	Net cash flows from investing activities	1,705
	(14,371)	Net (increase) or decrease in cash and cash equivalents	(4,936)
	0	Cash and cash equivalents at the beginning of the reporting period	14,371
	14,371	Cash and cash equivalents at the end of the reporting period	19,307

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).

Net Expenditure Chargeable to the General Fund Balance	2018/19	Net Expenditure in the Comprehensive Income and Expenditure Statement		2019/20	Net Expenditure in the Comprehensive Income and Expenditure Statement
	Adjustments			Adjustments	
£000	£000	£000		£000	£000
2,513	26	2,539	Major Roads Programme (Strategic Development Corridors)	1,415	1,489
743	52	795	Northern Powerhouse Rail	961	1,145
(1,944)	99	(1,845)	Integrated and Smart Ticketing	(1,984)	2,331
1,678	93	1,772	Rail Operations	619	895
5,347	2,757	8,103	Operational Areas	5,731	6,582
8,337	3,026	11,364	Net Cost of Services	6,742	12,442
(15,858)	(7,631)	(23,489)	Other Income and Expenditure	(10,106)	(10,940)
(7,521)	(4,605)	(12,126)	Surplus or Deficit on Provision of Services	(3,364)	1,502
0			Opening Combined General Fund Balance	(7,521)	
(7,521)			Plus / less Surplus or Deficit on the General Fund Balance for the Year (Statutory basis)	(3,364)	
(7,521)			Closing Combined General Fund Balance	(10,885)	

Note 2 - Note to the Expenditure and Funding Analysis

	Net Capital Statutory Adjustments	Net Pensions Statutory Adjustments	2019/20 Other Statutory Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000	£000
Major Roads Programme (Strategic Development Corridors)	0	71	3	0	74
Northern Powerhouse Rail	0	173	11	0	184
Integrated and Smart Ticketing	4,091	231	(7)	0	4,315
Rail Operations	0	265	11	0	276
Operational Areas	248	594	9	0	851
Net Cost of Services	4,339	1,334	27	0	5,700
Other Income and Expenditure	(940)	106	0	0	(834)
	3,399	1,440	27	0	4,866
Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement					

Adjustments for capital purposes – this column adds in depreciation in the services line.

Other Income and Expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices.

Net Change for the Pensions 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.

Note 3 - Accounting Policies

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.

The Code of Practice outlines the requirements of transfers by absorption accounting. In the prior year TfN accounted for the transfer in by absorption accounting of the activity undertaken by Transport for the North in its non-statutory shadow function.

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 the sale of goods is recognised when the significant risks and rewards of ownership transfers to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to TfN.

Revenue from contracts with service recipients is recognised when the percentage of completion of the transaction can be reliably measured and it is probable that economic benefits or service potential associated with the transaction will flow to TfN.

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 are recorded as expenditure when the services are received, rather than when payments are made.

Interest receivables (deposit income) 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 there is evidence that debts are unlikely to be settled, the balance of debtors is written down and a charge made to revenue 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.

All deposits placed within instant access call accounts, money market funds, and term deposits with maturities less than three months should be classified in the accounts as cash equivalents due to these being highly liquid investments which offer instant access to the funds and are therefore deposited to meet short term cash requirements.

Exceptional Items/Material Items of Income and Expenditure

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts. Where they are disclosed is dependent on how significant the items are to the understanding of TfN's financial performance.

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.

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

Financial Instruments

Financial assets

Financial assets are classified into two types:

1. loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market; and
2. available for sale assets – assets that have a quoted market price and / or do not have fixed or determinable payments.

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when TfN becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument. This results in a lower amortised cost than the outstanding principal.

Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable, with the difference serving to increase the amortised cost of the loan on the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year. The reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

Government Grants & Contributions

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

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

Amounts recognised as due to TfN are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using 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 on 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.

Applying the principles of symmetry, where TfN awards a grant to a third party, the grant expenditure is recognised as payable when TfN has reasonable assurance that:

1. The grant recipient will comply with the conditions attached to the payments; and

2. The grants or contributions will be paid.

Capital grants are recognised in the Comprehensive Income and Expenditure Statement as Revenue Expenditure Funded by capital under statute (REFCUS) under the relevant service line. This expenditure is reversed out of the General Fund Balance in the Movement in Reserves Statement to the Capital Adjustment Account.

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, Contingent Liabilities and Contingent Assets

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.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Group becomes aware of the obligation, and 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 obligation is settled.

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 that 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 revenue finances 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.

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.

The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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.

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 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. 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.

Note 4 - Accounting Standards Issued, Not Adopted

The 2019/20 Code of Practice on Local Authority Accounting includes the following standards that have been issued but not yet adopted:

- Amendments to IAS 28 Investments in Associates and Joint Ventures: 40 Investment Property: Long-term interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015 - 2017 Cycle
- Amendments to IFRS 19 Employee Benefits: Plan Amendment, Curtailment of Settlement

These will not have a material impact on Transport for the North's financial statements.

In addition, due to the Covid-19 situation the introduction of IFRS16 for the public sector as a whole has been deferred at least until 1 April 2021.

Note 5 - Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in 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. At the year-end TfN has both Capital Grants Unapplied and Grant Receipts in Advance (Revenue)
- Costs in respect of the development of the complex information systems for Phase 2 of the Integrated and Smart Ticketing programme are identified as Assets under Development within Intangible Assets up until such point as they are ready for use and move to Operational Assets
- To reflect changes adopted to its management accounting reporting structure in year, TfN has added an additional service line to the CIES: 'Rail Operations'. This service line had previously been absorbed within the existing 'Operational Areas' service line. 2018/19 comparative figures have been included to aid transparency.

Note 6 - 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 the authority 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 0.5% decrease in the Real Discount Rate would increase the defined benefit obligation by almost £1.931m. However, the assumptions interact in complex ways; details of the sensitivities are set out in Note 29.

Note 7 - Material Items of Income and Expense

In financial year 2018/19, Transport for the North capitalised £4.32m of expenditure incurred in the development of complex information systems that would support the creation of an Accounts Based Back Office (ABBOT) for the proposed multi-modal, multi-operator ticketing system for the North of England. This scheme would enable northern public transport users to enjoy similar travel flexibility as that available in London.

Through the capitalisation of this expenditure, and recognition of an intangible asset under development, Transport for the North recognised the technical feasibility of the project – as tested at numerous times through governmental funding gateway reviews – and the forecast service benefits that would flow from the project.

However, over the course of financial year 2019/20 it became apparent that the primary proposed initial users of the systems – northern bus operators – were not sufficiently committed to the scheme to give Transport for the North the required confidence to continue into the next stage of development at material cost to public finances.

Following several months of negotiation between Transport for the North, the Department for Transport, and key stakeholders, our Board decided to cancel the project in its then current form and pursue other alternative options for achieving the underlying policy objectives.

In recognition of this decision, Transport for the North has impaired this capitalised asset (recognised in 2018/19) and charged the costs to the Consolidated Income and Expenditure Statement. An adjustment, equivalent to this impairment, has been made, via the MIRS, to restate the General Fund.

Note 8 - Events After the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Finance Director on 31 May 2020. 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 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 the authority in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the authority 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.

2019/2020	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£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)	(1,440)			1,440
Changes in fair value of pooled investments	0			0
Holiday pay (transferred to the Accumulated Absences reserve)	(27)			27
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(4,840)		-	4,840
Total Adjustments to Revenue Resources	(6,307)	0	0	6,307
Adjustments between Revenue and Capital Resources				
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	1,442			(1,442)
Total Adjustments between Revenue and Capital Resources	1,442	0	0	(1,442)
Total Adjustments	(4,866)	0	-	4,866

2018/2019	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£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)	(2,642)			2,642
Holiday pay (transferred to the Accumulated Absences reserve)	(136)			136
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	7,028		(2,106)	(4,922)
Total Adjustments to Revenue Resources	4,250	0	(2,106)	(2,144)
Adjustments between Revenue and Capital Resources				
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	355			(355)
Total Adjustments between Revenue and Capital Resources	355	0	0	(355)
Total Adjustments	4,605	0	(2,106)	(2,499)

Note 10 - Transfers to/from 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 1 April In 2018	Transfers In 2018/19	Transfers Out 2018/19	Balance at 31 March In 2019	Transfers In 2019/20	Transfers Out 2019/20	Balance at 31 March 2020
	£000	£000	£000	£000	£000	£000	£000
General Fund Reserves:							
Integrated and Smart Ticketing Revenue Funding Reserve	0	(1,944)	0	(1,944)	(3,651)	1,667	(3,928)
Earmarked Devolved Powers Reserve	0	0	0	0	(500)	0	(500)
Total General Fund	0	(1,944)	0	(1,944)	(4,151)	1,667	(4,428)

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.

	2018/19 £000	2019/20 £000
0 Interest payable and similar charges		0
134 Interest payable on the net defined benefit liability (asset)		234
(154) Interest receivable and similar income		(234)
(20) Total		0

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

	2018/19 £000	2019/20 £000
(16,141) TfN Core Grant		(10,000)
(7,328) Integrated and Smart Ticketing Capital Grant		(940)
(23,470) Total		(10,940)

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'.

The reduction in year-on-year employee benefits expenses belies the increased expenditure seen relating to pay inflation and an increased employee cohort. This variance is distorted by a one-off recognition in 2018/19 of a pensions liability upon TfN becoming a statutory entity in its own right.

2018/19		2019/20
£000	Nature of Expenditure or Income	£000
	0 Fees, charges and other service income	(52)
	0 Support Service recharge income	0
(154)	Interest and investment income	(234)
	0 Income from local taxation	0
(44,002)	Government grants and contributions	(48,817)
	0 Other income	0
8,517	Employee benefits expenses	7,774
	0 Support service recharge expenditure	0
23,078	Other service expenses	42,243
	301 Depreciation, amortisation and impairment	354
	134 Interest payments	234
(12,126) (Surplus) or Deficit for Year		1,502

Note 14 - Intangible Assets

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

This note recognises the development of complex information systems for Phases 2 and 3 of the Integrated and Smart Ticketing programme which is aiming to deliver improvements to the way in which passengers access journey time and disruption information and enable the implementation of smart payment systems across the northern passenger transport network. This activity is shown as under construction as the assets are not yet operational.

The note also recognises the development and implementation of TfN's enterprise resource planning (ERP) system. The ERP system is in use and is shown under the 'operational assets' column.

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.

31st March 2019			31st March 2020		
Assets Under Development	Operational Assets	Total	Assets Under Development	Operational Assets	Total
£000	£000	£000	£000	£000	£000
Balance at start of year:					
0	547	547	5,223	902	6,125
			Gross carrying amounts		
0	0	0	0	(301)	(301)
			Accumulated amortisation		
0	547	547	5,223	601	5,824
Net carrying amount at start of year					
Additions:					
5,223	0	5,223	2,275	0	2,275
			- Internal development		
0	355	355	0	107	107
			- Purchases		
0	0	0	(1,063)	1,063	0
			Assets that became operational in the year		
0	(301)	(301)	0	(354)	(354)
			Amortisation for the period		
0	0	0	(4,323)	0	(4,323)
			Impairment losses recognised in the surplus / deficit on the provision of services		
5,223	601	5,824	2,112	1,417	3,529
Net carrying amount at end of year					
Comprising:					
5,223	902	6,125	2,112	2,072	4,184
			- Gross carrying amounts		
0	(301)	(301)		(655)	(655)
			- Accumulated amortisation		
5,223	601	5,824	2,112	1,417	3,529
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

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.

31st March 2019		31st March 2020
£000		£000
16	Employees	24
90	Prepayments	244
68	TfN Partners	331
4	Other	0
178	Total Debtors	599

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 2019		31 March 2020
£000		£000
4,371	Cash and Bank balances	4,307
10,000	Short Term Investments	15,000
14,371	Total Cash and Cash Equivalents	19,307

Note 17 - Creditors

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

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

Amounts owed to train operating companies are principally reflective of the grant arrangements in place to support the implementation of the ITSO on Rail smart ticketing project.

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

	31st March 2019	31st March 2020
	£000	£000
Employees	(161)	(163)
Train Operating Companies:		
Arriva Rail North	(244)	(701)
Transpennine Express	(351)	(613)
Merseytravel	(51)	(114)
TfN Partners:		
Liverpool City Region	(1)	0
Nexus	(98)	0
Transport for Greater Manchester	(134)	(447)
Network Rail	(1,613)	(3,643)
Trade Suppliers	(1,434)	(2,365)
Total Creditors	(4,087)	(8,046)

Note 18 - Provisions

Provisions reflect the amount set aside for probable, but uncertain, economic obligations. These include forecast amounts due to HMRC for TfN's PAYE Settlement Agreement and forecast amounts due to settle contractual issues with suppliers.

2018/19	Total Provisions	2019/20
£000		£000
0	Opening Balance	(77)
(77)	Increase in provision during year	(49)
(77)	Closing Balance	(126)

Note 19 - Usable Reserves

Movements in the authority's usable reserves are detailed in the Movement in Reserves Statement.

The table below details the opening and closing balances on usable reserves and is notable for the inclusion of the Earmarked Devolved Powers Reserve created this year:

31 March 2019		31 March 2020
£000		£000
(2,106)	Capital Grants Unapplied	(1,002)
(1,944)	Revenue Earmarked Grants: Integrated & Smart Ticketing	(3,929)
0	Revenue Earmarked Devolved Powers Reserve	(500)
(5,577)	General Fund	(6,457)
(9,627)	Total	(11,887)

The following table shows the receipt of capital grants for which conditions of use have been met yet not applied to expenditure and grants received in previous years which have been applied to expenditure during the year.

Capital Grants Unapplied

31 March 2019		31 March 2020
£000		£000
0	Balance 1 April	(2,106)
(2,106)	Capital grants recognised in year	0
0	Capital grants applied in year	1,104
(2,106)	Balance 31 March	(1,002)

Note 20 - Unusable Reserves

This note recognises 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:

31 March 2019		31 March 2020
£000		£000
(5,824)	Capital Adjustment Account	(3,529)
3,631	Pension Reserve	6,080
136	Accumulated Absences Account	163
(2,057)	Total	2,714

The Capital Adjustment Account reflects the funding of capital expenditure over the course of the year, the depreciation of those assets, and the treatment of capital expenditure that does not result in the creation of an asset for TfN.

This latter issue, known as Revenue Expenditure Funded from Capital Under Statute (REFCUS), reflects the transactions undertaken in Phase 1 of the Integrated and Smart Ticketing programme where TfN has granted capital resource to train operating companies to enable them to deliver TfN's ITSO on Rail aspirations.

The Capital Adjustment Account allows TfN to adjust for transactions that would otherwise impact upon the General Fund Balance:

Capital Adjustment Account

31 March 2019		31 March 2020
£000		£000
0	Balance 1 April	(5,824)
(547)	Opening Asset Balance Transferred	0
(547)	Revised Opening Balance	(5,824)
0	Charges for depreciation and impairment of non-current assets	4,323
301	Amortisation of intangible assets	354
2,974	Revenue expenditure funded from capital under statute	2,274
3,275	Net written out amount of the cost of non-current assets consumed in the year	6,950
(8,197)	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(2,110)
0	Application of capital grants and capital contributions from the Capital Grants Unapplied account	(1,104)
(355)	Capital expenditure charged against the General Fund	(1,442)
(8,551)	Capital financing applied in year:	(4,656)
(5,824)	Balance 31 March	(3,529)

The pension reserve is the means by which the differences between the accounting treatment of pension liabilities and statutory treatment of those liabilities is adjusted.

Under statute TfN must make annual provisions for its pension liabilities. These are the costs represented in the management outturn position and the value of cash transfers to the Greater Manchester Pension Fund.

Accounting rules require these transactions to be removed from the CIES and replaced by transactions that reflect the accounting requirements. To ensure those accounting rules do not impact upon the General Fund balance, those transactions are then reversed into the Pension Reserve.

In year, these reversals ensure that the General Fund Balance does not bear the cost of the increased deficit shown from the absorption of the pension deficit recognised post-TUPE transfer, and the increase in the deficit at the valuation point due to adjustments to economic assumptions.

Pension Reserve

31 March 2019		31 March 2020
£000		£000
0	Balance 1 April	3,631
989	Remeasurements of the net defined benefit (liability)/asset	1,009
3,318	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	2,353
(676)	Employer's pensions contributions and direct payments to pensioners payable in the year	(913)
0	Other movements	0
3,631	Balance 31 March	6,080

Under accounting standards TfN is required to show the financial cost (inclusive of on-costs) of untaken leave at the financial year-end, regardless of whether contracts of employment allow that untaken leave to be converted in remuneration.

This cost is then recognised in the CIES and as a creditor on the balance sheet. To ensure that this cost does not impact upon the General Fund Balance, the cost is then reversed into the Accumulated Absence Account.

Accumulated Absences Account

31 March 2019		31 March 2020
£000		£000
0	Balance 1 April	136
0	Settlement or cancellation of accrual made at the end of the preceding year	(136)
136	Amounts accrued at the end of the current year	163
136	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	27
136	Balance 31 March	163

Note 21 - Cash Flow from Operating Activities

The cash flows for operating activities include the following items:

31 March 2019		31 March 2020
£000		£000
(72)	Interest received	(106)
0	Interest paid	0
0	Dividends received	0
(72)	Total	(106)

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

31 March 2019		31 March 2020
£000		£000
0	Depreciation	0
0	Impairment and downward valuations	(4,323)
(301)	Amortisation	(354)
0	(Increase)/decrease in impairment for bad debts	0
(4,436)	(Increase)/decrease in creditors	(3,338)
178	Increase/(decrease) in debtors	421
0	Increase/(decrease) in inventories	0
(2,642)	Movement in pension liability	(1,440)
0	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	0
(77)	Other non-cash movements charged to the surplus or deficit on provision of services	(49)
(7,279)	Total	(9,082)

The surplus or deficit on the provision of services has been adjusted for the following items which are investing and financing activities:

31 March 2019		31 March 2020
£000		£000
0	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	0
0	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	0
7,328	Any other items for which the cash effects are investing or financing cash flows	940
7,328	Total	940

Note 22 - Cash Flow from Investing Activities

31 March 2019		31 March 2020
£000		£000
5,033	Purchase of property, plant and equipment, investment property and intangible assets	2,645
0	Purchase of short-term and long-term investments	0
0	Other payments for investing activities	0
0	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	0
0	Proceeds from short-term and long-term investments	0
(7,328)	Other receipts from investing activities	(940)
(2,295)	Net cash flows from investing activities	1,705

Note 23 - Members' Allowances

The authority paid the following amounts to the Independent Members of its Audit and Governance Committee during the year. This value has increased reflecting a full year's schedule of meetings in 2019/20 compared to the part-year schedule in 2018/19.

31 March 2019	31 March 2020
£	£
800	1,400
Independent Audit & Governance Committee Members	

Note 24 - Officers' Remuneration

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

The remuneration paid to the authority's senior employees in 2019/20 is as follows:

Role	Salaries	Employer Pension Contribution	Taxable Allowances	Professional Memberships	Severance Payments
Chief Executive (Head of Paid Service)	£156,060	£22,460	£4,316	£415	£0
Barry White					
Chairman (pro-rata)	£45,000	£0	£0	£0	£0
John Cridland - Chairman full-time equivalent	£220,000				
IST Programme Director - Departed post 28/06/2019	£35,456	£5,567	£0	£0	£93,689
NPR Programme Director	£141,826	£22,267	£1,600	£343	£0
Major Roads Programme Director	£118,136	£18,547	£1,306	£331	£0
Strategic Rail Director	£112,767	£17,704	£1,600	£0	£0
Rail North Partnership Director	£112,767	£17,704	£1,600	£0	£0
Chief Financial Officer (Section 151)	£141,826	£22,267	£1,600	£395	£0
Business Capabilities Director	£118,136	£18,547	£0	£198	£0
Head of Legal Services (Monitoring Officer)	£57,325	£9,000	£0	£588	£0
- Joined 15/07/2020					
Head of Legal Services (Monitoring Officer)	£22,763	£3,413	£325	£0	£0
- Departed post 04/07/2019					
Strategy and Policy Director	£26,714	£4,194	£0	£0	£0
- Joined 04/01/2020					
Strategy and Policy Director	£31,383	£4,598	£0	£0	£0
- Departed post 30/06/2019					

The remuneration paid to the authority's senior employees in 2018/19 is as follows:

Role	Salaries £	Employer Pension Contribution £	Taxable Allowances £	Professional Memberships £	Severance Payments £
Chief Executive (Head of Paid Service)	153,750	26,661	18,331	415	
Barry White Chairman (pro-rata)	45,000				
John Cridland - <i>Chairman full-time equivalent</i>	220,000				
IST Programme Director	137,765	25,181			
NPR Programme Director	137,434	25,119	1,060	335	
Major Roads Programme Director	114,828	20,989	820	304	
Strategic Rail Director	104,980	20,772	1,067		
Rail North Partnership Director	104,980	20,773			
Chief Financial Officer (Section 151)	138,280	25,278	1,002	375	
Business Capabilities Director	113,397	20,720			
Head of Legal Services (Monitoring Officer)	76,669	14,013	1,222	368	

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:

	2018/19	2019/20
9	£50,000 – £54,999	10
4	£55,000 – £59,999	3
2	£60,000 – £64,999	5
6	£65,000 – £69,999	5
2	£70,000 – £74,999	5
5	£75,000 – £79,999	4
1	£80,000 – £84,999	2
0	£85,000 – £89,999	1
29		35

Note 25 - External Audit Costs

This note reflects the cost of TfN's external audit for the financial year.

2018/19		2019/20
£000		£000
33	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	33
33	Total	33

Note 26 - Grant Income

TfN is almost entirely funded from grants and contributions. Those values can be recognised in the CIES either on the non-specific income line, or on the services lines. The distinction between the two treatments principally reflects conditions or restrictions on those grants, and whether the grants are for capital or revenue expenditure.

Grants that are restricted to discrete activity are shown on the service lines. Capital grants supporting Revenue Expenditure Funded from Capital Under Statute (REFCUS), such as those that support the Phase 1 capital expenditure in support of the ITSO on Rail project, are also shown on the service line to reflect that that expenditure is shown in the CIES.

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

2018/19 £000		2019/20 £000
(16,141)	Core Grant	(10,000)
(1,408)	Integrated & Smart Ticketing Phase 1	0
(920)	Integrated & Smart Ticketing OBC Development	0
(5,000)	Integrated & Smart Ticketing Capital	0
0	Integrated & Smart Ticketing Phase 2 Capital	(940)
(23,470)	Total	(10,940)

Grant Income Credited to Services

2018/19 £000		2019/20 £000
(13,379)	NPR Transport Development Fund	(26,932)
(3,000)	Integrated & Smart Ticketing Revenue	(8,680)
(2,974)	Integrated & Smart Ticketing Phase 1	(1,170)
(500)	Rail North Partnership Grant	(582)
(99)	Trans-Pennine Tunnel Traffic Modelling	(11)
(56)	Rail North Local Contributions	(67)
(524)	Rail North Rail Grant (via Local Contributions)	(542)
(20,532)	Total	(37,984)

Grants with restrictions that may require unused allocations to be returned are shown as grants received in advance as a current liability. During 2019/20 TfN drew down upon the significant majority of its grants held in this manner:

Grant Receipts in Advance - Revenue

2018/19 £000		2019/20 £000
(873)	NPR Transport Development Fund	0
(21)	Trans Pennine Tunnel Traffic Modelling	(10)
(893)	Total	(10)

Grant received via Transport Development Fund governance must be returned to the Department for Transport if not required.

Note 27 - Related Parties

Transport for the North'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 2019/20 with bodies in which officers had a pecuniary interest and were able to exercise such an influence.

Funding

Transport for the North is almost entirely funded from the Department for Transport. The Secretary of State for Transport is represented on the Transport for the North Board leading to common control. Over the course of the financial year, grants to a value of £44.82m was received from the Department.

Transport for the North is the recipient of local funding contributions for its Rail North activities. These contributions are made by the Rail North authorities (detailed in the narrative statement) and amounted to £0.61m 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 on 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 2019/20 this was relatively immaterial, with income recognised to the value of £0.06m.

Expenditure

Over the course of the year Transport for the North 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 GMCA, a Transport for the North Board member. Throughout the year TfGM have provided elements of ICT and facilities management support to the organisation on a contractual basis, whilst Transport for the North's Manchester based office space is leased from TfGM. In total, Transport for the North incurred expenditure of £0.75m with Transport for Greater Manchester.

Network Rail are the system operator for the northern rail network and are also represented on the Transport for the North board. During the year, Transport for the North engaged Network Rail in a number of rail studies in support of the Northern Powerhouse Rail programme. The cost of this activity in year was £17.44m.

As part of the ITSO on Rail project within the Integrated and Smart Ticketing programme, Transport for the North provides grant support to the northern train operating companies. Under this arrangement, Merseytravel, the regional transport executive for the Liverpool City Region area, have received grant support totalling £0.51m.

Note 28 - Capital Expenditure and Capital Financing

During the year TfN incurred capital expenditure totalling £4.66m. This expenditure was principally incurred in delivering the Integrated and Smart Ticketing programme, but also includes the costs of developing and TfN's ERP system.

The following note reflects that expenditure and sources of finance. Reflecting that TfN is almost entirely grant funded, the majority of this expenditure was funded from capital grant discrete to the Integrated and Smart Ticketing programme.

TfN's ERP system was funded from the Core revenue grant.

Capital Expenditure and Capital Financing

31 March 2019		31 March 2020
£000		£000
0	Opening Capital Financing Requirement	0
	Capital Investment:	
5,577	Intangible Assets	2,382
2,974	Revenue Expenditure Funded from Capital Under Statute	2,274
8,551	Total Capital Spending	4,656
	Sources of Finance:	
(8,197)	Government Grants and other contributions	(3,214)
	Sums set aside from revenue:	
(355)	- Direct revenue contributions	(1,442)
(8,551)	Total Sources of Finance	(4,656)
0	Closing Capital Financing Requirement	0

Note 29 - 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 scheme 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. 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 postemployment/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.

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.

General Fund Transactions

2018/19	2019/20
LGPS £000	LGPS £000
Comprehensive Income and Expenditure Statement	
Cost of Services	
Service cost comprising:	
1,043 Current service cost	2,070
2,223 Past service cost	177
52 Net interest expense	106
3,318 Total charged to Surplus and Deficit on Provision of Services	2,353
Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement	
£000	
Re-measurement of the net defined benefit liability comprising:	
(29) Return on plan assets (excluding the amount included in the net interest expense)	(874)
0 Actuarial gains and losses arising on changes in demographic assumptions	(313)
1,018 Actuarial gains and losses arising on changes in financial assumptions	(1,510)
0 Actuarial gains and losses arising on changes other assumptions	3,706
989 Total charged to Other Comprehensive Income and Expenditure Statement	1,009
2,084 Total charged to the Comprehensive Income and Expenditure Statement	3,362

2018/19	2019/20
LGPS	LGPS

Movement in Reserves Statement

£000	£000
(3,318) Reversal of net charges made to the Surplus or Deficit on the Provision of Services	(2,353)
Actual amount charged against the general fund balance for pensions in the year:	
676 Employers' contributions payable to scheme	913

2018/19	Pensions Assets and Liabilities Recognised in the Balance Sheet	2019/20
LGPS		LGPS

£000	£000
(8,061) Present value of the defined obligation	(12,904)
4,430 Fair value of plan assets	6,824
(3,631) Net (liability) / asset arising from the defined benefit obligation	(6,080)

2018/19	Movement in the Value of Scheme Assets	2019/20
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LGPS	LGPS	
£000	£000	
0	Opening fair value of scheme assets	4,430
82	Interest income	128
	Re-measurement gain / (loss):	
29	- The return on plan assets, excluding the amount included in the net interest expense	874
676	Contributions from employer	913
330	Contributions from employees into the scheme	493
0	Net benefits paid out	(14)
3,313	Transfers in	0
4,430	Closing value of scheme assets	6,824

2018/19	Movements in the Fair Value of Scheme Liabilities	2019/20
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LGPS	LGPS	
£000	£000	
0	Opening balance at 1 April	(8,061)
(1,043)	Current service cost	(2,070)
(134)	Interest cost	(234)
(330)	Contributions from scheme participants	(493)
	Re-measurement gains and losses:	
(1,018)	- Actuarial gains / (losses) from changes in demographic assumptions	(3,706)
0	Actuarial gains and losses arising on changes in financial assumptions	1,510
0	Actuarial gains and losses arising on changes other assumptions	313
0	Past service cost	(177)
0	Net benefits paid out	14
(5,536)	Transfers in	0
(8,061)	Balance as at 31 March	(12,904)

LGPS - Pension Scheme - Assets comprised of:

Fair value of scheme assets

2018/19			2019/20			
Quoted	Unquoted	Total		Quoted	Unquoted	Total
£000	£000	£000		£000	£000	£000
111	0	111	Cash and cash equivalents	108	0	108
Equity Securities						
245	0	245	Consumer	620	0	620
256	0	256	Manufacturing	524	0	524
249	0	249	Energy and Utilities	392	0	392
351	0	351	Financial Institutions	758	0	758
131	0	131	Health and Care	308	0	308
79	0	79	Information Technology	274	0	274
49	0	49	Other	142	0	142
1,359	0	1,359	Subtotal Equity Securities	3,018	0	3,018
Debt Securities						
166	0	166	Corporate Bonds (investment grade)	258	0	258
29	0	29	Corporate Bonds (non-investment grade)	220	0	220
112	0	112	UK Government	0	0	0
307	0	307	Subtotal Debt Securities	478	0	478
Private Equity						
0	208	208	All	0	352	352
0	208	208	Subtotal Private Equity	0	352	352
Real Estate						
0	210	210	UK Property	0	288	288
0	210	210	Subtotal Real Estate	0	288	288
Investment Funds and Unit Trusts						
1,001	0	1,001	Equities	685	0	685
551	0	551	Bonds	788	0	788
0	212	212	Hedge Funds	0	331	331
86	382	468	Commodities	171	605	776
1,639	595	2,233	Subtotal Investment Funds and Unit Trusts	1,644	936	2,580
Derivatives						
2	0	2	Inflation	0	0	0
2	0	2	Subtotal Derivatives	0	0	0
3,418	1,012	4,430	Total Assets	5,248	1,576	6,824

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 transactions in the preceding table have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

The table above shows the amount included in the Balance Sheet arising from TfN's obligation in respect of its defined benefit plans.

Assumptions

Financial

Period Ended	31 March 2020	31 March 2019
	%p.a.	%p.a.
Pension Increase Rate (CPI)	1.8%	2.4%
Salary Increase Rate	2.6%	3.2%
Discount Rate	2.3%	2.5%

Mortality

Average future life expectancies at age 65 are summarised below:

	Male	Female
Current Pensioners	20.5 years	23.1 years
Future Pensioners#	22.0 years	25.0 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:

Prospective Pensioners	Pensioners
CMI2013 model assuming the current rate of improvements has peaked and will converge to a long-term rate of 1.25% p.a.	CMI2013 model assuming the current rate of improvements has peaked and will converge to a long-term rate of 1.25% p.a.

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

Commutation

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

Sensitivity analysis

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

Change in assumptions at 31 March 2019	Approximate % increase to Defined Benefit Obligation	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	15%	1,931
0.5% increase in the Salary Increase Rate	3%	347
0.5% increase in the Pension Increase Rate (CPI)	12%	1,559

Note 30 - Leases

Lessee Operating Leases

TfN has 2 properties held under operating leases comprising the Leeds and Manchester offices. During the year TfN has moved to occupy more space in an adjoining suite at its Manchester offices, reflecting the increase in the number of officers and partners working on the NPR programme. At the year-end, TfN was finalising the longer-term contracting for this space and so the details below reflect the additional cost. The minimum lease payments due under non-cancellable leases in future years are:

March 2019		March 2020
£000		£000
338	Not later than one year	253
603	Later than one year and not later than 5 years	545
0	More than 5 years	0
941	Total	798

The expenditure charged to 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 therefore £444k.

Annual Governance Statement 2019/20

Introduction

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

Transport for the North was established by the Sub-National Transport Bodies (Transport for the North) Regulations 2018 and came into being on the 1st April 2018, holding its inaugural meeting on 5th April 2018. This is therefore its second Annual Governance Statement and the organisation's Constitution, policies, procedures and systems continued to be developed during 2019/20. As a Sub-National Transport Body, Transport for the North's core functions are to prepare a transport strategy for the area and to provide advice to the Secretary of State regarding the exercise of transport functions in the area. Transport for the North is funded in these activities by the Department of Transport.

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

Transport for the North's governance arrangements are set out in its Constitution. All decisions relating to the Constitution, approval of the Budget and Business Plan and adoption of the Strategic Transport Plan are reserved to the Transport for the North Board. Other decisions may be taken under delegated powers by Committees, the Chief Executive, and other senior officers under the arrangements set out in the Constitution. Under the Board the Rail North Committee oversees the management of the performance of the Northern and TransPennine Express rail franchises under a Partnership Agreement with the Secretary of State for Transport.

The Regulations which established Transport for the North provided for the appointment of a Partnership Board to advise on matters relating to transport in the area. The membership of the Partnership Board mirrors the membership of the Transport for the North Board with the addition of a representative of the DfT. During 2019/20 Transport for the North decided to enlarge the Partnership Board and invited a representative of groups representing the interests of those with disabilities, environmental concerns and the travelling public and the three regional TUC representatives to become members.

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

Transport for the North has also established an Audit and Governance Committee consisting of five Board Members and three Independent Members who have been publicly recruited on the basis of relevant skills whose role is to provide assurance to the Board on governance, risk management and the internal control framework.

During March 2020 Transport for the North in common with the whole of the UK was affected by the Covid-19 pandemic. In response to the emergency Transport for the North has implemented its Business Continuity Plan and has been able to move to full remote working. The implementation of the Business Continuity Plan has enabled the continuation of Transport for the North's governance arrangements and enabled its internal system of controls to continue to function.

Scope of Responsibility

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. 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.

Transport for the North has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework, Delivering Good Governance in Local Government. A copy of the Code of Governance is included in Transport for the North's Constitution and is on Transport for the North's website at <http://www.transportfornorth.com>. Alternatively it can be obtained via a written request from the Head of Legal, Transport for the North, 4, Piccadilly Place Manchester M1 3BN. 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.

Delivering Good Governance in Local Government

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.

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.

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.

The governance framework was in place at Transport for the North for the 2019/20 financial year and up to the date of approval of the Statement of Accounts.

The Corporate Governance Framework

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

1. Focusing on the purpose of Transport for the North and the outcomes for the community and creating and implementing a vision for the area;
2. Members and officers working together to achieve a common purpose with clearly defined functions and roles;
3. Promoting values for Transport for the North and demonstrating the value of good governance through upholding high standards of conduct and behaviour;
4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
5. Developing the capacity and capability of Members and officers to be effective;
6. Engaging with local people and stakeholders to ensure robust public accountability,

7. Section 102I of the Local Transport Act 2008 imposes a requirement on Transport for the North, in the preparation of its Strategic Transport Plan, to have regard to the promotion of economic growth and the social and environmental impacts of the implementation of its proposals. This includes having regard for the impact of decisions on future generations.

The table below sets out examples of how Transport for the North has met the principles set out in the CIPFA Framework and also adhered to its governance commitments set out in the Code of Governance and includes hyperlinks to sources of further information.

A Behaving with Integrity, demonstrating strong commitment to ethical values and respect for the rule of law	
Core Principle	
Promoting values for Transport for the North and demonstrating the value of good governance through upholding high standards of conduct and behaviour.	
<i>How we met the principle</i>	<i>Evidence</i>
<p>Those Members of Transport for the North who are elected Members of a Local Authority are expected to adhere to the adopted Code of Conduct of their Local Authority while 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.</p> <p>Transport for the North has adopted a Code of Conduct for Officers and a Protocol on Member /Officer Relations, to which all officers are expected to adhere. Serious breaches of these Codes by officers would be investigated under the organisation's disciplinary code.</p> <p>Transport for the North's induction process for new recruits outlines the behaviours and values that are expected from officers.</p> <p>Transport for the North has a zero-tolerance approach to fraud and corruption and has adopted strong Anti-Fraud & Corruption and Whistleblowing Policies.</p> <p>Members are required to make a declaration of their disclosable pecuniary interests and also to declare any disclosable pecuniary interests in the business of the meeting at the start of all meetings of the Transport for the North Board or its Committees, and to take no part in such business, but to leave the meeting.</p> <p>Employees are required to notify their Executive Director or the Monitoring Officer about any potential conflict of interests. The Supplier Recommendation Request Form, which must be signed off at the end of the procurement process but prior to contract award, specifically requires officers to state that they have no conflict of interest in the procurement.</p> <p>The adopted Code of Practice in relation to Gifts and Hospitality has been reviewed during 2019/20 and training on the Code has been rolled out across the organisation. A register of Gifts and Hospitality is maintained by the Monitoring Officer, in which officers are required to declare any gifts or hospitality of more than nominal value which</p>	<p>Constitution</p> <p>Code of Conduct for Officers Member/Officer Relations Protocol Human Resources On-boarding Policies</p> <p>Anti-Fraud and Corruption Policy Whistleblowing Policy</p> <p>Anti-Fraud and Corruption Policy Whistleblowing Policy</p> <p>Contract Procurement Rules</p> <p>Code of Practice on Gifts and Hospitality Register of Gifts and Hospitality</p>

<p>they have been offered, whether or not it has been accepted. An annual reminder is issued to all Employees.</p> <p>Transport for the North has appointed a Monitoring Officer who works with Members and Officers to ensure that Transport for the North complies with its legal duties and all legal requirements. The legal implications of any report are considered and, where appropriate, legal advice provided within reports that inform decisions that are taken by Members. Legal advice is available to Members at all meetings of the Transport for the North Board and its Committees.</p> <p>The Monitoring Officer has statutory reporting responsibilities in relation to any unlawful decisions or maladministration.</p> <p>The Finance Director has statutory reporting duties in respect of unlawful expenditure and financially imprudent decision making.</p> <p>The Audit and Governance Committee has been established with oversight of Internal Audit and through the Internal Audit process provides assurance of Transport for the North's internal policies including HR, Antifraud and Corruption Policy and Whistleblowing Policies.</p> <p>During 2019/20 we have reviewed Transport for the North's Whistleblowing Policy to ensure that it up to date and provides guidance for officers and other workers wishing to raise concerns in the public interest. Transport for the North has signed up to Protect (formerly Public Concern at Work)</p>	<p>Board Reports</p> <p>Constitution</p> <p>Constitution</p> <p>Whistleblowing Policy</p>
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B Ensuring openness and comprehensive stakeholder Engagement

Core Principle
Engaging with local people and stakeholders to ensure robust public accountability

<i>How we met the principle</i>	<i>Evidence</i>
<p>Transport for the North's website is set out in a clear and accessible way, providing clear access to reports and minutes from Board meetings, along with updates on our core programmes and links to relevant documents. Transport for the North is also very active on social media, which regularly tweets links to the website where more information can be found.</p> <p>All meetings of the Transport for the North Board and its formal Committees are held in public, unless information which is either confidential under section 100A or exempt under Part 1 of Schedule 12A of the Local Government Act 1972 is to be disclosed. Copies of all minutes and agendas of the Board and formal Committees are available on Transport for the North's website. All reports contain details of options considered and the advice provided by officers regarding legal and financial implications. The minutes include the reasons behind the decisions made. Transport for the North has a Freedom of Information Publication Scheme in place and seeks to publish</p>	<p>Transportforthenorth.com website</p> <p>Board and Committee Agenda and Minutes</p>

<p>information openly on its website wherever possible and practicable to do so.</p> <p>During 2019/20 Transport for the North has procured equipment and services to allow it to televise certain meetings via a live stream available from the website. This commenced at the Transport for the North Board held in September 2019. Live streams are publicised via Transport for the North’s social media platforms.</p> <p>In response to the Covid-19 pandemic Transport for the North will be moving to holding virtual Board and Committee meetings with public attendance enabled through a live stream to its website. All agenda and minutes will continue to be available on the website.</p> <p>Under its Regulations, Transport for the North is required to establish a Partnership Board to advise it on all matters relating to transport to, from and within its area. The Partnership Board is a forum in which the elected Members of Transport for the North engage and consult with the business leaders of the area through representatives of the eleven northern Local Enterprise Partnerships and with the national transport delivery agencies Network Rail Highways England and HS2. During 2019/20 Transport for the North reviewed the membership of the Partnership Board and agreed to widen its membership to include representatives of the Northern Regional TUC and of groups representing environmental interest groups, people with disabilities and the travelling public to enable these additional voices to be heard.</p> <p>Transport for the North carries out extensive stakeholder engagement through its Engagement team and the wider organisation. Transport for the North Officers meet regularly with Parliamentarians, Members and officers of other Authorities, representatives of the Welsh and Scottish devolved governments, representatives of business organisations, and other stakeholders, such as community groups. The types of events vary from attending APPG meetings in parliament, to roundtable events, and speaking engagements across the North and the rest of the UK.</p> <p>Transport for the North is committed to full public engagement. Extensive public consultation was carried out prior to the adoption of the Strategic Transport Plan and public consultation will be carried out in relation to all Transport for the North’s other programmes when they have been developed to an appropriate stage. In the meantime, Transport for the North will continue with its broader engagement to raise its public profile and awareness of Transport for the North programmes.</p> <p>Transport for the North has undertaken to engage fully with its Constituent Authorities and has established officer reference groups for all its major work</p>	<p>Transport for the North website</p> <p>Transport for the North Regulations Constitution</p> <p>Memoranda of Understanding signed with the Welsh Government and Midlands Connect</p> <p>Strategic Transport Plan</p> <p>Constitution</p>
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<p>programmes where officers from the different Local Authorities across the region have an opportunity to help formulate Transport for the North's policies and proposals at an early stage.</p> <p>Engagement with the eleven Local Enterprise Partnerships takes place through their membership of the Transport for the North Board and of the Partnership Board, individual meetings on specific topics, and through meetings with the NP11 an organisation made up of the Local Enterprise Partnerships across the region.</p> <p>Transport for the North has also brought together a Members Working Group to ensure the views of Transport for the North's constituent authorities and their communities are heard and understood via their elected representatives. This engagement has contributed to the development of the Northern Transport Charter.</p> <p>During 2019/20 Transport for the North has developed a new monthly operating report for Members designed to support scrutiny and challenge of its programmes and operations. This report provides qualitative and quantitative performance information in a single report.</p>	<p>Constitution</p> <p>Monthly operating reports</p>
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C Defining outcomes in terms of sustainable economic, social and environmental benefits

Core Principle
Having regard to the promotion of sustainable economic growth, and the social and environmental impacts of its proposals and having regard for the impact of current decisions and actions on future generations.

<i>How we met the principle</i>	<i>Evidence</i>
<p>The creation of sustainable economic growth is a key driver behind the Strategic Transport Plan. The initial Northern Powerhouse Independent Economic Review published in 2014 identified the persistent gap in GVA per capita and productivity performance in the North compared to the rest of the United Kingdom. The main purpose behind the establishing of Transport for the North is to achieve a rebalancing of the United Kingdom's economy through improvements to transport and connectivity between the major conurbations in the North and across the region.</p> <p>During 2019/20 a review of the Independent Economic Review has been undertaken.</p> <p>In developing the Strategic Transport Plan (STP) we undertook a thorough evaluation of the environmental and sustainability impacts of the proposals contained in the Plan.</p> <p>The STP outlined how the climate and environment will be factored in the design and development of transport interventions and plan. A "Pathway 2050" has been developed to collaborate with partners and the government to deliver the ambitions of the STP and local transport plans in tackling carbon impacts and reductions from transport.</p>	<p>Northern Powerhouse Independent Economic Review</p> <p>STP Evidence base Integrated Sustainability Appraisal</p>

<p>The Northern Transport Charter outlines an 'Inclusive and Sustainable North' as a key Transport for the North priority. This recognises that Transport for the North's investment programme must: contribute towards a reduction in carbon emissions; minimise the impact on the historical and natural environment; and, wherever possible, seek to deliver environmental enhancements.</p> <p>Proportionate environmental and sustainability assessments will be undertaken in relation to all proposals for infrastructure developments as part of the development or appraisal of options.</p> <p>Transport for the North's TAME function is also developing an Analytical Framework which consists of a series of analytical and modelling tools such as NELUM (Northern Economic and Land Use Model), NoHAM (Northern Highways Assignment Model) and NorTMS (Northern Transport Modelling System). The tools contribute to the provision of evidence to support the promotion of the economic and social evidence-based analysis of Transport for the North's transformational programmes.</p> <p>The Analytical Framework reflects Transport for the North's commitment to evidence-based decision making and will form part of Transport for the North's Assurance Framework. The Assurance Framework will provide for a consistent decision making process on the sequencing of future interventions, providing comfort to its Members, Constituent Authorities and the Department for Transport that Transport for the North has fit-for-purpose decision making processes.</p> <p>All reports presented the Transport for the North Board and its formal Committees contain an assessment of the implications of the report in terms of sustainability, environmental impact and equality impacts.</p> <p>The Strategic Plan and Investment Programme set out transport interventions which will benefit future generations beyond 2050.</p>	<p>The Northern Transport Charter</p> <p>Transport for the North's Analytical Framework</p> <p>The Assurance Framework</p> <p>Board Reports</p> <p>Strategic Transport Plan Investment Programme</p>
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D Determining the interventions necessary to optimise the achievement of the intended outcomes

Core Principle
Focusing on the purpose of Transport for the North and the outcomes for the community and creating and implementing a vision for the area.

<i>How we met the principle</i>	<i>Evidence</i>
<p>The Strategic Transport Plan for the area is based on a robust evidence base and sets out our vision for transformational change in relation to transport infrastructure in the North.</p>	<p>Strategic Transport Plan Evidence Base</p>
<p>The Investment Programme sets out an ambitious programme of infrastructure projects to be delivered over the period 2019 to 2050 that will implement Transport for the North's Strategic Transport Plan. Proposed projects</p>	<p>Investment Programme</p>

<p>have been developed in collaboration with local partners and represent the best options for securing transformational change.</p> <p>Transport for the North is committed to improving the standard of service provided by the railway network in the North and under a partnership with the Secretary of State manages the performance of the franchised railways in the region, Northern Rail and TransPennine Express. Through rigorous monitoring of the performance of these railways Transport for the North has held their management to account and been instrumental in ensuring that the Northern Rail Franchise was taken back into public control.</p> <p>During 2019/20 The Members of Transport for the North in partnership with the Secretary of State have carried out a review (the Blake-Jones Review) looking at the role and remit of Transport of the North with a view to achieving greater devolution of decision making to the north and ensuring that the interests of the travelling public are placed at the heart of decision making.</p> <p>Transport for the North continues to actively engage with its constituent members and has throughout the year held a number of sessions of the Member Working Group. This Group has contributed to the development and publication of the Northern Transport Charter which reasserts Transport for the North's ambitions for devolution of decision making to the North</p> <p>Transport for the North reassesses ongoing projects to ensure that they continue to deliver the intended outputs. Where this is no longer the case, as became clear with the IST Phase 3 project, Transport for the North reconsidered how the approach to the project could be amended so that whilst it will achieve different benefits, these are still aligned to its ambitions.</p>	<p>Blake-Jones Review</p> <p>Northern Transport Charter</p>
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E Developing the organisation's capacity, including the capacity of its leaders and the individuals within it

**Core Principle
Developing the capacity and capability of members and officers to be effective**

<i>How we met the principle</i>	<i>Evidence</i>
<p>Transport for the North has adopted officer development programmes, including a thorough initial Corporate induction programme for all new officers and line managers.</p>	<p>Corporate Induction Guidance</p>
<p>All new employees to Transport for the North are subject to a formal six-month probationary process where performance is assessed alongside the provision of initial learning and development support and guidance.</p>	<p>Probationary Policy</p>

<p>Annual staff appraisals and half-yearly reviews enable the management team to review both capacity and capability within their teams and identify any individual training and development needs. Key Performance objectives are captured in the online appraisal tool 'PERFORM' and training is delivered via the core curriculum of training.</p> <p>Role specific training needs are met through work-based learning and investment in software to enable effective outputs. Further career development is supported via the procurement of appropriate interventions to best meet individual and organisation needs.</p> <p>Where appropriate the organisation funds specialist training courses for officers and supports continuous professional development. Senior managers have undertaken leadership training.</p> <p>Transport for the North has incorporated Apprentices in to the workforce plan at key points of entry and over the last 2 years, 3 Apprentices have progressed to employment in permanent roles with Transport for the North. This is underpinned by strong relationships with Training Providers and internal support via Mentors and Line Managers. Mentors are provided with full Training.</p> <p>As Transport for the North introduces new policies and procedures, training sessions are held to make officers aware of these. Information on all policies and procedures is available on the Intranet and through our Learning Management system via e-learning modules.</p> <p>Transport for the North has invested in an e-learning and development tool "Learn" and all officers are encouraged to take advantage of this.</p> <p>Employee well-being forms a core element of Transport for the North's learning and development programme with the management of mental health at the heart of this activity. Well-being events on a quarterly basis and Mental-Health First Aiders are on hand at both our operational bases in Leeds and Manchester.</p>	<p>Transport for the North Appraisal Guide</p> <p>Learning and Development Policy</p> <p>Mental-Health First Aiders Protocol</p>
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F Managing risks and performance through robust internal control and strong public financial management

**Core Principle
Taking informed and transparent decisions which are subject to effective scrutiny and managing risk**

<i>How we met the principle</i>	<i>Evidence</i>
<p>Transport for the North has adopted robust procedures for identifying, analysing and managing risk.</p> <p>To strengthen the robustness of the RMS, Transport for the North is implementing risk management software which will assist directorate and programme teams in the timely capture, escalation and reporting risks, as set out in the RMS.</p>	<p>Risk Management Strategy (RMS)</p> <p>Risk Management System (Part of Transport for the North's Risk Management Strategy)</p>

<p>The Audit and Governance Committee is responsible for independently monitoring and assessing the adequacy and effectiveness of the risk management framework with particular focus on</p> <ul style="list-style-type: none"> (i) the risk management strategy for managing key risks; (ii) risk ownership, accountability and the development of mitigating actions; (iii) the alignment of internal audit and other assurance planning through a risk-based approach to auditing; and (iv) receiving reports from management on the adequacy and effectiveness of the internal control and risk management framework. <p>Transport for the North has a Risk Manager who is responsible for reporting on risk to the Finance Director and to the Audit and Governance Committee. The organisation has adopted a robust process for identifying, assessing and mitigating risks and these are reported regularly to the internal Operations Board of Directors, to the Executive Board and to the Audit and Governance Committee. Per the Constitution, the Finance Director is responsible for the presentation of Corporate Risks to the Transport for the North Board.</p> <p>Project management systems are in place for all programmes and programme Directors report regularly on performance to Programme Boards and to the Transport for the North Board</p> <p>Transport for the North has put in place a strong system of financial governance to manage and control its financial affairs. The Finance Director has overall responsibility for ensuring the effectiveness of internal controls. The Finance Director is supported by the Finance Controller who has day-to-day responsibility for ensuring adherence to the adopted processes and procedures. Transport for the North has adopted rigorous procurement approval procedures which ensure that all procurements comply with its contract procurement rules.</p> <p>Robust people management policies and procedures have also been adopted and embedded within Transport for the North in relation to code of conduct, recruitment and selection, probationary management, performance management, conduct and capability and absence management. This framework of policies and procedures for managing individual performance, conduct, capability and attendance at work.</p>	<p>Constitution Governance Framework</p> <p>Reports to Audit and Governance Committee and Transport for the North Board</p> <p>Contract Procedure Rules</p> <p>Recruitment & Selection, Probationary, Absence & Welfare, Performance Improvement, Disciplinary, Code of Conduct Policies</p>

G Implementing good practices in transparency, reporting and audit to deliver effective accountability

**Core Principle
Taking informed and transparent decisions which are subject to effective scrutiny and managing risk**

<i>How we met the principle</i>	<i>Evidence</i>
<p>Transport for the North considers the available evidence when making decisions. Transport for the North commissions extensive research for all its programmes and explores different options before prioritising proposals.</p> <p>The Strategic Transport Plan is based on a robust evidence base and was subject to a 13-week statutory consultation exercise during which officers and Members considered in detail the representations made by members of the public and stakeholders. The Strategic Plan is available for public inspection on the website</p> <p>Transport for the North has established a Scrutiny Committee made up of elected representatives from the 20 Constituent Authorities. The Board made a decision at its inaugural meeting to adopt a "Scrutiny First" model and so whenever possible all major decisions are subject to scrutiny before they are presented to the Board. The Scrutiny Committee therefore mostly has an opportunity to influence the Board's decisions before they are made, rather than reviewing decisions after they have been taken.</p> <p>The Committee meets regularly and is supported by Transport for the North officers. It subjects proposals to scrutiny before they are presented the Transport for the North Board, with the recommendations of the Scrutiny Committee being included in the officer's final report to the Board.</p> <p>All policies and proposals developed by Transport for the North are considered first at Officer Reference Groups hmade up of officers from all the Constituent Authorities and then by the internal Operating Board of Transport for the North Directors. Policies and proposals are then further considered by the Executive Board comprising the Chief Executives or their nominees of all the Constituent Authorities before being reported to the Transport for the North Board.</p> <p>All major work programmes also have Programme Boards which are attended by representatives of the DfT where the progress of these programmes is regularly reviewed against agreed milestones and where major funding decisions are determined.</p> <p>The Northern Powerhouse Rail project is co-cliented with the DfT and a Memorandum of Understanding with the DfT was approved by the Transport for the North Board on the 12th March 2020 setting out governance arrangements including regular reporting of finances, performance and risk to a Programme Board</p>	<p>STP and Evidence base Transport for the North Work Programmes</p> <p>Strategic Transport Plan</p> <p>Constitution</p> <p>Constitution</p>

<p>Transport for the North operates under Memorandum of Understanding with the Secretary of State for Transport and Officers of Transport for the North meet with representatives of DfT at regular Sponsorship Meetings where all funding decisions are discussed.</p> <p>During 2019/20 Transport for the North has introduced new monthly monitoring reports bringing together performance and financial information to provide greater transparency in relation to ongoing operations.</p> <p>The Rail North Partnership Team reports regularly to the Rail North Partnership Board made up of officers of the Constituent Authorities and the DfT where decisions in relation to the management of the performance of the franchised railways are made.</p> <p>Transport for the North has adopted robust procedures for identifying, analysing and managing risk. The risks are presented for discussion to Transport for the North's Operating Board, Audit and Governance Committee, DfT, and Transport for the North's Board.</p> <p>Transport for the North has an Audit and Governance Committee which is responsible for independently monitoring and assessing the adequacy and effectiveness of the risk management framework.</p> <p>The Audit and Governance Committee receives a risk report at every meeting and the Committee selects key risks which it wishes to explore in greater detail.</p> <p>The Audit and Governance Committee includes three Independent Members appointed after a public recruitment exercise to provide an independent focus and additional expertise to support the Committee in its role.</p> <p>The Finance Director is responsible for the internal audit function. This has been contracted out to RSM which operates within an Annual Audit Plan that is approved by the Audit & Governance Committee. RSM attends each committee meeting and reports on progress against the Audit Plan.</p> <p>Transport for the North has appointed Mazars as its external Auditors. The firm is updated throughout the year through the reports of the Audit and Governance Committee and are invited to attend every meeting of the Committee and so have an in-depth insight into the workings of Transport for the North.</p> <p>In line with best practice, Transport for the North publishes financial transparency reports each quarter detailing all individual items of expenditure greater than £500 and all procurement card spend.</p>	<p>Memorandum of Understanding with the Secretary of State</p> <p>Monthly Operating Report</p> <p>Rail North Partnership Board</p> <p>Programme and Corporate Risk Reports Constitution Corporate Governance Framework</p> <p>Constitution</p> <p>Reports to Audit and Governance Committee and Transport for the North Board</p> <p>Annual Audit Plan</p> <p>Transparency Reports</p>
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Organisational organograms and salary information is also made available for public consumption on the external website.	
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Annual Review of the Effectiveness of the Governance Framework

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

Governance Challenges identified in 2018/19 for 2019/20 onwards:

Subject	Action	Progress	Target Completion Date
Review of the Constitution	Undertake a full review of the Constitution to clarify decision making procedures	Amendments to the Constitution were approved and adopted from the Annual Council on 31/07/19 to address the issues which had been identified through the Constitution Review. The Constitution will be further reviewed to address the issues raised through the Blake-Jones Review of the Rail North Partnership and to address other issues identified during the year including the adoption of the new Whistleblowing policy	July 2020
Review of the Rail North Partnership with the Secretary of State	Implement the recommendations of the Blake/Jones Review into the Rail North Partnership	Implementation of the recommendations of the Blake-Jones Review will be incorporated within the wider governance review being carried out to establish The Northern Charter.	July 2020
Developing the Scrutiny Function	Providing training and development for the Scrutiny Committee to enable it to fully develop its role of Scrutiny First	A Scrutiny Committee training provider was engaged during the year.	July 2020
Key Corporate Risks		The Risk Management Strategy was reissued during the year with continual recognition and management of risks Since Procurement is a key risk a review into the efficiency of Transport for the North's internal commissioning processes was undertaken leading to a move to e-commissioning processes.	

Governance Challenges for 2020/21 and beyond:

Subject	Action	Responsible Officer	Target Completion Date
Review of the Constitution	To review the Constitution to bring in changes flowing from the Blake-Jones Review and the wider Members' review of the role of Transport for the North	Monitoring Officer	31/07/21
Adoption of the Assurance Framework	Implement and embed the Assurance Framework in Transport for the North decision-making processes	Strategy & Programme Director	31/07/21
Board Reporting	Embed and refine the Monthly Operating Report to ensure alignment of quantitative and qualitative reporting.	Strategy & Programme Director	31/07/21
Virtual Meetings in response to the Covid 19 Pandemic	Enable remote attendance by both Members and the public at meetings of the Transport for the North Board other Committees	Monitoring Officer	01/05/20

Conclusion

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

Signed
Chair of the Transport for the North Board

Signed.....
Chief Executive

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.

DEPRECIATION

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 depreciation.

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.

Independent Auditors Report

To be inserted.



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2nd Floor
4 Piccadilly Place
Manchester
M1 3BN



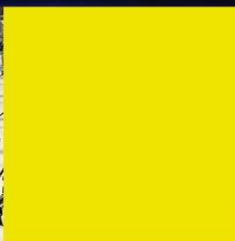
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Audit Completion Report

Transport for the North (TFN)

Year ending 31 March 2020

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Appendix C – Independence

Our reports are prepared in the context of the 'Statement of Responsibilities of auditors and audited bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited.

Reports and letters prepared by appointed auditors and addressed to Transport for the North, are prepared for the sole use of Transport for the North and we take no responsibility to any member or officer in their individual capacity or to any third party.

Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.

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

9 September 2020

Dear Members

Audit Completion Report – Year ended 31 March 2020

We are pleased to present our Audit Completion Report for the year ended 31 March 2020. 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 28 February 2020. Since we issued our Audit Strategy Memorandum, the UK has been subject to the challenges and restrictions of COVID-19. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

One implication of COVID-19 for Transport for the North was that the deadlines for submission of the draft and audited financial statements were pushed back to 31 August and 30 November respectively. We acknowledge the difficulties encountered by your team during accounts preparation and audit, and would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 0161 238 9248.

Yours faithfully

Signed: 
Karen Murray (Corp. ID: 2020 08:57 GMT+1)

Karen Murray
Mazars LLP

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We are registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at www.auditregister.org.uk under reference number C001139861.
VAT number: 839 8356 73

1. EXECUTIVE SUMMARY

Purpose of this report and principal conclusions

The Audit Completion Report sets out the findings from our audit of Transport for the North (TfN) for the year ended 31 March 2020, and forms the basis for discussion at the Audit and Governance Committee meeting on 16 July 2020.

The detailed scope of our work as your appointed auditor for 2019/20 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 of Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

Sections 2 and 5 of this report outline the detailed findings from our work on the financial statements and our conclusion on the TfN's arrangements to achieve economy, efficiency and effectiveness in its use of resources. Section 2 also includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- Management override of control (Significant Risk)
- Defined benefit liability valuations (Significant Risk)
- Intangible Asset valuation – Integrated and Smart Travel (IST) (Enhanced Risk)
- Intangible Asset valuation – Integrated and Smart Travel (IST) – Phase 3 (Enhanced Risk)

Status of our work

As we outline on the following page, our work is substantially complete. Subject to the satisfactory completion of the outstanding work, at the time of issuing this report we have the following conclusions:

Opinion on the financial statements

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 conclusion

We anticipate concluding that TfN had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. Our draft auditor's report, including proposed conclusion, is provided in Appendix B.

Whole of Government Accounts (WGA)

We anticipate completing our work on your WGA submission, in line with the group instructions issued by the NAO, by the deadline. TfN is below the threshold requiring a detailed review of your WGA submission, and we expect to be able to provide the information required by NAO at the conclusion of our audit work, well ahead of the formal deadline. However, the guidance from the NAO has not yet been received and we will not be able to issue our audit certificate until this is available.

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 Transport for the North and to consider any objection made to the accounts. Further details on the exercise of our wider powers are provided in section 2.

1. EXECUTIVE SUMMARY

Status of our audit work

We have substantially completed our work on the financial statements and Value for Money conclusion for the year ended 31 March 2020. At the time of preparing this report, the following matters remain outstanding:

Audit area	Status	Description of outstanding matters
Pensions	●	We are awaiting the letter of assurance from the Pension Fund Auditor.
Whole of Government Accounts	●	Guidance has not yet been received from the National Audit Office therefore we are unable to complete this work or issue our audit certificate.
Signed final statements and signed Management Representation Letter	●	Following the TFN Board meeting on 19 November 2020, TFN will provide signed and copies of the financial statements, annual governance statement and Management Representation Letter. We will update and conclude our post balance sheet events review, to the date of signing the opinion.

Status

- 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

We will provide the Audit and Governance Committee with an update in relation to these outstanding matters in a follow-up letter, prior to signing the auditor's report.

Our audit approach

We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum in February 2020.



2. EXECUTIVE SUMMARY (CONTINUED)

Materiality

We set materiality at the planning stage of the audit at £0.897m using a benchmark of 2% of Gross Operating Expenditure. Our final assessment of materiality, based on the final financial statements and qualitative factors is £1.014m, using the same benchmark. We set our trivial threshold (the level under which individual errors are not communicated to the Audit and Governance Committee) at £30k based on 3% of overall materiality.

Materiality element	Planning materiality	Post statement materiality
Overall materiality	£897,000	£1,014,000
Performance materiality – 80% of materiality	£718,000	£811,000
Trivial threshold for reporting to Audit Committee – 3% of materiality	£27,000	£30,000

We have also calculated materiality for specific classes of transactions, balances or disclosures where we determine that adjustments of a lesser amount than materiality for the financial statements as a whole, could reasonably be expected to influence the decisions of users taken on the basis of the financial statements. We set specific materiality for the following items of account/disclosures:

Item of account/disclosure	Specific materiality
Officer remuneration bandings (Note 9)	£5,000 *

* Reflecting movement from one salary band to another

Misstatements and internal control recommendations

Section 3 sets out the internal control recommendations that we make, together with an update on any prior year recommendations.

Section 4 outlines the misstatements noted as part of our audit as at the time of issuing this report. If any additional misstatements are noted on completion of the outstanding work, these will be reported to the Audit and Governance Committee in a follow-up letter.

2. SIGNIFICANT FINDINGS

Set out below are the significant findings from our audit. These findings include:

- our audit conclusions regarding 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 9 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 further significant matters discussed with management;
- any significant difficulties we experienced during the audit; and

Significant risks and key areas of management judgement

As part of our planning procedures we considered the risks of material misstatement in TfN's financial statements that required special audit consideration. Although we report identified significant risks at the planning stage of the audit in our Audit Strategy Memorandum, our risk assessment is a continuous process and we regularly consider whether new significant risks have arisen and how we intend to respond to these risks. No new risks have been identified since we issued our Audit Strategy Memorandum.

Significant risk

Description of the risk

Management override of controls

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 on 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 – focusing on those that we determine to contain certain risk characteristics.

Audit conclusion

Based on work completed to date, there are no significant matters arising from our work on the management override of controls.

2. SIGNIFICANT FINDINGS (CONTINUED)

Significant risk

Description of the risk

Defined benefits liability valuation

The net pension liability is likely to represent a material element of TfN's balance sheet. TfN is an admitted body of Greater Manchester Pension Fund, which had its last triennial valuation completed as at 31 March 2019.

The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in TfN's overall valuation.

Financial assumptions and demographic assumptions will be used in the calculation of TfN's valuation, such as the discount rate, inflation rates and mortality rates. The assumptions should also reflect the profile of TfN's employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes.

There is a risk that the assumptions and methodology used in valuing TfN's pension obligation are not reasonable or appropriate to TfN's circumstances. This could have a material impact to the net pension liability in 2019/20.

How we addressed this risk

We addressed this risk by:

- Critically assessing the competency, objectivity and independence of the Greater Manchester Pension Fund's Actuary, HymansRobertson;
- Liaising with the auditors of the Greater Manchester Pension Fund to gain assurance that the controls in place at the Pension Fund are operating effectively. This included the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS19 valuation is complete and accurate;
- Testing payroll transactions at TfN to provide assurance over the pension contributions which are deducted and paid to the Pension Fund by TfN;
- Reviewing the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This included comparing them to expected ranges, utilising information provided by PWC, consulting actuary engaged by the National Audit Office; and
- Agreeing the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in TfN's financial statements.

Audit conclusion

Based on work completed to date, there are no significant matters arising from our work. However, we are awaiting the letter of assurance from the Pension Fund Auditor.

2. SIGNIFICANT FINDINGS (CONTINUED)

Management judgement

Intangible Asset valuation – Integrated and Smart Travel (IST)

Description of the management judgement

TfN is responsible for leading the development and implementation of a scheme to facilitate easier travel and payment. The project was planned to take a number of years to implement and was split into 3 phases and has led to the development of an intangible asset.

The valuation of the intangible asset has required application of assumptions and estimates relating to material levels of expenditure. TfN will need to continue to ensure that the intangible asset is accounted for in accordance with the CIPFA Code of Practice and IAS 38 Intangible Assets. TfN commissioned PwC to provide advice on the potential accounting treatment that will apply.

There is a risk that assumptions and estimates are not appropriate nor in line with accounting standards.

How our audit addressed this area of management judgement

We addressed this risk by:

- Assessing the competency, objectivity and independence of PwC;
- Reviewing the basis of the valuation of the intangible asset and challenging the assumptions made;
- Testing transactions to ensure valuation has been appropriately applied; and
- Considering the appropriateness of the accounting treatment applied.

Audit conclusion

Based on work completed to date, there are no significant matters arising from our work.

Management judgement

Intangible Asset valuation – Integrated and Smart Travel (IST) –Phase 3

Description of the management judgement

During 2019/20 TfN acknowledged that due to insufficient bus operator support for the IST proposals an “active pause” was implemented in relation to Phase 3 of the IST project. Consequently, some £4.3m of previously capitalised expenditure has been reversed and the costs charged to revenue. TfN had previously secured Department for Transport agreement that DoT would fund the revenue implications in the event of the scheme not progressing as planned.

There is a risk over the completeness and accuracy of the transactions that have now been accounted for as revenue expenditure.

How our audit addressed this area of management judgement

We addressed this risk by:

- Reviewing the process undertaken by TfN to establish that the value of previously capitalised costs attributable to Phase 3 is materially correct;
- Testing a sample of transactions reversed and charged to revenue; and
- Reviewing the appropriateness of the accounting treatment and associated disclosures.

Audit conclusion

As noted on page 11 of this report, a number of amendments were required to the financial statements to reflect the change in accounting treatment related to the £4.3m impairment of the Phase 3 Abbot scheme and the financing of the £4.3m revenue grant received from the Department for Transport. Following the amendments, we are satisfied that the accounting treatment is appropriate.

2. SIGNIFICANT FINDINGS (CONTINUED)

Qualitative aspects of the Transport for the North's accounting practices

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

Draft accounts were received from the TfN on 12 June 2020 and were of a good quality.

Significant matters discussed with management

There were no matters discussed with management, over and above our normal challenge of management assertions in respect of 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. As set out earlier, we understand the difficult circumstances that TfN is facing due to the pandemic and would like to express our thanks again for the cooperation and patience of your team during our audit.

Wider responsibilities

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

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

We have not exercised any of these powers as part of our 2019/20 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. We have received no correspondence from local electors regarding the 2018/19 accounts.

3. INTERNAL CONTROL RECOMMENDATIONS

The purpose of our audit is 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. We do this in order to design audit procedures to allow us to express an opinion on the financial statement and not for the purpose of expressing an opinion on the effectiveness of internal control, nor to identify any significant deficiencies in their design or operation.

The matters reported here would be limited to those deficiencies and other control recommendations that we 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 matters to report..

We have no internal control recommendations to bring to your attention for 2019/20 and there are none relating to 2018/19 to follow up.

4. SUMMARY OF MISSTATEMENTS

We set out below the misstatements identified for adjustment during the course of the audit, above the level of trivial threshold of £30k

The first section outlines the misstatements that were identified during the course of our audit which management has assessed as not being material, either individually or in aggregate, to the financial statements and does not currently plan to adjust.

The second section outlines the misstatements that have been adjusted by management during the course of the audit.

Unadjusted misstatements 2019/20

	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1 Dr: Re-measurement of Pension Liability			122	
Cr: Re-measurement of the net defined benefit		122		
Updated actuarial assumptions as at 31 March 2020 resulting in a reduction in the pension liability. Non-trivial difference with the estimated position in the financial statements. Management has decided therefore not to amend. This was the same in 2018/19 when it was £95k.				
Total unadjusted misstatements		122	122	

Adjusted misstatements 2019/20

To support Transport for the North in the management of the £4.32m write-down of the Phase 3 ABBOT scheme, the Department for Transport (DfT) advanced a revenue grant to fully fund the write-down should it be required. However, the appropriate accounting treatment in this case is to treat the write-down as an impairment which is still charged to the cost of services in the CIES but is reversed out via the Movement in Reserves Statement to the Capital Adjustment Account in line with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code). Therefore, the additional grant is not required as the statutory override means that there is no impact on the general fund. The revenue grant was partially used to fund in year IST expenditure with the balance taken to earmarked IST reserves to fund future activity. There is no impact on the Comprehensive Income and Expenditure Statement or the Balance Sheet but the amendments do impact on a number of other areas in the financial statements. However, essentially they focus on two key elements.

Impairment of the asset

The effect of treating the write-down as an impairment is to apply the statutory override and reverse the £4.32m out of the CIES via the Movement in Reserves Statement to prevent any impact on the general fund. This also impacts on note 9 - Adjustments between Accounting Basis and Funding Basis under Regulations and note 20 – Capital Adjustment Account. It also impacts on the cash flow statement and related notes.

Financing of the asset

The £4.32m revenue grant provided by the DfT to offset the proposed write-down is no longer required and therefore £1.335m has been used in 2019/20 as revenue contributions to capital expenditure with the balance of £2.987m being taken to earmarked reserves. This also impacts on the cash flow statement and related notes including note 10 – transfers from earmarked reserves, note 19 – usable reserves (capital grants unapplied, earmarked reserves) and note 20 – unusable reserves (capital adjustment account). It also impacts on note 28 - Capital Expenditure and Capital Financing where the original capital expenditure and financing had been reversed out in 2019/20 but this no longer applies.

Due to the nature of the changes, this also impact on note 1 and note 2 - Expenditure and funding analysis.

There have been changes to the wording within the narrative report and throughout the financial statements to reflect the change in the accounting treatment.

4. SUMMARY OF MISSTATEMENTS

Disclosure amendments

During the course of the audit we identified a number of presentational and disclosure issues. These were all relatively minor and have been adjusted for in the final version of the financial statements. We have summarised below some of the other disclosure amendments required.

Annual Governance Statement: Internal Audit's Annual Report does not provide a formal Head of Internal Audit Opinion that would accord with Public Sector Internal Audit Standards. This is due to the relatively small number / volume of assignments and assignment coverage that RSM has delivered for the Transport for the North. TFN should consider whether they wish to incorporate an annual opinion in future years to support the AGS effectiveness review.

Note 24 Officer remuneration: For one officer, the taxable allowance of £4,316 was also included within Salaries. Salaries are therefore overstated by £4,316. There were a small number of other minor adjustments to the note. These have all been amended.

Note 29: Defined benefit pension scheme: Two comparatives from 2018/19 relating to past service costs were incorrectly omitted from the pensions note. These have been amended.

5. VALUE FOR MONEY CONCLUSION

Our approach to Value for Money

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

The overall criterion is that, 'in all significant respects, the TfN had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.' To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

Commentary against each of the sub-criteria, and an indication of whether arrangements are in place, is provided below.

Sub-criteria	Commentary	Arrangements in place?
Informed decision making	<p>There is evidence that TfN acts in the public interest, demonstrating and applying the principles and values of sound governance. Transport for the North's governance arrangements are set out in its Constitution which was reviewed and updated in 2019/20. Approved and adopted Code of Corporate Governance in place, consistent with the principles of the CIPFA/SOLACE Framework, Delivering Good Governance in Local Government.</p> <p>Risk management arrangements are in place. Risks are reported to the North's Operating Board, Audit and Governance Committee, Department for Transport (DfT) and Transport for the North Board.</p> <p>Scrutiny Committee in place with elected Members appointed by the 20 Constituent Authorities. Audit and Governance Committee established consisting of five Board Members and three Independent Members.</p> <p>Work is continuing on the Assurance Framework in 2020/21 to provide for a consistent evidence-based decision making process.</p> <p>Long term Strategic Transport Plan Investment Programme in place. All major work programmes also have Programme Boards which are attended by representatives of the DfT.</p> <p>TfN has a framework to monitor and measure progress and performance to help ensure that value for money is achieved. During 2019/20 Transport for the North has developed a new monthly operating report providing both qualitative and quantitative performance information. We are not aware of any significant data quality issues in terms of financial or performance information.</p> <p>In 2020/21, TfN will seek to publish a Northern Transport Charter setting out the case for local decision-making over transport investment.</p>	Yes

5. VALUE FOR MONEY CONCLUSION

Sub-criteria	Commentary	Arrangements in place?
Sustainable resource deployment	<p>TfN achieved a £0.92m surplus on its revenue position for 2019/20. The financial position has been reported to the Audit and Governance Committee during the year.</p> <p>There has been a £30m underspend on the capital programme. This has been largely due to the cancellation of the Phase 3 ABBOT scheme within the Integrated and Smart Travel programme. The decision to develop alternative options also contributed to higher revenue costs. This is covered in more detail in our significant risk on the following page.</p> <p>The Core Grant allocations held in the General Fund Reserve provide the basis for the medium-term financial plan. 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.</p>	Yes
Working with partners and other third parties	<p>There are many examples of TfN working with partners and other third parties.</p> <p>A Partnership Board is in place to advise on matters relating to transport in the area including elected and Local Enterprise Partnership 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. During 2019/20, the membership was widened to include groups representing the interests of those with disabilities, environmental concerns, TUC representatives and passenger transport user groups.</p> <p>Transport for the North carries out extensive stakeholder engagement through its Engagement team and the wider organisation.</p> <p>In 2020/21, TfN will be working in collaboration with the DfT on the High Speed North Integrated Rail Plan setting out the next 20 years of investment in HS2, NPR and other major rail schemes in the North.</p>	Yes

5. VALUE FOR MONEY CONCLUSION (CONTINUED)

Significant Value for Money risks

The NAO's guidance requires us to carry out work to identify whether or not a risk to the Value for Money conclusion exists. Risk, in the context of our Value for Money work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at TfN being inadequate. In our Audit Strategy Memorandum, we reported that we had identified one significant Value for Money risk. The work we carried out in relation to significant risks is outlined below.

Risk	Work undertaken	Conclusion
<p>Phase 3 – Integrated and Smart Ticketing Project</p> <p>During 2019/20 TfN concluded that Phase 3 of the Integrated and Smart Ticket project, to develop an information system to manage accounts-based ticketless transport transactions should not progress as the bus operators confirmed that they were unwilling to accept the system based on the proposal at that time.</p> <p>Consequently, in July 2019 the TfN Board agreed to an “active pause” as it became clear that the project could not continue in its current form.</p>	<p>We reviewed the governance and decision making arrangements that lead to TfN concluding that the project could not proceed in line with existing project plans.</p>	<p>In the July 2019, the TfN Board considered a report setting out a number of options following the decision to pause the project. Two options were proposed for further evaluation and these were again considered by the Board in September with a more detailed feasibility analysis in the October meeting.</p> <p>These options were reported to the December meeting of the Overview and Scrutiny Board. Our review confirms that it contained a detailed and clear analysis of the remaining options and included a discussion of the key benefits and risks.</p> <p>A further report to the January TfN Board proposed a way forward for Phase 3 of the Integrated and Smart Travel (IST) Programme (Option A). This recognised both developments within the bus industry in terms of investment in contactless payment technology, and the possible implications of rail industry reform. However, ultimately, TfN was unable to commit to further expenditure without a greater degree of certainty that the proposed system will be fully utilised by public transport providers noting that in a de-regulated market, TfN has no ability to require bus operators to adopt the system.</p> <p>It was therefore recommended not to pursue Option A and that the current procurement is cancelled. TfN obtained legal advice on the implications of cancelling the procurement at this stage, and confirmed that they had the right to cancel the procurement.</p> <p>On the basis of work completed, we conclude that for 2019/20, Transport for the North had appropriate governance and decision-making arrangements in place in respect of the decision not to proceed with Phase 4 of the Integrated and Smart Ticket project.</p>

APPENDIX A

DRAFT MANAGEMENT REPRESENTATION LETTER

Letter required from on client headed note paper from: Finance Director of Transport for the North

To:
Mrs Karen Murray
Partner
One St Peter's Square
Manchester
M2 3DE

Date: November 2020

Dear Sirs

Transport for the North - audit for year ended 31 March 2020

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 2020 for the purpose of expressing an opinion as to whether the statement of accounts give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code).

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

My responsibility for the statement of accounts 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 the Code.

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which I am 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 me for the purpose of the audit; and
- unrestricted access to individuals within the Transport for the North you determined it was necessary to contact in order to obtain audit evidence.

I confirm as 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 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 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.

APPENDIX A

DRAFT MANAGEMENT REPRESENTATION LETTER (CONTINUED)

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 the 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 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.

Transport for the North has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Fraud and error

I acknowledge my responsibility as 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 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 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 (including sales, purchases, loans, transfers, leasing arrangements and guarantees) 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 the property, plant and equipment and intangible assets below their carrying value at the balance sheet 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

We have no plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code require 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.

APPENDIX A

DRAFT MANAGEMENT REPRESENTATION LETTER (CONTINUED)

Covid-19

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 that the disclosures in the financial statements fairly reflects that assessment.

Brexit

I confirm that I have carried out an assessment of the potential impact of the United Kingdom leaving the European Union, including the potential outcomes at the end of the Implementation Period.

Going concern

To the best of my knowledge there is nothing to indicate that the Transport for the North will cease to 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.

Unadjusted misstatements

I confirm that the effects of the 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

Iain Craven
Finance Director to Transport for the North

Date.....

APPENDIX B

DRAFT AUDITOR'S REPORT

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

Report on the financial statements

Opinion

We have audited the financial statements of Transport for the North for the year ended 31 March 2020, 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 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of Transport for the North as at 31st March 2020 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 2019/20.

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Finance Director's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Finance Director has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about Transport for the North's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

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

We have nothing to report in this regard.

Responsibilities of the Finance Director for the financial statements

As explained more fully in the Statement of the Finance Director's Responsibilities, the 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 2019/20, and for being satisfied that they give a true and fair view. The 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 2019/20 and prepare the financial statements on a going concern basis, unless Transport for the North is informed of the intention for dissolution without transfer of services or function to another entity. The Finance Director is responsible for assessing each year whether or not it is appropriate for Transport for the North to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

APPENDIX B

DRAFT AUDITOR'S REPORT

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.

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

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.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, we are satisfied that, in all significant respects, Transport for the North has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Basis for conclusion

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in April 2020, as to whether Transport for the North had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether Transport for the North put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Transport for the North had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Responsibilities of Transport for the North

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

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

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

Use of the audit report

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

APPENDIX B

DRAFT AUDITOR'S REPORT

Certificate

We certify that we have completed the audit of Transport for the North in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.]

OR

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of Transport for the North's Whole of Government Accounts consolidation pack. We are satisfied that these matters do not have a material effect on the financial statements or on our conclusion on Transport for the North's arrangements for securing economy, efficiency and effectiveness in its use of resources.

[Signature]

Karen Murray
For and on behalf of Mazars LLP

One St Peter's Square
Manchester
M2 3DE

Date

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.

CONTACT

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Mobile: 07721 234043

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Campbell Dearden

Manager

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Transport for the North Board

Subject: YTD / Budget Revision 2 and Mid-Year Treasury Management Update

Author: Paul Kelly, Financial Controller

Sponsor: Iain Craven, Finance Director

Meeting Date: Wednesday 18 November 2020

1. Purpose of the Report:

- 1.1 This report, including the graphs and charts in Appendix 5.1, set out the financial performance of Transport for the North (TfN) over the first six months of the financial year 2020/21 and provides the Budget Revision 2 reforecast through to the end of the year. It is proposed that this budget Revision be adopted by the TfN Board at its meeting on 19 November.
- 1.2 Detail is also provided with regard to TfN's performance against its Treasury Management Strategy as required by the TfN Constitution.
- 1.3 This report has been considered in Scrutiny Committee and Executive Board and any matters raised have been reflected in this document.

2. Executive Summary:

Year to-date Monitoring

- 2.1 Year to-date expenditure at the half-year was £26.27m, £3.16m below the forecast set out in Budget Revision 1. The majority of this variance relates to programme activity, with underspends of £1.12m in NPR and £1.16m in IST. In addition, there was an underspend of £0.65m in operational areas. In addition to a number of specific drivers for these variances, it can be seen with hindsight that TfN underestimated the impact of Covid-19 when preparing Budget Revision 1.

Budget Revision 2

- 2.2 The total expenditure (excluding contingency) included in Budget Revision 2 is £67.12m. This is a reduction of £1.32m from Revision 1. This reflects a net impact, where reductions in forecast activity in the IST programme and operational areas are offset by increases in the NPR programme, and in particular the transfer of items from contingency into specific expenditure lines.

- 2.3 The total forecast including contingencies has decreased by £10.34m to £76.16m compared to Revision 1. This reflects the deferral of £8.50m of NPR expenditure into 2021/22 that was previously identified as specific contingency for activity that was intended to be carried out in 2020/21. This includes amounts for ground investigation works (£3.6m), NR Gap Analysis / Sequencing activity (£4.25m) and modelling (£0.65m).
- 2.4 The outturn for the first 6 months and Budget Revision 2 are both showing expenditure profiles that are lower than originally expected. This is part due to the extended effects of COVID 19 and the previous underestimation of the impact on TfN's ongoing expenditure. However, TfN is also being impacted by the uncertainty in relation to its funding for 2021/22 and beyond.
- 2.5 The impact of COVID 19 was considered in Budget Revision 1 but the longer-term impact has only become apparent over time. This has meant a number of activities have slipped into future periods and, in some cases, potentially into the next budget year.
- 2.6 TfN currently lacks any funding certainty with regard to either its Core operations or its programmes. Whilst the recent announcement that the proposed CSR will be replaced with a "rollover" is potentially helpful, at the time of writing no confirmation had been received regarding the levels of Core funding for 2021/22. In addition, the delay to the CSR potentially inhibits a long-term commitment to the revised IST programme by government, whilst the future structure of the NPR programme is still likely to hinge on the recommendations in the Integrated Rail Plan.
- 2.7 This uncertainty regarding funding beyond the end of 2020/21 has required action to be taken within TfN to limit the organisations exposure to new commitments into 2021/22. This has included holding vacant posts open until such time as the new funding arrangements are confirmed, and the deferral of consultancy expenditure where this can be delayed without any impact on TfN's in-year objectives.

Mid-Year Treasury Management Update

- 2.8 TfN has operated within the parameters set out in its Treasury Management Strategy.

3. Summary Position

- 3.1 Over the first six months of the financial year TfN has incurred expenditure of £26.27m. This level of expenditure is £3.16m behind the Budget Revision 1.

-
- 3.2 Underspend has principally accrued in TfN's programme areas (£2.30m), accounting for 73% of the overall underspend.
- 3.3 The £1.2m underspend within the IST programme mainly relates to savings on the TPE programme and timing differences on the Northern and Merseyrail Platform Validator installation. The programmes are reaching their conclusion and are expected to be substantially, if not fully complete, by the year end.
- 3.4 The £1.1m underspend within the NPR programme is mainly due to Network Rail expenditure falling behind the Revision 1 profile and delays to the contracting of modelling activity. It is expected that these activity shortfalls will be recovered during the remainder of the year.
- 3.5 The £0.65m underspend within operational areas is mainly due to reduced costs due to COVID 19 (including for example reductions in stakeholder engagement and communications activity due to remote working) and savings arising from the measures set out in 2.7 above.
- 3.6 Recognising the year-to-date position TfN has produced Budget Revision 2, the reforecast its expenditure to the end of the financial year.
- 3.7 This exercise has returned a full-year forecast expenditure position of £67.12m. This level of expenditure is £1.33m higher than the opening base budget and £1.32m lower than Budget Revision 1 that was adopted in July.
- 3.8 The Revision 2 forecast including contingency has reduced by £10.33m to £76.16m. This reflects the deferral of £8.50m of NPR expenditure into 2021/22 that was previously identified as specific contingency for activity that was intended to be carried out in 2020/21. This includes amounts for ground investigation works (£3.6m), NR Gap Analysis / Sequencing activity (£4.25m) and modelling (£0.65m). The ground investigation work was scheduled to accelerate the delivery of the OBC and the NR gap sequencing activity was contingent on having a single option to progress. These works are anticipated to be delivered in the next financial year.
- 3.9 There is currently a level of uncertainty with regard to the NPR outturn forecast, which is sensitive both to the periodic forecasts received from key contractors (specifically Network Rail) and the scope and extent of the work that is agreed between the co-clients. TfN is confident that it can deliver the intended activity within the revised budget envelop. In addition, TfN is currently discussing the utilisation of the remaining NPR contingency balances with Department for Transport. If any amendments to forecasts are made, they will be reported to the TfN Board.
- 3.10 Further detail on the year-to-date position and the Revision 2 forecast is given in Appendix A.

- 3.11 TfN's constitution obliges officers to report to Board at the mid-year mark on performance against the Treasury Management Strategy. This strategy prescribes how TfN will manage cash and investments. Unlike partner bodies, TfN is prohibited from accessing credit, so no rules are set around borrowing.
- 3.12 Appendix A highlights performance against key parameters. It shows that TfN has managed cash and investments within its counterparty criteria, placing cash deposits with secure bodies and institutions on liquid terms. Yield on investments has marginally exceeded target without compromising on security.
- 3.13 It is worth noting that the interest rate environment that currently persists is resulting in very low returns on cash invested. Whilst TfN will continue to keep the position under review there is no intention at present to change the focus of our Treasury Management Strategy and its prioritisation on security and liquidity over yield.

4. Conclusion:

- 4.1 This sets out the Budget Revision 2 for consideration for approval by TfN Board.
- 4.2 Adoption of Budget Revision 2 will align financial profiling to the latest delivery assumptions from the programmes and operational teams.
- 4.3 This report also notes that TfN has complied with its Treasury Management Strategy at the mid-year mark, with no exception issues to report.

5. Recommendation:

- 5.1 Consider and approve the proposed Revision 2 budget.
- 5.2 Note the compliance with the Treasury Management Strategy.

6. Appendices:

- 6.1 Appendix A – TfN Finance Mid-Year Update, Budget Revision 2 and Treasury Management Strategy.

Required Considerations
Equalities:

Age	Yes	No
Disability	Yes	No
Gender Reassignment	Yes	No
Pregnancy and Maternity	Yes	No
Race	Yes	No
Religion or Belief	Yes	No
Sex	Yes	No
Sexual Orientation	Yes	No

Consideration	Comment	Responsible Officer	Director
Equalities	A full Impact assessment has not been carried out because it is not required due to the nature of the report.	Paul Kelly	Iain Craven

Environment and Sustainability

Yes	No
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Consideration	Comment	Responsible Officer	Director
Sustainability / Environment – including considerations regarding Active Travel and Wellbeing	A full impact assessment has not been carried out because it is not required due to the nature of the report.	Paul Kelly	Iain Craven

Legal

Yes	No
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Consideration	Comment	Responsible Officer	Director
Legal	The legal implications have been considered and are included in the report.	Julie Openshaw	Dawn Madin

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Finance

Yes	No
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Consideration	Comment	Responsible Officer	Director
Finance	The financial implications have been considered and are included in the report.	Paul Kelly	Iain Craven

Resource

Yes	No
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Consideration	Comment	Responsible Officer	Director
Resource	The HR Team have confirmed there are no direct resource implications as a result of this report.	Stephen Hipwell	Dawn Madin

Risk

Yes	No
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Consideration	Comment	Responsible Officer	Director
Risk	A risk assessment has been carried out and the key risks are included in the risk report.	Haddy Njie	Iain Craven

Consultation

Yes	No
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Consideration	Comment	Responsible Officer	Director
Consultation	A consultation has not been carried out because it is not required.	Paul Kelly	Iain Craven

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Appendix 5.1 Finance Update

TfN Board

18 November 2020



Contents

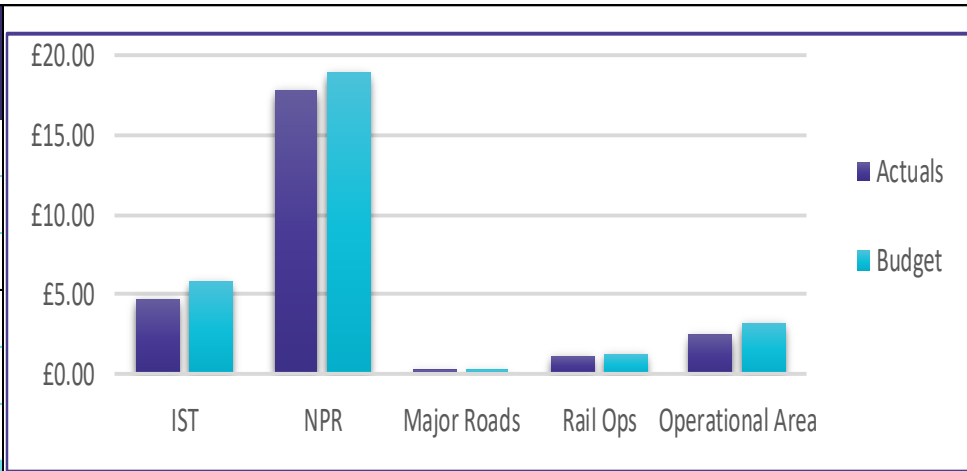
- Period 1 – 6 Year-to-Date Monitoring
- Revision 2 Forecast to Outturn
- Funding Update
- Mid-Year Treasury Management Update



Year to-date Monitoring: Periods 1 - 6

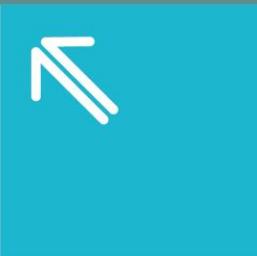
- Total expenditure to-date £26.27m
- Underspend against Revision 1 budget of £3.16m, of which 73% (£2.30m) is in the programme areas

	Actuals £m	Budget £m	Var. £m	Var. %
Integrated and Smart Ticketing	£4.63	£5.79	£1.16	20%
Northern Powerhouse Rail	£17.81	£18.93	£1.12	6%
Major Roads	£0.27	£0.30	£0.02	7%
Programmes	£22.71	£25.01	£2.30	9%
Rail Operations	£1.07	£1.28	£0.21	16%
Operational Areas	£2.49	£3.14	£0.65	21%
	£26.27	£29.43	£3.16	11%





Year to-Date Monitoring: Programmes



IST Programme:

- P1 underspend reflects savings on the TPE programme and timing differences on Northern and Merseyrail Pval installations due to later than expected delivery.
- Minor variances on other phases.

NPR Programme:

- Network Rail expenditure has fallen behind the Revision 1 profile but is expected to recover in the second half of the year.
- Delays to the contracting of modelling activity have resulted in deferred activity but this is expected to be undertaken by the year-end to support the delivery of the SOC.

Major Roads Programme:

- The deferral of the IPBA work into 2021/22 has resulted in minimal activity in year. Expected communications activity, including participation in industry events has not been undertaken due to the ongoing impact of Covid-19.

IST Programme	YTD Actuals £m	YTD Budget £m	Variance £m	Variance %
Phase 1	£ 2.34	£ 3.41	£ 1.07	31%
Phase 2	£ 1.21	£ 1.24	£ 0.03	3%
Phase 3	£ 0.12	£ 0.12	£ 0.00	1%
Phase 4	£ 0.18	£ 0.21	£ 0.03	15%
Programme Costs	£ 0.78	£ 0.81	£ 0.03	4%
	£ 4.63	£ 5.79	£ 1.16	20%

NPR Programme	YTD Actuals £m	YTD Budget £m	Variance £m	Variance %
Network Rail	£ 12.19	£ 12.63	£ 0.44	3%
Programme Development	£ 2.74	£ 2.65	-£ 0.09	-3%
TAME	£ 1.37	£ 1.90	£ 0.53	28%
Communications	£ 0.00	£ 0.09	£ 0.08	95%
Programme Support	£ 1.50	£ 1.62	£ 0.12	7%
	£ 17.81	£ 18.89	£ 1.08	6%

Major Roads Programme	YTD Actuals £m	YTD Budget £m	Variance £m	Variance %
Major Roads Team	£ 0.21	£ 0.21	£ 0.00	1%
SDC Studies	£ 0.02	£ 0.02	£ -	0%
Major Roads Network	£ 0.04	£ 0.04	£ -	0%
Communications	£ 0.00	£ 0.09	£ 0.08	95%
	£ 0.27	£ 0.36	£ 0.09	24%



Year to-date Monitoring: Rail Operations



Rail Operations

- Year to date expenditure of £1.07m against a budget of £1.28m representing savings of £0.21m.
- This mainly consists:
 - £0.09m as a result of vacant / delayed recruitment of Blake Jones and TRU posts,
 - £0.06m for professional services which are expected to be incurred by year-end and
 - £0.04m of recharges due to lower recruitment fees and office costs.



Year to-date Monitoring: Operational Areas



Operational areas

- Year-to-date underspends have arisen due to the ongoing effects of Covid-19 and includes:
 - Professional services commissions in Strategy and Policy
 - Purchase of mobile device data
 - Flexi system and risk software development
 - Accommodation and ICT costs
- Savings were realised in:
 - Vacant posts and recruitment costs due to recruitment management process
 - Reduced communication and stakeholder engagement costs with lower activity in this area

	YTD Actuals		YTD Budget		Variance		
	£m		£m		£m		
					%		
Leadership	£	0.15	£	0.15	£	0.00	1%
Finance & Business Systems	£	0.42	£	0.48	£	0.06	12%
Business Capabilities	£	1.39	£	1.70	£	0.31	18%
Programme Management Office	£	0.09	£	0.10	£	0.01	10%
Strategy & Policy	£	0.94	£	1.21	£	0.27	22%
Gross Expenditure	£	2.99	£	3.64	£	0.65	18%
- Recharges to Programmes	-£	0.50	-£	0.50	-£	0.00	0%
	£	2.49	£	3.14	£	0.65	21%



Revision 2 Forecasts: Summary £67.12m

- The full year forecast of expenditure, excluding contingency, is £67.12m, a reduction from Revision 1 of £1.32m.
- This is largely driven by underspends of £0.36m reduction in Rail Operations (mainly relating to deferred and delayed recruitment, and associated fees) and £1.19m other operational areas mainly relating to staffing and professional services within Business Capabilities and Strategy and Policy
- However, the Revision 2 forecast including contingency has reduced by £10.33m to £76.16m. This reflects the deferral of £8.50m of NPR expenditure into 2021/22 that was previously identified as specific contingency for activity that was intended to be carried out in 2020/21. This includes amounts for ground investigation works (£3.6m), NR Gap Analysis / Sequencing activity (£4.25m) and modelling (£0.65m).

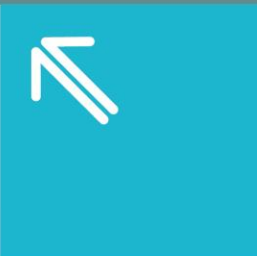
Forecast Expenditure <i>*exclusive of contingency</i>	Budget £m	Variance £m	R1 Forecast £m	Variance £m	R2 Forecast £m	R2 vs Base £m
Programmes	£55.35	£2.52	£57.86	£0.23	£58.09	£2.74
Rail Operations	£2.98	-£0.15	£2.82	-£0.36	£2.46	-£0.52
Operational Areas (net)	£7.46	£0.30	£7.76	-£1.19	£6.57	-£0.89
	£65.78	£2.66	£68.44	-£1.32	£67.12	£1.33

Forecast Expenditure <i>*including contingency</i>	Budget £m	Variance £m	R1 Forecast £m	Variance £m	R2 Forecast £m	R2 vs Base £m
Programmes	£77.62	-£1.70	£75.92	-£8.78	£67.13	-£10.48
Rail Operations	£2.98	-£0.15	£2.82	-£0.36	£2.46	-£0.52
Operational Areas (net)	£7.46	£0.30	£7.76	-£1.19	£6.57	-£0.89
	£88.05	-£1.56	£86.50	-£10.33	£76.16	-£11.89





Revision 2 Forecasts: Programmes



Programmes	Budget £m	Variance £m	R1 Forecast £m	Variance £m	R2 Forecast £m
Phase 1 - ITSO on Rail	£3.49	£1.41	£4.90	£0.29	£5.19
Phase 2 - Customer Information	£2.66	-£0.08	£2.58	-£0.06	£2.52
Phase 3 - Contactless on Rail	£0.94	-£0.83	£0.12	£0.01	£0.12
Phase 4 - Local Schemes	£0.93	-£0.58	£0.35	-£0.11	£0.24
Programme Costs	£1.66	£0.12	£1.79	-£0.09	£1.70
IST Programme	£9.69	£0.04	£9.73	£0.04	£9.77
NPR Programme	£43.78	£3.53	£47.31	£0.31	£47.62
Major Roads Programme	£1.88	-£1.05	£0.83	-£0.13	£0.69
Total Programme Expenditure	£55.35	£2.52	£57.86	£0.23	£58.09

IST Programme

There has been a marginal (£0.04m) overall increase in the forecast expenditure for the year, driven by the estimated final costs to complete platform validator installation across the Northern network. This is offset by small variances across the other phases as the phases of the programme are concluded.



NPR Programme: Revision 2 Forecast To be updated



Northern Powerhouse Rail

Activity	Budget £m	Variance £m	R1 Forecast £m	Variance £m	R2 Forecast £m
NPR Team	£0.95	£0.00	£0.95	£0.00	£0.95
Rail Studies	£34.17	£4.58	£38.75	£0.97	£39.72
TAME	£5.68	-£1.04	£4.64	-£0.35	£4.29
Programme Support	£2.97	-£0.01	£2.96	-£0.30	£2.66
Forecast Expenditure	£43.78	£3.53	£47.31	£0.31	£47.62
Contingency Reserve	£16.17	-£3.53	£12.64	-£8.81	£3.83
Total Resource Requirement	£59.95	£0.00	£59.95	-£8.50	£51.45

The Revision 2 expenditure forecast, excluding contingency, has increased by £0.31m as follows:

- Rail studies – additional forecast expenditure of £0.60m for Ground Investigation surveys and £0.50m for early contractor engagement has been offset by lower estimating costs.
- TAME - £0.35m slippage into 2021/22 relating to non critical elements of the Rail Modelling Appraisal Partner (RMAP) contract.
- Programme support – savings of £0.30m mainly due to lower levels of consultation / stakeholder engagement and savings on recruitment fees.

The Revision 2 forecast including contingency has reduced by £8.50m to £51.45m. This reflects the deferral of expenditure into 2021/22 that was previously identified as specific contingency for activity that was intended to be carried out in 2020/21. This includes amounts for ground investigation works (£3.6m), NR Gap analysis and sequencing activity (£4.25m) and modelling (£0.65m).





Operational Areas Revision 2 Forecast

Operational Areas

The Revision 2 forecast expenditure for TfN’s Operational Areas has reduced by £1.19m compared to Revision 1.

This has mainly been driven by savings totalling £0.90m, made up of staffing and recruitment savings (£0.50m) due to the vacancy management process, reduced travel related costs (£0.10m) and reduction in external services (£0.20m) due to remote working / Covid-19.

In addition, there has been slippage of £0.29m into 2021/22, mainly consisting of deferred modelling work supporting rail operations.



Operational Areas	Budget £m	Variance £m	R1 Forecast £m	Variance £m	R2 Forecast £m
Leadership	£0.32	-£0.01	£0.30	£0.00	£0.30
Finance & Business Systems	£1.35	£0.00	£1.35	£0.03	£1.38
Business Capabilities	£3.78	-£0.01	£3.76	-£0.51	£3.25
Programme Management Office	£0.32	£0.02	£0.35	-£0.19	£0.16
Strategy & Policy	£2.70	£0.29	£3.00	-£0.51	£2.48
Gross Expenditure	£8.46	£0.30	£8.76	-£1.19	£7.57
- Recharges to Programmes	-£1.00	£0.00	-£1.00	£0.00	-£1.00
Net Expenditure	£7.46	£0.30	£7.76	-£1.19	£6.57



In- Year Funding Position



- Savings and slippage mitigate the need to use reserves to support 2020/21 Core expenditure as set out in the TfN Budget. TfN will continue to manage its reserves in line with the reserves strategy adopted by the Board.
- The reduction in the NPR funding requirement as a result of the £8.5m of slipped activity noted above was reported to the DfT through normal mid-year processes.
- The forecast includes elements of retained contingency across IST and NPR programmes.

Funding Profile	Revision 2 £m	Base Budget £m	Variance £m	Variance %
Total Forecast Expenditure	£76.16	£88.05	£11.89	14%
Funded by:				
TDF - Rail	£50.50	£59.00	£8.50	14%
TDF - Roads	£0.00	£0.00	£0.00	0%
Core Grant	£10.00	£10.00	£0.00	0%
IST - Resource	£4.57	£6.25	£1.68	27%
IST - Capital	£10.42	£9.53	-£0.89	-9%
RNP Grant & Contribution	£1.58	£1.95	£0.37	19%
-Surplus/Deficit	-£0.91	£1.33	£2.23	51%
Use of Reserves	-£0.91	£1.46	£2.37	162%



Residual Funding Drawdowns in 2020/21

- £42.29m of resource required to the year-end
- This excludes £9.05m of contingency across IST and NPR programmes.
- IST Resource reserve represents the non-utilised element of the £4.33m RDEL grant received to facilitate the re-categorisation of Phase 3 Abbot intangible assets.

Funding Requirements	Core Reserve £m	IST Capital £m	IST Resource £m	TDF - Rail £m	TDF - Roads £m	RNP £m	Total £m
Balances brought forward	£6.96	£1.00	£3.93	£0.00	£0.01	£0.00	£11.90
In Year Expenditure	£9.09	£6.06	£3.71	£46.67	£0.00	£1.58	£67.12
Contingency	£0.00	£4.36	£0.85	£3.83	£0.00	£0.00	£9.05
Surplus/-Deficit before Funding	-£2.13	-£9.42	-£0.64	-£50.50	£0.01	-£1.58	-£64.26
Grant Received Year to-date	£0.00	£3.56	£3.40	£16.21	£0.00	£0.68	£23.85
DfT Grant Request to Outturn	£10.00	£1.83	£0.00	£30.46	£0.00	£0.00	£42.29
Contingency	£0.00	£4.36	£0.85	£3.83	£0.00	£0.00	£9.05
Local Grant Request to Outturn	£0.00	£0.00	£0.00	£0.00	£0.00	£0.90	£0.90
	£10.00	£9.75	£4.25	£50.50	£0.00	£1.58	£76.09
Balances carried	£7.87	£0.33	£3.62	£0.00	£0.01	£0.00	£11.83





Mid-Year Treasury Management Update

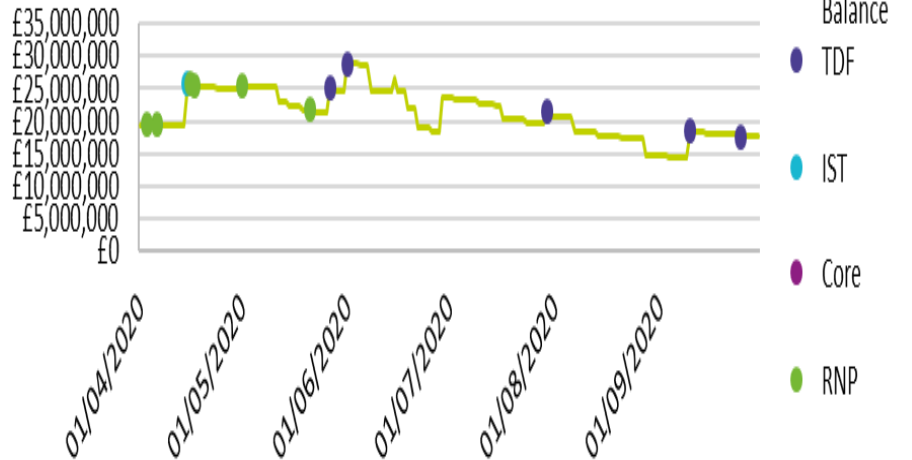
TfN is required to report on its treasury management performance at mid-year. TfN continues to operate in compliance with the TfN Treasury Management Strategy previously approved by the Board.

As per, the approach to treasury management is governed by a hierarchy of considerations:

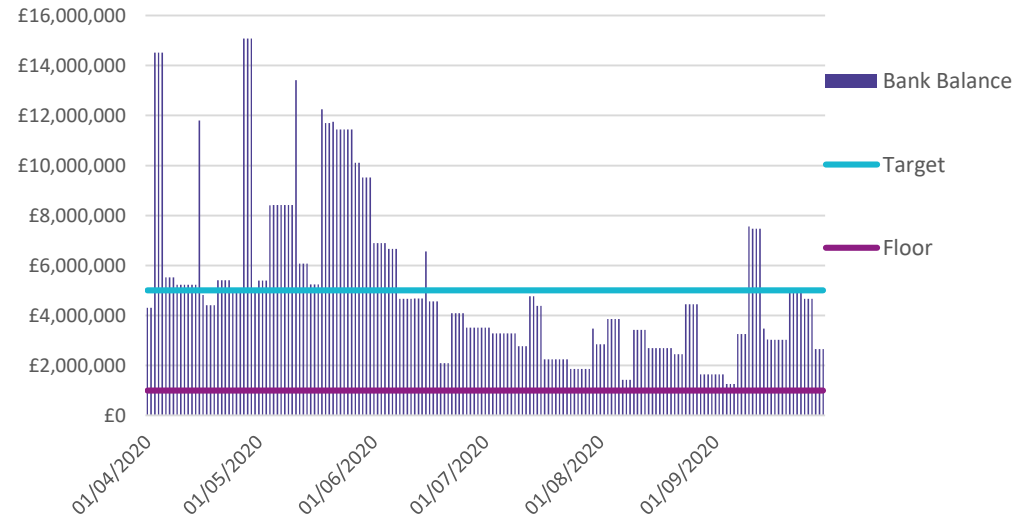
1. Security of investments;
2. Liquidity of investments; and
3. Yield on investments



Cash Balances: Grants Received



Bank Balance: Floor & Target



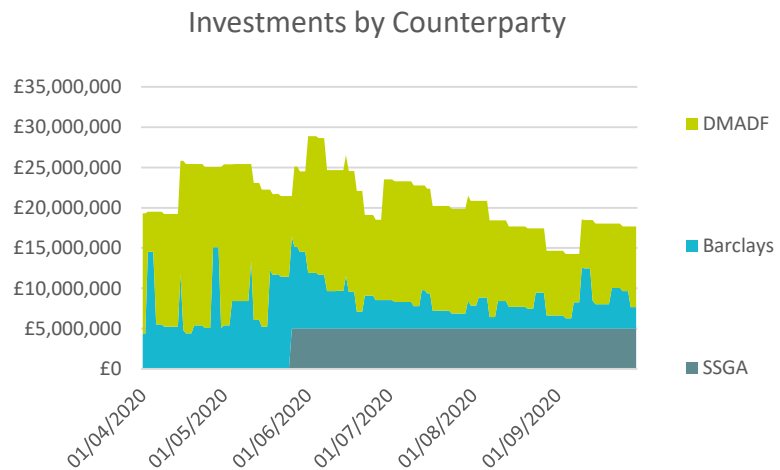
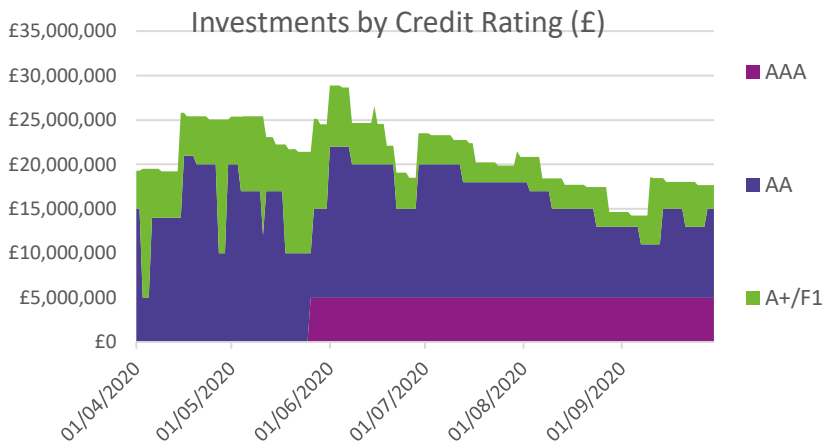


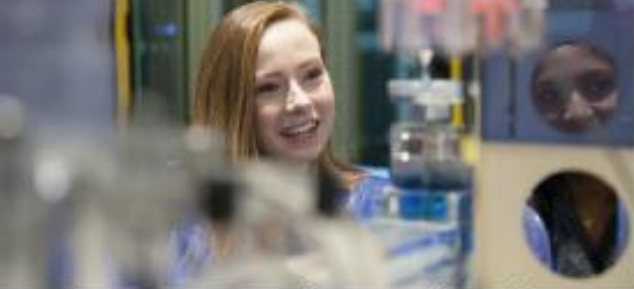
Treasury Management

- Cash profiles sensitive to grant receipt and expenditure profiles
- Investments are with credit-worthy counterparties
- Investments are liquid



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Agenda Item 7

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Agenda Item 8

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