

# Transport for the North Statement of Accounts 2022/23



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## **Narrative report**

### **Operational overview and external environment**

#### **Our purpose**

Transport for the North (TfN) is a statutory body of elected leaders and senior business representatives from across the North. Collectively, our members represent the region's over 15 million citizens and provide 'one voice' for the North on transport matters.

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

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

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

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

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

#### **Vision & objectives**

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

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

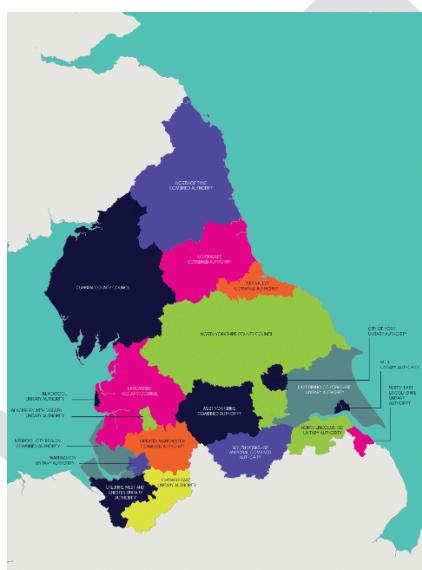
By connecting the key economic areas of the North, we will drive growth, improve access to jobs and ensure the North is a great place to invest and live.

#### **Our plan**

In February 2019, we published our first Strategic Transport Plan (STP), which outlined our vision for a future transport network that would enable sustainable economic growth across the whole of the North. Using our evidence base and policy positions developed since, we have revised the STP and will consult on the draft over summer 2023. The revised STP reflects not only economic growth ambitions for the North, but also the need to decarbonise our transport network and reduce those in transport related social exclusion. Subject to the outcome of the consultation, we expect to adopt the revised STP by end of 2023, with publication in early 2024.

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.

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



Our constituent authorities have increased from 19 to 21 in total, reflecting the creation of the North of Tyne Combined Authority and the North-East Combined Authority (South of Tyne) from the former North-East Combined Authority, and the creation of two new unitary authorities in Cumbria from 1 April 2023.

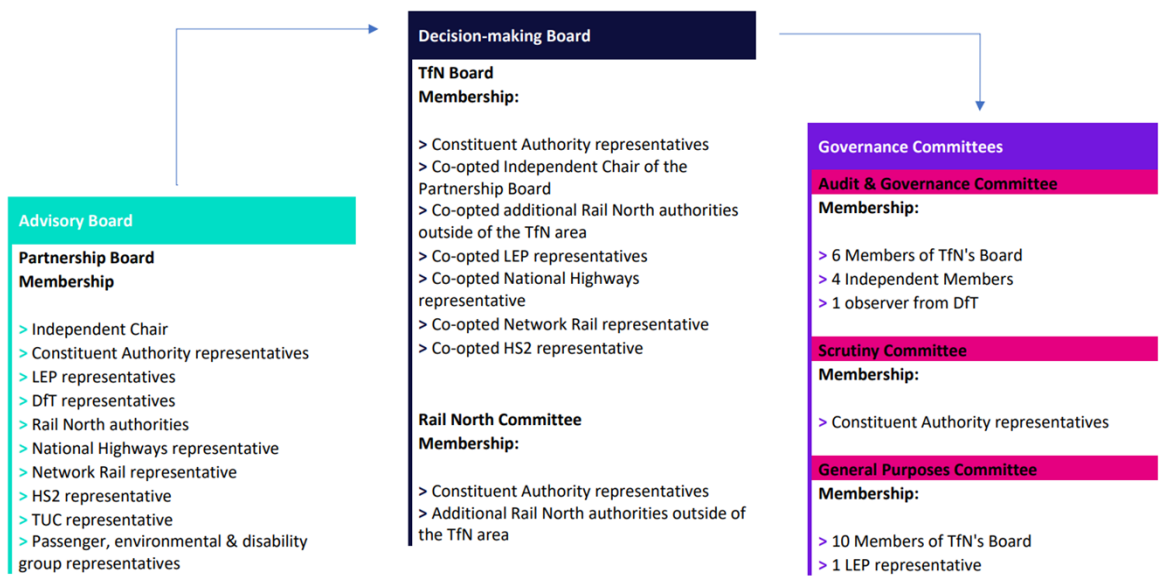
## How we make decisions

However, collaboration extends beyond this, and is characterised in the way that we work. Transport and economic officers from across the North work with us day-to-day, taking part in working groups that



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

## Transport for the North Board and committee structure



## Business model and performance

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

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

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

## Delivering on our objectives

### Our values

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

**We make a difference**

**We do the right thing**

**We are driven to succeed**

**We collaborate**

### Our core behaviours

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

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

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

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

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

## **Health and safety**

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

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

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

## **Our people: Team TfN**

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

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

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

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

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

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

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

### Our resourcing plan

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

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

Our proposed establishment for 2023/24 is:

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

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

### Our funding

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

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

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

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

## **Risk management**

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

## **Measuring our success in 2022/23**

### **Summary of activity in 2022/23**

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

- Implemented revised TfN Operating model with accompanying restructure and cost reduction programme;
- Developed the governance for the NPR co-sponsor board;
- Delivered analytical support programme for the NPR SOBC programme;
- Updated the Northern Powerhouse Independent Economic Review scenarios for the revised STP;
- Finalised the draft STP ready for consultation in summer 2023;
- Launched EV Charging Infrastructure framework and online toolkit;
- Published TRSE research and mapping tool and finalise the strategy for consultation;
- Published the Freight and Logistics Strategy;
- Completed an evidence-based assessment of the need for interventions in the RIS Programme;
- Continued to work as part of the Manchester Recovery Task Force to develop a 'blueprint' that aligns infrastructure and service changes – and then began to apply the experience gained to consideration of issues relating to the East Coast Main Line;
- Continued to work as part of the RNP to ensure that the North's priorities are reflected in the Business Plans of Northern and TPE;
- Worked with partners across the North to define the scope of work for a Connected Mobility Strategy; and
- Worked collaboratively with the six (non-statutory) Sub-national Transport Bodies on issues of common interest.

### **Qualitative performance**

In our 2022/23 Business Plan we set 20 Key Performance Indicators (KPIs) to ensure a culture of accountability and excellence for our organisation and our partners.

The KPIs were developed by:

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

We have monitored our performance against these KPIs using a combination of qualitative and quantitative measures. Of the 20 KPIs, 15 were achieved in year. Whilst progress was made on the remaining five KPIs, they were not fully completed in year and have been carried forward into 2023/24. TfN continues to assess the implications of the Integrated Rail Plan for the delivery of KPIs in relation to the Northern Powerhouse Rail programme.



## Financial performance 2022/23

### Performance against budget

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

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

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

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

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

### Reconciliation between outturn and CIES

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

| Income                                | £m                            |
|---------------------------------------|-------------------------------|
| <b>Outturn position</b>               | <b>(14.84)</b>                |
| <b>Adjustments for:</b>               |                               |
| Pensions (IAS19)                      | (0.37) In CIES not in outturn |
| RNP grant taken to earmarked reserves | (0.07) In outturn not in CIES |
| Use of core reserves                  | 0.76 In outturn not in CIES   |
| <b>CIES balance</b>                   | <b>(14.52)</b>                |

| Expenditure                               | £m                            |
|---|-------------------------------|
| <b>Outturn position</b>                   | <b>14.84</b>                  |
| <b>Adjustments for:</b>                   |                               |
| Pensions (IAS19)                          | 2.23 In CIES not in outturn   |
| Movement on accumulated absence provision | (0.03) In CIES not in outturn |
| <b>CIES balance</b>                       | <b>17.04</b>                  |

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

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

### Balance sheet movements

|                                  | 2021/22        | Movement      | 2022/23       |
|----------------------------------|----------------|---------------|---------------|
|                                  | £m             | £m            | £m            |
| <b>Assets</b>                    |                |               |               |
| Cash & cash equivalents          | 8.68           | (0.53)        | 8.14          |
| Debtors                          | 1.40           | (0.68)        | 0.73          |
|                                  | <b>10.08</b>   | <b>(1.21)</b> | <b>8.87</b>   |
| <b>Liabilities</b>               |                |               |               |
| Provisions                       | (0.07)         | (0.17)        | (0.24)        |
| Grants received in advance       | (0.35)         | (2.95)        | (3.29)        |
| Pension liability                | (10.45)        | 8.15          | (2.31)        |
| Creditors                        | (5.18)         | 3.66          | (1.52)        |
|                                  | <b>(16.05)</b> | <b>8.69</b>   | <b>(7.36)</b> |
| <b>Net assets/ (liabilities)</b> | <b>(5.97)</b>  | <b>7.48</b>   | <b>1.51</b>   |

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

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

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

|                                   | 2021/22       | Movement      | 2022/23       |
|-----------------------------------|---------------|---------------|---------------|
|                                   | £m            | £m            | £m            |
| <b>Unusable reserves</b>          |               |               |               |
| Accumulated absence reserve       | 0.11          | (0.03)        | 0.09          |
| Pension reserve                   | 10.45         | (8.15)        | 2.31          |
|                                   | <b>10.57</b>  | <b>(8.17)</b> | <b>2.39</b>   |
| <b>Usable reserves</b>            |               |               |               |
| Devolved powers earmarked reserve | (0.50)        | 0.50          | -             |
| RNP grant earmarked reserve       | (0.03)        | (0.07)        | (0.10)        |
| General fund reserve              | (4.07)        | 0.26          | (3.81)        |
|                                   | <b>(4.60)</b> | <b>0.69</b>   | <b>(3.90)</b> |
| <b>Total reserves</b>             | <b>5.97</b>   | <b>(7.48)</b> | <b>(1.51)</b> |

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

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

## Looking ahead to 2023/24 and beyond

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

### Summary of proposed activity in 2023/24

The investment made in TfN to date has developed a capacity and capability that is technically at the leading edge of strategic transport planning nationally. The 2023/24 Business Plan looks to build on that investment to the benefit of all TfN partners (nationally and regionally). In 2023/24 we will:

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

### Financial planning 2023/24

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

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

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

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

### Value for money

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

### Expenditure and funding

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

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

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

Core duties includes operational and support costs. We are subject to the same regulatory environment as local and combined authorities and must discharge our responsibilities as an autonomous body. We must also act in accordance with the Memorandum of Understanding that TfN has with DfT.

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



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

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

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

### **Financial outlook**

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

In January 2023, the core grant for the two-year period to March 2025 was announced at £6.5m with a further £0.71m to support the development of wider STB and LTA capacity and capability giving TfN funding certainty until the end of 2024/25. We are continuing constructive dialogue with DfT on how we can enhance our funding and secure greater certainty of future funding to aid our business planning.

To enable us to continue to deliver our functions as a 'going concern' we are party to a Memorandum of Understanding (MoU) with the DfT which, amongst other things, provides us with sufficient comfort that we can plan on a going concern basis. Furthermore, the MoU commits the Department to an orderly wind-down of our financial affairs should the government make a future decision to either withdraw or reduce our funding allocations.

### **Our medium-term financial plan**

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

As noted above, elements of our funding are ring fenced and can only be drawn down as required. This means our reserve strategy must be managed in conjunction with the use of the annual core grant allocations, as core grant is the only discretionary resource we hold that can fund any and all expenditure.

We have planned ahead based upon a 2022/23 year-end total reserve balance of £3.8m.

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

## Statement of Responsibility for the accounts

### TfN's responsibilities

TfN is required to:

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

### The Finance Director's responsibilities

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

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

The Finance Director has also:

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

### Certificate of the Finance Director

I certify that the Statement of Accounts gives a true and fair view of the financial position of the organisation at the accounting date and of the income and expenditure for the year ended 31 March 2023.

Paul Kelly  
Finance Director  
20 March 2024

### Chair's Certificate

I certify that the Statement of Accounts for the year ended 31 March 2023 was approved at the meeting of the Board on 20 March 2024.

Lord Patrick McLoughlin  
Chair of Transport for the North Board  
20 March 2024

## Financial statements

### Comprehensive income and expenditure statement

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

| 2021/22<br>As restated |                 |                | Notes  | 2022/23             |                 |                 |
|------------------------|-----------------|----------------|--|---------------------|-----------------|-----------------|
| Expenditure<br>£000    | Income<br>£000  | Net<br>£000    |  | Expenditure<br>£000 | Income<br>£000  | Net<br>£000     |
| 41,692                 | (41,437)        | 255            | NPR/ DfT Analytical Support  | 5,394               | (5,394)         | 0               |
| 1,077                  | 352             | 1,429          | Integrated and Smart Ticketing                                     | -                   | -               | -               |
| 1,270                  | (992)           | 278            | Rail North Partnership   | 1,668               | (1,456)         | 212             |
| 10,019                 | (714)           | 9,306          | Operational Areas  | 9,298               | (625)           | 8,674           |
| <b>54,058</b>          | <b>(42,791)</b> | <b>11,267</b>  | <b>Cost of services</b>  | <b>16,360</b>       | <b>(7,474)</b>  | <b>8,886</b>    |
| 0                      | -               | 0              | Other operating expenditure  | -                   | -               | -               |
| 492                    | (233)           | 259            | <b>11</b> Financing and investment income and expenditure          | 681                 | (541)           | 140             |
| 0                      | (5,908)         | (5,908)        | <b>12</b> Taxation and non-specific grant income                   | -                   | (6,500)         | (6,500)         |
| <b>54,550</b>          | <b>(48,932)</b> | <b>5,618</b>   | <b>13 Surplus or deficit on provision of services</b>              | <b>17,042</b>       | <b>(14,516)</b> | <b>2,526</b>    |
|                        |                 | (3,557)        | <b>27</b> Remeasurement of the net defined benefit liability/asset |                     |                 | (10,005)        |
|                        |                 | <b>(3,557)</b> | <b>Other comprehensive income and expenditure</b>                  |                     |                 | <b>(10,005)</b> |
|                        |                 |                |  |                     |                 |                 |
|                        |                 | <b>2,061</b>   | <b>Total comprehensive income and expenditure</b>                  |                     |                 | <b>(7,479)</b>  |

## Movement in reserves statement

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

### 2022/23

|   | General Fund Balance | Earmarked General Fund Reserves | Total General Fund Balance | Capital Grants Unapplied Account | Total Usable Reserves | Unusable Reserves | Total Reserves |
|---|----------------------|---------------------------------|----------------------------|----------------------------------|-----------------------|-------------------|----------------|
|   | £000                 | £000                            | £000                       | £000                             | £000                  | £000              | £000           |
| <b>Balance at 1 April 2022</b>  | <b>(4,067)</b>       | <b>(531)</b>                    | <b>(4,598)</b>             | <b>-</b>                         | <b>(4,598)</b>        | <b>10,567</b>     | <b>5,969</b>   |
| <b>Movement in reserves during 2022/23</b>  |                      |                                 |                            |                                  |                       |                   |                |
| (Surplus) or deficit on the provision of services                                     | 2,526                | -                               | 2,526                      | -                                | 2,526                 | -                 | 2,526          |
| Other Comprehensive Income / Expenditure  | -                    | -                               | -                          | -                                | -                     | (10,005)          | (10,005)       |
| <b>Total Comprehensive Income and Expenditure</b>                                     | <b>2,526</b>         | <b>-</b>                        | <b>2,526</b>               | <b>-</b>                         | <b>2,526</b>          | <b>(10,005)</b>   | <b>(7,479)</b> |
| Adjustments between accounting basis and funding basis under regulations (see note 9) | (1,833)              | -                               | (1,833)                    | -                                | (1,833)               | 1,833             | -              |
| <b>Net (Increase) or Decrease before Transfer to Earmarked Reserves</b>               | <b>693</b>           | <b>-</b>                        | <b>693</b>                 | <b>-</b>                         | <b>693</b>            | <b>(8,172)</b>    | <b>(7,479)</b> |
| Transfer (to)/from Earmarked Reserves (see note 10)                                   | (434)                | 434                             | -                          | -                                | -                     | -                 | -              |
| <b>(Increase) or Decrease in 2022/23</b>  | <b>259</b>           | <b>434</b>                      | <b>693</b>                 | <b>-</b>                         | <b>693</b>            | <b>(8,172)</b>    | <b>(7,479)</b> |
| <b>Balance at 31 March 2023</b>   | <b>(3,808)</b>       | <b>(97)</b>                     | <b>(3,905)</b>             | <b>-</b>                         | <b>(3,905)</b>        | <b>2,395</b>      | <b>(1,510)</b> |

### 2021/22

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



## Balance sheet

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

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

| <b>31 March 2022</b> |              |                                      | <b>31 March 2023</b> |
|----------------------|--------------|--------------------------------------|----------------------|
| <b>£000</b>          | <b>Notes</b> |                                      | <b>£000</b>          |
| -                    | <b>14</b>    | Intangible Assets                    | -                    |
| -                    |              | <b>Long Term Assets</b>              | -                    |
| 1,405                | <b>15</b>    | Short-Term Debtors                   | 728                  |
| 8,677                | <b>16</b>    | Cash and Cash Equivalents            | 8,144                |
| <b>10,082</b>        |              | <b>Current Assets</b>                | <b>8,873</b>         |
| (5,183)              | <b>17</b>    | Short-Term Creditors                 | (1,522)              |
| (68)                 | <b>18</b>    | Provisions                           | (240)                |
| (346)                | <b>8</b>     | Grants Receipts in Advance - Revenue | (3,293)              |
| <b>(5,597)</b>       |              | <b>Current Liabilities</b>           | <b>(5,055)</b>       |
| (10,454)             | <b>27</b>    | Pension Liability                    | (2,308)              |
| <b>(10,454)</b>      |              | <b>Long term Liabilities</b>         | <b>(2,308)</b>       |
| <b>(5,969)</b>       |              | <b>Net Assets/(Liabilities)</b>      | <b>1,510</b>         |
| (4,598)              | <b>19</b>    | Usable Reserves                      | (3,905)              |
| 10,567               | <b>19</b>    | Unusable Reserves                    | 2,395                |
| <b>5,969</b>         |              | <b>Total Reserves</b>                | <b>(1,510)</b>       |

## Cash flow statement

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

| <b>2021/22</b> |   | <b>2022/23</b> |
|----------------|---|----------------|
| <b>£000</b>    |   | <b>£000</b>    |
| 5,618          | Net (surplus) or deficit on the provision of services   | 2,526          |
| 3,726          | <b>20</b> Adjustment to surplus or deficit on the provision of services for noncash movements                                       | (2,013)        |
| 0              | Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities | 169            |
| <b>9,344</b>   | <b>Net cash flows from operating activities</b>   | <b>682</b>     |
| 0              | Net cash flows from investing activities  | (149)          |
| <b>9,344</b>   | <b>Net (increase) or decrease in cash and cash equivalents</b>  | <b>533</b>     |
| 18,021         | Cash and cash equivalents at the beginning of the reporting period  | <b>8,677</b>   |
| <b>8,677</b>   | <b>Cash and cash equivalents at the end of the reporting period</b>   | <b>8,144</b>   |

## Disclosure notes

### Note 1 - Expenditure and funding analysis

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

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

| 2021/22<br>As restated   |   |  |   | 2022/23  |   |  |
|--|---|--|---|--|---|--|
| Net<br>Expenditure<br>Chargeable<br>to the<br>General<br>Fund<br>Balance<br>£000 | Adjustment<br>s (see note<br>2)<br>£000 | Net<br>Expenditure in<br>the<br>Comprehensiv<br>e Income and<br>Expenditure<br>Statement<br>£000 |   | Net<br>Expenditure<br>Chargeable<br>to the<br>General<br>Fund<br>Balance<br>£000 | Adjustment<br>s (see note<br>2)<br>£000 | Net<br>Expenditure in<br>the<br>Comprehensiv<br>e Income and<br>Expenditure<br>Statement<br>£000 |
| -  | 255                                     | 255  | NPR/ DfT Analytical Support   | -  | -                                       | -  |
| 1,250  | 179                                     | 1,429  | Integrated and Smart Ticketing  | -  | -                                       | -  |
| 23   | 255                                     | 278  | Rail North Partnership  | (66)   | 278                                     | 212  |
| 8,080  | 1,226                                   | 9,306  | Operational Areas   | 7,428  | 1,245                                   | 8,674  |
| <b>9,352</b>   | <b>1,915</b>                            | <b>11,267</b>  | <b>Net Cost of Services</b>   | <b>7,362</b>   | <b>1,524</b>                            | <b>8,886</b>   |
| (6,003)  | 354                                     | (5,649)  | Other Income and Expenditure  | (6,669)  | 309                                     | (6,360)  |
| <b>3,349</b>   | <b>2,269</b>                            | <b>5,618</b>   | <b>Surplus or Deficit on<br/>Provision of Services</b>  | <b>693</b>   | <b>1,833</b>                            | <b>2,526</b>   |
| (7,947)  |   |  | Opening Combined General Fund<br>Balance  | (4,598)  |   |  |
| 3,349  |   |  | Plus/less Surplus or Deficit on<br>the General Fund Balance for the<br>Year (Statutory basis) | 693  |   |  |
| <b>(4,598)</b>   |   |  | <b>Closing Combined General<br/>Fund Balance</b>  | <b>(3,905)</b>   |   |  |

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

|   | <b>Net Capital<br/>Statutory<br/>Adjustments</b> | <b>Net Pensions<br/>Statutory<br/>Adjustments</b> | <b>Other<br/>Statutory<br/>Adjustments</b> | <b>Total<br/>Adjustments</b> |
|---|--|---|--|------------------------------|
|   | <b>£000</b>                                      | <b>£000</b>                                       | <b>£000</b>                                | <b>£000</b>                  |
| NPR/ DfT Analytical Support   | -  | -   | -  | -                            |
| Rail North Partnership  | -  | 279   | (1)  | 278                          |
| Operational Areas   | -  | 1,271   | (25)                                       | 1,246                        |
| <b>Net Cost of Services</b>   | <b>-</b>   | <b>1,550</b>                                      | <b>(26)</b>                                | <b>1,524</b>                 |
| Other Income and Expenditure  | -  | 309   | -  | 309                          |
| <b>Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement</b> | <b>-</b>   | <b>1,859</b>                                      | <b>(26)</b>                                | <b>1,833</b>                 |

**2021/22 As restated**

|   | <b>Net Capital<br/>Statutory<br/>Adjustments</b> | <b>Net Pensions<br/>Statutory<br/>Adjustments</b> | <b>Other<br/>Statutory<br/>Adjustments</b> | <b>Total<br/>Adjustments</b> |
|---|--|---|--|------------------------------|
|   | <b>£000</b>                                      | <b>£000</b>                                       | <b>£000</b>                                | <b>£000</b>                  |
| NPR/ DfT Analytical Support   | -  | 287   | (32)                                       | 255                          |
| Integrated and Smart Ticketing  | 185  | 9   | (16)                                       | 178                          |
| Rail North Partnership  | -  | 264   | (10)                                       | 254                          |
| Operational Areas   | -  | 1,299   | (72)                                       | 1,227                        |
| <b>Net Cost of Services</b>   | <b>185</b>                                       | <b>1,860</b>                                      | <b>(130)</b>                               | <b>1,915</b>                 |
| Other Income and Expenditure  | 92   | 262   | -  | 354                          |
| <b>Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement</b> | <b>277</b>                                       | <b>2,122</b>                                      | <b>(130)</b>                               | <b>2,269</b>                 |

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

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

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

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

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



## **Note 3 - Accounting policies**

### **General principles**

The statement of accounts summarises TfN's transactions for the 2022/23 financial year and its position at the year-end of 31 March 2023. TfN is required to prepare an annual statement of accounts by the Accounts and Audit Regulations 2015, which determine the timing of when the statements must be produced. The Statements have to be published before 1<sup>st</sup> June. The Regulations also require that the accounts be prepared in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the 2003 Act. The accounting convention adopted in the statement of accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

### **Going concern basis**

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

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

### **Qualitative characteristics**

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

### **Accruals of income and expenditure**

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments is accounted for as income on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue in financing and investment income and expenditure for the income that might not be collected.

### **Cash and cash equivalents**

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

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

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

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

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

### **Leases**

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

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

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

### **Operating leases**

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

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

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

Two types of events can be identified:

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

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

## **Financial instruments**

### **Financial liabilities**

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

### **Financial assets**

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

### **Government grants and contributions**

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

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

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

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

## **Overheads and support services**

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

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

## **Provisions**

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

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

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

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

## **Reserves**

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

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

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

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

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

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

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

## **Intangible assets**

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

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

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

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

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

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

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

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

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

## **Employee benefits**

### **Benefits payable during employment**

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

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

### **Termination benefits**

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

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

### **Post-employment benefits**

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

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

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

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

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

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

- Service cost comprising:
  - o current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
  - o past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited



to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement

- o net interest on the net defined benefit liability (asset), i.e. net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the financing and investment income and expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Remeasurements comprising:
  - o the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the pensions reserve as other comprehensive income and expenditure – actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the pensions reserve as other comprehensive income and expenditure.
  - o contributions paid to the TfN pension fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

### **Discretionary benefits**

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

## **Note 4 - Critical judgements in applying accounting policies**

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

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

## **Note 5 - Assumptions made about the future and other major sources of estimation uncertainty**

The Statement of Accounts contains estimated figures that are based on assumptions made by TfN about the future, or that are otherwise uncertain. Estimates are made taking into account historical experience,

current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

### Pension liability

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

The effect on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% decrease in the Real Discount Rate would increase the defined benefit obligation by £439k. However, the assumptions interact in complex ways; details of the sensitivities are set out in Note 27.

## Note 6 - Material items of income and expense

There were no unusual or unexpected items of income and expenditure in the year.

## Note 7 - Events after the reporting period

The Statement of Accounts was authorised for issue by the Finance Director 31 May 2023. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

## Note 8 - Grant income

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

Grants that are restricted to discrete activity are shown on the service lines.

### Grant income credited to services

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

Grants with conditions that may require unused allocations to be returned are shown as grants received in advance as a current liability. Grant received to fund NPR analytical support must be returned to the Department for Transport if not required.

**Grant receipts in advance - revenue**

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

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

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

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

## **Note 9 - Adjustments between accounting basis and funding basis under regulations**

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

### **General fund balance**

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

### **Capital grants unapplied**

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which TfN has met the conditions that would otherwise require repayment of the monies, but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place. TfN no longer holds any capital grant.

**2022/23**

|  | General Fund<br>Balance<br>£000 | Capital Grants<br>Unapplied<br>£000 | Movement in<br>Unusable<br>Reserves<br>£000 |
|--|---------------------------------|-------------------------------------|---|
| Adjustments to the Revenue Resources   |                                 |                                     |   |
| Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements: |                                 |                                     |   |
| Pension cost (transferred to (or from) the Pensions Reserve)   | (1,859)                         | -                                   | 1,859                                       |
| Holiday pay (transferred to the Accumulated Absences Reserve)  | 26                              | -                                   | (26)  |
| Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to Capital Adjustment Account)                       | -                               | -                                   | -   |
| <b>Total Adjustments to Revenue Resources</b>  | <b>(1,833)</b>                  | <b>-</b>                            | <b>1,833</b>                                |
| Adjustments between Revenue and Capital Resources  |                                 |                                     |   |
| Capital expenditure financed from Capital Grants Unapplied   | -                               | -                                   | -   |
| <b>Total Adjustments between Revenue and Capital Resources</b>   | <b>-</b>                        | <b>-</b>                            | <b>-</b>                                    |
| <b>Total Adjustments</b>   | <b>(1,833)</b>                  | <b>-</b>                            | <b>1,833</b>                                |

**2021/22**

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

**Note 10 – Movement in earmarked reserves**

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

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

## Note 11 - Financing and investment income and expenditure

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

| 2021/22   | 2022/23    |
|---|------------|
| £000  | £000       |
| 492 Interest payable on the net defined benefit liability | 681        |
| (233) Interest receivable and similar income              | (541)      |
| <b>259 Total</b>  | <b>140</b> |

## Note 12 - Taxation and non-specific grant income

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

This note shows the value of non-specific grants and those capital grants not shown on the service lines of the comprehensive income and expenditure statement that have been recognised in year.

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

## Note 13 - Expenditure and income analysed by nature

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

| 2021/22                                      | 2022/23      |
|--|--------------|
| £000   | £000         |
| Nature of Expenditure or Income              |              |
| (253) Fees, charges and other service income | (192)        |
| (233) Interest and investment income         | (541)        |
| (48,446) Government grants and contributions | (13,783)     |
| 10,600 Employee benefits expenses            | 8,995        |
| 43,458 Other service expenses                | 7,366        |
| 491 Interest payments                        | 681          |
| <b>5,618 (Surplus) or Deficit for Year</b>   | <b>2,526</b> |

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

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

## Note 14 - Intangible assets

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

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

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

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

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

The note also recognises the development and implementation of TfN's enterprise resource planning (ERP) system asset valued at £1.01m (2022: £1.01m). The ERP system is in use and is shown under the 'operational assets' column. The ERP system asset has been fully amortised.

## Note 15 - Debtors

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

Total debtors include financial assets of £0.56m (2022: £1.21m), which are carried at amortised cost. There is no significant difference between the carrying value and the fair value of these financial assets. There is no significant credit risk in relation to TfN's financial assets.



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

## Note 16 – Cash & cash equivalents

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

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

## Note 17 - Creditors

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

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

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

Amounts owed to TfN partners relate to TfN's Manchester office space, which is leased from Transport for Greater Manchester (TfGM).

The table above includes financial liabilities of £1.52m (2022: £5.18m) which are carried at amortised cost. There is no significant difference between the carrying value and fair value of these financial

liabilities. There is no significant market or liquidity risk in relation to these financial liabilities which are all due to mature within 1 year.

## Note 18 - Provisions

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

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

## Note 19 - Reserves

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

### Usable reserves

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

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

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

### Unusable reserves

The following reserves are unusable for reasons explained below.

| 2021/22                         | 2022/23      |
|---------------------------------|--------------|
| £000                            | £000         |
| 10,454 Pension Reserve          | 2,308        |
| 113 Accumulated Absence Account | 87           |
| <b>10,567 Total</b>             | <b>2,395</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.

| 2021/22<br>£000  | 2022/23<br>£000 |
|--|-----------------|
| - <b>Balance 1 April</b>   | -               |
| (2,217) Charges for depreciation and impairment of non-current assets  | -               |
| (256) Amortisation of intangible assets  | -               |
| 185 Revenue expenditure funded from capital under statute  | -               |
| Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | -               |
| 2,473  | -               |
| <b>185 Net written out amount of the cost of non-current assets consumed in the year</b>   | -               |
| Application of grants and contributions from the Capital Grants (185) Unapplied Reserve  | -               |
| <b>(185) Capital financing applied in year</b>   | -               |
| - <b>Balance 31 March</b>  | -               |

### Pension reserve

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

| 2021/22<br>£000  | 2022/23<br>£000 |
|--|-----------------|
| <b>11,889 Balance at 1 April</b>   | <b>10,454</b>   |
| (3,557) Remeasurements of the net defined benefit (liability)/asset  | (10,005)        |
| Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement | 2,706           |
| 3,436  |                 |
| Employer's pensions contributions and direct payments to pensioners payable in the year  | (847)           |
| (1,314)  |                 |
| <b>10,454 Balance at 31 March</b>  | <b>2,308</b>    |

### Accumulated absences account

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

| 2021/22<br>£000   | 2022/23<br>£000 |
|---|-----------------|
| <b>243 Balance 1 April</b>  | <b>113</b>      |
| Settlement or cancellation of accrual made at the end of the preceding year   | (113)           |
| 113 Amounts accrued at the end of the current year  | 87              |
| (130) Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in year in accordance with statutory requirements | (26)            |
| <b>113 Balance 31 March</b>   | <b>87</b>       |

## Note 20 - Cash flow from operating activities

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

| 2021/22<br>£000   | 2022/23<br>£000 |
|---|-----------------|
| 2,217 Impairment and downward valuations  | -               |
| 256 Amortisation  | -               |
| (2,473) Disposal of intangible assets   | -               |
| 4,948 (Increase)/decrease in creditors  | 715             |
| 900 Increase/(decrease) in debtors  | (696)           |
| (2,122) Movement in pension liability   | (1,859)         |
| - Other non-cash movements charged to the surplus or deficit on provision of services | (172)           |
| <b>3,726 Total</b>  | <b>(2,013)</b>  |

## Note 21 - Cash flow from investing activities

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

## Note 22 - Members' allowances

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

| 2021/22<br>£   | 2022/23<br>£ |
|--|--------------|
| 2,400 Independent Audit & Governance Committee Members | 1,100        |

## Note 23 - Officers' remuneration

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

The remuneration paid to the authority's senior employees was as follows:

# Transport for the North Statement of Accounts 2022/23

| 2022/23  | Salary  | Employer Pension Contribution | Taxable Allowances | Professional Memberships | Redundancy Payments |
|--|---------|-------------------------------|--------------------|--------------------------|---------------------|
| Role   | (£)     | (£)                           | (£)                | (£)                      | (£)                 |
| Chief Executive (Head of Paid Service)         |         |                               |                    |                          |                     |
| <i>Martin Tugwell</i>                          | 154,550 | 26,892                        | -                  | -                        | -                   |
| Chairman (pro-rata)                            |         |                               |                    |                          |                     |
| <i>Patrick McLoughlin</i>                      | 60,000  | -                             | -                  | -                        | -                   |
| - <i>Chairman full-time equivalent</i>         | 225,000 |                               |                    |                          |                     |
| Rail & Roads Director                          | 20,765  | 3,613                         | -                  | -                        | -                   |
| - <i>Joined 06/02/23</i>                       |         |                               |                    |                          |                     |
| Strategy, Analysis and Communications Director | 15,892  | 2,765                         | -                  | -                        | -                   |
| - <i>Joined 06/02/23</i>                       |         |                               |                    |                          |                     |
| Rail North Partnership Director                | 125,435 | 21,826                        | -                  | -                        | -                   |
| Chief Financial Officer (Section 151)          | 121,475 | 21,137                        | -                  | 415                      | -                   |
| Head of Legal Services (Monitoring Officer)    | 93,360  | 16,245                        | -                  | 316                      | -                   |
| Major Roads Programme Director                 | 32,950  | 4,597                         | 87                 | 362                      | 163,413             |
| - <i>Departed 01/07/22</i>                     |         |                               |                    |                          |                     |
| Strategic Rail Director                        | 125,435 | 21,826                        | 379                | -                        | -                   |
| - <i>Role removed 31/03/23</i>                 |         |                               |                    |                          |                     |
| Business Capabilities Director                 | 88,619  | 13,569                        | -                  | -                        | 197,808             |
| - <i>Departed 14/11/22</i>                     |         |                               |                    |                          |                     |
| Strategy and Policy Director                   | 119,822 | 20,849                        | -                  | -                        | -                   |
| - <i>Departed 31/03/23</i>                     |         |                               |                    |                          |                     |

| 2021/22                                     | Salary   | Employer Pension Contribution | Taxable Allowances | Professional Memberships | Severance Payments |
|---|----------|-------------------------------|--------------------|--------------------------|--------------------|
| Role  | (£)      | (£)                           | (£)                | (£)                      | (£)                |
| Chief Executive (Head of Paid Service)      |          |                               |                    |                          |                    |
| <i>Barry White - departed 15/05/21</i>      | 22,056   | 3,532                         | -                  | -                        | -                  |
| <i>Martin Tugwell - joined 02/08/21</i>     | 102,151  | 17,774                        | -                  | -                        | -                  |
| Chairman (pro-rata)                         |          |                               |                    |                          |                    |
| <i>John Cridland - departed 27/07/21</i>    | 18,000   | -                             | -                  | -                        | -                  |
| <i>Patrick McLoughlin - joined 25/01/22</i> | 10,000   | -                             | -                  | -                        | -                  |
| - <i>Chairman full-time equivalent</i>      | 225,000  |                               |                    |                          |                    |
| NPR Programme Director                      | 149,475  | 21,605                        | 65                 | 343                      | -                  |
| - <i>Departed 31/03/2022</i>                |          |                               |                    |                          |                    |
| Major Roads Programme Director              | 98,808   | 17,193                        | 254                | 429                      | -                  |
| Strategic Rail Director                     | 123,510  | 21,491                        | 204                | -                        | -                  |
| Rail North Partnership Director             | 123,510  | 21,491                        | -                  | -                        | -                  |
| Chief Financial Officer (Section 151)       | 142,417  | 24,781                        | 231                | 82                       | -                  |
| - <i>Departed 16/03/22 (see note)</i>       |          |                               |                    |                          |                    |
| Chief Financial Officer (Section 151)       | 19,995   | 3,479                         | -                  | 67                       | -                  |
| - <i>Joined 01/02/22 (see note)</i>         |          |                               |                    |                          |                    |
| Business Capabilities Director              | 128,417  | 21,491                        | -                  | -                        | -                  |
| Head of Legal Services (Monitoring Officer) | 91,435   | 15,910                        | -                  | 306                      | -                  |
| Strategy and Policy Director                | £112,277 | £19,536                       | -                  | -                        | -                  |

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

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

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

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

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

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

## Note 24 - External audit costs

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



## Note 25 - Related parties

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

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

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

### Members

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

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

### Officers

Officers may be able to influence financial or operational practices. There were no transactions in 2022/23 with bodies in which officers had a pecuniary interest and were able to exercise such an influence.

### Funding

TfN is almost entirely funded from the Department for Transport. The Secretary of State for Transport is represented on the Transport for the North Board leading to common control. During the financial year, grants to a value of £16.75m (2022: £48.59) were received from the Department, which combined with the balance of grants received in the prior year made £16.41m of grant available. Of this, £13.12m (2022: £48.25m) was recognised as income in the year, the remaining £3.29m (2022: 0.34m) of unused grant is held as grant received in advance for use in the following financial year.

TfN is the recipient of local funding contributions for its Rail North activities. These contributions are made by the Rail North authorities and amounted to £0.65m (2022: £0.63m) in the year. The northern Rail North authorities are represented on the Transport for the North Board, whilst all authorities sit on the Rail North Committee

TfN is also party to several contracts where it delivers prescribed services for partners. This includes project management work for North Yorkshire County Council and services funded by Network Rail related to the Trans-Pennine Route Upgrade project. In 2022/23 income was recognised to the value of £0.18m (2022: £0.25m).

### Expenditure

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

Transport for Greater Manchester (TfGM) is the regional transport executive for Greater Manchester and controlled via Greater Manchester Combined Authority, a TfN Constituent Authority, the mayor of which is a Transport for the North Board member. Throughout the year TfGM has provided elements of information and communications technology and facilities management support to the organisation on a contractual basis, whilst TfN's Manchester based office space is leased from TfGM. In total, TfN incurred expenditure of £0.52m (2022: £0.48m) with Transport for Greater Manchester.

## Note 26 - Capital Expenditure and Capital Financing

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

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

## Note 27 - Defined benefit pension scheme

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

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

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

## General fund transactions

| <b>Comprehensive Income &amp; Expenditure Statement</b>   |                 |
|---|-----------------|
| <b>Cost of Services</b>   |                 |
| <b>2021/22</b>  | <b>2022/23</b>  |
| <b>£000</b>   | <b>£000</b>     |
| Service cost compromising:  |                 |
| 2,963 Current service cost  | 2,026           |
| 211 Past service cost   | 371             |
| 262 Net interest expense  | 309             |
| <b>3,436 Total charged to Surplus or Deficit on Provision of Services</b>                             | <b>2,706</b>    |
| <b>Other post employment benefits charged to the Comprehensive Income &amp; Expenditure Statement</b> |                 |
| <b>2021/22</b>  | <b>2022/23</b>  |
| <b>£000</b>   | <b>£000</b>     |
| Re-measurement of the net defined benefit liability comprising:                                       |                 |
| (859) Return on plan assets (excluding the amount included in the net interest expense)               | 136             |
| Other Experience  | (2,441)         |
| (255) Actuarial gains and losses arising on changes in demographic assumptions                        | (955)           |
| (2,496) Actuarial gains and losses arising on changes in financial assumptions                        | (13,299)        |
| 53 Actuarial gains and losses arising on changes in other assumptions                                 | 6,554           |
| <b>(3,557) Total charged to Other Comprehensive Income &amp; Expenditure Statement</b>                | <b>(10,005)</b> |
| <b>(121) Total charged to the Comprehensive Income &amp; Expenditure Statement</b>                    | <b>(7,299)</b>  |
| <b>Movement in Reserves Statement</b>   |                 |
| <b>2021/22</b>  | <b>2022/23</b>  |
| <b>£000</b>   | <b>£000</b>     |
| (3,436) Reversal of net charges made to the Surplus or Deficit on the Provision of Services           | (2,706)         |
| Actual amount charged against the General Fund balance for pensions in the year                       |                 |
| 1,314 Employers' contributions payable to the scheme  | 847             |

## Pensions assets and liabilities recognised in the balance sheet

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

| <b>2021/22</b>                                   | <b>2022/23</b> |
|--|----------------|
| <b>£000</b>                                      | <b>£000</b>    |
| (23,596) Present value of the defined obligation | (18,932)       |
| 13,142 Fair value of plan assets                 | 16,624         |
| <b>(10,454) Net Asset / (liability)</b>          | <b>(2,308)</b> |

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

| 2021/22   | 2022/23       |
|---|---------------|
| £000  | £000          |
| 10,266 Opening fair value of scheme assets  | 13,142        |
| - Revaluation of opening fair value of scheme assets  | -             |
| 10,266 Revised opening fair value of scheme assets  | 13,142        |
| 229 Interest income   | 372           |
| Re-measurement gain/(loss):   |               |
| 859 Return on plan assets (excluding the amount included in the net interest expense)       | (136)         |
| Other Experience  | 2,441         |
| 1,314 Contributions from employer   | 847           |
| 536 Contributions from employees into the scheme  | 428           |
| (62) Net benefits paid out  | (470)         |
| <b>13,142 Reconciliation of the movements in the fair value of the scheme (plan) assets</b> | <b>16,624</b> |

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

| 2021/22  | 2022/23         |
|--|-----------------|
| £000   | £000            |
| (22,155) Opening balance at 1 April  | (23,596)        |
| (2,963) Current service cost   | (2,026)         |
| (491) Interest cost  | (681)           |
| (536) Contributions from scheme participants   | (428)           |
| Re-measurement gains and losses:   |                 |
| 255 Actuarial gains and losses arising on changes in demographic assumptions                           | 955             |
| 2,496 Actuarial gains and losses arising on changes in financial assumptions                           | 13,299          |
| (53) Actuarial gains and losses arising on changes in other assumptions                                | (6,554)         |
| (211) Past service cost  | (371)           |
| 62 Net benefits paid out   | 470             |
| <b>(23,596) Reconciliation of the present value of scheme liabilities (defined benefit obligation)</b> | <b>(18,932)</b> |

**Discretionary post-retirement benefits**

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

**Transactions relating to post-employment benefits**

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

However, the charge we are required to make is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the general fund via the movement in reserves statement. The following transactions have been made in the comprehensive income and expenditure statement and the general fund balance via the Movement in Reserves Statement during the year.

## Local Government Pension Scheme assets comprised

| 2021/22  |                  |               | 2022/23        |                  |               |
|--|------------------|---------------|----------------|------------------|---------------|
| Quoted<br>£000                                     | Unquoted<br>£000 | Total<br>£000 | Quoted<br>£000 | Unquoted<br>£000 | Total<br>£000 |
| <b>411</b>   | <b>-</b>         | <b>411</b>    | <b>422</b>     | <b>-</b>         | <b>422</b>    |
| <b>Cash &amp; cash equivalents</b>                 |                  |               |                |                  |               |
| Equity Securities                                  |                  |               |                |                  |               |
| 1,023  | -                | 1,023         | 999            | -                | 999           |
| 914  | -                | 914           | 919            | -                | 919           |
| 622  | -                | 622           | 821            | -                | 821           |
| 1,374  | -                | 1,374         | 1,418          | -                | 1,418         |
| 701  | -                | 701           | 833            | -                | 833           |
| 702  | -                | 702           | 1,173          | -                | 1,173         |
| 161  | -                | 161           | 189            | -                | 189           |
| <b>5,497</b>                                       | <b>-</b>         | <b>5,497</b>  | <b>6,352</b>   | <b>-</b>         | <b>6,352</b>  |
| <b>Subtotal Equity Securities</b>                  |                  |               |                |                  |               |
| Debt Securities                                    |                  |               |                |                  |               |
| 525  | -                | 525           | 663            | -                | 663           |
| -  | -                | -             | -              | -                | -             |
| 226  | -                | 226           | 397            | -                | 397           |
| 390  | -                | 390           | 495            | -                | 495           |
| <b>1,141</b>                                       | <b>-</b>         | <b>1,141</b>  | <b>1,555</b>   | <b>-</b>         | <b>1,555</b>  |
| <b>Subtotal Debt Securities</b>                    |                  |               |                |                  |               |
| Private Equity                                     |                  |               |                |                  |               |
| -  | 929              | 929           | -              | 1,244            | 1,244         |
| <b>-</b>   | <b>929</b>       | <b>929</b>    | <b>-</b>       | <b>1,244</b>     | <b>1,244</b>  |
| <b>Subtotal Private Equity</b>                     |                  |               |                |                  |               |
| Real Estate  |                  |               |                |                  |               |
| -  | 509              | 509           | -              | 647              | 647           |
| <b>-</b>   | <b>509</b>       | <b>509</b>    | <b>-</b>       | <b>647</b>       | <b>647</b>    |
| <b>Subtotal Real Estate</b>                        |                  |               |                |                  |               |
| Investment Funds & Unit Trusts                     |                  |               |                |                  |               |
| 870  | -                | 870           | 888            | -                | 888           |
| 1,356  | -                | 1,356         | 1,476          | -                | 1,476         |
| -  | -                | -             | -              | -                | -             |
| -  | -                | -             | -              | -                | -             |
| -  | 762              | 762           | -              | 1,329            | 1,329         |
| 265  | 1,491            | 1,756         | 405            | 2,309            | 2,714         |
| <b>2,491</b>                                       | <b>2,253</b>     | <b>4,744</b>  | <b>2,769</b>   | <b>3,637</b>     | <b>6,406</b>  |
| <b>Subtotal Investment Funds &amp; Unit Trusts</b> |                  |               |                |                  |               |
| Derivatives  |                  |               |                |                  |               |
| (89)   | -                | (89)          | -              | -                | -             |
| <b>(89)</b>  | <b>-</b>         | <b>(89)</b>   | <b>-</b>       | <b>-</b>         | <b>-</b>      |
| <b>Subtotal Derivatives</b>                        |                  |               |                |                  |               |
| <b>9,451</b>                                       | <b>3,691</b>     | <b>13,142</b> | <b>11,097</b>  | <b>5,528</b>     | <b>16,624</b> |
| <b>Total Assets</b>                                |                  |               |                |                  |               |

## Basis for estimating assets and liabilities

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

Both the Local Government Pension Scheme and discretionary benefits liabilities have been estimated by Hymans Robertson LLP, an independent firm of actuaries, estimates for the fund being based on the latest full valuation of the scheme as at 31 March 2022.

#### Financial

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

#### Mortality

|                    | Male       | Female     |
|--------------------|------------|------------|
| Current Pensioners | 22.1 years | 24.2 years |
| Future Pensioners* | 22.9 years | 25.7 years |

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

### Historic mortality

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

| Current pensioners  | Future pensioners   |
|---|---|
| VitaCurves with improvements in line with the CMI 2021 model, assuming an initial adjustment of 0.25% and a long-term rate of improvement of 1.50% p.a. | VitaCurves with improvements in line with the CMI 2021 model, assuming an initial adjustment of 0.25% and a long-term rate of improvement of 1.50% p.a. |

Please note that the mortality assumptions used to value the obligations in the employer's closing position are different to those used to value the obligations in the employer's opening position.

### Commutation

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits.

### Sensitivity analysis

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

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

| Change in assumptions at 31 March 2023           | Approximate % increase to Defined Benefit Obligation | Approximate monetary amount (£000) |
|--|--|------------------------------------|
| 0.1% decrease in Real Discount Rate              | 2%   | 477                                |
| 1 year increase in member life expectancy        | 4%   | 757                                |
| 0.1% increase in the Salary Increase Rate        | 0%   | 48                                 |
| 0.1% increase in the Pension Increase Rate (CPI) | 2%   | 441                                |



## Note 28 - Leases

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

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

The expenditure charged to the relevant service area within the comprehensive income and expenditure statement during the year in relation to these leases reflects a rent-free period on one of the leases which has been spread over the life of the lease in accordance with the Code. The charge was £0.49m (2022: £0.59m).

## Note 29 – Prior Year Adjustment

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

### Comprehensive income and expenditure statement

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

### Expenditure and funding analysis

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

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

# Annual Governance Statement 2022/23

## Introduction

This statement provides an overview of how Transport for the North's governance arrangements operate and reports on how they have been reviewed to ensure that they provide an effective system of internal control.

Transport for the North was established from 1 April 2018 by the Sub-National Transport Body (Transport for the North) Regulations 2018 ("the 2018 Regulations"). This is its fifth Annual Governance Statement and its Constitution, policies, procedures, and systems continued to be developed during 2022/23. As a Sub-National Transport Body, Transport for the North's core functions are to prepare a Transport Strategy for the area and to provide advice to the Secretary of State regarding the exercise of transport functions in the area. Other powers devolved to TfN are included in the Regulations. Transport for the North is funded in this work by the DfT.

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

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

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

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

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

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

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

During the Covid-19 pandemic, Transport for the North implemented measures to allow remote working and made use of the ability to convene virtual meetings as permitted by legislation. Since easing of the restrictions in June 2021, some of Transport for the North's Boards and Committees have been able to be held in person. Others have continued to be held as Consultation Calls where still necessary to enable the necessary consultation to be carried out by the Chief Executive to exercise his delegated powers. All in-person Transport for the North Board meetings and consultation calls continued to be streamed live to the public.

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

## **1.0 Scope of Responsibility**

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

## **2.0 Delivering Good Governance in Local Government**

- 2.1 The governance framework comprises the systems, processes, culture, and values, by which Transport for the North is directed and controlled and the processes through which it accounts to and engages with the community. It enables Transport for the North to monitor the achievement of its strategic objectives and to consider whether those objectives will lead to the delivery of its goal of transformational economic growth in the North of England, facilitated by improved transport infrastructure.
- 2.2 The system of internal control is a significant part of the governance framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

- 2.3 The system of internal control consists of a number of processes, policies and procedures that have been put in place in order to identify and prioritise the risks to the achievement of Transport for the North's aims and objectives, to evaluate the likelihood and resultant impact of those risks materialising, and to manage them efficiently, effectively and economically.
- 2.4 The governance framework was in place at Transport for the North for the 2022/23 financial year and up to the date of approval of the Statement of Accounts.

### 3.0 The Corporate Governance Framework

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

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

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

**Evidence and Outcomes**

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

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

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

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

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

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

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

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

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

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

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

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

Transport for The North is committed to promoting Diversity and Inclusion across all areas of the business, which includes people leading the organisation and people working in it. A Diversity Action group, comprising officer representatives who report into Senior Management Team, which in turn reports to Operating Board, is in place to help promote understanding across the organisation and legal compliance.

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

**Evidence and Outcomes**

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



We have adopted a Code of Conduct for Officers and a Protocol on Member /Officer Relations, to which all officers are expected to adhere. Serious breaches of these Codes by officers would be investigated under the organisation's disciplinary code. However, no breaches of code or protocol have been reported.

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

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

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

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

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

The Finance Director as the Section 151 Officer has responsibility for ensuring proper arrangements for financial management and has statutory reporting duties in respect of unlawful expenditure and financially imprudent decision making. The S151 officer has not made any reports. All new officers are subject to a robust induction process and new members are offered an induction to familiarise themselves on our policy and procedures.

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

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

### **Evidence and Outcomes**

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

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

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



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

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

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

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

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

### **Evidence and Outcomes**

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

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

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

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

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

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

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

We have incorporated Apprentices into the workforce plan at key points of entry. This is underpinned by strong relationships with Training Providers and internal support via Mentors and Line Managers. Mentors are provided with full training.

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

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

### **Evidence and Outcomes**

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

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

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

Our officers meet regularly with Parliamentarians, Members and officers of other Authorities, representatives of the Welsh and Scottish devolved governments, representatives of business organisations, and other stakeholders. Including attending All Party Parliamentary Groups (APPG) meetings in Parliament, roundtable events, and speaking engagements across the North and the rest of the UK.

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

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

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

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

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

## **G. Core Principle**

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

### **Evidence and Outcomes**

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

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

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

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

In January 2023 we received an allocation of additional DfT funding (for 2023/24 and 24/25) to use our experience in data analytics to lead work on a Common Analytical Framework (CAF) for all STBs. The Analytical Framework reflects Transport for the North's commitment to evidence-based decision making and provides a consistent evidence base to support the decision-making process on the prioritisation of future interventions.

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

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

### Evidence and Outcomes

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

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

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

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

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

## 5.0 Conclusion

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

Signed

Signed

Chair of the Transport for the North Board  
20 March 2024

Chief Executive Officer  
20 March 2024

## Glossary

### ACCOUNTING PERIOD

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

### ACCRUALS

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

### ACTUARIAL GAINS AND LOSSES

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

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

### ASSET

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

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

### AUDIT OF ACCOUNTS

An independent examination of the Authority's financial affairs.

### BALANCE SHEET

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

### BORROWING

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

### BUDGET

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

### CAPITAL EXPENDITURE

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

### CAPITAL FINANCING

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

## CAPITAL PROGRAMME

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

## CIPFA

The Chartered Institute of Public Finance and Accountancy

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

## CONSISTENCY

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

## CONTINGENT ASSET

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

## CONTINGENT LIABILITY

A contingent liability is either:

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

## CREDITOR

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

## CURRENT SERVICE COST (PENSIONS)

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

## DEBTOR

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

## DEFINED BENEFIT PENSION SCHEME

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

## AMORTISATION

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

## DISCRETIONARY BENEFITS (PENSIONS)

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

#### EQUITY

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

#### EVENTS AFTER THE BALANCE SHEET DATE

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

#### EXPECTED RETURN ON PENSION ASSETS

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

#### FAIR VALUE

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

#### FINANCE LEASE

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

#### GOING CONCERN

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

#### GOVERNMENT GRANTS

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

#### IMPAIRMENT

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

#### INFRASTRUCTURE ASSETS

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

#### INTANGIBLE ASSETS

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

#### INTEREST COST (PENSIONS)

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

#### INVESTMENTS (PENSION FUND)

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

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

## LIABILITY

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

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

## LIQUID RESOURCES

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

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

## LONG-TERM CONTRACT

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

## MATERIALITY

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

## NET BOOK VALUE

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

## NET DEBT

The Authority's borrowings less cash and liquid resources.

## NON-DISTRIBUTED COSTS

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

## NON-OPERATIONAL ASSETS

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

## OPERATING LEASE

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

## OPERATIONAL ASSETS

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



#### PAST SERVICE COST (PENSIONS)

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

#### PENSION SCHEME LIABILITIES

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

#### PROVISION

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

#### RELATED PARTIES

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

#### RELATED PARTY TRANSACTIONS

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

#### REMUNERATION

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

#### RESERVES

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

#### RESIDUAL VALUE

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

#### RETIREMENT BENEFITS

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

#### REVENUE EXPENDITURE

The day-to-day expenses of providing services.

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

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

#### USEFUL ECONOMIC LIFE (UEL)

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



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