

# Transport for the North – Audit & Governance Committee Agenda

**Meeting:** Transport for the North Audit and Governance Committee  
**Date:** Thursday 24 September 2020, 11:00am - 2:00pm  
**Venue:** MS Teams remote meeting

## Attendees:

Chris Melling (Chair)  
 Cllr Keith Little (Vice-Chair)  
 Kevin Brady  
 David Pevalin  
 Cllr Chris Brewis  
 Cllr Liam Robinson

Independent Member  
 Cumbria County Council  
 Independent Member  
 Independent Member  
 Lincolnshire County Council  
 Liverpool City Region

## Invitees:

Campbell Dearden  
 Karen Murray  
 Alex Hire  
 Lisa Randall  
 Margaret Jackson  
 Megan Bradley

External Audit, Mazars  
 External Audit, Mazars  
 Internal Audit, RSM UK  
 Internal Audit, RSM UK  
 Observer, Department for Transport  
 Observer, Department for Transport

## Officers:

Gary Rich  
 Iain Craven  
 Paul Kelly  
 James Lyon  
 Haddy Njie  
 Deborah Dimock

Democratic Services Officer  
 Finance Director  
 Financial Controller  
 Legal Assistant (Minutes)  
 Risk Manager  
 Solicitor

Nr	Agenda Item	Sponsor
<b>1.0</b>	<b>Welcome and Apologies</b>	Chair
	The Chairman to welcome members to the meeting. Elect Chair and Vice Chair for the coming year.	
<b>2.0</b>	<b>Declarations of Interest (V)</b>	Chair
	Members are required to declare any personal, prejudicial or disclosable pecuniary interest they may have relating to items on the agenda and state the nature of such interest.	

<b>3.0</b>	<b>Minutes from the Previous Committee (R)</b>	Chair
	To approve as a correct record the Minutes of the meeting of the Audit & Governance Committee held on 16 July 2020.	
<b>4.0</b>	<b>Audit Committee Annual Progress Report</b>	Chair
	To consider the report on the Committee's progress for presentation to TfN Board.	
<b>5.0</b>	<b>Monthly Operating Report (R)</b>	IC
	To provide the Committee with TfN's Monthly Operating Report for August 2020.	
<b>6.0</b>	<b>External Audit Report (R)</b>	
	Audit Completion Report	
<b>7.0</b>	<b>Year End Statutory Accounts (P)</b>	IC / PK
	To recommend to the TfN Board the sign off of the Annual Statement of Accounts.	
<b>8.0</b>	<b>Internal Audit Reports (R)</b>	LR / SM
	To consider the reports from Internal Audit: <ul style="list-style-type: none"> <li>- Contract Management</li> <li>- Follow Up Audit</li> </ul> and consider amendments to the audit programme for 2020/21.	
<b>9.0</b>	<b>Assurance Framework Update (R)</b>	LH
	To consider the updates to the Assurance Framework.	
<b>10.0</b>	<b>Draft Corporate Risk Register Report (R)</b>	HN
	To consider and approve the draft register report from the Risk Manager in relation to TfN Corporate Risks.	
<b>11.0</b>	<b>Next Committee Dates (V)</b>	Chair
	To note that the next Committee will take place on Thursday 19 November 2020 from 11am-2pm, with meeting arrangements (remote vs face-to-face) still TBC.	

R = Report; P = Presentation; V = Verbal

# Transport for the North Audit & Governance – Minutes

**Meeting:** Transport for the North Audit and Governance Committee

**Date:** Thursday 16 July 2020, 11:00am - 12:00pm

**Venue:** MS Teams remote meeting

## Attendees:

Chris Melling, CM (Chair)	Independent Member
Cllr Keith Little, KL (Vice-Chair)	Cumbria County Council
David Pevalin, DP	Independent Member
Kevin Brady, KB	Independent Member
Cllr Chris Brewis, CB	Lincolnshire County Council
Cllr Liam Robinson, LR	Liverpool City Region
Cllr Mark Winnington, MW	Staffordshire County Council

## Invitees:

Campbell Dearden, CD	External Audit, Mazars
Karen Murray, KM	External Audit, Mazars
Andrew Maudsley, AM	Internal Audit, RSM, UK
Nicole Watson, NW	Department for Transport

## Officers:

Iain Craven, IC	Finance Director
Paul Kelly, PK	Financial Controller
James Lyon, JL	Legal Assistant
Salim Patel, SP	Programme Manager, Strategic Rail
Haddy Njie, HN	Risk Manager
Deborah Dimock, DD	Solicitor

## Apologies:

Cllr Simon Blackburn, SB	Blackpool
Julie Openshaw, JO	Head of Legal

## 1.0 Welcome and Apologies

## Action

- 1.1 Colleagues were welcomed to the meeting and apologies noted.

## 2.0 Declarations of Interest

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- 2.1 There were no declarations of interest.

### **3.0 Minutes of the Last Meeting and Matters Arising**

- 3.1 The minutes of the meeting on 12 June 2020 were considered.
- 3.2 The initials KB (Kevin Brady) had been incorrectly typed as KV in 10.4.

**RESOLVED:** To accept the minutes of the meeting held on 28 February 2020 as a true and accurate record once the error noted above had been corrected.

### **4.0 Monthly Operating Report (R)**

- 4.1 IC presented the Monthly Operating Report for May which was taken as read.
- 4.2 He advised that the June report was due for publication imminently and would be available on the TfN website.
- 4.3 There were no questions or matters arising from the MOR.

**RESOLVED:** The committee noted the report.

### **5.0 Operational Rail Recovery Plan (P)**

- 5.1 As an action point from the 12 June meeting, TfN had been asked to present to the Committee the plan for recovery of the region's rail network. SP presented a slidepack of work done to date and future plans.
- 5.2 Weekly meetings of the North of England Contingency Group, chaired by TfN, are taking place between stakeholders and operators and identifying both proactive and reactive measures to support the operation of the rail network. SP advised that this had been very well received and the meetings would continue for the foreseeable future, certainly for as long as Covid-19 remained an issue.
- 5.3 The major concern was the stigmatisation of the public transport network and the resulting risk that passengers would be reluctant to return. SP noted some of the mitigation measures such as deep cleaning, social distancing and the messaging at stations. Capacity restrictions remain, although currently the passenger traffic at stations and on trains is not reaching the maximum (currently approx. 20% of pre-Covid levels), due to the government guidance that is in place.

- 5.4 The presentation included a 'roadmap' to regaining public confidence, encouraging working-from-home and active travel options and discouraging a recovery based on private vehicles. SP highlighted the trial that Northern were conducting on the Leeds – Harrogate route of a new flexi-season ticket as a way of encouraging and enabling travel within a set time block that would be cheaper than buying individual return journeys and would not "waste" a weekly or monthly pass.
- 5.5 He noted that performance and reliability had been excellent, largely due to the reduced number of services. TPE were back up to about 83% of regular services while Northern were running approx. 66% with a further uplift in services planned for September. He added that there had already been five timetable changes to accommodate Covid-19-related challenges (compared to two timetable changes in a normal year).
- 5.6 KL noted that a lot of services were still nearly empty and the perception of "carrying a lot of air around" had been noted at senior political level. SP acknowledged this to be the case but advised that there was a need to maintain driver currency and training on routes and that the costs of the system are largely fixed – it cost money whether the trains were running or not.
- 5.7 KB enquired what the plans were if passenger numbers did not return to pre-Covid levels for many years; SP informed the committee that demand forecasting, modelling work and future scenario assumptions were underway but that it would take time for the models to be reliably developed. This also needed to be tied in with introduction of new rolling stock (and the associated driver training requirements).

**RESOLVED:** The Committee noted the presentation and thanked SP and the Strategic Rail team for their input.

## **6.0 External Audit (V)**

- 6.1 KM of Mazars advised that the draft Audit progress report still had some work outstanding and that assurance in relation to the balances provided by the Greater Manchester Pension Fund was still awaited. In addition, Mazars and TfN were in the process of agreeing the approach to accounting for the Intangible Assets related to the cancelled IST Phase 3 programme.
- 6.2 She advised that a completed report would be presented in September for the Committee to recommend sign off of the accounts to TfN Board on 17 September. She further

confirmed that this was well within the revised statutory deadlines put in place in response to the Covid-19 crisis.

6.3 However, it was noted that the accounts themselves were of a high quality and that there had been excellent cooperation between TfN and the external auditors. The account sign off was delayed by technical issues and external factors (the pension fund), not due to any problems with the accounts themselves.

6.4 It was identified that this would require an additional, single issue meeting of the Committee in advance of the Board meeting on 17 September to approve recommendation of the accounts. KL supported the suggestion to convene a new meeting in advance of the September Board meeting.

**Action:** A new Audit & Governance meeting, to sign off the Accounts in advance of 17 Sept TfN Board meeting will be convened on Thursday 3rd September.

## **7.0 Year End Statutory Accounts (R)**

7.1 PK noted that most of this had been covered in the previous item with the deferral of sign off.

7.2 He advised that an updated report would be presented at the new Committee meeting (03 September) and he would discuss the updates with the Committee at the time.

**RESOLVED:** The Committee agreed to the deferral of the Accounts item until 3rd September.

## **8.0 Internal Audit (V)**

8.1 AM of RSM UK reported to the Committee that as of the previous meeting on 12 June, no further audits had been completed although two were underway: Contract Management and a Follow-Up Audit.

8.2 The forward plan for audits included Payment, Flexi-time and HR audits due in September. He added that all audits were currently being done remotely but that this had not presented any issues to date.

**RESOLVED:** The Committee noted the progress of the internal audit.

## **9.0 Corporate Risk Register (R)**

9.1 Following the action point raised at the 12 June meeting, the overall Covid-19 risk had been discussed at TfN's Operating Board and assigned to the CEO.

- 9.2 HN highlighted two aspects of the risk register:
- 1) the long-term risks of Covid-19 on the operational rail and franchise programmes which had been covered in the presentation under Item 5; and
  - 2) an expansion / addition of risks within the NPR programme covering partner engagement, infrastructure costs and the associated Benefit Cost Ratio.
- 9.3 CM asked if the risk register was tracking the Business Cases to ensure they were still appropriate and realistic in the light of Covid-19. KB added that the development of assurance frameworks and benefits realisation should be reported to the Committee at regular intervals. HN advised that the risk management system was being updated to better track version control and a more detailed risk matrix (5x5 compared to the current 4x4) was being developed to more closely monitor and mitigate risks.
- 9.4 IC added that there had been some delays in the Assurance Framework, and it remained a work in progress. He would add an update on this item to the Audit & Governance Agenda for the meeting on 24 September.
- 9.5 Risks within IST were being re-worked following the appointment of Jeremy Acklam as the new IST Director. Related to that, KL noted that councils within his region (Cumbria) were keen to trial localised smart ticketing schemes and he asked if TfN would work with local authorities on local rollouts. IC advised that he would discuss this with Jeremy Acklam and pick up with KL at a later date.
- 9.6 The ongoing comprehensive work on the Risk Register was praised by the Committee for its detail.

**Action:** Add Assurance Framework to the 24 September agenda.  
Discuss local IST rollout options with Jeremy Acklam and KL.

## **10.0 Next Committee Dates**

- 10.1 The Committee noted the next full meetings of 24 September 2020, 19<sup>th</sup> November 2020 and 18<sup>th</sup> February 2021
- 10.2 As per 6.4 above, an extra meeting would be convened on Thursday 03 September to sign off the Accounts in advance of TfN Board on 17 September



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**11.0 Any Other Business**

11.1 No other items of business were raised.

**The meeting concluded at 12:10pm**

r = report; p = presentation; v = verbal

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# **Transport for the North Audit & Governance Committee – Item 4**

**Subject:** Draft Audit & Governance Committee Annual Report to the TfN Board

**Author:** Chris Melling (Independent Chair)

**Sponsor:** -

**Meeting Date:** Thursday 24 September 2020

## **1. Purpose of the Report:**

- 1.1 For the Audit & Governance Committee to review the draft report of the Chair of the Audit & Governance Committee summarising the Committee's activities and recommending the approval of the 2019/20 Statutory Accounts and Annual Governance Statement. This report will be presented to the Transport for the North Board in November.

## **2. Executive Summary:**

- 2.1 The terms of reference of the Audit & Governance Committee are set out in the Transport for the North Constitution. The appendices to the report include the terms of reference in extract and a summary of the activity that the Committee has undertaken under each item.
- 2.2 The draft report describes the work that the Committee has undertaken, including consideration of the reports that have been received from RSM as Transport for the North's Internal Auditors.
- 2.3 In addition, the report summarises the work done in relation to the Statutory Accounts and Annual Governance Statement and recommends these documents to the Transport for the North Board for approval.

## **3. Recommendation:**

- 3.1 That the Committee considers the report and recommends its submission to the Transport for the North Board.

## **4. Appendices:**

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- 4.1     Item 4.1 – Audit Committee Annual Report  
          Item 4.2 – Audit Committee Terms of Reference  
          Item 4.3 – Audit Committee Terms of Reference Activity

### List of Background Documents:

There are no background documents.

### Required Considerations

#### Equalities:

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

Consideration	Comment	Responsible Officer	Director
Equalities	A full Impact assessment has not been carried out because it is not required for this report	Julie Openshaw	Dawn Madin

#### Environment and Sustainability

	No
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Consideration	Comment	Responsible Officer	Director
Sustainability / Environment	A full impact assessment has not been carried out because it is not required for this report.	Julie Openshaw	Dawn Madin

#### Legal

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

### Finance

Yes	
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Consideration	Comment	Responsible Officer	Director
Finance	There financial implications are detailed in the report.		Iain Craven

### Resource

	No
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Consideration	Comment	Responsible Officer	Director
Resource	There are no resource implications as a result of the report.	Julie Openshaw	Dawn Madin

### Risk

	No
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Consideration	Comment	Responsible Officer	Director
Risk	There are no risks associated with the content of this report.	Julie Openshaw	Dawn Madin

### Consultation

	No
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<b>Consideration</b>	<b>Comment</b>	<b>Responsible Officer</b>	<b>Director</b>
Consultation	A consultation has not been carried out because it is not necessary for this report.	Julie Openshaw	Dawn Madin

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## Transport for the North Board– Item xx

**Subject:** Audit & Governance Committee Annual Report

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

**Sponsor:** Iain Craven

**Meeting Date:** 18 November 2020

### **1. Purpose of the Report:**

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

### **2. Executive Summary:**

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

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

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

### **3. Audit & Governance Committee Progress Report**

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

#### **Work Plan**

- 3.4 Over the year the Committee has agreed a number of standing items that should be brought before the Committee by officers. These include:
- The Corporate Risk Registers;
  - Financial Reporting; and,
  - Constitution Reviews.
- 3.5 The Committee also requires that instances, or suspicion, of fraud and corruption are reported to the Committee directly.
- 3.6 In addition to this, the Committee also approved the internal audit programme of activity. This programme has been designed to provide the Committee with the assurance it requires that TfN has implemented a control framework that appropriately manages risk.
- 3.7 The Committee has received regular updates from internal audit against this plan, and also updates from external audit as they have progressed the statutory audit.
- 3.8 During the year the committee required a number of specific items of work to be undertaken. These included a review of the governance



arrangements for the NPR programme, which resulted in the NPR MOU being presented to the January 2020 Board, and a presentation on management of the assets generated by the IST programme.

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

### **Internal Audit Activity**

- 3.10 RSM was appointed as TfN's internal audit provider in 2018 following a competitive procurement exercise.
- 3.11 The Committee agreed the audit programme for the year, concentrating on the implementation of core control frameworks
- 3.12 RSM was able to provide the following level of assurance in these key areas:

Area	Assurance Level			
	Substantial	Reasonable	Partial	None
Treasury Management Framework	✓			
Review of Sharepoint		✓		
Absence Management & Wellbeing	✓			
Risk Management: Risk Register Deep Dive	✓			

The audit to follow up on the recommendations made by the internal auditor in previous audit reports identified "good progress" in relation to the follow up actions agreed with management.

- 3.13 In addition, an advisory review in relation to the governance arrangements for the Northern Powerhouse Rail programme was carried out at the request of the Committee. This resulted in the NPR MOU that was presented to the TfN Board for approval on 12<sup>th</sup> March 2020.
- 3.14 The Committee is able to provide TfN Board with assurance from these reports that the necessary core controls expected of a public body have been implemented in the areas reviewed.
- 3.15 The Committee has tracked progress against agreed management actions throughout the year.

### **External Audit Activity**

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

### **Risk**

- 3.22 One of the first exercises that Committee undertook when it was first established was to review and approve Transport for the North's Risk Management Strategy. Subsequently, the Committee has a standing agenda item in relation to risk.
- 3.23 During the year the Committee has reviewed both corporate and programme risks and provided feedback with regard to the

presentation of the information provided. This has included changes in the presentation of the corporate risk register to enhance the users understanding of the likely effectiveness of TfN's risk mitigation strategies.

- 3.24 In September 2019 the Committee approved a number of amendments to the TfN Risk Management Strategy. These changes were made in response to recommendations made by Internal Audit, and also to reflect the benefit of operational experience.

### **Next Steps**

- 3.25 The work programme for 2020/21 is intended to include the following:

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

## **4. Conclusion:**

- 4.1 Having reviewed the findings of internal audit and the submissions of officers, the Committee can provide assurance to the Board that in the areas reviewed TfN has implemented a sound control framework that appropriately manages risk.
- 4.2 Having reviewed the Statement of Accounts and received representation from officers and external audit, the Committee commends to the Board the Statement of Accounts as contained in this pack.

## **5. Recommendation:**

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

## **6. Appendices:**

- 6.1 Appendix 1 - TfN Audit & Governance Committee terms of reference
- 6.2 Appendix 2 - Terms of Reference and Activity Matrix

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## **List of Background Documents:**

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

Transport for the North Constitution:

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

Internal Audit Reports to the Audit & Governance Committee:

Payment Authorisation, Expense, Procurement Cards:-

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

Payroll:-

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

Procurement Framework:-

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

Risk Management:-

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

Framework for Corporate Governance:-

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

ICT – Cyber Security:-

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

## **Item 4.1: APPENDIX 1**

### **Audit and Governance Committee**

#### **Statement of purpose**

The Audit and Governance Committee is a key component of corporate governance providing an independent, high-level focus on the audit, assurance and reporting framework underpinning financial management and governance arrangements. Its purpose is to provide independent review and assurance to Members on governance, risk management and control frameworks. It oversees financial reporting, the Annual Governance Statement process and internal and external audit, to ensure efficient and effective assurance arrangements are in place.

Membership comprises:

- a) five members of the TfN Board (not the Chair, or Vice Chair) appointed by TfN; and,
- b) three Independent members (to be recruited on the basis of relevant skills);

A representative of DfT (Department for Transport) will be invited to attend meetings.

The Constitution places responsibility on the Audit and Governance Committee 'to oversee the effectiveness of TfN's risk management arrangements.' The Constitution also makes the Finance Director responsible for discharging the functions of the 'responsible financial officer' under the Accounts and Audit (England) Regulations 2015, including ensuring risk is appropriately managed.

#### **Terms of Reference**

The core functions of the Authority's Audit and Governance Committee are to:

- a) approve Accounts;
- b) recommend Approval of the annual statement of accounts for TfN;
- c) governance, risk and control;
- d) review corporate governance arrangements against the Code of Corporate Governance and the good governance framework;
- e) review the Annual Governance Statement (AGS) prior to approval to ensure it properly reflects the risk environment and supporting assurances;
- f) monitor the effectiveness of arrangements to secure value for money;
- g) be satisfied that the assurance framework adequately addresses risks and priorities including governance arrangements in significant partnerships;
- h) monitor TfN's risk and performance management arrangements including review of the risk register, progress with mitigating action and the assurance map;
- i) consider reports on the effectiveness of internal controls;
- j) monitor the anti-fraud strategy, risk-assessment and any actions.

## Item 4.2 APPENDIX 2

Terms of Reference Activity	Considered	Comment
Approve Accounts	✓	The Committee has twice reviewed the Statement of Accounts and received representation from officers and progress reports.
Recommend Approval of the annual statement of accounts for TfN	✓	The Committee has recommended the approval of the Statement of Accounts to TfN Board.
Governance, risk and control	✓	<p>The Committee commissioned a number of internal audit reports throughout the year around key financial controls; the procurement framework; risk management; and the corporate governance framework.</p> <p>The Committee has further received reports from officers around Constitution reviews, programme performance, and financial reporting. The Committee continues to review these areas as standing items on its agenda.</p>
Review corporate governance arrangements against the Code of Corporate Governance and the good governance framework	✓	<p>The Committee oversaw the annual governance review, receiving a number of progress reports and reviewed and commented on the draft Annual Governance Statement prior to its publication for the statutory public inspection period.</p> <p>The Committee also undertook a review of the governance arrangements for the NPR programme, which resulted in a Memorandum of Understanding being developed with DfT that was presented to the TfN Board for approval in March 2020.</p>
Review the Annual Governance Statement (AGS)	✓	The Committee reviewed and commented on the draft Annual Governance Statement prior to its publication for the statutory public inspection period.
Monitor the effectiveness of arrangements to secure value for money	✓	<p>The Committee notes that effective arrangements for the delivery of value for money are derived from an effective control framework.</p> <p>The Committee has commissioned a number of reports from internal audit over the course of the year to test that framework. Internal audit reports found that substantial assurance could be had from TfN processes. The Committee also gained assurance from the reports provided by internal audit concerning the decision-making processes and risk management.</p>

		<p>Taken together, these reports give the Committee comfort that TfN has embedded a culture of value for money and implemented processes to ensure that those principles are at the heart of decision making.</p>
Be satisfied that the assurance framework adequately addresses risks and priorities including governance arrangements in significant partnerships	✓	<p>TfN is engaged in two principal partnerships, the Rail North Partnership and the co-clienting arrangements for the delivery of the NPR Programme. In both cases TfN is in Partnership with the DfT. The Committee undertook a review of the governance arrangements for the NPR programme, which resulted in a Memorandum of Understanding being developed with DfT that was presented to the TfN Board for approval in March 2020.</p>
Monitor TfN's risk and performance management arrangements including review of the risk register, progress with mitigating action and the assurance map	✓	<p>The Committee has received risk register reporting as a standing item over the course of the year. The Committee has also commissioned internal audit to independently review risk management arrangements via a deep dive of the register.</p> <p>The Committee requires delivery against internal audit management actions to be reported to it as a standing item to ensure recommendations are progressed.</p>
Consider reports on the effectiveness of internal controls	✓	<p>The Committee approved the internal audit work programme for 2019/20 and the forward programme for 2020/21.</p> <p>Internal audit are a standing invitee to the Committee's sessions and are required to report on their programme reviews, actions against recommendations, and best practice that could be implemented.</p> <p>The Committee also consider representation from external audit who also hold a standing invite to the Committee's sessions.</p>
Monitor the anti-fraud strategy, risk-assessment and any actions		<p>A review of the Anti-Fraud and Corruption policy will be carried out by the committee during 2020/21.</p>



# Transport for the North

## Monthly Operating Report

### August 2020



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# Introduction

## Summary from the Chief Executive

TfN has continued its work to develop its position to be submitted to the National Infrastructure Commission (NIC) to inform their work on the Integrated Rail Plan (IRP). One of the key issues is the long term funding envelope, or the range of funding scenarios, that the NIC assumes to be available as this will have a significant bearing on both the scope to be delivered and the pace of delivery.

Development of the NPR Strategic Outline Case (SOC) continues. This will be informed by the sift workshops scheduled for late September and early October. The NPR team also continues to work on areas that will support the long-term delivery of the programme including mobilising a project team on the Garforth and Hull intrusive surveys, and working on business case development for Dearne Valley Parkway and Rotherham Midland Mainline stations. TfN Board will consider NPR sequencing and preferred routes in September and November respectively.

On 21 July the Chancellor announced the arrangements for the 2020 Comprehensive Spending Review. Whilst the deadline for representations to Treasury is 24 September, Transport for the North is fully funded through the Department for Transport and therefore submitted a detailed funding submission on 28 August in line with Departmental process.

The organisation continues to focus on supporting COVID-19 work and recovery planning in operational rail, including work with the Manchester Recovery Task Force (MRTF). Rail usage will be monitored throughout September for uplift and shifts in peak flows.

The Integrated and Smart Travel (IST) programme saw the arrival Platform Validators (PVals) from China and Germany following COVID-19 related delays, while work around the Fares Data Build Tool (FDBT), Open Data Hub (ODH) and the Disruption Management Tool has continued. A decision on funding to progress business cases for Phase 3 (contactless on Rail) and Phase 4 (Local Smart Schemes) is awaited. Post Month End Update: On 8 Sep DfT have advised that any decision will be delayed until the outcome of the Comprehensive Spending Review.

TfN colleagues continued to work remotely in August, with both of our offices remaining closed. TfN continues to monitor the evolving situation around COVID-19, and a review of TfN's current remote working arrangements is planned for September.

# Northern Powerhouse Rail (NPR)

## Monthly Summary

The Strategic Outline Case (SOC) draft (version 1) was shared with the NPR Working Group and feedback has been incorporated and shared with Executive Board. Network Rail (NR) has now provided TfN with assured cost estimates for all corridors, which will be used alongside all other emerging evidential data as part of the upcoming sift workshops. Receipt of the assured costs has also now allowed a full cost review exercise to commence, with TfN working closely alongside DfT and NR in identifying opportunities for potential cost reductions and efficiency. Emerging cost opportunities will be referenced at sift and these will be programmed to inform the finalisation of the SOC. The Technical Assurance, Modelling and Economics (TAME) team are on schedule to complete NorMS version 1d, which will provide further scheme benefits to strengthen the SOC case. In parallel to SOC development, the NPR team is continuing to undertake activity that supports the long-term delivery of the programme. TfN has mobilised a project team to lead on the Garforth and Hull intrusive surveys and Business Case development for Dearne Valley Parkway and Rotherham Midland Mainline stations. Both activities present an opportunity to accelerate activity to support development and delivery of the NPR programme.

## Activity Update

### Infrastructure

All corridor Sequence 4 (Intermediate Sift) costs have now been through the Network Rail (NR) assurance process and submitted to TfN. Sequence 4.1 (SOC) project is under way; however sequencing of activity is under review to support cost review requirements as discussed above in the monthly summary. Pre-Sequence 5 project, which is focussed on procurement strategy for Outline Business Case (OBC), has been given a four-week commitment by DfT and work is underway. A long-term commitment for the project is to be sought at NPR Programme Board on 1 October 2020.

### Technical Assurance, Modelling and Economics (TAME)

Development of the 1d version of NoRMS is at an advanced stage with the model due to be delivered to a slightly revised schedule in early September (from October). The updated model will be used to carry out initial network tests to support the business case development for SOC. Iteration 2 version will then be used to initially run sensitivities against scenarios to support the SOC. It is anticipated that Iteration 2 should increase overall benefits, as it includes a demand uplift to 2018.

### Partner Engagement

Pre-sift engagement activity has commenced and a series of meetings is taking place to provide Members with updates on the latest position/emerging outputs. During the last period the team met with West Yorkshire Combined Authority and Transport for Greater Manchester, along with Member briefings held with Warrington Borough Council and Tees Valley Combined Authority.

## Risks

Issue Summary	Summary of Mitigating Measures	KPI
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<b>Issue: Infrastructure costs</b> —The infrastructure costs for route/hub options have increased through Sequence 4 (SOC) development. The increased costs are contributing to reduced Benefit Cost Ratio (BCR) values vs the same options at SOBC, and negatively impact the ability to make a positive case.	<ol style="list-style-type: none"> <li>1. Intensive collaborative sprints involving co-clients and NR are in place to exploit opportunities to reduce costs and support acceptance by co-clients ahead of sifting and SOC decision-making.</li> <li>2. An additional estimating resource has been recruited and will be working with Network Rail.</li> </ol>	2
<b>Risk Summary</b>	<b>Summary of Mitigating Measures</b>	<b>KPI</b>
<b>Risk: BCR development</b> - There is a risk that low BCRs will be generated, following further development since SOBC, across infrastructure and modelling and appraisal. This may result in NPR struggling to present a viable business case to Government.	<ol style="list-style-type: none"> <li>1. The strategic case remains strong for the scheme.</li> <li>2. Iteration 1D to support SOC will provide further enhancements, alongside NeLUM which provides transformation Level 3 BCRs.</li> <li>3. A final iteration of NoRMS, iteration 2, will include a 2018 demand uplift and should also increase overall benefits.</li> </ol>	2
<b>Risk: Partner Engagement:</b> There may be a lack of understanding and buy-in by Partners of emerging and/or final information to support sifting and decision-making for SOC. This will impact on the time Partners have available to fully review emerging final information and endorse/challenge to SOC submission timescales/failure to meet board dates.	<ol style="list-style-type: none"> <li>1. Pre and post-sift engagement with Partner organisations at a Member level, involving NPR working group throughout the sifting process.</li> <li>2. One-to-one briefings are taking place by the NPR Director, Tim Wood, with Leaders and Executive Board members.</li> <li>3. NPR has extended the Stakeholder Management capacity within the NPR PMO to support Partner engagement.</li> </ol>	2
<b>Risk: Integrated Rail Plan</b> – There is a risk that the outcome of the Integrated Rail Plan (IRP) could have consequences to the SOC if its recommendations do not align with decisions made by TfN Board on the Preferred Phasing. As such, conclusions may result in a need to review decisions and late edits to the SOC.	<ol style="list-style-type: none"> <li>1. TfN has set up a working group to develop its response to the IRP and ensure that it is effectively communicated to Partners and stakeholders, and that interfaces and interdependencies between IRP and NPR (including SOC) are closely managed.</li> </ol>	2

## Programme and look ahead

TfN Board	Recommendations
17.09.20	<b>Note</b> the approach to preparing Phasing Scenarios for the NPR network, <b>agree</b> the key assumptions and principles underpinning the development of Phasing Scenarios, <b>discuss</b> the four shortlisted Phasing Scenarios developed for an assumed NPR network and <b>agree</b> the preferred scenario based on the Assumed Network, <b>note</b> the intention to re-confirm the Preferred Phasing Scenario following agreement of the Preferred Network at the November TfN Board.
18.11.20	<b>Note</b> SOC 2 <sup>nd</sup> Partial Draft, <b>agree</b> shortlist of corridor options to be progressed, <b>agree</b> the current preferred way forward on the each of the corridors, <b>agree</b> the current NPR preferred network, subject to network-wide tests, <b>agree</b> current preferred NPR phasing plan.
14.01.21	<b>Note</b> SOC Near Final Draft, <b>advise</b> on essential changes to support approval.
10.03.21	<b>Agree</b> SOC, <b>agree</b> submission of SOC to government, <b>agree</b> Statutory Advice, <b>agree</b> comms strategy and handling.

# Integrated and Smart Travel (IST)

## Monthly Summary

- All platform validators (PVals) have now arrived from China (Northern) and Germany (Merseyrail) following delays caused by COVID-19, and station civils works have been accelerated at Merseyrail.
- Contractual agreement reached with Infinity Works up to handover of the Fares Data Build Tool (FDBT) from TfN to DfT on the 11 December 2020.
- Expression of Interests from Local Transport Authorities (LTAs) to expand the use of the Open Data Hub (ODH) to host and publish occupancy and other relevant data have been evaluated.
- South Yorkshire Passenger Transport Executive (PTE) will start using the Disruption Management Tool from October 2020, meaning all City Regions will then be using the tool.
- A decision on funding to progress business cases for Phase 3 (contactless on Rail) and Phase 4 (Local Smart Schemes) is awaited. *Post Month End Update:* On 8 Sep DfT have advised that any decision will be delayed until the outcome of the Comprehensive Spending Review
- Progress is being made for an innovation partnership procurement with the intention of delivering innovation demonstrators. These will support the development of Phase 4 and inform future projects.

## Activity Update

**Phase 1:** (Smartcards on Rail): Northern have now enabled smart flexi-seasons for passengers travelling between Leeds-Harrogate, Skipton-Leeds, Huddersfield-Dewsbury-Leeds and Blackburn-Bolton. On-site PVal installation civils work is approximately 60% complete for Northern and approximately 40% complete for Merseyrail.

**Phase 2:** (Improving Passenger Information)

**Fares Tool:** TfN and DfT have commenced planning for the activities and governance to complete transition of the tool for national use by DfT on the 11 December 2020. Product delivery remains on schedule, penetration and accessibility testing activities have been undertaken to ensure the service is secure and accessible to those users with disabilities. **Disruption Messaging**

**Tool:** The tool is being widely used by 3 LTAs (Transport for Greater Manchester, West Yorkshire Combined Authority and also MerseyTravel). Work is now focusing on increasing use with other LTAs and where required securing long term commitment. This will be supported by the final phase of development (social and reporting enhancements) has been agreed with LTAs and will be delivered in early December 2020.

**Open Data Hub:** TfN is managing collaboration between LTAs and data consumers to support more data consumers using the disruption data in live applications.

**Phase 3:** (Contactless on Rail) and **Phase 4:** (Local Smart Schemes) DfT's Investment Committee have advised that they will further defer consideration of the North's proposal to accelerate the national rollout of contactless on rail and the Strategic Outline Case for local schemes (outstanding from June



2020) until the outcome of Comprehensive Spending Review is known. In the meantime, Rail Delivery Group (RDG) are establishing working groups on technical and business design aspects of any national solution for contactless on rail. IST will provide input to these.

The majority of LTAs have submitted draft proposals for local smart schemes to IST and key themes are being drawn out. Progression of an innovation partnership with key suppliers has been approved by DfT, from which it is intended to deliver demonstrators that will support the development of future Business Cases.

Risks		
Risk/Issue Summary	Summary of Mitigating Measures	KPI
<b>Risk: Phase 1</b> –If a second wave of COVID-19 arises in the coming weeks/months, any further resulting lockdowns could impact the station civils work and lead to a further delay in the installation and commissioning of PVal, and subsequently the completion of the full rollout of flexi-seasons.	1. TOCs asked to consider contingency plans should a second wave occur. TfN to liaise with DfT re: any changes to plans to roll out flexi seasons and/or possible reintroduction of on-site working restrictions.	3
<b>Risk: Phase 2</b> –TfN may be unable to novate the contract for the Disruptions Messaging Tool and Open Data Hub to a Local Transport Authority/ies because insufficient LTAs commit to use the tools in the long term and liabilities of owning the contract	1. LTAs being asked to provide a letter committing to roll out of the tools across the north in support of TfN's CSR bid for continued development of the ODH and for funding over the 3 years of further development 2. LTAs to develop a consistent approach to data across the north as required by developers in order to publish data and in turn increase the value of the tools for LTAs.	4
<b>Risk: Phase 3</b> – funding of Contactless on Rail in the north may not be secured.	1. Submission to fund delivery of contactless was included in the CSR submission. 2. To continue to engage with DfT and RDG about the on-going input of TfN's intellectual capital and learning into the national Contactless on Rail scheme to support value for money and the pace of delivery in readiness for a Comprehensive Spending Review decision.	5
<b>Risk: Phase 4</b> – marketing approach or lack of clarity might lead to supplier bids for the Innovation Partnership being not viable causing a lack of direction for the future business cases and possible cancellation of the Innovation work.	1. Ensure that tender proposal documentation is clear and robust to ensure suppliers understand requirements. 2. Utilise comprehensive communication to enable a wider marketing campaign.	

## Programme and look ahead

### Phase 1

- Low-key PVal 'go live' at intermediate stations between Leeds and Harrogate in mid-September.



- Merseyrail and Northern continue PVal installation civils work and fitting the heads (devices which validate tickets) and testing throughout September.
- Progress the remaining four (7%) outstanding Northern landlord and listed building consents for phase 1 of station PVal installations, and begin similar work on phase 2 (next tranche of stations).

## **Phase 2**

- Fares Tool: Prepare for technical, commercial and governance for transition to DfT, including development of multi-operator tickets, dating and validity rules and Assisted Digital (for people with low digital skills).
- Prepare for Government Digital Service Standard (GDS) Private Beta service assessment (28 October 2020).

## **Phase 3**

- Work with DfT and RDG to garner support to move forward with contactless on rail. Test opportunities to accelerate with DfT ahead of CSR decision.

## **Phase 4**

- Work with LTAs to bring forward widely supported schemes for submission from the North. Work with DfT to see if acceleration is possible ahead of CSR decision.
- Confirm approach for the innovation partnership procurement.

# Investment Programme

## Monthly Summary

This month TfN has focused on finalising the tender requirements and associated documents for the Investment Programme's Benefit Analysis (IPBA) project, so the suppliers can be procured by April 2021.

## Activity Update

During this month:

- The team has continued work with the Communications team to develop new webpages that summarise the Investment Programme's Benefits Analysis project and all preceding work.
- Work has progressed on updating the Interventions Log, including mapping road and rail schemes in the Investment Programme. This will be used to ensure all schemes are included in the IPBA modelling work and can also be shared with Partners to support work on other transport studies. For example, the RIS3 pipeline studies.

## Risks

Risk/Issue Summary	Summary of Mitigating Measures	KPI
<b>Risk: Innovative Modelling</b> –The IPBA project has been delayed until 2021; however, it still relies on a set of innovative models to provide evidence for the North's business case, which require thorough testing and assurance. If the models are not ready on time, there is a risk that we might not meet the Business Plan commitments and the sequencing outputs may have low assurance.	<ol style="list-style-type: none"><li>1. Hold regular interdependencies forum from September.</li><li>2. TAME to provide monthly updates on the framework's development and state of readiness.</li><li>3. Hold-point has been built into commission; a gateway allows us to review the scope of work vs progress and need.</li></ol>	10

## Programme and look ahead

- The Future Travel Scenarios Report and summary document will be presented at the Strategic Oversight Group, 9 September, for comment.

# Major Road Network (MRN)

## Monthly Summary

This month, TfN and Partners continue to monitor the progress of Major Road Network and Large Local Major interventions. We are also working closely with Highways England (HE) to have greater engagement and collaboration in the development of Road Investment Strategy 3.

## Activity Update

- The team is finalising the requirements document to acquire a 2020 set of mobile phone data that will provide useful information on the Major Road Network. This will include information on reliability, journey times, the length of journeys and evidence on origin and destination of trips. Data harvested from mobile devices will be provided with full disclosure for personal and commercial privacy already applied to avoid any possibility of reverse engineering data.
- Highways England published its Strategic Business Plan and Delivery Plan for the second Road Investment Strategy, which runs from 2020 to 2025.
- The team have produced a programme for updating the Major Roads [technical] report, which will be published spring 2021.
- We have produced a chapter on the impact of COVID-19 on travel patterns and behaviours, which is included in the Future Scenarios Report and will be included in the Major Roads Report. Please note that daily road traffic volumes have returned to pre-COVID 19 levels, although peak traffic volumes remain below average.
- The team have provided evidence for the Northern Infrastructure Pipeline as part of the wider Comprehensive Spending Review discussions with government.

## Risks

Risk/Issue Summary	Summary of Mitigating Measures	KPI
<b>Risk: Negative Perceptions -</b> Due to the environmental and sustainable impacts of traffic and congestion, stakeholders assume that road investments could be worsening the situations eg greenhouse gas (GHG) emissions. There is a risk that the road schemes might not get the investment needed to deliver the Strategic Transport Plan.	<ol style="list-style-type: none"><li>1. Working with comms to update the webpages and include FAQs that address these issues.</li><li>2. Strategy to influence the national modelling appraisal guidance to include social inclusion etc.</li><li>3. Work to address this topic in Major Roads Report and work with comms to develop an appropriate comms plan.</li><li>4. Await outcome of DfT's decarb plan (autumn); use this to develop TfN's Decarbonisation Pathway.</li><li>5. Monitor impacts of COVID-19 on travel behaviours, patterns and flows; use this to inform scenario work and communications.</li></ol>	<b>6</b>

<p><b>Risk: Major Roads Report (MRR) Dependencies</b></p> <p>The MRR is being updated following the completion of Strategy's Decarbonisation Strategy work. Should the work on the strategy be delayed, we will be unable to publish the MRR update on time.</p>	<p><b>1. In the event that the inputs for the completion of the MRR update are delayed, TfN to consider delaying the publication of the MRR, noting that this will not have any negative implications for other programmes and keeping partners informed to manage expectation. Keep in regular contact with the Strategy team to monitor any programme fluctuations.</b></p>	<p><b>6</b></p>
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## Programme and look ahead

- The team will start to review and update the Major Roads Report in October following the development of the Future Scenarios and Decarbonisation workstreams.
- The team will start to develop the Major Roads Business Plan for 2020-2021.

# Strategic Rail

## Monthly Summary

The operational focus remains on supporting COVID-19-related work and recovery planning and the continued strong joint working between Transport for the North (TfN), the Department for Transport (DfT), the Rail North Partnership (RNP) and the train companies working through the North of England Contingency Group to 'build back better'. Work has been ongoing with Operators for a further timetable uplift in September as schools return and more people are encouraged to return to workplaces. To date, rail usage has increased week-on-week but remains at between 40% and 60% pre-COVID-19 levels. This will be monitored closely in September for further uplifts and shifts in peak flows.

The other main areas of work have been continuing to input to the work of the Manchester Recovery Task Force (MRTF) and the Integrated Rail Plan (IRP) and these workstreams continue to be informed by analysis undertaken for the Long-Term Rail Strategy (LTRS).

## Activity Update

TfN continues to work closely with the DfT and Network Rail on investment plans across the North of England including schemes to address congestion hotspots in Central Manchester (including through the Manchester Recovery Task Force) and at Leeds. Analysis of the options for December 2021 timetable change from the Manchester Recovery Task Force are expected to be available by the end of September. A programme to appraise and approve an option has been proposed with the intention to recommend option at Rail North Committee in October. TfN has also submitted a comprehensive list of potential enhancements in and around Manchester which will be analysed at an industry workshop in early October.

Following the announcement by the Secretary of State for Transport, Grant Shapps MP, to release funding for the next phase of work on the TransPennine Route Upgrade (TRU), TfN continues to work closely with the DfT and Network Rail to secure delivery of the project outcomes including full electrification, investment at all stations along the corridor and a fully gauge-cleared freight path to support intermodal freight movements across the Pennines.

Progress is being made on the implementation of the Blake-Jones Action Plan and a final report was presented to the Rail North Committee in July. The interim Head of Rail Service Outputs commenced in August and is now embedding these activities into business as usual practice.

## Risks

Risk/Issue Summary	Summary of Mitigating Measures	KPI
<b>Risk: The long-term effect of COVID-19 on viability of franchises</b> - There is a risk	1. Proposing an ambitious programme of work as part of the Economic Recovery	9

that the demand for rail may take a significant amount of time to recover to pre-COVID-19 levels, impacting on the future of train service investment decisions which might affect TfN's ability to achieve its ambition for the North of England.	<p>Plan. TfN is currently awaiting a response from DfT.</p> <ol style="list-style-type: none"> <li>2. Messaging and communications have changed to allow use of public transport for all, including a push from Government for people to return to office working. Social distancing reduced from 2m to 1m in some circumstances.</li> <li>3. Reinstatement of services is carried out slowly to maintain good performance and make rail an attractive choice when safe to do so. Next timetable uplift is scheduled for 07 September.</li> </ol>	
<b>DfT Reprioritisation and the Williams Review - Risk:</b> The coronavirus pandemic has meant DfT has had to prioritise its focus and resources in responding to the pandemic. This has led to the delay in the publication of the Williams Review. Government may choose to focus on centrally deliverable initiatives such as franchise delivery and focus less on devolution. As a result, this may not align with the strategy of Members and would require a wider response from TfN.	<ol style="list-style-type: none"> <li>1. TfN will continue to make the case for reform that supports the North's ambitions and will respond to the Williams White Paper once published.</li> <li>2. To mitigate the risk further TfN has allocated some resource in Quarter 2 (July – September) to respond to any Williams and related policy proposals. This resource is currently going through procurement with the successful bidder to start in September.</li> </ol>	9
<b>The short-term effect of COVID-19 on the reintroduction of services on to the network – Risk:</b> Services could be further impacted by resource levels among Operators and restrictions around training for staff. This will impact on localised areas which will see reductions in direct connectivity and frequency until driver training is delivered. Rollout of further new trains will also be delayed leading to a reliance on older rolling stock.	<ol style="list-style-type: none"> <li>1. TfN continues to work closely with regions and Operators to review timetables in advance of changes and to feed in key areas of concern to be addressed.</li> <li>2. TfN continues to work with Operators to understand the impact of training on service levels, and forward plans showing impacts of no immediate restart to training.</li> </ol>	

## Programme and look ahead

- Support, monitor and help shape the industry recovery from COVID-19 to rebuild services and confidence.
- Working through the Rail North Committee and Board, respond to industry proposals for mitigating cross-Manchester performance issues.
- Continue preparations for the Williams Review White Paper publication (or related proposals) and link this to the implementation of the Blake-Jones Action Plan.
- Respond to Northern's 100-day plan, the internal review undertaken following the removal of Northern Rail's franchise and its replacement by Northern Trains Ltd (NTL) as Operator of Last Resort (OLR).
- Produce a draft report on how Strategic Rail can prioritise and develop proposals for addressing Network Gaps (as required by the LTRS).

# Operations Summary

## Monthly Introduction

Operational focus for August has included; Comms supporting various TfN activities including content covering IST flexi-season tickets, promoting the Economic Recovery Plan, and coordinating ongoing partner briefings for NPR; submission of the Comprehensive Spending Review to the DfT by Finance; continuation of virtual public meetings by Legal; continued work on the Integrated Rail Plan by Strategy; and support of the NPR sift and Future Travel Scenarios work by TAME.

## Activity Update

Summary updates on key actions from TfN operational teams are as follows:

### Stakeholder Engagement & Communications

- Whilst there have been fewer relevant Government announcements due to parliamentary recess during this operating period, the Stakeholder Engagement and Communications team has continued to provide proactive and reactive support.
- This month has seen the TfNTalks webinar series continued, with special panel discussions regarding both smart ticketing and business priorities for the North - each prompting debate and securing Northern stakeholder participation.
- TfN also proactively promoted the Economic Recovery Plan and associated Northern Infrastructure Pipeline following agreement by Board and submission to the Secretary of State for Transport. The activity saw print, online and broadcast media coverage of the ERP, as well as video content and blogs posted across TfN's social channels. An editorial opportunity was also run in the Yorkshire Post profiling the schemes and significance.
- Supporting the IST programme, the team has continued to publish content regarding the launch of smart flexi-season tickets, and is preparing for further external profiling of both the Open Data Hub (now in use by key local authority partners), as well as the innovation challenge procurement, both planned for September.
- With regard to Northern Powerhouse Rail, the engagement team has been coordinating ongoing Partner briefings to share latest evidence as it emerges and discuss progress toward key decisions at September and November Board dates, supporting the programme timeline. On Strategic Rail, the team has been facilitating regular updates to Partner members and officers regarding the planned uplift in train services associated with changes to timetables in the North.

### Finance & Procurement



- Due to a delay in pension fund audit sign off, Statutory Accounts are scheduled to be approved at the TfN Board meeting on 18 November 2020.
- Comprehensive Spending Review submitted to DfT.
- The Grant Funding Agreement for IST has been agreed in principle, with a final review being undertaken within the DfT.
- The following Procurements are under internal evaluation; Rail Modelling Appraisal Model (RMAP2), External Forecast Systems, Freight Modelling and Strategic Rail Support. This is a standard procedure within the procurement process. Once the Supplier Recommendation Report has been approved the contracts and Purchase order will be issued.

### **Legal & Democratic**

- Virtual public meetings continue to be held, with the Constitution updated to include formal procedure rules for this purpose. Current regulations allowing virtual meetings expire in May 2021 and the position continues to be monitored.
- The modern.gov software system (to streamline governance and meeting management arrangements and as used by a number of constituent authorities) has undergone testing and partial implementation through meeting agendas being produced within the system as a single pack. A pilot rollout of an internal meeting using the system fully for users to access agendas is imminent, and the first public meeting is expected to be Audit & Governance Committee on 24 September, with it then being used for the November Board meeting. All system users will be sent log in details and instructions in good time.
- The Legal Team continues to support Procurement in a high level of commissioning activity from all departments and to support Finance in the finalisation of the NPR, IST and Core Grant Funding Agreements.

### **Strategy, Policy, Economics & Research**

- The main focus of the team has been on finalising proposals to inform the development of the Integrated Rail Plan for the North and Midlands. The output of this work will be discussed at the Board in September, alongside proposals for phasing of Northern Powerhouse Rail.
- Supported the development of the TfN Comprehensive Spending Review submission to DfT.
- Development of TfN's Decarbonisation Strategy continues with a strong focus on modelling pathway scenarios. The team prepared the TfN response to the consultation on the DfT decarbonisation strategy and presented to the TfN Scrutiny Committee.
- The research team is planning further work on social inclusion, wellbeing and wider economic outcomes to support the development of the Northern Transport Charter. New research on innovation networks has now been completed as part of the Northern Powerhouse Independent Economic Review programme.

### **TAME (Technical Assurance, Modelling & Economics)**

- TAME continues to provide significant support to delivery of the NPR sift, feeding in modelling results from the Northern Rail Modelling System (NoRMS) and the Northern Economy and Land-Use Model (NELUM), as well as coordination and summarising of the evidence in a multi-criteria framework.
- Planning sessions have been held to develop a programme for TAME inputs to the Economic and Strategic Case for NPR SOC (Strategic Outline Case). This project plan will be used to monitor progress weekly across TAME and NPR teams, and progress against the plan will be communicated through ongoing reporting channels.
- The ongoing plan for TAME support to NPR SOC will see two further iterations of NoRMS scheduled for early September and end of October to feed into the drafting cycle, with TAME team and supplier efforts prioritised on ensuring that the model effectively captures legitimate scheme benefits to support the NPR Business Case.
- Planning also continues to develop a schedule of work for TAME inputs to the Investment Programme Benefits Analysis (IPBA) which commences in the next financial year. Early planning and ongoing communication will ensure that the TAME analytical framework attains model readiness to support this programme of work.
- Further in-house improvements to the Northern Highway Assignment Model (NoHAM) are underway to prepare the model for application on the IPBA in 2021/22. Current activities focus on improving the quality of the car and freight matrices representing travel demand and patterns across the North of England.
- Modelling and analysis for the Future Travel Scenarios and Decarbonisation Pathways is now almost complete and the draft reports on the work are being shared with Partners through September SOG (Strategic Oversight Group). Finalisation and publication of the work is dependent on TfN Board agreeing to set a specific Decarbonisation Target Trajectory at the November meeting. TAME are providing analysis to support this decision.

# Financial Performance

## Financial Update

### Summary

Expenditure incurred in August: £4.40m

Variance to August monthly budget: Underspend of £0.78m

Year-to-date (YTD) expenditure: £21.52m

Year-to-date variance to budget: Underspend of £0.80m

### Headlines

- The Financial position for Period 5 is monitored against Revision 1 budget.

### Programmes:

- Expenditure of £3.78m represented an underspend of £0.70m (16%) in the month, primarily driven by IST Phase 1.

### Integrated & Smart Travel:

- Programme wide expenditure of £0.83m with an underspend of £0.70m (47%) in the month.

#### Phase 1

- Expenditure of £0.49m in the month, represented an underspend of £0.74m against budget. This is largely due to profiling differences and misalignment between payment applications and monthly reporting deadlines.
- Although there has been some slippage of milestones, PVal implementation continues to progress within schedule.
- Savings of around £0.08m made in the online work package, integrating Smart to the Trainline website.

#### Phase 2/4 and Programme Team

- Expenditure of £0.33m represented an underspend of £0.03m (8%) in the month
- Phase 2 underspent by 10% in month, but expenditure is in line with the Revision 1 budget on a YTD basis.
- Expenditure on Phase 4 remains limited to internal staff costs pending approval to proceed.

### Northern Powerhouse Rail

- Expenditure of £2.91m represented a marginal overspend of £0.04m (1%) in the month. YTD expenditure of £14.79m is within 1% of budget (revision 1).

- Network Rail expenditure was £0.14m over budget in the month, consistent with additional remitted work since the forecast submitted at Revision 1.
- There was underspend on modelling work of £0.1m in the month, with some work pending funding commitment in order to commence.
- Programme Support costs were within 3% of budget following the onboarding of external consultants to fill remaining vacant posts.

### **Strategic Development Corridors (SDC)**

- Expenditure was £0.04m during the month and is on budget on a YTD basis.

### **Operations:**

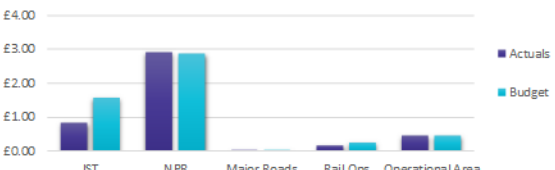
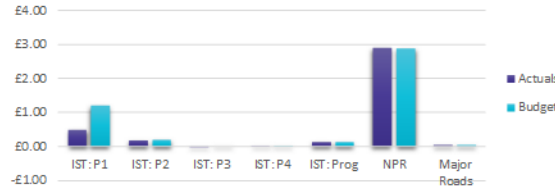
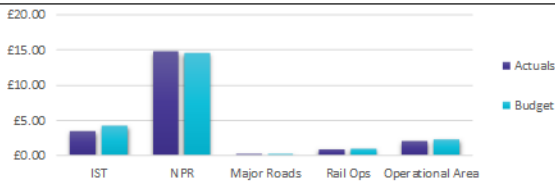
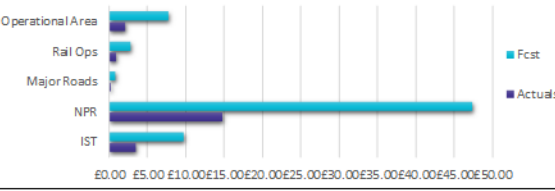
#### **Rail Operations**

- Expenditure of £0.17m represented an underspend of £0.08m (32%) in the month. Delays to evaluating the Strategic Rail Support contract and recruiting to the Interim Head of Service Outputs role have driven underspend. Both of these are due to commence in September.

#### **Operational Areas**

- Expenditure of £0.45m in the month, within 1% of budget. This was the net result of underspend across Business Capabilities, offset by an overspend in Economic Appraisal due to the impact of delayed expenditure from the previous month.

# Activity Dashboard

TRANSPORT FOR THE NORTH FINANCE DASHBOARD					PERIOD BUDGET CYCLE	5 REVISION 1	AUGUST 2020/21		
PERIOD ACTUALS VERSUS BUDGET									
	Actuals £m	Budget £m	Var. £m	Var. %					
Integrated and Smart Ticketing	£0.83	£1.57	£0.74	47%					
Northern Powerhouse Rail	£2.91	£2.87	-£0.04	-1%					
Major Roads	£0.04	£0.04	£0.00	-7%					
<b>Programmes</b>	<b>£3.78</b>	<b>£4.48</b>	<b>£0.70</b>	<b>16%</b>					
Rail Operations	£0.17	£0.25	£0.08	32%					
Operational Areas	£0.45	£0.46	£0.01	1%					
	£4.40	£5.18	£0.78	15%					
PERIOD ACTUALS VERSUS BUDGET: PROGRAMMES									
	Actuals £m	Budget £m	Var. £m	Var. %					
IST: Phase 1	£0.49	£1.21	£0.71	59%					
IST: Phase 2	£0.18	£0.20	£0.02	10%					
IST: Phase 3	-£0.01	£0.00	£0.01	-					
IST: Phase 4	£0.02	£0.03	£0.01	34%					
IST: Programme	£0.14	£0.13	-£0.01	-6%					
Northern Powerhouse Rail	£2.91	£2.87	-£0.04	-1%					
Major Roads	£0.04	£0.04	£0.00	-7%					
	£3.78	£4.48	£0.70	16%					
YEAR TO-DATE ACTUALS VERSUS BUDGET									
	Actuals £m	Budget £m	Var. £m	Var. %					
Integrated and Smart Ticketing	£3.47	£4.23	£0.76	18%					
Northern Powerhouse Rail	£14.79	£14.59	-£0.20	-1%					
Major Roads	£0.24	£0.24	£0.00	0%					
<b>Programmes</b>	<b>£18.50</b>	<b>£19.06</b>	<b>£0.56</b>	<b>3%</b>					
Rail Operations	£0.89	£0.99	£0.10	10%					
Operational Areas	£2.13	£2.26	£0.13	6%					
	£21.52	£22.32	£0.80	4%					
YEAR TO-DATE ACTUALS VERSUS FORECAST TO OUTTURN									
	Actuals £m	F/cast £m	Var. £m	Var. %					
Integrated and Smart Ticketing	£3.47	£9.73	£6.26	64%					
Northern Powerhouse Rail	£14.79	£47.31	£32.52	69%					
Major Roads	£0.24	£0.83	£0.59	71%					
<b>Programmes</b>	<b>£18.50</b>	<b>£57.86</b>	<b>£39.37</b>	<b>68%</b>					
Rail Operations	£0.89	£2.82	£1.93	68%					
Operational Areas	£2.13	£7.76	£5.63	73%					
	£21.52	£68.44	£46.92	69%					
FUNDING YEAR TO DATE					FUNDING FORECASTS TO OUTTURN				
Funding Stream	Actuals £m	Budget £m	Var. £m	Var. %		Actuals £m	F/cast £m	Var. £m	Var. %
TDF - Rail	£14.39	£14.20	-£0.19	-1%	TDF - Rail	£14.39	£46.35	£31.96	69%
IST - Capital and Revenue	£3.47	£4.23	£0.76	18%	IST - Capital and Revenue	£3.47	£9.73	£6.26	64%
Core Grant	£3.02	£3.23	£0.21	7%	Core Grant	£3.02	£10.56	£7.54	71%
Rail North Grant & Contributions	£0.54	£0.54	£0.00	0%	Rail North Grant & Contributions	£0.54	£1.32	£0.78	59%
TDF - Roads	£0.00	£0.00	£0.00	-	TDF - Roads	£0.00	£0.00	£0.00	-
Trading Income	£0.10	£0.11	£0.01	9%	Trading Income	£0.10	£0.49	£0.39	79%
	£21.52	£22.32	£0.80	4%		£21.52	£68.44	£46.92	69%

# HR Update

## Human Resources Update

Salaried Establishment as at **7 September 2020**

### Established/ Transition Posts

Area	Established Posts (Over 2 years)	Transition Posts (Up to 2 Years)	Total
CEO/Chair	2 (1.17 FTE)	-	2 (1.17 FTE)
Support Services	30 (29.32 FTE)	6 (6.00 FTE)	36 (35.32 FTE)
Operational & Delivery	94 (92.90 FTE)	41 (40.50 FTE)	135 (133.40 FTE)
<b>Total Establishment</b>	<b>126 (123.39 FTE)</b>	<b>47 (46.50 FTE)</b>	<b>173 (169.89 FTE)</b>
Strength (in post)	111 (109.07 FTE)	30 (29.50 FTE)	141 (138.57 FTE)
Appointed (start date pending)	0 (0.00 FTE)	1 (1.00 FTE)	1 (1.00 FTE)
Active/Pending Recruitment	0 (0.00 FTE)	2 (2.00 FTE)	2 (2.00 FTE)
Vacant – On-hold	15 (14.32 FTE)	14 (14.00 FTE)	29 (28.32 FTE)

### Agency Resource - Covering Vacant Posts

Area	Posts (FTE's)
Support Services	3 Post (2.12 FTE)
Operational & Delivery	2 Posts (2.00 FTE)
<b>Total</b>	<b>5 Posts (4.12 FTE)</b>

### Consultancy Resource - Covering Vacant Posts

Area	Posts (FTE's)
Support Services	0 Post (0.00 FTE)
Operational & Delivery	9 Posts (8.80 FTE)
<b>Total</b>	<b>9 Posts (8.80 FTE)</b>

### HR Metrics – 2020/21 Year to Date

Corporate Sickness Level:	<b>3.1%</b>
Employment Policy Application:	<b>2.8%</b>
Employee Turnover (Voluntary Leavers):	<b>5.1%</b>
% of Employees from an Ethnic Minority Background:	<b>15%</b>
% of Employees declaring a Disability:	<b>11%</b>
Gender Mix - % of Female Employees:	<b>39%</b>
% of Male Employees:	<b>61%</b>

# KPIs

## Key Performance Indicators

Transport for the North's Key Performance Indicators (KPIs) are outlined in the published Business Plan for 2020-21. The below table outlines the programme and organisational KPIs and provides a summary of the year-end position.

### Key

Achieved	
On Track	
In Progress	
Delay	
Delay – beyond this year end (BTYE)	

Area	KPI	Detail	Progress	Status
Corporate	1	<b>Agree with Government the phasing and prioritisation of the Integrated Rail Plan for High Speed North. December 2020</b>	In Progress	
			The second phase of TfN's work on the IRP will be discussed at Board in September, alongside NPR phasing proposals, before TfN advise the NIC by the end of September.	
Northern Powerhouse Rail	2	<b>Agree and submit Strategic Outline Case to Government. January 2021</b>	Delay	
			The SOC timeline has been rephased due to the impacts of COVID-19 and was approved at TfN Board on 29 April 2020. The next step is to complete a re-baselining activity of the programme for the SOC submission in March 2021.	
Integrated and Smart Travel	3	<b>Complete the delivery of the Integrated and Smart Travel on Rail Project (Phase 1). November 2020</b>	Delay	
			There are likely to be delays to completion for Northern and Merseyrail because of the earlier three-month delay to on-site works as a consequence of COVID-19.	
Integrated and Smart Travel	4	<b>Complete the delivery of Phase 2 of the Integrated and Smart Travel Programme (informed customers). March 2021</b>	On Track	
			The phase remains on track to meet the KPI. DMT (Disruption Messaging Tool) and ODH (Open Data Hub) are now in BAU with the core development work now complete. Further enhancements to DMT will be delivered by early December 2020. The prototype of the Fares Tool is being developed in the second stage (beta private) and is now publicly available for testing by a select group of operators working with the project team.	
	5		Delay	

<b>Integrated and Smart Travel</b>		<b>Agree a plan for the delivery of contactless payments on rail, in collaboration with the DfT and Rail Delivery Group (Phase 3). December 2020</b>	A paper outlining the North's proposals to accelerate contactless on rail in the North has been presented to the June meeting of DfT's investment committee. We continue to await feedback.
<b>Major Roads</b>	6	<b>Agree and approve the Transport for the North Major Roads Report. March 2021</b>	On track The technical report has been completed and the Major Roads Report will be updated following the completion of the decarbonisation workstream.
<b>Strategic Rail</b>	7	<b>Implement the recommendations in the Blake-Jones review. June 2020</b>	Delay The Blake-Jones Action Plan was presented and approved at the 12 May 2020 Rail North Committee meeting and a final report was approved at Rail North Committee in July 2020 and the team is now embedding the actions into the Business As Usual operating model. The slight delay was due to attention focused on responding to the rail operational aspects COVID-19 crisis. A decision on funding future resources is still awaited from DfT who have not indicated when a decision will be made.
<b>Strategic Rail</b>	8	<b>Develop a TfN response to the Williams Review. Within three months of publication</b>	On Track A response to the Williams Review will be developed within three months of its publication; the date of which is yet to be announced.
<b>Strategic Rail</b>	9	<b>Support the industry and Rail North Partnership in the response to and recovery from COVID-19, including a strong focus on the needs of passengers and businesses, together with the short-term investment needed to support the recovery. March 2021</b>	In Progress Strategic Rail is proactively supporting the industry through the crisis and recovery, for example through the North of England Contingency Group. A plan to support the economic recovery by investment in infrastructure has been developed and submitted to DfT as part of the TfN Economic Recovery Plan.
<b>Investment Programme (formerly SDCs)</b>	10	<b>Update and refresh the TfN Investment Programme, based on an agreed Assurance Framework and using the outputs of the SDC Qualitative Sequencing process. September 2020</b>	Achieved The update of the Investment Programme following the qualitative sequencing process, and applying the developing Assurance Framework, has been achieved.
<b>Strategy</b>	11	<b>Develop a Decarbonisation Strategy for approval by the TfN Board and ensure that this is embedded in TfN's</b>	On Track Work continues at pace on TfN's Decarbonisation Strategy. TfN submitted a response to the Setting the Challenge consultation in August. Work is now



		<b>Investment Programme Assurance Framework. March 2021</b>	concluding on the Future Scenarios and Pathways work to support the development of the TfN Decarbonisation Strategy.
Strategy	12	<b>Develop an inclusive and sustainable growth framework that will sit alongside the Strategic Transport Plan and ensure that this is embedded in TfN's Investment Programme Assurance Framework. March 2021</b>	In Progress
			Following completion KPI 16 work has now begun to develop the short-medium-term actions that will support development of an inclusive and sustainable growth as agreed by July Board in approving the Northern Transport Charter.
Strategy	13	<b>Develop a freight strategy for approval by the TfN Board and ensure that this is embedded in TfN's Investment Programme Assurance Framework. March 2021</b>	On Track
			In progress. Additional resources to support the development of the TfN freight strategy are now in place. Work will be managed through the Strategic Oversight Group and progress reported to Members later in the year.
Modelling and Analysis	14	<b>Complete and deploy the Analytical Framework throughout TfN's programmes. March 2021</b>	Delay
			The completion of key elements of the Analytical Framework was delayed earlier in 2020/21, but TAME is on track to deploy the tools for NPR and IPBA by the end of 2020/21. There is a residual risk of further delay, but this will be managed by simplifying scope where possible. Monitoring of the programme and residual risk has been improved through implementation of the Arup review.
Organisation	15	<b>Develop and provide a Comprehensive Spending Review Submission to Government. At date set by HMT</b>	On Track
			A CSR submission was provided to the DfT on 28 August in line with departmental deadlines. We intend to provide an update on the CSR process and a final version of the NTC for discussion at the TfN Board on 17 September which will inform TfN's final representations to Treasury by 24 September.
Organisation	16	<b>Develop and adopt the Northern Transport Charter. June 2020</b>	Achieved
			The team completed work on the remaining Northern Transport Charter (NTC) proposals which were endorsed and adopted by the Board in July. There is now ongoing follow-on work about how to best to progress these proposals with Government.



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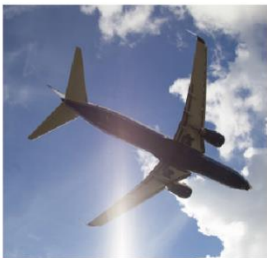
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# **Transport for the North Audit & Governance Committee – Item 6**

**Subject:** External Audit Update  
**Author:** James Lyon  
**Sponsor:** Iain Craven  
**Meeting Date:** Thursday 24 September 2020

## **1. Purpose of the Report:**

- 1.1 To enable Mazars, as TfN's External Auditor, to report upon the progress of the annual audit of the Financial Statements.

## **2. Executive Summary:**

- 2.1 The External Audit Completion Report produced by Mazars is attached as Item 6.1.
- 2.2 Mazars may provide a further verbal update of the External Audit during the Audit & Governance Committee.

## **3. Recommendation:**

- 3.1 That the Committee notes the External Audit Update.

## **4. Appendices:**

- 4.1 Item 6.1 – External Audit Completion Report.

### List of Background Documents:

There are no background documents.

### Required Considerations

#### Equalities:

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

Consideration	Comment	Responsible Officer	Director
Equalities	A full Impact assessment has not been carried out because it is not required for this report	Julie Openshaw	Dawn Madin

#### Environment and Sustainability

	No
--	----

Consideration	Comment	Responsible Officer	Director
Sustainability / Environment	A full impact assessment has not been carried out because it is not required for this report.	Julie Openshaw	Dawn Madin

#### Legal

Yes	
-----	--

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

### Finance

Yes	
-----	--

Consideration	Comment	Responsible Officer	Director
Finance	There financial implications are detailed in the report.		Iain Craven

### Resource

	No
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Consideration	Comment	Responsible Officer	Director
Resource	There are no resource implications as a result of the report.	Julie Openshaw	Dawn Madin

### Risk

	No
--	----

Consideration	Comment	Responsible Officer	Director
Risk	There are no risks associated with the content of this report.	Julie Openshaw	Dawn Madin

### Consultation

	No
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<b>Consideration</b>	<b>Comment</b>	<b>Responsible Officer</b>	<b>Director</b>
Consultation	A consultation has not been carried out because it is not necessary for this report.	Julie Openshaw	Dawn Madin

# **Transport for the North Audit & Governance Committee – Item 7**

**Subject:** Year End Statutory Accounts  
**Author:** Paul Kelly  
**Sponsor:** Iain Craven  
**Meeting Date:** Thursday 24 September 2020

## **1. Purpose of the Report:**

- 1.1 To present to Audit & Governance Committee, the Draft Unaudited Accounts of Transport for the North.
- 1.2 This is a follow on from the presentation given to Audit & Governance Committee on 12 June 2020.

## **2. Executive Summary:**

- 2.1 The Draft Unaudited Accounts are attached as Item 7.1
- 2.2 Transport for the North will provide a verbal explanation of these papers during the Audit & Governance Committee.

## **3. Recommendation:**

- 3.1 That the committee considers the financial statements and recommends approval of them to the TfN Board.

## **4. Appendices:**

- 4.1 Item 7.1 – Draft Unaudited Accounts 2019/20

### List of Background Documents:

There are no background documents.

### Required Considerations

#### Equalities:

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

Consideration	Comment	Responsible Officer	Director
Equalities	A full Impact assessment has not been carried out because it is not required for this report	Julie Openshaw	Dawn Madin

#### Environment and Sustainability

	No
--	----

Consideration	Comment	Responsible Officer	Director
Sustainability / Environment	A full impact assessment has not been carried out because it is not required for this report.	Julie Openshaw	Dawn Madin

#### Legal



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

### Finance

Yes	
-----	--

Consideration	Comment	Responsible Officer	Director
Finance	The financial implications are detailed in the report.	Paul Kelly	Iain Craven

### Resource

	No
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Consideration	Comment	Responsible Officer	Director
Resource	There are no resource implications as a result of the report.	Julie Openshaw	Dawn Madin

### Risk

	No
--	----

Consideration	Comment	Responsible Officer	Director
Risk	There are no risks associated with the content of this report.	Julie Openshaw	Dawn Madin

### Consultation

	No
--	----

<b>Consideration</b>	<b>Comment</b>	<b>Responsible Officer</b>	<b>Director</b>
Consultation	A consultation has not been carried out because it is not necessary for this report.	Julie Openshaw	Dawn Madin

# Transport for the North Draft Unaudited Accounts 2019/20



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# **Narrative Report**

## **Organisational Overview and External Environment**

### **Our Purpose**

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

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

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

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

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

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

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

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

### **Vision & Objectives**

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

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

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

Four pan-Northern objectives guide our members' decisions:

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

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

## **Our Plan**

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

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

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

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

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

## **Summary of activity in 2019/20**

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

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

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

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

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

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

### **Summary of proposed activity in 2020/21**

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

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

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

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

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

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

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

## **Our Values & Behaviours**

Developed in close collaboration with our employees, our values and behaviours underpin our unique culture which brings together experience and expertise from the public and private sectors. They influence how we operate as individuals and as an organisation, creating an agile and dynamic working environment where employees are trusted, valued and invested in.

### **Values:**

#### **We make a difference**

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

#### **We do the right thing**

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

#### **We are driven to succeed**

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

#### **We collaborate**

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

### **Core Behaviours:**

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

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

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

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

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



## 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.

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

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



In order to get a Statutory Instrument laid before parliament we had to achieve the consent of 56 authorities across the North, including all 19 of the constituent authorities that existed at that time, for our draft regulations. The powers that are included within our regulations are broadly consistent with those which were envisioned when Transport for the North was formed in 2015.

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

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

The Partnership Board 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

expertise. Three regional Trade Union Council (TUC) representatives have joined the Board along with representatives of environmental, disability, and passenger transport user groups.

## How we make decisions

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

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

A Member Working Group was convened during the year to drive the development of our Northern Transport Charter aspirations.

## 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://transportfornorth.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:

<b>Resource</b>	<b>£m</b>
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
	<b>£105.11</b>
- Contingency Envelopes	£27.40
<b>Net Resource Requirement</b>	<b>£77.71</b>

### **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	<b>Fully agree NPR provision within the HS2 Phase 2b Hybrid Bill by June 2019.</b>	Superseded	
			This item will now feed into the Integrated Rail Plan activity, with input from TfN to be determined.	
Northern Powerhouse Rail	2	<b>Agree indicative delivery phasing for the NPR network by February 2020. (NB Board took place in March)</b>	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	<b>Prepare a mid-way point NPR progress report for Board by February 2020. (NB Board took place in March)</b>	Achieved in year	
			A progress report was presented and discussed at TfN Board 8 January 2020.	
Strategic Rail	4	<b>Hold the industry to account for the delivery of Franchise commitments and the recovery of acceptable levels of performance.</b>	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	<b>Publish the Long-Term Rail Strategy (LTRS) by July 2019 and begin delivery of the LTSR including input to the Trans-Pennine Route Upgrade.</b>	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.	

<b>Strategic Rail</b>	6	<b>Input TfN view to the Williams Review. Follow up to implement the recommendations on the Joint Rail North Partnership review.</b>	<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>
<b>Integrated and Smart Travel</b>	7	<b>Complete the delivery of the integrated smart ticketing on Rail programme (Phase 1) by September 2019.</b>	<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>
<b>Integrated and Smart Travel</b>	8	<b>Deliver Phase 2 – ‘informed customers’ - of the IST programme by December 2019.</b>	<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>
<b>Integrated and Smart Travel</b>	9	<b>Complete the procurement of the Phase 3 ABBOT back office by December 2019.</b>	<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>



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



Strategic Development	15	<b>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.</b>	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	<b>Develop an Inclusive and Sustainable Growth Framework that will sit alongside the Strategic Transport Plan by February 2020.</b>	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	<b>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.</b>	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	<b>Develop and adapt an Assurance Framework to inform the development of the Investment Programme by February 2020.</b>	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	<b>Develop a 5-year corporate strategic plan / develop a spending review submission by September 2019.</b>	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.
<b>Major Roads</b>	20	<b>Building on the published STP, the Major Roads Report will be updated in February 2020.</b>	<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>
<b>Rail Fares</b>	21	<b>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.</b>	<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>
<b>PMO</b>	22	<b>A Portfolio, Programme and Project Management System (PPPMS), including a formal assurance framework, will be implemented by December 2019.</b>	<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:

<b>Total Net Expenditure</b>	<b>Actual £m</b>	<b>Budget £m</b>	<b>Variance £m</b>
<b>Revenue Programmes:</b>			
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
<b>Capital Programmes:</b>			
Integrated & Smart Ticketing	£4.55	£33.00	£28.45
<b>Rail Operations</b>	£1.86	£1.92	£0.06
<b>Operational Areas</b>	£5.73	£7.19	£1.46
	<b>£46.82</b>	<b>£77.71</b>	<b>£30.89</b>

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:

<b>Funding</b>	<b>£m</b>
<b>Revenue Resource</b>	
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
	<b>£42.27</b>
<b>Capital Resource</b>	
Integrated & Smart Ticketing Grant	£4.55
	<b>£46.82</b>

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
<b>Revenue Grants Received in Advance</b>			
- 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
<b>Usable Reserves</b>			
<b>Capital Grants Unapplied</b>			
- Integrated & Smart Ticketing Phase 1 Grant	£0.30	-£1.11	£1.41
- Integrated & Smart Ticketing General Grant	£0.70	-	£0.70
	£1.00	-£1.11	£2.11
<b>General Fund Revenue Reserves</b>			
- Core Grant	£6.46	£0.88	£5.58
- Devolved Powers (Earmarked)	£0.50	£0.50	£0.00
- Integrated & Smart Ticketing Grant (Earmarked)	£3.93	£1.99	£1.94
	£10.89	£3.37	£7.52
<b>Total Usable Reserves</b>	<b>£11.89</b>	<b>£2.26</b>	<b>£9.63</b>
<b>Total Resource</b>	<b>£11.90</b>	<b>£1.38</b>	<b>£10.52</b>

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

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:

<b>Net Assets</b>	<b>2019/20 £m</b>	<b>2018/19 £m</b>	<b>Variance £m</b>
<b>Assets</b>			
Cash & Equivalents	£19.31	£14.37	£4.94
Intangible Asset	£3.53	£5.82	-£2.29
Debtors	£0.60	£0.18	£0.42
	<b>£23.44</b>	<b>£20.37</b>	<b>£3.07</b>
<b>Liabilities</b>			
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
	<b>-£14.27</b>	<b>-£8.69</b>	<b>-£5.58</b>
	<b>£9.17</b>	<b>£11.68</b>	<b>-£2.51</b>

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:

<b>Intangible Assets</b>	<b>2019/20 £m</b>	<b>Additions £m</b>	<b>Reductions £m</b>	<b>2018/19 £m</b>
<u>Integrated &amp; 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
	<b>£3.53</b>	<b>£2.39</b>	<b>-£4.67</b>	<b>£5.82</b>

Intangible assets reduced for two reasons:

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

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

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

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

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

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

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

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

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

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

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

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

1. The triannual revaluation of the overall fund, which resets forecasts for performance of the fund and forecast draws on the fund every three years;
2. The performance of the fund's portfolio, as measured at the 31<sup>st</sup> 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 31<sup>st</sup> 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:

<b>Reserves</b>	<b>2019/20 £m</b>	<b>2018/19 £m</b>	<b>Variance £m</b>
<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
	<b>£2.71</b>	<b>-£2.05</b>	<b>£4.76</b>
<u>Usable Reserves</u>			
Capital Grants Unapplied	-£1.00	-£2.11	£1.11
Earmarked Revenue Grants	-£3.93	-£1.94	-£1.99
Devolved Powers Reserve	-£0.50	£0.00	-£0.50
General Fund Reserve	-£6.46	-£5.58	-£0.88
	<b>-£11.89</b>	<b>-£9.63</b>	<b>-£2.26</b>
	<b>-£9.17</b>	<b>-£11.68</b>	<b>£2.51</b>

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

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

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



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

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

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

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

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

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

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

<b>Income</b>	<b>£m</b>	
<b>Outturn Position</b>	<b>-£46.82</b>	
<b>Adjustments for:</b>		
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
<b>Amounts taken to General Fund Balance:</b>		
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
<b>CIES Balance</b>	<b>-£49.21</b>	

<b>Expenditure</b>	<b>£m</b>	
<b>Outturn Position</b>	<b>£46.82</b>	
<b>Adjustments for:</b>		
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
<b>CIES Balance</b>	<b>£51.72</b>	

## **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.

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
	<b>£55.35</b>

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
<b>Gross Total</b>	<b>£8.46</b>
Recharges to Programmes	-£1.00
<b>Net Total</b>	<b>£7.46</b>

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
<b>Rail Operations</b>	<b>£m</b>
Strategic Rail Team	£1.39
Rail North Partnership Team	£1.59
	<b>£2.98</b>

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:

<b>TfN Funding</b>	<b>2020/21</b>	
	<b>£m</b>	<b>%</b>
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%
<b>Total Resource</b>	<b>£88.05</b>	

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 2020 was approved at the meeting of the Board on 17 September 2020.

Signed on behalf of Transport for the North

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John Cridland  
Chairman of Board  
17 September 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
<b>31,896</b>	<b>(20,532)</b>	<b>11,364</b>	<b>Cost of Services</b>	<b>50,478</b>	<b>(38,036)</b>	<b>12,442</b>
134	(154)	(20)	<b>11</b>	234	(234)	0
0	(23,470)	(23,470)	<b>12</b>	0	(10,940)	(10,940)
<b>32,030</b>	<b>(44,156)</b>	<b>(12,126)</b>	<b>Surplus or Deficit on Provision of Services</b>	<b>50,712</b>	<b>(49,210)</b>	<b>1,502</b>
		989	<b>29</b>			1,009
		<b>989</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>1,009</b>
		<b>(11,137)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>2,511</b>



## Movement in Reserves Statement

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

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

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

## Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by TfN. The net 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	
<b>5,824</b>		<b>Long Term Assets</b>	<b>3,529</b>	
178	15	Short-Term Debtors	599	
14,371	16	Cash and Cash Equivalents	19,307	
<b>14,549</b>		<b>Current Assets</b>	<b>19,906</b>	
(4,087)	17	Short-Term Creditors	(8,046)	
(77)	18	Provisions	(126)	
(893)	26	Grants Receipts in Advance - Revenue	(10)	
<b>(5,058)</b>		<b>Current Liabilities</b>	<b>(8,182)</b>	
(3,631)	29	Pension Liability	(6,080)	
<b>11,684</b>		<b>Net Assets</b>	<b>9,173</b>	
(9,627)	19	Usable Reserves	(11,887)	
(2,057)	20	Unusable Reserves	2,714	
<b>(11,684)</b>		<b>Total Reserves</b>	<b>(9,173)</b>	

## Cash Flow Statement

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

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

## 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		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		(1,984)	4,315	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
<b>8,337</b>	<b>3,026</b>	<b>11,364</b>	<b>Net Cost of Services</b>		<b>6,742</b>	<b>5,700</b>	<b>12,442</b>
(15,858)	(7,631)	(23,489)	Other Income and Expenditure		(10,106)	(834)	(10,940)
<b>(7,521)</b>	<b>(4,605)</b>	<b>(12,126)</b>	<b>Surplus or Deficit on Provision of Services</b>		<b>(3,364)</b>	<b>4,866</b>	<b>1,502</b>
0			Opening Combined General Fund Balance		(7,521)		
(7,521)			Plus / less Surplus or Deficit on the General Fund Balance for the Year (Statutory basis)		(3,364)		
<b>(7,521)</b>			<b>Closing Combined General Fund Balance</b>		<b>(10,885)</b>		

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

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

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

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

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

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

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

## **Note 3 - Accounting Policies**

### **Going Concern Basis**

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

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

### **Qualitative Characteristics**

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

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

### **Accruals of Income and Expenditure**

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

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

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

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

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

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

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

## **Cash and Cash Equivalents**

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

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

## **Exceptional Items/Material Items of Income and Expenditure**

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

## **Events After the Reporting Period**

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

Three types of event can be identified:

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

## **Financial Instruments**

### Financial assets

Financial assets are classified into two types:

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

### Loans and Receivables

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



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

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

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

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

### **Government Grants & Contributions**

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

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

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

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

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

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

2. The grants or contributions will be paid.

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

### **Overheads and Support Services**

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

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

### **Provisions, Contingent Liabilities and Contingent Assets**

#### **Provisions**

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

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

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

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

#### **Reserves**

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

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

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

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

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

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

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

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

## **Intangible Assets**

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

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

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

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

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

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

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

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

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

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

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

## **Employee Benefits**

### **Benefits Payable During Employment**

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

### **Termination Benefits**

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

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

### **Post-Employment Benefits**

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

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

## **Note 4 - Accounting Standards Issued, Not Adopted**

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

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

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

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

## **Note 5 - Critical Judgements in Applying Accounting Policies**

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

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

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

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

### **Pension Liability**

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

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

## **Note 7 - Material Items of Income and Expense**

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

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

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

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

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

## **Note 8 - Events After the Balance Sheet Date**

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

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

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

### **General Fund Balance**

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

### **Capital Grants Unapplied**

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

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

<b>2018/2019</b>	<b>General Fund Balance</b>	<b>Capital Receipts Reserve</b>	<b>Capital Grants Unapplied</b>	<b>Movement in Unusable Reserves</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
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)
<b>Total Adjustments</b>	<b>4,605</b>	<b>0</b>	<b>(2,106)</b>	<b>(2,499)</b>

## 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
<b>General Fund Reserves:</b>							
Integrated and Smart Ticketing Revenue Funding Reserve	0	(1,944)	0	(1,944)	(3,651)	1,667	(3,928)
Earmarked Devolved Powers Reserve	0	0	0	0	(500)	0	(500)
<b>Total General Fund</b>	<b>0</b>	<b>(1,944)</b>	<b>0</b>	<b>(1,944)</b>	<b>(4,151)</b>	<b>1,667</b>	<b>(4,428)</b>

## Note 11 - Financing and Investment Income and Expenditure

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

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)
<b>(20)</b>	<b>Total</b>	<b>0</b>

## Note 12 - Taxation and Non-Specific Grant Income

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

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

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



## Note 13 - Expenditure and Income Analysed by Nature

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

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
<b>(12,126) (Surplus) or Deficit for Year</b>	<b>1,502</b>

## 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)
<b>0</b>	<b>547</b>	<b>547</b>	<b>5,223</b>	<b>601</b>	<b>5,824</b>
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)
<b>5,223</b>	<b>601</b>	<b>5,824</b>	<b>2,112</b>	<b>1,417</b>	<b>3,529</b>
Comprising:					
5,223	902	6,125	2,112	2,072	4,184
0	(301)	(301)		(655)	(655)
<b>5,223</b>	<b>601</b>	<b>5,824</b>	<b>2,112</b>	<b>1,417</b>	<b>3,529</b>

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

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

## 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	
<b>178</b>	<b>Total Debtors</b>	<b>599</b>	

## Note 16 – Cash & Cash Equivalents

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

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

## 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)
<b>Train Operating Companies:</b>		
Arriva Rail North	(244)	(701)
Transpennine Express	(351)	(613)
Merseytravel	(51)	(114)
<b>TfN Partners:</b>		
Liverpool City Region	(1)	0
Nexus	(98)	0
Transport for Greater Manchester	(134)	(447)
Network Rail	(1,613)	(3,643)
<b>Trade Suppliers</b>	(1,434)	(2,365)
<b>Total Creditors</b>	<b>(4,087)</b>	<b>(8,046)</b>

## 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)
<b>(77)</b>	<b>Closing Balance</b>	<b>(126)</b>

## 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:

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

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

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

## 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
<b>(2,057)</b>	<b>Total</b>	<b>2,714</b>

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

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
<b>3,631</b>	<b>Balance 31 March</b>	<b>6,080</b>

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	<b>Balance 1 April</b>	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
<b>136</b>	<b>Balance 31 March</b>	<b>163</b>

## 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
<b>(72)</b>	<b>Total</b>	<b>(106)</b>

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

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
<b>7,328</b>	<b>Total</b>	<b>940</b>

## 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	(940)
<b>(2,295)</b>	<b>Net cash flows from investing activities</b>	<b>1,705</b>



## 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:

<b>Role</b>	<b>Salaries £</b>	<b>Employer Pension Contribution £</b>	<b>Taxable Allowances £</b>	<b>Professional Memberships £</b>	<b>Severance Payments £</b>
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:

	<b>2018/19</b>	<b>2019/20</b>
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.

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

## 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)
<b>(23,470) Total</b>	<b>(10,940)</b>

### 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)
<b>(20,532) Total</b>	<b>(37,984)</b>

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)
<b>(893) Total</b>	<b>(10)</b>

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.

<b>Capital Expenditure and Capital Financing</b>		
<b>31 March 2019</b>		<b>31 March 2020</b>
<b>£000</b>		<b>£000</b>
0	Opening Capital Financing Requirement	0
	Capital Investment:	
5,577	Intangible Assets	2,382
2,974	Revenue Expenditure Funded from Capital Under Statute	2,274
<b>8,551</b>	<b>Total Capital Spending</b>	<b>333</b>
	<b>Sources of Finance:</b>	
(8,197)	Government Grants and other contributions	(4,549)
	Sums set aside from revenue:	
(355)	- Direct revenue contributions	(107)
<b>(8,551)</b>	<b>Total Sources of Finance</b>	<b>(333)</b>
<b>0</b>	<b>Closing Capital Financing Requirement</b>	<b>0</b>

## Note 29 - Defined Benefit Pension Scheme

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

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

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

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

#### General Fund Transactions

2018/19	2019/20
LGPS £000	LGPS £000
<b>Comprehensive Income and Expenditure Statement</b>	
<b>Cost of Services</b>	
Service cost comprising:	
1,043 Current service cost	2,070
2,223 Past service cost	177
52 Net interest expense	106
<b>3,318 Total charged to Surplus and Deficit on Provision of Services</b>	<b>2,353</b>
<b>Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement</b>	
<b>£000</b>	<b>£000</b>
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)
<b>989 Total charged to Other Comprehensive Income and Expenditure Statement</b>	<b>1,009</b>
<b>2,084 Total charged to the Comprehensive Income and Expenditure Statement</b>	<b>3,362</b>

2018/19

2019/20

<b>LGPS</b>		<b>LGPS</b>
<b>Movement in Reserves Statement</b>		
<b>£000</b>		<b>£000</b>
(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
<b>2018/19</b>	<b>Pensions Assets and Liabilities Recognised in the Balance Sheet</b>	<b>2019/20</b>
<b>LGPS</b>		<b>LGPS</b>
<b>£000</b>		<b>£000</b>
(8,061)	Present value of the defined obligation	(12,904)
4,430	Fair value of plan assets	6,824
<b>(3,631)</b>	<b>Net (liability) / asset arising from the defined benefit obligation</b>	<b>(6,080)</b>

<b>2018/19</b>	<b>Movement in the Value of Scheme Assets</b>	<b>2019/20</b>
<b>LGPS</b>		<b>LGPS</b>
<b>£000</b>		<b>£000</b>
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
<b>4,430</b>	<b>Closing value of scheme assets</b>	<b>6,824</b>

<b>2018/19</b>	<b>Movements in the Fair Value of Scheme Liabilities</b>	<b>2019/20</b>
<b>LGPS</b>		<b>LGPS</b>
<b>£000</b>		<b>£000</b>
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
<b>(8,061)</b>	<b>Balance as at 31 March</b>	<b>(12,904)</b>

**LGPS - Pension Scheme - Assets comprised of:**

**Fair value of scheme assets**

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

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



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

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

## Assumptions

### Financial

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

### Mortality

Average future life expectancies at age 65 are summarised below:

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

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

### Historic mortality

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

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

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

### Commutation

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

## Sensitivity analysis

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

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

## Note 30 - Leases

### *Lessee Operating Leases*

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

<b>March 2019</b>		<b>March 2020</b>
<b>£000</b>		<b>£000</b>
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	<b>Total</b>	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 1<sup>st</sup> April 2018, holding its inaugural meeting on 5th April 2018. This is therefore its second Annual Governance Statement and the organisation's Constitution, policies, procedures and systems continued to be developed during 2019/20. As a Sub-National Transport Body, Transport for the North's core functions are to prepare a transport strategy for the area and to provide advice to the Secretary of State regarding the exercise of transport functions in the area. Transport for the North is funded in these activities by the Department of Transport.

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

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

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

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

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

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

## **Scope of Responsibility**

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

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

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

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

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

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

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

### **The Corporate Governance Framework**

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

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

<b>A Behaving with Integrity, demonstrating strong commitment to ethical values and respect for the rule of law</b>	
<b>Core Principle</b> <b>Promoting values for Transport for the North and demonstrating the value of good governance through upholding high standards of conduct and behaviour.</b>	
<i>How we met the principle</i>	<i>Evidence</i>
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 they have been offered, whether or not it has been accepted. An annual reminder is issued to all Employees.	Code of Practice on Gifts and Hospitality Register of Gifts and Hospitality

<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>B Ensuring openness and comprehensive stakeholder Engagement</b>	
<b>Core Principle</b> <b>Engaging with local people and stakeholders to ensure robust public accountability</b>	
<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 information openly on its website wherever possible and practicable to do so.</p>	<p>Transportforthenorth.com website</p> <p>Board and Committee Agenda and Minutes</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 programmes where officers from the different Local Authorities across the region have an opportunity to</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>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.**

#### How we met the principle

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.

During 2019/20 a review of the Independent Economic Review has been undertaken.

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.

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.

#### Evidence

Northern Powerhouse Independent Economic Review

STP Evidence base  
Integrated Sustainability Appraisal



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

### Core Principle

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

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

<p>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>
<b>E Developing the organisation's capacity, including the capacity of its leaders and the individuals within it</b>	
<b>Core Principle</b> <b>Developing the capacity and capability of members and officers to be effective</b>	
<i>How we met the principle</i>	<i>Evidence</i>
<p>Transport for the North has adopted officer development programmes, including a thorough initial Corporate induction programme for all new officers and line managers.</p> <p>All new employees to Transport for the North are subject to a formal six-month probationary process where performance is assessed alongside the provision of initial learning and development support and guidance.</p> <p>Annual staff appraisals and half-yearly reviews enable the management team to review both capacity and capability</p>	<p>Corporate Induction Guidance</p> <p>Probationary Policy</p> <p>Transport for the North Appraisal Guide</p>

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.

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.

Where appropriate the organisation funds specialist training courses for officers and supports continuous professional development. Senior managers have undertaken leadership training.

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.

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.

Transport for the North has invested in an e-learning and development tool "Learn" and all officers are encouraged to take advantage of this.

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.

## Mental-Health First Aiders Protocol

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

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*Evidence*

Risk Management Strategy (RMS)

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

## Constitution Governance Framework

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

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

<p>Transport for the North operates under Memorandum of Understanding with the Secretary of State for Transport and Officers of Transport for the North meet with representatives of DfT at regular Sponsorship Meetings where all funding decisions are discussed.</p> <p>During 2019/20 Transport for the North has introduced new monthly monitoring reports bringing together performance and financial information to provide greater transparency in relation to ongoing operations.</p> <p>The Rail North Partnership Team reports regularly to the Rail North Partnership Board made up of officers of the Constituent Authorities and the DfT where decisions in relation to the management of the performance of the franchised railways are made.</p> <p>Transport for the North has adopted robust procedures for identifying, analysing and managing risk. The risks are presented for discussion to Transport for the North's Operating Board, Audit and Governance Committee, DfT, and Transport for the North's Board.</p> <p>Transport for the North has an Audit and Governance Committee which is responsible for independently monitoring and assessing the adequacy and effectiveness of the risk management framework.</p> <p>The Audit and Governance Committee receives a risk report at every meeting and the Committee selects key risks which it wishes to explore in greater detail.</p> <p>The Audit and Governance Committee includes three Independent Members appointed after a public recruitment exercise to provide an independent focus and additional expertise to support the Committee in its role.</p> <p>The Finance Director is responsible for the internal audit function. This has been contracted out to RSM which operates within an Annual Audit Plan that is approved by the Audit &amp; Governance Committee. RSM attends each committee meeting and reports on progress against the Audit Plan.</p> <p>Transport for the North has appointed Mazars as its external Auditors. The firm is updated throughout the year through the reports of the Audit and Governance Committee and are invited to attend every meeting of the Committee and so have an in-depth insight into the workings of Transport for the North.</p> <p>In line with best practice, Transport for the North publishes financial transparency reports each quarter detailing all individual items of expenditure greater than £500 and all procurement card spend.</p> <p>Organisational organograms and salary information is also made available for public consumption on the external website.</p>	<p>Memorandum of Understanding with the Secretary of State</p> <p>Monthly Operating Report</p> <p>Rail North Partnership Board</p> <p>Programme and Corporate Risk Reports Constitution Corporate Governance Framework</p> <p>Constitution</p> <p>Reports to Audit and Governance Committee and Transport for the North Board</p> <p>Annual Audit Plan</p> <p>Transparency Reports</p>
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### 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>	August 2020

### Governance Challenges for 2020/21 and beyond:

<b>Subject</b>	<b>Action</b>	<b>Responsible Officer</b>	<b>Target Completion Date</b>
Review of the Constitution	To review the Constitution to bring in changes flowing from the Blake-Jones Review and the wider Members' review of the role of Transport for the North	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 misstated, 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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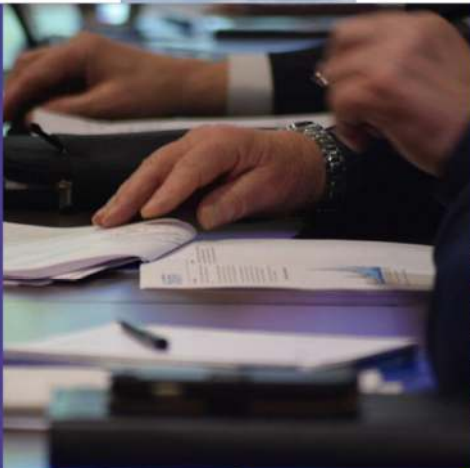
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# **Transport for the North Audit & Governance Committee – Item 8**

**Subject:** Internal Audit Update  
**Author:** James Lyon  
**Sponsor:** Iain Craven  
**Meeting Date:** Thursday 24 September 2020

## **1. Purpose of the Report:**

- 1.1 To enable RSM, as TfN's Internal Auditor, to report upon the progress of the annual audits of TfN's systems and governance.

## **2. Executive Summary:**

- 2.1 The Internal Audit Reports produced by RSM are attached as Items 8.1, 8.2 and 8.3
- 2.2 RSM may provide a further verbal update of the Internal Audits during the Audit & Governance Committee.

## **3. Recommendation:**

- 3.1 That the Committee notes the Internal Audit Update.

## **4. Appendices:**

- 4.1 Item 8.1 – Internal Audit Progress Report  
Item 8.2 – Contract Management Audit  
Item 8.3 – Follow Up Audit.

### List of Background Documents:

There are no background documents.

### Required Considerations

#### Equalities:

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

Consideration	Comment	Responsible Officer	Director
Equalities	A full Impact assessment has not been carried out because it is not required for this report	Julie Openshaw	Dawn Madin

#### Environment and Sustainability

	No
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Consideration	Comment	Responsible Officer	Director
Sustainability / Environment	A full impact assessment has not been carried out because it is not required for this report.	Julie Openshaw	Dawn Madin

#### Legal

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

### Finance

Yes	
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Consideration	Comment	Responsible Officer	Director
Finance	There financial implications are detailed in the report.		Iain Craven

### Resource

	No
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Consideration	Comment	Responsible Officer	Director
Resource	There are no resource implications as a result of the report.	Julie Openshaw	Dawn Madin

### Risk

	No
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Consideration	Comment	Responsible Officer	Director
Risk	There are no risks associated with the content of this report.	Julie Openshaw	Dawn Madin

### Consultation

	No
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<b>Consideration</b>	<b>Comment</b>	<b>Responsible Officer</b>	<b>Director</b>
Consultation	A consultation has not been carried out because it is not necessary for this report.	Julie Openshaw	Dawn Madin



# TRANSPORT FOR THE NORTH

## Internal Audit Progress Report

**24 September 2020**

This report is solely for the use of the persons to whom it is addressed.  
To the fullest extent permitted by law, RSM Risk Assurance Services LLP  
will accept no responsibility or liability in respect of this report to any other party.



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# 1 Key messages

The internal audit plan for 2020/21 was approved by the Audit and Governance Committee at the February 2020 meeting. As the developments around Covid-19 will continue to impact on all areas of the organisation's risk profile, we will work closely with management to deliver an internal audit programme which remains flexible and 'agile' to ensure it meets your needs in the current circumstances.

This report provides an update on progress against that plan and summarises the results of our work to date.



Two audit assignments have been completed since the last Audit and Governance Committee meeting. These relate to the Contract Management (2.20/21) review which concluded that 'reasonable assurance' could be taken (two 'medium' and two 'low' priority management actions agreed) and the Follow Up (3.20/21) review which resulted in a 'good progress' opinion (14 of 18 management actions confirmed as implemented / superseded). A summary of the outcomes of these audits is provided in section 2. [\[To discuss and note\]](#)



Fieldwork dates have been agreed for the remaining internal audit reviews for 2020/21. The Cyber Security and Human Resources Recruitment and Selection reviews are currently in progress in line with agreed dates. A full schedule for these reviews is provided at Appendix B. [\[To note\]](#)




Four changes to the internal audit plan 2020/21 have been made since the last Audit and Governance Committee at the request of TfN management. These relate to the re-scheduling of the Follow Up, New Payment Process and Cyber Security reviews throughout the year and the deferral of the Flexi-time review to 2021/22, which has been replaced by the Income Management audit. Further details of changes made to the internal audit plan are provided in Appendix B. [\[To discuss and note\]](#)

## 2 Reports

### 2.1 Summary of final reports being presented to this committee

This section summarises the reports that have been finalised since the last meeting.

Assignment	Opinion issued	Actions agreed			
		A	L	M	H
<b>Contract Management (2.20/21)</b> <p>Through the work performed, we confirmed that TfN has an established framework in place in relation to contract management, which includes a requirement for contract managers to carry out regular performance reviews. The framework is supported by a range of guidance and training material accessible to contract managers through TfN's SharePoint site. Whilst our sample testing confirmed that contracts are being authorised in accordance with the Scheme of Delegation and approval limits, we identified areas of non-compliance with TfN procedures in relation to contract monitoring, the recording of training completion and contract post-evaluation.</p>	Reasonable Assurance 	0	2	2	0
<b>Follow Up (3.20/21)</b> <p>In our opinion management has demonstrated <b>good progress</b> in implementing agreed management actions.</p> <p>Of the 18 management actions reviewed we confirmed 14 (78%) actions as being fully implemented / superseded at the time of the audit. The remaining four actions (22%) were confirmed as ongoing and management actions have been restated with revised target implementation dates or updated management actions have been made. These actions comprise of two 'medium' priority, one 'low' priority and one advisory.</p> <p>For the two 'medium' management actions we confirmed that progress has been made to strengthen the control framework and management were in the early stages process of implementing the updated framework. We will test whether the updated framework has been fully embedded during our next Follow Up review in 2021/22.</p>	Good progress	1	1	2	0





## 2.2 Themes arising from control observations

	Advisory	Low	Medium	High
Policies and / or procedures	0	0	0	0
Non-compliance with policies / procedures	0	0	2	0
Design of the control framework	0	0	0	0
Management or performance information	0	2	0	0
Poor record keeping	0	1	0	0
Board Assurance Framework	0	0	0	0
Training	0	0	0	0
Governance	0	0	0	0
Information Governance	0	0	0	0
Follow Up of management actions raised in previous audits	1	1	2	0
<b>Total</b>	<b>1</b>	<b>4</b>	<b>4</b>	<b>0</b>

We have not identified any themes that indicate areas of concern through the work completed to date.

## Appendix A – Progress against the internal audit plan 2020/21

Assignment and Executive Lead	Status / Opinion issued	Actions agreed				Target Audit and Governance Committee (as per IA plan 2020/21 / change control)	Actual Audit and Governance Committee
		A	L	M	H		
<b>Risk Management - Risk Register Deep Dive (1.20/21)</b> (Executive Director of Finance and Operations)		0	1	0	0	June 2020	June 2020
<b>Contract Management (2.20/21)</b> (Executive Director of Finance and Operations)		0	2	2	0	September 2020	September 2020
<b>Follow up (3.20/21)</b> (Executive Director of Finance and Operations)	Good progress	1	1	2	0	March 2021 / September 2020 Please refer to Appendix B below.	September 2020
<b>IT Audit – Cyber Security</b> (Executive Director of Finance and Operations)	Fieldwork currently in progress. (originally planned for quarter three / four). Please refer to Appendix B below.			-		March 2021 / December 2020	-
<b>Human Resources – Recruitment and Selection</b> (Executive Director of Finance and Operations)	Fieldwork currently in progress.			-		December 2020	-



Assignment and Executive Lead	Status / Opinion issued	Actions agreed				Target Audit and Governance Committee (as per IA plan 2020/21 / <i>change control</i> )	Actual Audit and Governance Committee
		A	L	M	H		
<b>New Payment Process</b> (Executive Director of Finance and Operations)	Due to commence 12 October ( <i>originally planned for July 2020</i> ). Please refer to Appendix B below.			-		September 2020 / <i>December 2020</i>	-
<b>Income Management</b> (Executive Director of Finance and Operations)	Due to commence in quarter three / four  Please refer to Appendix B below.			-		September 2020 / <i>TBC</i>	
<b>Risk and Governance - Assurance Framework)</b> (Executive Director of Finance and Operations)	Due to commence 11 January 2021			-		March 2021	-

## Appendix B – Other matters

### Changes to the audit plan

There have been four change to the audit plan since the last Audit and Governance Committee meeting:

Note	Auditable area	Reason for change
1	Flexi-time	This audit has been deferred until 2021/22 at the request of the HR Manager due to plans to replace the current system during 2020/21. This has been replaced by the Income Management audit scheduled for quarter three / four in 2020/21.
2	New Payment Process	This audit was deferred from July 2020 to October 2020 at the request of the Finance Director due to the new payment system going live in July 2020. The revised timeframe will enable testing to be carried out on three months of data following the system 'go live' date.
3	Follow Up	This audit was brought forward from January 2021 to July 2020 at the request of the Finance Director to ensure an even spread of audits across the year following the deferral of the New Payment Process audit (see above).
4	Cyber Security	This review was brought forward from quarter three / four to September 2020 at the request of TfN management.

### On-going liaison and other matters

RSM's Alex Hire and Andrew Mawdsley held a call with Iain Craven on 7 August to discuss progress against the internal audit plan 2020/21 and ongoing developments at TfN.

## Updates, briefings and invites

The following updates, briefings and invites have been issued since the last Audit and Governance Committee meeting:

- Employment Matters (June and July 2020) – this is summarised below and we have incorporated a link to the full newsletter for further reading;
- How organisations can better manage their contingency risks (June 2020 – issued separately);
- Coronavirus Job Retention Scheme and flexi furloughing. Have you got it right? (July 2020 – issued separately);
- We invited management at TfN to our:
  - 'New CJRS workforce resilience, with the people challenges of reactivation' webinar that took place 3 June 2020;
  - 'Adapting to change: technology & Innovation' webinar that took place 17 June 2020;
  - 'The impact of coronavirus on the lending market' webinar that took place 15 July 2020;
  - 'Employment Matters and CJRS update' webinar that took place 22 July 2020;
  - 'VAT Update' webinar that took place 28 July 2020; and
  - 'IR35/Off-payroll working webinar with speaker from HMRC' webinar that took place 17 September.

**Employment Matters – June 2020** - <https://www.rsmuk.com/ideas-and-insights/employment-matters>


### 10 Changes to the coronavirus job retention scheme from 1 July 2020

Back in May, the Chancellor announced that the Coronavirus Job Retention Scheme would be extended until 31 October 2020 but, from 1 July, employers will be able to bring their employees and workers back on a part time basis whilst still being able to make a furlough claim.

The Chancellor also announced that, from 1 August 2020, employers will have to contribute to the costs of their furloughed employees.

#### What are the changes?

1. Only employees who have previously been furloughed for at least three consecutive weeks at any time between 1 March and 30 June 2020 can be included in a grant claim from 1 July onwards. This means employees must have been furloughed by at least 10 June to be eligible for the grant claim from 1 July. However, employees returning to work from statutory leave (such as maternity leave) after 10 June may be furloughed if certain criteria are met.
2. Where a previously furloughed employee started a new furlough period before 1 July this furlough period had to be for a minimum of three consecutive weeks. This is the case regardless of whether the three consecutive week minimum period ends before or after 1 July. For example, a previously furloughed employee can start a new furlough period on 22 June, which would have to continue for at least three consecutive weeks ending on or after 12 July. After this the employee can then be flexibly furloughed for any period. However, after 1 July, employers cannot make claims that cross calendar months, so the employer will need to make a separate claim for the period up to 30 June.
3. Friday 31 July is the last day that employers can submit claims for periods ending on or before 30 June.
4. From 1 July, employers cannot make a claim for any more employees than they claimed for in any claim made between 1 March and 30 June 2020.



For example, where an employer who had previously submitted three claims between 1 March 2020 and 30 June, in which the total number employees furloughed in each respective claim was 30, 20 and 50 employees, the maximum number of employees that employer could furlough (and claim for) in any single claim starting on or after 1 July would be 50.

Employees returning to work from statutory leave after 10 June, who may be furloughed if certain criteria are met, are additional to this cap.

5. Employees can be brought back to work for any amount of time and any work pattern, and the employer can still make a claim in respect of the proportion of the employee's usual hours that they are not working. This is called flexible furloughing.
6. Employers can still fully furlough employees for all of their usual working hours.
7. If an employer flexibly furloughs employees, they will need to agree this with the employee (or reach collective agreement with a recognised trade union) and keep the new written agreement that confirms the new furlough arrangement. The agreement can last any amount of time and can be changed from time to time (with the employee's agreement).
8. During hours which the employer records its employee as being on furlough, it cannot ask its employee to do any work for it that:
  - makes money for the employer organisation or any organisation linked or associated with it; or
  - provides services for the employer organisation or any organisation linked or associated with it.Until the new Treasury Direction is published, employers should interpret this to mean that the employee must not do any work.
9. If an employee is flexibly furloughed, the employer will need to work out the employee's usual hours and record the actual hours they work as well as their furloughed hours for each claim period.

There are two different calculations an employer can use to work out an employee's usual hours, depending on whether they work fixed or variable hours.

10. Employers must keep records of how many hours their employees are actually working and the number of hours they are furloughed (i.e. not working).


#### Coronavirus Job Retention Scheme audits: five things employers should check now

Any employer who has used the [Coronavirus Job Retention Scheme](#) (CJRS) will be familiar with the claim process by now. However, it is not yet clear how HMRC intends to audit these claims to ensure they are reasonable and legitimate.

What we do know is that the Government is introducing penalty legislation as part of the Finance Bill. This will include a 30-day period to notify them of any mistakes regarding a claim, and failure to comply could result in a 100 per cent tax charge.

The CJRS guidance is being updated continually and it is important that employers continue to ensure they have followed the guidelines from the beginning. Here are the top things to consider and check.

1. Have the furlough calculations been done accurately for each employee?
2. Have you kept good records? When calculating your claims, did you keep clear notes and information showing how you arrived at those figures?

- 
3. Were employees correctly furloughed?
  4. Was the admin process strong enough?
  5. Whilst on furlough, employees can only do certain activities. Have you checked these rules have been adhered to?

Employers must keep CJRS records for six years and furlough agreements for five years. There are many more specific areas and examples of what to review ahead of any potential review by HMRC. And HMRC might not be the only interested party, as your auditors may also decide that your use of CJRS needs to be reviewed as part of their audit work.

#### Why gender pay gap should still be a priority despite the reporting suspension

The Government suspended the [gender pay gap](#) reporting deadline for April 2020 due to the [coronavirus](#) pandemic, giving employers more time to report their gender pay gap whilst managing the effects of the global pandemic on their businesses.

With this suspension still in place, many companies will have deferred preparing their reporting of the 5 April 2019 snapshot date gender pay gap figures. The other consideration is reporting for next year now that the usual snapshot date has been and gone. Whilst some organisations will be busy preparing as usual to report in April 2021, many others may decide not to focus on this right now due to the lack of information about what is required of them now. Although the government has now said employers should get on and work on their figures which needed reporting earlier this year.

#### Coronavirus and employee travel expenses: tax and NIC considerations


As the lockdown is eased and employees start to return to their offices and workplaces, employers may look at meeting employees' travel expenses. This might be because the employer is taking precautionary measures to keep their employees safe while cases of coronavirus persist.

For example, an employer might ask employees to avoid public transport while travelling to and from work and provide and/or meet the cost of taxis to take them between their homes and workplaces.

### Employment Matters – July 2020

#### How do you combat inequality in the workplace?

Hot on the heels of the [Gender Pay Gap](#) requirements is the plan to introduce Ethnicity Pay Reporting. This new reporting is being considered by Government following recommendations made by Baroness McGregor-Smith's '[Race in the workplace](#)' review. We don't yet know the specifics for this proposed legislation, but it is likely to become a requirement in the next couple of years. Starting this process early could identify any potential pay anomalies and give organisations the chance to improve their ethnicity pay gap before mandatory reporting begins.



In our strive for nurturing equality, it is important to understand the gap between where we are now and where we need to be. So how do you start those important conversations in the workplace? Here are some pointers to guide you in the right direction.

- Give a voice;
- Have self-awareness;
- Be a role model; and
- Train to gain.

### How outsourcing your payroll can benefit your business

Payroll forms just one of many key responsibilities and focuses that employers must maintain. All businesses who employ staff know that payroll is a must, but thoughts on how to go about paying those staff can vary greatly. Some feel that an in-house team can manage the complexities, while others look for external support to complete the process. It's sometimes easy for the importance of payroll to be lost amongst many other extremely critical tasks. However, during the current climate we find ourselves living and working in, now may be a great time for a review on how that payroll is managed.

Whilst for some businesses an in-house solution is the most suitable option for them, there does seem to be a new trend that's developed since the pandemic. More and more employers have found areas where they have risk and have begun to look at the switch to outsourcing the payroll function. Here are some key areas where outsourcing your payroll can be beneficial.

- Responsibility;
- Cost;
- Disaster Recovery;
- Support; and
- Automation.

### Reactivating the workforce and returning to work – the legal considerations

Since 23 March, the Government's advice to employers was simple - employees should work from home, if possible, to help curb the spread of the coronavirus.

The instruction from the Government changed when the Prime Minister announced from 1 August employees should go back to work if they can. But confusion reigned when, in the same week, the UK's Chief Scientific Adviser publicly stated that working from home is still a perfectly good option.

Employers will be given more discretion about whether their employees should return to work or not. That discretion can be unhelpful though, as it creates uncertainty over what is the right thing to do. It can also lead to an unfair playing field because unscrupulous employers may use that discretion to achieve a competitive advantage over those who hold a higher standard of duty of care towards their employees.

So, what is the right thing to do? How can employers ensure it is safe for employees to return to the workplace? How do they deal with a workforce that is anxious about returning? And what about those that have experienced the benefits of remote working?





## **Coronavirus secure working environments**

Risk assessments should be shared with employees, explaining the measures you are taking to mitigate the risks. Initiatives undertaken by some of our clients to get employees comfortable about returning to the workplace include virtual tours of the office and training on the processes in place when they do return.

## **Revisit your contracts of employment**

If workers will work more remotely on a permanent basis, does the place of work and hours of work need updating to reflect the agreed position in case there is a dispute later on? There will be [tax consequences](#) which you should consider before making your decision.

Will your employees be handling sensitive commercial data or personal data belonging to your employees or customers? Will they be receiving hard copy documents as well as soft copy ones? If so, you need to protect your organisation by ensuring the contracts have the necessary obligations of confidentiality and the right to request the return of company property at any time.

## **Have you carried out home working Health & Safety risk assessments?**

To ensure your employees have a safe working environment at home - for example, have they set their desk, chair and IT equipment up correctly and has all the electrical equipment they are using from home satisfied the necessary safety tests?

## **Monitoring rest breaks**

How are you ensuring and monitoring whether employees are taking the necessary rest breaks from work whilst they are at home? Recent case law has confirmed that employers must be able to prove that their employees are not working in excess of the legal limits and are taking the legally required rest breaks from work.

## **Information Security**

Is your information security still fit for purpose? If those working from home regularly handle employee or customer personal data, data privacy impact assessments need to be undertaken to ensure that steps are taken to protect the privacy of that data. The more people you have working from home, the more susceptible you are to cyber security threats via their home networks.

## **Re-uniting a furloughed and unfurloughed workforce**


One of the challenges facing many employers will be returning furloughed employees and reintegrating them with non-furloughed employees. Employers can consider treating returning furloughed employees like maternity / sick leave returners and gradually re-integrating them back into the workplace. That may be born out of necessity given levels of demand as the economy gradually reopens.

## **Future reward and incentive strategy**

Whilst reward and incentives may not currently be at the top of the agenda as employers navigate through this crisis, it's worth thinking about how that might change as we adapt to the new normal.

## **Global mobility at a crossroads: what is the future for business travel?**

Lockdown has given many mobile employees time to consider their 'ordinary' working patterns. Whether they were hot desking from a number of UK offices or living out of a suitcase and spending hours at airports, many have questioned whether it has all been necessary.



Some have found it easy to maintain productivity, retain and even build client relationships without leaving their own home. But others long for a return to familiar working patterns and miss the day-to-day, face-to-face interaction with colleagues and clients.

Before we consider what long-term impact the pandemic will have on global mobility, we should examine the reasons for such significant growth in cross-border business travel in recent decades.

- The growth of business travel: how we got to where we were;
- What does business travel look like in post-pandemic 2020?;
- Greater employee demand for overseas postings on the horizon?;
- Business travel in the long term: where do we go from here?; and
- Policies and planning will be crucial to getting business travel right.

#### Optional Remuneration Arrangements from 6 April 2021

The OpRA rules have been in place since 6 April 2017 and were the subject of [our newsletter article](#) in November 2017.

These rules were introduced to address the tax and/or NIC advantages enjoyed where benefits are provided through arrangements where the employee gives up the right to an amount of earnings in return for a benefit, typically when under a salary sacrifice arrangement.

For those employers and employees that entered into such arrangements before 6 April 2017 for school fees, certain company cars, and living accommodation benefits, the tax and NIC position could change significantly from 6 April 2021. Click [here](#) for examples and FAQs.

#### CBILS or not CBILS? Practical thoughts on financing after lockdown

##### Introduction to the Coronavirus Business Interruption Loan Scheme (CBILS) family

The government-backed loan schemes are now a family of five, which grew over the first eight weeks of the crisis as the government reacted to comments on each iteration. The most relevant to the mid-market companies will be the Coronavirus Business Interruption Loan Scheme (CBILS), Coronavirus Large Business Interruption Loan Scheme (CLBILS) and Bounce Back Loans.

CBILS are loans of up to £5m for companies with turnover of up to £45m. Key features are no upfront fee and the government pays the first year's interest, but there is a full credit application process needed.

Bounce Back loans are up to £50k and are aimed at small businesses. They have a simplified online application process and cash is received rapidly thereafter, typically under a week. They have a fixed interest rate of 2.5 per cent over six years.

CLBILS are CBILS for larger businesses – up to £200m for companies with turnover of over £45m. Slightly less generous terms than the CBILS – there is no interest free year and some restrictions on dividends and directors' pay at the larger end.



## Post assignment surveys

We are committed to delivering an excellent client experience every time we work with you. Your feedback helps us to improve the quality of the service we deliver to you. Currently, following the completion of each product we deliver we attached a brief survey for the client lead to complete.

We would like to give you the opportunity to consider how frequently you receive these feedback requests; and whether the current format works. Options available are:

- After each review (current option).
- Monthly / quarterly / annual feedback request.
- Executive lead only, or executive lead and key team members.



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The matters raised in this report are only those which came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Actions for improvements should be assessed by you for their full impact. This report, or our work, should not be taken as a substitute for management's responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and our work should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any.

Our report is prepared solely for the confidential use of Transport for the North and solely for the purposes set out herein. This report should not therefore be regarded as suitable to be used or relied on by any other party wishing to acquire any rights from RSM Risk Assurance Services LLP for any purpose or in any context. Any third party which obtains access to this report or a copy and chooses to rely on it (or any part of it) will do so at its own risk. To the fullest extent permitted by law, RSM Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by any person's reliance on representations in this report.

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# TRANSPORT FOR THE NORTH

## Contract Management

Internal audit report 2.20/21

FINAL

9 September 2020

This report is solely for the use of the persons to whom it is addressed.  
To the fullest extent permitted by law, RSM Risk Assurance Services LLP  
will accept no responsibility or liability in respect of this report to any other party.

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# EXECUTIVE SUMMARY

With the use of secure portals for the transfer of information, and through electronic communication means, remote working has meant that we have been able to complete our audit and provide you with the assurances you require. It is these exceptional circumstances which mean that 100 per cent of our audit has been conducted remotely.

## Background

Contract management underpins a wide range of Transport for the North (TfN) activities including the delivery of strategic programmes and projects relating to, but not limited to, the following areas:

- Northern Powerhouse Rail (NPR);
- Integrated and Smart Travel (IST); and
- Major Road Network (MRN).

TfN expenditure on strategic programmes at May 2020, as per the monthly operating report presented to Audit and Governance Committee in July 2020, is as follows:

	Actuals £m	Budget £m	Var. £m	Var. %
Integrated and Smart Ticketing	£0.55	£0.73	£0.17	24%
Northern Powerhouse Rail	£3.03	£2.76	-£0.27	-10%
Major Roads	£0.03	£0.04	£0.00	8%
<b>Programmes</b>	<b>£3.62</b>	<b>£3.52</b>	<b>-£0.09</b>	<b>-3%</b>
Rail Operations	£0.18	£0.25	£0.08	31%
Operational Areas	£0.43	£0.45	£0.02	4%
	<b>£4.23</b>	<b>£4.23</b>	<b>£0.00</b>	<b>0%</b>

At the time of our review the TfN contract register contained 463 contracts relating to 204 different contractors, with a total value of £2,721,760.

Oversight of contract management activities sits with the TfN Procurement Manager. Contract managers assigned to each contract have responsibility for managing and monitoring the performance of individual contracts.

Our review has focused on the contract management activities that take place post agreement of contracts, to provide assurance on the appropriateness of the controls in place and whether controls are operating effectively to underpin TfN's contract activities.

## Conclusion

Through the work performed, we confirmed that TfN has an established framework in place in relation to contract management, which includes a requirement for contract managers to carry out regular performance reviews. The framework is supported by a range of guidance and training material accessible to contract managers through TfN's SharePoint site. Whilst our sample testing confirmed that contracts are being authorised in accordance with the Scheme of Delegation and approval limits, we identified areas of non-compliance with TfN procedures in relation to contract monitoring, the recording of training completion and contract post-evaluation.

The issues identified in the detailed findings and actions section have given rise to four actions, two of which are classified as 'low' priority and two as 'medium' priority.

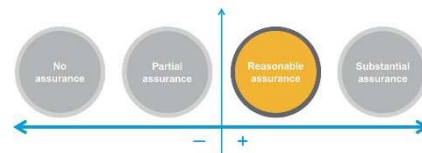
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### Internal audit opinion:

Taking account of the issues identified, the Board can take reasonable assurance that the controls upon which the organisation relies to manage this area are suitably designed, consistently applied.

However, we have identified issues that need to be addressed in order to ensure that the control framework is effective in managing this area.

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## Key findings



We confirmed that the TfN Financial Regulations and Scheme of Delegation are up to date and provide detailed requirement for managing contracts with external parties, including designated approval limited for the authorisation of contracts. These are supported by a range of contract management policies and procedural / guidance documents to provide a clear framework and process for contract managers to follow.



From our sample testing carried out on a sample of 10 contracts across a range of different projects, we confirmed that all contracts had been approved in accordance with the TfN Scheme of Delegation and approval limits.



TfN has processes in place for ensuring that funding allocations received from external grants are utilised through TfN's contracted activities to ensure that allocations meet the specific grant funding requirements. Our sample of grant funding programmes confirmed that the funding letters reviewed clearly stated what the funding is expected to achieve, and the letters had been discussed and approved through a TfN group / Committee in line with the Scheme of Delegation.



We confirmed that the TfN Board is informed of high-level contact activities through the monthly Procurement report, which has been a standing agenda item since April 2020.



We noted that that Procurement Policy was due for review in April 2020 and had yet to be updated. We were informed by the Procurement Manager that the delays in updating the Policy is due to changes with the TfN commissioning process which is currently under review in line with the implementation of the new Commissioning system that went live in July 2020. We recognise that this is something that management are planning to address; therefore, we have not raised a management action at this time.



We confirmed that contract management training is mandatory for all contract managers, however we noted that training completion levels are not currently recorded and monitored to ensure that all required staff have completed required training.



From our testing carried out on a sample of 10 contracts, we identified that contract performance meetings had not been documented and stored on the SharePoint site for all 10 contracts to demonstrate that effective performance review has taken place, as required by TfN contract management procedures. We also noted that the contract register did not contain contract start and end dates for all contracts.



Our review identified instances where the supplier review forms had not been completed post contract to record lessons learned arising from the contracts. It is noted that a supplier workshop provided to Contract Managers in February 2020 highlighted the requirement to capture lessons learned.



## DETAILED FINDINGS AND ACTIONS

This report has been prepared by exception. Therefore, we have included in this section, only those areas of weakness in control or examples of lapses in control identified from our testing and not the outcome of all internal audit testing undertaken.

Area: Training				
<b>Control</b>	All Contract Managers are required to undertake training in relation to the TfN contract management processes.	<b>Assessment:</b>		
		<b>Design</b>		✓
		<b>Compliance</b>		×
<b>Findings / Implications</b>	We confirmed that contract management training delivered through a PowerPoint presentation is mandatory for all Contract Managers. We noted that training completion levels are currently not documented. Therefore, management is unable to monitor completion levels and act where necessary to ensure all Contract Managers that have not completed the required training. We were informed that the Human Resources (HR) department has designed a standard spreadsheet to record all training completion levels across. We have raised a management action to ensure that this spreadsheet is utilised to enable regular monitoring of training completion levels.			
<b>Management Action 1</b>	Management will ensure that mandatory Contract Manager training attendance is monitored going forwards through utilisation the HR training spreadsheet.	<b>Responsible Officer</b>	<b>Date</b>	<b>Priority</b>
		Simon Mahomed, Procurement Manager	30 September 2020 – training scheduled quarterly.	Low
Area: Contract Monitoring				
<b>Control</b>	In line with TfN contract management training material and guidance, Contract Managers are required to create a Performance Management Framework (PMF) for each contract and undertake regular contract monitoring activities including monthly performance review meetings with the contractor. These meetings should be minuted and stored on the SharePoint site and include consideration of value for money.	<b>Assessment:</b>		
		<b>Design</b>		✓
		<b>Compliance</b>		×
<b>Findings / Implications</b>	We selected a sample of 10 contracts in place with external parties to assess whether appropriate monthly contract monitoring performance review meetings with the contractor had been carried out, minuted and stored on SharePoint. We identified that a PMF and contract review meeting minutes had not been documented for all 10 contracts. Hence, we were unable to confirm that TfN is carrying out contract performance review including consideration of value for money, throughout the contract monitoring process.			

<b>Management Action 2</b>	<p>(i) Programme Directors will ensure that at the start of a contract, a Performance Management Framework (PMF) is created for each contract, and the PMF is used during regular contract performance review meetings with suppliers. Minutes from contract performance reviews with suppliers will be saved in SharePoint.</p> <p>(ii) The Procurement Manager will provide oversight of the PMF process to monitor compliance and escalate non-compliance to a relevant Group/Committee, where necessary.</p>	<b>Responsible Officer</b>	<b>Date</b>	<b>Priority</b>
		<p>(i) Programme Directors</p> <p>(ii) Simon Mahomed, Procurement Manager</p>	30 September 2020	Medium

#### Area: Contract Register

<b>Control</b>	Contract documentation is recorded, stored and maintained via a tracking spreadsheet and reconciliations are performed to the contracts physically stored on site in the safe. Contract expiry dates are monitored via a live contract register / log.	<b>Assessment:</b>		
		<b>Design</b>		✓
		<b>Compliance</b>		×
<b>Findings / Implications</b>	We confirmed that contract documentation is recorded, stored and maintained via a tracking spreadsheet controlled by the Procurement Officer and Procurement Manager. We were informed that there is a batch test every three months to ensure details on the tracker reconcile with contracts held in the safe in the TfN Manchester office. Due to office closures at the time of our review we were unable to carry out testing to reconcile the tracker with physical contracts.			
	Contract expiry dates are monitored via a live contract log document. This is updated in real time and is monitored by a combination of using the tracker itself and pipeline activity reports to the Board. It is the responsibility of the department head to manage their contracts. Upon review of the contract log we identified that the contract start / end date were left blank for 155 of the 463 (33%). We were informed by management that the administration of this live document is work in progress.			
<b>Management Action 3</b>	Management will ensure the contract log is fully complete to ensure contract review dates can be identified and monitored. Going forward, the log will be reviewed during the batch test undertaken every three months to ensure start and end dates are recorded so that Contract Managers are aware of and can take necessary action in regard to upcoming end dates.	<b>Responsible Officer</b>	<b>Date</b>	<b>Priority</b>
		Simon Mahomed, Procurement Manager	31 August 2020	Low

## Area: Post Evaluation

Control	Lessons learned post contract are captured via a supply contract review form and supplier feedback form which are completed by the Contract Manager and supplier respectively. These are stored on SharePoint.	Assessment:		
		Design		✓
		Compliance		×
Findings / Implications	For a sample of 10 contracts reviewed we identified that a supplier review form had not been completed and attached to SharePoint in all 10 cases. Hence, we were unable to confirm whether any lessons learned from these contracts had been identified and taken into consideration when entering new contracts. In addition, we were informed that supplier review form forms are infrequently completed post-contract, We reviewed examples of supplier feedback forms (that had been completed at year-end) for two contracts. We confirmed that the form detailed TfN’s performance against a variety of criteria, including: <ul style="list-style-type: none"><li>• Procurement process;</li><li>• Staff members' professionalism;</li><li>• Paperwork process;</li><li>• Ability to provide efficient and effective communications at all levels;</li><li>• Business relationships; and</li><li>• Paying of invoices to agreed timeline.</li></ul> In addition to the above, there are fields available for the supplier to leave more specific feedback for TfN on areas for potential improvement. We were informed that due to the nature of this feedback process given that suppliers are often not re-contracted, it can be challenging for TfN to obtain feedback in these cases. We were provided with evidence of the most recent supplier workshop run by TfN from February 2020 that does aid the identification of lessons learned in a more informal manner. We were informed that these workshops have been infrequent as TfN suppliers have been cautious about meeting up and sharing their knowledge.			
Management Action 4	(i) Management will update the Performance Management Framework (PMF) to enable lessons learned arising from contract review meetings to be captured. (ii) Programme Directors will ensure that supplier contract review forms, where possible supported by a supplier feedback form, are completed post contract to summarise lessons learned identified throughout the contract. These forms should be completed by the Contract Manager and supplier respectively and stored on SharePoint in the relevant contract folder. (iii) The Procurement Manager will provide oversight of the supplier review process to monitor compliance and escalate non-compliance to a relevant Group/Committee, where necessary.	Responsible Officer (i) Simon Mahomed, Procurement Manager (ii) Programme Directors (iii) Simon Mahomed, Procurement Manager	Date 30 September 2020 – reviews to be undertaken quarterly.	Priority Medium

## APPENDIX A: CATEGORISATION OF FINDINGS

### Categorisation of internal audit findings

Priority	Definition
Low	There is scope for enhancing control or improving efficiency and quality.
Medium	Timely management attention is necessary. This is an internal control risk management issue that could lead to: Financial losses which could affect the effective function of a department, loss of controls or process being audited or possible reputational damage, negative publicity in local or regional media.
High	Immediate management attention is necessary. This is a serious internal control or risk management issue that may lead to: Substantial losses, violation of corporate strategies, policies or values, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

The following table highlights the number and categories of management actions made as a result of this audit.

Area	Control design not effective	Non-Compliance with controls	Agreed actions		
			Low	Medium	High
Policies and Procedures	0	1	1	0	0
Training	0	0	0	0	0
Contract Monitoring	0	1	0	1	0
Contract Register	0	1	1	0	0
Reporting	0	0	0	0	0
Post Evaluation	0	1	0	1	0
<b>Total</b>			<b>2</b>	<b>2</b>	<b>0</b>

## APPENDIX B: BENCHMARKING

### Benchmarking

We have included some comparative data to benchmark the number of management actions agreed, as shown in the table below. In the past year, we have undertaken a number of audits of a similar nature in the sector.

Level of assurance	Percentage of reviews	Results of the audit
Substantial assurance	37.5%	
Reasonable assurance	25%	✓
Partial assurance	37.5%	
No assurance	0%	

Management actions	Average number in similar audits	Number in this audit
	3.76	4

# APPENDIX C: SCOPE

The scope below is a copy of the original document issued.

## Scope of the review

The scope was planned to provide assurance on the controls and mitigations in place relating to the following risks:

### Objectives of the area under review

To ensure that there are appropriate controls in place that are operating effectively to underpin TFN's contract activities.

### When planning the audit the following areas for consideration and limitations were agreed:

- Financial Regulations, approval limits and Scheme of Delegation relating to contracts with external parties;
- Policies and documented procedural notes regarding contracts management;
- Guidance and training provided to project managers regarding the contract management process;
- The processes for ensuring that funding allocations are utilised through TfN's contracted activities and the framework for ensuring funding allocations meet grant requirements. We will select a sample programmes and assess whether the funding letters in place states what the funding is expected to achieve and whether funding letters have been discussed and approved through a TfN group / Committee;
- The framework for the review and authorisation of contracts. We will test a sample of contracts with external parties (this will include consideration of project delivery and IT related contracts) to identify whether appropriate individuals have reviewed and approved the contracts, and that their roles / responsibilities and accountabilities are consistent with the relevant approval limits;
- Contract monitoring arrangements. We will test a sample of contracts with external parties and assess whether contract monitoring activities (including performance review meetings with the contractor) have been carried out in accordance with TfN policies and guidance. This will include consideration of how value for money is assessed throughout the contract monitoring process;
- Contract post evaluation processes in place to identify lessons learned to ensure that issues experienced are addressed and do not arise in future contract arrangements;
- The processes in place for recording, storing and maintaining contract documentation. This will include consideration of how contract expiry dates are monitored; and

- Reporting to Committees / Board in regard to contract performance and delivery.

**Limitations to the scope of the audit assignment:**

- The audit will not consider any other areas other than those specifically stated within the areas for consideration above;
- Testing will be on a sample basis only;
- We will not provide assurance on the appropriateness of contracts entered into by TfN, only that processes have been correctly applied;
- Our work will not provide assurance that contracts will be completed to a satisfactory standard;
- We will not consider the detail of contracts in place as part of our review;
- We will not provide assurance that all issues with contracts have been addressed and resolved;
- We will not provide a legal opinion on the content of contracts;
- We will not consider the appropriateness of funding allocations or provide assurance that funding allocations meet funding conditions;
- Ordering, receipting and payments relating to contracts will not be reviewed as part of this audit;
- We will not consider the TfN procurement or tendering process as part of this audit (this was covered in our Procurement Framework 3.18/19 review);
- We will not provide assurance that objectives, performance indicators, outcomes or budgets will be met;
- The results of our work are reliant on the quality and completeness of the information provided to us; and
- Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

Due to the exceptional circumstances in place as a result of the COVID-19 our audit will be carried out remotely through the use of secure portals for the transfer of information, and through electronic communication means.

**Debrief held** 10 July 2020 & 7 August 2020  
**Additional** 29 July 2020  
**Information provided**  
**Draft report issued** 31 July 2020  
**Responses received** 7 August 2020  
**Revised draft report issued** 7 August 2020  
**Responses received** 9 September 2020  
**Final report issued** 9 September 2020

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 Simon Mahomed, Procurement Manager



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The matters raised in this report are only those which came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Actions for improvements should be assessed by you for their full impact. This report, or our work, should not be taken as a substitute for management's responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and our work should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any.

Our report is prepared solely for the confidential use of Transport for the North, and solely for the purposes set out herein. This report should not therefore be regarded as suitable to be used or relied on by any other party wishing to acquire any rights from RSM Risk Assurance Services LLP for any purpose or in any context. Any third party which obtains access to this report or a copy and chooses to rely on it (or any part of it) will do so at its own risk. To the fullest extent permitted by law, RSM Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by any person's reliance on representations in this report.

This report is released to you on the basis that it shall not be copied, referred to or disclosed, in whole or in part (save as otherwise permitted by agreed written terms), without our prior written consent.

We have no responsibility to update this report for events and circumstances occurring after the date of this report.

RSM Risk Assurance Services LLP is a limited liability partnership registered in England and Wales no. OC389499 at 6th floor, 25 Farringdon Street, London EC4A 4AB.



## TRANSPORT FOR THE NORTH

### Follow Up

Internal audit report 3.20/21

FINAL

10 September 2020

This report is solely for the use of the persons to whom it is addressed.

To the fullest extent permitted by law, RSM Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party.

# 1. EXECUTIVE SUMMARY

With the use of secure portals for the transfer of information, and through electronic communication means, remote working has meant that we have been able to complete our audit and provide you with the assurances you require. It is these exceptional circumstances which mean that 100 per cent of our audit has been conducted remotely.

## Background

We have undertaken a review to follow up on progress made to implement the previously agreed management actions from the following 2019/20 audits:

- Risk Management - Risk Register Deep Dive (1.19/20);
- Review of SharePoint (4.19/20);
- Absence Management and Wellbeing (5.19/20);
- Governance – Northern Powerhouse Rail Programme (6.19/20); and
- Follow Up (7.19/20).

Please note that no management actions were raised in the following reports; Framework for Corporate Governance - Strategic Development Corridors Programme (2.19/20) and Treasury Management Framework (3.19/20).

The 18 management actions considered during this review comprised of six 'medium' priority, seven 'low' priority and five 'advisory' actions (in respect of report reference 6.19/20). The focus of this review was to provide assurance that all actions previously agreed have been fully implemented.

## Conclusion

Taking account of the issues identified in the remainder of the report and in line with our definitions set out in Appendix A, in our opinion management has demonstrated **good progress** in implementing agreed management actions. Of the 18 management actions reviewed we have confirmed that:

- 14/18 (78%) management actions were confirmed as being fully implemented/superseded at the time of the audit; and
- 4/18 (22%) management actions were ongoing and management actions have been restated with revised target implementation dates or updated management actions have been made. This comprises of two 'medium' priority, one 'low' priority and one advisory actions. For the two 'medium' management actions we confirmed that progress has been made to strengthen the control framework for both actions and management were in the early stages process of implementing the updated framework. We will test whether the updated framework has been fully embedded during our next Follow Up review.

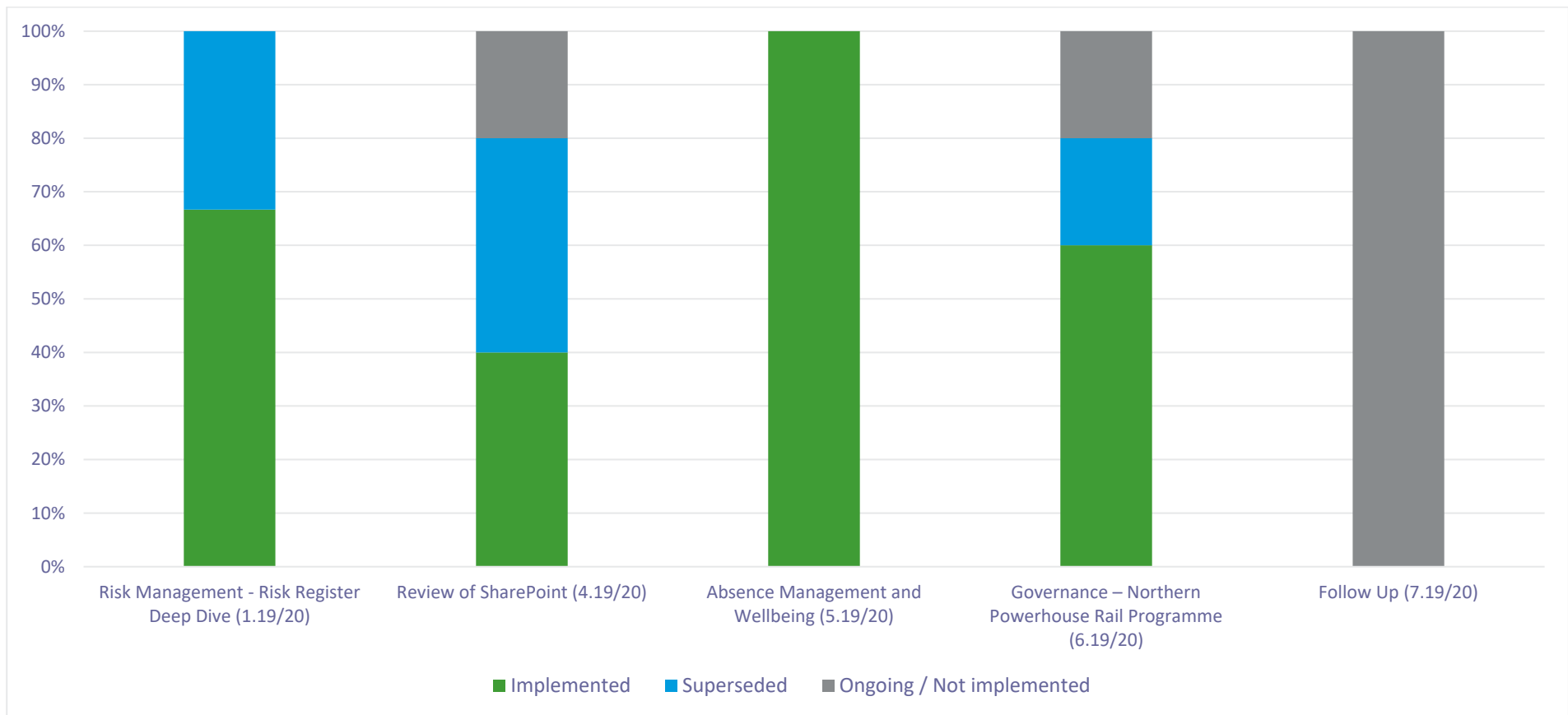
Details of all the implemented and superseded actions are included at Appendix B to the report.

## Progress on actions

The following table includes details of the status of each management action:

Implementation status by review	Number of actions agreed	Status of management actions				Confirmation as completed or no longer necessary (1)+(4)
		Impl. (1)	Impl. ongoing (2)	Not impl. (3)	Superseded (4)	
Risk Management - Risk Register Deep Dive (1.19/20)	3	2	0	0	1	3
Review of SharePoint (4.19/20)	5	2	1	0	2	4
Absence Management and Wellbeing (5.19/20)	3	3	0	0	0	3
Governance – Northern Powerhouse Rail Programme (6.19/20)	5	3	1	0	1	4
Follow Up (7.19/20)	2	0	2	0	0	0
<b>Total</b>	<b>18</b>	<b>10</b>	<b>4</b>	<b>0</b>	<b>4</b>	<b>14</b>

Implementation status by management action priority	Number of actions agreed	Status of management actions				Confirmed as completed or no longer necessary (1)+(4)
		Implemented (1)	Implementation ongoing (2)	Not implemented (3)	Superseded (4)	
Low	7	4	1	0	2	6
Medium	6	3	2	0	1	4
Advisory	5	3	1	0	1	4
<b>Totals</b>	<b>18</b>	<b>10</b>	<b>4</b>	<b>0</b>	<b>4</b>	<b>14</b>



## 2 FINDINGS AND MANAGEMENT ACTIONS

Status	Detail
1	The entire action has been fully implemented.
2	The action has been partly though not yet fully implemented.
3	The action has not been implemented.
4	The action has been superseded and is no longer applicable.
5	The action is not yet due.

### Review of SharePoint (4.19/20)

<b>Original management action / priority / date</b>	<p>Management will review their processes for creating external shares. This should include an assessment of the sites purpose, the sensitivity of data and those who will have access to the data.</p> <p>Furthermore, management will assess the requirement for having an additional level of security approval from the Heads of Department before granting an external party access to a site.</p> <p><b>(Medium)</b></p> <p><b>Original implementation date: 30 November 2019</b></p>
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<b>Audit finding / status</b>	<p>We were informed by the Head of IT and Information that the process for creating external shares has been reviewed. External sites are unable to be created without known TfN user accounts, and an approved internet domains list is in the process of being created to identify domain names that can and cannot be shared. We obtained a copy of the approved internet domains list and confirmed the spreadsheet contained a list of approved domains and domains to be removed.</p> <p>We also confirmed that management is in the process of developing an Approved Internet Domains Policy which was in draft at the time of our review (during July 2020). The draft policy includes information on maintaining the internet domains list, approving additions to the list and requesting changes. As the Policy is in draft stage, we have not been able to confirm that the controls identified in the Policy are in operation. We will test the application of the Policy during our next Follow Up review to confirm whether the updated controls have been embedded.</p> <p>In addition, the process for the approval of site creation is currently a function that is not available within SharePoint. However, with the growth of the internal IT Service Desk, TfN are looking to restrict the creation of any sites to IT personnel.</p> <p>2 - The action has been partly though not yet fully implemented.</p>
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<b>Management Action 1</b>	<b>Updated management action</b> Management will ensure that the Approved Internet Domains Policy and associated approved internet domain list is reviewed and approved at the earliest opportunity. Following approval management will ensure that the control framework identified in the policy, regarding the maintenance of the approved internet domains list, approving additions to the list and requesting changes etc, is put into operation and monitored in accordance with the policy.	<b>Responsible Owner:</b> Head of IT and Information	<b>Date:</b> 31 October 2020	<b>Priority:</b> Medium
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#### Governance – Northern Powerhouse Rail Programme (6.19/20)

<b>Original management action / priority / date</b>	Management will ensure that the Memorandum of Understanding (MoU) between TfN and the Department for Transport (DfT) is subject to an annual 'light touch' review in accordance with the stated requirement. <b>(Advisory)</b> <b>Original implementation date: 31 March 2020</b>			
<b>Audit finding / status</b>	We were informed by the Finance Director that review of the MoU was discussed with DfT and it was agreed that this review should be undertaken. However, capacity issues within both TfN and DfT and subsequently the Covid-19 pandemic has caused further delay. In addition, we were informed that management will take into consideration the outcomes of the comprehensive spending review, expected in December 2020, before the MoU is reviewed. Therefore, we have restated this management action with a revised target date. 2 - The action has been partly though not yet fully implemented.			
<b>Management Action 2</b>	Original management action remains open and applicable.	<b>Responsible Owner:</b> Finance Director	<b>Date:</b> 31 March 2021	<b>Priority:</b> Advisory

#### Follow Up (1.18/19)

<b>Original management action / priority / date</b>	<u>Risk Management Framework (1.18/19)</u> Management will review the value and applicability of the inclusion of a defined assurance framework within each of Transport for the North's risk registers. <b>(Low)</b> <b>Original implementation date: TfN's business planning 2020/2021</b>
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## Follow Up (1.18/19)

**Audit finding / status** We were informed by the Finance Director that the Assurance Framework has not yet been adopted by TfN due to resources being prioritised in other areas. The timetable for this work is set out in the Business Plan and management are due to present an update on progress to the TfN Audit and Governance Committee in September 2020  
2 - The action has been partly though not yet fully implemented.

<b>Management Action 3</b>	Original management action remains open and applicable.	<b>Responsible Owner:</b> Leadership Team	<b>Date:</b> 31 March 2021	<b>Priority:</b> Low
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**Original management action / priority / date** IT Audit: Cyber Security Controls (4.18/19)  
Management will implement mandatory Cyber Security training modules for all staff and monitor compliance rates, to ensure all staff are trained and kept up to date on cyber security best practises on an annual basis.  
Management should identify additional training needs of staff members deemed to be more critical and/or vulnerable and assign additional training requirements to this group of staff as appropriate.  
(Medium)  
**Original implementation date: Quarter 1 2019/20 (extended to 30 May 2020)**

**Audit finding / status** We were informed by the Head of IT and Information that as part of the revised ways of working due to the Covid-19 pandemic, TfN will be moving to an online Cyber Security training module during 2020/21 that will become mandatory for all staff to complete (previous online cyber training was available but not mandatory to all staff). We were informed that the course has been reviewed and is considered suitable for all competency levels. Compliance will be monitored and escalated to line managers where required.  
2 - The action has been partly though not yet fully implemented.

<b>Management Action 4</b>	<b>Updated management action</b> Following the implementation of the online Cyber Security training module, management will monitor and report compliance and take appropriate action to address non-compliance.	<b>Responsible Owner:</b> Head of IT and Information	<b>Date:</b> 30 September 2020	<b>Priority:</b> Medium
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## APPENDIX A: DEFINITIONS FOR PROGRESS MADE

The following opinions are given on the progress made in implementing actions. This opinion relates solely to the implementation of those actions followed up and does not reflect an opinion on the entire control environment.

Progress in implementing actions	Overall number of actions fully implemented	Consideration of high priority actions	Consideration of medium priority actions	Consideration of low priority actions
Good	75% +	None outstanding.	None outstanding.	All low actions outstanding are in the process of being implemented.
Reasonable	51 – 75%	None outstanding.	75% of medium actions made are in the process of being implemented.	75% of low actions made are in the process of being implemented.
Little	30 – 50%	All high actions outstanding are in the process of being implemented.	50% of medium actions made are in the process of being implemented.	50% of low actions made are in the process of being implemented.
Poor	< 30%	Unsatisfactory progress has been made to implement high priority actions.	Unsatisfactory progress has been made to implement medium actions.	Unsatisfactory progress has been made to implement low actions.

## APPENDIX B: ACTIONS COMPLETED OR SUPERSEDED

From the testing conducted during this review we have found the following actions to have been fully implemented and superseded.

Follow Up	Management actions
<b>Risk Management - Risk Register Deep Dive (1.19/20)</b>	<b>Implemented</b> The Risk Portfolio Manager will review and update the Risk Management Strategy in order to ensure that it is in line with current organisational operations. The Risk Management Strategy will then be reviewed and approved by the Senior Management Team on an annual basis, with the version control box stating the next due date for review. In addition, the Risk Management Strategy will include the frequency of the review of the risks within the Corporate Risk Register. <b>(Low)</b>
	<b>Implemented</b> Both Corporate and Programme level risks will be reviewed by the Audit and Governance Committee on a quarterly basis. <b>(Low)</b>
	<b>Superseded</b> The Risk Portfolio Manager will ensure that the Corporate, Programme and Directorate Risk Registers are updated consistently following each review point. Where there are no changes to a risk, and/or action, this will be documented as a nil return to ensure that there is a clear audit trail of senior management review. <b>(Medium)</b> <u>Internal Audit comment</u> This management action has been replaced by a management action raised in our Risk Management - Risk Register Deep Dive (1.20.21) review which is not yet due for implementation.
<b>Review of SharePoint (4.19/20)</b>	<b>Implemented</b> In addition to the current default retention policies in place, management will look to add specific site policies, particularly for those sites used by third parties, such as through a retention rule of 60 or 90 days for third-party sites. <b>(Medium)</b>

Follow Up	Management actions
	<p><b>Implemented</b></p> <p>Management will consider formally recording the acceptance of the risk of not having a third party to manage the backup of SharePoint Online as part of the risk register.</p> <p><b>(Low)</b></p> <hr/> <p><b>Superseded</b></p> <p>Management will consider the implementation of a whitelist and blacklist domains for external sharing. Following this, these lists should be regularly updated depending on change in domain partners, through removal of permissions and accounts.</p> <p><b>(Low)</b></p> <p><u>Internal Audit comment</u></p> <p>We confirmed that management has created an initial approved internet domains list (e.g. whitelist and blacklist domains for external sharing) to support the draft Approved Internet Domains Policy. Processes for approving and ongoing maintenance of the approved internet domains list are due to be embedded following approval of the Approved Internet Domains Policy. We have raised a management action in section two of this report (management action two) in relation to approval and embedding of the policy. Therefore, this management action is considered to be superseded.</p> <hr/> <p><b>Superseded</b></p> <p>Management will apply controls to ensure that the creation of external sites is limited to third parties for which TfN has an approved data sharing agreement in place.</p> <p><b>(Low)</b></p> <p><u>Internal Audit comment</u></p> <p>We were informed by management that TfN has made the decision to produce an Approved Internet Domain Policy and embed the controls details in the policy, rather than enforce data sharing agreements with each third-party list. We confirmed that a draft Approved Internet Domain Policy has been produced and have raised a management action in section two of this report (management action two) in relation to approval and embedding of the policy. Therefore, this management action has been assessed as superseded.</p>
<p><b>Absence Management and Wellbeing (5.19/20)</b></p>	<p><b>Implemented</b></p> <p>As is currently the case, as and when policies are reviewed, updated policies will continue to be re-published on the TfN intranet site, so the latest versions are available to all staff. Review dates will be clearly identified on the front of the policy.</p> <p><b>(Medium)</b></p>

Follow Up	Management actions
	<p><b>Implemented</b></p> <p>In the long-term, TfN will utilise an integrated system for the recording and monitoring of absences. In the interim of this being introduced, reconciliations will be completed between the Absence Tracker spreadsheet, the Talent system, and original employee absence documentation to ensure absence information is captured accurately. Reconciliations will be completed at a frequency to be determined by management.</p> <p><b>(Medium)</b></p> <hr/> <p><b>Implemented</b></p> <p>Monitoring and reporting in relation to absence types across the organisation as a whole will be undertaken on a monthly basis in line with reporting to the Executive Team meetings. This will aid management in recognising any increases in particular absence types and identify any trends in mental health related absences.</p> <p><b>(Low)</b></p>
<p><b>Governance – Northern Powerhouse Rail Programme (6.19/20)</b></p>	<p><b>Implemented</b></p> <p>A documented governance chart will be developed to reflect the oversight and reporting structure specifically relating to the NPR programme. This will include details of all parties and reporting lines relating to the programme (including those on both the TfN and DfT side of the arrangement). The governance chart will be subject to review and approval by both co-clients before being made available for all relevant parties to access in a central location</p> <p><b>(Advisory)</b></p> <hr/> <p><b>Implemented</b></p> <p>Management will ensure that the governance documentation which supports the NPR programme accurately reflects the funding approval process operating in practice. This may be incorporated as part of the RACI and/or NPR programme MoU currently being developed (as described above).</p> <p><b>(Advisory)</b></p> <hr/> <p><b>Implemented</b></p> <p>As already proposed, a routine process will be established for reporting NPR programme updates to the TfN Board. The frequency and content of the reporting requirements will be formally agreed and documented to ensure reporting takes place in a timely and consistent manner going forward.</p> <p><b>(Advisory)</b></p>

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**Superseded**

Management will review and update the Terms of Reference for the NPR Programme Board to ensure they are accurate and up-to-date. The Terms of Reference will be subject to review and approval by the relevant oversight groups at both TfN and the DfT to ensure that Programme Board responsibilities are fully agreed and understood by all relevant parties.

**(Advisory)**Internal Audit comment

The Terms of Reference for the NPR Programme Board have been replaced by the NPR Programme MoU.

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## APPENDIX C: SCOPE

### Scope of the review

The internal audit assignment has been scoped to provide assurance on how Transport for the North manages the following area:

#### Objective of the area under review

Management has introduced effective systems for the monitoring of implementation of agreed management actions and ensuring that these are implemented in line with the agreed timescales.

When planning the audit, the following areas for consideration and limitations were agreed:

The review will assess the progress made against agreed management actions included in the reports issued as part of previous year's Internal Audit plan. We will give consideration to the management actions made within the following reports:

- Risk Management - Risk Register Deep Dive (1.19/20);
- Review of SharePoint (4.19/20);
- Absence Management and Wellbeing (5.19/20);
- Governance – Northern Powerhouse Rail Programme (6.19/20); and
- Follow Up (7.19/20).

Please note that no management actions were raised in the following reports; Framework for Corporate Governance - Strategic Development Corridors Programme (2.19/20) and Treasury Management Framework (3.19/20).

#### Limitations to the scope of the audit assignment:

- The review only covers audit management actions previously made and does not review the whole control framework of the areas listed above, therefore we are not providing assurance on the entire risk and control framework;

- We will ascertain the status of management actions through discussion with management and review of the most recent management action tracking report presented to the Audit and Governance Committee;
- Where the indication is that management actions have been implemented, we will undertake limited testing to confirm this;
- Where testing is undertaken, our samples will be selected over the period since actions were implemented or controls enhanced; and
- Where relevant to the management action being followed up, we will ascertain whether policies / procedures / documentation have been established but we will not assess whether these are fit for purpose.
- The results of our work are reliant on the quality and completeness of the information provided to us; and
- Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

**Debrief held** 7 August 2020  
**Draft report issued** 11 August 2020  
**Responses received** 10 September 2020  
**Final report issued** 10 September 2020

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The matters raised in this report are only those which came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Actions for improvements should be assessed by you for their full impact. This report, or our work, should not be taken as a substitute for management's responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and our work should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any.

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# **Transport for the North - Audit & Governance Committee Meeting Item 9**

**Subject:** TfN's Assurance Framework – Update on activity

**Author:** Lucy Hudson, Principal Policy Officer: Freight and Logistics

**Sponsor:** David Hughes, Strategy and Programme Director

**Meeting Date:** Thursday 24 September 2020

## **1. Purpose of the Report:**

As requested by Audit & Governance Committee in the meeting of 16 July, this report presents an update on the progress towards developing a TfN Assurance Framework. The report is for update and information.

## **2. Executive Summary:**

This report presents a summary of the work done to date to develop an Assurance Framework for TfN.

## **3. Consideration:**

- 3.1 Transport for the North (TfN) is England's first statutory Sub-National Transport Body (STB) and one of its statutory powers is the right to prepare a transport strategy for the North. The first statutory Strategic Transport Plan (STP) for the North was formally adopted by the TfN Board in February 2019.
- 3.2 The publication brought together for the first time a single long-term vision of investment planning requirements for the North's transport system up to 2050.
- 3.3 Detailed assurance processes were developed to deliver the Strategic Development Corridor Programme and will be further developed through the Investment Programme Benefits Analysis (IPBA) programme due to be procured to begin in the next financial year. Assurance on the technical aspects of this work is provided through extensive partner and appropriate industry expertise. Other TfN workstreams including Northern Powerhouse Rail and Integrated and Smart Travel have their own specific and robust assurance processes.

- 3.4 Since the need for an assurance framework was first considered, the work on the Northern Transport Charter has developed clear proposals for the additional governance and decision-making frameworks that would be required to manage a devolved Northern transport infrastructure budget.
- 3.5 The need for additional assurance processes can only be considered when TfN understands the outcomes of the devolution debate on its future powers and funding arrangements with government. The Northern Transport Charter proposals agreed by the Board in July sets out the emerging assurance process TfN would need to fully develop.
- 3.6 Until then, the assurance processes in TfN should focus on assuring the strategic planning and analytical evidence required to develop the IPBA as set out in paragraph 3.3, supplemented by additional procedures for how we manage change within the Investment Programme.
- 3.7 When there is a clear position on future devolution arrangements, an appropriate Assurance Framework would then be developed in line with government and potential funder requirements in line with the Northern Transport Charter.

#### **4. Conclusion:**

- 4.1 Delivery of an Assurance Framework is an important step in TfN's development but needs to be proportionate to powers and funding. It will demonstrate how TfN will exercise accountability and deliver the functions of an Accountable Body if such a need develops.

#### **5. Recommendation:**

- 5.1 It is recommended that TfN Audit Committee note the progress of the Assurance Framework activity.

#### **6. Appendices:**

- 6.1 Northern Transport Charter Report – Agenda Item 12 – Transport for the North Board 29 July 2020

#### **List of Background Documents:**

There are no background papers to this report.

#### **Required Considerations**

### Equalities:

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

<b>Consideration</b>	<b>Comment</b>	<b>Responsible Officer</b>	<b>Director</b>
Equalities	A full impact assessment has not been carried out because the report does not propose any new strategy or service provision	Lucy Hudson	David Hughes

### Environment and Sustainability

	No
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<b>Consideration</b>	<b>Comment</b>	<b>Responsible Officer</b>	<b>Director</b>
Sustainability / Environment – including considerations regarding Active Travel and Wellbeing	A full impact assessment has not been carried out because the report does not propose any new strategy or service provision	Lucy Hudson	David Hughes

### Legal

	No
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<b>Consideration</b>	<b>Comment</b>	<b>Responsible Officer</b>	<b>Director</b>
Legal	The TfN Legal Team has confirmed there are no obvious legal implications to adopting the Assurance	Deborah Dimock	Julie Openshaw

	Framework at this current time.		
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### Finance

	No
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<b>Consideration</b>	<b>Comment</b>	<b>Responsible Officer</b>	<b>Director</b>
Finance	TfN Finance Team has confirmed there are no financial implications at this current time.	Paul Kelly	Iain Craven

### Resource

	No
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<b>Consideration</b>	<b>Comment</b>	<b>Responsible Officer</b>	<b>Director</b>
Resource	TfN HR Team has confirmed there are no resource implications at this current time.	Stephen Hipwell	Dawn Madin

### Risk

	No
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<b>Consideration</b>	<b>Comment</b>	<b>Responsible Officer</b>	<b>Director</b>
Risk	A risk assessment has been carried out and the key risks are included in the report.	Deborah Dimock	Julie Openshaw

### Consultation

	No
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<b>Consideration</b>	<b>Comment</b>	<b>Responsible Officer</b>	<b>Director</b>
Consultation	A public consultation has not been carried	Deborah Dimock	Julie Openshaw

	because the report does not propose any new strategy or service provision at this current time.		
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## Transport for the North Board - Item 12

**Subject:** Northern Transport Charter

**Author:** David Hughes, Strategy and Programme Director

**Sponsor:** Barry White, Chief Executive

**Meeting Date:** Wednesday 29 July 2020

### **1.0 Purpose of the Report:**

- 1.1 The purpose of this paper is to provide a summary of the latest position in respect of the four Northern Transport Charter ambitions.

### **2.0 Executive Summary**

- 2.1 In February 2018 TfN approved its Strategic Transport Plan, including a funding framework. Building on that work, in September 2019, the TfN Board approved a draft Northern Transport Charter (NTC) which sets a future direction for TfN framed around four strategic ambitions. Since then, TfN has, under the auspices of a Member Working Group (MWG) chaired by Cllr Judith Blake, been developing detailed proposals to support the four NTC ambitions.
- 2.2 At its meeting on the 17<sup>th</sup> July, the MWG was updated on the development of these detailed proposals. There was a strong sense that the work should now be brought to a close and the outputs of the work agreed by the Board as the foundations of the TfN position ahead of the forthcoming Spending Review. The fundamental conclusions of the NTC work remain unchanged and consistent with the positions adopted by the TfN Board in September 2019. The NTC ambitions have arguably become more urgent in the wake of the current crisis – the North needs a devolved budget to facilitate a rapid and effective Northern infrastructure pipeline.
- 2.3 Since the MWG's 17<sup>th</sup> July meeting, the Government has announced the timetable for the Spending Review in the autumn, and also announced the intention to set up a 'Northern Transport Acceleration Committee, to which TfN has responded positively. The Government's white paper on devolution is also expected to be published this autumn.
- 2.4 Therefore, we are now proposing to bring the work on the Northern Transport Charter to a close, and to agree a revised and updated report in early September. That report will form the basis of the TfN Spending Review submission. A fuller discussion on Spending Review asks will be held at the Board in September.

### 3.0 Background:

- 3.1 Transport for the North's general powers allow the Board to make proposals to the secretary of state for further devolution of transport functions. These powers were defined in the 2017 regulations that established TfN as a statutory body, with the clear expectation that further devolution would be required.

The 'Northern Transport Charter' approved by the TfN Board in September 2019 set out four 'ambitions' for the future of Transport for the North, all of which are considered essential to the delivery of the Strategic Transport Plan:



- 3.1 The draft charter was published with the Board papers in September and was endorsed by members.
- 3.2 Since last September, under the auspices of a Members Working Group (MWG) chaired by Councillor Blake, further work has been undertaken to develop more detailed positions in respect of each of these four ambitions. Whilst there has been some slippage to the originally envisaged timetable, largely as a result of Covid-19, the work is now substantially complete.
- 3.3 This paper summarises the key outcomes in respect of the MWG led work against the four NTC ambitions. It confirms that the strategic priorities and scale of ambition agreed in the draft charter remain the right outcomes to pursue as the next stages of developing Transport for the North. The work undertaken on the technical detail has helped demonstrate that the ambition is realistic and deliverable in practical terms.
- 3.4 Subject to Member agreement, the intent is that the finalised report covering each of the four ambitions will now be circulated to Members



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for detailed comment and sign off, with TfN building its Spending Review submission around the strategic ambition of the Northern Transport Charter principles and the case for further devolution of powers and funding.

#### **4.0 Long Term Funding Settlement**

- 4.1 At the core of the Northern Transport Charter is the principle that the North should have more control over transport budgets – not as end in itself, but in order to better ensure delivery of the outcomes identified in the Strategic Transport Plan. Through the Members Working Group, TfN has therefore developed detailed proposals for a Northern Devolved Budget, which were considered and agreed by the TfN Board at its 12 March meeting.
- 4.2 A summary of the Northern Devolved Budget proposals is included at [Appendix 1](#). The clear ‘ask’ is control of a long-term pan modal funding settlement for strategic transport infrastructure in the North. This will enable a local and different approach to decision making – examples from Scotland being the successful Borders railway line reopening, or the dualling of the A9 to Inverness, decisions unlikely to have been made without devolution. Or the better value for money that can be achieved on rail projects through a managed pipeline of work. A devolved budget would bring both control over, and responsibility for delivery of the STP outcomes, with the pan modal aspect providing greater opportunity to integrate sustainable transport solutions.
- 4.3 As was explained the 12 March meeting, the Northern Devolved Budget proposals are based on positions adopted by the Board since it was created as a statutory entity. These include the STP and associated Investment Programme, the NPR SOBC, the statutory advice in relation to TRU and the Funding Framework adopted by the Board in September 2018.

#### **5.0 Leading Strategic Transport Delivery**

- 5.1 It is recognised that strengthened decision making and governance arrangements are a prerequisite to any further devolution of powers and funding. Under the auspices of the Members Working Group, TfN has therefore developed detailed proposals for a revised “Decision Making and Governance Model”. These proposals were considered by the TfN Board at its 12 March meeting (a summary is provided at [Appendix 2](#)).
- 5.2 The work on decision making and governance has confirmed the key principles and mechanisms needed to support TfN members discharge their responsibilities for a devolved Northern Budget.
- 5.3 Since March, further work has been undertaken to address points of detail raised by Members in respect of the resource requirement and time commitment associated with the proposed governance model (the

outcome of this work is also covered in Appendix 2). Having reviewed the additional work, the Member Working Group has recommended that this strand has now reached a natural conclusion, pending the outcome of the Spending Review.

## **6.0 Championing an Inclusive and Sustainable North**

- 6.1 As stated above, devolution of budgetary control over the long-term investment pipeline for Northern strategic transport infrastructure is not an end in itself. Rather, it is a means of ensuring the outcomes set out in the STP as adopted by the TfN Board in February 2019. Members have also been clear that whilst the level of economic ambition in the Strategic Transport Plan remains, there needs also to be a new focus on sustainable and inclusive growth. Delivering a transformed transport system that supports a broad range of economic, social and environmental objectives is a significant challenge, but one which is central to the ambition of members, LEPs and pan Northern bodies including the NP11. It becomes even more important in the wake of the current crisis and the need to rebuild a cleaner, more inclusive society.
- 6.2 It follows that devolved budgetary control of the North's investment pipeline will require a different approach to decision making, that can balance economic, environmental and social outcomes, and ensure that pan Northern solutions are fully integrated with plans and strategies at local level.
- 6.3 To that end, TfN has begun developing detailed proposals relating to:
- A revised appraisal system that will target investments that balance transformational economic growth with environmental and social benefits; supported by,
  - An analytical evidence base that illustrates the trajectories required to deliver an absolute zero carbon transport network.
- 6.4 At its meeting on 17 July, the MWG considered a report which set out the short, medium and longer terms actions that TfN intend to undertake in order to deliver on this ambition. A summary of that report is included at [Appendix 3](#).
- 6.5 The MWG emphasised the importance of ensuring that any investment appraisal system reflects an appropriate degree of ambition in TfN's target date for achieving an absolute zero carbon Northern transport network. The draft NTC which was adopted by the TfN Board in September 2019 included a net zero target date of 2050. The clear view of the MWG is that given the climate emergency – as well as the potential opportunity for change presented by the Covid 19 crisis – that date is no longer acceptable.
- 6.6 Options for more ambitious net zero target dates will be developed for consideration by Members in September. This will include initial analysis

of the likely interventions required – including in respect of the TfN investment programme – in order to support differing carbon reduction trajectories. It will incorporate the new challenges and opportunities arising from the current crisis and the need to build a stronger, cleaner and more inclusive recovery.

- 6.7 Development of the detailed proposals will continue through to the end of the current financial year, consistent with the emerging outcomes of the TfN's Decarbonisation Strategy briefed to members at the 12 March meeting of the TfN Board. Finalised proposals relating to this ambition are not regarded as a prerequisite for TfN's Spending Review submission this autumn.
- 6.8 Alongside developing the analysis of decarbonisation, TfN officers will also conclude the development of the TfN appraisal framework and continue to challenge central government approaches to investment decision making via the ongoing review of the Treasury's Green Book.

## **7.0 Putting Rail Passengers at the Heart of Rail Reform**

- 7.1 The draft NTC adopted by the TfN Board in September 2019 outlined two key actions as being fundamental to delivery of this ambition, namely:
- i. Greater accountability of the railway in the North to the people of the North; and
  - ii. Progressive decentralisation of decision-making that allow flexibility for local and regional areas to determine the best way of delivering services to their communities.
- 7.2 Clearly, much has happened over the last year; in particular, the Northern rail franchise failed and was replaced by the DOHL (operator of last resort) arrangements, since when the Covid pandemic has radically changed the public transport landscape. In the meantime, the Government's response to the Williams Review is still awaited.
- 7.3 None of these events changes or diminishes the key principles agreed at the September TfN Board for a passenger led railway. In these circumstances, our focus has been on taking forward the implementation of the Blake-Jones review and continuing to engage and work with the industry so that TfN is ready to participate in wider railway reform as the agenda develop, and progress in respect of both of these activities is overseen largely by the Rail North Committee (RNC), as opposed to the NTC MWG. The RNC is also providing strategic direction to TfN in respect of the next steps in terms of rail reform and the rail devolution agenda.

## **8 Confirmation of the NTC key principles**

- 8.1 The additional work has reinforced the importance of the key principles of the NTC which remain unchanged from those agreed in September.

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Following the additional work, we now have a clearer routemap for how a devolved northern budget would be managed, and a clear proposition for the supporting architecture of governance, decision making and robust appraisal processes required to deliver strengthened outcomes and an accelerated programme of infrastructure.

- 8.2 The MWG agreed that the additional work since last September has now reached a natural conclusion and should be brought to a close with an updated NTC report. The need to finalise and agree this work now becomes more urgent in the wake of the tight timetable for the Comprehensive Spending Review due to conclude this autumn. The principles of the NTC should form the key asks of TfN's spending review submission in September.

## **9.0 Northern Transport Acceleration Committee**

- 9.1 On 23 July, the Government announced the formation of a 'Northern Transport Acceleration Committee' (NTAC), the stated aim of which is to speed up delivery of transport schemes across the region. TfN welcomed this announcement, insofar as it enables the accelerated delivery of much needed Northern infrastructures schemes.
- 9.2 It is, however, important to recognise that, based on our understanding to date of the proposed remit of the committee, its role will be to accelerate scheme delivery but only within the broad parameters of the existing investment decision making and delivery structures, under which all the meaningful levers of control (investment decision making, business case processes, delivery body oversight) are vested in central Government.
- 9.3 NTAC's formation does not, therefore, alter the fundamental contention that underpins the development of the NTC – i.e. that devolution of budgetary control over the investment pipeline for Northern strategic transport infrastructure is a prerequisite to the delivery of the STP outcomes. It follows that, whilst NTAC's formation is to be welcomed as an interim step that could help accelerate scheme delivery, it does not achieve the same end as is sought under the proposals developed under the auspices of the NTC, as summarised in this paper. It may however mean a phased approach to devolution, focussing first on the powers and funding to commission early scheme viability assessments, in effect forming the future investment pipeline, may be the natural first step.

## **10.0 Comprehensive Spending Review: scope and timetable**

- 10.1 The government has announced that it will conduct a Comprehensive Spending Review this autumn. The review will set administrative budgets to 2023/24 and capital budgets until 2024/25, and is therefore the key opportunity to secure additional powers and funding during this parliament. The Treasury has asked for representations by the 23<sup>rd</sup> September 2020 with the outcome of the CSR announced at the Budget.

- 10.2 The Government has said that the Spending Review will focus on the economic recovery, employment and skills, and the manifesto commitment to “level up” economic opportunity in all parts of the UK. To help frame the government’s approach at the Spending Review, an interim report of the Net Zero Review will be published this Autumn, followed by a final report in the Spring. This timetable is in line with TfN’s own decarbonisation strategy plans agreed in the business plan for 2020/21.

## **11.0 Next Steps**

- 11.1 We propose that:

- In line with our powers we consider the best way to approach Government to make the case for further devolution in advance of the spending review submission. This can use the clear, detailed work undertaken by MWG to illustrate the strength of the proposals to date, and emphasise the consensus across the North as to the way forward.
- TfN officers are updating the existing NTC report as a matter of urgency, based on the agreed positions in this paper. We will clear with members and intend to use as part of the TfN spending review submission in September.

- 11.2 We envisage a need for the Board to consider more detailed spending review proposals and specific funding at the next meeting, before the window for CSR submissions closes at the end of September.

## **12. Recommendations:**

- 12.1 The Board are asked to:

Note the work undertaken to date to develop the Northern Transport Charter, which confirms the key principles of the original work and the need for a devolved Northern budget.

Agree that the work on NTC has now reached a natural conclusion and should now form part of TfN’s Spending Review submission setting out the case for further powers and devolved funding.

Note TfN’s intention to now finalise a report for use in early September – with the detailed draft to be agreed with members in August.

## **6.0 Appendices:**

Appendix 1: Northern Devolved Budget – Proposal Summary

Appendix 2: Decision Making and Governance Framework – Proposal Summary

Appendix 3: Sustainable and Inclusive North – MWG Report Summary

## Required Considerations

### Equalities:

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

Consideration	Comment	Responsible Officer	Director
Equalities	A full Impact assessment has not been carried out at this stage.	Lucy Jacques – Principal Policy & Strategy Development Officer	David Hughes - Strategy and Programme Director.

### Environment and Sustainability

Yes	No
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Consideration	Comment	Responsible Officer	Director
Sustainability / Environment – including considerations regarding Active Travel and Wellbeing	One of the key policy areas for the Northern Transport Charter is around an inclusive and sustainable North. The detail is highlighted in Appendix 1.	Lucy Jacques – Principal Policy & Strategy Development Officer	David Hughes - Strategy and Programme Director.

### Legal

Yes	No
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Consideration	Comment	Responsible Officer	Director
Legal	Regulation 5 of the Sub-National Transport Body (Transport for the North) Regulations 2018 includes among other	Julie Openshaw – Head of Legal Services	Dawn Madin – Director of Business Capabilities

	powers the power to make proposals to the Secretary of State about the role and functions of Transport for the North.		
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### Finance

Yes	No
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<b>Consideration</b>	<b>Comment</b>	<b>Responsible Officer</b>	<b>Director</b>
Finance	The Finance implications of any new powers and responsibilities suggested by the Charter will be considered as part of TfN's forthcoming business/resource planning cycle and aligned to outcome of Comprehensive Spending Review in terms of our allocated future funding for FY2021/22 onwards.	Paul Kelly – Finance Controller	Iain Craven – Finance Director

### Resource

Yes	No
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<b>Consideration</b>	<b>Comment</b>	<b>Responsible Officer</b>	<b>Director</b>
Resource	The HR implications of any new powers and responsibilities suggested by the Charter will be considered as part of TfN's forthcoming business/resource planning cycle and aligned to outcome of Comprehensive Spending Review in terms of our allocated	Stephen Hipwell Head of Human Resources	Dawn Madin – Director of Business Capabilities

	future funding for FY2021/22 onwards.		
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### Risk

Yes	No
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Consideration	Comment	Responsible Officer	Director
Risk	An initial risk assessment has been carried out and the key risks are included in the Corporate Risks Report. Additional challenges have been highlighted in para 4.3, Appendix 1.	Haddy Njie - Risk Portfolio Manager	Iain Craven – Finance Director

### Consultation

Yes	No
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Consideration	Comment	Responsible Officer	Director
Consultation	With Executive Board.	Lucy Jacques – Principal Policy & Strategy Development Officer	David Hughes - Strategy and Programme Director.



## **Item 12, Appendix 1**

### **Devolved Northern Budget**

#### **1.0 Purpose**

- 1.1 This appendix summarises the work presented to TfN Board in March on proposals for a devolved northern budget. These proposals are based on the TfN Funding Framework adopted by the Board in September 2018 and were endorsed by the Partnership Board in June 2019. At the time, it was anticipated that these proposals would form the core of TfN's submission to the Spending Review process that was expected to take place in late 2019. The intent is that they will now do so in respect of the forthcoming Comprehensive Spending Review.

#### **2.0 TfN Funding Framework**

- 2.1 TfN adopted its Funding Framework as policy at the Board meeting on 13 September 2018. It was produced in recognition of the fact that a key element of the final Strategic Transport Plan would be how the infrastructure proposed by TfN, as set out in the Investment Programme, would be funded over the period until 2050. The Funding Framework provided the funding approach set out by TfN in the Strategic Transport Plan that was approved by the Board in February 2019 and also informs both the Northern Powerhouse Rail business case development process and the work that is being performed on the Strategic Development Corridors.
- 2.2 The approach that TfN adopted to the development of the Funding Framework was grounded in a set of fundamental principles that were agreed by the Partnership Board in December 2016 and subsequently reconfirmed by Partnership and TfN Boards during the following 18 months. TfN convened a Funding Steering Group, consisting of senior finance and strategy officers from Constituent Authorities (and latterly a representative from the CBI). This group met four times and provided invaluable assistance to TfN in the development of its framework. Subsequently TfN's Finance and Strategy Directors undertook individual member briefings with most of the Board membership to share information and canvas views, prior to the Funding Framework being taken to board for discussion and, finally, decision.
- 2.3 The TfN Funding Framework includes the following elements:
- a) The Principles – which underpin a deliverable and appropriate funding arrangement;

- b) The Potential Funding Sources – demonstrating that TfN’s funding requirement is reasonable;
- c) The Governance Arrangements that will enable funding allocated for strategic transport infrastructure in the North to be directed to TfN programmes; and
- d) How Financial Risk is managed.

2.4 The Funding Framework also sets out the parameters within which the allocation and management of the financial resources required to deliver the objectives of the Strategic Transport Plan will be undertaken.

2.5 The key points to note within the TfN Funding Framework are as follows:

- a) The total funding envelope identified by TfN is deliverable within the context of a reasonable expectation of what funding might be made available. This is consistent with the National Infrastructure Commission’s position as set out in the National Infrastructure Assessment.
- b) TfN does not currently have the power to capture value created by its promoted interventions – where these powers do not sit nationally, they sit locally with TfN’s Constituent Authorities or other local authorities. These local authority powers have principally been granted to fund activity on a local rather than a regional basis. Where local plans are sufficiently developed, it is clear that those local powers will be fully utilised funding transport infrastructure within authorities and cannot be expected to fund strategic (i.e. national) infrastructure.
- c) The TfN Funding Framework will be integrated with the pipeline of programmes and projects that is presented by TfN in the Strategic Transport Plan and the accompanying Investment Programme.
- d) The TfN Funding Framework also identifies where residual risks sit in relation to the funding of TfN promoted interventions and how this will be managed. Neither TfN nor its Constituent Authorities are in a position to back-stop the risks associated with TfN’s proposals and therefore as things stand this role will need to be taken on by central government. However, TfN could become the owner of programme risks, which would mirror some of the effects of financial risk taking.

2.6 The Funding Framework explored a number of options which focused on how funding should be managed rather than its level *per se*. The recommended option was a devolved TfN budget, giving TfN control over a long-term funding settlement for pan modal strategic transport infrastructure in the North. This was the position adopted in the Strategic Transport Plan.

### **3.0 The preferred outcome – a Northern Devolved Budget**

- 3.1 Rebalancing, and in particular “levelling up”, the UK economy will require both a broad range of policy approaches and, as set out most recently by the 2070 Commission, significant levels of resources to be allocated over an extended period. At a macro level, the implications of rebalancing and “levelling up” are such that the North will need ongoing investment in economic infrastructure which is at the upper end of whatever fiscal rules are adopted by central Government – the current fiscal remit is 1.0-1.2% of GDP.
- 3.2 The aim is to work towards a situation where the North has a single budget for strategic transport schemes that it manages. In essence, the North agrees a ‘deal’ with Government for a five year plus funding settlement against a clear set of outcomes. Government agrees a package of interventions with the North, based on a programme-level appraisal of value for money, driven from TfN’s Analytical Framework to support transformational economic growth, and gives the North the ability to manage the delivery of the programme.
- 3.3 Due to their scale and national significance large individual schemes, such as NPR, would be excluded from this approach. Local transport schemes (non-MRN road, road maintenance, active travel, bus priority and road safety schemes) are also excluded from this approach as it is assumed that these will continue to be developed through future iterations of the LGF and/or devolution settlements. However, TfN is also aware that its constituent authorities are also asking for unringfenced, longer term settlements too, to align with this approach.

### **4.0 What would be needed?**

- 4.1 In the long-term, TfN is working towards a long-term Northern funding settlement that will enable Members, acting through the TfN Board, to make investment decisions in relation to infrastructure investment based on Northern priorities.

This would include:

- A devolved settlement covering Strategic Transport Investment
- Pan-modal and Multi-year funding settlement (through allocation or a “Barnett” style formula).
- Baseline mechanism to encourage local funding approaches.
- Pursuing the agreement of a “double / triple-lock” style guarantee from central government to safeguard a minimum increase of budget growth over the medium to long term. As per 6.2 this would need to be sufficient to make up for past underinvestment and allow the government’s “levelling up” agenda to be delivered.
- Clear appraisal criteria focused on inclusive and sustainable transformational economic growth.

- Evidence based decision making within clear and transparent governance processes to promote Value for Money.
  - Robust financial risk management arrangements.
- 4.2 This does not require TfN to be a delivery body for now – work would continue to be carried out by national agencies or TfN partners / local authorities. Such an approach would, however, meet the key criteria identified in the Strategic Transport Plan in that it would allow Northern leaders control over investment decisions.
- 4.3 There are a number of challenges that will need to be acknowledged and addressed if we are to proceed to this level of devolved responsibility in the medium-term. These challenges would include:
- The need to build capacity and capability within TfN to deliver investment funding and demonstrate a track record of delivery to partners and government over time.
  - Establishing an agreed baseline of funding for northern transport investment, and regularly agreeing a minimum level of future funding going forward that TfN should be targeting, such as that highlighted in the STP and Investment Programme.
  - The need to agree the approach with Government and resolve potential issues around administrative and legal arrangements, financial risk management and interfaces with both national agencies and local partners.
  - Transitional arrangements from current industry processes to the proposed devolved funding.
- 4.4 These challenges can be addressed over time, recognising that TfN and its partners need to continue to develop proposals at the same time as they engage with industry processes.

## **5.0 Next Steps**

- 5.1 Recognising this, the 2020 Spending Review provides an ideal opportunity for TfN to address these challenges, whilst at the same time taking an important step towards developing and being responsible for a northern transport infrastructure pipeline, based on the following proposal:
- TfN is allocated a budget which is used to develop a pipeline of projects through to a state of readiness that would allow them to be funded.
  - TfN would become responsible for the development phase of a specified number of projects, identified through the sequencing work on the Investment Programme.

- The funding would be used principally to engage national agencies, partners, or other consultants, to do work on our behalf (subject to baselining to avoid displacement of existing agency budgets).
- This funding would be drawn down as required from an annual allocation based on an agreed minimum targeted increase in the funding envelope.

5.2 This would allow TfN, on behalf of the North of England, to create a fundable, evidenced based pipeline of projects to drive economic growth and improve quality of life, on an inclusive and sustainable basis.

## **Ends**

## **Item 12, Appendix 2**

# **Decision Making and Governance Framework**

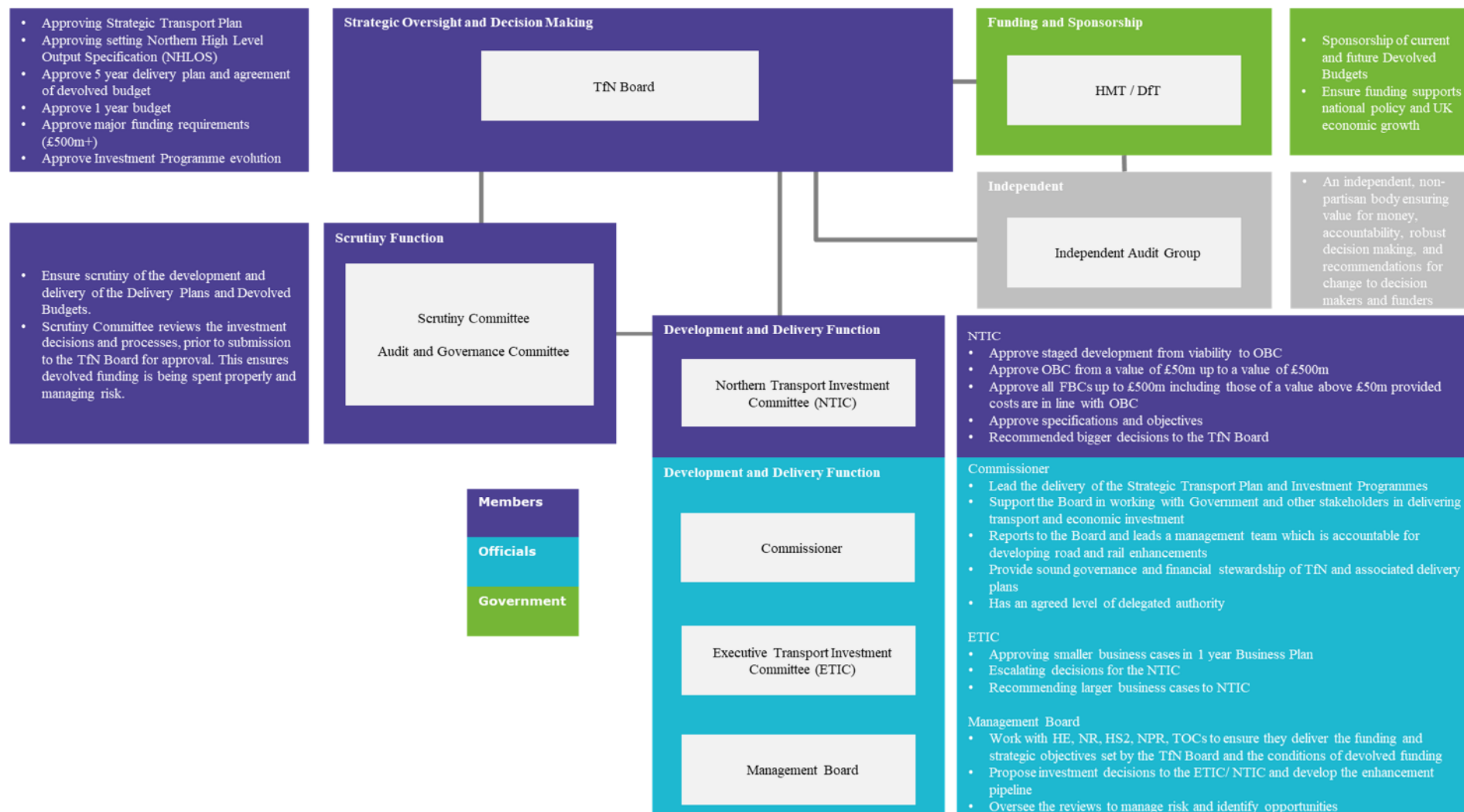
### **1.0 Purpose of this appendix**

- 1.1 Both the Strategic Transport Plan and the Northern Transport Charter make clear that TfN should seek a position where it agrees and takes responsibility for a long-term, multi-modal funding budget. This would be underpinned by a revised governance and decision-making structure.
- 1.2 This appendix recaps in summary the key elements of the proposed governance and decision-making structure, developed under the auspices of the Member Working Group, and as discussed by the TfN Board at its 12 March 2020 meeting.
- 1.3 It is recognised that demonstrating how effective investment decision making could be implemented will be a critical element of the case to Government for a devolved budget. The proposals developed to date, as summarised here, are intended to be relatively high level. They set out key principles, which would form the basis for further development at the appropriate time, targeting a process that speeds up progress of projects whilst retaining rigorous decision making.

### **2.0 Proposed decision-making framework – recap**

- 2.1 The key elements of the proposed new governance structure are summarised in Figure 1 below:

**Figure 1 – Initial Proposed New Governance**







- 2.2 The proposed roles and forums identified in Figure 1 are described briefly below:

### **HM Treasury and DfT**

As set out previously, TfN recognises that Government will still play a role in TfN through the sponsorship of current and future Devolved Budgets. They will need to ensure funding supports national policy and UK economic growth.

### **TfN Board**

Made up of the 20 constituent authorities and co-opted members, the Board would be the ultimate decision-making body for enhancement decisions, across road, and rail track and train services in the North. It would approve the Strategic Transport Plan, and the specification and objectives of the funding of the multi-year, multi-modal budget. Major funding and project requirements would be approved by the Board. Crucially, the decision as to which projects are included in the overall Investment Programme would reside with the Board. The Board would also hold overall accountability for ensuring that TfN and Delivery Partners are delivering on the strategic outcomes agreed by the Board.

### **Northern Transport Investment Committee (NTIC)**

Recognising the increased responsibilities and oversight would have, it is proposed a Northern Transport Investment Committee is established. Made up of members, they would have an agreed level of delegation to progress schemes through the enhancement pipeline. An agreed capital value of the scheme would be set, with anything above this being escalated to TfN Board for approval.

### **Commissioner**

With Delivery Bodies now accountable for delivering enhancement schemes in the North through TfN funding, a Commissioner role would be established. The role would ensure that the ambitions and direction of the Board is undertaken by the Delivery Bodies. The Commissioner would support the Board in working with Government and other stakeholders in delivering transport investment. The Commissioner would be the point of call for the Board and leads a management team which is accountable for developing road and rail enhancements. On a working basis, they would also have an agreed level of delegated authority to progress work programmes.

### **Executive Transport Investment Committee (ETIC)**

This would provide similar functionality to DfT's BICC committee which reviews business cases, allocates development funding, and makes recommendations to Ministers for approval. With a devolved budget, and a strengthened governance, a Committee, chaired by the Commissioner and made up of transport leads from TfN's partners, ensuring local input from TfN's partnership. They would sign off business cases up to a delegated amount, with larger decisions escalated to the NTIC and/or TfN Board for consideration.

### **TfN Management Board**

At an executive level, there would be a level of delegation for approval, as is the case for TfN currently, but larger decisions would be escalated to ETIC and potentially onwards to NTIC/TfN Board. The Management Board would also ensure that all work programmes by the delivery partners enhancement programmes, both track and train, are feeding in to and updating on progress to the TfN Board and NTIC. This increased working level coordination of delivery bodies should identify and manage risks and put in place mitigation measures.

### **Independent Audit Group**

As has been the case with other statutory bodies with multi-billion pound programmes, and conditions of other devolution deals, an Independent Audit Group function would need to be established and align with a revised TfN Assurance Framework. This would set out a programme of evaluation, potentially agreed at the outset with HM Treasury as the funder, and would undertake regular independent assessments of the economic benefits and impacts of the investments made under the enhancement pipeline and multi-year funding periods, including whether the projects have been delivered on time and to budget.

They provide independent assurance and expert advice to the Board concerning the Investment Programme. This would allow the Group to take a wholistic view of TfN's Investment Programme and ensure good governance and assurance, whilst allowing day to day decisions making to be made by TfN and Partners. This is akin to TfL's Independent Investment Programme Advisory Group (IIPAG) and Audit Scotland's role in looking at the performance of Transport Scotland.

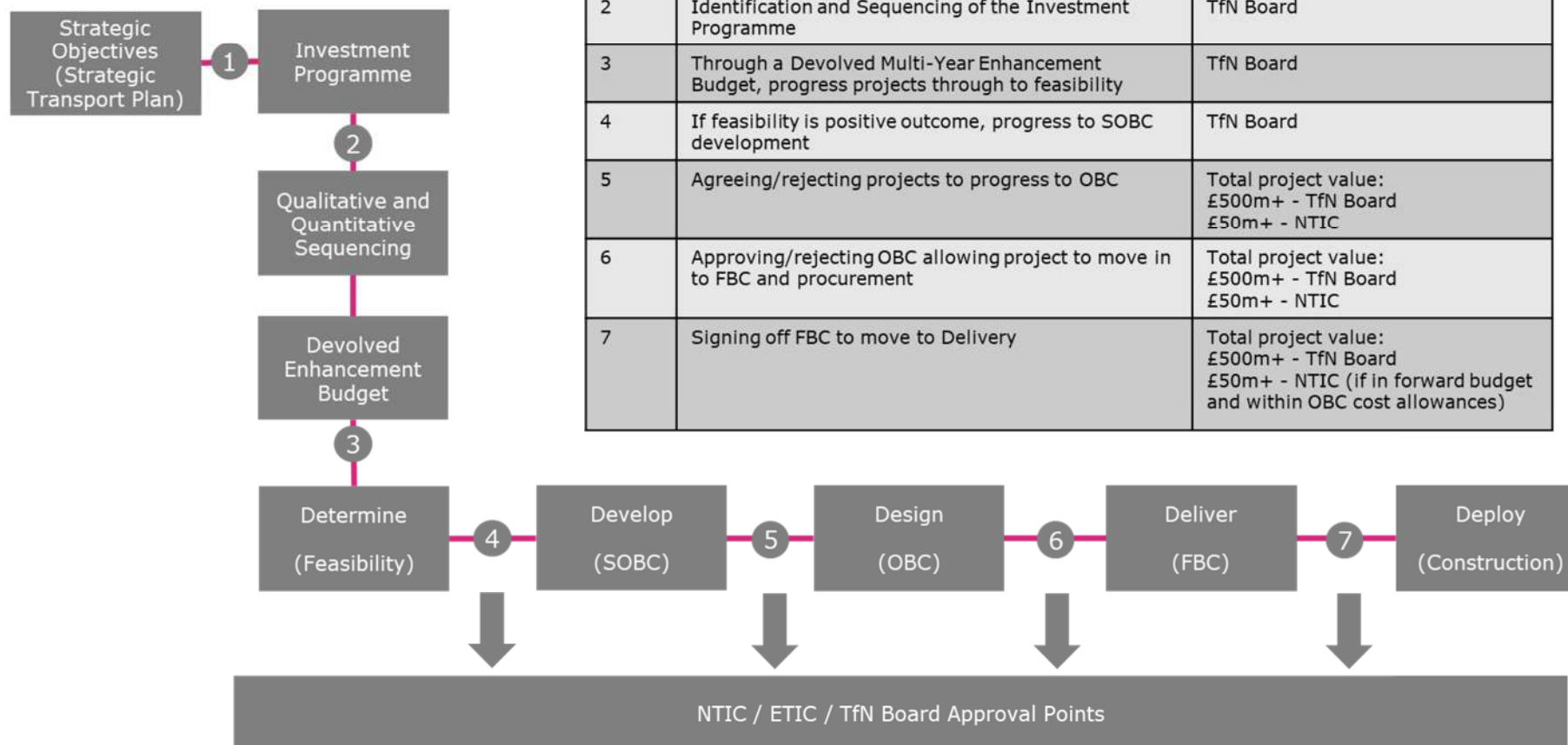
### **Scrutiny Committee and Audit and Governance Committee**

As is the case already in TfN's governance, these committees, made up of constituent members and some independent members, will scrutinise the development and delivery of the Delivery Plans and Devolved Budgets. Scrutiny Committees could review the approach to investment decisions and could receive copies of reports generated by the Independent Audit Group.

- 2.3 Figure 2 below sets out the key stages in an outline investment decision making cycle, summarising how the Board and Committees above align with this process at a high level:

**Figure 2 – 7 Stages for Investment Decision and Business Case Approval**

## 7 Stages of Delivery



- 2.4 A key element of the decision lifecycle set out above is that the initial and key prioritisation decision about what gets included in a TfN Investment Programme and thereafter taken forward into development and delivery. The primary function of NTIC would be as a Board level assurance forum as schemes progress through key 'stage gate' in the delivery lifecycle. The decision to terminate a scheme as a result of a 'stage gate failure' could be reserved to the full Board, based on an NTIC recommendation.
- 2.5 With increased devolved funding, there is the assumption that there will need to be increased TfN operational funding to support the development and approval of business cases in an efficient and effective manner. TfN's new model is not intended to increase local authority officer resource, who are doing important work to make the case for improvements on their local transport networks. This is intended to support and complement local work and priorities, through the policy and analytical work.

### **3.0 Conclusion**

- 3.1 The proposed decision-making framework which has been developed could be described as 'industry standard'. It has been developed at this juncture to a level of detail sufficient for agreement of broad principles. Much detail would still need to be worked through with Members and their officers (e.g. financial thresholds in any scheme of delegation, which for the time-being should be treated as illustrative), and with Government, as part of broader set of negotiations around devolved budgetary control.

## Item 12, Appendix 3

# Sustainable and Inclusive North

### 1.0 Purpose of this appendix

- 1.1 This appendix summarises the paper discussed at the Member Working Group on the 17<sup>th</sup> July 2020. Taking responsibility for an investment budget will allow a new approach to decision-making which will allow a bespoke Northern appraisal framework and supporting evidence base that fully reflects members priorities for an inclusive and sustainable North.

### 2.0 Background and context

- 2.1 Devolution of budgetary control over the long-term investment pipeline for Northern strategic transport infrastructure is not an end in itself. Rather, it is a means of ensuring the outcomes set out in the STP as adopted by the TfN Board in February 2019. Members have also been clear that whilst the level of economic ambition in the Strategic Transport Plan remains, there needs also to be a new focus on sustainable and inclusive growth. Delivering a transformed transport system that supports a broad range of economic, social and environmental objectives is a significant challenge, but one which is central to the ambition of members, LEPs and pan Northern bodies including the NP11. It becomes even more important in the wake of the current crisis and the need to rebuild a cleaner, more inclusive society.
- 2.2 It follows that devolved budgetary control of the North's investment pipeline will require a different approach to decision making, independent of central government processes, that can balance economic, environmental and social outcomes, and ensure that pan Northern solutions are fully integrated with plans and strategies at local level.
- 2.3 To that end, TfN has begun developing detailed proposals relating to:
- A revised appraisal system that will target investments that balance transformational economic growth with environmental and social benefits; supported by,
  - An analytical evidence base that illustrates the trajectories required to deliver an absolute zero carbon transport network.

### **3.0 What is required?**

- 3.1 TfN has now developed a clear roadmap for developing an inclusive and sustainable growth framework. The roadmap aims to outline what is proportional and feasible for TfN to do now with our current resources and sphere of influence, while also identifying what can only be delivered with further funding and devolved powers.
- 3.2 In the short term TfN will focus on the activities which will add value and accelerate investment in transport schemes, focus on delivering evidence and analysis and embedding that within our own decision making processes, whilst influencing national government and delivery bodies to ensure that the North is fairly represented in investment decision making. We will continue to work collaboratively with organisations across the North to deliver on shared objectives.
- 3.3 In discussing the proposals for the framework, the MWG:
- Identified the need to build health and wellbeing into the framework, building on the approach undertaken by the Welsh Government and other bodies;
  - Emphasised the need to reflect the implications of the current crisis, the economic recovery and the stated intention to “build back better”;
  - Expressed a clear view that given the need for action on climate change – as well as the potential opportunity for change presented by the Covid 19 crisis – TfN should consider a net zero carbon date earlier than the current commitment of 2050.

The remainder of this paper sets out the short, medium and long term activities required to develop and run a framework, building on the significant progress already underway.

### **4.0 Immediate priorities for TfN**

- 4.1 In the short term, new analysis and changes to the appraisal system can refocus TfN’s programmes over the next five years and help make the case for transport investment and influence reform of government and industry processes. The organisation has developed strong analytical tools that can fully represent the economic, social and environmental benefits from investing in the North’s economy. In many areas TfN is now at the leading edge of the debate and in a strong position to influence national government thinking and practice.
- 4.2 We will therefore:
- Complete the work on the TfN Analytical Framework in 2020/21 and fully embed that analysis to support investment in the North. And

we will develop new measures including wellbeing allowing them to be added to our governance and decision making processes.

- Influence the current review of the Green Book to fully reflect the levelling up agenda and encourage better decision making in government on national infrastructure projects.
- Review and consider endorsing the recommendations of the 2070 Commission on regional growth
- Build the evidence base to support informed decisions at national and local level on what's required to achieve rapid decarbonisation and when, meeting the STP commitment to scope and develop a decarbonisation pathway.
- Develop an environmental policy toolkit to outline environmental principles and standards which all transport infrastructure schemes in the North would need to consider;
- Finalise our work on future scenarios and carbon neutral pathways to inform the strategic direction of TfN in the wake of the current crisis, and to take early decisions on the approach to specific focused carbon objectives.
- Continue to support partner authorities on local masterplanning activity and local growth strategies, so that transport proposals are fully integrated with wider place-based development including housing, skills and spatial plans.
- Explore opportunities for more inclusive policy making, including the possible use of citizens panels working with other pan Northern bodies.

- 4.3 Taken together these activities will collectively ensure that TfN takes significant steps towards a genuinely inclusive and sustainable strategy under current powers. We will also consider what else TfN needs to do to align the investment programme with other policy areas at local, Northern and national level, within the scope of existing powers and resources, particularly in support of wider economic recovery planning in the North.

## **5.0 Developing the Framework**

- 5.1 These activities *could* be delivered within TfN's current limited powers and funding but can be flexed to accommodate further devolution over time. Once the evidence base is complete, further decisions will be needed from the Board to set clear goals and objectives (for example on mode shift, inclusive growth, wellbeing and biodiversity) to achieve a rebalanced Northern economy.
- 5.2 Key activities in this phase (commencing in the next business year 2021/22) would include:
- 5.3
- TfN will develop an agreed multi criteria analysis process that can apply the TfN evidence base systematically across the transport appraisal process, business case development, assurance frameworks and scheme prioritisation. This will be at the heart of



new and different way of making decisions – in effect creating a triple bottom line: the economy; the environment; and inclusivity.

- TfN should work with the NP11 and other pan Northern bodies to update the Northern Powerhouse Independent Economic Review so it fully reflects broader societal outcomes as well as GVA and jobs.
- Build in a broader range of user views into our frameworks, building on the inclusion of Transport Focus to the Partnership Board with new innovations such as considering a Citizens' Panel and further development of measures on wellbeing and asset-based valuation of natural and social assets.
- Start to share TfN's transformational analytical tools and models more widely with partner authorities and industry bodies to ensure a level playing field for case making and scheme development across the North. Over time, this offer could be extended to bodies developing proposals for clean energy, housing, regeneration and skills, health and wellbeing to ensure we have a joined-up approach to investment decision making.
- Push forward on low carbon pilot projects such as battery trains, hydrogen trains, hydrogen/electric buses and hydrogen/electric HGV. The need to pilot and test is essential to push forward so that emerging technologies become proven technologies allowing adoption over time.

5.4 These activities can proceed now with TfN's current powers whilst providing a flexible foundation for longer term devolution, without the need for significant reworking.

## **Ends**



# **Transport for the North Audit & Governance Committee - Item 10**

**Subject:** Updated Corporate Risk Register

**Author:** Haddy Njie, Risk Manager

**Sponsor:** Iain Craven, Finance Director

**Meeting Date:** Thursday 24 September 2020

## **1. Purpose of the Report:**

- 1.1 Transport for the North has updated the Corporate Risk Register to continue to reflect the Key Performance Indicators (KPIs) and business objectives outlined in the Business Plan for Financial Year 2020/21. In addition to the principal risks associated with the organisation's KPIs, the business continues to manage the impacts of the coronavirus pandemic.
- 1.2 The intention of the report is to provide the Audit and Governance Committee Members with an update on the organisational risks relating to the business KPIs/objectives which can be found in the Corporate Risk Register.
- 1.3 Paragraph 19.1 of Transport for the North's constitution states that Audit and Governance committee is to "provide independent review and assurance to members on risk management and control framework". This report will assist committee members in discharging that duty.

## **2. Executive Summary:**

- 2.1 It is essential that Transport for the North recognises, understands and manages the range of corporate risks that could negatively impact on its ability to achieve its objectives. The terms of reference for the Audit and Governance Committee includes the requirement to "monitor Transport for the North's risk and performance management arrangements including review of the risk register, and progress with mitigating action".
- 2.2 Transport for the North's corporate risks stem from the agreed KPIs and from a range of other sources, some of which are beyond

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Transport for the North's direct control. The challenges and uncertainty faced by Transport for the North create both threats that need to be addressed, and opportunities that can potentially be exploited. Transport for the North's Corporate Risk Register is presented at Appendix XX.

### **3. Consideration:**

- 3.1 Transport for the North's approach to managing risk is described in its Risk Management Strategy ("RMS") which sets out guidance for how risks are identified, assessed, managed and reported. The RMS has been applied in updating the Corporate Risk Register.
- 3.2 It is essential that Transport for the North and its programme teams recognise, understand and manage the risks that could negatively impact on the ability to achieve the objectives and priorities.
- 3.3 The Audit and Governance Committee Members are asked to consider the corporate risks that the organisation is facing. In addition, Transport for the North is seeking feedback from the Committee on the Corporate Risk Register in line with 1.3 above.

### **4. Recommendation:**

- 4.1 Committee Members are asked to consider the report and provide comments regarding the information provided.

### **5. Appendices:**

- 5.1 Item 10.1 – Transport for the North's Corporate Risk Register.

## Required Considerations

### Equalities:

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

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

### Environment and Sustainability

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

### Legal

Yes	No
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Consideration	Comment	Responsible Officer	Director
Legal	A full legal impact assessment has been carried out and can be found in the report.	Debbie Dimmock	Julie Openshaw

### Finance

Yes	No
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Consideration	Comment	Responsible Officer	Director
Finance	The Finance Team has reviewed this report and confirmed that the financial implications are included within the report.	Gareth Sutton	Iain Craven

### Resource

Yes	No
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Consideration	Comment	Responsible Officer	Director
Resource	There are resource considerations and can be in the report.	Stephen Hipwell	Dawn Madin

### Risk

Yes	No
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Consideration	Comment	Responsible Officer	Director
Risk	A full corporate risk assessment activity took place which can be found in Item 10a.	Haddy Njie	Iain Craven

### Consultation

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

# Draft Transport for the North Corporate Risk Register

## Financial Year 2020/21

Updated: 16/09/20



## Introduction to Transport for the North's Corporate Level Risks

It is essential that Transport for the North (TfN) recognises, understands and manages the range of risks that could negatively impact on its ability to achieve the objectives set out in the 2019/2020 Business Plan. TfN's approach to managing risk is set out in its Risk Management Strategy which provides guidance for how risks are identified, assessed, managed and reported. Each programme and corporate function within TfN has its own risk register that is updated on either a monthly or fortnightly cycle, with clear reporting in line with governance arrangements. At the apex of these arrangements is the annual reporting of the corporate level risks to TfN Board.

TfN uses programme information to identify cross cutting risk themes that are sufficiently significant, either in their own right or in aggregate, to be reported to and discussed by the Board as risks requiring corporate focus. TfN's corporate risks stem from a range of sources, some of which are beyond TfN's direct control. The challenges and uncertainty faced by TfN create both threats that need to be addressed, and opportunities that can potentially be exploited.

The 2019/20 corporate risk report presents the corporate risks that might directly have an impact on TfN's business plan objectives. To ensure effective management of risks, the reports provides full risk information such as the proximity of the risk, potential consequences on TfN's objectives and priorities and the mitigation measures in place to manage the downside risks.

**Table 1** summarises TfN's corporate level risks and the senior owner. **Table 2** outlines TfN's defined Probability Impact Criteria to undertake the qualitative assessment of the risks in order to produce a risk exposure score for each risk. **Table 3** provides a guideline in regard to the assessment of TfN's level of control on the proposed mitigation risk plans. **Table 4** provides a detailed analysis of each risk, the mitigating actions that have been adopted and the mitigation level of controllability as it is important to understand the extent to which TfN is able to influence or control the risk outcomes.

**Table 1: Summary of TfN's Corporate Risk Themes, Probability / Impact Assessments and Ownerships**

Corporate Risk Theme	Risk Probability	Nature of Risk Impact	Current Risk Impact	Post Mitigation Risk Impact	Risk and Mitigation Strategy Owner
The Covid-19 Pandemic prevents or delays TfN from delivering its objectives	<b>An Issue</b>	<ul style="list-style-type: none"> <li>Business deliverables may not be completed on time if:</li> <li>(i) a significant number of staff within TfN or its supply chain are affected by COVID-19</li> <li>(ii) TfN decision making / governance processes are impacted by the availability of Constituent Authority or departmental colleagues.</li> <li>(iii) Covid-19 related uncertainty causes wider policy announcements to be delayed.</li> <li>There is the potential for additional costs to be incurred through the measures that might be put in place to address the issues caused by Covid-19.</li> </ul>	<b>High</b>	<b>Medium</b>	<b>TfN Chief Executive</b> (Barry White)
TfN Reputational and Political Engagement	<b>High</b>	<ul style="list-style-type: none"> <li>TfN could lack the powers or the influence to deliver the economic, social and sustainability benefits to the North that it set out in the Strategic Transport Plan.</li> <li>Inadequate funding for core functions or programmes may make it difficult for TfN to "speak with one voice", influence decisions, or access infrastructure funding.</li> <li>Failure to make timely decisions with regard to projects and programmes, and could delay or prevent the benefits of strategic transport infrastructure from being delivered.</li> </ul>	<b>Very High</b>	<b>High</b>	<b>TBC</b>

<b>Corporate Risk Theme</b>	<b>Risk Probability</b>	<b>Nature of Risk Impact</b>	<b>Current Risk Impact</b>	<b>Post Mitigation Risk Impact</b>	<b>Risk and Mitigation Strategy Owner</b>
Embedding the Strategic Transport Plan across Programmes (STP)	<b>Low</b>	<ul style="list-style-type: none"> <li>Programmes of work develop in a way that does not contribute to, or runs counter to, the overall objectives and plan set out in the STP, resulting in the failure to achieve the aims of the STP or leads to sub-optimal impacts from transport investments.</li> <li>It is likely to create a siloed working culture causing business issues.</li> </ul>	<b>High</b>	<b>Medium</b>	<b>Strategy and Programme Director</b> (David Hughes)
Delivery of Robust and Compelling Evidence to Support Investment Programmes	<b>High</b>	<ul style="list-style-type: none"> <li>An insufficiently compelling evidence base, particularly around the programme level economic case may delay or prevent strategic transport infrastructure investments being made, with consequential impacts on TfN's ability to deliver its objectives.</li> <li>The inability to make a transformational case could damage TfN's reputation with partners as an organisation who's key objective is to take a leadership role in delivering innovative business cases to secure investments.</li> </ul>	<b>High</b>	<b>Medium</b>	<b>Strategy and Programme Director / TfN Programme Directors</b> (David Hughes / Tim Wood, Peter Molyneux, David Hoggarth, Jeremy Acklam)
Transport Decarbonisation and Climate Change Emergencies	<b>High</b>	<ul style="list-style-type: none"> <li>There is a risk that TfN falls behind in developing appropriate and timely policy positions to support decarbonisation of transport, and thereby fails to integrate them into its strategic transport development plans. This would potentially result in an investment programme that is misaligned to partner / central government policies.</li> <li>Failure to develop relevant policy positions adversely impacts on TfN credibility and influence as a Sub-National Transport Body.</li> </ul>	<b>High</b>	<b>Medium</b>	<b>Strategy and Programme Director</b> (David Hughes)



<b>Corporate Risk Theme</b>	<b>Risk Probability</b>	<b>Nature of Risk Impact</b>	<b>Current Risk Impact</b>	<b>Post Mitigation Risk Impact</b>	<b>Risk and Mitigation Strategy Owner</b>
TfN Operations	<b>High</b>	<ul style="list-style-type: none"> <li>TfN has insufficient funding from 2021/22 onwards, preventing it from delivering on the aspirations of its members.</li> <li>Failure to achieve Value for Money could impact on TfN's ability to access funding in the future.</li> <li>Failure to recruit and retain the right people with the right skills could negatively impact on TfN's ability to deliver its objectives.</li> </ul>	<b>High</b>	<b>High</b>	<b>Finance Director / Business Capabilities Director</b> (Iain Craven / Dawn Madin)
TfN Compliance with Relevant Laws and Regulations	<b>Low</b>	<ul style="list-style-type: none"> <li>Potential reputational impacts with both stakeholders and the public.</li> <li>Financial impact including fines or other penalties for breach of statutory obligations such as Data Protection, Freedom of Information or Health and Safety legislation.</li> <li>The ICO may issue a decision notice or the HSE may issue an enforcement notice if it found that TfN was in breach of the legislation.</li> </ul>	<b>High</b>	<b>Medium</b>	<b>Business Capabilities Director / Head of Legal Services</b> (Dawn Madin / Julie Openshaw)
Revised Framework - Delivery of Contactless on Rail and Local Smart Ticketing	<b>High</b>	<ul style="list-style-type: none"> <li>Failure to roll out Contactless on Rail across the North, or to support local schemes is likely to result in failure to deliver even part of TfN's multi-operator, multi-mode ticketing aspirations and consequential low levels of customer satisfaction for the passengers in the North of England.</li> <li>This may lead to a reputational damage as it is likely that TfN's strategic objectives will not be met.</li> </ul>	<b>Very High</b>	<b>High</b>	<b>IST Programme Director</b> (Jeremy Acklam)
The Northern Powerhouse Rail (NPR) Strategic	<b>An Issue</b>	Failure to achieve agreed corridor options from the sifting process is likely to result in delays to the SOC beyond the movements in	<b>Very High</b>	<b>High</b>	<b>NPR Programme Director</b> (Tim Wood)

<b>Corporate Risk Theme</b>	<b>Risk Probability</b>	<b>Nature of Risk Impact</b>	<b>Current Risk Impact</b>	<b>Post Mitigation Risk Impact</b>	<b>Risk and Mitigation Strategy Owner</b>
Outline Case (SOC)		<p>the programme already communicated (i.e. the SOC to be approved in March 2021).</p> <ul style="list-style-type: none"> <li>• The assured cost increase will affect the BCRs and therefore likely to unfavourably impact the delivery of a compelling business case in March 2021.</li> <li>• If TfN is unable to submit and receive endorsement for the SOC, it may impact on future funding as Government would not want to approve the SOC without TfN Board endorsement.</li> </ul>			
Rail Operations (Franchise Management and Investment)	<b>Very High</b>	<ul style="list-style-type: none"> <li>• Passenger volumes reduced due to social distancing measures and government guidance leads to nervousness in passengers returning to pre-COVID levels leading to reduced case for investment.</li> </ul>	<b>Very High</b>	<b>Very High</b>	<p><b>Strategic Rail Programme Director</b></p> <p>(David Hoggarth)</p>

## Table 2: Transport for the North's Probability Impact Scoring Criteria

TfN's Probability Impact Criteria as illustrated below, is a risk management tool that enables the risk likelihood and impact to be calculated to produce an aggregated risk severity and exposure for each risk. The corporate risks are plotted according to the probability of occurrence and the impact upon an activity should the risk happen.

The qualitative risk ranking (risk score) could be generated by multiplying the probability with the maximum of the impacts (i.e. financial, reputation etc.) for each risk.

Rating Number	Probability (%)	Rating	Impact Rating Definition
5	100% likelihood that the risk will materialise	<b>An Issue</b>	One or more of the implications will have an effect on business plan objectives.
4	81-100	<b>Very High</b>	<ul style="list-style-type: none"> <li>Financial Implication: <b>£&gt;2m</b></li> <li>Schedule Implication: <b>&gt; 12 (months)</b></li> <li>National long-term negative media coverage, significant loss of trust and credibility</li> <li>Severe relationship issues with partners and/or third parties (such as Local Authorities, public)</li> </ul>
3	51-80	<b>High</b>	<ul style="list-style-type: none"> <li>Financial Implication: <b>£1m - £2m</b></li> <li>Schedule Implication: <b>9 - 12 (months)</b></li> <li>National short-term negative media coverage</li> <li>There is evidence of relationship issues with partners/or and third parties (such as Local Authorities, public)</li> </ul>
2	21-50	<b>Medium</b>	<ul style="list-style-type: none"> <li>Financial Implication: <b>£500K - £1m</b></li> <li>Schedule Implication: <b>3 - 9 (months)</b></li> <li>Local media damage</li> <li>No or minor strained relationship with partners and/or third parties (such as Local Authorities, public)</li> </ul>
1	< = 20	<b>Low</b>	<ul style="list-style-type: none"> <li>Financial Implication: <b>£0 - £500K</b></li> <li>Schedule / Time delay Implication: <b>0 - 3 (months)</b></li> <li>Local media attention quickly remedied</li> <li>No strain relationship with partners and/or third parties (such as Local Authorities, public)</li> </ul>

## Table 3: Qualitative Assessment of the Levels of Controllability on the Mitigation Action Plans

In order to assist the user to understand how TfN's key risks are impacted by the mitigation activities set out in this document, TfN has assessed the level of control on the mitigation risk action plans and the extent to which TfN is able to influence or control those risk outcomes.

The following corporate risks have been subject to an evaluation by identifying the:

- **Controllable Mitigations:** these are mitigation strategies that TfN has the power / ability to implement and as a result, contribute to the successful mitigation of the associated risk.
- **Dependency Mitigations (Controllable):** The identified mitigations require a collaborative effort with relevant partners or other stakeholders in order to be successful in the management of the action plans. Although, the mitigations are deemed as dependency, TfN may be able to deploy additional resources to increase its ability to influence risk outcomes.
- **Dependency Mitigations (Limited Control):** The identified mitigations must be a collaboration with the relevant internal and external parties and requires a buy-in. For example, national and local political buy-in. Without joint involvement, the likelihood of the risk materialising increases. Whilst TfN can attempt to influence the factors impacting on these risks, it has a low level of control over if/how these mitigations are implemented.

### Guideline: Level of Mitigation Controllability

Mitigation Control Level	Mitigation Control Level Assessment
Controllable Mitigations	High
Dependency Mitigations (Controllable)	Medium
Dependency Mitigations (Limited Control)	Low

## Table 4: Qualitative Risk Analysis of TfN's Corporate Level Risks

<b>Risk ID: TCR01</b> <b>Risk: The COVID-19 Pandemic Prevents or Delays TfN from Delivering its Objectives</b>	
<b>Risk Description</b>	<p>The coronavirus pandemic is a threat that is directly impacting upon the delivery of TfN's programmes and Business Plan Key Performance Indicators (KPIs). The continued lockdown and associated measures to prevent the disease from spreading have resulted in homeworking across the entire organisation (as well as the country as a whole including significant supply chains). This has created four key risks for Transport for the North (TfN) business operations:</p> <p>1) The potential for significant number of staff within TfN or its supply chain might be affected by the coronavirus, or by steps taken by suppliers to respond to the economic pressures caused by the pandemic;</p> <p>2) TfN decision making / governance processes might be impacted by the availability of Constituent Authority or departmental colleagues;</p> <p>3) The COVID-19 related uncertainty causes wider policy announcements to be delayed; and</p> <p>4) The pandemic reduces the efficiency with which certain activities can be delivered and therefore increases the costs associated with delivering them.</p>
<b>Risk Proximity</b>	Short-Term to Medium-Term
<b>Risk Probability</b>	(1) <span style="background-color: yellow;">Medium</span> (2) <span style="background-color: red;">High</span> (3) <span style="background-color: black; color: white;">An Issue</span> (4) <span style="background-color: yellow;">Medium</span>
<b>Assessed Risk Impact</b>	(1) <span style="background-color: red;">High</span> (2) <span style="background-color: red;">High</span> (3) <span style="background-color: red;">High</span> (4) <span style="background-color: yellow;">Medium</span>
<b>Potential Impact (Qualitative Description)</b>	<ul style="list-style-type: none"> <li>TfN's key programme and business deliverables may not be completed on time if the number of staff affected by the COVID-19 is significant.</li> <li>In addition, TfN's ability to take forward its programmes will be affected if partner officers and other stakeholders are unable to fully engage in Client Reference groups and other TfN governance processes.</li> <li>Impacts on central government decision-making in key areas such as the Integrated Rail Plan, the Environment Bill, the Williams Review and the CSR will also impact upon TfN's ability to drive programmes.</li> </ul>

## Mitigation Action Plans and Level of Controllability

Mitigation No.	Mitigation Strategies / Action Plans	Mitigation Control Level Assessment	Mitigation Control Level
1	Organisational and Individual Directorate Contingency Plans have been developed and are now in place. These are further underpinned by TfN Corporate Business Continuity Plan (BCP). This includes identification of a core Crisis Management Team to coordinate all business-critical activities should these plans need to be instigated, and to maintain effective communication with employees.	High	Controllable Mitigations
2	Programme and policy teams to identify and focus on the critical organisational outputs and deploy the available resources in the achievement of those priorities.	High	Controllable Mitigations
3	Programme teams continue to re-programme delivery plans and communicate changes to partners; continue to work with consultants and partners and where possible provide support.	High	Dependency Mitigations (controllable)
4	To continue to deliver the TfN Business Plan where possible so as to minimise delays in delivering outputs and allow activity to be expedited once policy decisions by central Government have been communicated.	High	Dependency Mitigations (Limited Control)

<b>Corporate Risk and Mitigation Owners</b>	Risk Owner (Barry White) Mitigation Ownership (Heads of Services) – Departmental Contingency Plans
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**Risk ID: TCR02****Risk Theme: Transport for the North's Reputational and Political Engagement**

<b>Risk Description</b>	<p>Given the range of priorities facing central government, local partners, and other stakeholders, including the challenges of the COVID-19 pandemic, there is a risk that:</p> <p>(1) There is a lack of clarity with regard to the function of, and the funding arrangements for, Sub-national Transport Bodies which prevents the organisation from fulfilling its objectives and delivering its programme of works. The risk has been heightened by the recent announcements regarding the Northern Transport Acceleration Council and the uncertainty regarding its role and Transport for the North's relationship to it. This may result in the ambitions set out in the Northern Transport Charter not being delivered and not forming part of TfN's longer-term corporate objectives.</p> <p>(2) That Transport for the North does not achieve a funding settlement in the Spending Review that allows it to successfully deliver its stated objectives and that its funding arrangements might leave it unable to act in a way that delivers the aspirations of its members.</p> <p>(3) There is a mismatch between the expectations placed upon TfN regarding its ability to deliver improvements to the Northern transport system in the short to medium term, and the limited extent of its statutory powers and functions that focus on the provision of strategic advice rather than infrastructure delivery.</p>
<b>Risk Proximity</b>	Short to Medium term
<b>Risk Probability</b>	(1) High (2) High (3) High
<b>Assessed Risk Impact</b>	(1) Very High (2) Very High (3) Very High
<b>Potential Impact (Qualitative Description)</b>	<ul style="list-style-type: none"><li>TfN could lack the powers or the influence to deliver the economic, social and sustainability benefits to the North that it set out in the Strategic Transport Plan.</li><li>Inadequate funding for core functions or programmes may make it difficult for TfN to "speak with one voice", influence decisions, or access infrastructure funding.</li><li>Failure to make timely decisions with regard to projects and programmes, and could delay or prevent the benefits of strategic transport infrastructure from being delivered.</li><li>TfN's credibility could be negatively impacted by being unable to deliver across an "expectation gap" between its actual statutory responsibilities and powers and its perceived role.</li><li>TfN's funding arrangements prevent it from deploying resources to mirror northern priorities.</li></ul>

## Mitigation Action Plans and Level of Controllability

In order to be successful, TfN requires continuous 'buy-in' at a high level from a number of stakeholders. The "One Voice" for the North approach is the key foundation upon which TfN's ability to influence government is built, and a central organisational objective. Activities include:

Mitigation No.	Mitigation Strategies / Action Plans	Mitigation Control Level Assessment	Mitigation Control Level
1	TfN aspirations in relation to its future role and associated powers have been set out in the Northern Transport Charter. TfN will engage with DfT officials and decision makers to make the case for the Northern Transport Charter proposals and to seek further clarity from government on the future role of STBs and its appetite for further devolution.	Medium	Dependency Mitigations (Controllable)
2	Engagement with Members and constituent authorities at a political and officer level, stakeholders and partners, to continue to represent the 'one voice'.	Medium	Dependency Mitigations (Limited Control)
3	Structured engagement with central government officials and decision-makers.	Medium	Dependency Mitigations (Controllable)
4	TfN focus on contributing to the recovery phase of the Covid-19 pandemic by engaging with the DfT to promote the Economic Recovery Plan proposals.	Medium	Dependency Mitigations (Limited Control)
5	TfN to highlight where necessary the limits of its powers and when directed to seek to extend its influence for greater decision making.	Medium	Dependency Mitigations (Limited Control)

<b>Corporate Risk and Mitigation Owners</b>	Dawn Madin / Iain Craven
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**Risk ID: TCR03****Risk Theme: Embedding the Strategic Transport Plan (STP) across Programmes**

<b>Risk Description</b>	The Strategic Transport Plan (STP) was adopted by TfN in February 2019. It sets out the “Why, What and How” of TfN’s approach to facilitating inclusive and sustainable transformational economic growth across the North. If TfN programmes (and research) are not aligned with the STP, it would prove difficult to contribute to the delivery of the STP. In addition, it could impact on the development of additional detailed policy positions resulting in sub-optimal outputs from investments when measured against TfN’s overarching objectives.
<b>Risk Proximity</b>	On-going
<b>Risk Probability</b>	Low
<b>Assessed Risk Impact</b>	High
<b>Potential Impact (Qualitative Description)</b>	<ul style="list-style-type: none"><li>• Programmes of work develop in a way that does not contribute to, or runs counter to, the overall objectives and plan set out in the STP, resulting in the failure to achieve the aims of the STP or leads to sub-optimal impacts from transport investments.</li><li>• It is likely to create a siloed working culture causing business issues.</li></ul>

## Mitigation Action Plans and Level of Controllability

Mitigation No.	Mitigation Strategies / Action Plans	Mitigation Control Level Assessment	Mitigation Control Level
1	Co-ordination mechanisms have been established within TfN and with partners (such as the Strategic Oversight Group) to facilitate the co-ordination of programmes of work.	High	Controllable Mitigations
2	The Economic Recovery Plan (ERP) for a post Covid-19 stimulus package, has been endorsed by TfN Board. TfN has requested a discussion with DfT on their response to the ERP.	Medium	Dependency Mitigations (Limited Control)
3	TfN's Business Plan process for 2020/2021 includes specific activity in relation to the co-ordination of TfN rail activity to assist with alignment of the STP. In addition, a wider planning exercise is also being undertaken across the strategy team to ensure effective monitoring of the delivery of the STP is taking place.	High	Controllable Mitigations
4	TfN is currently developing an assurance framework which will allow the organisation manage changes in the investment programme consistent with the vision of the STP.	High	Controllable Mitigations
5	A robust benefits realisation framework is being developed to enable the evaluation of programme KPIs and allow the assessment of outcomes in relation to STP objectives.	High	Controllable Mitigations

<b>Corporate Risk and Mitigation Owner</b>	David Hughes
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**Risk ID: TCR04****Risk Theme: Delivery of Robust & Compelling Evidence to Support Investment**

<b>Risk Description</b>	<p>One of the objectives of the developing the analytical framework is to allow capture of economic impacts of transformational transport schemes. Further developments are underway to ensure robust evidence of economic transformation can be captured and quantified or qualified through the Analytical Framework.</p> <p>Funding delays, loss of key staff and a range of impacts from the COVID-19 pandemic has impacted the delivery timescales of the 2020/21 planned improvements. As a result, there is a risk that TfN might be unable to make a timely, robust, credible, evidence-based case to support NPR and the wider Investment Programme. This risk could lead to either delays to the delivery of business cases or limited powers to represent transformational benefits which could thus be discounted by decision makers due to a reduction in the quality and assurance rating of the analysis. This could limit TfN's ability to deliver agreed outputs outlined in the Strategic Transport Plan (STP).</p>
<b>Risk Proximity</b>	Medium-Term
<b>Risk Probability</b>	High
<b>Assessed Risk Impact</b>	High
<b>Potential Impact (Qualitative Description)</b>	<ul style="list-style-type: none"><li>• An insufficiently compelling evidence base, particularly around the programme level economic case may delay or prevent strategic transport infrastructure investments being made, with consequential impacts on TfN's ability to deliver its objectives.</li><li>• The inability to make a transformational case could damage TfN's reputation with partners as an organisation who's key objective is to take a leadership role in delivering innovative business cases to secure investments.</li></ul>

## Mitigation Action Plans and Level of Controllability

Mitigation No.	Mitigation Strategies / Action Plans	Mitigation Control Level Assessment	Mitigation Control Level
1	An independent review was commissioned to support TfN in setting priorities for TAME work and to make recommendations to improve processes and ways of working. The team is now working on the implementation of the recommendations which includes Prioritisation, Better communication/visibility and the appointment of a Team Co-ordinator which has taken place.	High	Controllable Mitigations
2	Programme timescales have been adjusted where it is sensible to make those adjustments without significantly impacting delivery against TfN's core objectives.	High	Controllable Mitigations
3	Scope is being managed in consultation with DfT, TfN Partners and Peer Reviewers to ensure essential functionality for robustly representing transformation is prioritised and added value functionality is deprioritised where appropriate. This will ensure that the approach is proportionate for the stage of scheme development.	Medium	Dependency Mitigations (Limited Control)
4	Added value work will be brought into programmes at a later date in the form of sensitivity analysis, ensuring that work undertaken to date can still provide value to TfN programmes.	High	Controllable Mitigations
5	The new TAME team structure and additional senior resources have been introduced with improved engagement with TfN programmes to ensure Analytical Framework development and application activities meet the needs of the programmes.	High	Controllable Mitigations

<b>Corporate Risk and Mitigation Owners</b>	David Hughes and Programme Directors
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**Risk ID: TCR05****Risk Theme: Transport Decarbonisation and Climate Change Emergencies**

<b>Risk Description</b>	<p>The UK government has set a climate change ambition that the UK will have net zero greenhouse gas emissions by 2050, this is an ambitious target which moves from the previous government position of 80% reduction. Within the Strategic Transport Plan (STP), TfN has committed to develop a "Pathway 2050" which will outline how net zero emissions can be delivered within the North and the trajectory for change. The impact of the Covid-19 pandemic on the ability to deliver on these imperatives is not currently well understood.</p> <p>In order to deliver on this ambition, TfN needs to collaborate with partners and the government to identify a target and policies to accelerate carbon reductions from the transport sector. There is a risk that TfN falls behind in developing appropriate and timely policy positions to support decarbonisation of transport, and thereby fails to integrate them into its strategic transport development plans. This would potentially result in an investment programme that is misaligned to partner / central government policies.</p>
<b>Risk Proximity</b>	Long-Term
<b>Risk Probability</b>	High
<b>Assessed Risk Impact</b>	High
<b>Potential Impact (Qualitative Description)</b>	<ul style="list-style-type: none"><li>• There is a risk that TfN falls behind in developing appropriate and timely policy positions to support decarbonisation of transport, and thereby fails to integrate them into its strategic transport development plans. This would potentially result in an investment programme that is misaligned to partner / central government policies.</li><li>• Failure to develop relevant policy positions adversely impacts on TfN credibility and influence as a Sub-National Transport Body.</li><li>• In the absence of an agreed policy framework with regard to decarbonisation and sustainability, TfN's programmes may not be adequately addressing decarbonisation and climate change issues. This would adversely impact upon TfN's ability to deliver successful business cases.</li><li>• In the absence of an agreed decarbonisation and sustainability policy frameworks, TfN's programmes may not be adequately addressing decarbonisation and climate change issues. In the medium to long term, this might contribute towards an excess of agreed global temperature rise (as defined by the Paris Agreement) and climate change which might impact upon the resilience of the North's transport infrastructure'.</li></ul>

## Mitigation Action Plans and Level of Controllability

Mitigation No.	Mitigation Strategies / Action Plans	Mitigation Control Level Assessment	Mitigation Control Level
1	The "Pathway 2050" is in development and will form part of the Decarbonisation Strategy. It will set out to outline specifically how TfN plans to deal with the climate emergencies in the transport field.	High	Controllable Mitigations
2	TfN has appointed an Environmental and Sustainability Officer responsible for developing the environmental policy; and to ensure the integration of the work into the development of TfN's transport strategies.	High	Controllable Mitigations
3	To ensure that the decarbonisation and broader sustainability / environmental policies that are developed by TfN are properly reflected in the Assurance Framework, and therefore appropriately weighted within TfN decision making processes.	High	Controllable Mitigations

<b>Corporate Risk and Mitigation Owners</b>	David Hughes
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**Risk ID: TCR06****Risk Theme: Transport for the North's Business Operations**

<b>Risk Description</b>	<p>TfN is fully funded through the Department for Transport (DfT) but it is responsible for its own financial affairs. There is a requirement for the business to demonstrate Value for Money (VfM) to ensure the delivery of programmes are achieved efficiently and effectively. As a result, there is a risk of the failure to deliver programmes' outputs in a way that achieves VfM in TfN expenditure. Additionally, there is a risk that TfN has insufficient funding to support its operation and programmes after the end of 2020/21.</p> <p>In order to deliver the programmes efficiently and effectively, the 2019/20 business plan has outlined its continued ambition to recruit qualified and competent officers to support the success of the organisation's objectives. Therefore, there is a continued risk that TfN fails to attract and retain suitably qualified staff.</p>
<b>Risk Proximity</b>	On-going, but current Core and Programme Funding run out at the end of FY2020/21.
<b>Risk Probability</b>	High
<b>Assessed Risk Impact</b>	High
<b>Potential Impact (Qualitative Description)</b>	<ul style="list-style-type: none"><li>• TfN has insufficient funding from 2021/22 onwards, preventing it from delivering on the aspirations of its members.</li><li>• Failure to achieve Value for Money could impact on TfN's ability to access funding in the future.</li><li>• Failure to recruit and retain the right people with the right skills could negatively impact on TfN's ability to deliver its objectives.</li></ul>

## Mitigation Action Plans and Level of Controllability

Mitigation No.	Mitigation Strategies / Action Plans	Mitigation Control Level Assessment	Mitigation Control Level
1	To make a clear case for funding during the Spending Review based on the outcome of the Members Working Group activity and the Northern Transport Charter, supporting TfN operations and programmes.	Medium	Dependency Mitigations (Limited Control)
2	Clear and well documented processes and procedures to be in place. VfM and governance to be undertaken by both internal and external audits.	High	Controllable Mitigations
3	Commissioning processes include OBT sign-off of expenditure, and explicit approval for expenditure against a schedule of delegations.	High	Controllable Mitigations
4	Engagement with stakeholders to ensure the case for TfN's funding is supported by members, business and in Parliament.	High	Controllable Mitigations
5	TfN continues to hire suitable qualified officers in all senior positions, but also including critical programme and back office roles. There is on-going training and communication across the organisation.	High	Controllable Mitigations
6	A comprehensive People Strategy has been developed and in place covering reward, workforce/skills planning, succession planning, recruitment and selection, talent and performance management.	High	Controllable Mitigations
7	A leadership programme is planned to be developed and delivered in FY 2020/21 to further support the leadership capability within the organisation.	High	Controllable Mitigations

<b>Corporate Risk and Mitigation Owners</b>	Iain Craven / Dawn Madin
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**Risk ID: TCR07****Risk Theme: Compliance with the Relevant Laws and Regulations**

<b>Risk Description</b>	Transport for the North is a statutory body with limited statutory powers and duties. There is a risk that in carrying out its functions TfN fails to be compliant with the relevant laws and regulations.
<b>Risk Proximity</b>	On-going
<b>Risk Probability</b>	Low
<b>Assessed Risk Impact</b>	Financial (High) , Reputation (High)
<b>Potential Impact (Qualitative Description)</b>	<ul style="list-style-type: none"><li>• If TfN fails to adhere to relevant legislation, there could be reputational impacts with both stakeholders and the public which may impact its ability to meet its objectives.</li><li>• There is a potential financial impact including fines or other penalties for breach of statutory obligations such as Data Protection, Freedom of Information or Health and Safety legislation.</li><li>• The ICO may issue a decision notice or the HSE may issue an enforcement notice if it found that TfN was in breach of the legislation.</li><li>• TfN could be subject to substantial financial damages for breach of the Public Contracts Regulations</li><li>• Important work may be delayed by a failure to comply with necessary obligations such as statutory consultation</li></ul>

## Mitigation Action Plans and Level of Controllability

Mitigation No.	Mitigation Strategies / Action Plans	Mitigation Control Level Assessment	Mitigation Control Level
1	TfN has suitably qualified officers in all senior positions, particularly the HoPS, S151 and Monitoring officer. In addition, TfN has employed an in-house legal team.	High	Controllable Mitigations
2	TfN ensures there are clear and well documented processes and procedures in place.	High	Controllable Mitigations
3	Ongoing training on laws and legislations and communication across the organisation.	High	Controllable Mitigations
4	To ensure that there is continuous legal review to TfN's Boards and Committees.	High	Controllable Mitigations
5	TfN employs in house legal and procurement specialists and regularly procures external legal advice on commissioning and procurement.	High	Controllable Mitigations

<b>Corporate Risk and Mitigation Owners</b>	Dawn Madin / Julie Openshaw
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**Risk ID: TCR08****Risk Theme: Revised Framework - Delivery of Contactless on Rail and Local Smart Ticketing**

<b>Risk Description</b>	The DfT IPDC has confirmed a delay in making a decision on Phase 3 (contactless on Rail) and TfN's proposals to mitigate the failure of the major bus operators to engage with its ABBOT proposals – namely the proposal to provide support to local schemes until the completion of the impending Spending Review and future years' funding are confirmed and the outcome of the Spending Review known. This means that the necessary funding might not be secured in a timely manner to progress on to the development of Phase 3 and Phase 4 initiatives.
<b>Risk Proximity</b>	Short-Term
<b>Risk Probability</b>	High
<b>Assessed Risk Impact</b>	Very High
<b>Potential Impact (Qualitative Description)</b>	<ul style="list-style-type: none"><li>• Failure to roll out Contactless on Rail across the North, or to support local schemes is likely to result in failure to deliver even part of TfN's multi-operator, multi-mode ticketing aspirations and consequential low levels of customer satisfaction for the passengers in the North of England.</li><li>• This may lead to a reputational damage as it is likely that TfN's strategic objectives will not be met.</li></ul>

## Mitigation Action Plans and Level of Controllability

Mitigation No.	Mitigation Strategies / Action Plans	Mitigation Control Level Assessment	Mitigation Control Level
1	To ensure funding, development and delivery of the Innovation pathfinders, as agreed with DfT are achieved and to continue to sight and engage with DfT on progress of work.	Medium	Dependency Mitigations (Limited Control)
2	To agree with DfT the on-going input of TfN's intellectual capital and learning into the national Contactless on Rail scheme to support value for money and the pace of delivery in readiness for a Comprehensive Spending Review decision.	Medium	Dependency Mitigations (Limited Control)
3	To continue the discussions with DfT to understand the options to secure funding. Once funding is secured, there is a requirement to agree TfN's funding role, responsibilities and accountabilities with DfT and HMT in order to inform consultations with LTAs in the north.	Medium	Dependency Mitigations (Limited Control)
4	To continue to discuss with the LTAs their submissions for local schemes (phase 4) and support the extension of the Open Data Hub (phase 5)	Medium	Dependency Mitigations (Limited Control)

<b>Corporate Risk and Mitigation Owners</b>	Jeremy Acklam
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**Risk ID: TCR09****Risk Theme: Northern Powerhouse Rail (NPR) Strategic Outline Case Delivery**

<b>Risk Description</b>	<p>Northern Powerhouse Rail is a high-profile programme that involves Northern partners, DfT, NR and HS2. TfN is due to submit a Strategic Outline Business Case (SOC) for NPR, which includes reduced options from that at SOBC, phasing scenarios and a preferred NPR network. To support SOC submission and approval by TfN Board, TfN must secure partner endorsement of a maximum of four (4) phasing scenarios for the SOC, agreement to sifting outputs and collective agreement to a preferred network. If these agreements cannot be reached, it is likely to cause a delay in finalising the SOC and achieving approval at TfN Board.</p> <p>There are risks and issues that might affect the successful delivery of the SOC. These are listed below:</p> <ol style="list-style-type: none"><li>1. <b>Infrastructure costs:</b> Network Rail's assured costs have demonstrated an increase of costs for NPR network to £48bn, which is an increase of 23% increase from the SOBC level. This increase is due to several factors and is both an issue as well as making it more challenging to develop a compelling and viable Strategic Outline Case to be submitted in March 2021.</li><li>2. <b>Cost Benefit Ratios:</b> There is an escalating risk that the BCRs associated with the transformational programme previously endorsed by members will show a reduction relative to the previous business case, making it more reliant on the quality of the Strategic Case.</li><li>3. <b>Partner Engagement:</b> The mitigation of the infrastructure costs and BCRs have resulted to an increased challenge to achieve a March 2021 SOC submission date. This has led to a reduced period of engagement with partners on emerging evidence, the output of sifting and leading up to TfN Board dates. The modelling outputs showing Level 1- Direct benefits to rail users and 2 benefits Static wider economic benefits, where we assume NPR doesn't change the location of households and businesses have been presented to the partners to ensure there is sufficient time for review and engagement. Level 3 - Dynamic wider economic impacts where we estimate how much relocation takes place as a result of NPR is currently with TfN's modelling team and RMAP and will be shared with partners in a timely fashion.</li><li>4. <b>TfN Board Decision-Making:</b> TfN Board might not be able to make a decision in support of the SOC delivery (March 2021) if the evidence base prove to be insufficient and/or partners did not have the sufficient time and engagement to review the evidences.</li></ol> <p>Although the risks above have been driven by technical development, the coronavirus pandemic has also played a significant part in delivery over the past few months, which has resulted in the programme re-phasing SOC delivery in FY 20/21. It is also worth noting the existing issues for Manchester Piccadilly in relation to making decision making.</p> <p>Finally, there is a risk that the outcome of Integrated Rail Plan (IRP) could impact the SOC as well as the next stage of the NPR programme sequence of delivery and in particular Outline Business Case (OBC). Therefore, uncertainty around IRP outcomes presents a significant risk to the programme. Clarity on the Government's</p>
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	intentions is unlikely prior to the autumn at the earliest. There is currently uncertainty regarding TfN's funding allocation beyond that date.
<b>Risk Proximity</b>	Short to Medium term
<b>Risk Probability</b>	(1) <b>An Issue</b> (2) <b>Very High</b> (3) <b>High</b> (4) <b>High</b>
<b>Assessed Risk Impact</b>	(1) <b>Very High</b> (2) <b>Very High</b> (3) <b>Very High</b> (4) <b>Very High</b>
<b>Potential Impact (Qualitative Description)</b>	<ul style="list-style-type: none"> <li>• Failure to achieve agreed corridor options from the sifting process is likely to result in delays to the SOC beyond the movements in the programme already communicated (i.e. the SOC to be approved in March 2021).</li> <li>• The assured cost increase will affect the BCRs and therefore likely to unfavourably impact the delivery of a compelling business case in March 2021.</li> <li>• If TfN is unable to submit and receive endorsement for the SOC, it may impact on future funding as Government would not want to approve the SOC without TfN Board endorsement.</li> <li>• The outcome of the IRP may influence the Northern Powerhouse Rail programme, the next sequence of delivery and the OBC.</li> </ul>

## Mitigation Action Plans and Level of Controllability

Mitigation No.	Mitigation Strategies / Action Plans	Mitigation Control Level Assessment	Mitigation Control Level
1	The programme team continues to work on the development of the phasing criteria set out in the Management Case. These include the powers, constructability, affordability and benefits realisation.	High	Controllable Mitigations
2	In constructing the roadmap, to include review and input by DfT as co-client, partners and delivery partners.	Medium	Dependency Mitigations (Limited Control)
3	The approach to the Sifting workshops has been developed and discussed with partners. Sifting dates have been confirmed and the NPR Stakeholder Management team is keeping Partners up to date, across a number of forums, on key mitigations in place to achieve confirmation of sift dates and provision of emergent evidence.	Medium	Dependency Mitigations (Limited Control)
4	The programme team has received the assured costs from Network Rail and are now working through them in detail. Receipt of the assured costs has now allowed a full cost review exercise to commence, with TfN working closely alongside DfT and NR in identifying opportunities for potential cost reductions and efficiency overlays across the network. This engineering and cost review exercise is now ongoing and whilst emerging opportunities can be referenced at sift, will be programmed to inform the finalisation of the SOC.	High	Controllable Mitigations
5	TfN is continuing to work with DfT to ensure the strategic case and wider economic impacts of the scheme are based on robust, compelling analysis, in order to increase the prominence and recognition of these elements of the case relative to the conventional BCR.	Medium	Dependency Mitigations (Limited Control)

6	TfN has set up a working group to develop its response to the Integrated Rail Plan and ensure that that is effectively communicated to members, partners, stakeholders and government, and that interfaces and interdependencies between IRP and NPR (including SOC) are closely managed.	Medium	Dependency Mitigations (Limited Control)
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<b>Corporate Risk and Mitigation Owner</b>	Tim Wood (NPR) / David Hughes (IRP)
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**Risk ID: TCR10****Risk Theme: Rail Operations – Franchise and Delivery**

<b>Description</b>	<p>Despite government guidance changes to encourage use of public transport and return to city centre offices, there is likely to be future suppressed demand as passenger behaviour moves to private vehicles and active travel. The effects of the coronavirus pandemic on demand may take many years to recover to previous levels which could lead to the following risks:</p> <ul style="list-style-type: none"> <li>(1) There is a risk that the passenger enhancements (such as the completion of new train programmes and additional services) might be delayed as driver training takes longer due to new working practises.</li> <li>(2) There is a risk that future schemes could be less viable as they have to be assessed against lower demand forecasts.</li> <li>(3) DfT Re-prioritisation and the Williams Review: The coronavirus pandemic has meant DfT has had to prioritise its focus and resources in responding to the pandemic. This has led to the delay in the publication of the Williams Review. In addition, the government may choose to focus on centrally deliverable initiatives such as franchise delivery and focus less on devolution. As a result, this may not align with the strategy of Members and would require a wider response from TfN.</li> </ul>
<b>Risk Proximity</b>	Short, Medium and Long-term
<b>Risk Probability</b>	(1) Very High (2) Very High (3) Very High
<b>Assessed Risk Impact</b>	<p>(1) Very High, (2) Very High, (3) Very High</p> <p><b>Note:</b> The post-mitigation risk assessment is rated Very High (VH) following the adoption of some of the identified mitigations. This is the same rating as the current risk assessment as TfN does not have the full range of levers within its current powers and responsibilities to implement the mitigations i.e. in order to effectively carry out the mitigations. The avoidance and reduction of the assessed impacts are contingent on partners and members taking further actions.</p>
<b>Potential Impact (Qualitative Description)</b>	<ul style="list-style-type: none"> <li>• If there is a delay in investment and delayed rolling stock, passenger frustration will continue to be frustrated and experience poor quality services. Severe adverse reputational impact and pressure from partners.</li> <li>• Less investment in services and infrastructure as a result of weaker business cases.</li> <li>• It could affect TfN's reputation by impacting on a significant part of its rail transformational programmes and overall agenda.</li> </ul>

	<ul style="list-style-type: none"><li>• The franchise system could be scrapped in favour of service contracts directly funded by HMT, potentially diminishing TfN's role and influence over operations.</li></ul>
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## Mitigation Action Plans and Level of Controllability

Mitigation No.	Mitigation Strategies / Action Plans	Mitigation Control Level Assessment	Mitigation Control Level
1	To continue to use our influence in the monthly Rail North Partnership Board, Rail North Committee and North of England Contingency Group to shape the re-introduction of services, new rolling stock and infrastructure developments and re-build passenger confidence.	Medium	Dependency Mitigations (Limited Control)
2	To continue with the close working relationship and communication with TfN member authorities on deliverables and risks - feeding back information through TfN governance structures.	Medium	Dependency Mitigations (Limited Control)
3	To continue to track train service performance and delivery via regular reporting dashboards.	Medium	Dependency Mitigations (Limited Control)
4	Strategic Rail and Rail North Partnership (RNP) to work together to support Network Rail and Operators in producing recovery plans that meet passengers' needs and rebuild confidence.	Medium	Dependency Mitigations (Limited Control)
5	To implement Blake Jones action plan to provide greater focus on passengers and ensure transparency with members as the COVID19 restrictions ease.	Medium	Dependency Mitigations (Limited Control)
6	TfN will continue to make the case for reform that supports the North's ambitions and will respond to the Williams White Paper once published.	Medium	Dependency Mitigations (Limited Control)

<b>Corporate Risk and Mitigation Owner</b>	David Hoggarth
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