

Transport for the North Audit & Governance Committee Agenda

Date of Meeting	Friday 19 November 2021
Time of Meeting	11.00 am
Venue	Virtual

Filming and broadcast of the meeting

Meetings of the Transport for the North are 'webcast'. These meetings are filmed and broadcast live on the Internet. If you attend this meeting you should be aware that you might be filmed and included in that transmission.

Item No.	Agenda Item	Page
1.0	Welcome & Apologies The Chairman to welcome members to the meeting.	Verbal Report
2.0	Declarations of Interest 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.	Verbal Report
3.0	Minutes of the Previous Committee To approve as a correct record the Minutes of the Audit & Governance Committee consultation call held on 16 September 2021.	3 - 10
4.0	Monthly Operating Report September 2021 To note and discuss the Transport for the North Monthly Operating Report.	11 - 40
5.0	Internal Audit Update To note the reports from RSM Risk Assurance Services <ul style="list-style-type: none"> - Purchase to Pay - Flexi-time System 	41 - 72

	- Progress Report	
6.0	External Audit Progress Report To note the report from Mazars.	73 - 86
7.0	Preparation of the Annual Governance Statement To advise Audit & Governance Committee of the revision to the Annual Governance Statement.	87 - 90
8.0	Financial Update <ul style="list-style-type: none"> - Year to Date Position - Budget Revision 2 - Incremental Grant Claim - Mid-Year Treasury Management Update - Opting into PSAA Regime 	91 - 100
9.0	Corporate Risk Register To highlight the significant risks associated with Transport for the North's ongoing programmes.	101 - 136
10.0	Future Meetings To discuss the options for future Audit & Governance Committee meetings including locations and splitting between virtual and in-person meetings.	Verbal Report

Transport for the North Audit & Governance Committee – Minutes

Meeting: Transport for the North Audit and Governance Committee

Date: Thursday 16 September 2021, 11:00 – 12:15

Venue: MS Teams remote meeting

Attendees:

Chris Melling (Chair)	Independent Member
Cllr Keith Little (Vice-Chair)	Cumbria County Council
Kevin Brady	Independent Member
David Pevalin	Independent Member
Graham Bell	Observer
Cllr Heather Scott	Tees Valley

Invitees:

Karen Murray	External Audit, Mazars
Alex Hire	Internal Audit, RSM UK

Officers:

Iain Craven	Finance Director
Paul Kelly	Financial Controller
Julie Openshaw	Head of Legal
Manjit Dhillon	Senior Lawyer
James Lyon	Legal Assistant

Apologies:

Cllr Liam Robinson	Liverpool City Region
Haddy Njie	Risk Manager

1.0 Welcome and Apologies

Action

- 1.1 The Chair welcomed Members to the call noting that it was originally intended to be held as an in-person meeting but due to matters of quoracy, it was being held as a Consultation Call under the delegated powers of the Finance Director.

- 1.2 He added that Transport for the North is actively seeking to recruit further Board Members to the Audit & Governance Committee in order to mitigate quoracy issues.

2.0 Declarations of Interest

Action

- 2.1 There were no declarations of interest.

3.0 Minutes of the Last Meeting and Matters Arising

- 3.1 The Chair advised that, due to the meeting being held as a Consultation Call, the Committee was unable to formally approve the minutes of 18 February and 10 June.

- 3.2 The minutes of the consultation call held on 15 July were considered and Kevin Brady highlighted a sentence in paragraph 7.9 as extraneous as the matter was more fully referenced in paragraph 7.10.

The Committee agreed that the sentence should be deleted.

RESOLVED: To note the minutes of the consultation call held on 15 July 2021 as a true and accurate record prior to formal approval at the next in-person meeting.

4.0 Monthly Operating Report (July 2021)

- 4.1 This is a standing item at Audit & Governance Committee. Iain Craven covered the report in brief and noted that the August report would be published shortly and available on the TfN website as usual.

- 4.2 Points highlighted included the ongoing delay to the publication of the IRP, which was still causing uncertainty in a number of areas. Current information was that that IRP could be published in late October / early November 2021.

- 4.3 Manchester Central Corridor work remained ongoing with timetable issues still being considered by TfN's Strategic Rail team and Network Rail, with reference to TfN Partners.

- 4.4 The Comprehensive Spending Review (CSR) had not been announced at the time the report was written. However, there is now a CSR in progress and an update on this would be given at the TfN Board meeting on 29 September.

RESOLVED: The report was noted, and its comprehensive nature praised.

5.0 Virtual Participation in Meetings

- 5.1 The current rules in TfN's Constitution mirror the legal requirements nationally stating that a Committee must meet in person for decision making purposes.
- 5.2 While the considerable advantages of having provision for some virtual attendance at meetings were noted, there is currently no provision in the Constitution to permit hybrid meetings of public-facing Committees and Boards. As a result, the Members Working Group (MWG) had considered amendments to the Constitution which would allow Members to join formal meetings virtually and to allow them to contribute to debate, although they would not be entitled to vote or to be counted as present for quorum purposes.
- 5.3 A further amendment to allow Members to put forward representations in respect of agenda items when they were unable to be physically present at the meeting was also considered.
- 5.4 The MWG had recommended that these amendments be approved by the Board and a list of proposed amendments to the Constitution was presented to the Committee.
- 5.5 Cllr Heather Scott appreciated the flexibility being shown by the report, but raised a point also made in Rail North Committee about meetings being held between Manchester and Leeds which presented travel issues for those Members further afield. She asked TfN to consider venues across the North.
- 5.6 The issue of having in place suitable arrangements for IT equipment and technology was also raised; the report had acknowledged that the possibility of a hybrid meeting was dictated by available technology. David Pevalin commented that this could require a considerable audit of available venues to assess their suitability for dial-in options.
- 5.7 Cllr Keith Little agreed that elected members often faced the challenges of a busy diary and excessive travel ate into this considerably. The option to manage the agenda across the year to put all decision-making items into two in-person meetings while others were run virtually was also explored.

RESOLVED: The Committee received the report and noted the recommendations made by the Member Working Group which would be considered at TfN Board.

6.0 Internal Audit Update

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- 6.1 The recent work performed by Internal Audit was summarised and the “substantial assurance” rating for Risk Management Strategy and the “reasonable assurance” for Governance Effectiveness noted.
- 6.2 The Risk audit had been brought forward to accommodate the change to the risk reporting system and the introduction of the ‘Predict!’ management tool. Two low action points had been identified connected with the transfer to the new reporting system.
- 6.3 Five low and two medium actions had been identified within the Governance Effectiveness audit, based on responses to the questionnaire. Kevin Brady asked if the relatively low response to the questionnaire had adversely affected the rating; Alex Hire replied that the audit had looked at consistent themes from the responses rather than individual replies and on this basis was content that a representative picture was portrayed.
- 6.4 The audit plan continued to progress well and RSM commented on the good engagement with TfN to allow the audit plan to align with TfN’s risk profile, auditing the higher risk areas as a priority.
- 6.5 The Committee thanked RSM for the reports and the reassurance given on the areas audited.

RESOLVED: The audit report was noted and there were no further questions arising.

7.0 External Audit Update

- 7.1 Mazars presented their final report stating that they intended to offer an unqualified audit opinion on Transport for the North’s accounts. It was noted that the accounts had been prepared to a high standard and KM extended her thanks to TfN for the cooperation and collaboration throughout the audit.
- 7.2 A small amount of work outstanding was noted on the following areas:
- the pensions assurance letter;
 - the review and closure;
 - whole of Government accounts.
- 7.3 The pensions assurance letter was expected shortly and there were no issues of concern raised with this. The review and closure remained an audit administration matter requiring the receipt of the accounts as signed by the Board.
- 7.4 The matter of Government accounts was noted as being a calendar issue and again was not an area of concern.

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- 7.5 Mazars commented that the work done was in accordance with the Audit Strategy Memorandum presented in February 2021 and this materiality remained unchanged.
- 7.6 The risks inherent to Transport for the North were briefly discussed and the areas of pension liability and intangible assets both referenced. Minor administration points around the narrative were noted with the overall comment that that were no issues of concern.
- 7.7 Mazars reminded the Committee that they no longer offered a Value for Money conclusion following the changes to the National Audit Office Code of Practice and now issued a report considering the financial sustainability, governance and decision-making, and efficiency measures. The report cited strong control measures in place while noting the risks of a single source of income.
- 7.8 Iain Craven thanked Mazars for their work, again noting the additional difficulties of conducting the full audit under remote working conditions.

RESOLVED: There were no questions or comments arising from the report, which was received and noted.

8.0 Year End Statutory Accounts

- 8.1 The Chair reminded the Committee that this was the third time this year that they had examined the accounts and Paul Kelly added that the consultation call of 15 July had seen the accounts scrutinised in some detail.
- 8.2 The use of Track Changes within the document was noted in order to make the adjustments to material transactions within the accounts completely open; specific reference was given to the change from an impairment to a disposal of, intangible assets which altered the presentation of the transaction but not the net balance sheet position of TfN.
- 8.3 Kevin Brady thanked TfN for the clarity with which the changes had been presented and explained.

RESOLVED: The Audit & Governance Committee members present expressed approval for the Annual Governance Statement and the recommendation that TfN Board approve the Annual Statement of Accounts.

9.0 Draft Audit & Governance Committee Annual Report to the TfN Board

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- 9.1 Iain Craven reminded the Committee that the Chair reports back to TfN Board annually, detailing the activity carried out by the Committee and the fulfilment of its Terms of Reference.
- 9.2 The draft report was noted as requiring amendments to factor in the short-notice change of the meeting from an in-person one to a Finance Director's Consultation Call under the powers of the TfN Constitution.
- 9.3 The Chair covered the key points of the report which summarised the Committee's activities and he commented further on the membership of the Committee which had been noted in 1.1 in respect of quorum requirements.
- 9.4 The internal audits and TfN's own internal register of risks that the Committee had considered and approved throughout the year were summarised along with a comment on how this complied with both the Committee's Terms of Reference and TfN's Annual Governance Statement.
- 9.5 The Chair highlighted that the letter to the TfN Board was a result of the hard work of the Audit & Governance Committee throughout the year.
- 9.6 The External Audit report was summed up as providing sufficient assurance on TfN's accounts. TfN's internal risk register progress, including the updated format, was also noted as providing comprehensive assurance on TfN's programme of risk identification and management. The areas of work that Internal Audit had scrutinised throughout 2020/21 were also referenced along with the assurances obtained from them that TfN had strong governance controls in place to manage its programmes.

RESOLVED: Having reviewed the findings from internal and external audit, and the submissions from Officers, the members of Audit & Governance Committee in attendance were satisfied assurance can be provided to the Board in the areas reviewed that a sound control framework is in place and that the Board should approve the Corporate Governance Review, Annual Governance Statement and the Statement of Accounts.

10.0 Updated Corporate Risk Register

- 10.1 Iain Craven advised the Committee that Haddy Njie, Risk Manager would be leaving TfN shortly and he thanked her for her work over the past 5 years. Members added their thanks.

- 10.2 The report presented to the Committee on this occasion would also be presented to TfN Board on 29 September as part of its twice-yearly review of it. The role of Audit & Governance Committee in monitoring the Risk Register as a standing item at every meeting was also noted.
- 10.3 The Covid risk had been lowered to account for the vaccination programme and the fact that neither TfN nor its partners had seen significant disruption due to Covid although the pandemic, and the related financial situation, had had a noticeable delaying effect on Government policy and spending announcements, and this had been recognised in the mitigations.
- 10.4 The post-mitigation risk levels around embedding the Strategic Transport Plan have been reassessed and lowered as TfN retains a high level of control over the risks.
- 10.5 A review of the Strategic Rail risks was noted to be under way, and the risk register was expected to change slightly before its submission to TfN Board due to updates on the TransPennine Route Upgrade integration risk and the ongoing East Coast Main Line and Manchester Corridor timetable discussions.
- 10.6 Kevin Brady requested a further addition to the Risk Register, a “direction of travel” indicator to convey the information at a glance as to whether the risk had increased or decreased since the previous report. Iain Craven indicated that this would be addressed.

RESOLVED: The Committee noted the report and once again commented on its comprehensive nature and clear format and noted that the “direction of travel” indicator would be addressed.

The meeting concluded at 12:15

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Transport for the North Monthly Operating Report September 2021



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Introduction

Summary from the Chief Executive

A draft response to the Williams-Shapps Plan was presented to TfN Board in September 2021. TfN is now working with the Great British Railways (GBR) transition team on more detailed proposals as to how the White Paper might be delivered in the North. Our operational focus remains on working with the industry to support recovery - passenger demand has levelled off, with Northern reporting demand of 75% of pre-Covid levels and TransPennine Express (TPE) reporting 62.5%.

Collaboration between DfT and TfN through the Manchester Recovery Task Force continues to strengthen. This has led to bringing together infrastructure enhancements with a 'railmap' of future service enhancements in support of the second wave of public consultation on the proposed service changes for the December 2022 timetable.

The delay to the Integrated Rail Plan (IRP) continues to impact projects including Transpennine Route Upgrade (TRU) and Northern Powerhouse Rail (NPR), as many activities can only be undertaken after IRP publication. In the meantime, technical modelling continues with the improvement of the land use methodology, and improvements are being made to the OPEX (Operational Expenditure) cost model.

Long-term project-work has continued, with teams starting to develop a TfN Combined Train Service Specification, the publication of the Northern Transport Charter (NTC), and preparation of the TfN Freight & Logistics Strategy for consultation. Responses to the TfN Decarbonisation Strategy consultation have been assessed and are being reflected in the final version of the document being presented to Board for consideration/approval in November 2021.

TfN Board agreed TfN should start a new programme of work to update the Strategic Transport Plan (STP). The overall programme and approach to developing the STP was agreed by the TfN Board in September 2021. The programme will need to have some level of flexibility to respond to external events, and it will need to align to other significant activities including the creation of Great British Railways (GBR).

The Investment Programme Benefits Analysis (IPBA) has completed its pre-Gateway Project Review (GPR), with other aspects of the project also under way including freight modelling scheduled for completion in October 2021.

The Major Roads Report (MRR) has been finalised and being readied for Board approval in November.

Ahead of the Spending Review due to be published on the 27 October 2021, TfN submitted its funding requirements to the Department for Transport in early September, setting out the case for a multi-year funding settlement for the organisation. In addition, we are developing proposals in response to an offer of additional funding from DfT, working with other Sub-national Transport Bodies where appropriate.

Northern Powerhouse Rail (NPR)

Monthly Summary

Submission of the Strategic Outline Case (SOC) for NPR is awaiting publication of the Integrated Rail Plan, which was originally expected to be published in December 2020. TfN has not yet been informed of a revised publication date. Pending publication of the IRP, existing remitted activity is continuing, and co-clients and delivery partners (Network Rail and HS2) are reviewing opportunities for additional activity that will support the development of NPR. This work will help ensure the programme is in a stronger position for delivery of the Strategic Outline Case (SOC) after publication of the IRP and project Outline Businesses Cases (OBCs) which will then follow.

Activity Update

Infrastructure

Following NPR Programme Board agreement on 2 September 2021 regarding the next areas of focus for the Manchester – Sheffield corridor, delivery partners (Network Rail and HS2) have been asked to prepare impact assessments for further work on interventions at Chinley and New Mills, and the HS2 route connector. Phase 2 of the Leeds – Hull ground investigation surveys has been impacted by other work on the railway, which has restricted Network Rail access. The schedule of site visits is being revised with the new completion date now expected to be January 2022. While TfN awaits the publication of the IRP, discussions have commenced between TfN, DfT and Network Rail on planning for work to recommence on developing the business cases for Rotherham Midland Main Line (RML) and Barnsley Dearne Valley (BDV) stations. TfN is working with colleagues in Network Rail Eastern Region to develop a detailed remit, as well as investigating the legal and commercial agreement required to commence this work.

Technical Assurance, Modelling and Economics (TAME)

The improvement of the land use methodology is under way, with the initial focus on a review of the previous Jacobs approach. The team is now engaged with developing improvements to this process over the next period to prepare for a revised SOC and to provide the DfT with greater assurance on the benefits NPR is getting at Level 3 from the Northern Economic Land Use Model (NELUM). Following the DfT audit on the Northern Rail Modelling System (NoRMS) version 1d, a workshop was held in the period between TfN and modelling partners to address audit outcomes and agree next steps in the model's development. TAME is currently undertaking updates to the Operational Expenditure (OPEX) cost model, to reflect more up-to-date assumptions with work to be concluded in the coming weeks, subject to assurance review. Regarding stations analysis, the methodology for the multi-criteria assessment framework has been further revised following an internal review by TAME and NPR infrastructure team. This is to be shared with DfT, Network Rail and partners in October 2021. This will include outputs of an internal trial run of the methodology on data for Liverpool station hubs.

Commercial Management

The Commercial Management team has provided support on the Spending Review, looking at spend profiles based on the preferred network to feed into the DfT asks to HMT. Additionally, the team is providing estimating support on the business case for RML and BDV stations, which includes looking at the cost drivers of the stations, carrying out benchmarking, and reviewing the optimism bias application.

Business Case

Work has now completed on the SOC evidence directory, a single repository of sources that have been used in the development of the SOC for each case, and all five cases are now complete. Following a recent review of the new place-based analysis section of the economic case by the business case team, an overview of the content was delivered to working group on 19 August 2021. Place-based analysis shows how the impacts of NPR differ across places and different groups of society. It covers areas such as jobs, business, agglomeration, and user benefits.

Risks

Risk Summary	Summary of Mitigating Measures	KPI
<p>IRP delay and impact to co-clients' ability to agree current and future financial year scope. As a result of the programme's dependency on the publication of the IRP, the co-clients are unable to agree that all of the activity set out in the TfN Business Plan for 2021/22 should be taken forward. Further, continued delay may lead to a review of current instructed scope to ensure the programme reduces risk to abortive work and ensures value for money is maintained. This could result in delays to proposed programme activity for 21/22 and beyond, as well as impacts on commissioning and mobilising programme teams to deliver work in 21/22 and readiness for delivery in future years (e.g., OBC, FBC).</p>	<ol style="list-style-type: none"> 1. Following the publication of the IRP, review scope between co-clients with a view to instructing on-hold items. 2. Ongoing discussions at a senior level regarding scope that can start in the absence of IRP. 3. Review impact of delays on each work package's ability to reach single option and develop response plan. 4. Paper to be presented to programme board requesting that co-clients instruct commencement of OBC/FBC preparation activity. 	9, 10
<p>IRP conclusions and decision-making. IRP conclusions may impact SOC if recommendations on funding, phasing and/or route option specification are different from those agreed by TfN Board. This may result in partners not accepting the conclusions, which may impact ways of working as well as importing delays to SOC update and submission to TfN Board and Government.</p>	<ol style="list-style-type: none"> 1. IRP response team has been created. A rapid review of the IRP to take place to understand impact on the SOC and 21/22 Business Plan. Engagement with partner organisations on proposed programme team activity to take place for post-IRP review. 2. Work is under way on scope activity that has been agreed between co-clients. 3. Scenario planning is underway to understand the implications of IRP scenarios on NPR and the SOC. 	7-10
<p>Transpennine Route Upgrade (TRU) integration. There is a risk that the NPR programme may become misaligned from the TRU programme if there is a lack of integration between the programmes, such as irregular communication channels/forums, and if there is no/minimal reciprocal representation within each programme's governance. This may result in avoidable costs and delays as a consequence of duplication of effort, rework and strategic misalignment. In addition, the lack of integration may lead to missed opportunities for cross-programme assurance.</p>	<ol style="list-style-type: none"> 1. An initial working level TRU meeting was held with Network Rail in August to discuss way forward on knowledge sharing between TfN and Network Rail. This has now become a regular monthly meeting, allowing for more collaboration on key infrastructure. TfN presence (NPR & Strategic Rail Director) at periodic TRU oversight and TRU Programme Board meetings is to take place going forward. The initiatives above allow discussions to take place at both working and strategic levels and ensures all areas of interest are known across appropriate organisations. 	7, 8

Programme and Look Ahead

TfN Board

The timing and content of briefings to TfN Board will be shaped by the eventual publication of the Integrated Rail Plan.

Strategic Rail

Monthly Summary

A draft formal response to the Williams-Shapps Plan published in May 2021 was presented to TfN's September Board. Some minor modifications to the response were agreed, including emphasising how the voice of business is represented through the LEPs on TfN's Board. TfN is now working with the GBR transition team on a more detailed proposal as to how the White Paper might be delivered in the North.

Collaboration between DfT and TfN through the Manchester Recovery Task Force continues to strengthen. This has led to bringing together infrastructure enhancements with a 'railmap' of future service enhancements in support of the second wave of public consultation on the proposed service changes for the December 2022 timetable.

Activity Update

Rail Operations

Passenger demand has levelled off with Northern reporting demand of 75% of pre-Covid levels and TransPennine Express (TPE) seeing a slight decrease to 62.5%. It will take several weeks to see the full impact of the September return to work and education. The operational focus remains on working with the industry to support the recovery and the message of 'travel with confidence'. Performance remains strong and has improved slightly since the summer period. The DfT has now confirmed that the East Coast Mainline (ECML) timetable due for implementation in May 2022 will be delayed by at least 12 months. TfN is working closely with the industry and DfT as alternative proposals are considered.

Rail Investment

Network Rail has confirmed that power supply modelling to support electrification of the Transpennine Route Upgrade (TRU) corridor will assess the needs of both passenger and freight services. A decision on the final outputs for TRU is anticipated to form part of the Integrated Rail Plan for the North and Midlands. Analysis is underway of the performance benefits of providing platforms 15/16 at Manchester Piccadilly station in parallel with works at Oxford Road. This will evidence their impact on a range of performance and demand-led train service requirements on the Castlefield Corridor.

The contract between TfN and Network Rail to undertake a further two Theoretical Line Speed studies and validate the findings of the Hope Valley Study has commenced.

TfN attended Network Rail's (NR) joint industry investment planning in September for Liverpool City Region and Greater Manchester. NR is now collating the inputs and will arrange further engagement sessions on development of forward plans.

Risks

Risk/Issue Summary	Summary of Mitigating Measures	KPI
Proposed timetable changes on the East Coast Main Line (ECML) in May 2023 and Manchester in December 2022 will have an impact on local connectivity, thereby reducing choice	1. TfN has appointed a consultant to explore how regional services that would be lost can be restored on ECML.	1

<p>for passengers. On the ECML, there is a risk of reduction in East-West connectivity to facilitate an additional North-South service from Newcastle to London. In relation to Manchester, a new timetable structure has been agreed from December 2022 to improve performance, but at the expense of some connectivity in the short-term pending infrastructure improvements.</p>	<ol style="list-style-type: none"> 2. TAME has been commissioned to produce economic impacts of the timetable change on the ECML. 3. A collaboration between DfT and TfN to develop a railmap of investment to support further capacity on the ECML will be established 4. Regarding Manchester, collaborative work continues with DfT. A railmap linking infrastructure to future service development has been developed. 	
<p>The publication of the Rail Reform White Paper has insufficient detail about the role of TfN and other devolved bodies to allow a clear appreciation of their future role. There is a risk that TfN could have a different role in service delivery following the publication of the Williams-Shapps review. The role of devolved bodies or Rail North Partnership is not outlined in the White Paper with current proposals showing rail contracts aligning under a new organisation (Great British Railways).</p>	<ol style="list-style-type: none"> 1. TfN has appointed a consultant to respond to the White Paper and put forward the role TfN can play in GBR in the future. This paper went to TfN Board on 29 September and was endorsement as the agreed position. 2. TfN through its role on the RNP continues to engage with the DfT at the highest level. 3. TfN is now working collaboratively with Network Rail and the transition team on a proposition for rail in the North under the White Paper proposals. 	3
<p>The long-term effect of Covid-19 on the viability of train services and future investment decisions. There is a risk that the current services could be cut due to the increased cost of the subsidy that is required from the Treasury. In addition, the reduced current services could further impact future schemes, making schemes less viable as they have to be assessed against lower demand forecasts. There is also a risk that the passenger enhancements (such as the completion of new infrastructure) will continue to be delayed with lower service offerings on routes which in turn will lead to weaker business cases.</p>	<ol style="list-style-type: none"> 1. Working with the industry to develop new innovative ways to reduce the level of subsidy including more agile timetable plans. 2. Use the Return to Rail campaign to increase the farebox revenues; using the Rail North Partnership as an avenue to influence change. 3. Provide viable value for money options to the funder that align with decarbonisation strategy, future growth and opportunities to improve connectivity. 4. Look at innovative solutions to working with the industry on initiatives and fares options that will increase demand on the network and appeal to new and existing customers. 	1
<p>TRU fit with the wider investment strategy in the North. There is a risk that the IRP reopens discussion on existing government commitments' including both legs of HS2 Phase 2b, NPR and TRU. Delivery of TfN's STP might be impacted. There is potential for severe adverse reputational impact for TfN and pressure from partners.</p>	<ol style="list-style-type: none"> 1. Strategic Rail, Strategy & Programmes, and NPR to continue to work together to identify potential integration between TRU, NPR and HS2 and understand how they best interface with other's programmes across the North (Manchester, Leeds/Sheffield/York etc). 2. TfN to continue to challenge the cost of major scheme projects and support the development of complementary and independent interventions on the classic network that can be delivered early subject to a suitable business case. 	6

Programme and Look Ahead

- Working through the Rail North Committee and TfN Board, continue to consider the outcome of the Manchester Recovery Task Force consultation.
- Understand and disseminate the analysis of performance benefits of Piccadilly platforms 15 and 16.
- Support, monitor and assist the industry to rebuild services, passenger demand and confidence.

- Working with NR and the GB Railways transition team on a proposition for rail in the North under the White Paper proposals.
- Develop proposals for addressing network gaps linked to the Long-Term Rail Strategy (LTRS) and produce the next stage of the TfN Stations Strategy.
- Continue to support the TfN response to the anticipated Integrated Rail Plan.
- Continue to work closely with DfT and Network Rail to secure successful delivery of the TRU project objectives.
- Continue to work with NR to commission studies to assess the feasibility of interventions to improve resilience and reliability of the rail network.

Strategic Transport Plan (STP)

Monthly Summary

The TfN Board has agreed that TfN should commence work on a new programme of work to revise and update the STP and seek adoption of the new Plan no later than Spring 2024.

The STP programme will help guide and prioritise policy development, research and analysis within TfN as work on the STP progresses. The technical detail and scope of the activity will need to be scaled to TfN's overall funding level and agreed with the Board through the Business Plan for 2022/23. TfN will need to carefully manage uncertainties and external dependencies and create a flexible plan that can respond to events. We also need to align to Government and partner activities as well as industry processes, particularly the creation of Great British Railways (GBR).

Activity Update

- The overall programme and approach to developing the STP was agreed with the TfN Board at the end of September 2021. In agreeing the programme, the Board has asked officers to consider how the timetable for adopting the STP could be brought forward from Spring 2024.
- TfN is continuing its programme of work to update the policy positions in the 2019 STP, including initial draft policy position papers on spatial planning and multimodal hubs. Activity in September has been largely internal ahead of early engagement with partners that will lead to a presentation to TfN's Strategic Oversight Group in November 2021.
- An early step in updating TfN's strategic objectives is to refresh the Northern Powerhouse Independent Economic Review, first published in 2016. In support of the STP programme and in preparation for the full NPIER programme expected to commence in 2022, TfN is now commissioning initial research to revisit the central themes of the NPIER and review progress in growing the prime and enabling capabilities since 2016.

Programme and Look Ahead

Through the programme there will be a number of significant staging points and decisions, including:

- Autumn 2021: publication of the Integrated Rail Plan and Levelling Up White Paper, work commencing on the NPIER programme and initial STP planning activity starting.
- Mid/late 2022: agreeing a new NPIER and agreeing the objectives and outline scope of the next STP.
- Early 2023 agreeing the key road and rail investment priorities for the North, updating the Northern Infrastructure Pipeline, and the final evidence base for the STP.
- Spring/Summer: 2023 Board approval of the draft STP ready for consultation.
- Summer 2023: statutory public consultation on the draft STP.
- Autumn 2023: response to the consultation.
- February 2024: new STP adopted by Board.

In agreeing the high-level programme, the TfN Board has asked officers to produce a revised timeline so the new STP can be adopted sooner than 2024. The options for accelerating the programme will be presented to members at the November TfN Board meeting.

Strategy, Policy, Research & Economics

Monthly Summary

Key policy and strategy development activities include the finalising of the TfN Decarbonisation Strategy, preparation for the consultation on the TfN Freight & Logistics Strategy, and taking forward the next steps on the Northern Transport Charter, including the approach to citizen engagement and prioritisation.

The Research and Economics team's research programme continues. The primary research has been completed for the Transport-Related Social Exclusion (TRSE) project; the User Insight Phase 3 report was published; and a number of significant commissions are currently out to market. The team is consulting with partners on the next steps in the development of the Northern Powerhouse Independent Economic Review.

Activity Update

- The public consultation on TfN's Decarbonisation Strategy ran until 31 August 2021 and generated around 240 responses. The responses are currently being analysed and necessary updates being made to the strategy document before the TfN Board is asked to consider/approve the strategy in November 2021.
- Initial work on the early activities set out in the strategy has continued, including Clean Growth Visions (focusing on developing evidence-based demand management narratives), and consideration of embodied carbon assessment processes on our projects. Work on the Pan-Northern EVCI Framework (led by TfN's Major Roads team) and a research study examining a hydrogen refuelling network (the Athena project, led by Durham and Herriot Watt Universities) are now significantly advanced, with the former moving to Phase 2 by the end of 2021 and the latter due to report in February 2022.
- Work on the TfN Freight & Logistics Strategy has continued in preparation for consultation. The consultation draft has been updated to reflect DfT's Transport Decarbonisation Plan and a supplier is now in place to support the consultation process.
- Northern Transport Charter (NTC) work in September 2021 has focused on commissioning external specialist support to help develop and test approaches to citizen engagement within TfN's decision-making arrangements, and development of an Independent Advisory Group to provide advice to Board on specific topics.
- The team is starting to develop a TfN Combined Train Service Specification which would show the level of services that will be needed in 2050 to meet TfN's standards and to integrate Northern Powerhouse Rail, HS2 with the rest of the rail network. TfN partners will be fully involved in this work in the Autumn.
- The User Insight into Pan-Northern Travel (Phase 3) study is now complete. The study provides insights from business owners on recent and potential future commuting patterns, business-related travel, and demand for transport of goods; and explores the potential impact of transport investments on the North's business community. Key findings from the study

have been shared internally across TfN and will be shared with SOG and AAG partners once the report has been published on the TfN website.

- The supplier for the Transport-Related Social Exclusion (TRSE) research project has completed the majority of primary data collection, and the project is on track for completion to the revised November timeline.
- The team is currently consulting with partners on plans for the longer-term Northern Powerhouse Independent Economic Review (NPIER Programme), with the survey closing on 15 October 2021.
- A number of commissions are currently being procured, including Transport, Health & Wellbeing in the North of England; Citizen’s Engagement development; NPIER - Capabilities, Local Data and Narratives; and Monitoring and Evaluation.

Risks

Risk/Issue Summary	Summary of Mitigating Measures	KPI
<p>STP Buy-in from Government. Risk central government (DfT) may not consider and/or listen, accept TfN’s advice on proposed transport interventions for the North.</p>	<ol style="list-style-type: none"> 1. Regular engagement sessions with the appropriate leads within DfT to ensure a joined-up approach and have discussed both the draft Decarbonisation and Freight & Logistics Strategies with them for comment and feedback. 	19 & 22
<p>TfN embedding the STP across programmes. Risk regarding how the STP and policy positions are embedded across the organisation and how they are joined up across the programmes. If not managed well, a working siloed culture may be prevalent, causing a multitude of business issues to TfN.</p>	<ol style="list-style-type: none"> 1. TfN has recently completed work on the TfN Policy Development Framework which will ensure consistency across TfN workstreams. 2. 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. 3. 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. 	20
<p>TfN Decarbonisation Strategy. TfN is unable to develop appropriate and timely policy positions, meaning the North fails to achieve close to zero carbon emission for surface transport by 2045.</p>	<ol style="list-style-type: none"> 1. Careful planning of TfN decarbonisation activities to ensure priority actions are given appropriate focus and resources. 2. Dedicated officer in post responsible for ensuring TfN adopts appropriate and timely policies across TfN workstreams. 3. Develop mechanisms to ensure decarbonisation and sustainability are reflected in project and strategy decision-making. 	19
<p>Economics and research programme. Timescale delay and poor-quality outputs from commissioned projects cause delay to inter-dependent projects and/or reputational damage to TfN.</p>	<ol style="list-style-type: none"> 1. High quality suppliers selected through rigorous procurement process 2. Weekly catch ups with suppliers to flag any potential timescale delays 3. Thorough discussion of methodology and approach and early sight of outputs to prevent poor quality outputs 	19, 20

Programme and Look Ahead

- Finalisation of the Decarbonisation Strategy – November
- Completion of the Transport-Related Social Exclusion Research - November
- Initial piloting of citizen engagement approaches – Q4 2021/22.

Investment Programme

Monthly Summary

The Gateway Project Review (GPR) for the Investment Programme Benefits Analysis (IPBA) project has now been completed and the post-GPR modelling has started. This commission is critical to understanding the economic, social and environmental benefits of the TfN Investment Programme. The analysis will use DfT's conventional growth scenario, and TfN's four Future Travel Scenarios, to assess the Investment Programme against three different funding strategies. This work will enable TfN to make a strong evidence-based case for transport investment and provide a clear picture of the potential impact of the Investment Programme on carbon emissions.

Activity Update

- The project team presented the GPR report to Executive Board on 16 September 2021. The GPR has identified minor changes to be introduced to the project scope and re-baselining of the project programme.
- Freight modelling, by supplier MDS Transmodal, is ongoing and is due to finish early October 2021.
- The post-GPR modelling approach has been agreed and is detailed in the Appraisal Specification Report.
- The Investment Programme Scheduling Refinement Report was shared with the Strategic Oversight Group in September. This report seeks to provide the evidence base behind the sequencing decisions contained within the Gateway Review Report.
- The team has developed the outline and terms of reference for the Strategic Programme Outline Case (SPOC), with a workshop scheduled for October to assign chapter owners and develop a SPOC delivery programme.
- The team is continuing to monitor and manage the project risks, including ensuring a suitable level of engagement with partners.

Risks

Risk/Issue Summary	Summary of Mitigating Measures	KPI
<p>Variable Demand Modelling (VDM) – A suitable updated NorTMS VDM model, which has been tested sufficiently, may not be available for the post-GPR modelling work. This may impact on the project programme or quality of modelling outputs.</p>	<ol style="list-style-type: none"> 1. Use the current version of NorTMS rather than the updated version, which was used for NPR, subject to further testing to check outputs meet the minimum requirements. 2. If a suitable NorTMS model is not available, continue to use separate NoRMS (rail) and NoHAM (road) models. 3. Draft the Strategic Programme Outline Case (SPOC) in parallel to the modelling work to save time. 	13
<p>Future Travel Demand Scenarios – The models may not converge under onerous future demand scenarios as the future networks may not have the capacity to accommodate the level of growth. The potential impact and implications for the project are not yet fully understood.</p>	<ol style="list-style-type: none"> 1. Discuss with DfT and TAG to understand the implications. 2. Dampen the elasticity (the extent to which a change in costs/time, represented in the model, leads to a change in demand) in the transport model so that demand is reduced to better meet supply requirements. 	13

	3. Accept the limitation of the non-convergence and explain in the SPOC.	
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Programme and Look Ahead

- In accordance with the GPR recommendations, an additional sensitivity test that will consider the impacts of delaying delivery of the Investment Programme by five years is being added to the project scope.
- The project team will monitor and prepare for the potential impact of the Integrated Rail Plan on the IPBA programme. The timing and scale of the impact is unknown.

Major Road Network (MRN)

Monthly Summary

TfN has received the full 2020 dataset from the mobile device commission and is currently working with the supplier to develop the interface partners will use to access this. The team has agreed with the principles set out in a Sub-National Transport Body (STB) Engagement Framework with National Highways. The Major Roads Report (MRR) and key messages summary have been finalised and will be shared at Executive Board on 14 October 2021.

Activity Update

- The MRR and a key messages summary have been finalised and are now being designed for publication. Partners have signed off the content and the report will be shared at Executive Board on 14 October 2021.
- Work continues on the Electric Vehicle Charging Infrastructure (EVCI) project, with the supplier team now embedded and building the EVCI model and evidence base. Productive meetings with the Regional Steering Group, the Office for Zero Emission Vehicles (OZEV), Electricity Distribution Network Operators (DNOs) and National Grid have taken place.
- TfN has received the full 2020 dataset on the performance of the MRN for the North project from the mobile device commission and is currently working with the supplier to develop the interface partners will use to access this.
- The team has agreed with the principles set out in a Sub-National Transport Body (STB) Engagement Framework with National Highways as well as the Route Strategies Regional Engagement Plan.
- A TfN multimodal hub policy position continues to be developed, and a call for evidence will be circulated to partners in early October 2021.
- TfN has supported National Highways with the statutory public consultation events for the A66 dualling project, which has now started. This includes advice on the approach and input into stakeholder communications.

Risks

Risk/Issue Summary	Summary of Mitigating Measures	KPI
<p>Major Roads Network 1 (MRN1), 2020-2025 – There is a risk of lack of clarity around any decisions made regarding the proposed road investments for MRN1, which could lead to reputational risk and partners having less confidence in TfN if the DfT policy on MRN funding changes without a clear reason why.</p>	<ol style="list-style-type: none"> 1. DfT to present regular updates at the Major Roads Group. 2. Liaise with DfT if partners require further information around the decision-making process. 3. Share monthly updates on MRN and SRN schemes with National Highways on progress. 	18
<p>EVCI stakeholder expectations and interaction – If there is any misalignment of objectives or miscommunication with key stakeholders, there is a risk that stakeholders might not be clear on the outputs to be delivered, it's uses, and their inputs required. This could lead to reputational risk, poor partner</p>	<ol style="list-style-type: none"> 1. Host ongoing EVCI Steering Group to test and feedback on outputs. 2. Ensure significant partner engagement during TfN governance sign-offs. 3. Engagement with the DfT and the Office for Zero Electric Vehicles to ensure clear understanding of how this work can support the national agenda and actions. 4. The suppliers are to support the partner agreement of inputs to the modelling tool. 	17

relations, and project outputs that are not applied effectively.	5. The team is seeking new avenues to promote the work, including National Grid and the Energy Saving Trust (a delivery body for Government regarding electric vehicles).	
Mobile data outputs under-utilised - If partners do not have sufficient resources to utilise the MRN mobile datasets, or they do not find use in the outputs, there is a risk that the project outputs may be under-utilised. The value of the work may not be understood and likely to make further bids for future dataset projects more challenging.	<ol style="list-style-type: none"> 1. Develop a dashboard that will demonstrate the project outputs and examples of use for the data. 2. Provide support and training to partners including recorded webinars and step-by-step guidance. 3. Use the mobile dataset to strengthen the TfN evidence base for future Major Road Network intervention bids. 4. Atkins to present the outputs and outcomes of the project to the Major Roads Group, and produce an executive summary set of slides for sharing. 	14

Programme and Look Ahead

- The team, working with TAME, will review the EVCI model and reporting of outputs. This will be shared with the EV Steering Group to agree inputs, approach and outcomes with partners.
- The team will participate in Route Strategies workshops with National Highways due to take place over the autumn period.
- The team will be attending and hosting a stand at the annual Highways UK conference in November 2021.

Operations Summary

Monthly Introduction

TfN operational teams include teams and departments that are key to our success as a Sub-national Transport Body and the completion of our authority-wide KPIs, but who are not responsible for the completion of individual projects or programmes. These teams provide support for programmes through specialist skills and knowledge in their relevant areas. Teams included under the operations section include the Stakeholder Engagement & Communications Team (SECT), Finance, Procurement & Risk, and Technical Assurance, Modelling & Economics (TAME). Other teams within TfN may also be referenced under this section when they undertake important activities relevant to the pursuit of TfN's success and wider goals.

Activity Update

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

Stakeholder Engagement & Communications Team (SECT)

- The team successfully delivered TfN's third Annual Conference in Leeds, with positive feedback from attendees, Team TFN colleagues, and Members. There was a wealth of media coverage and social activity in the run-up and throughout the day.
- Web traffic on the day of the conference was up 23% on conference day 2019, and 87% on conference day 2020. Overall, web traffic was up 16% on last August.
- Across social media, the conference also helped more than double profile visits for the month on Twitter (28k) and achieved our best ever month in terms of views and hours watched on YouTube.
- Continued our new Chief Executive, Martin Tugwell's, onboarding programme which has now incorporated more than 50 introductory meetings with key stakeholders as well as interviews with key journalists.
- Published podcasts with our Interim Chair and Northern Powerhouse Rail Director, which attracted almost 400 listens across the platforms.
- Supported the NP11 in promoting the economic benefits of Northern Powerhouse Rail. This –was supplemented by the launch of new statistics for NPR through a press release to media.
- Activity at party conferences, including successful fringe events at both Labour and Conservative conferences.
- Achieved 'Verified Status' on our Twitter channel, which increases brand authority.

Finance, Procurement & Risk

- The team is working closely with all directorates and programmes to manage the procurement pipeline and is seeking opportunities to expedite activity where possible. This includes taking steps to mitigate the

potential impact of the delayed IRP on TfN and in particular the NPR programme.

- TfN's Spending Review submission has been submitted to DfT setting out the case for a multi-year settlement for the organisation. The Statutory Accounts for 2020/21 were approved by the Board on 29 September. An unqualified audit report has been issued by TfN's external auditors and the signed accounts published on the TfN website in accordance with statutory deadlines.

Legal & Democratic

- The 29 September TfN Board and Partnership Board were held as a face-to-face meeting at Manchester Town Hall. The Scrutiny Committee meeting on 9 September was also "in person" in Manchester. The Audit & Governance meeting on 16 September was planned as "in person" but due to lack of quoracy was held as a consultation meeting. Pending any possible future change to legislation around the holding of local authority meetings, officers continue to work on developing options for presentation to, and agreement by, Members around meeting arrangements and venues.
- The TfN Modern.Gov website, system and "restricted app" are fully embedded and a new report template and system for report preparation was trialled for the 27 July 2021 Board Consultation meeting. Use of the system will continue to be further extended during coming months.
- The team continues to support procurement and governance and provide general legal advice across a wide range of areas within TfN, including the Strategic Transport Plan as work on it is developed.

TAME (Technical Assurance, Modelling & Economics)

- Calibration of Northern Economy and Land Use Model version 3 (NELUM) has been completed subject to peer assurance in the coming weeks. Demonstration testing as part of the NELUM 3 assurance has commenced and the results will be subject to peer review alongside the results of calibration testing.
- The wider impacts calculator, which was developed for common wider impacts appraisal across the analytical framework, is being integrated in Northern Transport Modelling System (NorTMS).
- NorTMS has been provided to the DfT Skipton - Colne study. This is seen as a positive step towards wider adoption of the Analytical Framework for scheme development and other studies.
- A workshop on model hierarchies to discuss options in response to the DfT commissioned Steer review of Northern Rail Modelling System (NoRMS) iteration 1d was attended by Systra, DfT, Expert Panel and TfN. A further session is required to conclude the response to the review findings.
- A paper outlining the options for which NoRMS Model should be used for NPR SOC has been produced for discussion with the NPR programme.

- Activity planning is underway for 2022/23 Rail Modelling & Appraisal Partner (RMAP) contract. Current activities are limited awaiting publication of the Integrated Rail Plan, but a neutral set of tasks has been prepared and presented to DfT for approval.
- Work with the Stations Analysis Partner continues, with a session held to review risk and milestones and focus the project team on next steps including land use methodology.
- A consortium of Atkins and MDS Transmodal has been awarded the NPR Freight Partner Contract. An inception meeting is due to be held in the coming weeks, but the bulk of the work is not expected to commence until after the IRP has been received.

Financial Performance

Financial Update

Summary

Expenditure incurred in September 2021: £3.96m

Variance to monthly budget: Underspend of £0.78m (16%)

Year-to-date (YTD) expenditure incurred: £26.68m

Underspend to date: £1.56m (6%)

Headlines

- September 2021 actuals have been monitored against the Revision 1 budget, reflecting reprofiled expenditure and approved virements.
- The underspend in the month and year-to-date are principally driven by NPR programme activity.

Programmes

- Expenditure of £3.15m represents an underspend of £0.81m (20%) in the month.
- Year-to-date expenditure of £22.53m is £1.26m behind budget (5%) and is driven by underspend on the NPR programme.

Integrated & Smart Travel

- Expenditure of £0.04m was incurred in the month. YTD expenditure of £1.0m is £0.03m under budget (3%).
 - The IST office space was vacated at the end of September, ending overhead costs in relation to the programme.
 - Remaining expenditure is limited to minimal residual Phase 1 delivery costs and continued operational costs for Phases 1 and 2 through to the end of the financial year.

Northern Powerhouse Rail

- Expenditure of £3.06m represents an underspend of £0.76m (20%) in the month. YTD expenditure of £21.11m is £1.2m under budget (5%).
 - As in previous months, the run rate on the NPR programme remains under forecast pending IRP publication.
 - Modelling work continues to progress ahead of forecast due to additional modelling requirements from DfT.

IPBA (Investment Programme Benefits Analysis)

- Expenditure of £0.06m in the month was under budget, due to some modelling delays. YTD expenditure of £0.42m is £0.04m under budget but is anticipated to catch up.

Operations:

Rail Operations

- Expenditure in the month of £0.27m is £0.01m (6%) over budget. YTD expenditure of £1.26m is £0.02m under budget (2%).
 - Underspend is driven by vacancies in the RNP team in relation to the TRU programme of work which has its own discrete funding stream.
 - Expenditure by the Strategic Rail team has accelerated further as several key contracts ramp up. An overspend of £0.02m in the month has compensated for underspend in prior months, with YTD expenditure broadly on budget.

Operational Areas

- Expenditure of £0.53m in the month is within 2% of budget. YTD expenditure of £2.89m is £0.27m under budget (9%).
 - Underspend of £0.22m in the Strategy & Policy area, where professional services expenditure continues to be behind schedule, is anticipated to catch up as a result of actions that are currently underway. Two further contracts were let in the month, with activity commencing in October. A further four tenders are currently out to market or at evaluation stage.
 - £0.07m underspend in Business Capabilities where several areas of saving have been identified: £0.01m office refurbishment, £0.03m savings on both the TfN annual conference and party conference attendance. Savings identified in the SECT area are being redeployed to fill current staff vacancies on an interim basis.

Expenditure Control

- Through the monthly budget virement process, new opportunities identified as supportive of the delivery of the 2021/22 Business Plan are reviewed by OBT. In September the following activities were approved:
 - Manchester Business Case work
 - Decarbonisation consultation response
 - Decarbonisation modelling support
- In addition to utilisation of the strategic risk allocation, realised savings continue to be reallocated, to date £0.39m of new activities have been approved.

Activity Dashboard

TRANSPORT FOR THE NORTH FINANCE DASHBOARD					PERIOD BUDGET CYCLE		6 REVISION 1		SEPTEMBER 2021/22		
PERIOD ACTUALS VERSUS BUDGET											
	Actuals	Budget	Var.	Var.							
	£m	£m	£m	%							
Integrated and Smart Ticketing	£0.04	£0.05	£0.01	21%							
Northern Powerhouse Rail	£3.06	£3.82	£0.76	20%							
IPBA	£0.06	£0.09	£0.04	39%							
Programmes	£3.15	£3.96	£0.81	20%							
Rail Operations	£0.27	£0.26	-£0.01	-6%							
Operational Areas	£0.53	£0.52	-£0.01	-2%							
	£3.96	£4.74	£0.78	16%							
YEAR TO-DATE ACTUALS VERSUS BUDGET											
	Actuals	Budget	Var.	Var.							
	£m	£m	£m	%							
Integrated and Smart Ticketing	£1.00	£1.03	£0.03	3%							
Northern Powerhouse Rail	£21.11	£22.31	£1.20	5%							
IPBA	£0.42	£0.45	£0.04	8%							
Programmes	£22.53	£23.79	£1.26	5%							
Rail Operations	£1.26	£1.29	£0.02	2%							
Operational Areas	£2.89	£3.16	£0.27	9%							
	£26.68	£28.24	£1.56	6%							
YEAR TO-DATE ACTUALS VERSUS FORECAST TO OUTTURN (REVISION 1)											
	Actuals	F/cast	Var.	Var.							
	£m	£m	£m	%							
Integrated and Smart Ticketing	£1.00	£1.52	£0.52	34%							
Northern Powerhouse Rail	£21.11	£48.48	£27.37	56%							
IPBA	£0.42	£0.89	£0.48	53%							
Programmes	£22.53	£50.90	£28.37	56%							
Rail Operations	£1.26	£3.19	£1.93	60%							
Operational Areas	£2.89	£6.10	£3.21	53%							
	£26.68	£60.18	£33.50	56%							
FUNDING YEAR TO DATE					FUNDING FORECASTS TO OUTTURN (REVISION 1)						
Funding Stream	Actuals	Budget	Var.	Var.	Actuals	Budget	Var.	Var.			
	£m	£m	£m	%	£m	£m	£m	%			
TDF - Rail	£21.11	£22.31	£1.20	5%	TDF - Rail	£21.11	£48.48	£27.37	56%		
IST - Capital and Revenue	£1.00	£1.03	£0.03	3%	IST - Capital and Revenue	£1.00	£1.52	£0.52	34%		
Core Grant	£3.75	£4.05	£0.30	7%	Core Grant	£3.75	£8.42	£4.66	55%		
Rail North Grant & Contributions	£0.69	£0.70	£0.01	2%	Rail North Grant & Contributions	£0.69	£1.44	£0.74	52%		
Trading Income	£0.12	£0.14	£0.02	13%	Trading Income	£0.12	£0.33	£0.20	62%		
	£26.68	£28.24	£1.56	6%	£26.68	£60.18	£33.50	56%			

Human Resources Update

Salaried Establishment as at **7 October 2021**

Established Permanent/Fixed-term Posts

Area	Permanent Posts (Over 2 years)	Fixed-term Posts (Up to 2 Years)	Total Establishment
CEO Office	2 (2.00 FTE)	-	2 (2.00 FTE)
Support Services	25 (25.00 FTE)	2 (2.00 FTE)	27 (27.00 FTE)
Operational & Delivery	73 (71.84 FTE)	18 (18.00 FTE)	91 (89.84 FTE)
Rail North Partnership (Hosted)	13 (13.00 FTE)	3 (3.00 FTE)	16 (16.00 FTE)
Total Establishment	113 (111.84 FTE)	23 (23.00 FTE)	136 (134.84 FTE)
Strength (in post)	105 (103.84 FTE)	15 (15.00 FTE)	120 (118.84 FTE)
Appointed (start date pending)	-	-	-
Active/Pending Recruitment	1 (1.00 FTE)	1 (1.00 FTE)	2 (2.00 FTE)
Vacant – On-hold	7 (7.00 FTE)	7 (7.00 FTE)	14 (14.00 FTE)

Agency/Consultancy Resource – Covering Vacant Established Posts

Area	Posts (FTE's)
Support Services	2 Posts (2.00 FTE)
Operational & Delivery	9 Posts (9.00 FTE)
Total	11 Posts (11.00 FTE)

Consultancy Resource – Contracts for Service (TDF Funded)

Area	Current Strength Posts (FTE's)	Year-End FY21/22 Projected Posts (FTE)
Support Services	0 Post (0.00 FTE)	0 Post (0.00 FTE)
Operational & Delivery – NPR	47 Posts (47.00 FTE)	101 Posts (101.00 FTE)
Total	47 Posts (47.00 FTE)	101 Posts (101.00 FTE)

The above are all NPR related posts and due to the nature of the funding (one-year only) and technical skills required, have been engaged via the contract for service route. Further roles (circa 54 posts) are anticipated to be brought in throughout the forthcoming year, with actual plans for this resource to be finalised once the IRP reports and a revised date for the submission of the NPR SOC is agreed.

Resourcing Update – For Information

TfN Board & Partnership Board Chair Vacancy – the recruitment process for a replacement TfN Chair is now on-going. The closing date for applications is 27 October 2021, with final selection interviews scheduled for 16/17 November 2021.

HR Metrics – 2021/22 Year-To-Date:

Corporate Sickness Level:	1.3%
Employment Policy Application:	1.5%
Rolling 12 Month - Employee Turnover (Voluntary Leavers):	17.1%
% of Employees from an Ethnic Minority Background:	17%
% of Employees declaring a Disability:	21%
Gender Mix - % of Female Employees:	38%
% of Male Employees:	62%

KPIs

Key Performance Indicators

Transport for the North's Key Performance Indicators (KPIs) are outlined in the published Business Plan for 2021-22. The below table outlines the programme and organisational KPIs and provides a summary of the year-end position.

Key	Number of KPIs with this status
Achieved (complete)	5
On Track (in progress, no delays)	11
In Progress (in progress, may become delayed)	5
Delay (has missed a key deadline)	1
Delay BTYE – delayed beyond this year end	0
Not Started	4

Area	KPI	Detail	Progress	Status
Strategic Rail	1	Demonstrate clear Northern input in supporting and developing return to rail initiatives across the North to rebuild passenger numbers and aid economic recovery. March 2022	On Track Messaging and communications will continue to promote safe use of public transport. The team is working with train operating companies identifying ticketing/marketing/offers to rebuild confidence, attract passengers back, and entice new passengers when appropriate.	
Strategic Rail	2	Deliver plans for rail hub enhancements around two major stations to maximise the potential of the network. October 2021/February 2022	On Track Work has continued on developing a Strategic Outline Business Case for a radical plan for Leeds Station, with the delivery of an economic case by Atkins.	
Strategic Rail	3	Demonstrate meaningful and beneficial engagement for the North on rail reform within three months of publication of the Williams White Paper. September 2021	Achieved A draft formal response has now been produced, and agreed with slight modifications by TfN Board in September.	
Strategic Rail	4	Further embed the TfN rail journey time improvement initiative with Network Rail to deliver better reliability on at least two rail routes during 2021/22. March 2022	On Track Network Rail is now fully engaged with the Theoretical Line Speed process and is progressing the delivery of the Darlington – Bishop Auckland findings and implementation. The development of the York – Scarborough findings is delayed and TfN is working with NR to find ways of resolving the delay.	
Strategic Rail	5		In Progress	

		Pursue the digital transformation of fares, ticketing and information through collaboration and the development of business cases across the North and/or through national rail reform. March 2022	A scoping report for this programme was prepared by the Integrated & Smart Travel (IST) team as part of the project closedown. An appointment has been made to the Head of Digital Strategy who has now started in post and will produce an initial scoping report by December 2021.
Strategic Rail	6	Continue to use TfN's existing powers and role in the Rail North Partnership to deliver the best outcomes for passengers, within the financial and legacy infrastructure constraints, by influencing train operators and major programmes including TRU and central Manchester. March 2022	On Track TfN is actively using its powers and voice to get a better outcome for passengers in central Manchester, for example by working collaboratively with DfT to secure the right infrastructure and services for Manchester.
Northern Powerhouse Rail	7	Completion and submission of the Strategic Outline Case, timescale to be agreed following publication of the Government's Integrated Rail Plan. TBC post-IRP	In Progress Timings depend on IRP. Completion and submission dates dependant on IRP publication and subsequent agreements between TfN and DfT.
Northern Powerhouse Rail	8	Reconfirm NPR phasing plan in response to Government's Integrated Rail Plan. TBC post-IRP	Not Started Final phasing position in the SOC is dependent on the IRP conclusions and subsequent agreements between TfN and DfT.
Northern Powerhouse Rail	9	Complete initial survey work and commence OBC on early accelerated projects to start construction in FY 2024/25. September 2021	In Progress Current survey works were due to conclude in Q2 21/22, however issues with possessions/site access has resulted in required surveys now scheduled to conclude in January 2022. The programme of activity post-surveys is dependent on IRP conclusions and subsequent agreements between TfN and DfT.
Northern Powerhouse Rail	10	Initiate additional survey work and commence Outline Business Case on early accelerated projects to enable delivery partners to start construction in 24/25. January 2022	Not Started Further surveys and pace of commencing OBCs are dependent on IRP conclusions and subsequent agreements between TfN and DfT.
Northern Powerhouse Rail	11	Agree NPR governance arrangements with DfT as programme transitions to the next stage. TBC post-IRP	Not Started Not started. Awaiting publication of the Integrated Rail Plan.
Investment Programme Benefits Analysis	12	Commission the Investment Programme Benefit Analysis work and deliver the programme up to the Gateway Review. September 2021.	Achieved The GPR report is now complete. The GPR has identified minor changes to be introduced to the project scope and re-baselining of the project programme.
	13		On Track

Investment Programme Benefits Analysis		Subject to Gateway Review, complete work on the Investment Programme Benefit Analysis which will be used as the evidence base for the next STP. March 2022	The project programme has been re-baselined, following the outcome of the project review (GPR).	
Major Roads	14	Produce a robust evidence base monitoring performance and types of journey on the MRN. This will support analysis of the impacts of Covid-19 to monitor and evaluate outcomes including changes in travel patterns and behaviours. October 2021	On Track	
			The mobile data project is running on schedule with final deliverables due in November.	
Major Roads	15	Publish the updated Major Roads Report, following DfT publication of the national Transport Decarbonisation Plan and TfN's Decarbonisation Strategy. October 2021	On Track	
			Final draft report is on track to be considered at Executive Board in October and presented to Board in November.	
Major Roads	16	Use our evidence base to work with Highways England and DfT to identify TfN's priorities to be considered as part of DfT's Road Investment Strategy 3. March 2022	In Progress	
			Work with National Highways to develop the route strategies, which will feed into RIS3, is ongoing. National Highways will commence next stage of engagement on Route Strategies in autumn 2021.	
Major Roads	17	Work with our partners and DfT to scope out how TfN can best support plans for an integrated electric vehicle and/or hydrogen charging infrastructure network, supporting all communities in the adoption of low and zero emission vehicles. March 2022	On Track	
			Work continues on the Electric Vehicle Charging Infrastructure (EVCI) project, with the supplier team now embedded in the work and building the EVCI model and evidence base.	
Major Roads	18	Continue to work with DfT's Acceleration Unit to ensure their awareness of the schemes identified in TfN's Economic Recovery Plan for their consideration of accelerating delivery. March 2022	In Progress	
			Engagement with DfT and the Acceleration Unit is ongoing.	
Strategy, Policy and Research	19	Consult on the draft Decarbonisation Strategy and seek adoption by the TfN Board in autumn 2021. November 2021	On Track	
			Consultation successfully launched on 7 June and ran for 12 weeks, finishing on 31 August with around 240 respondents. The responses are currently being analysed, and the strategy updated with the objective of taking back to TfN Board in November.	
	20		Achieved	

Strategy, Policy and Research		Agree a plan to adopt a new Strategic Transport Plan by 2024, and commence a new Northern Powerhouse Independent Economic Review (NPIER) programme as a first step. October 2021	Principals of the proposed programme were taken through TfN governance in September 2021 and agreed by the TfN Board on 29 September 2021.
Strategy, Policy and Research	21	Progress the advanced prioritisation mechanisms set out in the Northern Transport Charter, including analytical tools to allow prioritisation on a wider basis (economic, social, and decarbonisation) and independent assurance arrangements. March 2022	On Track TfN Board agreed to the NTC development plan at July 2021 board, including the progression of advanced prioritisation mechanisms and independent assurance arrangements. Further internal work is now underway.
Strategy, Policy and Research	22	Consult and adopt the TfN Freight & Logistics Strategy and work with the industry to agree implementation arrangements. December 2021	On Track TfN Board agreed for the strategy to progress to consultation. A supplier has been appointed to support the consultation process in October and finalise the strategy in November.
Strategy, Policy and Research	23	Provide input into the final stages of the Union Connectivity Review and respond on its publication. September 2021	Delayed TfN submitted a formal response into the Call for Evidence in December 2020. Following that, contact has been made with the team supporting the review to understand any emerging findings and how TfN can support. A response is awaited. The findings of the Union Connectivity Review have not yet been published.
Corporate	24	Develop and provide a Comprehensive Spending Review submission to Government. In line with timetable set by Government	Achieved TfN's comprehensive spending review submission was made to DfT on 9 September 2021.
Corporate	25	Feed into emerging procurement practice as the UK's current 'EU style' regime is updated and look at opportunities to further increase social value. March 2022	Not Started Not started. Will begin once revised procurement guidance starts to emerge. The Procurement team is supporting running a pilot scheme to trial Social Values considerations with the D&I (Diversity & Inclusion) Working Group.
Corporate	26	Implement and further develop the agreed new Ways of Working, to include physical office design, office and remote working, corporate and constitutional meetings and IT strategy. Within three months of return to office	Achieved TfN fully implemented its agreed hybrid ways of working to time and budget. Our new ways of working have been underpinned by the physical re-design to our Manchester and Leeds offices which was fully completed September 21. TfN constitutional meetings in the main move to "in person" meetings from September 21.



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Meeting: Transport for the North Audit and Governance Committee

Subject: Internal Audit Update

Author: James Lyon, Legal Assistant

Sponsor: Iain Craven, Finance Director

Meeting Date: Friday 19 November 2021

Does the report contain information which has been identified as confidential or exempt as defined in S100A(2) of the Local Government Act 1972 (as amended) and/or is the information exempt as set out in Schedule 12A of the Local Government Act 1972 (as amended)?

No this report does not contain information identified as confidential or exempt.

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. Recommendations:

2.1 That the Committee notes the Internal Audit reports.

3. Audit Key Points:

3.1 The review of the Purchase to Pay framework was designed to test and assess the controls in place for making payments to suppliers and TfN’s internal spending such as payment runs, employee expenses and procurement card transactions.

3.2 The findings are as per the report in Appendix 5.1 which identified one Low and one Medium priority action but overall provided a substantial level of assurance.

3.3 The review of the relatively new Flexi-Time system was intended to ensure that the organisation’s Flexible Working Hours Scheme was being managed in a fair and consistent manner.

3.4 Following testing of the system, RSM confirmed full compliance as per the attached report. There were no follow-up actions identified and a substantial assurance report was given.

4. Corporate Considerations

Financial Implications

4.1 The financial implications are detailed in the report

Resource Implications

4.2 There are no resource implications as a result of the report.

Legal Implications

4.3 There are no legal implications as a result of the report.

Risk Management and Key Issues

4.4 There are no risks associated with the content of this report.

Environmental Implications

4.5 A full impact assessment has not been carried out because it is not required for this report.

Equality and Diversity

4.6 A full impact assessment has not been carried out because it is not required for this report.

Consultations

4.7 A consultation has not been carried out because it is not necessary for this report.

5. Background Papers

5.1 There are no background papers to this report.

6. Appendices

- 6.1 Item 5.1 – Purchase to Pay Framework
- Item 5.2 – Flexible Working Hours Audit
- Item 5.3 – Internal Audit Progress Report

TRANSPORT FOR THE NORTH

Purchase to Pay Framework

Internal audit report 4.21/22

Final

4 November 2021

This report is solely for the use of the persons to whom it is addressed.
To the fullest extent permitted by law, RSM UK 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, 100 per cent of our audit has been conducted remotely. Remote working has meant that we have been able to complete our audit and provide you with the assurances you require. Based on the information provided by you, we have been able to sample test, and review documentation, to complete the work in line with the agreed scope.

Why we completed this audit

TfN has multiple means of making payments to suppliers which are categorised into a payment hierarchy. As per TfN's Payment Policy, the favoured approach is for Accounts Payable payments to be transacted through the Dynamics 365 (D365) financial system. This approach ensures that supplier payments are subject to an electronic approval workflow aligned to the authorisation levels in the Scheme of Delegation. The system also enables the receipting of goods and services purchased to be electronically recorded.

Secondary payment options, such as Treasury Payments (consisting of BACS and CHAPS payments directly for TfN accounts) and procurement card purchases are also used at TfN. However, these secondary payment options are to be used when the favoured payment method fails or there are business efficiencies for transacting using a secondary payment option.

At the time of our audit (October 2021) six members of staff were procurement card holders. Card holders are granted the authority to use their card to enter into financial transactions up to the set limit of £500 per transaction and £2k cumulative spend per month for individual card holders and £2k per transaction and £20k cumulative spend per month for the corporate card held by the Procurement Manager. Roles and responsibilities of both the card holder and card administrator (Financial Controller) are formally defined in the Procurement Card Policy. All purchases transacted using procurement cards are published on TfN's public website quarterly.

Staff expense claims are submitted and authorised via the D365 system, with supporting receipts required to be attached in the system. Expense claims require approval from the budget holder and Financial Controller.

TfN discourages out of pocket expenses and they should only be incurred for urgent travel and subsistence. Where possible, prior approval of the budget holder and Financial Controller should be obtained.

Between 1 April 2021 and 31 August 2021, only two of the six procurement cards were used at TfN by the Procurement Officer and Head of Stakeholder Engagement and Communications. For quarter one 2021/22 (ending 30 June 2021) a total of £12,049 was transacted by the two card holders.

Our review was designed to assess the controls in place in regard to TfN's purchase to pay framework, including the goods receipting of purchases made through D365 system and Treasury Payments, approval of payment runs, procurement card transactions and employee expenses.

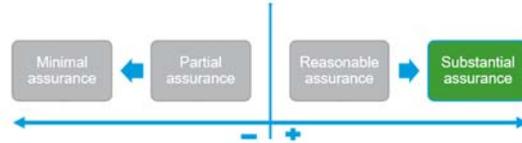
Conclusion

Through our work, we confirmed that TfN has an established framework in place in regard to ensuring that all payment runs, and employee expense claims are appropriately authorised, and purchases made through Accounts Payable and Treasury Payment transactions for goods and services, are recorded as received. Our sample testing performed in these areas confirmed the application of the control framework in line with TfN policies and no exceptions were noted.

Two management actions have been agreed with management which are designed to strengthen TfN's control framework in relation to the authorisation of procurement card statements / reconciliations and the regular review of policies. However, this not impacted on the positive assurance opinion provided below.

Internal audit opinion:

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



Key findings

We identified the following key findings:



There is no minimum defined frequency at which purchase to pay policies will be reviewed and approved to ensure the policies are reflective of current practices and fit for purpose. We also noted inconsistencies between the Payment Policy and Procurement Card Policy in relation to the monthly value of transactions that can be processed on procurement cards.



For a sample of 10 Accounts Payable transactions and 10 Treasury Payments made during 2021/22, we confirmed receipt of goods and services for payments made to external suppliers is recorded on the D365 system and all invoices and payment runs for the transactions reviewed were authorised by the Financial Controller, in line with TfN policies and procedures. No exceptions were noted as a result of this testing.



For a sample of 10 expense claims made by staff during 2021/22, our testing confirmed each expense claim had been submitted on D365, supporting receipts were retained and the expense claim was approved by the Budget Holder and Financial Controller in line with TfN policies and procedures. No issues were noted as a result of this testing.



No audit trail has been retained to demonstrate the Financial Accountant's review of monthly procurement card statements and suitability of purchases during the Covid-19 pandemic. Whilst monthly reconciliations are completed to review procurement card expenditure as part of the journal upload to the ledger, we noted that reconciliations had not been signed by the card holder and Finance Team as required by the Procurement Card Policy.



Monthly Operating Reports are produced to provide a high-level overview of TfN's income and expenditure. In addition, Financial Disclosure Reports are produced quarterly, detailing all TfN purchases above £500. These are published on the TfN website along with all procurement card transactions.

Additional findings

We identified the following good practice that the TfN may wish to consider:



A Procurement Card Acceptance form is to be signed by both the card holder and the Financial Controller when procurement cards are issued. For the six current card holders at the time of our review, we obtained one signed Procurement Card Acceptance form for a card issued in 2021/22. In one case relating to a new card holder, the card holder has not yet returned their signed copy of the Procurement Card Acceptance and had not yet received their procurement card. In the remaining four cases, we were informed by management that these cards were all issued in previous years and paper copies of the signed Procurement Card Acceptance are held on site which were not accessible at the time of audit due to the Covid-19 remote working. As such a management action has not been raised but we note that it is considered good practice for electronic copies to be held of all signed Procurement Card Acceptance forms.

2. 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.

Policies and Procedures				
Control	<p>Established Financial Regulations and policies are in place for the purchase to pay framework, which provide guidance on the appropriate procedures to be followed by staff. These include:</p> <ul style="list-style-type: none"> • Procurement Card Policy; • Payment Policy; and • Expenses Policy. <p>Policies and procedures are accessible to all staff via the SharePoint site.</p>	Assessment:		
		Design	✓	
		Compliance	Partial	
Findings / Implications	<p>Through our testing we confirmed that the Payment Policy was last updated in September 2021, the Procurement Card Policy was last updated in April 2018 and the Expenses Policy was last updated in June 2020. We noted that there is no set frequency at which the aforementioned policies are due to be reviewed. Therefore, there is a risk that policies may not reflect current processes in operation, which may lead to staff carrying out incorrect procedures. Policies should be subject to regular review at a minimum defined frequency (often annually) to ensure policies are reflective of current practices and fit for purpose.</p> <p>By review of the Payment Policy and Procurement Card Policy, we noted inconsistency between the specified restrictions on the value of transactions that can be processed on individual's procurement cards. As per the Procurement Card Policy, a cumulative monthly transaction limit of £1000 is set. However, as per the Payment Policy, a cumulative monthly transaction limit of £2000 is set. As such, there is a risk that card holders are unaware of the correct cumulative monthly transaction limit set for their cards. We were informed that the Payment Policy details the correct limits and arrangement with the bank would prevent the card limits from being exceeded. It is also noted that through our testing in this area we did not identify any instances of procurement card individual transaction or cumulative monthly spend limits being exceeded.</p>			
Management Action 1	<p>The Payment Policy and Procurement Card Policy will be updated to ensure consistency in relation to the cumulative monthly transaction limit for procurement cards.</p> <p>In addition, all Purchase to Pay related policies will be subject to regular review and approval at a minimum frequency defined by TfN Management.</p>	Responsible Owner:	Date:	Priority:
		Paul Kelly, Financial Controller	31 December 2021	Low

Cyclical authorisation of procurement card statements

Control	On a monthly basis, the Financial Accountant (who is not a card holder) reviews procurement card statements to assess the suitability of expenditure for all purchases transacted. Procurement card reconciliations also take place as part of the monthly journal upload for procurement card transactions.	Assessment: Design ✓ Compliance ×
Findings / Implications	<p>We were informed by management that, prior to the Covid-19 pandemic, the Financial Accountant would review each procurement card holder's monthly statement and physically sign the statement as evidence of review. We were informed that since staff have been working remotely during the pandemic, statements have continued to be reviewed but physical signatures have not been provided. Therefore, an audit trail of the checks undertaken by the Financial Accountant to review procurement card expenditure has not been retained. In the absence of a documented review of the monthly review of procurement card transactions there is a risk that an appropriate member of staff does not review the suitability of the expenditure which may result in inappropriate purchases being made and potential breaches of the Procurement Card Policy. Whilst we recognise the impracticalities of obtaining wet signatures during the Covid-19 pandemic, review of procurement card transactions can be documented through an email trail or e-signatures.</p> <p>During the Coronavirus pandemic, procurement card reconciliations have continued to take place monthly to prepare the manual journal to post the expenditure to the ledger. We obtained the procurement card reconciliations for June, July and August 2021 for the two card holders who used their procurement cards during this period and confirmed the consistency of the gross values with expenditure on the reconciliations and monthly statements. Whilst the spreadsheet used to perform the reconciliations is designed to capture the certification signatures of the card holder and Finance Team, this has not taken place during the Coronavirus pandemic.</p>	
Management Action 2	An audit trail will be maintained, confirming the authorisation of procurement card statements and procurement card reconciliations. In the absence of a physical signature this may be achieved through e-signatures on the procurement card statements or email confirmation.	Responsible Owner: Paul Kelly, Financial Controller Date: 31 December 2021 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		
	0	(10)	2	(10)	Low	Medium	High
Purchase to Pay Framework	0	(10)	2	(10)	1	1	0
Total					1	1	0

* Shows the number of controls not adequately designed or not complied with. The number in brackets represents the total number of controls reviewed in this area.

APPENDIX B: BENCHMARKING

We have included some comparative data (in the auditable area of purchase to pay frameworks) to benchmark the number of management actions agreed in this audit compared to similar audits conducted across our clients. Additionally, the tables illustrate the levels of assurance issued as a result of a number of similar audits undertaken.

Level of assurance	Percentage of reviews	Results of the audit
Substantial assurance	30%	✓
Reasonable assurance	60%	
Partial assurance	10%	
No assurance	0%	

Management actions	Average number in similar audits	Number in this audit
High	0.7	0
Medium	1.6	1
Low	2.8	1
Total	5.1	2

From a review of the above data, TfN is above average in respect of the assurance opinion and is performing above the average in respect of management actions raised.

Please note that the assurance opinions and management actions raised within all our audits reflect the scopes agreed with management at the time of the audits.

APPENDIX C: SCOPE

Scope of the review

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

Objective of the risk under review

To ensure all payments completed by TfN are appropriately authorised and are made to approved individuals/ suppliers.

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

- Financial regulations and documented to pay policies and procedures are in place, up to date and are available to all relevant staff;
- Receipt of goods and services for a sample of Accounts Payable and Treasury Payments made to external suppliers;
- Authorisation of invoice and payment runs;
- Processes to ensure approval and issue of TfN procurement cards;
- Controls and checks in place to review and authorise procurement card transactions and suitability of purchases;
- Authorisation of employee expense payments, including testing of expense claim submissions and relevant management approval/sign-off; and
- Monitoring and reporting to Committee / Board in regard to purchases and procurement card expenditure.

Limitations to the scope of the audit assignment:

- We will undertake an assessment of the adequacy of aspects of the control framework and we will perform limited testing to confirm its operation in practice;
- Conclusions will be based on our assessments made through discussions with management, assessment of the current framework of controls and an initial review of relevant documentation available, either internally or externally generated;
- We will not comment on the suitability of suppliers sourced or transactions undertaken by the TfN through its procurement processes;
- We will not review system back-up controls for the electronic purchasing system or any of TfN's other IT systems;
- The scope of the work is limited to those areas examined and reported upon in the areas for consideration in the context of the objectives set out for this review;
- We will not comment on whether the TfN achieves value for money from specific transactions;

- We will not examine accounting for VAT;
- We will not comment on the appropriateness of purchases, only whether the Financial Regulations are complied with;
- Authorisation of employee expense payments, including testing of expense claim submissions and relevant management approval/sign-off; and
- We will not comment on whether the appropriate employees have been issued with procurement cards.
- We will not provide assurances in regard to the accuracy or relevance of the information received or presented at meetings;
- The results of our work are reliant on the quality and completeness of the information provided to us; and
- Our work will not provide an absolute assurance that material errors, loss or fraud do not exist.

Debrief held 12 October 2021
Draft report issued 21 October 2021
Responses received 4 November 2021

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Final report issued 4 November 2021

Client sponsor Iain Craven, Finance Director
Distribution Iain Craven, Finance Director

rsmuk.com

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 UK 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 UK 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

Flexible Working Hours Scheme

Internal audit report 5.21/22

Final

11 November 2021

This report is solely for the use of the persons to whom it is addressed. To the fullest extent permitted by law, RSM UK 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, 100 per cent of our audit has been conducted remotely. Remote working has meant that we have been able to complete our audit and provide you with the assurances you require. Based on the information provided by you, we have been able to sample test, and in some areas undertake full population testing, to complete the work in line with the agreed scope.

Why we completed this audit

The Transport for the North's ("TfN's") Flexible Working Hours Policy states that *"the Flexible Working Hours Scheme allows employees flexibility and discretion over their working hours. Under the scheme, employees have the ability to accrue a defined amount of credit or debit of working hours, and to take time-off in the form of Flexi-Leave. Flexible working can make for a more productive workplace, focused on outputs and performance, and provides Line Managers with the mechanism to effectively manage peaks and troughs in work demands."*

TfN's new electronic flexible working hours system, known as 'Flexi Time Planner', has been in operation since 6 April 2021, replacing the previous electronic system in place. Hours worked during each 'Accounting Period' (a four week period) can be converted to 'banked flexi-leave' and can subsequently be taken as 'flexi-leave' in half-day periods. Whilst use of the system isn't compulsory, those members of staff that are eligible and wish to benefit from the scheme are required to comply with the conditions set out in the TfN Working Hours Policy. This includes the following:

- The flexible working day operates from 7am to 7pm. Employees are not permitted to accrue more than 11 hours in one day and must have a minimum break of 11 consecutive hours between the end of one working day and the commencement of the next;
- A maximum of two days 'flexi-leave' can be taken per accounting period and/or 18 'flexi-leave' days per annum; and
- A credit or debit balance at the end of any accounting period may be carried forward to the next period up to a maximum of 15 hours up and a maximum of 10 hours down (unless Line Manager approval has been obtained to exceed limits).

TfN's Human Resources Team are responsible for oversight of the Flexible Working Hours Scheme and produce monthly reports to monitor the number of banked and taken 'flexi-leave'. At the time of our review (October 2021) we were informed that 108 of the 118 eligible members of staff employed by TfN were recording their times within the Flexi Time Planner system. Those not using the system do not have the opportunity accumulate additional hours worked and take additional leave as 'flexi-leave'.

Our review was designed to assess whether the Flexible Working Hours Scheme has applied in an appropriate and consistent manner, in line with TfN policies, to support employees in undertaking their roles.

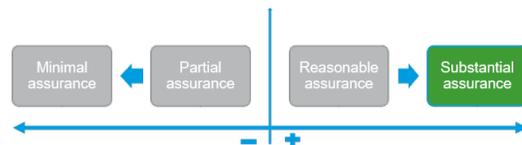
Conclusion

Through our work, we confirmed that TfN has established systems and processes in place in regard to the Flexible Working Hours Scheme. This includes the provision of policies and guidance to staff and central oversight and monitoring from the HR Team.

Through our sample testing and data analytics carried out in regard to the use of the Flexi Time Planner system between April and August 2021, we were able to confirm the consistent application of flexi-time requirements, in line with TfN policies and procedures. As such, no exceptions were identified in our testing and we have not raised any management actions. Further information in regard to the data analytics performed as part of our testing is provided in Appendix B.

Internal audit

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



Key findings

We identified the following findings:



A Flexible Working Hours Policy is in place which provides staff with details of the TfN Flexible Working Hours Scheme. This is published on the TfN intranet along with 13 'Flexi Time Planner Guides', in the form of 'bite-size' videos, which are accessible to all staff for training and guidance purposes.



We performed data analytics testing to review the time entered into the Flexi Time Planner system for a sample of 10 employees across five accounting periods from April to August 2021 (consisting of 1,192 entries). We confirmed that the time accrued each day had not exceeded the limit of 11 hours for each member of staff. As the Flexi Time Planner system only permits time to be entered from 7am to 7pm this supports the requirement for staff to take an 11 hour break between working days. Although there is a possibility that staff continue to work after 7pm without this time being recorded, we were informed that it is the responsibility of Line Managers and employees to ensure that appropriate working patterns are worked.



We carried out data analytics testing to review the number of 'flexi-leave' days banked and 'flexi-leave' days taken by all staff across each accounting period from April to August 2021. We confirmed that the maximum limit of two days 'flexi-leave' taken per Accounting period and 18 days per annum had not been exceeded by any members of staff. Whilst the system enables more than two days of 'flexi-time' to be 'banked' by members of staff per Accounting Period, TfN guidance states that this is only permissible if Line Manager approval is obtained. There were six occasions where more than two days had been banked, we confirm that HR had contacted the member of staff to ensure that Line Manager approval was obtained in advance of banking additional 'flexi-days'. Where approval had not been obtained the additional banked days had been removed in the system. See Appendix B for further details of the data analytics testing.



We confirmed that the system automatically removes any credit balances exceeding 15 hours at the end of each Accounting Period so that accumulated credit balances rolling from one period to the next do not exceed 15 hours. The system also flags up debit balances exceeding 10 hours so that Line Managers can investigate reasons why this has occurred. There were not any instances of debit balances exceeding 10 hours across the period reviewed.



All requests to make use of a 'flexi-leave' day are processed directly in the Flexi Time Planner system and require Line Manager approval. For a sample of 10 'flexi-leave' days taken by 10 members of staff across five accounting periods from April to August 2021, we confirmed that all requests had been approved by Line Managers.



Electronic reports are generated in the Flexi Time Planner system at the end of each Accounting Period and used by the HR Team to monitor the number of 'flexi-days' banked and 'flexi-days' taken by each member of staff. A summary of the total 'flexi-days' used and banked from April to August 2021 is provided in Appendix B.

Good Practice

We identified the following area of good practice that TfN management may wish to consider:

From our data analytics testing carried out to review the time entered in the Flexi Time Planner system for a sample of 10 employees across five accounting periods from April to August 2021, we identified several instances where employees working hours could be considered excessive. This includes the following:

- One employee that was consistently working 9.5 hours each day across the five Accounting Periods;
- One employee that had worked for a total 11 hours (excluding breaks) in a day on six occasions across the five Accounting Periods; and
- One employee that had worked for a total 10+ hours (excluding breaks) in a day on seven occasions and one employee that had worked for a total 10+ hours on six occasions across the five Accounting Periods.



Whilst these working patterns are permitted by TfN's policies, consistently working longer hours may result in mental health and wellbeing issues for employees, especially if this has not been identified and discussed with Line Managers or HR. Therefore, as part of HR's monthly reporting from the Flexi Time Planner system, management may wish to consider, where possible, generating reports that identify the total time recorded by employees each day so that any excessive or usual working patterns can be identified and discussed with Line Manager and employees.

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.

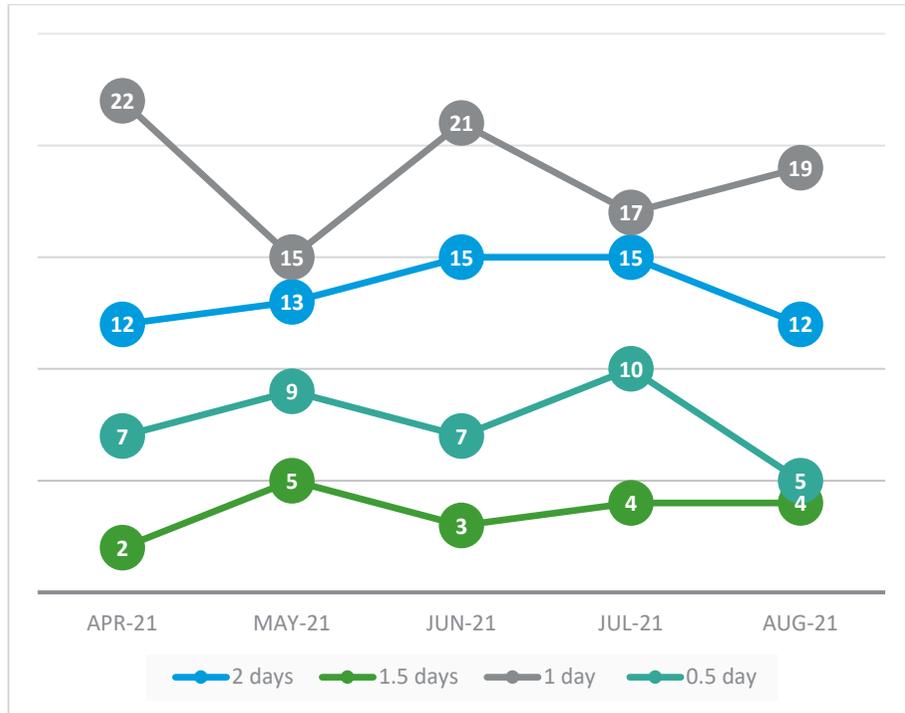
The following table highlights the number and categories of management actions made as a result of this audit. No management actions have been raised as a result of the work undertaken.

Area	Control design not effective	Non Compliance with controls	Agreed actions		
			Low	Medium	High
Flexible Working Hours Scheme	0	0	0	0	0
Total			0	0	0

APPENDIX B: DATA ANALYTICS

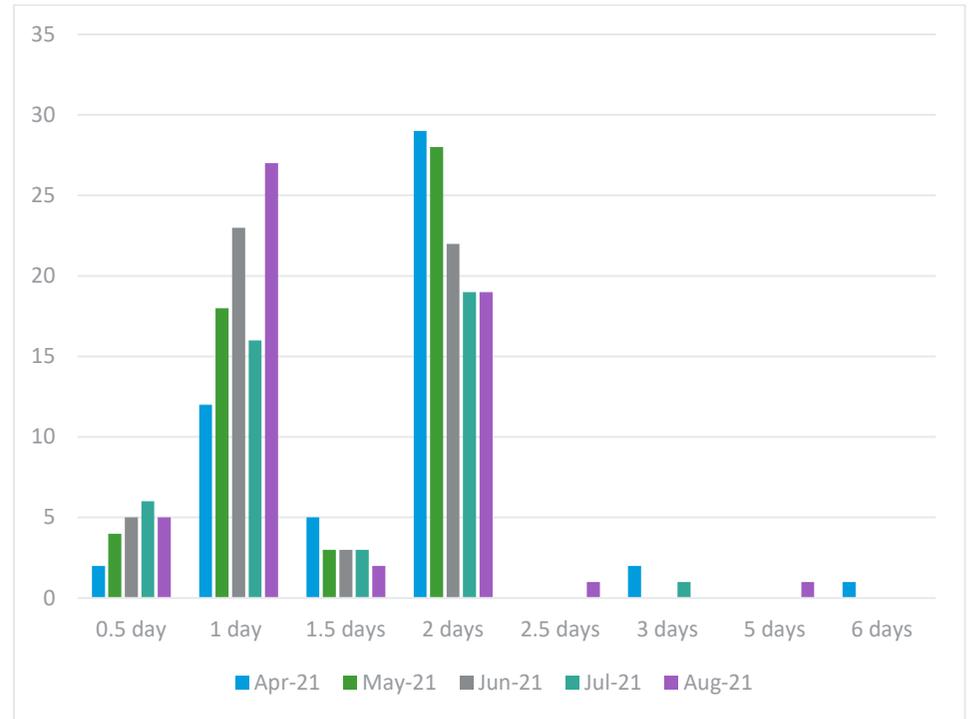
We have provided a summary of the data analytics testing undertaken as part of our review. Our testing considered all 'flexi-leave' days banked and 'flexi-leave' days taken by all staff across each accounting period from April to August 2021.

Flexi-days taken as leave per Accounting Period



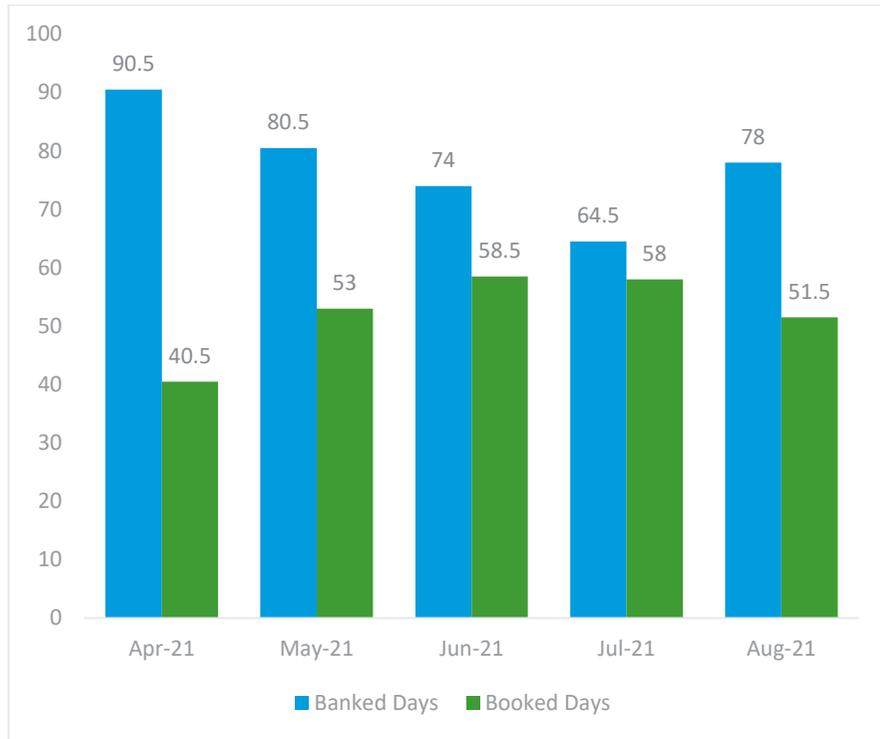
The above graph shows the total number of 'flexi-days' taken by each employee during each Accounting Period. For example in April 2021, a total of, 12 employees used two 'flexi-days', two employees used 1.5 days, 22 employees used 1 day and seven employees used 0.5 days. This testing confirms that employees did not exceed the limit of taking two days of 'flexi-leave' per Accounting Period.

Flexi-days banked per Accounting Period



The above graph shows the total number of 'flexi-days' banked by each employee during each Accounting Period. This confirms that between 0.5 and 2 days of 'flexi-leave' is being frequently banked during each Accounting Period, in line with TfN's set limit. It also highlights six instances where more than two days of 'flexi-leave' has been banked in an Accounting Period (between 2.5 and 6 days). In all instances where banked 'flexi-leave' exceeded the two day limit, we confirmed that Line Manager approval was provided to HR, in line with TfN policies.

Number of Days Banked and Booked



This shows the total number of 'flexi-days' banked versus the total number of 'flexi-days' taken during each Accounting Period. This information highlights that more days are banked than taken during each period to date suggesting that several members of staff have accumulated unused 'flexi-day' balances. Whilst the information does not highlight any breaches of TfN policy, it may be useful for managers to anticipate when these accumulated 'flexi-days' may be used, to support the planning of team and employers workloads.

APPENDIX C: BENCHMARKING

We have included some comparative data to benchmark the level of assurance and number of management actions agreed in this audit compared to similar audits conducted across our clients.

Level of assurance	Percentage of reviews	Results of the audit
Substantial assurance	50%	✓
Reasonable assurance	0%	
Partial assurance	50%	
No assurance	0%	

Management actions	Average number in similar audits	Number in this audit
High	0.7	0
Medium	1.7	0
Low	1.7	0
Total	4.1	0

Please note that the assurance opinions and management actions raised within all our audits reflect the scopes agreed with management at the time of the audits.

APPENDIX D: SCOPE

Scope of the review

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

Objective of the area under review

To ensure TfN's Flexible Working Hours policies and procedures are applied in an appropriate and consistent manner to support employees in undertaking their roles effectively at all times.

The following areas will be considered as part of the review:

- A Flexible Working Hours Policy is in place, which is up to date, and has been approved;
- Relevant policies are available on the Organisation's intranet page;
- Employees' flexible working is undertaken in line with the Flexible Working Hours Scheme, including the maximum of 11 hours accrued in one day, and do not commence work until a minimum break of 11 hours have been accrued;
- Only a maximum of two flexible leave days has been taken in any accounting period;
- Arrangements of carryover of credit/ debit hours are applied in line with Policy;
- All flexible claims have been approved by an appropriate Line Manager; and
- A report of all flexible time taken can be run and checked for appropriateness by the Line Manager.

Limitations to the scope of the audit assignment:

- We will undertake an assessment of the adequacy of aspects of the control framework and we will perform limited testing to confirm its operation in practice;
- The scope of our work will be limited only to those areas that have been examined and reported upon in the areas for consideration in the context of the objectives set out for this review, and is not to be considered as a comprehensive review of all aspects of employee time management;
- We will not consider the appropriateness of hours worked or flexi-time accrued;
- We will not verify the accuracy of time recorded in the flexi-time system by employers;
- We will not provide assurance that employees have actually taken breaks during the periods recorded on their timesheets as 'not working';
- We will not confirm that any debit balances accrued by employees upon leaving TfN have been deducted from the employee's final salary;
- Conclusions will be based on our assessment of the current framework of controls and an initial review of relevant documentation available;
- All testing will be from this financial year;
- Our audit will not seek to replicate advice provided to you by any third parties and external advisors;
- The results of our work are reliant on the quality and completeness of the information provided to us; and
- Our work does not provide assurance that error, loss or fraud do not exist.

Debrief held 1 November 2021
Draft report issued 10 November 2021
Responses received 11 November 2021

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Final report issued 11 November 2021

Client sponsor Stephen Hipwell, Human Resources Manager
Distribution Stephen Hipwell, Human Resources Manager
Iain Craven, Finance Director

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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 UK 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 UK 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 UK 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

Internal Audit Progress Report

19 November 2021

This report is solely for the use of the persons to whom it is addressed.
To the fullest extent permitted by law, RSM UK 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 2021/22 was approved at the February 2021 Audit and Governance Committee 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.



We have issued two audit assignment reports since the last Audit and Governance Committee meeting held in September 2021. These relate to the Purchase to Pay Framework (4.21/22) review which concluded that the Board could take ‘substantial’ assurance (one ‘medium’ and one ‘low’ priority action agreed) and the Flexible Working Hours Scheme (5.21/22) review which concluded that the Board could take ‘substantial’ assurance (no management actions raised). These reports are referred to at Appendix A. [\[To discuss and note\]](#)



Fieldwork dates have been agreed for the remaining internal audit reviews for 2021/22. Scoping meeting to discuss the focus of these reviews are currently taking place. [\[To note\]](#)

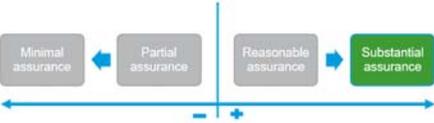
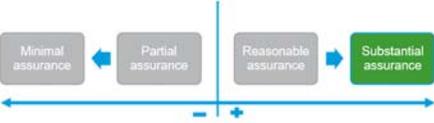


No changes have been made to the internal audit plan 2021/22 since the last Audit and Governance Committee meeting. [\[To note\]](#)

2 Reports

2.1 Summary of final reports being presented to this committee meeting

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

Assignment	Opinion issued	Actions agreed		
		L	M	H
<p>Purchase to Pay Framework (4.21/22)</p> <p>Through our work, we confirmed that TfN has an established framework in place in regard to ensuring that all payment runs, and employee expense claims are appropriately authorised, and purchases made through Accounts Payable and Treasury Payment transactions for goods and services, are recorded as received. Our sample testing performed in these areas confirmed the application of the control framework was in line with TfN policies and no exceptions were noted.</p> <p>Two management actions have been agreed with management which are designed to strengthen TfN's control framework in relation to the authorisation of procurement card statements / reconciliations and the regular review of policies. However, this not impacted on the positive assurance opinion provided.</p>	<p>Substantial Assurance</p> 	1	1	0
<p>Flexible Working Hours Scheme (5.21/22)</p> <p>Through our work, we confirmed that TfN has established systems and processes in place in regard to the Flexible Working Hours Scheme. This includes the provision of policies and guidance to staff and central oversight and monitoring from the Human Resources Team.</p> <p>Through our sample testing and data analytics carried out in regard to the use of the Flexi Time Planner system between April and August 2021, we were able to confirm the consistent application of flexi-time requirements, in line with TfN policies and procedures. As such, no exceptions were identified in our testing and we have not raised any management actions.</p>	<p>Substantial Assurance</p> 	0	0	0



2.2 Themes arising from control observations in 2021/22 reports

	Low	Medium	High
Planning	0	0	0
Policies and / or procedures	2	0	0
Non-compliance with policies / procedures	0	2	0
Design of the control framework	0	0	0
Training / awareness for staff	0	1	0
Management or performance information	1	0	0
Lack of segregation of duties	0	0	0
Poor record keeping	0	0	0
Risk Management	0	0	0
Governance weaknesses	5	0	0
Information technology	0	0	0
Total	8	3	0

The theme with the highest number of aligned management actions to date is 'Governance weaknesses'. It is noted that all five of these actions relate to the Governance Effectiveness Arrangements (2.21/22) review.

Appendix A – Progress against the internal audit plan 2021/22

Assignment and Executive Lead	Status / Opinion issued	Actions agreed			Target Audit and Governance Committee (as per IA plan 2021/22 / change control)	Actual Audit and Governance Committee
		L	M	H		
Follow Up (1.20/21) (Finance Director)	Good Progress	13 of 16 actions completed			July 2021	June 2021
Governance Effectiveness Arrangements (2.21/22) (Director of Business Capabilities)	Reasonable Assurance	5	2	0	July 2021 / September 2021 ¹	September 2021
Risk Management Strategy (3.21/22) (Finance Director)	Substantial Assurance	2	0	0	September 2021	September 2021
Purchase to Pay Framework (4.21/22) (Finance Director)	Substantial Assurance	1	1	0	December 2021	November 2021
Flexible Working Hours Scheme (5.21/22) (Director of Business Capabilities)	Substantial Assurance	0	0	0	December 2021	November 2021
IT Audit: Cyber Security or GDPR Governance (Director of Business Capabilities)	Due to commence 10 January 2022.	n/a			March 2022	N/A

1 This review incorporated the use of a questionnaire issued to TfN Members and Senior Officers to gain insight into TfN's governance arrangements. The questionnaire closing date was extended until mid-June in agreement with management to provide the opportunity to obtain as many responses as possible.



Appendix B – Other matters

On-going liaison

Ongoing liaison has taken place between RSM and Iain Craven to discuss progress against the internal audit plan 2021/22 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 (October 2021) - this is summarised below and we have incorporated a link to the full newsletter for further reading;
- RSM trading name update (October 2021);
- Corporate Criminal Offence - failure to prevent the facilitation of tax evasion guidance (November 2021);
- We invited management/members at TfN to our:
 - NED Network: Driving performance through incentivisation that took place 23 September 2021;
 - RSM North West post-Budget webinar that took place 28 October 2021; and
 - Business Leaders special event that took place 11 November 2021.

Employment Matters – October 2021 - <https://www.rsmuk.com/ideas-and-insights/employment-matters>

Pay Gap Reporting: Why a robust pay strategy is fundamental to success - There has been a lot of press that furlough has had a negative effect on gender pay parity, and that the gender pay legislation bought in to tackle it isn't doing enough to close the gap. The suspension of gap reporting in year one of the pandemic, and the delay of the reporting deadline in year two, haven't helped. As we emerge from the pandemic and employers begin reviewing their stagnant figures, we look at how to proactively assess gaps and tackle them. There have also been further calls for pay gap reporting to widen out and include ethnicity gap reporting. Currently it is only larger employers that report on this voluntarily to their stakeholders often as part of their diversity and inclusion strategies. The Chartered Institute of Personnel and Development (CIPD) has called on the government to address this and bring in mandatory ethnicity pay gap reporting by 2023. We consider how employers should best prepare for this.

National Insurance Contributions and the globally mobile employee - We are now nearly 10 months on from the UK's departure from the EU, and the social security landscape is stabilising as we get used to the new rules. Before 31 December 2020, an individual could be posted from the UK to an EU country and remain within UK social security for two years, with the potential to extend that to five years in certain circumstances. Employees working in both the UK and other EU countries (multi-state) could remain in their home country scheme, provided that they worked for at least 25 per cent of their time in that home country. Now that 31 December 2020 has been and gone, we have different rules to consider.

Hybrid working and the Health and Social Care Levy – should you be reviewing your remuneration and benefit offerings? - The government announced the Health and Social Care Levy (the Levy) in September 2021. It will result in employees and employers being liable for an additional 1.25 per cent of employees' and employers' NIC for the 2022/23 tax year, and a Levy charge for the same amount from the 2023/24 tax year. For further details on the Levy, see 'How the new health and social care levy will affect PAYE for employers'. Given the increased costs arising from the introduction of the Levy, and the changes to employees' working patterns as we move towards the 'new normal' of post coronavirus restrictions, now may be an ideal time to review and make changes to current remuneration and benefit offerings for employees.

HMRC bulletin October 2021 - HMRC recently released its latest Employer Bulletin, updating employers on support available and highlighting upcoming events on the tax calendar relevant to them. It covers changes relating to the pandemic, of course, and a range of other issues in relation to tax changes and Coronavirus Job Retention Scheme, Reporting PAYE information for Christmas payroll

Flexible working requests, including those with a hybrid working focus, need a flexible approach - Employers should carefully consider whether a return to five days a week in the office is required. If roles can be performed remotely, ending hybrid working may cause issues with staff recruitment and retention. Bear in mind that your competitors are now more likely to be offering it as a benefit, and many candidates see hybrid working as desirable. Flexible working is any arrangement that allows employees to vary the amount, timing, or location of their work. This is in contrast to working at a traditional employer-provided workplace and with fixed hours in common across a workforce. Pre-pandemic (December 2019 Queen's Speech), legislation was foreshadowed to make flexible working 'the default' from day one, unless employers had 'good reason'. Ideas such as:

- large companies (250+ employees) being encouraged to publish their flexible working policy on their website; and
- a requirement on all employers to state in a job advert if flexible working was permitted for the role were also stated to be planned.

During the pandemic, little has happened on the planned flexible working legislation. Therefore the means for an employee to change their working arrangements remains the once-yearly flexible working request, which is available only to employees with at least 26 weeks of continuous service. However, since March 2020 there has been a seismic shift in working practices through the enforced home working revolution. It has been proven that many roles can be undertaken far more productively from home without the time, cost, and effort of workplace travel and across a wide variety of working hours models. On 9 February 2021, the Small Business Minister, Paul Scully, reconvened the government's Flexible Working Task Force and commissioned a further 18 months of work from it. The taskforce brings together policymakers, employer groups, unions and professional bodies. The two new objectives set for it were:

- understanding and supporting the change to hybrid and other ways of working emerging because of the pandemic; and
- understanding whether there is more to be done longer-term to promote ad hoc or non-contractual flexible working.

Its first task was a six-month assignment to identify the key issues relating to hybrid work.



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.



For more information contact

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Audit Progress Report

Transport for the North

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November 2021



1. Audit progress
2. National publications

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01

Section 01:
Audit progress

Audit progress

Purpose of this report

This report provides the Audit and governance Committee with an update on progress in delivering our responsibilities as your external auditors and also includes, at Section 2, for your information, a summary of recent national reports and publications.

2020/21 audit

Our Audit Completion Report for 2020/21 was presented to the Audit and Governance Committee on 16 September 2021 and we gave an unqualified opinion on your financial statements on 30 September 2021. Our Audit Completion Report noted the delay in completing our Value for Money (VfM) work and also the Whole of Government Accounts (WGA) return due to the delay in NAO guidance.

In acknowledgement of the additional pressures on local government bodies and their auditors as a result of the pandemic, in April 2021, the National Audit Office updated guidance for auditors and amended the timetable for reporting on VFM arrangements. Auditors are now required to issue the Auditor's Annual Report for local government bodies, including the new commentary required on VFM no later than three months after the auditor's report on the financial statements is signed.

To allow our firm to complete its quality assurance and consistency processes, and to ensure appropriate VFM reporting across our local government clients in the first year of the new approach to VFM under the Code of Audit Practice 2020, we propose to take advantage of the extended deadline, meaning that we will now report on VFM no later than December 2021. Consequently, we are yet to complete our work in respect of TfN's VfM arrangements for the year ended 31 March 2021. One consequence of not completing our VFM work (and WGA), is that we will be unable to issue our audit certificate which formally concludes and closes the audit.

We will report the outcome of our work on TfN's VfM arrangements in our commentary within the Auditor's Annual Report. We plan to present the Auditor's Annual Report to the Audit and Governance Committee at a later meeting. We will also issue an audit completion certificate and this will set out any matters which we are required to report by exception in the form of significant weaknesses identified and recommendations for improvement. At the time of preparing this report, we have not identified any significant weaknesses in arrangements that require us to make a recommendation.

02

Section 02:

National publications

National Publications

	Publication/update	Key points
National Audit Office (NAO)		
1.	NAO Diversity and Inclusion Annual Report 2020-21 – July 2021	The Diversity & Inclusion (D&I) Annual Report 2020-21 focuses on the NAO’s achievements in the final year of its previous D&I Strategy 2018-21.
2.	Good practice guidance managing the commercial lifecycle – July 2021	The report summarises good practice guidance managing the commercial lifecycle – including recent examinations of commercial activities triggered in response to the global pandemic.
3.	Climate change risk – A good practice guide for Audit and Risk Assurance Committees – August 2021	This guide is aimed at helping Audit Committees (ARACs) to recognise how climate change risks could manifest themselves.
4.	Good practice guide: Cyber and information security	This is a guide for audit committees and includes a checklist of questions and issues.
5.	Home Office Departmental Overview	The NAO has published a summary of Home Office spending in 2020-21, focusing on key messages from the Department’s Annual Report and Accounts, and providing insights which can be used to improve financial scrutiny.
Ministry of Housing, Communities and Local Government (MHCLG)		
6.	Consultation on the local audit framework	Seeking views of organisations which form part of the local audit framework.
Other Relevant Publications		
7.	PSAA news release: 2020-21 audited accounts.	On 12 October, Public Sector Audit Appointments Ltd (PSAA) published a news release providing a summary of the proportion of local government bodies who published audited 2020-21 accounts by 30 September 2021.

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NATIONAL PUBLICATIONS

NAO

1. NAO Report: NAO Diversity and Inclusion Annual Report 2020-21 – July 2021

The NAO has published its Diversity & Inclusion (D&I) Annual Report 2020/21 which focuses on the NAO's achievements in the final year of its previous D&I Strategy 2018/21.

This report provides a candid assessment of the NAO's current position, and the challenges it faces as an organisation in achieving its ambitions to be an exemplar employer in D&I.

Key highlights over the past year include:

Developing the NAO race equality and disability equality action plans which form an integral part of the NAO's new five-year Diversity & Inclusion Strategy, launched in June 2021.

Improving the diversity of graduate intake and experienced hire programmes, supported by the introduction of new recruitment protocols.

Building on the success of the NAO's internship and work experience programmes, focused on social mobility and ethnicity.

- Achieving progress against the NAO's targets for increased representation of women and ethnic minorities at senior levels of the organisation.
- Implementing the new corporate values, including a value of "inclusion and respect", integrating this into people processes and developments.
- Successfully concluding the first diversity mentoring programme, giving leaders a much richer insight into the lives and experiences of colleagues.
- Publishing the NAO's first ethnicity pay gap.

<https://www.nao.org.uk/report/nao-diversity-and-inclusion-annual-report-2020-21/>

NATIONAL PUBLICATIONS

NAO

2. NAO Report: Good practice guidance managing the commercial lifecycle – July 2021

The NAO has published Good practice guidance managing the commercial lifecycle which reflects upon findings and recommendations drawn from 209 reports concerning 350 commercial arrangements that it has published over the past 20 years – including recent examinations of commercial activities triggered in response to the global pandemic.

The guidance is presented in 10 sections, addressing both strategic and procedural considerations and supported by case studies from the NAO’s reviews to provide relevant context.

<https://www.nao.org.uk/report/good-practice-guidance-for-managing-the-commercial-lifecycle/>

3. NAO: Climate change risk – A good practice guide for Audit and Risk Assurance Committees - August 2021

The National Audit Office has produced a guide aimed at helping Audit Committees to recognise how climate change risks could manifest themselves and which seeks to support them in challenging senior management on their approach to managing climate change risks. Within the guide, the NAO has outlined the specific reporting requirements that currently apply.

<https://www.nao.org.uk/report/climate-change-risk-a-good-practice-guide-for-audit-and-risk-assurance-committees/>

NATIONAL PUBLICATIONS

NAO

4. NAO Good practice guide: Cyber and information security

The NAO has published a good practice guide for audit committees on cyber security arrangements.

Cyber security is the activity required to protect an organisation's data, devices, networks and software from unintended or unauthorised access, change or destruction via the internet or other communications systems or technologies. Effective cyber security relies on people and management of processes as well as technical controls.

The NAO guide supports audit committees to work through this complexity, being able to understand and question the management of cyber security and information risk. It takes into account several changes which affect the way in which we interact with and manage our information and can drive increased risk. These include changes to the way we work and live due to the COVID-19 pandemic and the ongoing demand to digitise and move to cloud-based services.

The strategic advice, guidance and support provided by government has also been updated to keep pace with these changes, detailing the impact and risks on the management of cyber security and information risk. The guide provides a checklist of questions and issues covering:

The overall approach to cyber security and risk management

- Capability needed to manage cyber security
- Specific aspects, such as information risk management, engagement and training, asset management, architecture and configuration, vulnerability management, identity and access management, data security, logging and monitoring and incident management.

<https://www.nao.org.uk/report/cyber-security-and-information-risk-guidance/>

NATIONAL PUBLICATIONS

NAO

5. NAO Home Office Departmental Overview

The NAO has published a summary of Home Office spending in 2020-21, focusing on key messages from the Department's Annual Report and Accounts, and providing insights which can be used to improve financial scrutiny. The overview, along with the Department's annual report and accounts is available on the NAO website.

<https://www.nao.org.uk/report/home-office-departmental-financial-overview-2020-21/>

NATIONAL PUBLICATIONS

MHCLG

6. MHCLG Consultation on the local audit framework

On 28 July 2021, the Ministry for Housing, Communities and Local Government (MHCLG) issued a technical consultation on proposals aimed at strengthening the local audit framework, in response to the Redmond Review. MHCLG is particularly seeking the views of organisations which form part of the local audit framework, including audit firms. The consultation includes 24 questions and is open until 22 September 2021. It covers:

- A new system leader for the local audit framework, proposing that a new regulator, the Audit Reporting and Governance Authority (ARGA), take on this role.
- Proposals to strengthen audit committee arrangements within councils.
- Measures to address ongoing capacity issues on the pipeline of local auditors.

Action to further consider local audit functions for smaller bodies

NATIONAL PUBLICATIONS

Other relevant publications

7. PSAA news release: 2020-21 audited accounts.

On 12 October, Public Sector Audit Appointments Ltd (PSAA) published a news release providing a summary of the proportion of local government bodies who published audited 2020-21 accounts by 30 September 2021.

- The news release states that only 9% of local authorities were able to meet their publication deadline, representing a significant decline from 2020, where 45% were able to publish audited accounts.
- PSAA acknowledges that the pandemic has had an impact on the current position, but also reflects on the wider pressures identified and highlighted through Sir Tony Redmond's review of local audit in autumn 2020. The release also includes an update on the actions being taken by The Department for Levelling Up, Housing and Communities (DLUHC – formerly MHCLG) to reform the local audit landscape more widely.

FN was one of the 9% that published their 2020-21 accounts by 30 September.

Contact

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Meeting: Audit and Governance Committee

Subject: Preparation of the Annual Governance Statement

Author: Manjit Dhillon

Sponsor: Iain Craven

Meeting Date: Friday 19 November 2021

1. Purpose of the Report:

1.1 To advise Members of the need for Transport for the North to prepare an Annual Governance Statement for the financial year 2021/2022.

2. Executive Summary:

2.1 Under Regulation 6(1) of the Accounts and Audit Regulations 2015, Transport for the North is required to carry out an annual review of the effectiveness of its system of internal controls and to publish a report of this review in its Annual Governance Statement.

3. Recommendation:

3.1 That the Audit and Governance Committee notes this report and the intended timeline.

4. Discussion:

4.1 The Annual Governance Statement is included in the Statement of Accounts that are published according to the advised timetable. For the years ending March 2021 and March 2022 the approval date has been extended to 30 September from the "normal" approval date of 31 July.

4.2 The system of internal controls are all the measures taken together which Transport for the North has put in place to safeguard the expenditure of public money and to ensure value for money. These include Transport for the North's financial regulations and contract procurement rules which are set out in the Constitution. It also includes the risk management framework through which Transport for the North ensures that risks to its operations are identified and managed. The controls also include the oversight exercised by the Audit and Governance Committee.

4.3 Since the Inaugural Meeting officers have continuously reviewed the policies and procedures that Transport for the North has put in place in relation to procurement, financial management and risk management in order to identify areas for improvement.

4.4 In carrying out this annual review, Transport for the North is required to comply with the guidance issued by CIPFA in its guidance "Delivering Good Governance". The Guidance sets out seven principles of good governance:

- A) *Behaving with integrity, demonstrating strong commitment to ethical values and respect for the rule of law*
- B) *Ensuring openness and comprehensive stakeholder engagement*
- C) *Defining outcomes in terms of sustainable economic, social, and environmental benefits*

- D) Determining the interventions necessary to optimise the achievement of the intended outcomes*
- E) Developing the organisation's capacity including the capacity of its leaders and the individuals within it*
- F) Managing risks and performance through robust internal control and strong public financial management*
- G) Implementing good practices in transparency, reporting and audit to deliver effective accountability*

4.5 In carrying out the review, officers will assess TfN's activities against the seven principles of good governance and provide evidence of the way in which Transport for the North has conducted itself in accordance with these principles. The review will be carried out by a small team made up of the Financial Controller, the Risk Manager, and the Senior Solicitor. The team will:

- Consider the extent to which TfN complies with the principles of good governance
- Identify systems processes and documentation that provide evidence of good governance
- Identify the individuals and committees responsible for monitoring and reviewing the systems, processes and documentation identified
- Identify any issues that have not been addressed and consider how they should be addressed
- Identify the individuals responsible for carrying out any identified action.

4.6 The Audit and Governance Committee has a key role to play in oversight of the work of the Review Team who will report back to the next meeting of the Audit and Governance Committee and a first draft of the Annual Governance Statement will be brought to a future meeting of the Committee for Members to review.

4.7 The review team will also consider the future governance challenges identified in the Annual Governance Statement prepared for 2020/21 and assess the extent to which these challenges have been met during the current financial year. The challenges previously identified are set out in the table below:

4.8

Subject	Action	Progress	Target Completion Date
Review of the Constitution	To review the Constitution to bring in changes flowing from the Blake-Jones Review and the wider Members' review of the role of Transport for the North	The review was postponed to await the publication of the findings of the Williams Review	Held in abeyance. The Rail reform White Paper has now been published and the implications are still being worked through.
Adoption of the Assurance Framework	Implement and embed the Assurance Framework in Transport for the North decision-making processes	Further development of the decision-making process has been held in abeyance pending the anticipated White Paper on devolution	Held in abeyance
Board Reporting	Embed and refine the Monthly Operating Report to ensure alignment of quantitative and qualitative reporting.	Monthly Operating Reports produced and circulated to Members on an ongoing basis	Completed
Virtual Meetings in response to the Covid 19 Pandemic	Enable remote attendance by both Members and the public at meetings of the Transport for the North Board other Committees	Virtual Meetings established for all Boards and Committees and Virtual Meetings Procedure Rules adopted	Completed

4.9 The review will also look at the highest rated risks identified in the corporate risk assessment and review the effectiveness of Transport for the North's management of these risks.

5. Proposed Timetable for carrying out the Review:

5.1 Following this introductory report, a Draft Annual Governance Statement will be presented to the Committee for consideration and review. The final Annual Governance Statement will be brought to the Committee for approval and recommendation to TfN Board before it is published at the end of May 2022.

6. Corporate Considerations:

6.1 Financial Implications

There are no financial or resourcing implications as a consequence of this report.

6.2 Resource Implications

There are no resourcing implications as a consequence of this report.

6.3 Legal Implications

The legal implications have been considered and are included in the report.

6.4 Risk Management and Key Issues

There are no risk management implications as a result of this report

6.5 ***Environmental Implications***

This report does not constitute or influence a plan or programme which sets the framework for future development consents of projects listed in the EIA Directive and therefore does stimulate the need for SEA or EIA.

6.6 ***Equality and Diversity***

A full impact assessment has not been carried out because the report does not propose any new strategy or service provision.

6.7 ***Consultations***

No consultation has been carried out since no new policies are being proposed.

7. Background Papers

7.1 None

8. Appendices

8.1 None

Meeting:	Audit and Governance Committee
Subject:	Year-to-date financial position; Budget Revision 2 reforecast; Incremental Grant Claim; Mid-Year Treasury Management Update; Opting in to the PSAA regime for the appointment of external auditors.
Author:	Paul Kelly – Financial Controller
Sponsor:	Iain Craven – Finance Director
Meeting Date:	Friday 19 November 2021

1. Purpose of the Report:

- 1.1 This report sets out the financial performance of Transport for the North (“TfN”) over the first seven months of the financial year 2021/22 and provides the Budget Revision 2 reforecast through to the end of the year.
- 1.2 The committee are also asked to note the bid for incremental funding submitted by TfN in response to a request from DfT for proposals covering the following:
 - Local Authority Capacity and Capability
 - Decarbonisation
 - Electric Vehicle Charging Infrastructure
 - Planning for local bus services
 - STB Common Analytical Framework

This claim is incremental to our current budget and any grant received will be ring fenced to deliver specifically approved activities.

- 1.3 Detail is also provided with regard to TfN’s performance against its Treasury Management Strategy as required by the TfN Constitution.
- 1.4 The committee are to note the intention to continue opting into the Public Sector Audit Appointments (PSAA) regime through which our external auditors are appointed.

2. Recommendations:

- 2.1 Consider and note the financial performance in the seven-month period to October 2021.
- 2.2 Consider and note Revision 2 Budget.
- 2.3 Note the submission for incremental grant and that the budget may need to be increased once the additional funding request to DfT has been confirmed.
- 2.4 Note the compliance with Treasury Management Strategy.
- 2.5 Note the intention to continue to opt in to the PSAA regime through which our external auditors are appointed. The decision to formally opt in will be presented to the TfN Board for approval at its meeting on 24 November.

3. Executive Summary

3.1 Over the seven-month period to October 2021, TfN incurred expenditure of £30.91m, which was £2.95m (9%) below budget. The key elements that make up this variance are set out in section 4.

3.2 The following table summarises the 2021/22 Budget Revision 2 reforecast compared to Budget and Revision 1.

Forecast Expenditure	2021/22 Budget £m	Variance £m	2021/22 Revision 1 £m	Variance £m	2021/22 Revision 2 £m
Programmes:					
Northern Powerhouse Rail	48.48	0.00	48.48	2.86	45.62
Integrated & Smart Ticketing	1.52	0.00	1.52	0.29	1.23
IPBA	0.89	0.00	0.89	0.04	0.86
	50.90	0.00	50.90	3.18	47.71
Rail Operations	3.16	(0.03)	3.19	0.09	3.10
Operational Areas (net)	6.13	0.03	6.10	(0.13)	6.23
Committed Budget	60.18	0.00	60.18	3.15	57.03
NPR Contingency	18.52	14.43	4.09	4.09	0.00
Total	78.70	14.43	64.27	7.24	57.03

3.3 TfN approved its 2021/22 Budget at the TfN Board meeting on 24 March 2021. The net budget, against which TfN monitors performance, was set at £60.18m. This net budget envelope was confirmed in the Revision 1 reforecast approved by the Board in July. However, a slowdown in NPR expenditure caused by ongoing delays to the publication of the Integrated Rail Plan (IRP), combined with savings on the winding up of the IST programme, mean that the proposed Budget Revision 2 net forecast will be £57.03m, a reduction of £3.15m.

3.4 The addition of NPR contingency of £18.52m produced an original gross budget of £78.70m. It was noted in the budget report that the ongoing uncertainties around the IRP and the normal departmental approvals required for any commitment, meant that it was not possible to be certain as to the extent of any draw down on these contingent funds. Ongoing delay to the publication of the IRP led to the contingency sum being reduced by £14.43m to £4.09m in Revision 1. Further delays to the IRP, which was most recently expected to be published in October, means that it is no longer considered likely that any element of that contingency will be utilised, and it has therefore been reduced to zero.

3.5 The programme team has produced estimates of the impact of the further delays to the IRP. These are dependent on both the timing and the content of the document – the former because that impacts upon the amount of time left in the financial year to act upon its direction, -the latter because of the potential time it takes to review the document and agree a course of action based upon its recommendations. The current estimate indicates a reduction in the NPR budget of £2.86m for the full year. This is less than the estimate of c.£5m included in Budget Revision 1, but the year-end position still remains subject to significant uncertainty.

3.6 In the summer, DfT approached a number of STBs and invited requests for an incremental grant claim to support a number of DfT initiatives, i.e.

- Local Authority Capacity and Capability
- Decarbonisation
- Electric Vehicle Charging Infrastructure
- Planning for local bus services
- STB Common Analytical Framework

A bid for £0.75m was submitted on 20 October 2021 covering these activities in the current and next financial years. At the time of writing, we are awaiting confirmation of any allocation. Any agreed allocation will be ring-fenced for the specifically agreed activities.

- 3.7 TfN has operated within the parameters set out in its Treasury Management Strategy.
- 3.8 In August 2018 TfN elected to opt in to the PSAA scheme for a period of 5 years covering 2018/19 to 2022/23. This scheme acts as an independent entity to appoint and manage the external audit appointments. We are proposing to continue with this scheme for the next five-year period from 2023/24 to 2027/28. To allow sufficient time to deliver the services the scheme administrator requires early confirmation of our intention to opt in.

4. **Main Issues:**

Year-to-date monitoring

- 4.1 The table below summarises the seven-month period ending October 2021. As noted in para 3.3, TfN monitors performance against its committed (net) budget.

	2021/22 YTD Budget £m	2021/22 YTD Actual £m	Var £m	Var %
Programmes:				
Northern Powerhouse Rail	26.85	24.44	2.41	9%
IPBA	0.62	0.52	0.10	16%
Integrated & Smart Ticketing	1.05	1.01	0.03	3%
	28.52	25.97	2.55	9%
Rail Operations	1.68	1.52	0.16	10%
Operational Areas	3.67	3.42	0.25	7%
Total	33.86	30.91	2.95	9%

- 4.2. Over the first seven months of the 2021/22 financial year TfN has incurred expenditure of £30.91m. This level of expenditure is £2.95m behind the Budget Revision 1 reforecast that was approved by the Board in July.

Programme Areas

- 4.3 Most of the underspend relates to TfN's programme areas (£2.55m), the majority of which in turn falls within the NPR programme (£2.41m). The underspend has arisen as the programme has slowed due to uncertainty around the publication and content of the IRP.

Northern Powerhouse Rail (NPR)

- 4.4 Year-to-date expenditure of £24.44m is £2.41m (9%) below budget. Programme expenditure has continued to fall behind the Revision 1 profile due to further delays to the publication of the IRP. Modelling work is ahead of budget due to additional requirements requested by the DfT.

Investment Programme Benefit Analysis (IPBA)

- 4.5 Year-to-date expenditure of £0.52m is £0.1m (16%) behind budget. Underspend to date is due to modelling work, which has taken longer than expected. The original budget contained an envelope for additional tasks outside of the initial remit. Although some of this expenditure has been deferred, £0.04m has been identified as a saving and is reflected in the Revision 2 forecast.

Integrated and Smart Travel (IST)

- 4.6 The year-to-date costs incurred to close down the IST programme are £1.01m, £0.03m (3%) behind budget. Underspend relates to the final Customer Insights work, which started later than forecast, but is now in progress.

Operations

Rail Operations

- 4.7 Year-to-date, Rail Operations is £0.16m under the Revision 1 Budget. This mainly falls within the Strategic Rail team and represents activities that have slipped into future periods, including a discrete contribution to capacity analysis on the East Coast mainline of £0.07m, delayed reliability work and paused work at Leeds station due to delay in IRP publication. This work is expected to be completed during this financial year.

Operational Areas

- 4.8 Year-to-date, operational areas are £0.25m below the Revision 1 Budget. This mainly falls within the Strategy & Policy area, where expenditure is £0.22m behind. However, expenditure in October increased by 35% as four new contracts commenced and a further four tenders are currently out to market or at evaluation stage, meaning expenditure is expected to increase significantly in the remaining months of the year.

5. Budget Revision 2

- 5.1 The table below summarises the reforecast of committed (net) budgets, with contingency separately disclosed. The overall committed budget will be reduced to £57.03m principally reflecting the effect of IRP delay on NPR programme activity.

Forecast Expenditure	2021/22 Budget £m	Variance £m	2021/22 Revision 1 £m	Variance £m	2021/22 Revision 2 £m
Programmes:					
Northern Powerhouse Rail	48.48	0.00	48.48	2.86	45.62
Integrated & Smart Ticketing	1.52	0.00	1.52	0.29	1.23
IPBA	0.89	0.00	0.89	0.04	0.86
	50.90	0.00	50.90	3.18	47.71
Rail Operations	3.16	(0.03)	3.19	0.09	3.10
Operational Areas (net)	6.13	0.03	6.10	(0.13)	6.23
Committed Budget	60.18	0.00	60.18	3.15	57.03
NPR Contingency	18.52	14.43	4.09	4.09	0.00
Total	78.70	14.43	64.27	7.24	57.03

- 5.2 TfN has continued to make good progress on the delivery of its Core funded activity and whilst work remains to be done, it is expected that the major part of the Core underspend as at the end of October will be made up by the end of the year. This view is predicated on projected activity levels through to the end of the year, supported by the recently adopted review process has led to an increased level of virements.
- 5.3 The sole contingency within Budget Revision 1 of £4.09m was held within the NPR programme. Due to the delay in publication of the IRP, the contingency has been removed in its entirety for Budget Revision 2.
- 5.4 TfN currently lacks any funding certainty with regard to either its Core operations or its programmes. At the time of writing no confirmation had been received regarding the levels of Core funding for 2022/23 and the future structure of the NPR programme is likely to hinge on the recommendations in the IRP.
- 5.5 This uncertainty regarding funding beyond the end of 2021/22 has required action to taken within TfN to limit the organisations exposure to new long-term

commitments. This has included a recruitment freeze until such time as the new funding arrangements are clearer.

Northern Powerhouse Rail

- 5.6 The main element of this overall budget reduction is the £2.86m decrease in the NPR programme, reflecting ground already lost as a result of uncertainty around the content and timing of the IRP. It is hoped that the IRP may now be released in November. However, further delays to publication increase the risk of further reductions in activity through to the year end.

IST Programme

- 5.7 The IST programme has been reduced by £0.29m to £1.23m for Budget Revision 2. This reduction essentially reflects the earlier demobilisation of the IST team than was originally forecast. The budget is ring fenced and any residual funding will be returned to DfT.
- 5.8 The residual IST grant funding that had been provided to support the original IST programme has either been repaid or, with the agreement of DfT, rebadged as core grant. This, in conjunction with any final repayments relating to this year's budget, will eliminate all the IST earmarked reserves.

Operations

- 5.9 The remaining budgets, which are predominantly core funded, have been, at an aggregate level, held at the same level as Budget Revision 1. There have been minor movements between IPBA, Rail Operations and other Operational areas.
- 5.10 The delivery of activity in line with the Core budget has been supported by the revised virement process that was introduced at the start of the year. This has allowed new activities (which support the business plan) to be brought forward to be delivered during the year, usually in place of activity that has been delayed. This has resulted in some acceleration of activities from future years, where these are integral to a long-term programme (i.e. the development of the STP).

Virement / expenditure control

- 5.11 Through the monthly budget virement process, new opportunities identified as supportive of the delivery of the 2021/22 Business Plan are reviewed by OBT. In October the following activities were approved:
- NPIRER Prime and Enabling capabilities data
 - Legal advice for data sharing in TAME
 - Developing metrics to establish our carbon footprint "base"
 - STP Preparation – review, strawman & objectives
 - Developing a TfN combined rail services specification
 - Business planning support

- 5.12 To date, £0.50m of new activities have been approved, these are funded from a combination of the strategic risk allocation, realised savings and reserves.

Funding

- 5.13 The Revision 2 budget of £57.03m will be resourced as follows.

Funding	2021/22 Budget £m	Variance	2021/22 Revision 1 £m	Variance £m	2021/22 Revision 2 £m
Core Grant	6.00	0.00	6.00	0.00	6.00
IST Grant	1.52	0.00	1.52	(0.29)	1.23
NPR - TDF Grant	48.48	0.00	48.48	(2.86)	45.62
Rail Operations Grants:	1.65	0.12	1.76	(0.07)	1.70
<i>Esk Valley</i>	0.06	0.00	0.06	(0.00)	0.06
<i>DfT Grant</i>	0.69	0.12	0.81	0.00	0.81
<i>Local Contributions</i>	0.63	0.00	0.63	0.00	0.63
<i>Network Rail (TRU)</i>	0.27	0.00	0.27	(0.06)	0.21
Total In-Year Grant	57.65	0.12	57.76	(3.21)	54.55
Use of Reserves	2.54	(0.12)	2.42	0.07	2.48
Total Resource	60.18	0.00	60.18	(3.15)	57.03

5.14 A reduction in the NPR committed budget, in addition to the release of the full NPR contingency amount, means that the overall funding envelope for NPR activity has been reduced to £45.62m.

5.15 The virement of budgets between Rail operations and Core operations means a forecast draw on reserves of £2.48m, an increase of £0.06m compared to Revision 1 budget, but a reduction of £0.06m against base budget. The adjusted draw on reserves for 2021/22, combined with the increase in reserves of £0.13m due to actual draw on reserves in 2020/21 being lower than forecast, gives a forecast year-end Core cash reserve to £4.19m.

6. **Additional DfT funding request of 20 October 2021**

6.1 DfT approached a number of STB's and invited requests for an incremental grant claim to support a number of DfT initiatives, i.e.

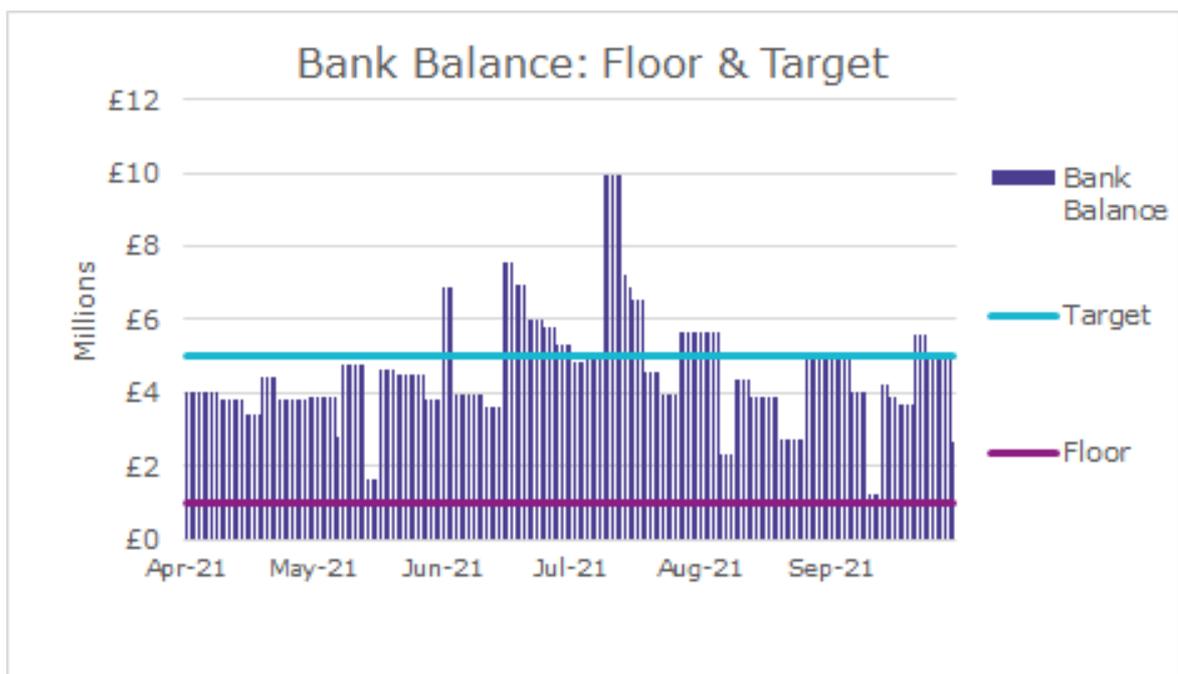
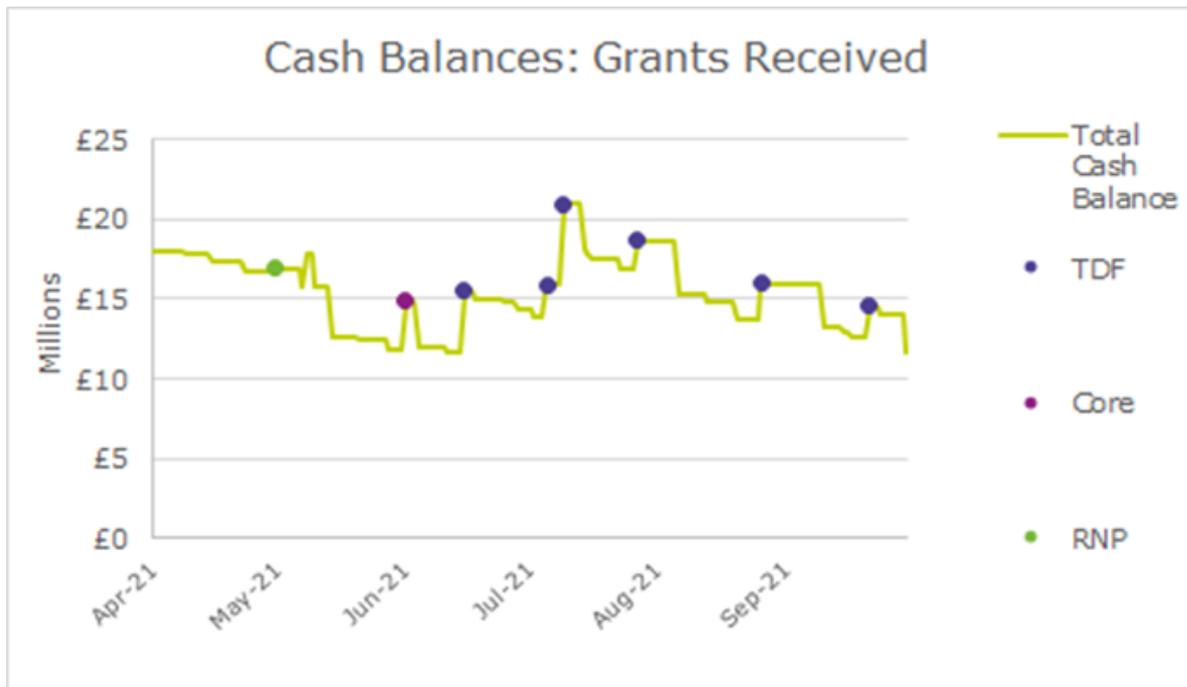
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- Decarbonisation
- Electric Vehicle Charging Infrastructure
- Planning for local bus services
- STB Common Analytical Framework

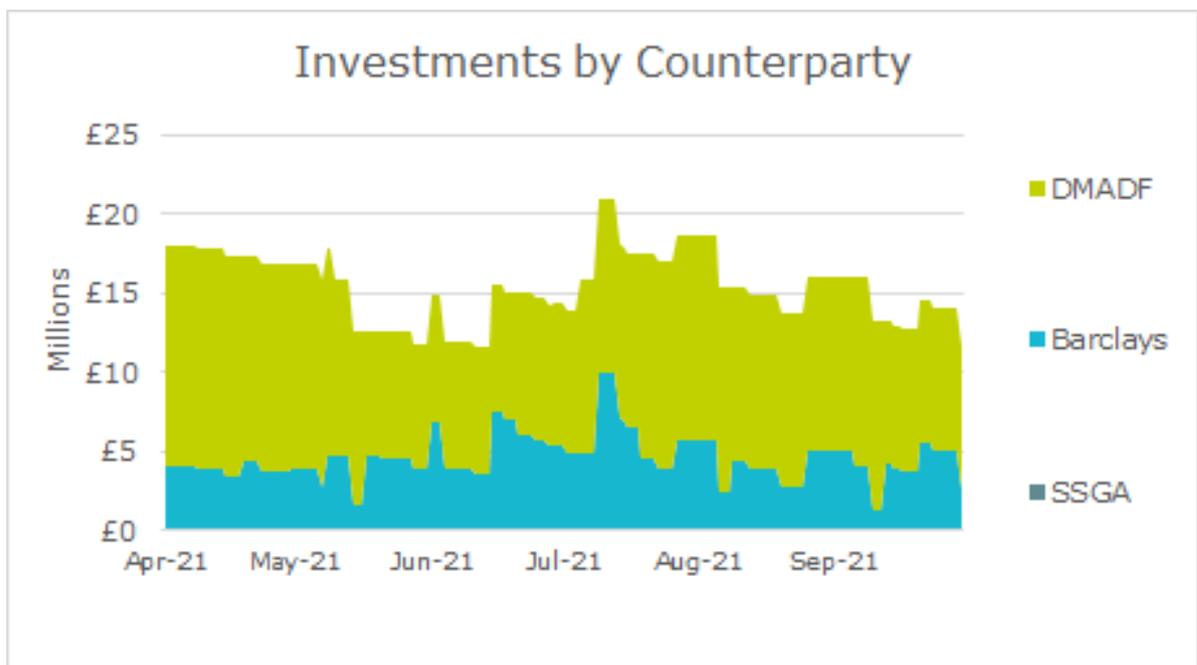
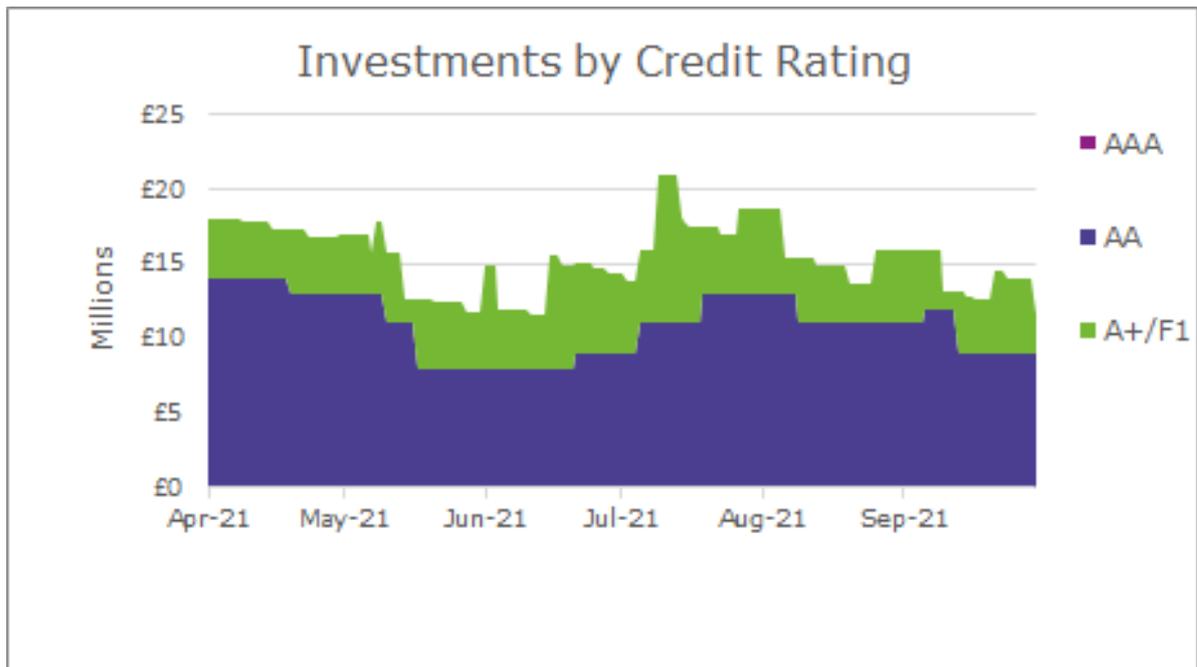
6.2 A bid for £0.75m was submitted on 20 October 2021 covering activities in the current and next financial years. At the time of writing, we are awaiting confirmation of any allocation. To the extent any allocation is granted, TfN is likely to require its Core budget be increased to accommodate this incremental activity. Any agreed allocation will be ring-fenced for the specifically agreed activities.

7. **Mid-Year Treasury Management Update**

7.1 TfN's constitution obliges officers to report to Board at the mid-year mark on performance against the Treasury Management Strategy. This strategy prescribes how TfN will manage cash and investments. Unlike partner bodies, TfN is prohibited from accessing credit, so no rules are set around borrowing.

7.2 The following charts showing performance against key parameters. It shows that TfN has managed cash and investments within its counterparty criteria, placing cash deposits with secure bodies and institutions on liquid terms.





- 7.3 In October we reimbursed DfT £1.27m relating to capital funding for the IST programme and agreed to reallocate the remaining revenue grant of £2.21m as a partial settlement of the remaining 2021/22 core funding of £3m. The balance of £0.79m will be remitted by DfT in due course.
- 7.4 It is worth noting that the interest rate environment that currently persists is resulting in very low returns on cash invested (in some investments we had negative yield). Whilst TfN will continue to keep the position under review there is no intention at present to change the focus of our Treasury Management Strategy and its prioritisation on security and liquidity over yield.
- 7.5 TfN has operated within the parameters set out in its Treasury Management Strategy.

8. Appointment of Public Sector Audit Appointments ("PSAA") to appoint our External Auditors

- 8.1 The PSAA is an entity set up to appoint auditors to local public and government bodies. They also set fees and oversee the delivery of consistent, high-quality, and effective external audit services.
- 8.2 In August 2018, TfN elected to utilise the services of the PSAA, i.e. become an opted-in authority for the purposes of the appointment of our external auditor under the provisions of the Local Audit and Accountability Act 2014 and the requirements of the Local Audit (Appointing Person) Regulations 2015 (the Regulations).
- 8.3 This was a national scheme and covered the 5 years from 2018/19 to 2022/23.
- 8.4 It is proposed that TfN continues with this arrangement for the next five years (2023/4 to 2027/28). The PSAA requires that this decision be taken at a full meeting of the authority, and it is therefore the intention to seek the required approval at the TfN board meeting on 24 November.

9. Corporate Considerations:

Financial Implications

- 9.1 The financial implications are included within the report.

Resource Implications

- 9.2 The HR implications are covered within this report.

Legal Implications

- 9.3 The legal implications are included within the report.

Risk Management and Key Issues

- 9.4 The risk implications are included within the report.

Environmental Implications

- 9.5 There are no environmental implications.

Equality and Diversity

- 9.6 There are no equality and diversity matters.

Consultations

- 9.7 No consultation is required.

10. Background Papers

- 10.1 2021/22 Budget
Budget Revision 1
Treasury Management Strategy
DfT incremental funding request of 20 October 2021

Glossary of terms, abbreviations and acronyms used (if applicable)

Please include any technical abbreviations and acronyms used in the report in this section. (Please see examples below.) This will provide an easy reference point for the reader for any abbreviations and acronyms that are used in the report.

- a) *IRP* *Integrated Rail Plan*
- b) *NPR* *Northern Powerhouse Rail*
- c) *PSAA* *Public Sector Audit Appointments*

Meeting: Transport for the North Audit & Governance Committee

Subject: Corporate Risk Register Report

Author: Iain Craven, Finance Director

Sponsor: -

Meeting Date: Friday 19 November 2021

1. Background:

- 1.1 Transport for the North has updated the Corporate Risk Register ("CRR") to continue to reflect the Key Performance Indicators (KPIs) and business objectives outlined in the Business Plan for Financial Year 2021/22.
- 1.2 The CRR was presented at the Audit and Governance Committee on 16 September 2021 for feedback and approval before being presented to TfN Board on 29 September 2021. It has subsequently been updated to reflect changes that have occurred since the reports were published for those meetings.
- 1.3 The terms of reference for the Audit and Governance Committee includes the requirement for the committee to "monitor Transport for the North's risk and performance management arrangements including review of the risk register, and progress with mitigating action".
- 1.4 Transport for the North's corporate risks stem from the agreed KPIs and from a range of other sources, some of which are beyond 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 9.1.

2. Recommendation:

- 2.1 Committee Members are asked to consider the report and provide comments regarding the risk information provided.

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 its ability to achieve its objectives and priorities.
- 3.3 This report provides the Committee with an update on the organisational risks and issues relating to the business KPIs/objectives which can be found in the Corporate Risk Register.
- 3.4 The key changes from the previous version considered by this Committee and, subsequently, the Board in September 2021 are as follows:

-
- *The Covid-19 Pandemic prevents or delays TfN from delivering its objectives (TCR01)* – The Covid-impacted delay to the publication of the Integrated Rail Plan is delaying effective decision making across TfN. Therefore, risk factor 3 has now become an issue and risk factor 2 has increased to a High impact.
 - *TfN Reputational and Political Engagement (TCR02)* – TfN made the case for its funding during the Spending Review. However, it is unlikely that TfN will receive its funding allocations before January, placing significant pressure on its ability to produce a robust budget prior to the start of the new financial year. This is exacerbated by the uncertainty that exists with regard to the future delivery model for the NPR programme and the consequential impacts that this may have on TfN. Therefore, risk factors 1 and 2 have become Very High. Separately, Mitigations E, I and L have been closed and will be removed at the next publication.
 - *TfN Operations (TCR06)* – As TfN is unlikely to receive notification of its funding allocation before January 2022, this creates significant risks in TfN’s ability to generate a robust business plan prior to the start of the new financial year. Therefore, risk factors 2 and 3 have increased to Very High. Mitigation F has been closed and will be removed at the next publication.
 - *Rail Operations – Franchise and Delivery (TCR09)* – TfN’s Strategic Rail team has been in discussions with the Great British Rail transition team regarding risk factor 2 (TfN’s role in the future operating model of the railways). The positive engagement to date means that the risk probability has been decreased to High. However, the potential impact remains the same.

4. Corporate Considerations

Financial Implications

4.1 The financial implications are detailed within individual risks where applicable.

Resource Implications

4.2 The resource implications are detailed within individual risks where applicable.

Legal Implications

4.3 The legal implications are detailed within individual risks where applicable.

Risk Management and Key Issues

4.4 A full corporate risk assessment activity took place which can be found in Item 9.1.

Environmental Implications

4.5 A full impact assessment has not been carried out because it is not required for this report.

Equality and Diversity

4.6 A full impact assessment has not been carried out because it is not required for this report.

Consultations

4.7 A consultation has not been carried out because it is not necessary for this report.

5. Background Papers

5.1 The Corporate Risk Registers presented as a standing item at each Audit & Governance Committee provide the background papers and context for this report

6. Appendices

6.1 Item 9.1 – Corporate Risk Register November 2021

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Transport for the North

Corporate Risk Register

Updated November 2021



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 2021/2022 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 2021/22 corporate risk register 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.

Section 1 summarises TfN's corporate level risks and the senior owner(s).

Section 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.

Section 3 provides a guideline in regard to the assessment of TfN's level of control on the proposed mitigation risk plans.

Section 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.

Section 1: Summary of TfN's Corporate Risk Themes, Probability & Impact Assessments and Ownerships

Corporate Risk Theme	The Covid-19 Pandemic prevents or delays TfN from delivering its objectives (TCR01)		
Risk Probability			High
Nature of Risk Impact	Business deliverables may not be completed on time if: <ul style="list-style-type: none"> (i) A number of staff within TfN or its supply chain might be affected by Covid-19. (ii) TfN decision making / governance processes might be impacted by the availability of Constituent Authority or departmental colleagues. (iii) Covid-19 related uncertainty causes wider policy announcements to be delayed. 		
Inherent Risk Impact			Very High
Post-Mitigation Impact			High
Risk/Mitigation Owner(s)	Chief Executive (Martin Tugwell)		
Corporate Risk Theme	TfN Reputational and Political Engagement (TCR02)		
Risk Probability			High
Nature of Risk Impact	<ul style="list-style-type: none"> (i) TfN made the case for its funding during the Spending Review. However, it is unlikely that TfN will receive its funding allocations before January, placing significant pressure on its ability to produce a robust budget prior to the start of the new financial year. This is exacerbated by the uncertainty that exists with regard to the future delivery model for the NPR programme. (ii) The future role of Sub-national Transport Bodies (STBs) such as TfN needs greater clarity, otherwise TfN's ability to deliver the economic, social and sustainability benefits could be reduced. (iii) The leaking of confidential information may create a legal liability, and/or erode trust between TfN and the Department of Transport and thereby could potentially harm TfN's reputation, weaken its relationship with DfT and other partners and ultimately impact upon its financial position. 		
Inherent Risk Impact			Very High
Post-Mitigation Impact			High
Risk/Mitigation Owner(s)	Chief Executive / Finance Director (Martin Tugwell / Iain Craven)		
Corporate Risk Theme	Embedding the Strategic Transport Plan (STP) Across Programmes (TCR03)		
Risk Probability	Low		
Nature of Risk Impact	<ul style="list-style-type: none"> (i) TfN Programmes of work may 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. (ii) Inconsistent messaging as a result of uncoordinated activity could also weaken TfN's reputation with 		

	government, constituent authorities and wider stakeholders.		
Inherent Risk Impact			High
Post-Mitigation Impact	Low		
Risk/Mitigation Owner(s)	Interim Strategy & Programme Director (Tim Foster)		
Corporate Risk Theme	Delivery of Robust and Compelling Evidence to Support Investment Programmes (TCR04)		
Risk Probability		Medium	
Nature of Risk Impact	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.		
Inherent Risk Impact		Medium	
Post-Mitigation Impact	Low		
Risk/Mitigation Owner(s)	Interim Strategy & Programme Director (Tim Foster)		
Corporate Risk Theme	Transport Decarbonisation and Climate Change Emergencies (TCR05)		
Risk Probability		Medium	
Nature of Risk Impact	The failure to develop relevant policy positions, and undertake identified priority decarbonisation activities, would adversely impact on TfN's credibility and influence as a Sub-National Transport Body and reduce its ability to deliver on the commitments laid out within the TfN Decarbonisation Strategy.		
Inherent Risk Impact			High
Post-Mitigation Impact	Low		
Risk/Mitigation Owner(s)	Interim Strategy & Programme Director (Tim Foster)		
Corporate Risk Theme	TfN Operations (TCR06)		
Risk Probability			High
Nature of Risk Impact	(i) TfN made the case for its funding during the Spending Review. However, it is unlikely that TfN will receive its funding allocations before January, placing significant pressure on its ability to produce a robust budget prior to the start of the new financial year. This is exacerbated by the uncertainty that exists with regard to the future delivery model for the NPR programme. (ii) Funding reductions may mean that TfN is unable to deliver the full range of its members aspirations.		
Inherent Risk Impact			Very High
Post-Mitigation Impact			High
Risk/Mitigation Owner(s)	Finance Director / Business Capabilities Director (Iain Craven / Dawn Madin)		

Corporate Risk Theme	TfN Compliance with Relevant Laws and Regulations (TCR07)		
Risk Probability	Low		
Nature of Risk Impact	<ul style="list-style-type: none"> (i) Potential reputational impacts with both stakeholders and the public. (ii) Financial impact, including fines or other penalties, for breach of statutory obligations such as Data Protection, Freedom of Information, Employment or Health and Safety legislation. (iii) 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. Employees/Ex-Employees may raise employment tribunal claims against TfN. 		
Inherent Risk Impact			High
Post-Mitigation Impact	Low		
Risk/Mitigation Owner(s)	Business Capabilities Director / Head of Legal Services (Dawn Madin / Julie Openshaw)		
Corporate Risk Theme	The Northern Powerhouse Rail (NPR) Strategic Outline Case (SOC) (TCR09)		
Risk Probability			Very High
Nature of Risk Impact	<ul style="list-style-type: none"> (i) Following the agreement that the publication of the Integrated Rail Plan will precede the NPR SOC, the further delay to the release of the IPR will delay the submission of the NPR SOC and could affect the future scope of business cases, such as OBC and FBC (ii) The recommendations that might be in the IRP when it is published may not be aligned with the route / phasing advice that TfN has previously provided to the SoS. This would severely impact on the ability of the NPR Programme to deliver TfN's preferred network. (iii) The outcome of the IRP may include conclusions relating to the TRU option selection which ranges from small to larger improvements. There is a lack of engagement between NPR & TRU programmes (i.e., TfN, DfT, NR) which is likely to affect the programme and thus impact on TfN's credibility and reputation with our Partners and the public. 		
Inherent Risk Impact			Very High
Post-Mitigation Impact		High	
Risk/Mitigation Owner(s)	NPR Programme Director (Tim Wood)		
Corporate Risk Theme	Rail Operations (Franchise Management and Investment) (TCR10)		
Risk Probability			Very High
Nature of Risk Impact	<ul style="list-style-type: none"> (i) The long-term effect of Covid-19 on the viability of train services and future investment decisions. (ii) The publication of the Rail Reform White Paper has insufficient detail about the role of TfN and other devolved bodies to allow a clear appreciation of their future role. 		

	(iii) Proposed timetable changes on the East Coast Main Line (ECML) in May 2023 and Manchester in December 2022 will have an impact on local connectivity, thereby reducing choice for passengers.			
	(iv) TRU fit with the wider investment strategy in the North.			
Inherent Risk Impact				Very High
Post-Mitigation Impact				Very High
Risk/Mitigation Owner(s)	Strategic Rail Director (David Hoggarth)			

Section 2: TfN's Probability & Impact Scoring and Assessment 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		Probability of the Risk Materialising (%)	Definition of Impact
5	An Issue	100% probability that the risk will materialise or the has materialised	<ul style="list-style-type: none"> One or more of the implications will have an effect on Business Plan objectives and/or KPIs
4	Very High	81-100	<ul style="list-style-type: none"> Financial Implication: £>2m Schedule Implication: > 12 months National long-term negative media coverage, significant loss of trust and credibility Severe relationship issues with partners and/or third parties (such as Local Authorities, public)
3	High	51-80	<ul style="list-style-type: none"> Financial Implication: £1m - £2m Schedule Implication: 9 - 12 months National short-term negative media coverage Evidence of relationship issues with partners/or and third parties (such as Local Authorities, public)
2	Medium	21-50	<ul style="list-style-type: none"> Financial Implication: £500K - £1m Schedule Implication: 3 - 9 months Local media damage Minimal strained relationship with partners and/or third parties (such as Local Authorities, public)
1	Low	≤20	<ul style="list-style-type: none"> Financial Implication: £0 - £500K Schedule / Time delay Implication: 0 - 3 months Local media attention quickly remedied No strain relationship with partners and/or third parties (such as Local Authorities, public)

Section 3: Qualitative Assessment on the Levels of Mitigation Control

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 level of control:

- **High Control:** TfN has direct control over most of the available mitigation options - strategies that TfN has the power and/or ability to implement and as a result, contribute to the successful mitigation of the associated risk.
- **Medium Control:** TfN has some control over the available mitigation in conjunction with collaborative efforts with relevant partners or other stakeholders in order to be successful in the management of the action plans. TfN may be able to deploy additional resources to increase its ability to influence risk outcomes.
- **Low Control:** TfN has very limited control over the identified mitigations which must be a collaboration with the relevant internal and external parties. 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 or how these mitigations are implemented.

Each assigned control level will be accompanied by a progress summary and the most recent date that it was assessed and updated.

Section 4: Qualitative Risk Analysis of TfN’s Corporate Level Risks

Risk ID: TCR01 - The Covid-19 pandemic prevents or delays TfN from delivering its objectives	10
Risk ID: TCR02 - Transport for the North’s Reputational and Political Engagement	12
Risk ID: TCR03 - Embedding the Strategic Transport Plan (STP) across programmes	15
Risk ID: TCR04 - Delivery of Robust and Compelling Evidence to Support Investment.....	17
Risk ID: TCR05 - Transport Decarbonisation and Climate Change Emergencies	19
Risk ID: TCR06 - Transport for the North’s Business Operations	21
Risk ID: TCR07 - Transport for the North’s Compliance with Relevant Laws and Regulations	23
Risk ID: TCR08 - Northern Powerhouse Rail (NPR) Business Case Delivery and Programme Development.....	25
Risk ID: TCR09 - Rail Operations – Franchise and Delivery	28

Risk ID: TCR01 - The Covid-19 pandemic prevents or delays TfN from delivering its objectives

Description of Identified Risks:

- (1) There is still a potential, albeit reduced, for a number of staff within TfN or its supply chain to be affected by coronavirus, or by steps taken by suppliers to respond to the pressures caused by the pandemic;
- (2) TfN decision making / governance processes might be impacted by the availability of Constituent Authority or departmental colleagues;
- (3) The Covid-19 related uncertainty continues to cause wider policy announcements to be delayed;
- (4) The pandemic reduces the efficiency with which certain activities can be delivered and therefore increases the costs associated with delivering them.

Impacts of Identified Risks:

- TfN’s key programme and business deliverables may not be completed on time if the number of staff affected by COVID-19 is significant.
- 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.
- Delays to central government decision-making (where Covid-19 is at least a contributory factor) in key areas such as the Integrated Rail Plan (IRP) and Levelling Up are impacting upon TfN’s ability to drive programmes. For example, the absence of clarity with regard to either the substance of the IPR network, or the form that delivery will take, is impacting both on TfN’s ability to deliver activity in year, or to plan at either a programme or a corporate level for 2022/23 and beyond.

	Inherent Risk Impact				
	Low	Medium	High	Very High	An Issue
Risk Probability					
Low		(risk 1, 4)			
Medium			(risk 2)		
High					
Very High					
An Issue					(risk 3)

Risk Trend since Previous Report	Increased
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Mitigations of Identified Risks, Level of Control and Updates:

Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
a	1, 2, & 4	High	On-going	05/11/21
Organisational and individual Directorate Contingency Plans have been developed and are in place. These are further underpinned by TfN Corporate Business Continuity Plan (BCP). This includes the 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.				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
b	1, 2, & 4	High	On-going	05/11/21
Programme and policy teams continue to identify and focus on the critical organisational outputs and deploy the available resources in the achievement of those priorities.				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
c	1, 2, & 4	High	On-going	05/11/21
Programme teams continue to re-align delivery plans and communicate changes to partners. The teams continue to work with consultants and partners to provide support where possible.				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
d	1, 2, & 4	High	On-going	05/11/21
TfN continues to deliver its 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.				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
e	3	Low	On-going	05/11/21
TfN has made representations to DfT regarding the challenges created by delays to policy announcements and in particular the IRP.				

Risk ID: TCR02 - Transport for the North's Reputational and Political Engagement

Description of Identified Risks:

- (1) Central Government's intention with regard to the future role of Sub-national Transport Bodies (STBs) is unclear. This uncertainty may prevent the organisation from fulfilling its objectives and delivering its programme of works. DfT's preference is for STBs to give their views in private rather than in public. Clarity on this position is required and DfT has indicated that it is considering proposing changes to the Communications MoU and/or Partnership Agreement;
- (2) There is ongoing uncertainty with regard to TfN's longer term funding settlement. With the exception of a small quantum of Rail North Partnership / Strategic Rail funding, all of TfN's funding streams expire at the end of the 2021/22 financial year. TfN made the case for its funding during the Spending Review. However, it is unlikely that TfN will receive its funding allocations before January, placing significant pressure on its ability to produce a robust budget prior to the start of the new financial year. This is exacerbated by the uncertainty that exists with regard to the future delivery model for the NPR programme and the consequential impacts that this may have on TfN;
- (3) There is a risk of 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.
- (4) The leaking of confidential information may create a legal liability, and/or erode trust between TfN and the Department of Transport and thereby could potentially harm TfN's reputation, weaken its relationship with DfT and other partners and ultimately impact upon its financial position.

Impacts of Identified Risks:

- 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.
- The uncertainty in relation to TfN's ongoing levels of Core and NPR funding (and NPR arrangements) makes it more difficult for TfN to deliver member aspirations to facilitate transformational economic growth in the North by means of transport interventions.
- 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.
- 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.
- TfN's reputation with DfT, partners and members could potentially be adversely affected.

	Inherent Risk Impact				
	Low	Medium	High	Very High	An Issue
Risk Probability					
Low					
Medium			(risk 3)		
High				(risk 4)	
Very High				(risk 1 & 2)	
An Issue					
Risk Trend since Previous Report	Increased				

Mitigations of Identified Risks, Level of Control and Updates:

Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
a	1 & 3	Medium	On-going	05/11/21
TfN aspirations in relation to its future role and associated powers have been set out in the Northern Transport Charter. TfN's 2021/22 Business Plan includes activity to develop capability and additional evidence on investment plans aligned with the Northern Transport Charter proposals.				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
b	1 & 3	Medium	On-going	05/11/21
There is continuous engagement with Members and constituent authorities (at a political and officer level), stakeholders, and partners, to continue to represent 'One Voice' for the North.				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
c	1 & 3	Medium	On-going	05/11/21
There is structured engagement with central government officials and decision-makers. TfN continues to respond to any DfT proposals to update the Communications MoU/Partnership Agreement once seen.				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
d	1 & 3	Medium	On-going	05/11/21
TfN to focus on contributing to the recovery phase of the pandemic by ensuring we have ongoing dialogue with DfT, including the DfT Acceleration Unit, and with NTAC on the Economic Recovery Plan proposals.				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
e	1, 2 & 3	Medium	Completed - Risk Mitigated	05/11/21
TfN to highlight where necessary the limits of its powers and, when directed, to seek to extend its influence for greater decision making.				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
f	2	High	On-going	05/11/21
TfN has undertaken a business planning and budgeting process for FY21/22 that focuses its available resources on key Member priorities. It has also introduced a revised monthly activity review and virement process to help ensure it delivers its business plan.				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
g	2	High	Completed - Risk Mitigated	05/11/21
TfN has undertaken engagement with the Board in relation to the 2021 Spending Review and secured early agreement with regard to the key elements of its submission.				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
h	4	Medium	On-going	05/11/21

TfN has in place Confidentiality Agreements with Constituent Authorities in relation to Northern Powerful Rail and the Rail North Partnership to regulate information disclosed. In addition, the Confidentiality Agreement demonstrates how information and data may and may not be used, ensures compliance with data protection legislation and impose responsibility for compliance.				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
i	4	Medium	Completed - Risk Mitigated	05/11/21
TfN's Disciplinary Policy defines misuse of information as gross misconduct and all employees have been reminded and will continue to be reminded of their obligation of confidence through a staff briefing.				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
j	4	Medium	On-going	05/11/21
The Codes of Conduct relating to Members of Constituent Authorities make provision as to the circumstances in which information may be disclosed. Each Constituent Authority will have its own Officer Code of Conduct and/or Disciplinary Policy which are likely to have similar provisions to TfN's, dealing with the treatment of confidential information.				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
k	4	Medium	On-going	05/11/21
TfN's processes seek to restrict where possible disclosure of data only to those within the organisation who need to possess such data in order to carry out TfN's business as a local authority. This will support the reduction of the risk of deliberate or accidental disclosure of information shared on a confidential basis.				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
l	4	Low	Completed - Risk Mitigated	05/11/21
As part of TfN's electronic communication processes, document classification is required as part of the Azure Information Protection for all documents and emails sent from within the TfN working environment. This provides validation of all information sent internally and externally.				

Risk ID: TCR03 - Embedding the Strategic Transport Plan (STP) across programmes

Description of Identified Risk:

- (1) 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 embedding or aligning with the STP, it is likely to impact the delivery and cost of the STP programme. In addition, it creates reputational risk if TfN is inconsistent in its external messaging and statutory advice to government. Furthermore, 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.

Impacts of Identified Risks:

- Programmes of work developed in a way that does not contribute to, or runs counter to, the overall objectives and plans set out in the STP, resulting in the failure to achieve the aims of the STP and/or leads to sub-optimal impacts from transport investments.
- Inconsistent messaging as a result of uncoordinated activity weakens TfN’s reputation with government, constituent authorities and wider stakeholders.

	Inherent Risk Impact				
	Low	Medium	High	Very High	An Issue
Risk Probability					
Low					
Medium			(risk 1)		
High					
Very High					
An Issue					

Risk Trend since Previous Report	No Change
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Mitigations of Identified Risks, Level of Control and Updates:

Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
a	1	High	On-going	05/11/21
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.				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
b	1	High	On-going	05/11/21
A Policy Development Framework (previously known as the Internal Assurance Framework) is being developed. The work will identify clear and consistent approaches to policy development across the organisation, building on the coordination work already underway in Strategic Oversight Group (SOG). In addition, the Policy Development Framework will enable decision makers to decide TfN's priorities for future projects and programmes to ensure alignment within the TfN programme as well as with partner programmes.				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
c	1	High	On-going	05/11/21
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.				
Mitigations #	Risk Factors	Control Level	Status of Mitigation	Updated
d	1	Medium	On-going	05/11/21
A Strategic Transport Plan (STP) Programme was developed for TfN Board to agree and approve in September 2021. The STP programme will define and sequence the required activities needed, with clear milestones in place for the development and production of a revised STP. Furthermore, there is a plan for consultation and formal adoption by the Board, which is expected in 2024. The TfN Board has agreed a programme for the update of the new STP and governance mechanisms are being established in preparation for work to start this financial year.				

Risk ID: TCR04 - Delivery of Robust and Compelling Evidence to Support Investment

Description of Identified Risks:

- (1) One of the objectives of developing the Analytical Framework (AF) is to allow the capture of the economic, social, and environmental impacts of transformational transport schemes. Further developments are underway to ensure robust evidence around these impacts can be captured and quantified or qualified through the AF.

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 ability 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). In addition, the full requirements for TAME's contribution to the NPR programme in 2021/22 will remain uncertain until the publication of the Integrated Rail Plan (IRP). This uncertainty is likely to create a resourcing risk and required support to other TfN programmes.

Impacts of Identified Risks:

- 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.
- The inability to make a transformational case could damage TfN's reputation with partners as the organisation's key objective is to take a leadership role in delivering innovative business cases to secure investments.

	Inherent Risk Impact				
	Low	Medium	High	Very High	An Issue
Risk Probability					
Low					
Medium			(risk 1)		
High					
Very High					
An Issue					

Risk Trend since Previous Report	No Change
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Mitigations of Identified Risks, Level of Control and Updates:

Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
a	1	Medium	On-going	05/11/21
TAME staff are working closely with DfT officials to build confidence in the robustness of Analytical Framework tools, dedicating resources to responding to requests for information in a professional and timely manner. In addition, the NoRMS peer review, critical for NPR Strategic Outline Case has been completed which received a positive outcome.				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
b	1	High	On-going	05/11/21
Programme timescales are being adjusted where it is sensible to make those adjustments without significantly impacting delivery against TfN's core objectives.				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
c	1	Medium	On-going	05/11/21
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.				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
d	1	High	On-going	05/11/21
Added value work will be brought into programmes at a later stage in the form of sensitivity analysis, ensuring that work undertaken to date can still provide value to TfN programmes.				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
e	1	High	On-going	05/11/21
The TAME team structure was revised, and additional senior resources were introduced with improved engagement with TfN programmes to ensure Analytical Framework development and application activities meet the needs of the programmes. A number of consultants continue to work with the team providing senior level input until the Analysis Support Partner contract is in place in September 2021.				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
f	1	High	On-going	05/11/21
The team is undertaking scenario planning for different outcomes of the IRP. Additionally, the team has developed flexible professional services contracts, which can be scaled up and down to meet different levels of NPR resource requirements, thereby, providing a control mechanism to protect TAME's resources that are committed to other programmes.				

Risk ID: TCR05 - Transport Decarbonisation and Climate Change Emergencies

Description of Identified Risks:

- 1) 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 to 2050" which has now been developed and is reported within the Decarbonisation Strategy. It outlines how net zero emissions can be delivered within the North and the trajectory for change, with the impact of the Covid-19 pandemic accounted for within our Future Travel Scenarios. The Decarbonisation Strategy has been approved by TfN Board for public consultation during the summer of 2021. Assuming final adoption of the Strategy in late 2021, the Strategy details a number of recommendations, commitments, and future activities for TfN. There is potential, due to funding and resource constraints, that TfN falls behind in developing appropriate and timely policy positions, as well as progressing the priority decarbonisation activities identified within the Strategy, leading to a risk that that the level of policy commitment at both a national and local level does not materialise and that the North fails to achieve close to zero carbon emission for surface transport by 2045 (the key objective within TfN's Decarbonisation Strategy).
- 2) There is also a related risk that TfN's Investment Programme is misaligned to the agreed Decarbonisation Trajectory and may require review in the light of this.

Impacts of Identified Risks:

- There is a risk that the required level of policy commitment at both a local and national level to achieve the agreed rate of decarbonisation is not achieved and therefore TfN fails to deliver on its commitments laid out within the TfN Decarbonisation Strategy.
- Failure to develop relevant policy positions and undertake identified priority decarbonisation activities, adversely impacts on TfN credibility and influence as a Sub-National Transport Body.
- TfN's Investment Programme may not be compliant with TfN's Decarbonisation Trajectory. Any review may result in an Investment Programme which is misaligned with partners priorities. If the required level of policy commitment to deliver close to zero by 2045 is not achieved 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.

	Inherent Risk Impact				
	Low	Medium	High	Very High	An Issue
Risk Probability					
Low				(risk 2)	
Medium			(risk 1)		
High					
Very High					
An Issue					
Risk Trend since Previous Report	No Change				

Mitigations of Identified Risks, Level of Controls and Updates

Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
a	1	High	On-going	05/11/21
<p>Careful programme planning to ensure TfN activities proposed in the Strategy are accommodated in business planning up until 2025 to ensure priority activities are given appropriate focus, resourcing, and funding. By undertaking these research, evidence and data building, and facilitation activities, and providing the outputs to our Partners and national government, there is a higher likelihood of the required levels of policy commitment being achieved.</p>				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
b	1	High	Completed - Risk Mitigated	05/11/21
<p>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, this will include ensuring that TfN adopts appropriate and timely decarbonisation policy positions.</p>				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
c	2	High	Completed - Risk Mitigated	05/11/21
<p>To ensure that the decarbonisation and broader sustainability / environmental policies that are developed by TfN are properly reflected in both strategic and project level decision making, including through the IPBA process, and therefore appropriately weighted within TfN decision making processes.</p>				

Risk ID: TCR06 - Transport for the North's Business Operations

Description of Identified Risks:

- (1) There is a general risk that TfN fails to deliver programmes' output in a way that achieves Value for Money in TfN expenditure.
- (2) Uncertainty in relation to TfN's medium- to long-term funding position, particularly following funding reductions for 2021/22, might impact on TfN's ability to manage / deliver multi-year activity and may also negatively impact on its ability to recruit and retain suitably qualified staff.
- (3) The continued delays to the publication of the Integrated Rail Plan (IRP) and the Devolution White Paper continues to create significant uncertainties. TfN made the case for its funding during the Spending Review – however, it is unlikely that TfN will receive its funding allocations before January, placing significant pressure on its ability to produce a robust budget prior to the start of the new financial year. This is exacerbated by the uncertainty that exists with regard to the future delivery model for the NPR programme. Consistent with last year, this ongoing uncertainty beyond March 2022 means that TfN has instituted a pause in its recruitment of permanent roles. These factors taken together have the potential to affect TfN's ability to recruit and retain and therefore has an impact on wider employee morale and confidence and by extension its ability to deliver the 2021/22 business plan.

Impacts of Identified Risks:

- TfN is unlikely to receive its funding allocations for Core and NPR activity prior to January 2022 and is still unsighted as the future delivery model for NPR. This creates significant risks in relation to its ability to generate a robust business plan and funded budget as is required, prior to the start of the new financial year.
- Failure to achieve Value for Money could impact on TfN's ability to access funding in the future.
- Failure to recruit and retain the right people with the right skills could negatively impact on TfN's ability to deliver its objectives and priorities.

	Inherent Risk Impact				
	Low	Medium	High	Very High	An Issue
Risk Probability					
Low			(risk 1)		
Medium					
High					
Very High				(risks 2, 3)	
An Issue					

Risk Trend since Previous Report	Increased
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Mitigations of Identified Risks, Level of Control and Updates:

Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
a	1	High	On-going	05/11/21
Clear and well documented processes and procedures are in place. VfM and governance to be undertaken by both internal and external audits.				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
b	1	High	On-going	05/11/21
Commissioning processes include OBT sign-off of expenditure, and explicit approval for expenditure against a schedule of delegations.				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
c	2	High	On-going	05/11/21
Engagement with stakeholders to ensure the case for TfN's funding is supported by members, business and in Parliament.				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
d	3	High	On-going	05/11/21
Due to funding uncertainties beyond 2021/22, TfN has constituted a temporary pause on recruitment on permanent posts, although flexibility is available to the CEO to mitigate the impact on the business.				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
e	2 & 3	High	On-going	05/11/21
A comprehensive People Strategy has been developed and is in place covering reward, workforce/skills planning, succession planning, recruitment and selection, talent, and performance management.				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
f	3	High	Completed - Risk Mitigated	05/11/21
An emerging leaders' programme is being delivered in the final two quarters of FY 2021/22 to further support leadership capability within the organisation.				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
g	1, 2 & 3	High	On-going	05/11/21
To continue to brief and update staff through the monthly updates, regular bulletins, employee forum and SMT meetings with regards to budget setting, IRP and other current uncertainties TfN is facing to keep them fully apprised and address any questions or concerns in a timely fashion.				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
h	2&3	Low	On-going	05/11/21
TfN has made representations to DfT regarding the challenges created by delays to notification of funding arrangements and policy announcements (in particular the IRP).				

Risk ID: TCR07 - Transport for the North’s Compliance with Relevant Laws and Regulations

Description of Identified Risks:

- (1) 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 comply with applicable law or exceed its powers.

Impacts of Identified Risks:

- If TfN fails to adhere to applicable law, or acts outside its powers, there could be reputational impacts with both stakeholders and the public, which may affect its ability to meet its objectives and/or result in legal proceedings against TfN.
- There is also a potential financial impact including fines, costs and/or other penalties for breach of regulatory laws such as Data Protection, Freedom of Information, Health & Safety or Procurement.
- The ICO may issue a decision notice or the HSE may issue an enforcement notice if it found that TfN was in breach of information or health and safety legislation.
- TfN could be subject to substantial financial damages for breach of the Public Contracts Regulations.
- Important work may be delayed by a failure to comply with necessary obligations such as statutory consultation.

	Inherent Risk Impact				
	Low	Medium	High	Very High	An Issue
Risk Probability					
Low		(risk 1)			
Medium					
High					
Very High					
An Issue					

Risk Trend since Previous Report	No Change
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Mitigations of Identified Risks, Level of Control and Updates:

Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
a	1	High	On-going	05/11/21
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.				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
b	1	High	On-going	05/11/21
TfN ensures there are clear and well documented processes and procedures in place.				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
c	1	High	On-going	05/11/21
Ongoing training on laws and legislations and communication across the organisation.				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
d	1	High	On-going	05/11/21
Procedures are in place through modern.gov to ensure that there is continuous legal review to TfN's Boards and Committees.				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
e	1	High	On-going	05/11/21
TfN employs in house legal and procurement specialists and where necessary seeks external legal advice on commissioning and procurement.				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
f	1	High	On-going	05/11/21
A new process, modern.gov has been implemented to streamline report approvals and support efficient decision-making.				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
g	1	High	On-going	05/11/21
TfN will seek external legal advice on legal issues as identified by the legal in-house team.				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
h	1	High	On-going	05/11/21
TfN has employer's liability, public liability, and professional indemnity insurance in place to mitigate any financial liability.				

Risk ID: TCR08 - Northern Powerhouse Rail (NPR) Business Case Delivery and Programme Development

Description of Identified Risks:

Northern Powerhouse Rail is a high-profile programme that involves Northern partners, DfT, NR and HS2 and which is co-cliented by TfN and DfT as set out in the NPR MOU. TfN has developed a Strategic Outline Case (SOC), which details a reduced number of options from those identified in the Strategic Outline Business Case (SOBC) from 2019, and these options are included the Member endorsed (February 2021) phasing scenarios and preferred NPR network. TfN had planned to submit the SOC in March 2021. However, the delay to the publication of the government's Integrated Rail Plan (IRP) and the Secretary of State's request that TfN (and DfT as co-clients) delay the submission of the SOC until the IRP is published means that the submission of the SOC remains on hold.

The significant risks associated to the Business Case Delivery and Programme Development are listed below:

Key Significant Risks

- (1) **Integrated Rail Plan (IRP) Conclusions and Decision-Making:** The IRP was due to be published by the government in December 2020. However, this did not occur. The latest expectation was that it would be published in October, around the time of the Spending Review. This was not the case, and whilst it may now be released in November, no confirmed update has been provided by DfT on the publication date. The IRP and its conclusions carry some additional risks:
 - (a) The conclusions of the IRP could have consequences for the SOC if its recommendations on funding envelope, phasing and/or specifying route options are different to those agreed by TfN Board. TfN has no direct involvement in the IRP and is unable to influence its conclusions beyond the statutory advice that it has already provided. This could result in delays to the next stage of the NPR programme both in terms of funding available for 2021/22 and scope of works (additions/removals) on permitted development. Furthermore, the NPR network may be decided by the government as a consequence of the IRP, which could result in the lack of partner agreement relating to the network.
 - (b) There is no certainty of when the IRP will be published. The later the IRP is made available to TfN, the less time TfN will have to understand the impacts of the review on the work done to date, address the conclusions, manage the consequential impacts and/or update the SOC if appropriate.
 - (c) The IRP is expected to recommend a way forward on the scope, phasing and sequencing of delivery of NPR (and other proposed rail investments upon which NPR is dependant). The recommendations may be different to TfN's Member endorsed preferred network and phasing and as a result, partners may not be able to agree with IRP decision(s). This could affect ways of working and result in programme delays.
- (2) **Co-client agreement of 2021/22 Scope:** Due to the delay to the IRP publication and the continued uncertainty of when it will be published, TfN may be unable to agree as co-clients the full suite of activity proposed for FY2021/22. This is likely to cause delays to proposed programme activity for FY2021/22, including the impacts of commissioning and mobilising programme teams.
- (3) **TRU Integration:** The outcome of the IRP may include conclusions relating to the TRU option selection which ranges from small to larger improvements. The further TRU goes with the option development, it is likely that some NPR corridors

may be scaled back which might create a misalignment with the TRU Programme. Moreover, there is a risk of lack of engagement between NPR & TRU programmes (i.e., TfN, DfT, NR) which might affect the programme and thus impact on TfN's credibility and reputation with our Partners and the public.

Impacts of Identified Risks:

- Following SoS advice for the publication of the IRP to precede the SOC submission, this could impact on the development of the SOC as well as the future scope of business cases (for instance – OBC and FBC) on NPR.
- The network that emerges may not be aligned with TfN's preferred network as advised to DfT.
- The outcome of the IRP may influence the NPR programme, the timing of submission of SOC, the next sequence of delivery (e.g. OBC, FBC) and its delivery.
- The continued delay of the IRP publication and the possible impact it could have on co-client's ability to make long term programme decisions, might affect the achievability of the Member endorsed phasing scenario. In addition, it could affect TfN's ability to exploit delivery opportunities across the industry.
- This may cause delays to proposed programme activity for 2021/22, including the impacts of commissioning and mobilising programme teams
- There is a risk lack of engagement between NPR & TRU programmes (i.e., TfN, DfT, NR) which might affect the programme and, thus impact on TfN's credibility and reputation with our Partners and the public.

	Inherent Risk Impact				
	Low	Medium	High	Very High	An Issue
Risk Probability					
Low					
Medium					
High					
Very High			(risk 3)	(risks 1a, 1b, 1c & 2)	
An Issue					

Risk Trend since Previous Report	No Change
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Mitigations of Identified Risks, Level of Control and Updates:

Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
a	1	Medium	On-going	05/11/21
<p>Integrated Rail Plan Mitigation: TfN to continue to liaise with DfT to seek information regarding the publication date. A dedicated team has been established within the NPR Programme to review and respond to the IRP once available. Following the publication of the IRP, an assessment exercise is to take place on how the conclusions of the IRP differs to those presented in the SOC and how acceptable they might be to Partners. In addition, the team will ensure that there is robust Partner engagement to support the understanding and positioning of the IRP and what it means for the Strategic Outline Case.</p>				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
b	2	Medium	On-going	05/11/21
<p>Co-client agreement of 2021/22 Scope Mitigation: A paper was taken through NPR Programme Board in February 2021, outlining scope activity that the TfN NPR team believe is important to be delivered in FY21/22. Although a large proportion of the scope was endorsed, some key scope items were not endorsed. In August 2021, another scope paper was taken to NPR Programme Board and additional scope items, relating to Infrastructure and Modelling & Analysis, were endorsed. However, key scope, including pre-sequence 5 (procurement strategy development for OBC) and project level business case development, remain unendorsed by DfT. Discussion continues on possible opportunities to progress some of the activity in the absence of the IRP, however it is unlikely these will be endorsed pre-IRP publication.</p>				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
c	3	Medium	On-going	05/11/21
<p>TRU Integration: A regular monthly meeting, allowing for more collaboration on key infrastructure between NPR and TRU is in place between TfN and Network Rail colleagues. Subsequently, these sessions are intended to become monthly meetings to allow for more collaboration on key infrastructure. TfN presence (NPR & Strategic Rail Director) at periodic TRU oversight and TRU Programme Board meetings is to take place going forward.</p> <p>These planned measures will enable discussions to take place at working and strategic levels, ensuring areas of interest are sufficiently communicated and understood by the organisations involved (TfN, DfT and NR).</p>				

Risk ID: TCR09 - Rail Operations – Franchise and Delivery

Description of Identified Risks:

There has been a significant drop in demand for rail services as a result of the Covid-19 pandemic and it may take several years before passenger numbers recover to previous levels. In addition, the publication of the Rail Reform White Paper has insufficient detail about the role of TfN and other devolved bodies to allow a clear appreciation of their future role. These challenges, combined with the capacity of the current infrastructure, have created, or exacerbated the following risks:

- (1) **The long-term effect of Covid-19 on the viability of train services and future investment decisions.** The impact of the pandemic on travel is likely to continue to affect the time it will take for the industry to recover to pre-Covid-19 levels. There is a risk that the current services could be cut due to the increased cost of the subsidy that is required from the Treasury. In addition, the reduced current services could further impact future schemes, making schemes less viable as they have to be assessed against lower demand forecasts.
- (2) **The publication of the Rail Reform White Paper has insufficient detail about the role of TfN and other devolved bodies to allow a clear appreciation of their future role.** There is a risk that TfN could have a different role in service delivery following the publication of the Williams-Shapps review. The role of devolved bodies or Rail North Partnership is not outlined in the White Paper with current proposals showing rail contracts aligning under a new organisation (Great British Rail).
- (3) **Proposed timetable changes on the East Coast Main Line (ECML) in May 2023 and Manchester in December 2022 will have an impact on local connectivity, thereby reducing choice for passengers.** On the ECML, there is a risk of reduction in East-West connectivity to facilitate an additional North-South service from Newcastle to London. Furthermore, and in relation to Manchester, a new timetable is likely to reduce services to improve performance on the routes through Manchester putting pressure on some services and stopping patterns as there is currently no commitment to infrastructure works to restore services in the future. Initial ECML timetable delivery date has been postponed from May 2022 to at last May 2023.
- (4) **TRU fit with the wider investment strategy in the North.** There is a risk that the IRP reopens discussion on existing government commitments to the main 'building blocks' including both legs of HS2 Phase 2b, NPR and TRU.

Impacts of Identified Risks:

- Low passenger numbers post-Covid could reduce the viability of some existing services.
- Less investment in services and infrastructure as a result of weaker business cases.
- If there is a delay in investment and delayed rolling stock, passengers will continue to be frustrated and experience poor quality services. Severe adverse reputational impact and pressure from partners.
- The franchise system is being replaced by service contracts directly funded by the Treasury through Great British Rail, potentially diminishing TfN's role and influence over operations (although this also represents an opportunity for TfN to make a case for further involvement in the management of the rail network).
- Timetable amendments to address capacity issues could result in a decline in services to some areas.
- Failure to integrate investment programmes could affect TfN's reputation by impacting on a significant part of its rail transformational programmes and the delivery of the Strategic Transport Plan.

	Inherent Risk Impact				
	Low	Medium	High	Very High	An Issue
Risk Probability					
Low					
Medium					
High			(risk 3,4)	(risk 2)	
Very High				(risk 1)	
An Issue					

Risk Trend since Previous Report	No Change
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Mitigations of Identified Risks, Controls and Updates:

Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
a	1	Medium	On-going	05/11/21
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.				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
b	1	Medium	On-going	05/11/21
To continue with the close working relationship and communication with TfN member authorities on deliverables and risks - feeding back information through TfN governance structures.				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
c	1	Medium	On-going	05/11/21
To continue to track train service performance and delivery via regular reporting dashboards.				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
d	1	Medium	On-going	05/11/21
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.				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
e	1	Medium	On-going	05/11/21
Following the implementation of the Blake Jones action plan, continue to provide greater focus on passengers and ensure transparency with members as the COVID19 restrictions ease.				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
f	2	Medium	On-going	05/11/21
TfN, through its role on the RNP, continues to engage with the DfT at the highest level. TfN has appointed a consultant to respond to the White Paper and put forward the role TfN can play in GBR in the future. This paper went to TfN Board on 29 September for endorsement as the agreed position. TfN is working with the GBR transition team to work on a more detailed proposal as to how the white paper might be delivered in the North.				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
g	3	Low	On-going	05/11/21
In their consultation response for the ECML, TfN working with Partners has outlined to Operators and the Department the key concerns of the regions. TfN has appointed a consultant to explore how regional services that would be lost can be restored on ECML. To support this TAME has been commissioned to produce economic impacts of the timetable change on the ECML.				

Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
h	3	High	On-going	05/11/21
A collaboration between DfT and TfN to develop a roadmap of investment to support further capacity on the ECML will be established. Likewise, regarding Manchester, collaborative work continues with DfT to underpin a roadmap linking infrastructure to future service development.				
Mitigation #	Risk Factors	Control Level	Status of Mitigation	Updated
i	3	Medium	On-going	05/11/21
Strategic Rail, Strategy & Programmes, and NPR to continue to work together to identify potential integration between TRU, NPR and HS2 and understand how they best interface with other's programmes across the North (Manchester, Leeds/Sheffield/York etc). A workshop took place with NPR in October 2021 and the main outcome was further joint working sessions to be held in the coming months.				

Note: The post-mitigation risk assessment in Table 1 is rated Very High (VH) following the adoption of some of the identified mitigations. This is the same rating as the Inherent risk assessment as TfN does not have the full range of levers within its current powers and responsibilities to implement the mitigations that is, 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.



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