

Transport for the North Statement of Accounts 2020/21



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Narrative Report

Organisational Overview and External Environment

Our Purpose

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

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

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

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

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

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

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

Vision & Objectives

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

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

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

Our Plan

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

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

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

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

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

Summary of activity in 2020/21

The last year has delivered unprecedented challenges few could have predicted. The North's people and businesses have been rocked by the effects of the global pandemic and our transport network has formed part of an altogether different landscape due to prolonged Covid-related restrictions.

Previously crowded trains ran significantly below capacity, carrying key workers, with a strong focus on safety for passengers and train staff alike. The importance of freight movement across the North came to the fore and focus on walking and cycling infrastructure heightened as people explored different ways to stay local and active.

Notwithstanding the pandemic, throughout 2020/21 we stayed on track to deliver on the priorities of the North's civic and business leaders. A pragmatic partner to Government, we've spoken with one voice on a wide range of issues affecting the North. From ensuring rail services responded for those who relied upon them; to making strong, evidence-based cases for investment in our infrastructure, we have continued to deliver for the North's people.

Transport for the North's shared vision remains as resolute and relevant as ever as the nation looks to recovery. There has been excellent progress this year, with committed investment in some of our priorities and TfN being on the front foot of putting forward schemes that could be accelerated as part of our Economic Recovery Plan. TfN's main achievements in the year are summarised below:

- Agreed a single preferred way forward and phasing plan for NPR and submitted statutory advice to the DfT, pending completion of the Strategic Outline Case.
- Agreed and submitted to Government an Economic Recovery Plan (ERP) for the North, a prioritised pipeline of short-term investment projects to build back greener from the pandemic.
- Completed work to develop the Northern Transport Charter, endorsed by Board in 2020, setting out the future priorities and transport devolution in the North.
- Coordinated pan-Northern responses to a number of high-profile Government consultations including the Williams Review; Union Connectivity Review; National Infrastructure Commission's (NIC) Rail Needs Assessment; DfT's Decarbonising Transport: Setting the Challenge policy position paper; and Her Majesty Treasury's (HMT) Green Book Review.
- Developed a roadmap to recovery, supporting the rail industry in the response to Covid-19 to put passengers first and implement the Blake Jones recommendations.
- Updated a Major Roads Report, to be finalised and published following work on TfN's Decarbonisation Strategy, as well as continuing to support partners on promoting connectivity improvements and secure funding.
- Developed our first Freight and Logistics Strategy for the North, alongside a Decarbonisation Strategy to tackle surface transport emissions, for consultation in 2021/2.
- Launched research and insight programmes to support the STP, including research into the visitor economy and social exclusion; as well as publishing our future travel scenarios.

Summary of proposed activity in 2021/22

The year ahead will be one of rebuilding and recovery, 'building back better', but for the North it is also about catching up on decades of under investment, which, if pledges that have been made become commitments, greater investment in the north can become a key element 'levelling up'. Our 2021/22 Business Plan sets out how our activity for the year ahead will support these ambitions. Our prime activities for 2021/22 are:

- Rebuilding rail passenger numbers in the north as COVID-19 restrictions are lifted;
- Working with train operators, Department for Transport and Network Rail to get clarity on future rail investment while improving reliability on the railway given the historic infrastructure constraints;
- Completing and submitting the Northern Powerhouse Rail Strategic Outline Case following the publication of the Government's Integrated Rail Plan;
- Agreeing with DfT the governance for Northern Powerhouse Rail (NPR) as it moves into the next phase of development;
- Pursuing the Economic Recovery Plan with DfT's Acceleration Unit;
- Carrying out the Investment Programme Benefits Analysis, assessing how investment affects inclusivity and sustainability as well as economic activity; and
- Consulting on and completing our Decarbonisation Strategy ready for publication before COP26 (Conference of the Parties).

It should be noted, however, that uncertainties lie ahead. Firstly, a reduction in funding allocations year-on-year means the organisation will face challenges in achieving all of its ambitions in 2021/22.

Likewise, there remain unknowns at a national level. Several key Government policy decisions could significantly impact our work during the coming 12 months, shifting the context against which we operate. These include the anticipated publication of the Integrated Rail Plan for the North and Midlands; the Williams-Shapps Plan for Rail and creation of Great British Railways; the Levelling-Up White Paper; and anticipated Comprehensive Spending Review, all of which may have a bearing on our vision and role.

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

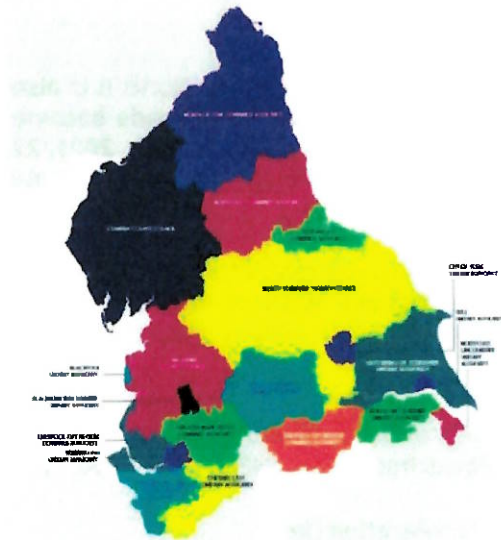
Governance

Transport for the North is a unique arrangement that sees Northern elected leaders and Local Enterprise Partnerships (LEPs) working together to speak to central government with a united voice.

Our Partnership Board is made up of elected and LEP representatives from all areas of the North, along with the Secretary of State for Transport and representatives from Highways England, Network Rail and HS2 Ltd. During the year the Board was chaired by an independent Chairman – John Cridland CBE. This body allows the North to speak with one voice on the transport infrastructure investment needed to boost the North's economy.

After nearly six years of service John Cridland CBE, TfN's Chair, indicated to the TfN Board on 9 June 2021 his intention to retire from the role. The board thanked John his work on behalf of TfN and his substantial contribution to the organisation since 2015. Councillor Louise Gittins will act as the Interim Chair until a new appointment is made.

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



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

Primarily, our constituent authorities increased by 1 to 20 in total, reflecting the creation of the North of Tyne Combined Authority and the North East Combined Authority (South of Tyne) from the former North East Combined Authority.

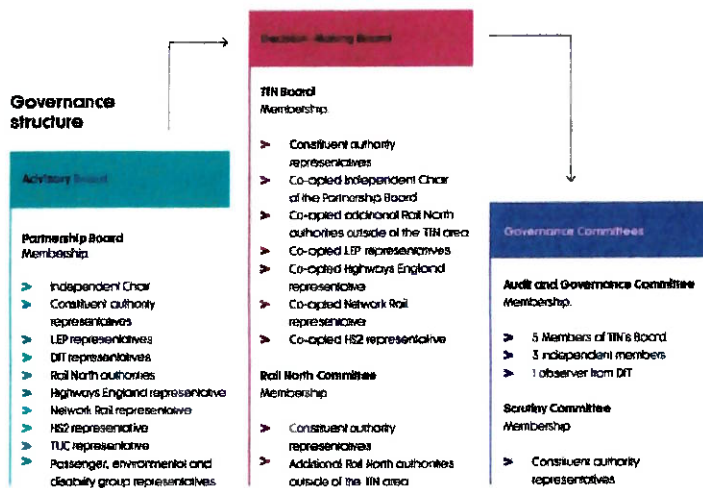
The Partnership Board was also expanded during 2019/20 to include new representative groups that will support the Board in drawing together a wider spectrum of views and expertise. Three regional Trade Union Council (TUC) representatives have joined the Board along with representatives of environmental,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

How we make decisions

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

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

Transport for the North Board and Committee Structure



Business Model

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

Our Business Plan for 2020/21, published in March 2020, set out TfN's Strategic Objectives and commitments for the year. That Business Plan can be downloaded here:

https://transportfornorth.com/wp-content/uploads/TFTN_business_plan_20_21.pdf

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

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

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

Delivering on Our Objectives

Our People: TeamTFN

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

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

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

This commitment to being among the best was demonstrated when we became among the first supporters of the Greater Manchester Good Employment Charter – an initiative aimed at developing good jobs and more opportunities for people to progress.

We hold ourselves to the same high standards as our peers across the North. As well as being an accredited Living Wage employer – an expectation of which extends to our supply chain - we're also an agile organisation, adopting family friendly working practices that mean our teams can work in different locations and at flexible times. Such agile and remote working practices mean we attract and retain talent from across the whole of the North. In return, we get the best out of people with a diverse range of backgrounds and experiences.

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

Recognising that everyone has the ability to shape and improve our organisation is a fundamental principle. Linked to this is our recognition of UNISON, with whom we regularly collaborate to support our teams regarding working practices and ensuring we always do the right thing.

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

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

We embrace and open the door for the next generation of talent too. Our apprenticeships scheme provides school-leavers with the opportunity to develop in high-skilled and rewarding roles. We currently employ 4 apprentices (2.9% of our total workforce) which is ahead of the Government's 2.3% of all new starters target by March 2021. We're extremely proud of what our apprentices have achieved, with some going on to other opportunities within TfN, broadening their skillsets and experience.

Our Resourcing Plan:

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

TfN is funded almost wholly by Government. In 2020/21 the uncertainty over future funding, along with the impact of COVID-19 and prioritisation of NPR modelling, caused some TfN activity to slow down or be rescheduled. Therefore, much of last year's planned recruitment was put on hold. As a result, TfN's staff numbers varied between 130-141 in the second half of the year, averaging 30 vacant posts.

Following the Comprehensive Spending Review in 2020, TfN received notice of in-year budget reductions and reduced core funding for 2021/22. This context of reduced resources has shaped our approach to the business planning process, ensuring we continue to progress and organise ourselves to best meet our organisational objectives, which are directed and approved by TfN's Board.

Our approach to people resourcing reflects these financial constraints, with a circa 14% reduction in our established posts. We have sought to manage this reduction, from 166 posts in 2020/21 to 142 posts in 2021/22, through removal of vacant posts where possible.

Furthermore, we continue to resource the NPR programme predominantly through service-based consultants, due to the nature of the one-year funding constraints, with potential for approximately 100 contractors working on the programme by the end of next year.

We will continue with this integrated approach to resourcing while only short-term funding commitment is available.

Covid-19 Pandemic

TfN moved to full remote working in line with Government advice on 17 March 2020. We made this decision to support our colleagues, their families, and the community as a whole, and thanks to our robust contingency plans we were able to operate effectively whilst navigating the changing situation. In common with many other organisations, we are currently implementing new ways of working based on employee feedback, which retains flexibility of working remotely but reunites colleagues for face-to-face collaboration. This will be fully implemented once Covid restrictions are lifted. We also remain in close contact with all our Members and partners, ensuring that, when we emerge from the current emergency, we will be ready to support our people, businesses and economy in the short-term and the long-term.

Robust Covid-19 processes, procedures and support mechanisms have been implemented to support employees and facilitate TfN's ongoing operations. An enhanced programme of internal communications has been introduced to keep employees well informed and supported, alongside a health & well-being (both physical & mental health) support programme. TfN has emphasised its pre-existing flexible working policies to support employees with carer's responsibilities and has regular HR business partner meetings with all line managers to support both employee welfare and on-going business operations/delivery.

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

Our Funding

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

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

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

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

Initially, the DfT made grant available in 2020/21 to resource our opening gross base budget of £88.05m:

Resource	£m
Core Revenue Grant	10.00
General Fund Core Grant Reserves	1.29
Rail North Grant & Contributions	1.62
Contracted Income	0.36
Integrated and Smart Ticketing Grants	9.69
Transport Development Fund	42.82
	65.78
Contingency Envelopes	22.27
Net Resource Requirement	88.05

TfN was subsequently informed in January that its Core funding for 2020/21 would be reduced by £3m to £7m and that DfT would cease ongoing funding for the IST programme.

Our Medium-Term Financial Plan

Under statute, all local government bodies – including TfN – are required to operate to a locally defined reserves strategy that ensures that the organisation always holds a prudent level of reserves. Such reserves enable the organisation to operate with a degree of flexibility and guard against financial shock.

A prudent reserve strategy is particularly important to TfN as it has few other levers to mitigate financial risk. TfN's approach to managing financial risk therefore has to rest on two pillars:

- a) A prudent risk culture that ensures TfN limits its exposure to financial risk arising from contracting and business operations; and
- b) A prudent reserve strategy that ensures TfN always holds a level of cash at bank to guard against residual financial shock.

Practically, this means that TfN must work in collaboration with DfT and partners when entering into multi-year and high-risk transactions to ensure that the right balance of risk share is achieved. It also means that TfN's reserve strategy must be managed in conjunction with the use of the annual Core grant allocations. As Core grant is the only discretionary resource TfN holds that can fund expenditure, it follows that financial risk must primarily be managed through this resource.

Following discussions with the DfT when TfN was established as a statutory body, it was been agreed that TfN would target a core cash balance of *no less than* £2m to be held as a cash reserve in any given year. The minimum of £2m was considered sufficient to allow for modest draws to be made in-year to meet un-budgeted opportunities that may arise, whilst also ensuring cash remained at bank to meet both unexpected costs and cash flow fluctuations.

From year to year, this reserve may be drawn upon in-year, or contributions made from surpluses, with adjustments being made in following years to replenish it. TfN accumulated General Reserves significantly in excess of this value during the period when it was being set up and mobilised as a statutory body.

During 2020/21 the Covid-19 pandemic, displacement of activity as a result of prioritising support for NPR and cost control measures put in place to address funding uncertainty led to increases in reserves that were offset by the £3m in-year reduction in Core grant. The Core grant reserve at the year-end was £6.46m.

TfN is faced with a significant quantum of activity that has had to be reprogrammed from 2020/21 into future years that will be funded from reserves carried forward as a result of the associated savings. This amounts to £1.5m in 2021/22. In addition, the £4m cut to TfN's Core funding has created a significant challenge in relation to the delivery of ongoing activity, even when the mitigations that have been agreed have been taken into account. The current high level of retained reserves in relation to the agreed minimum level provides TfN with the ability to sustain a run rate at levels above its Core funding allocation in the short- to medium-term. It was therefore agreed by the Board on 18 February that it would release £1.0m of reserves to support the delivery of TfN's ongoing activity in 2021/22.

These two reserve releases will still leave TfN with total Core Grant Reserves of £4.00m by the end of 2021/22, of which £3.50m will be General Reserve. At this level the Core Grant Reserves and the General Reserve equate to 66% and 58% of current annual Core funding respectively. As a result of TfN being 100% grant funded, TfN will not have sufficient certainty of funding to be able to finalise a medium-term financial strategy until after the 2021 CSR that is expected later in the year. However, reserves at this level should provide the organization with sufficient flexibility to address challenges as they arise.

Measuring our success in 2020/21

Qualitative Performance

In our 2020/21 Business Plan we set 16 Key Performance Indicators (KPIs) to ensure a culture of accountability and excellence for our organisation and our partners.

The KPIs were developed by:

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

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

Area	KPI	Detail	Progress	Status
Corporate	1	Agree with Government the phasing and prioritisation of the Integrated Rail Plan for High Speed North. December 2020	Not delivered by the year end	
			TfN has submitted further statutory advice to Government on the Integrated Rail Plan. The Integrated Rail Plan (IRP) was expected to be published in December 2020.	
Northern Powerhouse Rail	2	Agree and submit Strategic Outline Case to Government. January 2021	Not delivered by the year end	
			In February, TfN Board endorsed the re-phasing of the SOC requested by DfT to allow for the IRP to be published, understood and responded to. SOC submission date is dependent on IRP publication and subsequent decision-making.	
Integrated and Smart Travel	3	Complete the delivery of the Integrated and Smart Travel on Rail Project (Phase 1). November 2020	Achieved	
			The Phase has been judged to have met its KPI with only minimal residual activity to be completed. Smartcards are available throughout the North. MerseyRail's Platform validators at their 66 stations are live. Northern has completed PVal installation at 92 of its 94 stations. Seven routes are live following DfT approval.	
Integrated and Smart Travel	4	Complete the delivery of Phase 2 of the Integrated and Smart Travel programme (informed customers). March 2021	Achieved	
			The Phase has met the KPI. The Fares Tool was handed over to DfT and is now being used nationally. The Disruption Messaging Tool (DMT) and Open Data Hub are being used by five City Region Local Transport Authorities (LTAs). The DMT contract has been assigned to DfT.	
Integrated and Smart Travel	5	Agree a plan for the delivery of contactless payments on rail, in collaboration with the DfT and Rail Delivery Group (Phase 3). December 2020	Cancelled	
			It is not possible for TfN to meet this KPI. There is no identified DfT funding to take this forward in the short/medium terms.	
Major Roads	6	Agree and approve the Transport for the North Major Roads Report. March 2021	Not delivered by the year end	
			The technical report has been completed. The publication of the final Major Roads Report has been postponed so the report can take account of both TfN Decarbonisation Strategy and DfT's delayed National Transport Decarbonisation Plan. This will not	

Area	KPI	Detail	Progress	Status
			have any negative implications for other programmes.	
Strategic Rail	7	Implement the recommendations in the Blake-Jones review. June 2020	Achieved	
			The Blake-Jones Action Plan was approved at Rail North Committee in July 2020 and the team continues to embed the actions into the business as usual operating model. There are longer-term issues on funding for additional resource, and a response is awaited from DfT.	
Strategic Rail	8	Develop a TfN response to the Williams Review. Within three months of publication	Not delivered by the year end	
			A response to the Williams Review will be developed within three months of its publication. TfN is in the process of consulting partner organisations as to their priorities for our response.	
Strategic Rail	9	Support the industry and Rail North Partnership in the response to and recovery from Covid-19, including a strong focus on the needs of passengers and businesses, together with the short-term investment needed to support the recovery. March 2021	Achieved	
			TfN is proactively supporting the industry through the crisis and recovery, for example through the Rail North Officer Group (Operations). A plan to support the economic recovery by investment in infrastructure has been developed and submitted to DfT as part of the TfN Economic Recovery Plan and work has been completed on developing a "quick win" programme which has been shared with the DfT's Acceleration Unit.	
Investment Programme	10	Update and refresh the TfN Investment Programme, based on an agreed Assurance Framework and using the outputs of the Strategic Development Corridors Qualitative Sequencing process. September 2020	Achieved	
			The update of the Investment Programme following the qualitative sequencing process, and applying the developing Assurance Framework, has been achieved.	
Strategy	11	Develop a Decarbonisation Strategy for approval by the TfN Board and ensure that this is embedded in TfN's Investment Programme Assurance Framework. March 2021	Achieved	
			The draft strategy was approved at TfN Board on 24 March. The underpinning analysis is complete and ready to be applied in the Investment Programme Benefits Analysis work starting in April.	
Strategy	12	Develop an inclusive and sustainable growth framework that will sit alongside the Strategic Transport Plan and ensure that this is embedded in TfN's Investment Programme Assurance Framework. March 2021	Achieved	
			Following completion of KPI 16, TfN has developed the necessary Analytical Framework and supporting tools, scenarios and modelling capability to embed inclusive and sustainable growth into the assessment of the Investment Programme due to commence in April 2021.	
Strategy	13		Not delivered by the year end	

Area	KPI	Detail	Progress	Status
		Develop a Freight Strategy for approval by the TfN Board and ensure that this is embedded in TfN's Investment Programme Assurance Framework. March 2021	Work on the TfN Freight & Logistics Strategy is nearing completion and has been circulated to partner officers for review. The supporting evidence requires confirmation of HS2 plans through the IRP before the final strategy can be put to Board for approval.	
Modelling and Analysis	14	Complete and deploy the Analytical Framework throughout TfN's programmes. March 2021	Achieved Technical Assurance Modelling and Economics (TAME) has recently deployed the Analytical Framework to support the NPR Strategic Outline Case, and a version of the Analytical Framework has been developed and tested in readiness for IPBA to start in April 2021. Further development and improvement of the suite of models is planned for the next financial year; and will be supported by TAME's partner contracts which are currently being procured.	
Organisation	15	Develop and provide a Comprehensive Spending Review (CSR) submission to Government. At date set by Her Majesty's Treasury	Achieved A CSR submission was provided to the DfT on 28 August 2020 in line with departmental deadlines. On 21 October the Chancellor announced a revised one-year process to conclude at the end of November. TfN submitted a supplemental SR submission to the Department, reflecting the move to a single-year settlement, on 6 November.	
Organisation	16	Develop and adopt the Northern Transport Charter. June 2020	Achieved The team completed work on the remaining Northern Transport Charter (NTC) proposals which were endorsed and adopted by the Board in July. There is now ongoing follow-on work about how to embed demonstrating TfN's capability for greater devolution in next year's business plan.	

Financial Performance 2020/21

Summary

In delivering the activity outlined in our qualitative performance we incurred expenditure of £57.83m.

This is lower than our budget (net of contingency) estimate of £65.79m, and principally relates to changes in the scope of programmes.

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

Total Net Expenditure	Actual £m	Budget £m	Variance £m
Revenue Programmes:			
Northern Powerhouse Rail	41.58	43.78	2.20
Major Roads	0.55	1.88	1.33
Integrated & Smart Ticketing	3.87	5.64	1.77
	46.00	51.30	5.30
Capital Programmes:			
Integrated & Smart Ticketing	4.53	4.05	(0.48)
Rail Operations	2.21	2.98	0.77
Operational Areas	5.09	7.46	2.37
	57.83	65.79	7.96

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

Underspend in the Northern Powerhouse Rail programme was driven by a lower level of activity as a result of uncertainty pending the publication of the IRP. Underspend on the major roads programme relates to the deferral of the IPBA work into 2021/22. Underspend in the Integrated & Smart Ticketing (IST) programme was driven by a combination of lower than anticipated costs to complete programmes and curtailment of activity due to withdrawal of ongoing funding.

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

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

In meeting this expenditure, we applied grants received in year from the DfT and contributions from partners (£0.62m of Rail North Grant & contributions is from partners, the balance of £0.68m is received directly from the DfT as RNP Grant), grant held in reserve received in prior years along with a small amount of income generated from contracts for services provided to partner bodies:

Funding	Received In year £m	(To)/From Reserves £m	Total £m
Revenue Grant			
Core Grant	7.00	0.29	7.29
Transport Development Fund - Rail	40.63	0.00	40.63
Rail North Grants & Contributions	1.30	(0.03)	1.27
Integrated and Smart Ticketing Grant	1.19	2.68	3.87
	50.12	2.94	53.06
Capital Grant			
Integrated and Smart Ticketing Grant	3.81	0.73	4.53
Total Grant	53.93	3.67	57.59
Contracted Income	0.24	0.00	0.24
	54.17	3.67	57.83

Over the course of the financial year TfN recognised funding totalling £57.83m. Grant received in year complements that grant held from the prior year. Both grants received in-year and grants held from prior years were used to fund expenditure.

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

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

As at the year-end, unapplied grants held in this manner have decreased by £3.67m:

	2020/21 £m	Movement £m	2019/20 £m
Revenue Grants Received in Advance			
- Transport Development Fund - Road	0.01	0.00	0.01
	0.01	0.00	0.01
Usable Reserves			
Capital Grants Unapplied			
- Integrated & Smart Ticketing Phase 1 Grant	0.28	(0.02)	0.30
- Integrated & Smart Ticketing General Grant	0.00	(0.70)	0.70
	0.28	(0.72)	1.00
General Fund Revenue Reserves			
- Core Grant	6.17	(0.29)	6.46
- Devolved Powers (Earmarked)	0.50	0.00	0.50
- RNP Grant (Earmarked)	0.03	0.03	0.00
- Integrated & Smart Ticketing Grant (Earmarked)	1.25	(2.68)	3.93
	7.95	(2.94)	10.89
Total Usable Reserves	8.22	(3.67)	11.89
Total Resource	8.23	(3.67)	11.90

These grants will be applied to expenditure in 2021/22 and future accounting periods where possible or be returned to the DfT if it becomes likely that we will fail to comply with grant conditions.

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

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

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

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

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

Income	£m	
Outturn Position	(57.83)	
Adjustments for:		
Pensions	(0.18)	In CIES not in outturn
Capital Funding from Reserves	0.73	In outturn not in CIES
Amounts taken (to)/from General Fund Balance:		
Revenue Funding from Earmarked IST Reserves	2.68	In outturn not in CIES
Use of Core Reserves	0.29	In outturn not in CIES
RNP Grant taken to Earmarked Reserves	(0.03)	In CIES not in outturn
CIES Balance	(54.35)	

Expenditure	£m	
Outturn Position	57.83	
Adjustments for:		
Amortisation	0.53	In CIES not in outturn
Pensions	5.99	In CIES not in outturn
Movement on Absence Provision	0.08	In CIES not in outturn
IST Capital - Phase 2	(1.29)	In outturn not in CIES
IST Intangible asset disposal and impairment – Phase 2	4.21	In CIES not in outturn
ERP Impairment	0.08	In CIES not in Outturn
CIES Balance	67.43	

Capital Accounting

- All expenditure is reported in our outturn, but capital expenditure is excluded from the CIES in line with generally accepted accounting practice.
- Amortisation and disposal of intangible assets is not included in the outturn. Amortisation and disposal costs are, however, shown in the CIES with the associated reduction in the value of assets.
- During 2020/21, the authority has recognised an impairment loss of £2.29m (2020: £4.323m) and a disposal of £2.0m (2020: £nil) in relation to its intangible assets. The recoverable amount of the intangible assets has therefore been reduced to £nil, £2.21m of the impairment loss charged to the Integrated & Smart Ticketing line and the disposal charged to other operating expenditure in the Comprehensive Income and Expenditure Statement. The assets have been impaired since there will be no further funding from DfT and the assets will no longer be available for use by TfN.
- The differences between the outturn and accounting standards are reflected in the unusable Capital Adjustment Account Reserve.
- The reduction in the Capital Adjustment Account represents the loss on disposal and the impairment of the assets (post amortisation).

Pensions Accounting

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

Accumulated Absences

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

Grant Treatments

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

The balance sheet as at the 31 March 2021 recognises these reserves and unapplied grants, along with our other financial transactions.

The balance sheet can be summarised as follows:

Balance Sheet 2020/21		£m		£m
Assets			Reserves	
Cash & Equivalents		18.02	<u>Unusable Reserves</u>	
Intangible Asset		0.00	Absence Reserve	0.24
Debtors		0.51	Capital Adjustment Account	0.00
		18.53	Pension Reserve	11.89
				12.13
Liabilities			<u>Usable Reserves</u>	
Provisions		(0.07)	Capital Grants Unapplied	(0.28)
Grants Received in Advance		(0.01)	Earmarked Revenue Grants	(1.25)
Pension Liability		(11.89)	Devolved Powers Reserve	(0.50)
Creditors		(10.47)	RNP Grant Reserve	(0.03)
		(22.44)	General Fund Reserve	(6.17)
				(8.22)
Net Liabilities		(3.91)	Reserves	3.91

Year-on-year variances highlight key issues that have arisen during the year. The following table highlights that although net assets under control have reduced by £13.08m to a net liability of £3.91m, there have been a number of notable movements:

Net Assets	2020/21 £m	2019/20 £m	Variance £m
Assets			
Cash & Equivalents	18.02	19.31	(1.29)
Intangible Asset	0.00	3.53	(3.53)
Debtors	0.51	0.60	(0.10)
	18.53	23.44	(4.92)
Liabilities			
Provisions	(0.07)	(0.13)	0.06
Grants Received in Advance	(0.01)	(0.01)	(0.00)
Pension Liability	(11.89)	(6.08)	(5.81)
Creditors	(10.47)	(8.05)	(2.42)
	(22.44)	(14.27)	(8.16)
	(3.91)	9.17	(13.08)

Cash and cash equivalents have reduced on the prior year in part due to meeting the costs of the IST programme from grants received in the prior year. They remain at a level commensurate with accruals, grants received in advance and cash backed reserves. These cash balances will reduce as invoices related to those payables are received and settled, in year IST wind down costs are met, IST grants are repaid to the Department and cash reserves are required to fund in year activities.

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

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

At the beginning of the financial year Transport for the North recognised intangible assets at £3.53m. At the end of the financial year, despite additions of £1.29m that balance had reduced by £4.82m to £Nil due to amortisation, impairment and disposal:

Intangible Assets	2020/21 £m	Additions £m	Reductions £m	2019/20 £m
<u>Integrated & Smart Ticketing</u>				
Phase 2 - Customer Information	0.00	1.29	(4.47)	3.18
ERP System	0.00	0.00	(0.35)	0.35
	0.00	1.29	(4.82)	3.53

Intangible assets reduced for three reasons:

1. The ERP system was amortised in line with adopted accounting policies aligned to the length of the contract for the system's usage;
2. The Fares data tool valued at £2.0m was transferred to DfT as planned; and
3. DfT's cessation of IST funding referenced above has driven an impairment review of the remaining Phase 2 intangible assets. The disruption messaging tool will be retained within the public sector,

having been transferred to DfT. The open data hub will be operated by TfN for the year to 31 March 2022 at which point it will either be transferred to DfT or, if DfT have developed their own tool, will cease to be operational.

The second prominent movement recognised in-year reflects the net £5.8m increase in TfN's pension liability. The pension liability shown on the balance sheet recognises the estimated net deficit of the future pensions payable to past and current employees.

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

The main issue that has impacted on the valuation of the net liability as at the end of the financial year is the reduction in the real discount rate (discount rate net of inflation) that is used to value scheme assets and liabilities. The reduction in real discount rate is due to a combination of lower discount rate assumption and a significantly higher CPI assumption. This effect is made more pronounced by the profile of TfN's liabilities as a result of having very few pensioners and a much larger proportion of younger active members as a proportion of the total than would be the case in most other authorities.

Partially mitigating the increase in the liability is the fund's performance over 2020/21 which has increased with returns on investments of +21.4%. This performance recognises, in part, the valuation of the fund portfolio at the 31st March 2020 as the Covid-19 pandemic impacted upon financial markets. In addition, in response to the last triennial valuation, TfN's employer's contributions increased by 14% in 2020/21, although the nature of the accounting valuation is such that this has a minimal impact in the deficit recorded on the balance sheet.

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

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

As at the end of financial year 2020/21 Transport for the North's reserve position can be summarised as changing by £13.09m, reflecting the movement in net-assets:

Reserves	2020/21 £m	2019/20 £m	Variance £m
<u>Unusable Reserves</u>			
Absence Reserve	0.24	£0.16	0.08
Capital Adjustment Account	0.00	(3.53)	3.53
Pension Reserve	11.89	6.08	5.81
	12.13	2.71	9.42
<u>Usable Reserves</u>			
Capital Grants Unapplied	(0.28)	(1.00)	0.72
General Fund			
Earmarked Revenue Grants	(1.25)	(3.93)	2.68
Devolved Powers Reserve	(0.50)	(0.50)	0.00
RNP Grant Reserve	(0.03)	0.00	(0.03)
General Fund Reserve	(6.17)	(6.46)	0.29
	(7.95)	(10.89)	2.94
	(8.22)	(11.89)	3.67
	3.91	(9.18)	13.09

The movement in the capital adjustment account relates to the amortisation, impairment and disposal of the intangible assets referenced above.

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

Lower than anticipated expenditure in the year was offset by a reduction of in-year core grant, resulting in a draw on core grant of £0.29m in 2020/21.

Looking Ahead to 2021/22 and Beyond

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

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

Our adopted Business Plan for 2021/22 details what we have achieved in the last year, but it also looks ahead, providing direction for our teams and representing the priorities of the Northern leaders who make up our governance. Whilst our STP and accompanying Investment Programme have a long-term common goal, a sustained pipeline of infrastructure investment is needed. That means our vision being underpinned by short, medium and longer-term plans that advance wide-ranging interventions right across the North.

One key area of current policy uncertainty is the Integrated Rail Plan for the North and Midlands, which should help to shape next steps in relation to the NPR programme. The publication of the plan has been delayed and is expected shortly.

The forthcoming year presents both opportunities and challenges. With the Williams-Shapps Review into the UK railways having proposed a new model for how the system is run, TfN will respond to and work with the Government to make the case for our Northern leaders to play an increased and integral role in the future of the new Great British Railways. Our role in operational rail will continue to be a key area of focus and resources.

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

Financial Planning 2021/22

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

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

The 2021/22 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 2021/22.

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

Value for Money

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

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

Expenditure

In order to deliver the activity, set out in our Business Plan, we have a total budgeted expenditure for 2021/22 of £78.70m. This includes £51.64m of underlying programme expenditure, £18.52m of programme contingency; £5.38m of expenditure on core operations; and £3.16m of expenditure on rail operations. As a Sub-National Transport Body, we are unable to recover VAT on our purchases of goods and services.

In 2021/22 it is expected that there will be three elements of the programme budget:

Programme	£m
Integrated & Smart Ticketing	1.52
Northern Powerhouse Rail	48.48
Major Roads (Strategic Development Corridors)	1.64
	51.64

In addition, the NPR programme budgets include a contingency of £18.52m, held by DfT to manage risk and exploit opportunities that may arise during the year.

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

Accordingly, the activity carried out within these areas represents the required enabling functions familiar to all public sector organisations, but also the teams that develop and deliver upon much of our aspirations. The total value of the operational budget is £5.38m, with the expenditure falling as follows:

Core Operational Area	£m
Leadership	0.31
Finance & Business Systems	1.01
Business Capabilities	3.09
Strategy & Policy	2.51
Gross Total	6.92
Recharges to Programmes	(1.54)
Net Total	5.38

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

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

Rail Operations	£m
Strategic Rail Team	1.80
Rail North Partnership Team	1.36
	3.16

Transport for the North will remain almost entirely funded by grants from the DfT. Aside from a £6m Core grant funding allocation, this funding is ring-fenced for the purpose for which it has been allocated and in the main can only be drawn down as and when it is required. The funding that we are able to draw on during the year to pay for our budgeted expenditure is as follows:

TfN Funding	2021/22	
	£m	%
Core Grant	6.00	8%
Integrated & Smart Ticketing Grant	1.52	2%
Transport Development Fund - NPR	67.00	85%
Rail Operations Grants, Contributions & Traded Income	1.65	2%
Use of Reserves	2.54	3%
Total Resource	78.70	

The updated reserves strategy set out in the 2021/22 Budget report forecast a year-end General Fund Reserve of £6.54m, created from Core Grant underspends in prior years. It was agreed that £2.54m of this balance be drawn upon in 2021/22 to help meet the spike in the cost-base that will occur in year, including delivering the IPBA work and other non-repeating costs. This, along with specific earmarking, would reduce the reserve levels to £4m by the end of 2021/22, with further draws in subsequent years.

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

Transport for the North notes the potential for a Spending Review in mid to late 2021 and will seek to feed into that exercise to press for a revised funding settlement that reflects inflationary pressures and the growing maturity of the organisation's activities and aspirations.

Financial Outlook

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

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

Following the conclusion of that process, TfN received a letter from the Department for Transport ("DfT") on 4 January. In addition to an in year reduction in Core Grant from £10m to £7m, this set out a reduced funding envelope for 2021/22 including a 40% cut to its Core funding allocation from £10m to £6m, and the cessation of funding for the IST programme. At the same time the funding allocation for the Northern Powerhouse Rail programme was increased from £59m to £67m, although the conditionality attached to this funding (arising both from the current uncertainties regarding the IRP and the normal departmental approvals required for any commitment) means that it is not possible to be certain as to the full extent of the eventual draw down.

This means that TfN only has funding certainty until the end of 2021/22. However, a multi-year CSR is considered to be likely in mid to late 2021, and TfN is already in the process of developing its proposals in advance of any submission being required.

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

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

We have also sought to limit our exposure to potential changes in our discrete programme funding by ensuring that we do not make financial commitments in excess of the funding commitments made to us by government.

Statement of Responsibility for the Accounts

Transport for the North's responsibilities

Transport for the North is required to:

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

The Finance Director's responsibilities

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

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

The Finance Director has also:

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

Certificate of the Finance Director

I certify that the Statement of Accounts gives a true and fair view of the financial position of the organisation at the accounting date and of the income and expenditure for the year ended 31 March 2021.



Iain Craven
Finance Director
29 September 2021

Chair's certificate

I certify that the Statement of Accounts for the year ended 31 March 2021 was approved at the meeting of the Board on 29 September 2021.

Signed on behalf of Transport for the North Board



Louise Gittins
Interim Chair of Transport for the North Board
29 September 2021

Financial Statements and Disclosure Notes

Comprehensive Income and Expenditure Statement

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

2019/20				2020/21		
Expenditure	Income	Net		Expenditure	Income	Net
£000	£000	£000	Notes	£000	£000	£000
1,500	(11)	1,489		592	-	592
			Major Roads Programme (Strategic Development Corridors)			
28,077	(26,932)	1,145		41,708	(40,637)	1,071
12,181	(9,850)	2,331		9,639	(3,977)	5,662
			Northern Powerhouse Rail			
			Integrated and Smart Ticketing			
2,138	(1,243)	895		2,406	(1,541)	865
			Rail Operations			
6,582	(0)	6,582		5,908	-	5,908
			Operational Areas			
50,478	(38,036)	12,442	Cost of Services	60,253	(46,155)	14,098
0	0	0	10 Other operating expenditure	1,996	0	1,996
234	(234)	0	12 Financing and Investment Income and Expenditure	325	(181)	144
0	(10,940)	(10,940)	13 Taxation and Non-Specific Grant Income	0	(8,013)	(8,013)
50,712	(49,210)	1,502	Surplus or Deficit on Provision of Services	62,574	(54,349)	8,225
		1,009	29 Remeasurement of the net defined benefit liability / asset			4,857
		1,009	Other Comprehensive Income and Expenditure			4,857
		2,511	Total Comprehensive Income and Expenditure			13,082

Movement in Reserves Statement

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

	General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund Balance £000	Capital Grants Un-applied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 31 March 2020	(6,457)	(4,428)	(10,885)	(1,002)	(11,887)	2,714	(9,173)
Movement in reserves during 2020/21							
(Surplus) or deficit on the provision of services	8,225		8,225		8,225		8,225
Other Comprehensive Income / Expenditure						4,857	4,857
Total Comprehensive Income and Expenditure	8,225	0	8,225		8,225	4,857	13,082
Adjustments between accounting basis and funding basis under regulations (see note 9)	(5,286)		(5,286)	725	(4,561)	4,561	0
Net (Increase) or Decrease before Transfers to Earmarked Reserves	2,938	0	2,938	725	3,663	9,418	13,082
Transfers (to) / from Earmarked Reserves (see note 11)	(2,648)	2,648	0	0	0	0	0
(Increase) or Decrease in 2020/21	291	2,648	2,938	725	3,663	9,418	13,082
Balance at 31 March 2021	(6,166)	(1,781)	(7,947)	(277)	(8,224)	12,132	3,908

	Capital Grants						
	General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund Balance £000	Un-Applied Account (Restated) £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 31 March 2019	(5,577)	(1,944)	(7,521)	(2,106)	(9,627)	(2,057)	(11,684)
Movement in reserves during 2019/20							
(Surplus) or deficit on the provision of services	1,502		1,502		1,502		1,502
Other Comprehensive Income / Expenditure						1,009	1,009
Total Comprehensive Income and Expenditure	1,502	0	1,502		1,502	1,009	2,511
Adjustments between accounting basis and funding basis under regulations (see note 9)	(4,866)		(4,866)	1,104	(3,762)	3,762	0
Net (Increase) or Decrease before Transfers to Earmarked Reserves	(3,364)	0	(3,364)	1,104	(2,260)	5,875	2,511
Transfers (to) / from Earmarked Reserves (see note 11)	2,484	(2,484)	0	0	0	0	0
(Increase) or Decrease in 2019/20	(880)	(2,484)	(3,364)	1,104	(2,260)	4,771	2,511
Balance at 31 March 2020	(6,457)	(4,428)	(10,885)	(1,002)	(11,887)	2,714	(9,173)

Balance Sheet

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

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

31 March 2020			31 March 2021
£000	Notes		£000
3,529	15	Intangible Assets	0
3,529		Long Term Assets	0
599	16	Short-Term Debtors	505
19,307	17	Cash and Cash Equivalents	18,021
19,906		Current Assets	18,526
(8,046)	18	Short-Term Creditors	(10,467)
(126)	19	Provisions	(68)
(10)	27	Grants Receipts in Advance - Revenue	(10)
(8,182)		Current Liabilities	(10,545)
(6,080)	29	Pension Liability	(11,889)
(6,080)		Long term Liabilities	(11,889)
9,173		Net Assets	(3,908)
(11,887)		Usable Reserves	(8,224)
2,714	20	Unusable Reserves	12,132
(9,173)		Total Reserves	3,908

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.

2019/20		2020/21
£000		£000
1,502	Net (surplus) or deficit on the provision of services	8,225
(9,082)	Adjustment to surplus or deficit on the provision of services for noncash movements	(8,514)
940	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	1,013
(6,641)	Net cash flows from operating activities	724
1,705	Net cash flows from investing activities	561
(4,936)	Net (increase) or decrease in cash and cash equivalents	1,286
14,371	Cash and cash equivalents at the beginning of the reporting period	19,307
19,307	Cash and cash equivalents at the end of the reporting period	18,021

Note 1 - Expenditure and Funding Analysis

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

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

Net Expenditure Chargeable to the General Fund Balance	2019/20 Adjustments (see note 2)	Net Expenditure in the Compre- hensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund Balance	2020/21 Adjustments (see note 2)	Net Expenditure in the Compre- hensive Income and Expenditure Statement
£000	£000	£000		£000	£000	£000
1,415	74	1,489	Major Roads Programme (Strategic Development Corridors)	546	46	592
961	184	1,145	Northern Powerhouse Rail	950	121	1,071
(1,984)	4,315	2,331	Integrated and Smart Ticketing	2,679	2,983	5,662
619	276	895	Rail Operations	680	185	865
5,731	851	6,582	Operational Areas	5,085	822	5,908
6,742	5,700	12,442	Net Cost of Services	9,940	4,158	14,098
(10,106)	(834)	(10,940)	Other Income and Expenditure	(7,002)	1,129	(5,873)
(3,364)	4,866	1,502	Surplus or Deficit on Provision of Services	2,938	5,286	8,225
(7,521)			Opening Combined General Fund Balance	(10,885)		
(3,364)			Plus / less Surplus or Deficit on the General Fund Balance for the Year (Statutory basis)	2,938		
(10,885)			Closing Combined General Fund Balance	(7,947)		

Note 2 - Note to the Expenditure and Funding Analysis

2020/21	Net Capital Statutory Adjustments	Net Pensions Statutory Adjustments	Other Statutory Adjustments	Total Adjustments
	£000	£000	£000	£000
Major Roads Programme (Strategic Development Corridors)	0	41	5	46
Northern Powerhouse Rail	0	113	8	121
Integrated and Smart Ticketing	2,917	68	(2)	2,983
Rail Operations	0	173	12	185
Operational Areas	354	411	57	822
Net Cost of Services	3,271	806	80	4,157
Other Income and Expenditure	983	146	0	1,129
	4,254	952	80	5,286
Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement				
2019/20	Net Capital Statutory Adjustments	Net Pensions Statutory Adjustments	Other Statutory Adjustments	Total Adjustments
	£000	£000	£000	£000
Major Roads Programme (Strategic Development Corridors)	0	71	3	74
Northern Powerhouse Rail	0	173	11	184
Integrated and Smart Ticketing	4,091	231	(7)	4,315
Rail Operations	0	265	11	276
Operational Areas	248	594	9	851
Net Cost of Services	4,339	1,334	27	5,700
Other Income and Expenditure	(940)	106	0	(834)
	3,399	1,440	27	4,866
Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement				

Adjustments for capital purposes – this column adds in amortisation and impairment in the services line.

Other Income and Expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Also included is the loss on disposal of Phase 2 intangible assets (£1.996m).

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

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

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

Note 3 - Accounting Policies

General principles

The statement of accounts summarises TfN's transactions for the 2020/21 financial year and its position at the year-end of 31 March 2021. TfN is required to prepare an annual statement of accounts by the Accounts and Audit Regulations 2015, which those require to 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 2020/21, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the 2003 Act. The accounting convention adopted in the statement of accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

Going Concern Basis

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

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

Qualitative Characteristics

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

Accruals of Income and Expenditure

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments is accounted for as income on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue in financing and investment income and expenditure for the income that might not be collected.

Cash and Cash Equivalents

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

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

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

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

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

Leases

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

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

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

Operating leases

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

Events After the Reporting Period

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

Two types of event can be identified:

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

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

Financial Instruments

Financial liabilities

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

Financial assets

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

Government Grants & 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. unlisted 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 - Accounting Standards that have been issued but not yet adopted

The 2021/22 Code of Practice on Local Authority Accounting includes the following standards that have been issued but not yet adopted:

- a. Definition of a Business: Amendments to IFRS 3 Business Combinations
- b. Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7
- c. Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

TfN are of the view that the accounting standards mentioned above will have no significant impact.

Note 5 - 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.
- Costs in respect of the development of the complex information systems for Phase 2 of the Integrated and Smart Ticketing programme are identified as Assets under Development within Intangible Assets up until such point as they are ready for use and move to Operational Assets.
- Further to the decision to cease funding for the IST programme, all Phase 2 Intangible Assets have been impaired in the year as it has no value in use once the funding is ceased and the asset is to be transferred to the Department of Transport for no consideration.

Note 6 - Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by 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 0.5% decrease in the Real Discount Rate would increase the defined benefit obligation by almost £3.349m. However, the assumptions interact in complex ways; details of the sensitivities are set out in Note 29.

Note 7 - Material Items of Income and Expense

In December 2020 the fares data tool, one of the Phase 2 Intangible Fixed Assets, was transferred to DfT as planned. This has been disclosed as a disposal in the year and the costs charged to the Consolidated Income and Expenditure Statement. An adjustment, equivalent to this disposal, has been made, via the Movement in Reserves Statement (MIRS), to restate the General Fund.

In its correspondence of 4 January 2021, DfT confirmed the cessation of funding for the IST programme. Without ongoing funding, the assets within this programme, that TfN had been carrying as Intangible Fixed Assets, were either transferred or anticipated to be transferred back to DfT.

In recognition of these decisions, Transport for the North impaired these capitalised assets (recognised in 2019/20) and charged the costs to the Consolidated Income and Expenditure Statement. An adjustment, equivalent to this impairment, has been made, via the Movement in Reserves Statement (MIRS), to restate the General Fund.

Note 8 - Events After the Reporting period

The Statement of Accounts was authorised for issue by the Finance Director on 7 July 2021. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

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

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by 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.

2020/21	General Fund Balance	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000
Adjustments to the Revenue Resources			
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:			
Pension cost (transferred to (or from) the Pensions Reserve)	(952)		952
Holiday pay (transferred to the Accumulated Absences reserve)	(80)		80

Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(4,254)		4,254
Total Adjustments to Revenue Resources	(5,286)	0	5,286
Adjustments between Revenue and Capital Resources			
Capital expenditure financed from Capital Grants Unapplied	0	725	(725)
Total Adjustments between Revenue and Capital Resources	0	725	(725)
Total Adjustments	(5,286)	725	4,561

2019/2020	General Fund Balance	Capital Grants Unapplied (Restated)	Movement in Unusable Reserves
	£000	£000	£000
Adjustments to the Revenue Resources			
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:			
Pension cost (transferred to (or from) the Pensions Reserve)	(1,440)		1,440
Holiday pay (transferred to the Accumulated Absences reserve)	(27)		27
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(4,840)		4,840
Total Adjustments to Revenue Resources	(6,307)	0	6,307
Adjustments between Revenue and Capital Resources			
Capital expenditure financed from Capital Grants Unapplied		1,104	(1,104)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	1,442		(1,442)
Total Adjustments between Revenue and Capital Resources	1,442	1,104	(2,546)
Total Adjustments	(4,866)	1,104	3,762

Note 10 – Other operating expenditure

Other operating expenditure includes the following items:

31 March 2020		31 March 2021
£000		£000
0	Gain/loss on disposal of intangible assets	1,996
0	Total	1,996

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

Note 11 – 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 1 April 2019	Transfers In 2019/20	Transfers Out 2019/20	Balance at 31 March 2020	Transfers In 2020/21	Transfers Out 2020/21	Balance at 31 March 2021
	£000	£000	£000	£000	£000	£000	£000
General Fund Reserves:							
Integrated and Smart Ticketing Revenue Funding Reserve	(1,944)	(3,651)	1,667	(3,928)	0	2,679	(1,250)
Earmarked Devolved Powers Reserve	0	(500)	0	(500)	0	0	(500)
Earmarked RNP Grant Reserve	0	0	0	0	0	(31)	(31)
Total General Fund	(1,944)	(4,151)	1,667	(4,428)	0	2,648	(1,781)

Note 12 - Financing and Investment Income and Expenditure

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

2019/20 £000		2020/21 £000
234	Interest payable on the net defined benefit liability	325
(234)	Interest receivable and similar income	(181)
0	Total	144

Note 13 - Taxation and Non-Specific Grant Income

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

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

2019/20 £000		2020/21 £000
(10,000)	TfN Core Grant	(7,000)
(940)	Integrated and Smart Ticketing Capital Grant	(1,013)
(10,940)	Total	(8,013)

Note 14 - Expenditure and Income Analysed by Nature

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

2019/20	2020/21
£000	£000
Nature of Expenditure or Income	
(52) Fees, charges and other service income	(230)
(234) Interest and investment income	(181)
(48,817) Government grants and contributions	(53,939)
7,774 Employee benefits expenses	9,483
42,243 Other service expenses	48,020
354 Amortisation and Impairment	2,749
0 Gain or loss on disposal of non-current assets	1,996
234 Interest payments	325
1,502 (Surplus) or Deficit for Year	8,225

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

Note 15 - Intangible Assets

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

This note recognises the development, and subsequent amortisation, disposal and impairment, of complex information systems for Phase 2 of the Integrated and Smart Ticketing programme which was aiming to deliver improvements to the way in which passengers access journey time and disruption information and enable the implementation of smart payment systems across the northern passenger transport network.

The note also recognises the development and implementation of TfN's enterprise resource planning (ERP) system. The ERP system is in use and is shown under the 'operational assets' column. The ERP system has been fully amortised in the year (this being its third year of its useful economic life as detailed below).

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.

In December 2020 the fares data tool was transferred to DfT as originally planned. This was treated as a disposal of £2.0m in the year.

In its correspondence of 4 January 2021, DfT confirmed the cessation of funding for the IST programme. Without ongoing funding, the assets within these programmes, that TfN had been carrying as Intangible Fixed Assets, were either transferred or are anticipated to be transferred back to DfT.

During 2020/21, the authority has recognised an impairment loss of £2.29m (2020: £4.323m) and a disposal of £2.0m (2020: £nil) in relation to its intangible assets. The recoverable amount of the intangible assets has therefore been reduced to £nil, £2.21m of the impairment loss charged to the Integrated & Smart Ticketing line and the disposal charged to other operating expenditure in the Comprehensive Income and Expenditure Statement. The assets have been impaired since there will be no further funding from DfT and the assets will no longer be available for use by TfN.

31st March 2020

31st March 2021

Assets Under Development	Operational Assets	Total		Assets Under Development	Operational Assets	Total
£000	£000	£000		£000	£000	£000
Balance at start of year:						
5,223	902	6,125	Gross carrying amounts	2,112	2,072	4,184
0	(301)	(301)	Accumulated amortisation	0	(655)	(655)
5,223	601	5,824	Net carrying amount at start of year	2,112	1,417	3,529
Additions:						
2,275	0	2,275	- Internal development	1,294	0	1,294
0	107	107	- Purchases	0	0	0
(1,063)	1,063	0	Assets that became operational in the year	(1,410)	1,410	0
0	(354)	(354)	Amortisation for the period	0	(533)	(533)
0	0	0	Disposals	(1,996)	0	(1,996)
(4,323)	0	(4,323)	Impairment losses recognised in the surplus / deficit on the provision of services	0	(2,294)	(2,294)
2,112	1,417	3,529	Net carrying amount at end of year	0	0	0
Comprising:						
2,112	2,072	4,184	- Gross carrying amounts	1,996	3,482	5,478
	(655)	(655)	- Accumulated amortisation and impairment	(1,996)	(3,482)	(5,478)
2,112	1,417	3,529	Total	0	0	0

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

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

Note 16 - Debtors

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

31st March 2020		31st March 2021
£000		£000
24	Employees	0
244	Prepayments	215

331	TfN Partners	289
599	Total Debtors	505

Total debtors include financial assets of £289k, which are carried at amortised cost. There is no significant difference between the carrying value and the fair value of these financial assets. There is no significant credit risk in relation to TfN's financial assets.

Note 17 – Cash & Cash Equivalents

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

31 March 2020 £000	31 March 2021 £000
4,307	4,021
Cash and Bank balances	
15,000	14,000
Short Term Investments	
19,307	18,021
Total Cash and Cash Equivalents	

Note 18 - Creditors

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

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

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

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

The table below includes financial liabilities of £10.467m 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.

31 March 2020 £000	31 March 2021 £000
(163)	(244)
Employees	
0	(15)
HMRC	
0	(4,000)
Department for Transport	
Train Operating Companies:	
(701)	(225)
Arriva Rail North/Northern Trains Ltd.	
(613)	(191)
Transpennine Express	
(114)	(21)
Merseytravel	
TfN Partners:	

(446) Transport for Greater Manchester	(750)
(3,643) Network Rail	(2,250)
(2,365) Trade Suppliers	(2,771)
(8,046) Total Creditors	(10,467)

The balance of £4m due to Department for Transport relates to discrete grant received to date which will be repaid. This mainly includes balances relating to the cessation of the IST programme.

Note 19 - Provisions

Provisions reflect the amount set aside for probable, but uncertain, economic obligations. At 31 March 2021 this only included forecast amounts due to settle contractual issues with suppliers.

2019/20	Total Provisions	2020/21
£000		£000
(77) Opening Balance		(126)
(49) (Increase)/decrease in provision during year		58
(126) Closing Balance		(68)

Note 20 - Unusable Reserves

This note recognises those reserves that do not contain resource that could be applied to meet TfN's funding requirements. These are largely accounting reserves where the effects of timing differences and statutory overrides of accounting rules are recognised:

2019/20		2020/21
£000		£000
(3,529) Capital Adjustment Account		0
6,080 Pension Reserve		11,889
163 Accumulated Absence Account		243
2,714 Total		12,132

Capital Adjustment Account

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

Capital Adjustment Account

2019/20		2020/21
£000		£000
(5,824) Balance 1 April		(3,529)
4,323 Charges for impairment of non-current assets		2,293

354	Amortisation of intangible assets	533
2,274	Revenue expenditure funded from capital under statute	3,235
0	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposals to the Comprehensive Income and Expenditure Statement	1,996
6,950	Net written out amount of the cost of non-current assets consumed in the year	8,057
(2,110)	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(3,803)
(1,104)	Application of grants and contributions from the Capital Grants Unapplied Reserve	(725)
(1,442)	Capital expenditure charged against the General Fund balance	0
(4,656)	Capital financing applied in year	(4,528)
(3,529)	Balance 31 March	0

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.

Pension Reserve

31 March 2020		31 March 2021
£000		£000
3,631	Balance 1 April	6,080
1,009	Remeasurements of the net defined benefit (liability)/asset	4,857
2,353	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	2,087
(913)	Employer's pensions contributions and direct payments to pensioners payable in the year	(1,135)
6,080	Balance 31 March	11,889

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.

Accumulated Absences Account

31-Mar-20	31-Mar-21
£000	£000

136	Balance 1 April	163
(136)	Settlement or cancellation of accrual made at the end of the preceding year	(163)
163	Amounts accrued at the end of the current year	243
<hr/>		
27	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	80
<hr/>		
163	Balance 31 March	243

Note 21 - Cash Flow from Operating Activities

The cash flows for operating activities include the following items:

31 March 2020		31 March 2021
£000		£000
(106)	Interest received	(146)
(106)	Total	(146)

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

31 March 2020		31 March 2021
£000		£000
(4,323)	Impairment and downward valuations	(2,293)
(354)	Amortisation	(533)
0	Disposal of intangible assets	(1,996)
(3,338)	(Increase)/decrease in creditors	(2,702)
421	Increase/(decrease) in debtors	(94)
(1,440)	Movement in pension liability	(952)
(49)	Other non-cash movements charged to the surplus or deficit on provision of services	58
(9,082)	Total	(8,514)

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

31 March 2020		31 March 2021
£000		£000
940	Any other items for which the cash effects are investing or financing cash flows	1,013
940	Total	1,013

Note 22 - Cash Flow from Investing Activities

31 March 2020		31 March 2021
£000		£000
2,645	Purchase of property, plant and equipment, investment property and intangible assets	1,574
(940)	Other receipts from investing activities	(1,013)
1,705	Net cash flows from investing activities	561

Note 23 - Members' Allowances

The authority paid the following amounts to the Independent Members of its Audit and Governance Committee during the year.

31 March 2020	31 March 2021
£	£
1,400	1,600
Independent Audit & Governance Committee Members	

Note 24 - Officers' Remuneration

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

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

Role	Salaries	Employer Pension Contribution	Taxable Allowances	Professional Memberships	Severance Payments
Chief Executive (Head of Paid Service) Barry White	£160,352	£22,244	£0	£0	£0
Chairman (pro-rata) John Cridland - <i>Chairman full-time equivalent</i>	£45,000 £220,000	£0	£0	£0	£0
NPR Programme Director	£145,727	£25,357	£0	£343	£0
Major Roads Programme Director	£97,108	£16,897	£511	£369	£0
Strategic Rail Director	£115,869	£20,161	£533	£0	£0
Rail North Partnership Director	£121,385	£21,121	£0	£0	£0
Chief Financial Officer (Section 151)	£145,727	£25,357	£0	£395	£0
Business Capabilities Director	£121,385	£21,121	£0	£163	£0
Head of Legal Services (Monitoring Officer)	£85,583	£14,891	£0	£328	£0
Strategy and Policy Director - <i>Departed 08/01/2021</i>	£110,594	£19,209	£0	£0	£0
Strategy and Policy Director - <i>Joined 01/12/20</i>	£42,789	£7,445	£0	£0	£0

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

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

Strategy and Policy Director - <i>Joined 04/01/2020</i>	£26,714	£4,194	£0	£0	£0
Strategy and Policy Director - <i>Departed post 30/06/2019</i>	£31,383	£4,598	£0	£0	£0

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:

	2019/20	2020/21
10	£50,000 – £54,999	12
3	£55,000 – £59,999	8
5	£60,000 – £64,999	6
5	£65,000 – £69,999	2
5	£70,000 – £74,999	8
4	£75,000 – £79,999	8
2	£80,000 – £84,999	1
1	£85,000 – £89,999	1
0	£90,000 – £94,999	1
35		47

Note 25 - External Audit Costs

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

2019/20		2020/21
£000		£000
33	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	33
0	Additional fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the prior year	4
33	Total	37

Note 26 - Grant Income

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

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

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

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

2019/20	2020/21
£000	£000
(10,000) Core Grant	(7,000)
(940) Integrated & Smart Ticketing Phase 2 Capital	(1,013)
(10,940) Total	(8,013)

Grant Income Credited to Services

2019/20	2020/21
£000	£000
(26,932) NPR Transport Development Fund	(40,636)
(8,680) Integrated & Smart Ticketing Revenue	(1,187)
(1,170) Integrated & Smart Ticketing Phase 1	(2,790)
(582) Rail North Partnership Grant	(681)
(11) Trans-Pennine Tunnel Traffic Modelling	0
(67) Rail North Local Contributions	(59)
(542) Rail North Rail Grant (via Local Contributions)	(559)
(37,984) Total	(45,912)

Grants with conditions that may require unused allocations to be returned are shown as grants received in advance as a current liability.

Grant Receipts in Advance - Revenue

2019/20	2020/21
£000	£000
0 NPR Transport Development Fund	0
(10) Trans Pennine Tunnel Traffic Modelling	(10)
0 Integrated and Smart Ticketing Revenue Grant	0
0 Integrated and Smart Ticketing Capital Grant	0
0 Rail North Partnership (RNP) Grant	0
(10) Total	(10)

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

Note 27 - Related Parties

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

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

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

Members

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

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

Officers

Officers may be able to influence financial or operational practices. There were no transactions in 2020/21 with bodies in which officers had a pecuniary interest and were able to exercise such an influence.

Funding

Transport for the North is almost entirely funded from the Department for Transport. The Secretary of State for Transport is represented on the Transport for the North Board leading to common control. Over the course of the financial year, grants to a value of £57.31m (2020: 44.82m) were received from the Department. Of this, £53.31m was recognised as income in the year, the remaining £4m of unused grant is held as a creditor to be returned to the Department.

Transport for the North is the recipient of local funding contributions for its Rail North activities. These contributions are made by the Rail North authorities (detailed in the narrative statement) and amounted to £0.62m in the year. The northern Rail North authorities are represented on the Transport for the North Board, whilst all authorities sit on the Rail North Committee

TfN is also party to several contracts where it delivers prescribed services on partners. This includes project management work for North Yorkshire County Council and services funded by Network Rail related to the Trans-Pennine Route Upgrade project. In 2020/21 income was recognised to the value of £0.24m (2020: £0.06m).

Expenditure

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

Transport for Greater Manchester (TfGM) is the regional transport executive for Greater Manchester and controlled via Greater Manchester Combined Authority, a Transport for the North Constituent Authority, the mayor of which is a TfN 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 Transport for the North's Manchester based office space is leased from TfGM. In total, Transport for the North incurred expenditure of £0.64m (2020: £0.75m) with Transport for Greater Manchester.

Network Rail is the system operator for the northern rail network and are also represented on the Transport for the North board. During the year, Transport for the North engaged Network Rail in a number of rail studies in support of the Northern Powerhouse Rail programme. The cost of this activity in year was £26.95m (2020: £17.44m).

As part of the ITSO on Rail project within the Integrated and Smart Ticketing programme, Transport for the North provides grant support to the northern train operating companies. Under this arrangement,

Merseytravel, the regional transport executive for the Liverpool City Region area, have received grant support totalling £0.73m (2020: £0.51m).

Note 28 - Capital Expenditure and Capital Financing

During the year TfN incurred capital expenditure totalling £4.528m. This expenditure was incurred in delivering the Integrated and Smart Ticketing programme.

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

Capital Expenditure and Capital Financing

31 March 2020		31 March 2021
£000		£000
0	Opening Capital Financing Requirement	0
	Capital Investment:	
2,382	Intangible Assets	1,294
2,274	Revenue Expenditure Funded from Capital Under Statute	3,235
4,656	Total Capital Spending	4,528
	Sources of Finance:	
(3,214)	Government Grants and other contributions	(4,528)
	Sums set aside from revenue:	
(1,442)	- Direct revenue contributions	0
(4,656)	Total Sources of Finance	(4,528)
0	Closing Capital Financing Requirement	0

Note 29 - Defined Benefit Pension Scheme

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

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

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

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.

General Fund Transactions

2019/20	2020/21
LGPS	LGPS
£000	£000
Comprehensive Income and Expenditure Statement	
Cost of Services	
Service cost comprising:	
2,070 Current service cost	1,918
177 Past service cost	23
106 Net interest expense	146
2,353 Total charged to Surplus and Deficit on Provision of Services	2,087
Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement	
£000	£000
Re-measurement of the net defined benefit liability comprising:	
(874) Return on plan assets (excluding the amount included in the net interest expense)	(1,475)
(313) Actuarial gains and losses arising on changes in demographic assumptions	45
(1,510) Actuarial gains and losses arising on changes in financial assumptions	6,535
3,706 Actuarial gains and losses arising on changes other assumptions	(248)
1,009 Total charged to Other Comprehensive Income and Expenditure Statement	4,857
3,362 Total charged to the Comprehensive Income and Expenditure Statement	6,944

2019/20	2020/21
LGPS	LGPS
£000	£000
Movement in Reserves Statement	
(2,353) Reversal of net charges made to the Surplus or Deficit on the Provision of Services	(2,087)
Actual amount charged against the general fund balance for pensions in the year:	
913 Employers' contributions payable to scheme	1,135

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:

2019/20	2020/21
LGPS	LGPS
£000	£000
(12,904) Present value of the defined obligation	(22,155)
6,824 Fair value of plan assets	10,266
(6,080) Net (liability) / asset arising from the defined benefit obligation	(11,889)

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

2019/20	2020/21
LGPS	LGPS
£000	£000
4,430 Opening fair value of scheme assets	6,824
- Revaluation of opening fair value scheme assets	122
4,430 Revised opening fair value of scheme assets	6,946
128 Interest income	179
874 Re-measurement gain / (loss):	
- The return on plan assets, excluding the amount included in the net interest expense	1,475
913 Contributions from employer	1,135
493 Contributions from employees into the scheme	566
(14) Net benefits paid out	(35)
6,824 Closing value of scheme assets	10,266

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

2019/20	2020/21
LGPS	LGPS
£000	£000
(8,061) Opening balance at 1 April	(12,904)
(2,070) Current service cost	(1,918)
(234) Interest cost	(325)
(493) Contributions from scheme participants	(566)
Re-measurement gains and losses:	
313 - Actuarial gains / (losses) from changes in demographic assumptions	(45)
1,510 Actuarial gains and losses arising on changes in financial assumptions	(6,535)
(3,706) Actuarial gains and losses arising on changes other assumptions	126
(177) Past service cost	(23)
14 Net benefits paid out	35
(12,904) Balance as at 31 March	(22,155)

Local Government Pension Scheme assets comprised

2019/20	2020/21	
Quoted	Unquoted	Total
£000	£000	£000
108	0	108
Cash and cash equivalents	204	0
		204

Equity Securities						
620	0	620	Consumer	901	0	901
524	0	524	Manufacturing	802	0	802
392	0	392	Energy and Utilities	498	0	498
758	0	758	Financial Institutions	1,078	0	1,078
308	0	308	Health and Care	513	0	513
274	0	274	Information Technology	542	0	542
142	0	142	Other	166	0	166
3,018	0	3,018	Subtotal Equity Securities	4,500	0	4,500
Debt Securities						
258	0	258	Corporate Bonds (investment grade)	496	0	496
220	0	220	Corporate Bonds (non-investment grade)	133	0	133
478	0	478	Subtotal Debt Securities	629	0	629
Private Equity						
0	352	352	All	0	611	611
0	352	352	Subtotal Private Equity	0	611	611
Real Estate						
0	288	288	UK Property	0	384	384
0	288	288	Subtotal Real Estate	0	384	384
Investment Funds and Unit Trusts						
685	0	685	Equities	922	0	922
788	0	788	Bonds	1,301	0	1,301
0	331	331	Hedge Funds	0	523	523
171	605	776	Commodities	223	976	1,199
1,644	936	2,580	Subtotal Investment Funds and Unit Trusts	2,446	1,499	3,945
Derivatives						
0	0	0	Other	(8)	0	(8)
0	0	0	Subtotal Derivatives	(8)	0	(8)
5,248	1,576	6,824	Total Assets	7,772	2,494	10,266

Assumptions

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 2019.

Financial

Period Ended	31 March 2021	31 March 2020
	%p.a.	%p.a.
Pension Increase Rate (CPI)	2.8%	1.8%
Salary Increase Rate	3.55%	2.6%
Discount Rate	2.05%	2.3%

Mortality

Average future life expectancies at age 65 are summarised below:

	Male	Female
Current Pensioners	20.5 years	23.3 years
Future Pensioners#	21.9 years	25.3 years

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

Historic mortality

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

Prospective Pensioners	Pensioners
Vita Curves with improvements in line with the CMI2018 model assuming long term rates of improvement of 1.50% p.a.	Vita Curves with improvements in line with the CMI2018 model assuming long term rates of improvement of 1.50% p.a.

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

Commutation

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

Sensitivity analysis

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

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

Change in assumptions at 31 March 2021	Approximate % increase to Defined Benefit Obligation	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	15%	3,349
0.5% increase in the Salary Increase Rate	2%	466
0.5% Increase in the Pension Increase Rate (CPI)	13%	2,807

Note 30 - Leases

Lessee Operating Leases

TfN has 2 properties held under operating leases comprising the Leeds and Manchester offices. TfN also holds an operating lease for ICT equipment. The minimum lease payments due under non-cancellable leases in future years are:

March 2020		March 2021
£000		£000
253	Not later than one year	369
545	Later than one year and not later than 5 years	452
798	Total	821

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 therefore £0.589m. This charge is allocated across all service areas.

Note 31 – Prior Year Adjustment

The accounts have been restated to incorporate the misclassification of a £1.1 million statutory transfer from capital grants unapplied to the capital adjustment account as a transfer to/from earmarked reserves within the Movement in Reserves Statement and Note 9.

	31-Mar-20 Capital Grants Un-applied Account £000	31-Mar-20 Capital Grants Un-applied Account (Restated) £000	Change £000
Movement in Reserves Statement			
Adjustments between accounting basis and funding basis under regulations	-	1,104	1,104
Transfers (to) / from Earmarked Reserves (see Note 9)	1,104	0	(1,104)
Note 9 - Adjustments between Accounting Basis and Funding Basis under Regulations			
Capital expenditure financed from Capital Grants Unapplied (transfer to the Capital Adjustment Account)	0	1,104	1,104

Annual Governance Statement 2020/21

Introduction

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

Transport for the North was established by the Sub-National Transport Bodies (Transport for the North) Regulations 2018 and came into being on the 1st April 2018, holding its inaugural meeting on 5th April 2018. This is therefore its third Annual Governance Statement and the organisation's Constitution, policies, procedures and systems continued to be developed during 2020/21. As a Sub-National Transport Body, Transport for the North's core functions are to prepare a transport strategy for the area and to provide advice to the Secretary of State regarding the exercise of transport functions in the area. Transport for the North is funded in these activities by the Department of Transport.

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

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

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

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

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

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

Since March 2020 all Transport for the North's Boards and Committees have continued to meet through virtual meetings which have continued to be streamed live to the public.

1.0 Scope of Responsibility

- 1.1 Transport for the North is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. Transport for the North also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, Transport for the North is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.3 Transport for the North has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework, Delivering Good Governance in Local Government. A copy of the Code of Governance is included in Transport for the North's Constitution and is on Transport for the North's website at <http://www.transportfornorth.com>. Alternatively, it can be obtained via a written request from:
Head of Legal, Transport for the North, 4 Piccadilly Place, Manchester, M1 3BN

This Annual Governance Statement demonstrates how Transport for the North has reviewed the effectiveness of its internal systems of control and how it has complied with its adopted Code of Governance in carrying out its functions. It is published in accordance with the requirements of regulation 6(1) of the Accounts and Audit Regulations 2015.

2.0 Delivering Good Governance in Local Government

- 1.1 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.
- 1.2 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.
- 1.3 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.
- 1.4 The governance framework was in place at Transport for the North for the 2020/21 financial year and up to the date of approval of the Statement of Accounts.

3.0 The Corporate Governance Framework

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

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

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

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

A Behaving with integrity, demonstrating strong commitment to ethical values and respect for the rule of law	
Core Principle	
Promoting values for Transport for the North and demonstrating the value of good governance through upholding high standards of conduct and behaviour.	
<i>How we met the principle</i>	<i>Evidence</i>
Those Members of Transport for the North who are elected Members of a Local Authority are expected to adhere to the adopted Code of Conduct of their Local Authority while carrying out their duties in respect of Transport for the North. Other co-opted Members are expected to adhere to the Cabinet Office's Code of Conduct for Board Members of Public Bodies.	Constitution
Transport for the North has adopted a Code of Conduct for Officers and a Protocol on Member /Officer Relations, to which all officers are expected to adhere. Serious breaches of these Codes by officers would be investigated under the organisation's disciplinary code.	Code of Conduct for Officers Member/Officer Relations Protocol
Transport for the North's induction process for new recruits outlines the behaviours and values that are expected from officers.	Human Resources On-boarding Policies
Transport for the North has a zero-tolerance approach to fraud and corruption and has adopted strong Anti-Fraud & Corruption and Whistleblowing Policies. During 2020/21 the Audit and Governance Committee reviewed the systems and controls in place to prevent fraud and corruption. These controls include the electronic procurement system which ensures that transactional	Anti-Fraud and Corruption Policy Review of Anti – Fraud and Corruption Policy

<p>flows through the system provides appropriate separation of duties and financial controls.</p> <p>During 2020/21 the Whistleblowing Policy was revised and a programme of training for employees is now being undertaken with the support of the charity Protect (formerly Public Concern at Work).</p> <p>Members are required to make a declaration of their disclosable pecuniary interests and also to declare any disclosable pecuniary interests in the business of the meeting at the start of all meetings of the Transport for the North Board or its Committees, and to take no part in such business, but to leave the meeting. Members Declarations of Interest are available on the Transport for the North website.</p> <p>Transport for the North has adopted a Code of Practice in relation to Gifts and Hospitality which was reviewed during 2019/20 and training on the Code was rolled out across the organisation. Guidance in relation to gifts and hospitality is included in the induction for all new employees.</p> <p>A register of Gifts and Hospitality is maintained by the Monitoring Officer, in which officers are required to declare any gifts or hospitality of more than nominal value which they have been offered, whether or not it has been accepted. An annual reminder is issued to all Employees and the Monitoring Officer reviews the register annually.</p> <p>Transport for the North has appointed a Monitoring Officer who works with Members and Officers to ensure that Transport for the North complies with its legal duties and all legal requirements. Transport for the North has an in-house legal team and the legal implications of all reports are considered and, where appropriate, legal advice provided within reports that inform decisions that are taken by Members. Legal advice is available to Members at all meetings of the Transport for the North Board and its Committees.</p> <p>The Monitoring Officer has statutory reporting responsibilities in relation to any unlawful decisions or maladministration.</p> <p>The Finance Director, as the Section 151 Officer, has responsibility for ensuring proper arrangements for financial management and has statutory reporting duties in respect of unlawful expenditure and financially imprudent decision making.</p> <p>Transport for The North is committed to promoting Diversity and Inclusion across all areas of the business, which includes people leading the organisation and people working in it. During 20/21 Transport for the North established a cross organisational Diversity</p>	<p>Whistleblowing Policy</p> <p>Constitution</p> <p>Declarations of Interest</p> <p>Code of Practice on Gifts and Hospitality</p> <p>Employees Induction</p> <p>Register of Gifts and Hospitality</p> <p>Constitution</p> <p>Board Reports</p> <p>Constitution</p>
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<p>Working Group to develop a Diversity and Equalities Action Plan to ensure that respect for equality and diversity is embedded across the organisation both in employment practices and in the delivery of services and programmes.</p>	
<p>B Ensuring openness and comprehensive stakeholder engagement</p>	
<p>Core Principle</p> <p>Engaging with local people and stakeholders to ensure robust public accountability</p>	
<p><i>How we met the principle</i></p>	<p><i>Evidence</i></p>
<p>Transport for the North's website is set out in a clear and accessible way, providing clear access to reports and minutes from Board meetings, along with updates on our core programmes and links to relevant documents. Transport for the North is also active on social media, which regularly shares links to the website where more information can be found (across several channels to widen audience), including promoting public meetings.</p> <p>All meetings of the Transport for the North Board and its formal Committees are held in public unless information which is either confidential under section 100A or exempt under Part 1 of Schedule 12A of the Local Government Act 1972 is to be disclosed. Copies of all minutes and agendas of the Board and formal Committees are available on Transport for the North's website. All reports contain details of options considered and the advice provided by officers regarding legal and financial implications. The minutes include the reasons behind the decisions made. Transport for the North has a Freedom of Information Publication Scheme in place and seeks to publish information openly on its website wherever possible and practicable to do so.</p> <p>The Scrutiny Committee, made up of 20 elected Members representing its Constituent Authorities, reviews all reports before they are considered by the Transport for the North Board under the adopted principle of Scrutiny First and makes appropriate recommendations to the Board.</p> <p>During 2020/21 Transport for the North has held all its meetings virtually. It has continued to hold all meetings in public through live streaming the proceedings and proactively promoted this on all online channels, as well as directly to interested parties. All agenda and minutes continue to be available on the website.</p> <p>Live streams are publicised via Transport for the North's social media platforms public attendance at meetings through watching the live stream has greatly increased during 2020/21.</p> <p>Under its Regulations, Transport for the North is required to establish a Partnership Board to advise it on all</p>	<p>Transportforthenorth.com website</p> <p>Board and Committee Agenda and Minutes</p> <p>Transport for the North's website</p> <p>Constitution</p> <p>Transport for the North website</p>

<p>Members and other relevant stakeholders. To date, the podcasts have received a total listenership of 1,427.</p> <p>Transport for the North is committed to full public engagement. Extensive public consultation was carried out prior to the adoption of the Strategic Transport Plan and public consultation is currently being planned in relation to the Decarbonisation Strategy which will be rolled out in the Spring to enable the Strategy to be adopted before the Climate Change Conference in November 2021. Transport for the North will continue with its broader engagement to raise its public profile and awareness of Transport for the North programmes.</p> <p>Transport for the North has undertaken to engage fully with its Constituent Authorities and has established officer reference groups for all its major work programmes where officers from the different Local Authorities across the region have an opportunity to help formulate Transport for the North's policies and proposals at an early stage.</p> <p>Transport for the North has also brought together a number of informal Members Working Groups to ensure the views of Transport for the North's constituent authorities and their communities are heard and understood via their elected representatives and the views of the business community are heard via the LEP representatives. This engagement has contributed to the development of Transport for the North's different programmes and initiatives, including the Northern Transport Charter and in support of business planning for 2021/2.</p> <p>During 2019/20 Transport for the North developed a new monthly operating report for Members, designed to support scrutiny and challenge of its programmes and operations. This report provides qualitative and quantitative performance information in a single report. The Monthly Operating Report has continued to deliver during 2020/21 providing members and the public with detailed information about the performance of Transport for the North's major programmes.</p>	<p>Strategic Transport Plan</p> <p>Decarbonisation Strategy Consultation</p> <p>Monthly Operating Report</p>
C Defining outcomes in terms of sustainable economic, social, and environmental benefits	
Core Principle Having regard to the promotion of sustainable economic growth, and the social and environmental impacts of its proposals and having regard for the impact of current decisions and actions on future generations.	
<i>How we met the principle</i>	<i>Evidence</i>

<p>The creation of sustainable economic growth is a key driver behind the Strategic Transport Plan. The initial Northern Powerhouse Independent Economic Review published in 2016 identified the persistent gap in Gross Value Added per capita and productivity performance in the North compared to the rest of the United Kingdom. The main purpose behind the establishing of Transport for the North is to achieve a rebalancing of the United Kingdom's economy through improvements to transport and connectivity between the major conurbations in the North and across the region.</p>	<p>Northern Powerhouse Independent Economic Review</p>
<p>In developing the Strategic Transport Plan (STP) we undertook a thorough evaluation of the environmental and sustainability impacts of the proposals contained in the Plan.</p> <p>The STP outlined how the climate and environment will be factored in the design and development of transport interventions and plan. A "Pathway 2050" has been developed to collaborate with partners and the government to deliver the ambitions of the STP and local transport plans in tackling carbon impacts and reductions from transport.</p>	<p>Strategic Transport Plan</p>
<p>During 2020/21 Transport for the North has developed a Decarbonisation Strategy which it is planning to roll out for consultation during the Spring of 2021. This will adopt ambitious targets for decarbonisation across the North.</p>	<p>Decarbonisation Strategy</p>
<p>The Northern Transport Charter outlines an 'Inclusive and Sustainable North' as a key Transport for the North priority. This recognises that Transport for the North's investment programme must: contribute towards a reduction in carbon emissions; minimise the impact on the historical and natural environment; and, wherever possible, seek to deliver environmental enhancements.</p> <p>Proportionate environmental and sustainability assessments will be undertaken in relation to all proposals for infrastructure developments as part of the development or appraisal of options.</p> <p>Transport for the North's TAME function is also developing an Analytical Framework which consists of a series of analytical and modelling tools including NELUM (Northern Economic and Land Use Model), NoHAM (Northern Highways Assignment Model) and NorTMS (Northern Transport Modelling System). The tools contribute to the provision of evidence to support the promotion of the economic and social evidence-based analysis of Transport for the North's transformational programmes.</p> <p>The Analytical Framework reflects Transport for the North's commitment to evidence-based decision making and provides a consistent evidence base to support the decision-making process on the sequencing of future</p>	<p>Northern Transport Charter</p>

<p>interventions. This provides comfort to our Members, Constituent Authorities, and the Department for Transport that Transport for the North has fit-for-purpose decision making processes.</p> <p>All reports presented the Transport for the North Board and its formal Committees contain an assessment of the implications of the report in terms of sustainability, environmental impact and equality impacts.</p> <p>The Strategic Plan and Investment Programme set out transport interventions which will benefit future generations beyond 2050.</p>	<p>Board Reports</p> <p>Strategic Transport Plan</p>
<p>D Determining the interventions necessary to optimise the achievement of the intended outcomes</p>	
<p>Core Principle</p> <p>Focusing on the purpose of Transport for the North and the outcomes for the community and creating and implementing a vision for the area.</p>	
<i>How we met the principle</i>	<i>Evidence</i>
<p>The Strategic Transport Plan for the area is based on a robust evidence base and sets out our vision for transformational change in relation to transport infrastructure in the North.</p> <p>The Investment Programme sets out an ambitious programme of infrastructure projects to be delivered over the period 2019 to 2050 that will implement Transport for the North's Strategic Transport Plan. Proposed projects have been developed in collaboration with local partners and represent the best options for securing transformational change.</p> <p>The Annual Business Planning process identifies the activities of Transport for the North's programme teams for the coming year that will deliver the outcomes set out in the Strategic Plan and Investment Programme and identifies the financial and other resources that will be required to achieve delivery.</p> <p>Transport for the North is fully funded by the Department for Transport and funding for the identified activities is provided in accordance with funding conditions set out in Grant Funding letters.</p> <p>Transport for the North is committed to improving the standard of service provided by the railway network in the North and, under a partnership with the Secretary of State, manages the performance of the contracted railways in the region, Northern Rail and TransPennine Express. Through rigorous monitoring of the performance of these railways, Transport for the North has held their management to account and was instrumental in bringing</p>	<p>Strategic Transport Plan</p> <p>Evidence Base</p> <p>Investment Programme</p> <p>Business Plan</p>

the Northern Rail Franchise into public control under the Operator of Last Resort.

During the pandemic, Transport for the North was instrumental in developing the North of England Contingency Group which brought together all the main rail delivery partners to ensure that an emergency timetable was introduced to support front line workers and ensure that people could continue to make essential journeys during the pandemic lockdowns. In addition, Transport for the North has continued to use its powers and influence to shape the industry's rail investment programme in line with the Strategic Transport Plan (e.g. by inputting to the Transpennine Route Upgrade and Manchester Recovery Task Force). Transport for the North has allocated resources to pioneering a new approach to journey time improvements and a programme focussed on improving reliability for passengers and freight customers.

During 2020/21, the Northern Powerhouse Rail (NPR) programme has continued to develop the strategic case for the NPR rail network to link all the major urban centres of the North by a fast-reliable rail link. During the year the NPR team has worked with partners to refine the options to enable Transport for the North to provide statutory advice to the Government on its preferred route and to enable it to submit to Government, in partnership with the DfT, a Strategic Outline Case demonstrating the benefits to the North of its proposals.

The Strategic Transport Plan for the area is based on a robust evidence base and sets out our vision for transformational change in relation to transport infrastructure in the North.

During 2020/21, the TfN Major Roads Team led work on completing qualitative sequencing of the Northern Investment Programme, identifying interventions which could be brought forward for earlier delivery and preparing for work in 2021/22 on benefits analysis of the Investment Programme.

Drawing on evidence from the qualitative sequencing, TfN completed work on an Economic Recovery Plan in July and have shared the plan and supporting evidence with the DfT's Acceleration Unit.

In December, TfN completed work on developing Future Scenarios, which are integral to the appraisal of the Investment programme and to the development of TfN's Transport Decarbonisation Strategy.

Throughout 2020/21, TfN has continued work with partners on promoting improvements to connectivity and reliability for all road users. Successes include further investment in the Major Road Network, including MRN programme entry for schemes in Cheshire East, Cumbria,

<p>York and North Yorkshire; and funding for development to OBC for schemes in Lancashire, Stockport, Transport North East, Tees Valley and Liverpool.</p> <p>2020/21 has seen significant progress with delivery of the Road Investment Strategy, with TfN engaged in Highways England work on the development of plans for scheme delivery during RIS2 and RIS3 (Road Investment Strategy). This includes providing support for work on the A66 dualling and providing statutory advice on the Trans-Pennine Tunnel and M6-A1(M) studies.</p> <p>We completed data collection and analysis of journey time reliability, types of journey and geographical distribution of traffic using the Major Road Network (MRN) in 2019. This is the first time 24/7-year-round data has been collected across all MRN routes in the North and provides a pre-pandemic baseline.</p> <p>Throughout the year TfN has been monitoring the impact on travel patterns from restrictions resulting from the pandemic. These have had a profound impact on traffic levels and distribution of traffic on our highway network. We are sharing this data with partners and will use insights from the impact of Covid-19 to help inform future appraisal of investment proposals.</p> <p>One of Transport for the North's long-term ambitions for the North was to develop electronic ticketing across the North that could deliver the fair price promise and daily fare capping. This was being delivered through the IST Programme. Government funding cuts have meant that the current programmes have had to be curtailed. However, Transport for the North retains its ambition to see contactless ticketing progressed across all modes of travel in the North and will continue to seek funding to enable this to be achieved.</p>	
E Developing the organisation's capacity, including the capacity of its leaders and the individuals within it	
Core Principle Developing the capacity and capability of members and officers to be effective	
<i>How we met the principle</i>	<i>Evidence</i>
<p>Transport for the North has adopted officer development programmes, including a thorough initial Corporate induction programme for all new officers and line managers.</p> <p>All new employees to Transport for the North are subject to a formal six-month probationary process where performance is assessed alongside the provision of initial learning and development support and guidance.</p>	<p>Corporate Induction Guidance</p> <p>Probationary Policy</p>

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

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

<p>procurement approval procedures which ensure that all procurements comply with its contract procurement rules.</p> <p>Robust people management policies and procedures have also been adopted and embedded within Transport for the North in relation to code of conduct, recruitment and selection, probationary management, performance management, conduct and capability and absence management. This framework of policies and procedures for managing individual performance, conduct, capability, and attendance at work.</p>	<p>Recruitment & Selection, Probationary, Absence & Welfare, Performance Improvement, Disciplinary, Code of Conduct Policies</p>
<p>G Implementing good practices in transparency, reporting and audit to deliver effective accountability</p>	
<p>Core Principle</p> <p>Taking informed and transparent decisions which are subject to effective scrutiny and managing risk</p>	
<p><i>How we met the principle</i></p>	<p><i>Evidence</i></p>
<p>Transport for the North considers the available evidence when making decisions. Transport for the North commissions extensive research for all its programmes and explores different options before prioritising proposals.</p> <p>The Strategic Transport Plan is based on a robust evidence base and was subject to a 13-week statutory consultation exercise during which officers and Members considered in detail the representations made by members of the public and stakeholders. The Strategic Plan is available for public inspection on the website.</p> <p>Transport for the North has established a Scrutiny Committee made up of elected representatives from the 20 Constituent Authorities. The Board made a decision at its inaugural meeting to adopt a "Scrutiny First" model and so all major decisions are subject to scrutiny before they are presented to the Board. The Scrutiny Committee therefore has an opportunity to influence the Board's decisions before they are made, rather than reviewing decisions after they have been taken.</p> <p>The Committee meets regularly and is supported by Transport for the North officers. It subjects proposals to scrutiny before they are presented to the Transport for the North Board, with the recommendations of the Scrutiny Committee being included in the officer's final report to the Board.</p> <p>All policies and proposals developed by Transport for the North are considered first at Officer Reference Groups, made up of officers from all the Constituent Authorities, and then by the internal Operating Board of Transport for the North Directors. Policies and proposals are then further considered by the Executive Board comprising the Chief Executives (or their nominees) of all the</p>	<p>STP and Evidence base</p> <p>Constitution</p>

<p>Constituent Authorities, before being reported to the Transport for the North Board.</p> <p>All major work programmes also have Programme Boards, which are attended by representatives of the DfT, where the progress of these programmes is regularly reviewed against agreed milestones and where major decisions are discussed.</p> <p>The Northern Powerhouse Rail project is co-cliented with the DfT and a Memorandum of Understanding with the DfT was approved by the Transport for the North Board on the 12th March 2020 setting out governance arrangements including regular reporting of finances, performance, and risk to a Programme Board.</p> <p>Transport for the North operates under Memorandum of Understanding with the Secretary of State for Transport and Officers of Transport for the North meet with representatives of DfT at regular Sponsorship Meetings.</p> <p>During 2020/21 Transport for the North has produced monthly monitoring reports that bring together performance and financial information to provide greater transparency in relation to ongoing operations. This report is published on TfN's website and provides to all members of the Transport for the North Board, the Scrutiny Committee and the Audit and Governance Committee with the information they need to challenge Transport for the North's performance.</p> <p>The Rail North Partnership Team reports regularly to the Rail North Committee, and is accountable to the Rail North Partnership Board which is made up of officers of the Constituent Authorities and the DfT where decisions in relation to the management of the performance of the contracted railways are made.</p> <p>Transport for the North has adopted robust procedures for identifying, analysing and managing risk. The risks are presented for discussion to Transport for the North's Operating Board, Audit and Governance Committee, DfT, and Transport for the North Board.</p> <p>Transport for the North has an Audit and Governance Committee which is responsible for independently monitoring and assessing the adequacy and effectiveness of the risk management framework.</p> <p>The Audit and Governance Committee receives a risk report at every meeting and the Committee selects key risks which it wishes to explore in greater detail.</p> <p>The Audit and Governance Committee includes three Independent Members appointed after a public recruitment exercise to provide an independent focus and additional expertise to support the Committee in its role.</p>	<p>Constitution</p> <p>Memorandum of Understanding with the Secretary of State</p> <p>Monthly Operating Report</p> <p>Rail North Partnership Board</p> <p>Programme and Corporate Risk Reports</p> <p>Constitution</p> <p>Corporate Governance Framework</p> <p>Constitution</p>
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<p>The Finance Director is responsible for the internal audit function. This has been contracted out to RSM which operates within an Annual Audit Plan that is approved by the Audit & Governance Committee. RSM attends each committee meeting and reports on progress against the Audit Plan.</p> <p>Mazars were appointed as Transport for the North's external Auditors via the Public Sector Audit Appointments (PSAA). The firm attends every meeting of the Audit & Governance Committee where it provides updates on progress throughout the year and can gain in-depth insights into the workings of Transport for the North.</p> <p>In line with best practice, Transport for the North publishes financial transparency reports each quarter, detailing all individual items of expenditure greater than £500 and all procurement card spend.</p> <p>Organisational organograms and salary information is also made available for public consumption on the external website.</p>	<p>Reports to Audit and Governance Committee and Transport for the North Board</p> <p>Annual Audit Plan</p> <p>Transparency Reports</p>
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Annual Review of the Effectiveness of the Governance Framework

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

Governance Challenges identified in 2019/20 for 2020/21 and beyond

Subject	Action	Progress	Target Completion Date
Review of the Constitution	To review the Constitution to bring in changes flowing from the Blake-Jones Review and the wider Members' review of the role of Transport for the North	The review was postponed to await the publication of the findings of the Williams Review	Held in abeyance
Adoption of the Assurance Framework	Implement and embed the Assurance Framework in Transport for the North decision-making processes	Further development of the decision-making process has been held in abeyance pending the	Held in abeyance


		anticipated White Paper on devolution	
Board Reporting	Embed and refine the Monthly Operating Report to ensure alignment of quantitative and qualitative reporting.	Monthly Operating Reports produced and circulated to Members on an ongoing basis	Completed
Virtual Meetings in response to the Covid 19 Pandemic	Enable remote attendance by both Members and the public at meetings of the Transport for the North Board other Committees	Virtual Meetings established for all Boards and Committees and Virtual Meetings Procedure Rules adopted	Completed


Governance Challenges identified for 2021/22 and beyond

Subject	Responsible	Target Date
Appointment of new Chief Executive	Dawn Madin	01/06/2021
Review of TfN Boards and Committees with particular reference to the General Purposes Committee	Julie Openshaw	31/03/2022
Review of Scrutiny function and in particular the policy of "Scrutiny first"	Julie Openshaw	31/03/2022

Conclusion

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

Signed 
 Louise Gittins
 Interim Chair of Transport for the North Board
 29 September 2021

Signed 
 Martin Tugwell
 Chief Executive
 29 September 2021

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.

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

Report on the audit of the financial statements

Opinion on the financial statements

We have audited the financial statements of Transport for the North for the year ended 31 March 2021, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial position of Transport for the North as at 31st March 2021 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

Basis for opinion

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

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on Transport for the North's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Other information

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

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

We have nothing to report in this regard.

Responsibilities of the Finance Director for the financial statements

As explained more fully in the Statement of Responsibility for the Accounts, the Finance Director is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and for being satisfied that they give a true and fair view. The Finance Director is also responsible for such internal control as the Finance Director determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Finance Director is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and prepare the financial statements on a going concern basis on the assumption that the functions of Transport for the North will continue in operational existence for the foreseeable future. The Finance Director is responsible for assessing each year whether or not it is appropriate for Transport for the North to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

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

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

We evaluated the Finance Director's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance; management bias through judgements and assumptions in significant accounting estimates; and significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

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

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

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

- addressing the risks of fraud through management override of controls by performing journal entry testing.

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

We are also required to conclude on whether the Finance Director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in April 2021.

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

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

Matter on which we are required to report by exception

We are required to report to you if, in our view we are not satisfied that Transport for the North has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have not completed our work on Transport for the North's arrangements. On the basis of our work to date, having regard to the guidance issued by the Comptroller and Auditor General in April 2021, we have not identified any significant weaknesses in arrangements for the year ended 31 March 2021.

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

Responsibilities of the Transport for the North

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

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

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

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021.

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

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

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

We have nothing to report in these respects.


Use of the audit report

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

Delay of certification of completion of the audit

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

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



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30 September 2021



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