

Transport for the North Draft Unaudited Accounts 2019/20



 TRANSPORT FOR THE
NORTH

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Narrative Report

Organisational Overview and External Environment

Our Purpose

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

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

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

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

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

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

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

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

Vision & Objectives

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

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

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

Four pan-Northern objectives guide our members' decisions:

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

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

Our Plan

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

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

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

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

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

Summary of activity in 2019/20

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

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

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

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

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

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

Summary of proposed activity in 2020/21

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

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

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

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

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

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

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

Our Values & Behaviours

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

influence how we operate as individuals and as an organisation, creating an agile and dynamic working environment where employees are trusted, valued and invested in.

Values:

We make a difference

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

We do the right thing

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

We are driven to succeed

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

We collaborate

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

Core Behaviours:

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

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

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

Instil Trust: Gaining the confidence and trust of others through honesty, integrity and authenticity

Financial Acumen: Interpreting and applying understanding of key financial indicators to make better business decisions.

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. The Board is 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.

At the beginning of 2018 we received parliamentary approval to become a statutory organisation as the first Subnational Transport Body in England.



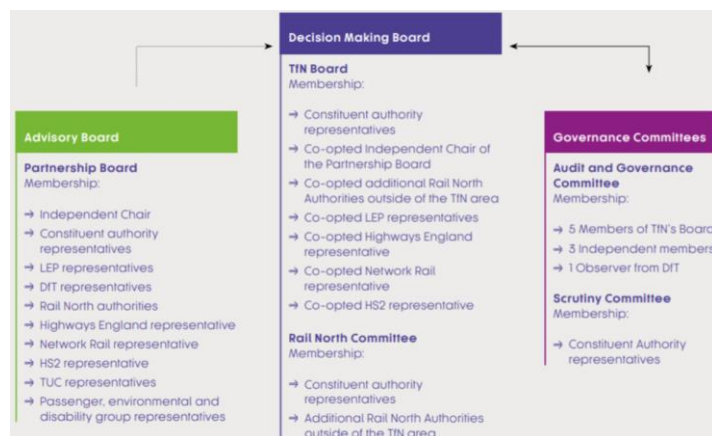
Since our inception there have been a number of changes to our governance structure.

The Partnership Board has also expanded during 2019/20 to include new representative groups that will support the Board in drawing together a wider spectrum of views and

How we make decisions

However, collaboration extends beyond this, and is characterised in the way that we work. Transport and economic officers from across the North work with us day-to-day, taking part in working groups 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 2019/20, published in March 2019, set out TfN's Strategic Objectives and commitments for the year. That Business Plan can be downloaded here:

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

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

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

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

Delivering on Our Objectives

Our People: TeamTFN

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

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

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

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

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

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

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

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

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

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

Our Resourcing Plan:

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

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

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

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

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

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

Covid-19 Pandemic

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

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

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

Our Funding

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

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

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

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

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

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

Our Medium-Term Financial Plan

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

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

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

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

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

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

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

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

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

Measuring our success in 2019/20

Qualitative Performance

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

The KPIs were developed by:

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

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

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

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| Strategic Rail | 6 | Input TfN view to the Williams Review. Follow up to implement the recommendations on the Joint Rail North Partnership review. | <div>Achieved in year</div> <div>Input to Williams Review complete. A plan for the implementation of Blake – Jones review recommendations has been prepared, initial work has started, and discussions are underway with the Department regarding the funding for the required resources for full implementation.</div> |
| Integrated and Smart Travel | 7 | Complete the delivery of the integrated smart ticketing on Rail programme (Phase 1) by September 2019. | <div>Not completed by the year end</div> <div>Phase 1 had a very successful year with the uptake of smart season tickets exceeding all expectations. A final element, delivered by Northern and Merseyrail installing platform validators has been delayed. The current target completion date for the final element is August 2020. However new plans are being finalised in light of Covid-19 which has delayed both hardware delivery and civil engineering installation work. Depending on the duration of the lockdown, this current estimate is that this work is likely to conclude in the autumn.</div> |
| Integrated and Smart Travel | 8 | Deliver Phase 2 – ‘informed customers’ - of the IST programme by December 2019. | <div>Achieved in year</div> <div>The plan at the start of the year was to have the disruption messaging tool (DMT) go live in December 2019 and to have work ongoing on the fares tool (FT) with a view to it going live in 2020/21. The DMT going live was achieved in March 2020 and the FT private ‘Alpha’ development has been completed. The FT continues to be developed with a view to ‘Beta’ Public launch in August 2020.</div> |
| Integrated and Smart Travel | 9 | Complete the procurement of the Phase 3 ABBOT back office by December 2019. | <div>Superseded</div> <div>The delivery approach for account based travel (ABT) has been re-evaluated and the original ABBOT procurement has been cancelled. A revised approach, agreed at the TfN Board in January, is focusing on delivering on contactless on Rail (a new Phase 3) with a series of local schemes (Phase 4) being developed.</div> |

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

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

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

Financial Performance 2019/20

Summary

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

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

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

| Total Net Expenditure | Actual £m | Budget £m | Variance £m |
|------------------------------|----------------------|----------------------|------------------------|
| Revenue Programmes: | | | |
| Northern Powerhouse Rail | £27.89 | £29.75 | £1.86 |
| Major Roads | £1.43 | £2.57 | £1.14 |
| Integrated & Smart Ticketing | £5.36 | £3.28 | -£2.08 |
| | £34.68 | £35.60 | £0.92 |
| Capital Programmes: | | | |

| | | | |
|------------------------------|---------------|---------------|---------------|
| Integrated & Smart Ticketing | £4.55 | £33.00 | £28.45 |
| Rail Operations | £1.86 | £1.92 | £0.06 |
| Operational Areas | £5.73 | £7.19 | £1.46 |
| | £46.82 | £77.71 | £30.89 |

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

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

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

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

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

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

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

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

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

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

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

| | 2019/20 £m | Movement £m | 2018/19 £m |
|--|---------------|----------------|---------------|
| Revenue Grants Received in Advance | | | |
| - Transport Development Fund - Rail | £0.00 | -£0.87 | £0.87 |
| - Transport Development Fund - Road | £0.01 | -£0.01 | £0.02 |
| | £0.01 | -£0.88 | £0.89 |
| Usable Reserves | | | |
| Capital Grants Unapplied | | | |
| - Integrated & Smart Ticketing Phase 1 Grant | £0.30 | -£1.11 | £1.41 |
| - Integrated & Smart Ticketing General Grant | £3.69 | £2.99 | £0.70 |
| | £3.99 | £1.88 | £2.11 |
| General Fund Revenue Reserves | | | |
| - Core Grant | £6.46 | £0.88 | £5.58 |
| - Devolved Powers (Earmarked) | £0.50 | £0.50 | £0.00 |
| - Integrated & Smart Ticketing Grant (Earmarked) | £0.94 | -£1.00 | £1.94 |
| | £7.90 | £0.38 | £7.52 |
| Total Usable Reserves | £11.89 | £2.26 | £9.63 |
| Total Resource | £11.90 | £1.38 | £10.52 |

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

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

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

The balance sheet can be summarised as follows:

| Balance Sheet 2019/20 | | £m | | £m |
|-----------------------|---------------|----|----------------------------|--------|
| Assets | | | Reserves | |
| Cash & Equivalents | £19.31 | | <u>Unusable Reserves</u> | |
| Intangible Asset | £3.53 | | Absence Reserve | £0.16 |
| Debtors | £0.60 | | Capital Adjustment Account | -£3.53 |
| | £23.44 | | Pension Reserve | £6.08 |

| | | | |
|----------------------------|----------------|--------------------------|----------------|
| Liabilities | | | £2.71 |
| Provisions | -£0.13 | <u>Usable Reserves</u> | |
| Grants Received in Advance | -£0.01 | Capital Grants Unapplied | -£3.99 |
| Pension Liability | -£6.08 | Earmarked Revenue Grants | -£0.94 |
| Creditors | -£8.05 | Devolved Powers Reserve | -£0.50 |
| | -£14.27 | General Fund Reserve | -£6.46 |
| | | | -£11.89 |
| Net Assets | £9.17 | Reserves | -£9.17 |

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

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

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

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

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

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

| Intangible Assets | 2019/20 £m | Additions £m | Reductions £m | 2018/19 £m |
|--|-----------------------|-------------------------|--------------------------|-----------------------|
| <u>Integrated & Smart Ticketing</u> | | | | |
| Phase 2 - Customer Information | £3.18 | £2.28 | | £0.90 |
| Phase 3 - Accounts Based Back Office (ABBOT) | £0.00 | | -£4.32 | £4.32 |

| | | | | |
|------------|--------------|--------------|---------------|--------------|
| ERP System | £0.35 | £0.11 | -£0.35 | £0.60 |
| | £3.53 | £2.39 | -£4.67 | £5.82 |

Intangible assets reduced for two reasons:

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

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

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

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

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

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

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

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

To support Transport for the North in the management of this issue, the DfT advanced a revenue grant to fully fund the write-down. On reversal of the capitalisation Transport for the North re-recognised capital grant on the balance-sheet, with the DfT consenting for that grant to be used for other capital expenditure generated from the Integrated and Smart Ticketing Programme.

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

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

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

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

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

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

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

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

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

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

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

| Reserves | 2019/20 £m | 2018/19 £m | Variance £m |
|----------------------------|-----------------------|-----------------------|------------------------|
| <u>Unusable Reserves</u> | | | |
| Absence Reserve | £0.16 | £0.14 | £0.02 |
| Capital Adjustment Account | -£3.53 | -£5.82 | £2.29 |
| Pension Reserve | £6.08 | £3.63 | £2.45 |
| | £2.71 | -£2.05 | £4.76 |
| <u>Usable Reserves</u> | | | |
| Capital Grants Unapplied | -£3.99 | -£2.11 | -£1.88 |
| Earmarked Revenue Grants | -£0.94 | -£1.94 | £1.00 |
| Devolved Powers Reserve | -£0.50 | £0.00 | -£0.50 |
| General Fund Reserve | -£6.46 | -£5.58 | -£0.88 |
| | -£11.89 | -£9.63 | -£2.26 |
| | -£9.17 | -£11.68 | £2.51 |

The write-down of the Phase 3 ABBOT scheme, as previously referenced, impacts on both the Capital Adjustment Account (CAA) and Capital Grants Unapplied. The CAA is used in part to reflect the funding of capital expenditure and so on the write down of the intangible asset, £4.32m of funding previously recognised within this unusable reserve was reversed out and held as a capital grant unapplied in usable reserves. This reflects that that original capital grant was again available for use.

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.

Revenue grants held in usable reserves and earmarked to the Integrated & Smart Ticketing programme were drawn upon to support programme expenditure, whilst the £4.32m of capital grant reversed to capital grants unapplied was used to part fund Integrated & Smart Ticketing capital expenditure.

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

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

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

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

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

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

| Income | £m | |
|--|----------------|------------------------|
| Outturn Position | -£46.82 | |
| Adjustments for: | | |
| Pensions | -£0.13 | In CIES not in outturn |
| Funding of Phase 3 write-down | -£4.32 | In CIES not in outturn |
| Revenue Funding from Reserves | £1.67 | In outturn not in CIES |
| Capital Funding from Reserves | £2.44 | In outturn not in CIES |
| Amounts taken to General Fund Balance: | | |
| IST Revenue Grant - Transferred to Earmarked Reserve | -£0.66 | In CIES not in outturn |
| Core Grant - Taken to General Fund Reserve | -£0.88 | In CIES not in outturn |
| Core Grant - Transferred to Devolved Powers Reserve | -£0.50 | In CIES not in outturn |
| CIES Balance | -£49.21 | |
| Expenditure | £m | |
| Outturn Position | £46.82 | |
| Adjustments for: | | |
| Depreciation | £0.35 | In CIES not in outturn |
| Pensions | £2.58 | In CIES not in outturn |

| | | |
|--------------------------------------|---------------|------------------------|
| Write-down of Phase 3 | £4.32 | In CIES not in outturn |
| Movement on Absence Provision | £0.03 | In CIES not in outturn |
| IST Capital - Phase 2 | -£2.28 | In outturn not in CIES |
| Enterprise Resource Planning Capital | -£0.11 | In outturn not in CIES |
| CIES Balance | £51.72 | |

Capital Accounting

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

Pensions Accounting

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

Accumulated Absences

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

Grant Treatments

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

Looking Ahead to 2020/21 and Beyond

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

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

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

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

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

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

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

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

Financial Planning 2020/21

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

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

The 2019/20 business planning process identified our key strategic priorities and identified a common 'golden thread' from strategy to delivery. This 'golden thread' ensured that when detailed individual departmental plans were being designed and objectives set, there was a common and coordinated approach to delivery across the organisation. These common goals are what underpin the expenditure profile and budget for 2019/20.

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

Value for Money

We recognise the requirement to deliver our programme of works efficiently and effectively. The procurement of goods and services from external suppliers represents a major element of our

expenditure. In order to ensure value for money, we have implemented a procurement framework that requires that the procurement of goods or services includes a competitive process that is appropriate to the value and complexity of the services/products and also minimises barriers for suppliers to participate in such exercises.

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

Expenditure

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial Outlook

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

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

Over the coming financial year, the government will conclude a Comprehensive Spending Review (CSR). The CSR will determine the funding to be made available to us over the review period. Given the ongoing uncertainties caused by the Covid-19 pandemic, it is not clear at this stage how long that period will be, nor the level of funding that will be made available to us.

As we do not have the same levers to raise revenue as other partner bodies, the uncertainty surrounding the CSR process leaves the organisation vulnerable to funding fluctuations.

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

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

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

We will engage with DfT colleagues and our delivery partners to ensure that our aspirations are represented within the CSR process, and continue to review the suitability of our financial planning assumptions.

Statement of Responsibility for the Accounts

Transport for the North's responsibilities

Transport for the North is required to:

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

The Finance Director's responsibilities

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

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

The Finance Director has also:

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

Certificate of the Finance Director

I certify that the Statement of Accounts gives a true and fair view of the financial position of the organisation at the accounting date and of the income and expenditure for the year ended 31 March 2020.

Iain Craven

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

Chairman's certificate

I certify that the Statement of Accounts for the year ended 31 March 2019 was approved at the meeting of the Board on 29 July 2020.

Signed on behalf of Transport for the North

.....
John Cridland
Chairman of Board
29 July 2020

Financial Statements and Disclosure Notes

Comprehensive Income and Expenditure Statement

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

| 2018/19 | | | | 2019/20 | | |
|---------------|-----------------|-----------------|--|---------------|-----------------|---------------|
| Expenditure | Income | Net | Notes | Expenditure | Income | Net |
| £000 | £000 | £000 | | £000 | £000 | £000 |
| 2,638 | (99) | 2,539 | | 1,500 | (11) | 1,489 |
| | | | | | | |
| 14,173 | (13,379) | 794 | | 28,077 | (26,932) | 1,145 |
| 4,129 | (5,974) | (1,845) | | 12,181 | (9,850) | 2,331 |
| 1,772 | (1,081) | 692 | | 2,138 | (1,243) | 895 |
| 9,184 | (0) | 9,184 | | 6,582 | (0) | 6,582 |
| 31,896 | (20,532) | 11,364 | Cost of Services | 50,478 | (38,036) | 12,442 |
| 134 | (154) | (20) | 11 | 234 | (234) | 0 |
| 0 | (23,470) | (23,470) | 12 | 0 | (10,940) | (10,940) |
| 32,030 | (44,156) | (12,126) | Surplus or Deficit on Provision of Services | 50,712 | (49,210) | 1,502 |
| | | | | | | |
| | | 989 | 29 | | | 1,009 |
| | | | | | | |
| | | 989 | Other Comprehensive Income and Expenditure | | | 1,009 |
| | | | | | | |
| | | (11,137) | Total Comprehensive Income and Expenditure | | | 2,511 |

Movement in Reserves Statement

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

| | General Fund Balance £000 | Earmarked General Fund Reserves £000 | Total General Fund Balance £000 | Capital Grants Un-applied Account £000 | Total Usable Reserves £000 | Unusable Reserves £000 | Total Reserves £000 |
|---|--|---|--|---|---|---------------------------------------|--------------------------------|
| Balance at 31 March 2019 | (5,577) | (1,944) | (7,521) | (2,106) | (9,627) | (2,057) | (11,684) |
| Opening Asset Balance Transferred | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Revised opening balance | (5,577) | (1,944) | (7,521) | (2,106) | (9,627) | (2,057) | (11,684) |
| Movement in reserves during 2019/20 | | | | | | | |
| Surplus or deficit on the provision of services | 1,502 | | 1,502 | | 1,502 | | 1,502 |
| Other Comprehensive Income / Expenditure | | | | | | 1,009 | 1,009 |
| Total Comprehensive Income and Expenditure | 1,502 | 0 | 1,502 | | 1,502 | 1,009 | 2,511 |
| Adjustments between accounting basis and funding basis under regulations | (1,879) | | (1,879) | (1,883) | (3,762) | 3,762 | 0 |
| Net Increase or Decrease before Transfers to Earmarked Reserves | (377) | 0 | (377) | (1,883) | (2,260) | 4,771 | 2,511 |
| Transfers to / from Earmarked Reserves | (503) | 503 | 0 | | 0 | 0 | 0 |
| Increase or Decrease in 2019/20 | (880) | 503 | (377) | (1,883) | (2,260) | 4,771 | 2,511 |
| Balance at 31 March 2020 | (6,457) | (1,441) | (7,898) | (3,989) | (11,887) | 2,714 | (9,173) |

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

Balance Sheet

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

Reserves are reported in two categories. The first category of reserves are usable reserves: those reserves that TfN may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves are those that TfN is not able to use to provide services. This category of reserves includes reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

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

Cash Flow Statement

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

| Notes | 2018/19 | | 2019/20 | |
|-----------|-----------------|---|---------|----------------|
| | | £000 | | £000 |
| | (12,126) | Net (surplus) or deficit on the provision of services | | 1,502 |
| | (7,279) | Adjustment to surplus or deficit on the provision of services for noncash movements | | (4,760) |
| | 7,328 | Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities | | 940 |
| 21 | (12,076) | Net cash flows from operating activities | | (2,318) |
| 22 | (2,295) | Net cash flows from investing activities | | (2,618) |
| | (14,371) | Net (increase) or decrease in cash and cash equivalents | | (4,936) |
| | 0 | Cash and cash equivalents at the beginning of the reporting period | | 14,371 |
| | 14,371 | Cash and cash equivalents at the end of the reporting period | | 19,307 |

Note 1 - Expenditure and Funding Analysis

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

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

| Net Expenditure Chargeable to the General Fund Balance | 2018/19 | | Net Expenditure in the Compre- hensive Income and Expenditure Statement | Net Expenditure Chargeable to the General Fund Balance | 2019/20 | | Net Expenditure in the Compre- hensive Income and Expenditure Statement |
|--|----------------|-----------------|--|--|--------------|---------------|--|
| | Adjustments | | | | Adjustments | | |
| £000 | £000 | £000 | | £000 | £000 | £000 | |
| 2,513 | 26 | 2,539 | Major Roads Programme (Strategic Development Corridors) | 1,415 | 74 | 1,489 | |
| 743 | 52 | 795 | Northern Powerhouse Rail | 961 | 184 | 1,145 | |
| (1,944) | 99 | (1,845) | Integrated and Smart Ticketing | 1,003 | 1,328 | 2,331 | |
| 1,678 | 93 | 1,772 | Rail Operations | 619 | 276 | 895 | |
| 5,347 | 2,757 | 8,103 | Operational Areas | 5,731 | 851 | 6,582 | |
| 8,337 | 3,026 | 11,364 | Net Cost of Services | 9,729 | 2,713 | 12,442 | |
| (15,858) | (7,631) | (23,489) | Other Income and Expenditure | (10,106) | (834) | (10,940) | |
| (7,521) | (4,605) | (12,126) | Surplus or Deficit on Provision of Services | (377) | 1,879 | 1,502 | |
| 0 | | | Opening Combined General Fund Balance | (7,521) | | | |
| (7,521) | | | Plus / less Surplus or Deficit on the General Fund Balance for the Year (Statutory basis) | (377) | | | |
| (7,521) | | | Closing Combined General Fund Balance | (7,898) | | | |

Note 2 - Note to the Expenditure and Funding Analysis

| | Net Capital Statutory Adjustments | Net Pensions Statutory Adjustments | 2019/20 Other Statutory Adjustments | Other Differences | Total Adjustments |
|---|---|--|---|----------------------|----------------------|
| | £000 | £000 | £000 | £000 | £000 |
| Major Roads Programme (Strategic Development Corridors) | 0 | 71 | 3 | 0 | 74 |
| Northern Powerhouse Rail | 0 | 173 | 11 | 0 | 184 |
| Integrated and Smart Ticketing | 1,104 | 231 | (7) | 0 | 1,328 |
| Rail Operations | 0 | 265 | 11 | 0 | 276 |
| Operational Areas | 248 | 594 | 9 | 0 | 851 |
| Net Cost of Services | 1,352 | 1,334 | 27 | 0 | 2,713 |
| Other Income and Expenditure | (940) | 106 | 0 | 0 | (834) |
| | 412 | 1,440 | 27 | 0 | 1,879 |
| Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement | | | | | |

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

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

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

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

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

Note 3 - Accounting Policies]

Going Concern Basis

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

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

Qualitative Characteristics

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

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

Accruals of Income and Expenditure

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

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

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

Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.

Expenses in relation to services received are recorded as expenditure when the services are received, rather than when payments are made.

Interest receivables (deposit income) on investments is accounted for as income on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

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

Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

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

Exceptional Items/Material Items of Income and Expenditure

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

Events After the Reporting Period

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

Three types of event can be identified:

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

Financial Instruments

Financial assets

Financial assets are classified into two types:

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

Loans and Receivables

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

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

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

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

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

Government Grants & Contributions

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

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

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

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

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

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

2. The grants or contributions will be paid.

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

Overheads and Support Services

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

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

Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives TfN a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Group becomes aware of the obligation, and measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

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

Reserves

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

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

Revenue Expenditure Funded from Capital under Statute

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

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

Value Added Tax (VAT)

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

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

Intangible Assets

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

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

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

Expenditure is capitalised where it can be measured reliably as attributable to the asset and restricted to that incurred during the development phase.

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by TfN can be determined by reference to an active market.

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

Where an intangible asset has an indefinite useful life it shall not be amortised. Instead, it will be reviewed annually for impairment.

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

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

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

Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

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

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

Post-Employment Benefits

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

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

Note 4 - Accounting Standards Issued, Not Adopted

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

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

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

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

Note 5 - Critical Judgements in Applying Accounting Policies

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

- As the majority of TfN funding comes from grants awarded by the Department for Transport, a key judgement is whether the grants include conditions or restrictions which impact on the recognition of these grants through the Comprehensive Income and Expenditure Statement. At the year-end TfN has both Capital Grants Unapplied and Grant Receipts in Advance (Revenue)
- Costs in respect of the development of the complex information systems for Phase 2 of the Integrated and Smart Ticketing programme are identified as Assets under Development within Intangible Assets up until such point as they are ready for use and move to Operational Assets
- To reflect changes adopted to its management accounting reporting structure in year, TfN has added an additional service line to the CIES: 'Rail Operations'. This service line had previously been absorbed within the existing 'Operational Areas' service line. 2018/19 comparative figures have been included to aid transparency.

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

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

Pension Liability

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

The effect on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the Real Discount Rate would increase the defined benefit obligation by almost £1.931m. However, the assumptions interact in complex ways; details of the sensitivities are set out in Note 29.

Note 7 - Material Items of Income and Expense

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

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

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

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

In recognition of this decision, Transport for the North has unwound the capitalisation recognised in 2018/19 and charged the costs to the Consolidated Income and Expenditure Statement as revenue expenditure. The Department for Transport has supported Transport for the North in this through the award of a revenue grant to fund the transaction. The capital grant used to fund the 2018/19 transaction has been re-recognised, and in agreement with the Department for Transport used in-part to fund 2019/20 capital expenditure.

Note 8 - Events After the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Finance Director on 31 May 2020. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

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

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

General Fund Balance

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

Capital Grants Unapplied

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

| 2019/2020 | General Fund Balance | Capital Receipts Reserve | Capital Grants Unapplied | Movement in Unusable Reserves |
|--|---------------------------------|---|-------------------------------------|--|
| | £000 | £000 | £000 | £000 |
| Adjustments to the Revenue Resources | | | | |
| Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements: | | | | |
| Pension cost (transferred to (or from) the Pensions Reserve) | (1,440) | | | 1,440 |
| Changes in fair value of pooled investments | 0 | | | 0 |
| Holiday pay (transferred to the Accumulated Absences reserve) | (27) | | | 27 |
| Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account) | (519) | | (1,883) | 2,402 |
| Total Adjustments to Revenue Resources | (1,986) | 0 | (1,883) | 3,869 |
| Adjustments between Revenue and Capital Resources | | | | |
| Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) | 107 | | | (107) |
| Total Adjustments between Revenue and Capital Resources | 0 | 0 | 0 | 0 |
| Total Adjustments | (1,879) | 0 | (1,883) | 3,762 |

| 2018/2019 | General Fund Balance | Capital Receipts Reserve | Capital Grants Unapplied | Movement in Unusable Reserves |
|--|---------------------------------|---|-------------------------------------|--|
| | £000 | £000 | £000 | £000 |
| Adjustments to the Revenue Resources | | | | |
| Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements: | | | | |
| Pension cost (transferred to (or from) the Pensions Reserve) | (2,642) | | | 2,642 |
| Holiday pay (transferred to the Accumulated Absences reserve) | (136) | | | 136 |
| Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account) | 7,028 | | (2,106) | (4,922) |
| Total Adjustments to Revenue Resources | 4,250 | 0 | (2,106) | (2,144) |
| Adjustments between Revenue and Capital Resources | | | | |
| Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) | 355 | | | (355) |
| Total Adjustments between Revenue and Capital Resources | 355 | 0 | 0 | (355) |
| Total Adjustments | 4,605 | 0 | (2,106) | (2,499) |

Note 10 - Transfers to/from Earmarked Reserves

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

| | Balance at 1 April 2018 | Transfers In 2018/19 | Transfers Out 2018/19 | Balance at 31 March 2019 | Transfers In 2019/20 | Transfers Out 2019/20 | Balance at 31 March 2020 |
|--|-------------------------------|----------------------------|-----------------------------|--------------------------------|----------------------------|-----------------------------|--------------------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| General Fund Reserves: | | | | | | | |
| Integrated and Smart Ticketing Revenue Funding Reserve | 0 | (1,944) | 0 | (1,944) | (664) | 1,667 | (941) |
| Earmarked Devolved Powers Reserve | 0 | 0 | 0 | 0 | (500) | 0 | (500) |
| Total General Fund | 0 | (1,944) | 0 | (1,944) | (1,164) | 1,667 | (1,441) |

Note 11 - Financing and Investment Income and Expenditure

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

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

Note 12 - Taxation and Non-Specific Grant Income

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

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

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

Note 13 - Expenditure and Income Analysed by Nature

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

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

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

Note 14 - Intangible Assets

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

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

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

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

| 31st March 2019 | | | 31st March 2020 | | |
|---------------------------|--------------------|--------------|--------------------------|--------------------|--------------|
| Assets Under Development | Operational Assets | Total | Assets Under Development | Operational Assets | Total |
| £000 | £000 | £000 | £000 | £000 | £000 |
| Balance at start of year: | | | | | |
| 0 | 547 | 547 | 5,223 | 902 | 6,125 |
| 0 | 0 | 0 | 0 | (301) | (301) |
| 0 | 547 | 547 | 5,223 | 601 | 5,824 |
| Additions: | | | | | |
| 5,223 | 0 | 5,223 | 2,275 | 0 | 2,275 |
| 0 | 355 | 355 | 0 | 107 | 107 |
| 0 | 0 | 0 | (1,063) | 1,063 | 0 |
| 0 | (301) | (301) | 0 | (354) | (354) |
| 0 | 0 | 0 | (4,323) | 0 | (4,323) |
| 5,223 | 601 | 5,824 | 2,112 | 1,417 | 3,529 |
| Comprising: | | | | | |
| 5,223 | 902 | 6,125 | 2,112 | 2,072 | 4,184 |
| 0 | (301) | (301) | | (655) | (655) |
| 5,223 | 601 | 5,824 | 2,112 | 1,417 | 3,529 |

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

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

Note 15 - Debtors

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

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

Note 16 – Cash & Cash Equivalents

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

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

Note 17 - Creditors

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

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

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

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

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

Note 18 - Provisions

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

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

Note 19 - Usable Reserves

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

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

| 31 March 2019 | | 31 March 2020 |
|--------------------------|--|--------------------------|
| £000 | | £000 |
| (2,106) | Capital Grants Unapplied | (3,989) |
| (1,944) | Revenue Earmarked Grants: Integrated & Smart Ticketing | (941) |
| 0 | Revenue Earmarked Devolved Powers Reserve | (500) |
| (5,577) | General Fund | (6,457) |
| (9,627) | Total | (11,887) |

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

Capital Grants Unapplied

| 31 March 2019 | | 31 March 2020 |
|----------------------|---------------------------------------|----------------------|
| £000 | | £000 |
| 0 | Balance 1 April | -2,106 |
| 0 | Reversal of previous year application | -4,323 |
| -2,106 | Capital grants recognised in year | 0 |
| 0 | Capital grants applied in year | 2,439 |
| -2,106 | Balance 31 March | -3,989 |

Note 20 - Unusable Reserves

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

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

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

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

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

Capital Adjustment Account

| 31 March 2019 | | 31 March 2020 |
|----------------|---|----------------|
| £000 | | £000 |
| 0 | Balance 1 April | (5,824) |
| (547) | Opening Asset Balance Transferred | 0 |
| (547) | Revised Opening Balance | (5,824) |
| 0 | Charges for depreciation and impairment of non-current assets | 0 |
| 301 | Amortisation of intangible assets | 354 |
| 2,974 | Revenue expenditure funded from capital under statute | 2,274 |
| 0 | Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement | 0 |
| 3,275 | Net written out amount of the cost of non-current assets consumed in the year | 2,628 |
| (8,197) | Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing | (2,110) |
| 0 | Application of capital grants and capital contributions from the Capital Grants Unapplied account | (2,439) |
| 0 | Reversal of prior year capital funding due to reclassification as revenue | 4,323 |
| (355) | Capital expenditure charged against the General Fund | (107) |
| (8,551) | Capital financing applied in year: | (333) |
| (5,824) | Balance 31 March | (3,529) |

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

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

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

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

Pension Reserve

| 31 March 2019 | | 31 March 2020 |
|---------------|--|---------------|
| £000 | | £000 |
| 0 | Balance 1 April | 3,631 |
| 989 | Remeasurements of the net defined benefit (liability)/asset | 1,009 |
| 3,318 | Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement | 2,353 |
| (676) | Employer's pensions contributions and direct payments to pensioners payable in the year | (913) |
| 0 | Other movements | 0 |
| 3,631 | Balance 31 March | 6,080 |

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

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

Accumulated Absences Account

| 31 March 2019 | | 31 March 2020 |
|---------------|---|---------------|
| £000 | | £000 |
| 0 | Balance 1 April | 136 |
| 0 | Settlement or cancellation of accrual made at the end of the preceding year | (136) |
| 136 | Amounts accrued at the end of the current year | 163 |
| 136 | Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in year in accordance with statutory requirements | 27 |
| 136 | Balance 31 March | 163 |

Note 21 - Cash Flow from Operating Activities

The cash flows for operating activities include the following items:

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

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

| 31 March 2019 £000 | | 31 March 2020 £000 |
|-----------------------|--|-----------------------|
| 0 | Depreciation | 0 |
| 0 | Impairment and downward valuations | |
| (301) | Amortisation | (354) |
| 0 | (Increase)/decrease in impairment for bad debts | 0 |
| (4,436) | (Increase)/decrease in creditors | (3,338) |
| 178 | Increase/(decrease) in debtors | 421 |
| 0 | Increase/(decrease) in inventories | 0 |
| (2,642) | Movement in pension liability | (1,440) |
| 0 | Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised | 0 |
| (77) | Other non-cash movements charged to the surplus or deficit on provision of services | (49) |
| (7,279) | Total | (4,760) |

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

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

Note 22 - Cash Flow from Investing Activities

| 31 March 2019 £000 | | 31 March 2020 £000 |
|-----------------------|--|-----------------------|
| 5,033 | Purchase of property, plant and equipment, investment property and intangible assets | 2,645 |
| 0 | Purchase of short-term and long-term investments | 0 |
| 0 | Other payments for investing activities | 0 |
| 0 | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | 0 |
| 0 | Proceeds from short-term and long-term investments | 0 |
| (7,328) | Other receipts from investing activities | (5,263) |
| (2,295) | Net cash flows from investing activities | (2,618) |

Note 23 - Members' Allowances

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

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

Note 24 - Officers' Remuneration

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

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

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

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

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

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

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

Note 25 - External Audit Costs

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

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

Note 26 - Grant Income

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

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

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

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

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

Grant Income Credited to Services

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

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

Grant Receipts in Advance - Revenue

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

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

Note 27 - Related Parties

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

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

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

Members

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

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

Officers

Officers may be able to influence financial or operational practices. There were no transactions in 2019/20 with bodies in which officers had a pecuniary interest and were able to exercise such an influence.

Funding

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

Transport for the North is the recipient of local funding contributions for its Rail North activities. These contributions are made by the Rail North authorities (detailed in the narrative statement) and amounted to £0.61m in the year. The northern Rail North authorities are represented on the Transport for the North Board, whilst all authorities sit on the Rail North Committee.

TfN is also party to several contracts where it delivers prescribed services on partners. This includes project management work for North Yorkshire County Council and services funded by Network Rail related to the Trans-Pennine Route Upgrade project. In 2019/20 this was relatively immaterial, with income recognised to the value of £0.06m.

Expenditure

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

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

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

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

arrangement, Merseytravel, the regional transport executive for the Liverpool City Region area, have received grant support totalling £0.51m.

Note 28 - Capital Expenditure and Capital Financing

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

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

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

| Capital Expenditure and Capital Financing | | |
|--|---|----------------------|
| 31 March 2019 | | 31 March 2020 |
| £000 | | £000 |
| 0 | Opening Capital Financing Requirement | 0 |
| 0 | Reversal of prior year capital grants and capital contributions from the Capital Grants Unapplied account | (4,323) |
| | | |
| | Capital Investment: | |
| 5,577 | Intangible Assets | 2,382 |
| 2,974 | Revenue Expenditure Funded from Capital Under Statute | 2,274 |
| 8,551 | Total Capital Spending | 333 |
| | | |
| | Sources of Finance: | |
| 0 | Reversal of prior year capital grants and capital contributions from the Capital Grants Unapplied account | 4,323 |
| | | |
| (8,197) | Government Grants and other contributions | (4,549) |
| | Sums set aside from revenue: | |
| (355) | - Direct revenue contributions | (107) |
| (8,551) | Total Sources of Finance | (333) |
| | | |
| 0 | Closing Capital Financing Requirement | 0 |

Note 29 - Defined Benefit Pension Scheme

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

The Greater Manchester pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of Tameside Metropolitan Borough Council as the administering body. Policy is determined in accordance with the Pensions Fund Regulations. The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. largescale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies note. We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions.

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

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

General Fund Transactions

2018/19

**LGPS
£000**

2019/20

**LGPS
£000**

Comprehensive Income and Expenditure Statement

Cost of Services

| | |
|--|--------------|
| Service cost comprising: | |
| 1,043 Current service cost | 2,070 |
| 2,223 Past service cost | 177 |
| 52 Net interest expense | 106 |
| 3,318 Total charged to Surplus and Deficit on Provision of Services | 2,353 |

Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement

| £000 | £000 |
|--|--------------|
| Re-measurement of the net defined benefit liability comprising: | |
| (29) Return on plan assets (excluding the amount included in the net interest expense) | (874) |
| 1,018 Actuarial gains and losses arising on changes in demographic assumptions | 3,706 |
| 0 Actuarial gains and losses arising on changes in financial assumptions | (1,510) |
| 0 Actuarial gains and losses arising on changes other assumptions | (313) |
| 989 Total charged to Other Comprehensive Income and Expenditure Statement | 1,009 |
| 2,084 Total charged to the Comprehensive Income and Expenditure Statement | 3,362 |

2018/19

LGPS

2019/20

LGPS

Movement in Reserves Statement

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

2018/19

LGPS

Pensions Assets and Liabilities Recognised in the Balance Sheet

2019/20

LGPS

£000

£000

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

2018/19

Movement in the Value of Scheme Assets

2019/20

LGPS

LGPS

£000

£000

| | | |
|-------|--|-------|
| 0 | Opening fair value of scheme assets | 4,430 |
| 82 | Interest income | 128 |
| | Re-measurement gain / (loss): | |
| 29 | - The return on plan assets, excluding the amount included in the net interest expense | 874 |
| 676 | Contributions from employer | 913 |
| 330 | Contributions from employees into the scheme | 493 |
| 0 | Net benefits paid out | (14) |
| 3,313 | Transfers in | 0 |

| | | |
|--------------|---------------------------------------|--------------|
| 4,430 | Closing value of scheme assets | 6,824 |
|--------------|---------------------------------------|--------------|

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

LGPS - Pension Scheme - Assets comprised of:

Fair value of scheme assets

| 2018/19 | | | 2019/20 | | |
|-----------------------------------|-----------------|--------------|----------------|-----------------|--------------|
| Quoted | Unquoted | Total | Quoted | Unquoted | Total |
| £000 | £000 | £000 | £000 | £000 | £000 |
| 111 | 0 | 111 | 108 | 0 | 108 |
| Cash and cash equivalents | | | | | |
| Equity Securities | | | | | |
| 245 | 0 | 245 | 620 | 0 | 620 |
| 256 | 0 | 256 | 524 | 0 | 524 |
| 249 | 0 | 249 | 392 | 0 | 392 |
| 351 | 0 | 351 | 758 | 0 | 758 |
| 131 | 0 | 131 | 308 | 0 | 308 |
| 79 | 0 | 79 | 274 | 0 | 274 |
| 49 | 0 | 49 | 142 | 0 | 142 |
| 1,359 | 0 | 1,359 | 3,018 | 0 | 3,018 |
| Subtotal Equity Securities | | | | | |
| Debt Securities | | | | | |
| 166 | 0 | 166 | 258 | 0 | 258 |
| 29 | 0 | 29 | 220 | 0 | 220 |
| 112 | 0 | 112 | 0 | 0 | 0 |
| 307 | 0 | 307 | 478 | 0 | 478 |
| Subtotal Debt Securities | | | | | |
| Private Equity | | | | | |
| 0 | 208 | 208 | 0 | 352 | 352 |
| 0 | 208 | 208 | 0 | 352 | 352 |
| Subtotal Private Equity | | | | | |

| Real Estate | | | | | | |
|---|--------------|--------------|--|--------------|--------------|--------------|
| 0 | 210 | 210 | UK Property | 0 | 288 | 288 |
| 0 | 210 | 210 | Subtotal Real Estate | 0 | 288 | 288 |
| Investment Funds and Unit Trusts | | | | | | |
| 1,001 | 0 | 1,001 | Equities | 685 | 0 | 685 |
| 551 | 0 | 551 | Bonds | 788 | 0 | 788 |
| 0 | 212 | 212 | Hedge Funds | 0 | 331 | 331 |
| 86 | 382 | 468 | Commodities | 171 | 605 | 776 |
| 1,639 | 595 | 2,233 | Subtotal Investment Funds and Unit Trusts | 1,644 | 936 | 2,580 |
| Derivatives | | | | | | |
| 2 | 0 | 2 | Inflation | 0 | 0 | 0 |
| 2 | 0 | 2 | Subtotal Derivatives | 0 | 0 | 0 |
| 3,418 | 1,012 | 4,430 | Total Assets | 5,248 | 1,576 | 6,824 |

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The transactions in the preceding table have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

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

Assumptions

Financial

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

Mortality

Average future life expectancies at age 65 are summarised below:

| | Male | Female |
|--------------------|-------------|---------------|
| Current Pensioners | 20.5 years | 23.1 years |
| Future Pensioners# | 22.0 years | 25.0 years |

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

Historic mortality

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

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

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

Commutation

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

Sensitivity analysis

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

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

Note 30 - Leases

Lessee Operating Leases

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

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

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases reflects a rent-free period on one of the leases which has been spread over the life of the lease in accordance with the Code. The charge was therefore £444k.

Annual Governance Statement 2019/20

Introduction

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

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

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

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

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

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

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

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

Scope of Responsibility

Transport for the North is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. Transport for the North also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. In discharging this overall responsibility, Transport for the North is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

Transport for the North has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework, Delivering Good Governance in Local Government. A copy of the Code of Governance is included in Transport for the North's Constitution and is on Transport for the North's website at <http://www.transportforthenorth.com>. Alternatively it can be obtained via a written request from the Head of Legal, Transport for the North, 4, Piccadilly Place Manchester M1 3BN. This Annual Governance Statement demonstrates how Transport for the North has reviewed the effectiveness of its internal systems of control and how it has complied with its adopted Code of Governance in carrying out its functions. It is published in accordance with the requirements of regulation 6(1) of the Accounts and Audit Regulations 2015.

Delivering Good Governance in Local Government

The governance framework comprises the systems, processes, culture and values, by which Transport for the North is directed and controlled and the processes through which it accounts to and engages with the community. It enables Transport for the North to monitor the achievement of its strategic objectives and to consider whether those objectives will lead to the delivery of its goal of transformational economic growth in the North of England facilitated by improved transport infrastructure.

The system of internal control is a significant part of the governance framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control consists of a number of processes, policies and procedures that have been put in place in order to identify and prioritise the risks to the achievement of Transport for the North's aims and objectives, to evaluate the likelihood and resultant impact of those risks materialising and to manage them efficiently, effectively and economically.

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

The Corporate Governance Framework

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

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

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

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

| A Behaving with Integrity, demonstrating strong commitment to ethical values and respect for the rule of law | |
|---|---|
| Core Principle Promoting values for Transport for the North and demonstrating the value of good governance through upholding high standards of conduct and behaviour. | |
| <i>How we met the principle</i> | <i>Evidence</i> |
| 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 Human Resources On-boarding Policies |
| Transport for the North's induction process for new recruits outlines the behaviours and values that are expected from officers. | Anti-Fraud and Corruption Policy Whistleblowing Policy |
| Transport for the North has a zero-tolerance approach to fraud and corruption and has adopted strong Anti-Fraud & Corruption and Whistleblowing Policies. | Anti-Fraud and Corruption Policy Whistleblowing Policy |
| 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. | |
| Employees are required to notify their Executive Director or the Monitoring Officer about any potential conflict of interests. The Supplier Recommendation Request Form, which must be signed off at the end of the procurement process but prior to contract award, specifically requires officers to state that they have no conflict of interest in the procurement. | Contract Procurement Rules |
| The adopted Code of Practice in relation to Gifts and Hospitality has been reviewed during 2019/20 and training on the Code has been rolled out across the organisation. A register of Gifts and Hospitality is maintained by the Monitoring Officer, in which officers are required to declare any gifts or hospitality of more than nominal value which | Code of Practice on Gifts and Hospitality Register of Gifts and Hospitality |

| | |
|--|---|
| <p>they have been offered, whether or not it has been accepted. An annual reminder is issued to all Employees.</p> <p>Transport for the North has appointed a Monitoring Officer who works with Members and Officers to ensure that Transport for the North complies with its legal duties and all legal requirements. The legal implications of any report are considered and, where appropriate, legal advice provided within reports that inform decisions that are taken by Members. Legal advice is available to Members at all meetings of the Transport for the North Board and its Committees.</p> <p>The Monitoring Officer has statutory reporting responsibilities in relation to any unlawful decisions or maladministration.</p> <p>The Finance Director has statutory reporting duties in respect of unlawful expenditure and financially imprudent decision making.</p> <p>The Audit and Governance Committee has been established with oversight of Internal Audit and through the Internal Audit process provides assurance of Transport for the North's internal policies including HR, Antifraud and Corruption Policy and Whistleblowing Policies.</p> <p>During 2019/20 we have reviewed Transport for the North's Whistleblowing Policy to ensure that it up to date and provides guidance for officers and other workers wishing to raise concerns in the public interest. Transport for the North has signed up to Protect (formerly Public Concern at Work)</p> | <p>Board Reports</p> <p>Constitution</p> <p>Constitution</p> <p>Whistleblowing Policy</p> |
| B Ensuring openness and comprehensive stakeholder Engagement | |
| Core Principle | |
| Engaging with local people and stakeholders to ensure robust public accountability | |
| <i>How we met the principle</i> | <i>Evidence</i> |
| <p>Transport for the North's website is set out in a clear and accessible way, providing clear access to reports and minutes from Board meetings, along with updates on our core programmes and links to relevant documents. Transport for the North is also very active on social media, which regularly tweets links to the website where more information can be found.</p> <p>All meetings of the Transport for the North Board and its formal Committees are held in public, unless information which is either confidential under section 100A or exempt under Part 1 of Schedule 12A of the Local Government Act 1972 is to be disclosed. Copies of all minutes and agendas of the Board and formal Committees are available on Transport for the North's website. All reports contain details of options considered and the advice provided by officers regarding legal and financial implications. The minutes include the reasons behind the decisions made. Transport for the North has a Freedom of Information Publication Scheme in place and seeks to publish</p> | <p>Transportforthenorth.com website</p> <p>Board and Committee Agenda and Minutes</p> |

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

Core Principle

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

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

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

Core Principle

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

| <i>How we met the principle</i> | <i>Evidence</i> |
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| <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</p> | <p>Strategic Transport Plan Evidence Base</p> <p>Investment Programme</p> |

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| <p>have been developed in collaboration with local partners and represent the best options for securing transformational change.</p> <p>Transport for the North is committed to improving the standard of service provided by the railway network in the North and under a partnership with the Secretary of State manages the performance of the franchised railways in the region, Northern Rail and TransPennine Express. Through rigorous monitoring of the performance of these railways Transport for the North has held their management to account and been instrumental in ensuring that the Northern Rail Franchise was taken back into public control.</p> <p>During 2019/20 The Members of Transport for the North in partnership with the Secretary of State have carried out a review (the Blake-Jones Review) looking at the role and remit of Transport of the North with a view to achieving greater devolution of decision making to the north and ensuring that the interests of the travelling public are placed at the heart of decision making.</p> <p>Transport for the North continues to actively engage with its constituent members and has throughout the year held a number of sessions of the Member Working Group. This Group has contributed to the development and publication of the Northern Transport Charter which reasserts Transport for the North's ambitions for devolution of decision making to the North</p> <p>Transport for the North reassesses ongoing projects to ensure that they continue to deliver the intended outputs. Where this is no longer the case, as became clear with the IST Phase 3 project, Transport for the North reconsidered how the approach to the project could be amended so that whilst it will achieve different benefits, these are still aligned to its ambitions.</p> | <p>Blake-Jones Review</p> <p>Northern Transport Charter</p> |
| 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 | |
| <p><i>How we met the principle</i></p> <p>Transport for the North has adopted officer development programmes, including a thorough initial Corporate induction programme for all new officers and line managers.</p> <p>All new employees to Transport for the North are subject to a formal six-month probationary process where performance is assessed alongside the provision of initial learning and development support and guidance.</p> | <p><i>Evidence</i></p> <p>Corporate Induction Guidance</p> <p>Probationary Policy</p> |

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

Core Principle

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

How we met the principle

Transport for the North has adopted robust procedures for identifying, analysing and managing risk.

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.

Evidence

Risk Management Strategy (RMS)

Risk Management System (Part of Transport for the North's Risk Management Strategy)

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

Core Principle

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

How we met the principle

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.

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

Transport for the North has established a Scrutiny Committee made up of elected representatives from the 20 Constituent Authorities. The Board made a decision at its inaugural meeting to adopt a "Scrutiny First" model and so whenever possible all major decisions are subject to scrutiny before they are presented to the Board. The Scrutiny Committee therefore mostly has an opportunity to influence the Board's decisions before they are made, rather than reviewing decisions after they have been taken.

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.

All policies and proposals developed by Transport for the North are considered first at Officer Reference Groups made up of officers from all the Constituent Authorities and then by the internal Operating Board of Transport for the North Directors. Policies and proposals are then further considered by the Executive Board comprising the Chief Executives or their nominees of all the Constituent Authorities before being reported to the Transport for the North Board.

All major work programmes also have Programme Boards which are attended by representatives of the DfT where the progress of these programmes is regularly reviewed against agreed milestones and where major funding decisions are determined.

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

Evidence

STP and Evidence base
Transport for the North Work Programmes

Strategic Transport Plan

Constitution

Constitution

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

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| Organisational organograms and salary information is also made available for public consumption on the external website. | |
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Annual Review of the Effectiveness of the Governance Framework

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

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

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

Governance Challenges for 2020/21 and beyond:

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

Conclusion

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

Signed
Chair of the Transport for the North Board

Signed.....
Chief Executive

Glossary

ACCOUNTING PERIOD

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

ACCRUALS

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

ACTUARIAL GAINS AND LOSSES

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

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

ASSET

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

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

AUDIT OF ACCOUNTS

An independent examination of the Authority's financial affairs.

BALANCE SHEET

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

BORROWING

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

BUDGET

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

CAPITAL EXPENDITURE

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

CAPITAL FINANCING

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

CAPITAL PROGRAMME

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

CIPFA

The Chartered Institute of Public Finance and Accountancy

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

CONSISTENCY

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

CONTINGENT ASSET

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

CONTINGENT LIABILITY

A contingent liability is either:

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

CREDITOR

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

CURRENT SERVICE COST (PENSIONS)

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

DEBTOR

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

DEFINED BENEFIT PENSION SCHEME

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

DEPRECIATION

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

DISCRETIONARY BENEFITS (PENSIONS)

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

EQUITY

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

EVENTS AFTER THE BALANCE SHEET DATE

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

EXPECTED RETURN ON PENSION ASSETS

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

FAIR VALUE

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

FINANCE LEASE

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

GOING CONCERN

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

GOVERNMENT GRANTS

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

IMPAIRMENT

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

INFRASTRUCTURE ASSETS

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

INTANGIBLE ASSETS

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

INTEREST COST (PENSIONS)

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

INVESTMENTS (PENSION FUND)

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

LIABILITY

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

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

LIQUID RESOURCES

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

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

LONG-TERM CONTRACT

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

MATERIALITY

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

NET BOOK VALUE

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

NET DEBT

The Authority's borrowings less cash and liquid resources.

NON-DISTRIBUTED COSTS

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

NON-OPERATIONAL ASSETS

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

OPERATING LEASE

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

OPERATIONAL ASSETS

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

PAST SERVICE COST (PENSIONS)

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

PENSION SCHEME LIABILITIES

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

PROVISION

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

RELATED PARTIES

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

RELATED PARTY TRANSACTIONS

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

REMUNERATION

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

RESERVES

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

RESIDUAL VALUE

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

RETIREMENT BENEFITS

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

REVENUE EXPENDITURE

The day-to-day expenses of providing services.

REVENUE EXPENDITURE CAPITALISED UNDER STATUTE (REFCUS)

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

USEFUL ECONOMIC LIFE (UEL)

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

Independent Auditors Report

To be inserted.



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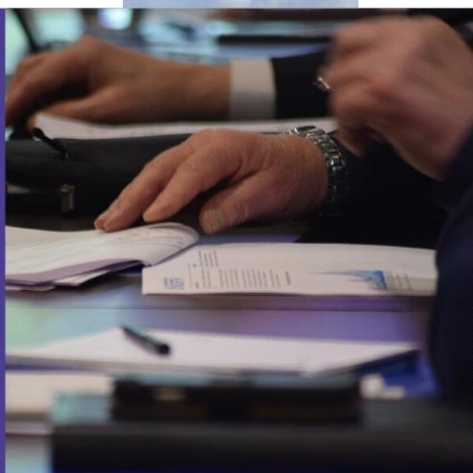
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