

# Transport for the North Statement of Accounts 2021/22



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# Transport for the North Statement of Accounts 2021/22

## Narrative Report

### Organisational Overview and External Environment

#### **Our Purpose**

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

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

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

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

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

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

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

#### **Vision & Objectives**

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

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

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

#### **Our Plan**

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

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

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

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

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

## **Building on Success**

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

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

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

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

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

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

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

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

## Summary of activity in 2021/22

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

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

## Summary of proposed activity in 2022/23

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

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

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

### **Governance**

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

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

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

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



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

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

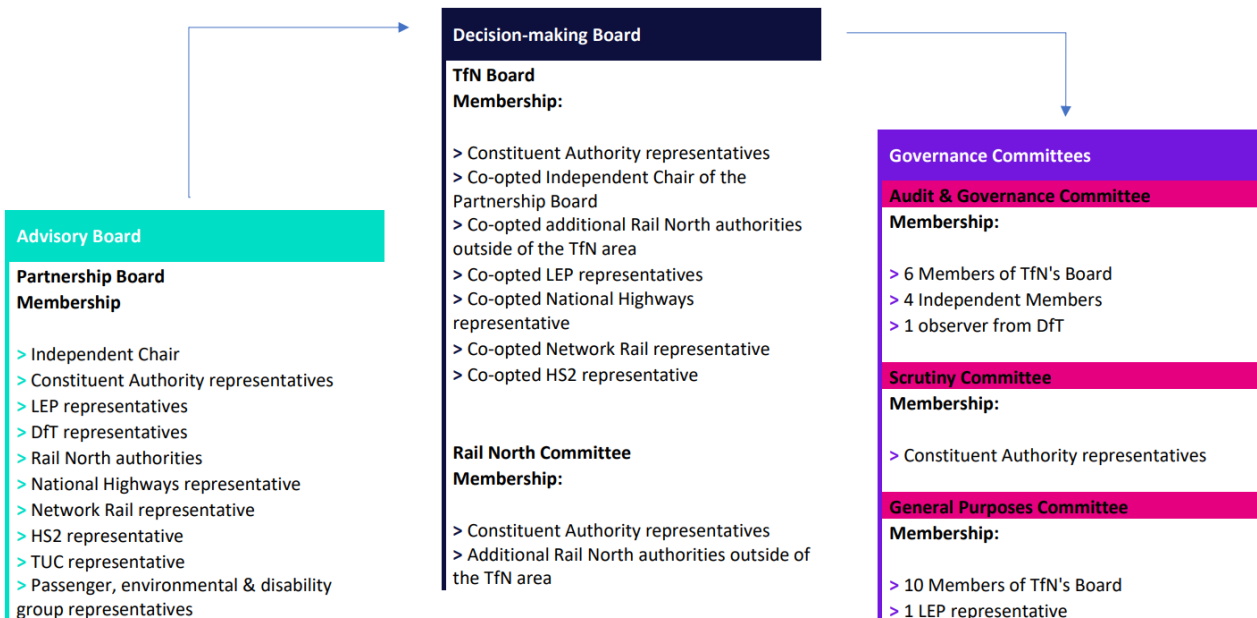
The Partnership Board was also expanded during 2019/20 to include new representative groups supporting the Board in drawing together a wider spectrum of views and expertise. Three regional Trade Union Council (TUC) representatives have joined the Board along with representatives of environmental, disability,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

## How we make decisions

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

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

## Transport for the North Board and Committee Structure



## Business Model & Performance

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

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

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

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

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

## **Delivering on Our Objectives**

### **Our Values and Behaviours**

#### **Our values**

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

**We make a difference**

**We do the right thing**

**We are driven to succeed**

**We collaborate**

#### **Our core behaviours**

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

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

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

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

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

### **Health and Safety**

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

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



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

## **Our People: TeamTfN**

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

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

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

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

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

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

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

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

## **Our Resourcing Plan:**

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

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

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

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

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

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

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

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

### Our Funding

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

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

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

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

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

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

## Our Medium-Term Financial Plan

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

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

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

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

## Risk management

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

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## Measuring our success in 2021/22

### Qualitative Performance

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

The KPIs were developed by:

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

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

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

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

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

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



# Transport for the North Statement of Accounts 2021/22

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

# Transport for the North Statement of Accounts 2021/22

## **Financial Performance 2021/22**

### **Summary**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

# Transport for the North Statement of Accounts 2021/22

## Capital Accounting

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

## Pensions Accounting

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

## Accumulated Absences

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

## Grant Treatments

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

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

The balance sheet can be summarised as follows:

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

### **Looking Ahead to 2022/23 and Beyond**

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

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

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

### **Financial Planning 2022/23**

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

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

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

# Transport for the North Statement of Accounts 2021/22

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

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

## Value for money

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

## Expenditure

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

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

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

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

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

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

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

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

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

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

### Financial Outlook

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

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

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

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

# Transport for the North Statement of Accounts 2021/22

## Statement of Responsibility for the Accounts

### TfN's responsibilities

TfN is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has responsibility for the administration of those affairs. In TfN that officer is the Finance Director;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

### The Finance Director's responsibilities

The Finance Director is responsible for the preparation of the Statement of Accounts for TfN in accordance with proper practices as set out in the *CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom* (the Code). In preparing this Statement of Accounts, the Finance Director has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the Code.

The Finance Director has also:

- kept proper accounting records which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

### Certificate of the Finance Director

I certify that the Statement of Accounts gives a true and fair view of the financial position of the organisation at the accounting date and of the income and expenditure for the year ended 31 March 2022.

Paul Kelly  
Interim Finance Director  
7 July 2022

# Transport for the North Statement of Accounts 2021/22

## Financial Statements and Disclosure Notes

### Comprehensive Income and Expenditure Statement

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

2020/21			Notes	2021/22		
Expenditure £000	Income £000	Net £000		Expenditure £000	Income £000	Net £000
592	-	592		1,850	-	1,850
41,708	(40,637)	1,071	Major Roads Programme (Strategic Development Corridors)	41,692	(41,437)	255
9,639	(3,977)	5,662	Northern Powerhouse Rail	1,077	352	1,429
2,406	(1,541)	865	Integrated and Smart Ticketing	3,337	(1,689)	1,648
5,908	-	5,908	Rail Operations	6,102	(17)	6,085
<b>60,253</b>	<b>(46,155)</b>	<b>14,098</b>	Operational Areas	<b>54,058</b>	<b>(42,791)</b>	<b>11,267</b>
			<b>Cost of Services</b>			
1,996	-	1,996	<b>11</b> Other operating expenditure	-	-	-
325	(181)	144	<b>12</b> Financing and Investment Income and Expenditure	492	(233)	259
0	(8,013)	(8,013)	<b>13</b> Taxation and Non-specific Grant Income	-	(5,908)	(5,908)
<b>62,574</b>	<b>(54,349)</b>	<b>8,225</b>	<b>14 Surplus or Deficit on Provision of Services</b>	<b>54,550</b>	<b>(48,932)</b>	<b>5,618</b>
		4,857	<b>28</b> Remeasurement of the net defined benefit liability/asset			(3,557)
		<b>4,857</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(3,557)</b>
		<b>13,082</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>2,061</b>

# Transport for the North Statement of Accounts 2021/22

## Movement in Reserves Statement

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

### 2021/22

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

### 2020/21

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



# Transport for the North Statement of Accounts 2021/22

## Balance Sheet

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

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

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

# Transport for the North Statement of Accounts 2021/22

## Cash Flow Statement

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

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

# Transport for the North Statement of Accounts 2021/22

## Note 1 - Expenditure and Funding Analysis

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

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

2020/21				2021/22		
Net Expenditure Chargeable to the General Fund Balance	Adjustments (see note 2)	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund Balance	Adjustments (see note 2)	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000		£000	£000	£000
546	46	592	Major Roads Programme (Strategic Development Corridors)	1,747	103	1,850
950	121	1,071	Northern Powerhouse Rail	-	255	255
2,679	2,983	5,662	Integrated and Smart Ticketing	1,250	179	1,429
680	185	865	Rail Operations	1,237	411	1,648
5,085	823	5,908	Operational Areas	5,118	967	6,085
<b>9,940</b>	<b>4,158</b>	<b>14,098</b>	<b>Net Cost of Services</b>	<b>9,352</b>	<b>1,915</b>	<b>11,267</b>
(7,002)	1,129	(5,873)	Other Income and Expenditure	(6,003)	354	(5,649)
<b>2,938</b>	<b>5,286</b>	<b>8,225</b>	<b>Surplus or Deficit on Provision of Services</b>	<b>3,349</b>	<b>2,269</b>	<b>5,618</b>
(10,885)			Opening Combined General Fund Balance	(7,947)		
2,938			Plus/less Surplus or Deficit on the General Fund Balance for the Year (Statutory basis)	3,349		
<b>(7,947)</b>			<b>Closing Combined General Fund Balance</b>	<b>(4,598)</b>		

# Transport for the North Statement of Accounts 2021/22

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

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

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

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

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

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

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

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

# Transport for the North Statement of Accounts 2021/22

## Note 3 - Accounting Policies

### General principles

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

### Going Concern Basis

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

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

### Qualitative Characteristics

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

### Accruals of Income and Expenditure

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

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

# Transport for the North Statement of Accounts 2021/22

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

## **Cash and Cash Equivalents**

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

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

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

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

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

## **Leases**

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

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

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

## **Operating leases**

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

## **Events After the Reporting Period**

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

Two types of event can be identified:



# Transport for the North Statement of Accounts 2021/22

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

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

## **Financial Instruments**

### **Financial liabilities**

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

### **Financial assets**

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

### **Government Grants & Contributions**

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

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

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

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

### **Overheads and Support Services**

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

# Transport for the North Statement of Accounts 2021/22

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

## **Provisions**

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

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

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

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

## **Reserves**

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

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

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

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

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

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

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

# Transport for the North Statement of Accounts 2021/22

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

## **Intangible Assets**

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

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

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

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

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

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

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

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

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

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

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

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

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

surplus or deficit on the provision of services, but then reversed out through the Movement in Reserves Statement to the accumulated absences account so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

### Termination Benefits

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

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

### Post-Employment Benefits

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

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

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

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

1. quoted securities – current bid price
2. unquoted securities – professional estimate
3. unitised securities – current bid price
4. property – market value.

The change in the net pensions liability is analysed into the following components:

- Service cost comprising:
  - o current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
  - o past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement
  - o net interest on the net defined benefit liability (asset), i.e. net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the financing and investment income and expenditure line of the Comprehensive Income and Expenditure

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

Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

- Remeasurements comprising:
  - o the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the pensions reserve as other comprehensive income and expenditure – actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the pensions reserve as other comprehensive income and expenditure.
  - o contributions paid to the TfN pension fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the pensions reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the pensions reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees

### **Discretionary benefits**

The authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

## **Note 4 - Critical Judgements in Applying Accounting Policies**

In applying the Accounting Policies, the authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are as follows:

- As the majority of TfN funding comes from grants awarded by the Department for Transport, a key judgement is whether the grants include conditions or restrictions which impact on the recognition of these grants through the Comprehensive Income and Expenditure Statement.

## **Note 5 - Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty**

The Statement of Accounts contains estimated figures that are based on assumptions made by TfN about the future, or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

### **Pension Liability**

Estimation of the net liability to pay pensions depends on several complex judgements relating to the discount rate used, the rate at which salaries are expected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. TfN engaged Hymans Robertson LLP as consulting actuaries to provide expert advice as to the assumptions to apply.

# Transport for the North Statement of Accounts 2021/22

The effect on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% decrease in the Real Discount Rate would increase the defined benefit obligation by £676k. However, the assumptions interact in complex ways; details of the sensitivities are set out in Note 28.

## Note 6 - Material Items of Income and Expense

As further explained in Note 15, during 2020/21 DfT ended funding of the Integrated Smart Ticketing programme. The intangible assets which had been generated by the programme were either transferred to DfT or impaired to zero net value at 31 March 2021 in recognition that this project and the associated assets would be wound down in 2021/22.

During 2021/22, the remaining assets have been disposed of at a value of £2.47m. As these assets had been fully amortised or impaired in the previous year, this disposal was made at zero net value within the Comprehensive Income and Expenditure Statement.

## Note 7 - Events After the Reporting period

The Statement of Accounts was authorised for issue by the Finance Director on 7 July 2022. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

## Note 8 - Grant Income

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

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

### Grant Income Credited to Services

2020/21 £000	2021/22 £000
(40,636) NPR Transport Development Fund	(41,437)
(1,187) Integrated & Smart Ticketing Revenue	352
(2,790) Integrated & Smart Ticketing Capital	-
(681) Rail North Partnership Grant	(809)
- External Audit - Redmond Review support grant	(17)
(59) Rail North Local Contributions	(61)
(559) Rail North Rail Grant (via Local Contributions)	(567)
<b>(45,912) Total Grant Income Credited to Services</b>	<b>(42,539)</b>
(243) Contract Income - Rail Services	(252)
<b>(46,155) Total Income Credited to Services in CIES</b>	<b>(42,791)</b>

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

# Transport for the North Statement of Accounts 2021/22

## Grant Receipts in Advance - Revenue

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

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

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

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

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

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

### General Fund Balance

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

### Capital Grants Unapplied

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

# Transport for the North Statement of Accounts 2021/22

## 2021/22

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

## 2020/21

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

### Note 10 – Movement in Earmarked Reserves

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



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

	Balance at 1 April 2020	Transfers In 2020/21	Transfers Out 2020/21	Balance at 31 March 2021	Transfers In 2021/22	Transfers Out 2021/22	Balance at 31 March 2022
	£000	£000	£000	£000	£000	£000	£000
<b>General Fund Reserves:</b>							
Integrated and Smart Ticketing Revenue Funding Reserve	(3,928)	-	2,679	(1,250)	-	1,250	-
Earmarked Devolved Powers Reserve	(500)	-	-	(500)	-	-	(500)
Earmarked RNP Grant Reserve	-	-	(31)	(31)	-	-	(31)
<b>Total General Fund</b>	<b>(4,428)</b>	<b>-</b>	<b>2,648</b>	<b>(1,781)</b>	<b>-</b>	<b>1,250</b>	<b>(531)</b>

### Note 11 – Other operating expenditure

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

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

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

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

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

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

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

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

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

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

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

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

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

2020/21		2021/22
£000	Nature of Expenditure or Income	£000
(230)	Fees, charges and other service income	(253)
(181)	Interest and investment income	(233)
(53,939)	Government grants and contributions	(48,446)
9,483	Employee benefits expenses	10,600
48,020	Other service expenses	43,458
2,749	Amortisation and impairment	-
1,996	Gain or loss on disposal of non-current assets	-
325	Interest payments	491
<b>8,225</b>	<b>(Surplus) or Deficit for Year</b>	<b>5,618</b>

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

### Note 15 - Intangible Assets

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

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

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

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

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

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the authority. The useful lives assigned to the major software suites used by the authority are:

Useful Life (Years)	Internally Generated Assets	Other Assets
ERP	3	0
Integrated Smart Ticketing	5	0

This note recognises the development, and subsequent amortisation, disposal and impairment, of complex information systems for the Integrated and Smart Ticketing programme which was aiming to deliver improvements to the way in which passengers access journey time and disruption information and enable the implementation of smart payment systems across the northern passenger transport network.

During 2020/21 DfT confirmed the cessation of funding for the IST programme. Without ongoing funding, the assets within these programmes, that TfN had been carrying as Intangible Fixed Assets, were to be transferred to DfT. The fares data tool was transferred to DfT during 2020/21 and treated as a disposal of £2.0m in the year. The remaining IST assets on the balance sheet at 31 March 2021 were amortised and impaired to a zero net value.

During 2021/22, the remaining IST assets have either transferred to DfT or ceased to be used. The authority has recognised a disposal of £2.47m (2021: £2.00m) in relation to the IST intangible assets. The accumulated impairment value of £2.21m and accumulated amortisation value of £0.26m has been written back recognising the disposal. The consequent zero net profit or loss on this transaction has been charged to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

The note also recognises the development and implementation of TfN's enterprise resource planning (ERP) system asset valued at £1.01m (2021: £1.01m). The ERP system is in use and is shown under the 'operational assets' column. The ERP system asset has been fully amortised.

### Note 16 - Debtors

This note shows the value of money owed to TfN and the value of prepayments recognised. Sums due from TfN Partners reflects contributions due from Rail North authorities.

31 March 2021		31 March 2022
£000		£000
-	Employees	1
-	Department for Transport	1,043
-	Department for Levelling Up, Housing and Communities	17
215	Prepayments	200
289	TfN Partners	144
<b>505</b>	<b>Total Debtors</b>	<b>1,405</b>

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

### Note 17 – Cash & Cash Equivalents

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

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

### Note 18 - Creditors

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

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

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

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

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

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

### Note 19 - Provisions

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

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

# Transport for the North Statement of Accounts 2021/22

## Note 20 - Reserves

TfN holds both usable and unusable reserves. Usable reserves can be used to fund TfN activities, and some of these may be earmarked to support specific types of activity. Unusable are those reserves that do not contain resource that could be applied to meet TfN's funding requirements. These are largely accounting reserves where the effects of timing differences and statutory overrides of accounting rules are recognised.

### Usable Reserves

The following reserves can be used to fund TfN activities. The General Fund can be used to fund any activity but the other reserves are to be used only for specific activities.

2020/21	2021/22
£000	£000
(277) Capital Grants Unapplied	-
(1,250) Earmarked Revenue Grants: Integrated & Smart Ticketing	-
(500) Earmarked Devolved Powers Reserve	(500)
(31) Earmarked RNP Reserve	(31)
(6,166) General Fund	(4,067)
<b>(8,224) Total</b>	<b>(4,598)</b>

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

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

### Unusable Reserves

The following reserves are unusable for reasons explained below.

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

### Capital Adjustment Account

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

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

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

### Pension Reserve

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

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

### Accumulated Absences Account

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

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

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

### Note 21 - Cash Flow from Operating Activities

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

2020/21 £000	2021/22 £000
(2,293) Impairment and downward valuations	2,217
(533) Amortisation	256
(1,996) Disposal of intangible assets	(2,473)
(2,702) (Increase)/decrease in creditors	4,948
(94) (Increase)/decrease in debtors	900
(952) Movement in pension liability	(2,122)
58 Other non-cash movements charged to the surplus or deficit on provision of services	-
<b>(8,514) Total</b>	<b>3,726</b>

### Note 22 - Cash Flow from Investing Activities

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

### Note 23 - Members' Allowances

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

### Note 24 - Officers' Remuneration

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

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

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

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

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

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

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



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

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

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

### Note 25 - External Audit Costs

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

### Note 26 - Related Parties

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

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

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

#### Members

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

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

#### Officers

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

#### Funding

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

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

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

£0.62m) in the year. The northern Rail North authorities are represented on the Transport for the North Board, whilst all authorities sit on the Rail North Committee

TfN is also party to several contracts where it delivers prescribed services for partners. This includes project management work for North Yorkshire County Council and services funded by Network Rail related to the Trans-Pennine Route Upgrade project. In 2021/22 income was recognised to the value of £0.25m (2021: £0.24m).

### Expenditure

Over the course of the year TfN was party to several arrangements where partner bodies supplied goods or services to the organisation.

Transport for Greater Manchester (TfGM) is the regional transport executive for Greater Manchester and controlled via Greater Manchester Combined Authority, a TfN Constituent Authority, the mayor of which is a Transport for the North Board member. Throughout the year TfGM has provided elements of Information and Communications Technology and facilities management support to the organisation on a contractual basis, whilst TfN's Manchester based office space is leased from TfGM. In total, TfN incurred expenditure of £0.48m (2021: £0.64m) with Transport for Greater Manchester.

Network Rail is the system operator for the northern rail network and are also represented on the Transport for the North Board. During the year, TfN engaged Network Rail in a number of rail studies in support of the Northern Powerhouse Rail programme. The cost of this activity in year was £26.40m (2021: £26.95m).

As part of the ITSO on Rail project within the Integrated and Smart Ticketing programme, TfN provides grant support to the northern train operating companies. Under this arrangement, Merseytravel, the regional transport executive for the Liverpool City Region area, have received grant support totalling £0.24m (2021: £0.73m).

### Note 27 - Capital Expenditure and Capital Financing

During the year TfN incurred capital expenditure totalling £0.19m (2021: £4.53m). This expenditure was incurred in delivering the Integrated and Smart Ticketing programme.

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

2020/21 £000	2021/22 £000
- Opening Capital Financing Requirement	-
Capital Investment:	
1,294 Intangible Assets	-
3,235 Revenue Expenditure Funded from Capital Under Statute	185
<b>4,528 Total Capital Spending</b>	<b>185</b>
<b>Sources of Finance:</b>	
(4,528) Government grants and other contributions	(185)
Sums set aside from revenue:	
- - Direct revenue contributions	-
<b>(4,528) Total Sources of Finance</b>	<b>(185)</b>
- Closing Capital Financing Requirement	-

# Transport for the North Statement of Accounts 2021/22

## Note 28 - Defined Benefit Pension Scheme

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

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

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

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

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## Pensions Assets and Liabilities Recognised in the Balance Sheet

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

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

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

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

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

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

## Discretionary post-retirement benefits

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

## Transactions relating to post-employment benefits

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

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

### Local Government Pension Scheme assets comprised

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

### Assumptions

### Basis for estimating assets and liabilities

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

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

## Financial

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

## Mortality

Average future life expectancies at age 65 are summarised below:

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

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

## Historic mortality

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

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

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

## Commutation

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

## Sensitivity analysis

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

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

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

### Note 29 - Leases

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

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

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

# Transport for the North Statement of Accounts 2021/22

## Annual Governance Statement 2021/22

### Introduction

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

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

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

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

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

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

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

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



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

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

## 1.0 Scope of Responsibility

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

## 2.0 Delivering Good Governance in Local Government

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

## 3.0 The Corporate Governance Framework

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

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

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

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

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

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<p>business, but to leave the meeting. Members Declarations of Interest are available on the Transport for the North website.</p>	<p>Declarations of Interest</p>
<p>Transport for the North has adopted a Code of Practice in relation to Gifts and Hospitality which was reviewed during 2019/20 and training on the Code was rolled out across the organisation. Guidance in relation to gifts and hospitality is included in the induction for all new employees.</p>	<p>Code of Practice on Gifts and Hospitality</p>
<p>A register of Gifts and Hospitality is maintained by the Monitoring Officer, in which officers are required to declare any gifts or hospitality of more than nominal value which they have been offered, whether or not it has been accepted. An annual reminder is issued to all Employees and the Monitoring Officer reviews the register annually.</p>	<p>Employees Induction Register of Gifts and Hospitality</p>
<p>Transport for the North has appointed a Monitoring Officer who works with Members and Officers to ensure that Transport for the North complies with its legal duties and all legal requirements. This role is supported by a Deputy Monitoring Officer. Transport for the North has an in-house legal team, and the legal implications of all reports are considered and, where appropriate, legal advice provided within reports that inform decisions that are taken by Members. Legal advice is available to Members at all meetings of the Transport for the North Board and its Committees.</p>	<p>Constitution Board and Committee Reports</p>
<p>The Monitoring Officer has statutory reporting responsibilities in relation to any unlawful decisions or maladministration.</p>	<p>Constitution</p>
<p>The Finance Director as the Section 151 Officer has responsibility for ensuring proper arrangements for financial management and has statutory reporting duties in respect of unlawful expenditure and financially imprudent decision making.</p>	<p>Constitution</p>
<p>Transport for The North is committed to promoting Diversity and Inclusion across all areas of the business, which includes people leading the organisation and people working in it. During 2019 Transport for the North established a cross organisational Diversity in Action Group to develop a Diversity and Inclusion Action Plan to ensure that inclusion and diversity are embedded across the organisation both in employment practices and in the delivery of services and programmes. The key themes during 2021/22 focus around three main categories:</p>	<p>Diversity Policy</p>
<ul style="list-style-type: none"> <li>• Priority 1 - Establishing a framework of equality impact assessments across TfN and building associated employee/supplier awareness of diversity and inclusion.</li> <li>• Priority 2 - Career progression, including the continuation to support and develop our people</li> <li>• Priority 3 - Health and wellbeing with resilience</li> </ul>	<p>Diversity &amp; Inclusion Group Terms of Reference</p>

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

# Transport for the North Statement of Accounts 2021/22

<p>through watching the live stream has significantly increased from 2020/21 to the present.</p> <p>Under its 2018 Regulations, Transport for the North is required to establish a Partnership Board to advise it on all matters relating to transport to, from and within its area. The Partnership Board is a forum in which the elected Members of Transport for the North engage and consult with the business leaders of the area through representatives of the eleven northern Local Enterprise Partnerships and with the national transport delivery agencies Network Rail, Highways England and HS2. During 2019/20 Transport for the North reviewed the membership of the Partnership Board and widened its membership to include representatives of the Northern, North West and Yorkshire &amp; Humber Regional TUC areas, Disability Rights UK, Transport Focus and the Committee on Climate Change. This has broadened the interests represented on the Partnership Board particularly in relation to the environment and the interests of the travelling public.</p> <p>Transport for the North carries out extensive stakeholder engagement through its Engagement team and the wider organisation. Transport for the North Officers meet regularly with Parliamentarians, Members and officers of other Authorities, representatives of the Welsh and Scottish devolved governments, representatives of business organisations, and other stakeholders, such as community groups. The types of events vary from attending All Party Parliamentary Groups (APPG) meetings in Parliament, including the Transport Across the North APPG for which TfN is the secretariat; to roundtable events, and speaking engagements across the North and the rest of the UK.</p> <p>TfN's Annual Conference 2021 took place at the Queens Hotel in Leeds. Speakers included TfN representatives, Board Members, Government Ministers, and other relevant stakeholders.</p> <p>241 delegates registered for the Conference; TfN had to limit registrations in line with the 200-maximum capacity as this was one of the first large public sector events held following the pandemic.</p> <p>The Conference was held as a hybrid event, the first for the region and sector on its scale, and the online viewing figures were particularly impressive when compared to other large events, such as the Convention of the North. The Main Hall and two breakout room viewing figures were 1,068 views, 464 views and 363 views respectively.</p> <p>Over the past 12 months, Transport for the North has facilitated TfNTalks webinars, covering Freight and Logistics, as well as on the Decarbonisation Strategy and accessibility of the transport networks. TfN are in the process of planning webinars on decarbonisation and transport related social exclusion.</p>	<p>Transport for the North 2018 Regulations Constitution</p> <p>Memorandum of Understanding signed with the Welsh Government and Midlands Connect</p> <p>Memorandum of Understanding and Joint Engagement Action Plan agreed with National Highways</p>
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# Transport for the North Statement of Accounts 2021/22

<p>TfN has also facilitated the Decarbonisation Strategy Consultation, organised regional business briefings ahead of the Integrated Rail Plan publication and promoted the Freight and Logistics Strategy Consultation to hundreds of stakeholders, generating over 250 responses.</p> <p>Transport for the North facilitates regular podcast episodes, which cover a large variety of topics, updates on Transport for the North’s work and other salient events and issues. As with other Transport for the North events, the podcast includes TfN representatives, Board Members, and other relevant stakeholders.</p> <p>TfN’s podcast has grown over the past year; we have had 4,344 total plays over this period, which is represented by a +252% growth rate according to the statistics tracker on Soundcloud.</p> <p>TfN has recently launched a new Business Matters podcast series and hosted a popular series on ‘5 Ways to Level up the North’ series with TfN Board Members.</p> <p>Also facilitated and advised on five Northern Evidence Academic Forum meetings on a variety of topics with a variety of influential academics; there has been an average of around 60 attendees for each meeting and it has had positive feedback.</p> <p>Transport for the North is committed to full public engagement. Extensive public consultation was carried out in 2018 prior to the adoption of the Strategic Transport Plan. In 2021 a full statutory consultation was held in relation to the Decarbonisation Strategy before the Board adopted the Strategy in November 2021. A consultation on the TfN Freight and Logistics Strategy commenced in January 2022. Transport for the North will continue with its broader engagement to raise its public profile and awareness of Transport for the North programmes.</p> <p>TfN has undertaken to engage fully with its Constituent Authorities and has established officer reference groups for all its major work programmes where officers from the different Local Authorities across the region have an opportunity to help formulate Transport for the North’s policies and proposals at an early stage.</p> <p>TfN is in the process of developing new approaches to citizens’ engagement including the piloting of a citizens’ panel.</p> <p>Transport for the North also brought together a number of informal Members Working Groups to ensure the views of Transport for the North’s constituent authorities and their communities are heard and understood via their elected representatives. This engagement contributed to the development of Transport for the North’s different programmes and initiatives, including the Northern</p>	<p>Strategic Transport Plan</p> <p>Decarbonisation Strategy Consultation</p>
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# Transport for the North Statement of Accounts 2021/22

<p>Transport Charter and in support of business planning for 2021/22.</p> <p>During 2019/20 Transport for the North developed a new monthly operating report for Members, designed to support scrutiny and challenge of its programmes and operations. This report provides qualitative and quantitative performance information in a single report. The Monthly Operating Report has continued to be delivered during 2021/22 providing Members and the public with detailed information about the performance of Transport for the North's major programmes and operational activities.</p>	<p>Monthly Operating Report</p>
<p><b>C Defining outcomes in terms of sustainable economic, social, and environmental benefits</b></p>	
<p><b>Core Principle</b></p> <p><b>Having regard to the promotion of sustainable economic growth, and the social and environmental impacts of its proposals and having regard for the impact of current decisions and actions on future generations.</b></p>	
<p><i>How we met the principle</i></p>	<p><i>Evidence</i></p>
<p>The creation of sustainable economic growth is a key driver behind the Strategic Transport Plan (STP). The initial Northern Powerhouse Independent Economic Review (NPIER) published in 2016 identified the persistent gap in GVA per capita and productivity performance in the North compared to the rest of the United Kingdom. The main purpose behind the establishing of Transport for the North is to achieve a rebalancing of the United Kingdom's economy through improvements to transport and connectivity between the major conurbations in the North and across the region. Work is currently underway to begin the process of updating the NPIER with an intention to refresh the work in 2022/23.</p> <p>In developing the STP TfN undertook a thorough evaluation of the environmental and sustainability impacts of the proposals contained in the Plan.</p> <p>The STP outlined how the climate and environment will be factored in the design and development of transport interventions and plan. TfN's Decarbonisation Strategy demonstrates a trajectory or "pathway" to 2045, which was developed in collaboration with partners and demonstrates what is required to deliver the ambitions of the STP and local transport plans in tackling carbon impacts and reductions from transport.</p> <p>During 2021/22 Transport for the North consulted on and adopted the first Decarbonisation Strategy for the North of England which sets ambitious targets for decarbonisation across the North by 2045.</p> <p>The Northern Transport Charter outlines an 'Inclusive and Sustainable North' as a key Transport for the North priority. This recognises that Transport for the North's investment programme must: contribute towards a reduction in carbon</p>	<p>Northern Powerhouse Independent Economic Review</p> <p>STP Evidence base</p> <p>Integrated Sustainability Appraisal</p> <p>Decarbonisation Strategy</p> <p>The Northern Transport Charter</p>



# Transport for the North Statement of Accounts 2021/22

<p>emissions; reduces transport related social exclusion; and, wherever possible, seek to deliver environmental enhancements. As such work in 2021/22 has focused on exploring with members principles for prioritisation and trade-offs between these outcomes and will be further developed in financial year 2022/23.</p> <p>Proportionate environmental and sustainability assessments will be undertaken in relation to all proposals for infrastructure developments as part of the development or appraisal of options.</p> <p>Transport for the North's Technical Assurance, Modelling and Economics (TAME) function has developed an Analytical Framework which consists of a series of analytical and modelling tools including NELUM (Northern Economy and Land Use Model), NoHAM (Northern Highway Assignment Model) and NorTMS (Northern Transport Modelling System). The tools contribute to the provision of evidence to support the promotion of the economic and social evidence-based analysis of Transport for the North's transformational programmes.</p> <p>The Analytical Framework reflects Transport for the North's commitment to evidence-based decision making and provides a consistent evidence base to support the decision-making process on the sequencing of future interventions. This provides comfort to our Members, Constituent Authorities, and the Department for Transport that Transport for the North has fit-for-purpose decision making processes.</p> <p>The Research and Economics team within Transport for the North also regularly commission external research and undertake internal analysis to support evidence-based policy making across TfN. Over the past 12 months TfN has completed research into Transport Related Social Exclusion, the Visitor Economy, Transport User Insights and Monitoring and Evaluation.</p> <p>All reports presented to the Transport for the North Board and its formal Committees contain an assessment of the implications of the report in terms of sustainability, environmental impact, and equality impacts.</p> <p>The Strategic Plan and Investment Programme set out transport interventions which will benefit future generations beyond 2050.</p>	<p>Transport for the North's Analytical Framework</p> <p>Board Reports</p> <p>Strategic Transport Plan and Investment Programme</p>
<p><b>D Determining the interventions necessary to optimise the achievement of the intended outcomes</b></p>	
<p><b>Core Principle</b></p> <p><b>Focusing on the purpose of Transport for the North and the outcomes for the community and creating and implementing a vision for the area.</b></p>	
<p><i>How we met the principle</i></p>	<p><i>Evidence</i></p>
<p>The Strategic Transport Plan is a pan regional strategy that is based on a robust evidence base and sets out our vision</p>	<p>Strategic Transport Plan</p>

# Transport for the North Statement of Accounts 2021/22

<p>for transformational change in relation to transport infrastructure in the North.</p> <p>The Investment Programme (published February 2019) set out TfN’s recommendations for the appropriate pipeline of strategic transport schemes over the period up to 2050. In 2020/21 TfN qualitatively appraised and sequenced the programme to develop a recommended investment pipeline over three broad delivery time frames. (pre-2027, 2027-2033 and post 2033). In Spring 2022 TfN will report on further work, utilising TfN’s analytical framework to quantitatively appraise the economic, social, and environmental outcomes from the programme. This will support TfN in making recommendations to Government on strategic transport investment priorities. Transport for the North is committed to improving the standard of service provided by the railway network in the North and, under a partnership with the Secretary of State, manages the performance of the contracted railways in the region, Northern Rail and TransPennine Express. Through rigorous monitoring of the performance of these railways, Transport for the North has held their management to account and was instrumental in ensuring that the Northern Rail Franchise was taken back into public control.</p> <p>During the pandemic, Transport for the North was instrumental in developing the North of England Contingency Group which brought together all the Local Authority lead rail officers, Train Operators and Network Rail to ensure that an emergency timetable was introduced to support front line workers and ensure they were able to travel to and from work during the pandemic lockdowns.</p> <p>During 2020/21, the Northern Powerhouse Rail (NPR) programme continued to develop the strategic case for the NPR rail network to link all the major urban centres of the North by a fast and reliable rail link. The NPR team worked with partners to refine the options to enable Transport for the North to provide statutory advice to the Government on its preferred route and to enable it to submit to Government, in partnership with the DfT, a Strategic Outline Case demonstrating the benefits to the North of its proposals.</p> <p>Building upon the qualitative sequencing of the Investment Programme, TfN has taken forward a quantitative benefits analysis of the programme, with the aim of supporting TfN in making recommendations on Transport Investment priorities by December 2023.</p> <p>In support of a key action in TfN’s Decarbonisation Strategy TfN has led on development of an Electric Vehicle Charging Infrastructure (EVCI) evidence base for the North. This identifies future requirements for EVCI across all areas of the North and provides a valuable basis on to plan EVC investment. Outputs of the work have been shared with TfN Partners, OZEV and the North’s Electricity Distribution Network Operators (DNO’s).</p>	<p>Evidence Base</p> <p>Investment Programme</p>
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# Transport for the North Statement of Accounts 2021/22

<p>In December 2021 TfN published the updated Major Roads Report, setting out a balanced view of how we should manage, operate, and invest in our Major Roads to reflect the needs and priorities of communities in the 21st century.</p> <p>TfN has led a review of Major Roads Network (MRN) and Large Local Major (LLM) interventions and submitted a report to DfT, with recommendations for the MRN/LLM Programme in the North.</p> <p>The Major Roads and Strategy teams have engaged with National Highways on the initial development of the evidence base for the Route Strategies, which will underpin the evidence base for the Government’s future Road Investment Strategies.</p> <p>Throughout the year TfN has continued to monitor the impact of the pandemic on travel patterns and behaviours. And have completed data collection on journey time reliability and geographical distribution of traffic using the MRN in 2020 and 2021.</p> <p>TfN has worked collaboratively with the other Sub-National Transport Bodies and inputted into co-ordinated engagement with key national bodies such as the DfT, National Highways, Network Rail and the Office for Road and Rail.</p> <p>One of Transport for the North’s long-term ambitions for the North was to develop electronic ticketing across the North that could deliver the fair price promise and daily fare capping. This was being delivered through the IST Programme. Whilst Government funding cuts have meant that the current programmes have had to be curtailed, in its place Transport for the North is now working to develop a Northern Digital Mobility Strategy. This will be shaped by members to facilitate and empower the efficient local delivery of digital and ticketing interventions. The strategy will add value by sharing existing best practice, scaling the evidence base derived from local pilots and identifying any areas for collaboration. This is alongside planning for cross regional and cross modal integration of ticketing systems.</p>	
<p><b>E Developing the organisation’s capacity, including the capacity of its leaders and the individuals within it</b></p>	
<p><b>Core Principle</b></p> <p><b>Developing the capacity and capability of members and officers to be effective</b></p>	
<p><i>How we met the principle</i></p>	<p><i>Evidence</i></p>
<p>Transport for the North has adopted officer development programmes, including a thorough initial corporate induction programme for all new officers and line managers.</p> <p>All new employees to Transport for the North are subject to a formal six-month probationary process where performance</p>	<p>Corporate Induction Guidance</p> <p>Probationary Policy</p>

# Transport for the North Statement of Accounts 2021/22

<p>is assessed alongside the provision of initial learning and development support and guidance.</p> <p>Annual staff appraisals and half yearly reviews enable the management team to review both capacity and capability within their teams and identify any individual training and development needs. Key Performance objectives are captured in the online appraisal tool 'PERFORM' and training is delivered via the core curriculum of training.</p> <p>Role specific training needs are met through work-based learning and investment in software to enable effective outputs. Further career development is supported via the procurement of appropriate interventions to best meet individual and organisation needs.</p> <p>Where appropriate the organisation funds specialist training courses for officers and supports continuous professional development. Members of the Senior Management Team have undertaken leadership training, with this programme also being rolled out to junior and aspiring leaders during 2021/22.</p> <p>Transport for the North has incorporated Apprentices into the workforce plan at key points of entry. This is underpinned by strong relationships with Training Providers and internal support via Mentors and Line Managers. Mentors are provided with full Training.</p> <p>As Transport for the North introduces new policies and procedures, training sessions are held to make officers aware of these. Information on all policies and procedures is available on the Intranet and through our Learning Management system via e-learning modules.</p> <p>Transport for the North has invested in an e-learning and development tool "Learn" and all officers are encouraged to take advantage of this.</p> <p>Employee well-being forms a core element of Transport for the North's learning and development programme with the management of mental health at the heart of this activity. In normal times well-being events are held on a quarterly basis and Mental-Health First Aiders are on hand at both our operational bases in Leeds and Manchester.</p> <p>During the pandemic employees' welfare has been particularly important and Transport for the North has held regular wellbeing sessions for all employees addressing mental and physical health and wellbeing including physical activity sessions such as Yoga, mental health sessions such as mindfulness and nutrition and healthy eating. To date, a total of 51 wellbeing sessions have been completed with attendance by 865 delegates. Employees are also encouraged to support each other through daily interactions on Yammer and through virtual social events.</p>	<p>Transport for the North Appraisal Guide</p> <p>Learning and Development Policy</p> <p>Mental-Health First Aiders Protocol</p>
<p><b>F Managing risks and performance through robust internal control and strong public financial management</b></p>	
<p><b>Core Principle</b></p>	

# Transport for the North Statement of Accounts 2021/22

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

# Transport for the North Statement of Accounts 2021/22

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

# Transport for the North Statement of Accounts 2021/22

<p>progress of these programmes is regularly reviewed against agreed milestones and where major decisions are discussed.</p>	
<p>During 2021/22 the Northern Powerhouse Rail project was co-cliented with the DfT (as it had been in previous years) under a Memorandum of Understanding with the DfT that was approved by the Transport for the North Board on 12<sup>th</sup> March 2020 setting out governance arrangements including regular reporting of finances, performance, and risk to a Programme Board. Following the publication of the Integrated Rail Plan for the North and Midlands by Government in November 2021 this role will change to that of co-sponsor in 2022/23.</p>	<p>Constitution</p>
<p>Transport for the North operates under Memorandum of Understanding with the Secretary of State for Transport and Officers of Transport for the North meet with representatives of DfT at regular Sponsorship Meetings.</p>	<p>Memorandum of Understanding with the Secretary of State</p>
<p>During 2020/21 Transport for the North has produced a Monthly Operating Report that bring together performance and financial information to provide greater transparency in relation to ongoing operations. This report is provided to all members of the Transport for the North Board, the Scrutiny Committee and the Audit and Governance Committee so that all members have the information they need to challenge Transport for the North's performance.</p>	<p>Monthly Operating Report</p>
<p>The Rail North Partnership Team reports regularly to the Rail North Committee and is responsible to the Rail North Partnership Board which is made up of officers of the Constituent Authorities and the DfT where decisions in relation to the management of the performance of the Northern and TransPennine Express rail contracts.</p>	<p>Rail North Partnership Board</p>
<p>Transport for the North has adopted robust procedures for identifying, analysing, and managing risk. The risks are presented for discussion to Transport for the North's Operating Board, Audit and Governance Committee, DfT, and Transport for the North Board.</p>	<p>Programme and Corporate Risk Reports</p>
<p>Transport for the North has an Audit and Governance Committee which is responsible for independently monitoring and assessing the adequacy and effectiveness of the risk management framework.</p>	<p>Constitution</p>
<p>The Audit and Governance Committee receives a risk report at every meeting and the Committee selects key risks which it wishes to explore in greater detail.</p>	<p>Corporate Governance Framework</p>
<p>The Audit and Governance Committee includes four Independent Members appointed after a public recruitment exercise to provide an independent focus and additional expertise to support the Committee in its role.</p>	
<p>The Finance Director is responsible for the internal audit function. This has been contracted out to RSM which operates within an Annual Audit Plan that is approved by the Audit &amp; Governance Committee. RSM attends each</p>	<p>Reports to Audit and Governance Committee and Transport for the North Board</p>

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

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

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

### Governance Challenges (ongoing and completed)

<b>Subject</b>	<b>Action</b>	<b>Progress</b>	<b>Target Completion Date</b>
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.	<p>The review was postponed awaiting the publication of the findings of the Williams Review.</p> <p>Ad hoc review has been carried out, although more detailed ongoing review will be required.</p>	Ongoing.
Review of TfN Boards and Committees with particular reference to the General Purposes Committee	To review the function of all Boards and Committees and to develop the General Purposes Committee for matters that do not require full Board sign off but sit above the delegated powers of the Chief Executive.	The first meeting of the General Purposes Committee is Wednesday 23 <sup>rd</sup> February 2022.	Ongoing.



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

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

# Transport for the North Statement of Accounts 2021/22

## Conclusion

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

Signed .....  
Chair of the Transport for the North Board

Signed.....  
Chief Executive

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# Transport for the North Statement of Accounts 2021/22

## Glossary

### ACCOUNTING PERIOD

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

### ACCRUALS

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

### ACTUARIAL GAINS AND LOSSES

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

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

### ASSET

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

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

### AUDIT OF ACCOUNTS

An independent examination of the Authority's financial affairs.

### BALANCE SHEET

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

### BORROWING

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

### BUDGET

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

### CAPITAL EXPENDITURE

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

### CAPITAL FINANCING

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

# Transport for the North Statement of Accounts 2021/22

## CAPITAL PROGRAMME

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

## CIPFA

The Chartered Institute of Public Finance and Accountancy

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

## CONSISTENCY

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

## CONTINGENT ASSET

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

## CONTINGENT LIABILITY

A contingent liability is either:

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

## CREDITOR

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

## CURRENT SERVICE COST (PENSIONS)

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

## DEBTOR

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

## DEFINED BENEFIT PENSION SCHEME

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

## AMORTISATION

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

# Transport for the North Statement of Accounts 2021/22

## DISCRETIONARY BENEFITS (PENSIONS)

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

## EQUITY

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

## EVENTS AFTER THE BALANCE SHEET DATE

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

## EXPECTED RETURN ON PENSION ASSETS

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

## FAIR VALUE

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

## FINANCE LEASE

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

## GOING CONCERN

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

## GOVERNMENT GRANTS

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

## IMPAIRMENT

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

## INFRASTRUCTURE ASSETS

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

## INTANGIBLE ASSETS

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

## INTEREST COST (PENSIONS)

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

# Transport for the North Statement of Accounts 2021/22

## INVESTMENTS (PENSION FUND)

The investments of the Pension Fund will be accounted for in the statements of that fund. However, authorities are also required to disclose, as part of the disclosure requirements relating to retirement benefits, the attributable share of the pension scheme assets associated with their underlying obligations.

## LIABILITY

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

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

## LIQUID RESOURCES

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

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

## LONG-TERM CONTRACT

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

## MATERIALITY

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

## NET BOOK VALUE

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

## NET DEBT

The Authority's borrowings less cash and liquid resources.

## NON-DISTRIBUTED COSTS

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

## NON-OPERATIONAL ASSETS

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

## OPERATING LEASE

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

# Transport for the North Statement of Accounts 2021/22

## OPERATIONAL ASSETS

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

## PAST SERVICE COST (PENSIONS)

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

## PENSION SCHEME LIABILITIES

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

## PROVISION

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

## RELATED PARTIES

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

## RELATED PARTY TRANSACTIONS

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

## REMUNERATION

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

## RESERVES

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

## RESIDUAL VALUE

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

## RETIREMENT BENEFITS

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

## REVENUE EXPENDITURE

The day-to-day expenses of providing services.

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

### REVENUE EXPENDITURE CAPITALISED UNDER STATUTE (REFCUS)

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

### USEFUL ECONOMIC LIFE (UEL)

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

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# Independent auditor's report to the members of TfN

To be inserted

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