

Transport for the North Audit & Governance Committee Consultation Call Agenda

Date of Meeting	Friday 17 February 2023
Time of Meeting	11.00 am
Venue	Virtual Teams

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Item No.	Agenda Item	Page
1.0	Welcome and Apologies The Chair to welcome Members to the meeting. Lead: Chair	
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. Lead: Chair	
3.0	Minutes from the Previous Meeting (5 minutes) To approve as a correct record the minutes of the Audit & Governance Committee held on 18 November 2022 Lead: Chair	5 - 12
4.0	Quarterly Operating Report Oct - Dec 2022 (15 minutes) Note the Transport for the North Quarterly Operating Report Oct – Dec 2022 Lead: Tim Foster	13 - 34
5.0	Corporate Risk Review (30 minutes) <ul style="list-style-type: none"> • To highlight the significant changes to the Corporate Risk Register • Risk Management Strategy Updates • TfN Risk Deep Dive Schedule Lead: Daniella Della-Cerra-Smith	35 - 72

6.0	<p>Treasury Management Strategy Report (10 minutes)</p> <p>Mid-Year Treasury Management Update</p> <p>Lead: Paul Kelly</p>	73 - 92
7.0	<p>Internal Audit Update (20 minutes)</p> <p>To note the reports from Internal Auditor RSM Risk Assurance Services</p> <ul style="list-style-type: none"> • Progress Report • GDPR Audit • Audit Plan 2023/24 <p>Lead: Alex Hire</p>	93 - 134
8.0	<p>External Audit Update (10 minutes)</p> <p>To note the External Audit Progress report and letter from Mazars.</p> <ul style="list-style-type: none"> • Annual Audit Report • Update of Audit Completion Report submitted on 5 September 2022 • Other Audit work <p>Lead: Karen Murray</p>	135 - 164
9.0	<p>Annual Governance Statement Review (10 minutes)</p> <p>To advise the Audit and Governance Committee of the revision to the Annual Governance Statement</p> <p>Lead: Emma Young</p>	165 - 168
10.0	<p>Date and Time of Next Meeting</p> <p>21 July 2023 11am</p>	

Audit & Governance Committee Minutes

Friday 18 November 2022

Present:

Attendee	Local Authority
Cllr Keith Little	Cumbria;
Cllr Liam Robinson	Liverpool City Region;
Cllr Hans Mundry	Warrington;
Graham Bell (Chair)	Independent Member
Kevin Brady	Independent Member
D Pevalin	Independent Member

Partners in Attendance:

Sally Haslam	DfT
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Invitees In Attendance:

Campbell Dearden	External Audit
Karen Murray	External Audit

Officers in Attendance:

Name	Job Title
Paul Kelly	Interim Finance Director
David Spilsbury	Financial Controller
Daniella Della-Cerra-Smith	Risk Manager
Emma Young	Senior Solicitor

Item No:

Item

1 Welcome and Apologies

- 1.1 The Chair welcomed Members to the meeting. Apologies were received from Cllr Jonathan Owen, Mr Andrew Mawdsley, Ms Lisa Randall and Ms Alex Hire.

2 Declarations of Interest

- 2.1 There were no declarations of interest.

3 Minutes from the Previous Meeting

3.1 The minutes of the meeting held on 21 September 2022 were considered for their accuracy. The Finance Director updated on the following matters.

- Pt 5.2 The Chair believed the plan was informative and highlighted the list of KPIs in the risk register goes through to March 2023 but there are less on the Business Plan. Mr Kelly will review the Plan and provide an update – **Review of documents showed that they appear to align. 20 KPI's in the business plan and in the corporate risk register.**
- Pt 5.3 Mr Brady raised the issue of Electric Vehicle Charging Infrastructure (EVCI) which has not been discussed by the Committee so far, nor is it on the risk register, even though it is in the Business Plan. Mr Kelly stated that this is an omission and will be picked up – **The corporate risk register reflects the Key Performance Indicators (KPIs) and business objectives outlined in the Business Plan for Financial Year 2022/23. EVCI is managed at project level and has a risk register that is reviewed monthly. There are currently two corporate risks which EVCI links into - TCR 02, 880 and TCR 08 299 as well one opportunity - TCR02 913. Mitigation actions have been added to make this more explicit and align with the 2022/23 business plan.**
- Pt 5.4 Cllr Little explained that the North of England are behind with regards to EVCI and there is a need for a closer relationship between TfN, LTA's and the Government on this, in order for the North to catch up. He requested that this be brought back to the November meeting – **Same comment as 5.2 and in addition a deep dive is planned for November and will allow members to gain more clarity on EVCI.**
- Pt 5.7 Members stated that a Northern view and a streamline of regular funding is required. They expressed their frustration with the current process, where Local Authorities bid against each other for money to try and do projects within their areas. They expressed a need to combine resources in order to achieve a northern vision. The Chair requested that these points be revisited at the next meeting – **The principle of, and funding required, to position TfN as a centre of excellence is currently being discussed with DfT. It will be further considered as part of the 2023/24 Business Planning process.**
- Pt 6.2 The Chair stated that the audit plan focuses on control and effectiveness; more can be done in terms of creating the linkage between risk themes and the audit plan. An area that could be looked at in terms of control, is project and programme level control. Ms Hire said she and Mr Kelly will look at that area in terms of scoping for an audit review – **The scope of the review is currently being considered.**

- Pt 9.3 Mr Kelly would like to discuss with Chair going forward how the cycle of membership can be implemented to support the delivery of the committee's remit – **To be discussed as part of the recruitment process.**
- Pt 9.4 The Chair asked that Mr Kelly double check against the Audit Committee Report and the Governance Statement within the accounts, to ensure that terminology and wording is the same in each document

Resolved

That the minutes of the 21 September 2022 be noted.

4 Corporate Risk Review

- 4.1 Members received the report from Ms Della-Cerra-Smith who highlighted the key points. Ms Della-Cerra-Smith then introduced the Electric Vehicle Charging Infrastructure (EVCI) risk deep dive which was the Members chosen work area to explore further. Members then received the presentation from Mr Simon McGlone.
- 4.2 Cllr Robinson thanked the team for the proactive work being done on EVCI and stated that there are huge risks for the North of England, its economy and transport network if the correct infrastructure is not in place.
- 4.3 Mr Brady highlighted the issues around TAMEs legal and licensing and enquired whether TfN are able to manage these areas. He highlighted the fact that TfN are trying to position TAME as a Centre of Excellence with EVCI being a part of this, however he expressed concern that other local authorities may look to duplicate TfN's work rather than work collaboratively.

In response Mr McGlone stated that TAME's legal, and licensing was no longer a risk on the project risk register and that TfN are in a good position in terms of being a Centre of Excellence. He added that there have been various offers of interest to share the tool nationally and that partners are actively using TfN evidence for levelling up submissions and bids. Mr Kelly informed the Committee that TfN are in discussions with the DfT about what the Centre of Excellence could look like and explained that the EV work has proved to be a great success with the organisation wanting to do more good value for money solutions that will contribute to TfN being seen as a Centre of Excellence as well as delivering on its core duties. TfN are supporting other Sub National Transport Bodies (STBs) and local authorities, reinforcing TfN as a quality organisation and its delivery of good value for money solutions.

- 4.4 Cllr Little stated that the way to get the best results in the North is to work collaboratively and through TfN. He expressed concern about how EVCI is going to develop going forward in more rural areas and

highlighted the low take up of EV's in the North combined with the low take up by the energy providers to introduce EVCI on a greater scale.

On the issue of infrastructure Mr McGlone stated that getting the right infrastructure for both EV and non-EV is important. On the issue of urban and non-urban areas he explained that the framework that TfN uses looks at both urban and non-urban areas and hopes that TfN will be able to attract private sector investment.

- 4.5 The Chair stated that one of the measures of success is not just the number of charging points but also how the issue of social exclusion is addressed. Many people do not have access to EVCI and those that do will have to continue to park their vehicle next to infrastructure to be able to charge it.

From a risk point of view, he questioned how the project will cater for the changes that could occur such as the dynamic nature of the risks.

- 4.6 Mr McGlone recognised that there is a lot of uncertainty around issues such as technology and how people will travel in the future and he explained that TfNs Future Travel Scenarios are used to help map out the requirements. He added that the metrics are monitored and evaluated across the region, and the visual tool will be transferred to a live monitoring tool, so the current standing of deployment can be compared to where TfN wants to be in the future.

Chair requested a workplan of subjects that could be explored further during 2023/24 such as the Anti-Fraud Strategy.

Mr Brady wondered whether the distribution of information to independent members via email is a Cyber Security and third-party issue and requested it be reviewed.

Resolved:

That the Committee notes the updates to the Corporate Risk Register and the four management actions concluded as part of the RSM risk maturity audit and reviews the EVCI project risks ahead of the deep dive. This is to provide assurance, that efficient and effective risk management practice and processes are in place.

5 Quarterly Operating Report

- 5.1 Mr Kelly informed members that TfN has migrated from a monthly report to a quarterly report. The Chair observed that a high number of KPI's had yet to be completed and asked when TfN anticipate they will be met. Mr Kelly advised that an update will be given at the February meeting.

Resolved:

That the report be noted.

6 Financial Update

- 6.1 Mr Spilsbury presented the financial update to Members showing the financial position at the end of September. Mr Kelly explained that going forward TfN will be simplifying the Treasury Management Strategy.

Resolved:

- 1) That the Committee note the financial performance to September 2022
- 2) That the Committee note the Budget Revision 2
- 3) That the Committee note Compliance with Treasury Management Strategy

7 Internal Audit Update

- 7.1 Mr Barker presented the Progress Report. He informed the Committee that the Health and Safety audit is being replaced by the Project and Programme Management audit which is in the process of being scoped. The GDPR audit is going through the quality assurance processes. Mr Barker indicated that RSM are comfortable that these projects will be delivered by the end of the year.

- 7.2 Mr Barker presented the key highlights from the Risk Maturity Report, and advisory review. Three low management actions and one medium management action was advised, and Mr Barker presented these to Members.

- 7.3 Mr Brady queried ownership of the Risk Maturity Report prior to the implementation date of March 2023.

Ms Della-Cerra-Smith explained that the first stage will be to look at the three lines of the defence and then implementation will take place in October 2023, TfN are considering solutions suitable for the size and nature of the organisation.

- 7.4 The Chair highlighted that maturity models are all different and the importance of finding the appropriate solution for the size of the organisation. Having a clear assurance view helps to identify topics for deep dives. The three lines model was updated by the Institute of Internal Auditors in 2020 and the Chair recommended that reference is made to the new model.

Resolved:

That the Committee note the Internal Audit Report

8 External Audit Update

- 8.1 Members received the External updated report from Mr Dearden who highlighted the key points in the report.
- 8.2 Ms Murray updated the Committee on the current position regarding the pension fund. She explained that this is very close to completion and

hopes that the letter will be received by the end of November. Mr Kelly added that if the letter does not arrive by then, then TfN will advise on the website as to why they have been unable to have the accounts signed off. He stated that when the letter arrives, the accounts will be signed off, and assuming no adjustments are required, the management letter and accounts will be sent to Mazars.

- 8.3 Mr Kelly updated the Committee on the Public Sector Audit Appointments (PSAA) developments. He explained that a procurement exercise is reaching its conclusion and that TfN has no objections in appointing Mazars from 1 April 2024 for the following 5 years.

Ms Murray explained that opting into the PSAA scheme, which is supported by the local government association, means that TfN has an independently appointed auditor.

- 8.4 Mr Brady sought clarification on the status of the National Audit Office's (NAO) Whole of Governments Accounts Guidance which states organisations are due to make returns by August 2022. Ms Murray explained that TfN are under the threshold, so there is nothing that needs to be done.

Resolved:

- 1) That if the pension fund letter does not arrive by 30 November, TfN will advise on the website why they have been unable to have the accounts signed off. Upon receipt of the pension fund letter, accounts will be signed off and sent to Mazars.
- 2) That TfN will appoint Mazars as external auditor from 1 April 2024 for the following 5 years.

9 Preparation of the Annual Governance Statement

- 9.1 Ms Young informed the Committee that the preparation of the Annual Governance Statement is in hand. She explained that it is a statutory obligation and checks will take place to ensure that the guidance is being complied with. She further informed the Committee that a report will be brought back to the February Audit and Governance Committee meeting.
- 9.2 Ms Young requested that should Members have any comments to input into the statement that they should contact the Legal Team.
- 9.3 Mr Brady expressed his concern about recommending the Governance Statement for sign off later in the process due to not being cited on the efficacy of other committees.

Resolved:

That the Audit and Governance Committee notes this report and the intended timeline for preparation of the Annual Governance Statement.

10 Date and Time of Next Meeting

Friday 17th February 2023
11am
Consultation call

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Transport for the North Quarterly Operating Report October to December 2022



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Introduction

Summary from the Chief Executive

Continued poor and unacceptable performance issues continue to dominate rail operations in the North and the recovery plans produced by the operators continue to be carefully monitored. Both the Rail North Committee and TfN Board have expressed significant concern at the economic and social consequences of delays and cancellations. TfN has been active in working through the Rail North Partnership to highlight the challenges faced by the travelling public and businesses, and in facilitating dialogue and proposing potential solutions with DfT, operators and Network Rail. Notwithstanding the current challenges, passenger demand on Northern and TransPennine Express (TPE) continues to recover at a rate faster and higher than the national average.

The TfN Board considered a report on the Future of Rail in December, which brought together immediate performance issues, progress with Northern Powerhouse Rail (NPR) and Rail Reform. A report was also taken to the Rail North Committee (RNC) meeting to provide an update on readiness for the December 2022 timetable change and continued progress with infrastructure development in the short and longer terms. Although early days, experience suggests that the timetable change was successful, with the structural changes introduced enabling the benefits of investment underway to be realised.

TfN is continuing to develop more detailed proposals as to how to progress with rail reform which can be made in the North with an initial focus on changes that can be made within the existing Rail North Partnership (RNP) powers that do not require legislation or structural change. Work to refresh the rail elements of the Strategic Transport Plan (STP) and produce a Rail Connectivity Policy is underway.

Development of our second statutory Strategic Transport Plan (STP2) is well underway and on track to agree a draft Plan for consultation with the Board in March. A worked up first full draft of the STP2 was completed and shared with partners for their review in December. In parallel TfN is ensuring an independent Integrated Sustainability Appraisal is undertaken, and in the final stages of agreeing the final outputs from the Northern Powerhouse Independent Economic Review.

TfN continued to publish highly innovative and ground-breaking work, including the EV Charging Infrastructure Strategy and supporting tools, our Freight and Logistics Strategy and the Socially Inclusive Transport Strategy, for which the consultation attracted 125 responses. Analysis of the consultation responses is currently underway, and the strategy will be fully revised by March 2023.

In preparation for development of TfN's recommendations for the future Road Investment Strategy programme the roads team is reviewing the data outputs with TAME on the current performance and future challenges for the Strategic Road Network. We are continuing to engage with local partners and National Highways but are waiting for the delayed publication of the SRN Initial Report before completing work on the recommendations.

Strategic Rail

Quarterly Summary

The TfN Board considered a report on the Future of Rail in December, which brought together immediate performance issues, progress with Northern Powerhouse Rail (NPR) and Rail Reform. The Chair and Chief Executive provided evidence at a session with the Transport Select Committee on 14 December examining the performance of rail operators in the North of England. A meeting of the NPR Sponsor Board was held on 16 December, mainly focussed on the emerging Strategic Outline Business case that will be considered in 2023. A report was also taken to the November Rail North Committee (RNC) meeting to provide an update on readiness for the December 2022 timetable change and continued progress with infrastructure development in the short and longer terms.

Activity Update

Rail Operations

Continued poor and unacceptable performance issues continue to dominate in the North, and the recovery plans produced by the operators continue to be carefully monitored by the team. Passenger demand on Northern and TransPennine Express (TPE) continues to recover at a rate faster and higher than the national average.

Rail Strategy

TfN is continuing to develop more detailed proposals as to how rail reform should be implemented in the North with an initial focus on changes that can be made within the existing Rail North Partnership (RNP) powers that do not require legislation or structural change. Work to refresh the rail elements of the Strategic Transport Plan (STP) and produce a Rail Connectivity Policy is underway.

Rail Investment

A 'one industry' approach to managing disruption during works for the TransPennine Route Upgrade (TRU) has been established by Network Rail to ensure the best alternative travel plan is available for passengers with maximum use of diversionary train routes as much as possible. TfN and the project team is working with local authorities to minimise impact on wider transport/highways network. 2023 will see some significant disruption to the north TransPennine rail corridor with works planned at Morley in February, Stalybridge in March/April, Batley in June and between Mirfield and Huddersfield and Huddersfield and Westtown between July and October.

TfN continues to input into the development of the Manchester (Recovery Task Force) programme through industry workshops and participated in a peer review on the programme led by an independent team within Network Rail, where the need for a Manchester Programme Director and Programme Board were key topics highlighted. Work continues on development of the infrastructure plans to support additional Bradford - London services with TfN providing input to development of the strategic case. A response was also made to a Network Rail consultation on their Sheffield Area Strategic Advice Refresh.

Connected Mobility Strategy

The Connected Mobility Manager post remains vacant. In the interim, consultancy support has been procured until the post can be filled.

Risks

Risk/Issue Summary	Summary of Mitigating Measures	KPI
Future timetable changes in Manchester and potential East Coast Main Line in May 2023 that reduces rail connectivity for the North	<ol style="list-style-type: none"> 1. TfN, working with Partners, has outlined to Operators and the Department the key concerns of the region. 2. A collaboration between DfT and TfN to develop a blueprint of infrastructure and services to support further capacity on the ECML will be established. Likewise, regarding Manchester, collaborative work continues with DfT to underpin a blueprint linking infrastructure to future service development. 	17/18
There is a risk that TfN could have a reduced role in the rail industry following the implementation of the Williams-Shapps review.	<ol style="list-style-type: none"> 1. 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. 2. TfN has established a programme board chaired by TfN's CEO. 3. TfN has responded to the DfT led consultation on the rail reform legislation. 	9
The long-term effect of Covid-19 may impact on the viability of train services and future investment decisions. The pandemic has changed travel patterns and behaviours and therefore service and investment decisions will need to reflect new markets and emerging evidence of demand.	<ol style="list-style-type: none"> 1. To continue to use TfN's influence in the monthly Rail North Partnership Board and Rail North Committee to shape the re-introduction of services, and infrastructure developments and re-build passenger confidence. 2. Continue with the close working relationship and communication with TfN member authorities on deliverables and risks. 3. Strategic Rail and RNP to work together to support Network Rail and Operators in producing recovery plans that meet passengers' needs and rebuild confidence. 4. Continue to track train service performance and delivery via regular reporting dashboards. 	17/18

Programme and Look Ahead

- Monitoring and reporting on train performance and operator recovery plans.
- Progressing proposals for Rail Reform in the North through the Programme Board and Members' Working Group.
- Using TfN's Stations Strategy to shape the development of Northern's business plan and "Stations as a Place" initiative.
- Finalising the "Rail Connectivity Policy" (as part of the STP) which addresses many aspects of the passenger experience through a wide definition of connectivity.
- Progressing the Connected Mobility programme through consultancy support with a focus on providing support for TfN partners through the 'Hub'
- Developing the case for additional ECML capacity to be used to re-instate Northeast – Northwest services.

Strategic Transport Plan (STP)

Quarterly Summary

Work has continued on programme to prepare TfN's second strategic transport plan (STP2) which will draw on the supporting evidence base. The Board agreed the structure, vision objectives and key messages for the Plan in December following engagement with the Partnership Board and Scrutiny Committee. A first full draft of the Plan was circulated to officers for review prior to Christmas. Progress on the second Integrated Sustainability Appraisal (ISA2) has been aligned to STP2 development, with scoping documents and initial review of the draft now completed.

Activity Update

- Following TfN Partnership Board in September officers have continued to further refine the headline objectives and metrics to be used to support STP2, including identifying a subset of interim 2030 targets. The Board agreed the structure, vision objectives and key messages in the Plan in December.
- Four officer workshops were held to feedback from partners to our policy and place framework that will ensure that STP2 has a strong place-based focus. As a result, the policy and place narratives have been revised and were discussed in detail at Scrutiny Committee and Executive Board in November.
- An initial draft of STP2 was shared with partner officers on 16th December for first review. Feedback was requested by mid-January.
- The Integrated Sustainability Appraisal (ISA2) Scoping Consultation concluded in November 2022. TfN worked to address comments within both the ISA Framework and the main STP document ahead of an initial review of the main STP2 Vision and Objectives by TfN's independent ISA consultants (Arup). An internal review workshop was held in late November to discuss the findings of the initial review. Following further updates to the STP2 document following the workshop, another ISA review is planned early in 2023.
- Work also continued at pace on the policy development that will underpin STP2 including the public consultation of the Socially Inclusive transport strategy and the drafting of two new policy positions, one focused on freight multi modal hubs and a second on local connectivity. The programme to refresh the Northern Powerhouse Independent Economic Review (NPIER), has now completed the modelling of the agreed economic scenarios for the future of the North's economy with partners. Consultation on the outputs with partners will start in January 2023, and TfN is scheduling internal work to translate the modelled outputs into the ambition for the STP.

Risk

Risk/Issue Summary	Summary of Mitigating Issues	KPI
Continued partner support. Risk of lack of or insufficient partner support for the Strategic Transport Plan and the Investment Programme ambition and outcomes.	1. Continue stakeholder engagement on an ongoing basis via SOG and other mechanisms. Ensure visibility of STP and research programmes to partners with timely updates to allow officers to plan engagement and activity. Early discussions with partners as	14

	<p>part of the STP programme development process.</p> <ol style="list-style-type: none"> Liaison with Comms & Engagement Team providing relevant information to feed into the communications plan. 	
<p>STP buy-in from Government. There is still an uncertainty that central government (DfT) may not consider and/or listen, accept TfN's advice on proposed transport interventions for the North as the TfN STP.</p>	<ol style="list-style-type: none"> Continue to provide the coherent message that TfN case is grounded in evidence, whilst seeking to achieve change required to meet wider policy outcomes (e.g. decarbonization, levelling—up) Continue direct engagement with Government departments over TfN's objectives and engagement. Continue to refine and build the tools required to deliver the STP vision and secure Government buy-in. 	14,15
<p>Developing the STP evidence base. There is a risk that TfN's evidence base is not completed by March 23 and therefore cannot be included in STP2 and partners updated SEPs, LTPs, and other strategies and plans may not be aligned with the STP.</p>	<ol style="list-style-type: none"> Clear STP programme established and visible to stakeholders. Regular ongoing engagement and dialogue with wide range of stakeholders and partners, including with TfN partners, DfT, National Highways and Network Rail through the Strategic Oversight Group; and with the NP11 and other Northern bodies. Publication of TfN research and analysis, and regular engagement with academics and analysts across the North and UK. To agree and revise the NPIER in advance of the revised STP to secure agreement to the economic objectives in the STP. Ensure STP2 to align with partners, updated LTP's and subsequent strategies and plans. 	5, 10, 14
<p>Appropriate Comms & Engagement support to promote our policies and strategies. There is a risk of insufficient Comms & Engagement Support to promote our Policies & Strategies</p>	<ol style="list-style-type: none"> Development and communications of STP2 Comms & Engagement Plan Regular meetings with STP and Comms & Engagement team to ensure appropriate prioritisation and progress is discussed and actioned. 	14

Programme and Look Ahead

Through the programme there will be significant decisions, including:

- 13th January 2023: Deadline for partners comments on first draft STP2
- February 2023: Second Draft STP2 to be circulated to partners.
- March 2023: Board approval of the draft STP ready for consultation.
- Summer 2023: Statutory public consultation on the draft STP.
- End 2023 or early 2024: New STP adopted by Board.

Strategy, Policy, Research & Economics

Quarterly Summary

Key activities included further progress on implementing the priorities set out within the TfN Transport Decarbonisation Strategy. A public consultation on the socially inclusive transport policy emerging from the Transport-Related Social Exclusion (TRSE) work has now been completed. The Citizens' Panel has been set up and will now be known as 'Northern Transport Voices'. Participants will be recruited in January 2023. The Northern Powerhouse Independent Economic Review (NPIER) Economic Scenarios Development project has completed the draft modelling and Partners are being consulted on the outputs.

Activity Update

- TfN continues to implement the priorities identified in the Transport Decarbonisation Strategy and has started to plan for the next update of the Strategy, due in 2025. TfN is working with DfT to help guide the development of upcoming DfT guidance on 'Quantifying Carbon Reductions' (QCR) and Infrastructure Carbon as a part of the expected DfT Local Transport Plan (LTP) guidance. TfN is developing an online QCR Dashboard for use by partners, providing baseline carbon emission forecasts for local authorities in the North.
- TfN has been working with Northern Gas Networks to obtain funding to further develop a model of transport flows and hydrogen distribution. Funding has been secured with work scheduled for 2023.
- As part of the Clean Mobility Visions workstream, TfN continues to develop an interactive visualisation tool allowing partner transport authorities to access the data and evidence when developing their Local Transport Plans. TfN is working with DfT and other STBs to enhance the offer of support to local authorities to decarbonise their transport networks.
- Consultation was completed on the Socially Inclusive Transport Strategy, and attracted 125 responses from members of the public, TfN's partners, and other transport stakeholders. Analysis of the consultation responses is currently underway, and the strategy will be fully revised by March 2023. Dissemination and engagement of the transport-related social exclusion research continued with presentations to the Office for Health Improvement & Disparities (OHID) and Transport North East, and the North West Route to Net Zero summit.
- The Transport and Health policy position was presented to TfN Board and will be published in the new year alongside the research report.
- The NPIER Economic Scenarios Development commission has completed the first draft modelling outputs of the baseline and transformational scenario developed by Partners. Engagement activity on these outputs and drafting of the refreshed NPIER will continue into the Spring of 2023.
- TfN has been supporting the arrangements of NP11's Convention of the North, being held in January 2023, and has contributed to the development of the transport theme. The set-up phase for TfN's citizens' panel, now named 'Northern Transport Voices', is complete and recruitment of panel members will commence in January 2023.
- Throughout the Autumn, TfN's undertook a rural mobility call for evidence which has collated a series of case studies and best practice for rural interventions from partners in the North. The call for evidence has also captured the wider

context of rural mobility in the North and has positioned our shared priorities to be taken forward by TfN/local partners. The evidence collated has been shared with DfT, partners and other STBs.

- On 12 December 2022 TfN published the Freight and Logistics Strategy, the first of its kind for the North. Work has continued on the Freight and Logistics Policy Position Statement, to be published in early 2023. The policy position considers freight’s role in multi modal hubs and the areas where TfN can support the development of these within the logistics sector.

Risk

Risk/Issue Summary	Summary of Mitigating Measures	KPI
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.	<ol style="list-style-type: none"> 1. Adoption and in-bedding TfN's policy development framework across the organisation to streamline how we develop policies at TfN. 2. Ensuring alignment of STP and programme activities with other core functions within TfN. 	14
Within its Decarbonisation Strategy, TfN and its partners have committed to achieving close to zero emissions for surface transport in the North by 2045. TfN is unable to deliver its contribution to achieving this target.	<ol style="list-style-type: none"> 1. 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. 2. Develop mechanisms to ensure decarbonisation and sustainability are reflected in project and strategy decision-making 3. Continue to influence and engage with stakeholders and maintain reputational credibility 4. Embedding decarbonisation into wider TfN workstreams including freight and social inclusion and testing the interdependencies 	15
NPIER programme. Potential risk around timescales and quality of outputs which are crucial elements of the STP and wider TfN evidence base.	<ol style="list-style-type: none"> 1. Close monitoring of progress against programme timetable and weekly catch-ups with suppliers are taking place to flag any potential timescale delays. 2. Thorough discussion of methodology and approach and early sight of outputs is taking place to prevent poor quality outputs. Detailed timescales and deliverables are being developed with supplier at inception meeting. Project Manager is to monitor progress against these. 	10

Programme and Look Ahead

- NPIER Economic Scenarios Development: scenario outputs will be socialised with external partners in January 2023, and consultations continue through final report drafting in February and a refreshed NPIER, collating evidence and workstreams, due for completion in Spring 2023
- Engagement activity with NP11 and wider Partners at the Convention of the North in January 2023
- Northern Transport Voices public engagement activities start in January 2023
- Freight and Logistics Policy Position publication – Spring 2023

Major Road Network (MRN)

Quarterly Summary

In preparation for development of TfN's recommendations for the future Road Investment Strategy programme the team is reviewing the data outputs with TAME on the current performance and future challenges for the Strategic Road Network. We are continuing to engage with local partners and National Highways but are waiting for the delayed publication of the SRN Initial Report before completing work on the recommendations.

TfN's Electric Vehicle Charging Infrastructure (EVCI) framework has been published online and gained considerable positive feedback from local and national Government, academia and other public and private sector bodies. Work is ongoing on the development of the Bus Service Improvement Plans (BSIP) analytical tools, and the team is engaging with local partners to share initial outputs.

Activity Update

- The team are concluding work on developing the recommendations for future RIS investment; these will be shared with Partners for review in January.
- The BSIP project team have been engaging with select Partners to understand their requirements for developing improved data and insight on Bus accessibility and potential options for improved bus services.
- TfN published the Electric Vehicle Charging Infrastructure (EVCI) framework in November. The work has been presented at a number of industry events and stakeholder meetings, including the EV World Congress, the Royal Town Planning Institute and Institution of Civil Engineers.
- The team continue National Government engagements, presenting the EVCI Framework and future options for application to cross-government department officials, from Department for Transport, Business, Energy and Industrial Strategy, Office for Zero Emission Vehicles and Cabinet Office. TfN's EVCI work was a case study within the Geospatial Commission's (Cabinet Office) report on better use of location data in Electric Vehicle charge point rollout.
- Local Authorities have provided positive feedback and are applying the EVCI Framework evidence. Following feedback on future priorities, TfN are finalising procurement of targeted enhancements to build further on our evidence base, planning and monitoring capabilities (Phase 3).
- We have met with the National Infrastructure Commission's (NIC) team on the second NIC Interurban Transport Project. The core output from NIC's work on this will be an assessment of the connectivity benefits of up to six separate portfolios of inter – urban transport improvements.
- The Transport Select Committee have launched an enquiry into Strategic Road Investment in England. The team have started to draft a response, with a deadline of 6 February.
- The team attended and participated in a number of conferences and DfT sponsored events including the Highways UK, Smarter Transport Conference, Transport and Energy annual conference, DfT Road Scheme Business Case workshops and Improving Urban Transport workshops with DfT, local Authorities and industry experts.

Risks

Risk/Issue Summary	Summary of Mitigating Measures	KPI
<p>Alignment with delivery partners. There is a risk that TfN and its Partners may not have an effective relationship that supports the delivery of TfN's objectives. This could be due to ineffective communication that causes a lack of clarity and understanding of Partners and/or Partners understanding of TfN's policy positions and priorities. This would lead to relationship challenges that would impact our credibility and affect our partnership working.</p>	<ol style="list-style-type: none"> 1. TfN to work with Partners to provide Road Investment Strategy (RIS3) recommendations to National Highways. 2. TfN to manage expectations with partners at Strategic Oversight Group, Major Roads Group and Executive Board partner briefings. 3. Implementing and updating the Joint Engagement and Action Plan (JEAP) with National Highways 4. Facilitate risk workshop in relation to partner engagement. 	11
<p>EVCI stakeholder expectations and interaction. If there is any misalignment of objectives or miscommunication with key stakeholders, there is a risk that stakeholders may not be clear on the outputs to be delivered, it's uses, and their inputs required. This could lead to reputational risk, poor partner relations, and project outputs that are not applied effectively.</p>	<ol style="list-style-type: none"> 1. Engagements with stakeholders such as DfT, OZEV and the Northern electricity DNOs to ensure this work can support the national agenda and actions. 2. The team are seeking new avenues to promote the work, including National Grid, OFGEM, Energy Saving Trust (a delivery body for Government regarding EVs), Green Finance Institute and the Infrastructure Bank. The team will also make the most of opportunities for good press/ advertising outcomes of work. 3. Significant partner engagement to encourage and suggest uses of project outputs. This will be achieved through the steering group, one-to-one discussions, and the governance structure eg AAG/SOG. 	12

Programme and Look Ahead

- The team will be preparing a formal response to the Route Strategies Report and SRN Initial Reports, now expected to be published late January/February.
- TfN RIS recommendations, for review by the Board in March 2023.
- The team will complete procurement and begin Phase 3 of EVCI upgrades, including technical updates and working with local partners via the regional EV Steering Group.
- The team will continue discussions with National Government regarding national rollout of the EVCI Framework, and work with local partners and other stakeholders to refine options to enhance and apply the Framework through the 2022/23 business plan.
- The team will continue work with TAME on developing support for partners work on bus service improvements and engage with DfT on considering opportunities for further work in this area.
- The next Major Roads Group is on 10 January.
- The next STB Liaison meeting is on 26 January.

Operations Summary

Quarterly 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 organisation 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, Legal & Democratic 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

Updates on key activities from TfN operational teams are as follows:

Stakeholder Engagement & Communications Team (SECT)

- TfN Board met on 14 December. This was promoted in advance via internal and external channels, and to media. Key member comments were clipped and shared on our social channels. There was high engagement with this content with tagged members amplifying the messaging on their own feeds.
- We also launched the One Voice Podcast with Mayor Steve Rotherham and shared across our platforms.
- TfN launched the Socially Inclusive Transport Strategy Consultation in November and published two Insights pieces: our policy position for Rural Mobility and on Freight & Logistics strategy which was launched in December.
- Extensive external media activity included TfN responding to reports that Northern Powerhouse Rail is to be "axed", Socially Inclusive Transport Strategy Consultation, EVCI launch, A57 Links Road Project, Rail Professional Magazine Op-ed by Lord McLoughlin and new Director appointments. Coverage was received across various media outlets both print and online. TfN's Chair Patrick McLoughlin and Martin Tugwell giving evidence at the Transport Committee. There was also coverage in [Yorkshire Post](#), [The Guardian](#), **BBC Look North (Yorkshire)**, **Times Radio** and **BBC Radio Merseyside**. Clips from the session were shared on our Twitter channel.
- Several media enquiries were received and managed, relating to industrial relations, rail performance figures and service reductions on the Northern trains network and the joint statement by the Northern Mayors on the current rail 'chaos'. We also arranged for interviews on our response to the Autumn Statement.
- Martin Tugwell and TfN's Principal Environmental and Sustainability Officer Peter Cole both spoke at the Highways UK event in Birmingham. Martin also spoke at the Rail Industry Association North panel discussion.
- In October, TfN held a fringe event at the Conservative Party Conference in Birmingham promoting our TRSE report. The CEO had an interview with LBC

news and the topic of discussion was Northern Powerhouse Rail. We also shared clips from speakers on our social media channels.

- Lord McLoughlin was featured on [LBC News](#) and had an article in The Daily Telegraph on the aviation industry. We provided The Northern Agenda with a quote on the *Rail Academy of the North*. We sent a [press release on the North's rail network](#) and received coverage on [BBC](#), [York Press](#).

Finance, Procurement and Risk

Normal operations have been delivered during the quarter with the following being prominent developments

- 2021/22 Statutory Accounts finalised and published with a clean audit report.
- 2023/24 budget and business planning commenced and will be finalised now the funding allocations have been confirmed.
- The updated Corporate Risk Register reflects the Key Performance Indicators (KPIs) and business objectives outlined in the Business Plan for Financial Year 2022/23. It was last presented to Audit and Governance Committee on 18 November.
- As a result of the RSM risk maturity audit in September four management actions are currently being worked through. These actions include Audit and Governance Committee performing deep dives into risk specific areas and TfN to establish a risk assurance framework.

Legal & Democratic

- The team continues to provide support across TfN for all corporate meetings and operational legal advice including on areas including procurement and information law, the Strategic Transport Plan and prospective North West Regional Business Unit to support the work of the Rail North Partnership Board.
- Recruitment to permanent roles in the team is now complete.
- A review of the Constitution is being carried out to reflect the new structure and will be presented to General Purposes Committee prior to reporting to Board in due course.

TAME (Technical Assurance, Modelling & Economics)

- The majority of NPR Strategic Outline Business Case (SOBC) Programme analytical activities have been completed as per the programme agreed with DfT in June. The focus is now on completing relevant reporting activities in January to provide DfT with the final inputs for an Investment Portfolio Delivery Committee meeting in February.
- Analysis to investigate high levels of crowding in the NPR network tests is underway and to compare results with those in the Transpennine Route Upgrade business case.
- Northern Economy Land Use Model (NELUM) model runs have been undertaken for all NPR SOBC networks and TfN assurance completed. These build estimates of Level 3 benefits for the business case.
- NELUM outputs for all NPR SOBC networks have been shared for dependency analysis with Strategic Dimension workstreams such as Place Based analysis and Accessibility.

- The Northern Model Integration Tools (NorMITS) Demand contract partner continues to provide analytical and visualisation support in relation to the NPR SOBC programme.
- The NoRMS team have completed reviewing the NPR SOBC Committed Core Do Minimum (DM) and Do Something (DS) results.
- As part of the NPR SOBC contract an opportunity has emerged for TAME to provide analytical support to Rotherham Mainline Outline Business Case. Subject to DfT confirmation the work will commence early 2023.
- A round of recruitment has completed with four new starters joining TAME during the Autumn, and a fifth due to join in January 2023.
- Progress has been made on the TAME Data Sharing Strategy and is undergoing a final internal review prior to being agreed through governance.

Financial Performance

Financial Update

Summary

Expenditure incurred year-to-date (YTD): £11.00m

YTD budget: £11.34m

YTD variance against budget: £0.35m underspend (3%)

Headlines

- Actuals are monitored against the budget revision 2.
- Underspend YTD is driven by a mixture of phasing differences in externally contracted work, largely anticipated to catch up in Q4, and savings in relation to transition costs.

Hosted Services

- Expenditure of £4.96m YTD is in line with budget. Expenditure in these areas is subject to dedicated funding streams which cannot be repurposed.

NPR Programme Closure:

- YTD expenditure of £0.30m is aligned to the. Remaining expenditure in this area relates to contractual office infrastructure commitments which cannot be mitigated.

NPR Analytical Support:

- Expenditure of £3.64m YTD, represents a marginal overspend (1%) as the programme of work has developed. The work programme continues to evolve in discussion with the DfT, however full year expenditure is now forecast to be £0.34m below the funding envelope.

Rail North Partnership:

- Expenditure of £1.03m YTD, is £0.04m under budget. This relates to vacancies within the team during the last quarter, with recruitment activity ongoing for the remaining vacancy.

Operational Areas

- Expenditure of £2.44m YTD, represents an underspend of £2.65m (8%).

Strategy & Policy:

- Expenditure of £1.44m YTD against a budget of £1.55m, an underspend of £0.11m (7%). Underspend is due to phasing differences on several contracts, including a slight delay to the NPIER. The next phase of Clean Mobility work and Strategic Rail Analytical Support will commence in Q4.

Major Roads:

- Expenditure of £0.31m YTD, represents a marginal overspend of £0.02m (6%). This is due to the phasing of the next phase of the EVCI work, which has now been contracted and will commence in January.

Strategic Rail:

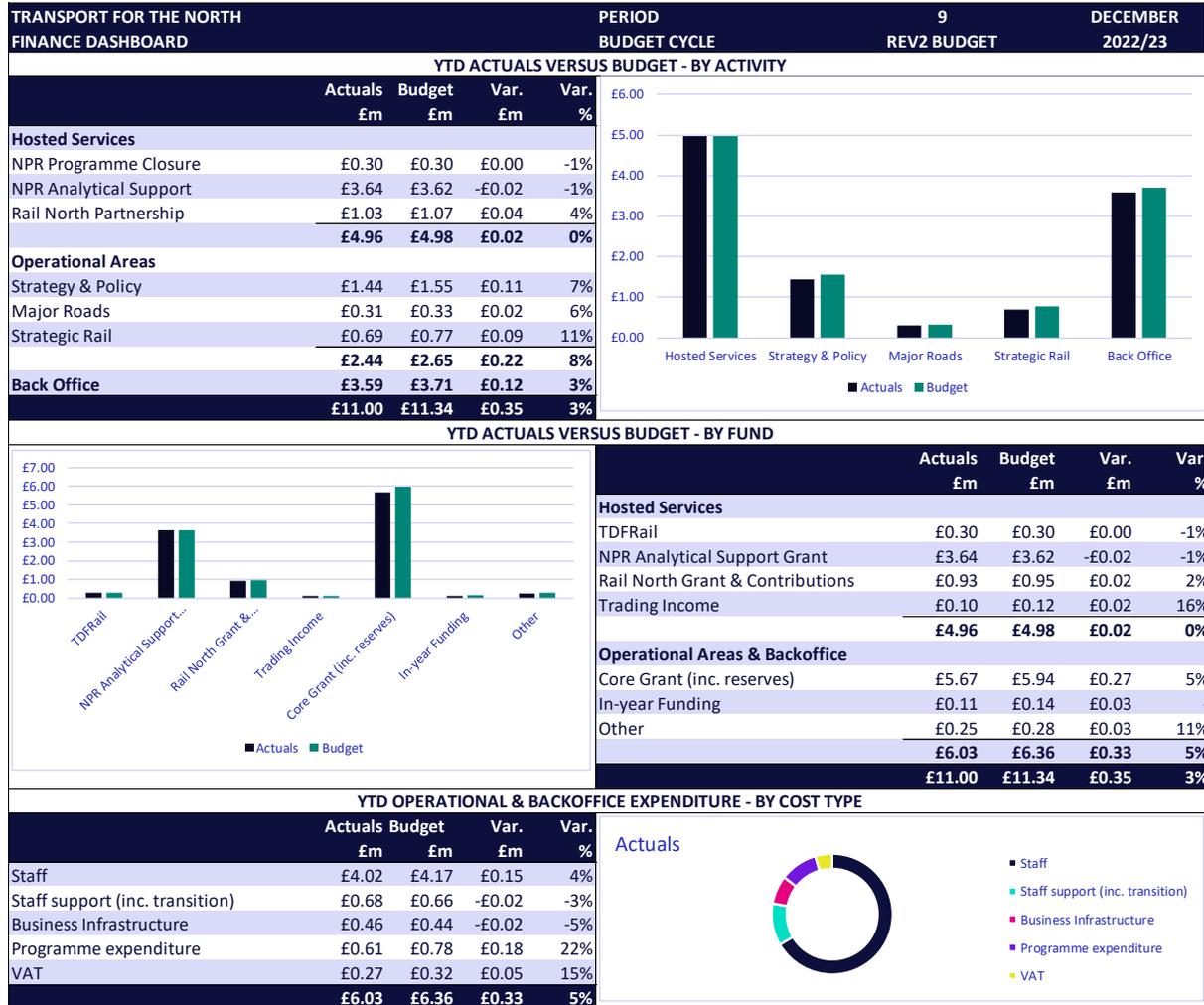
- Expenditure of £0.69m YTD, represents an underspend of £0.09m (11%). This underspend is in part due to phasing differences in external contracts, with the Strategic Rail advice work now having commenced in December and further work in relation to and Rail Reform the Digital Mobility Hub now contracted and commencing in January.

Backoffice:

Expenditure of £3.59m YTD against a budget of £3.71m, an underspend of £0.12m (3%)

- Savings of around £0.04m have been made in relation to the recruitment of directors, reducing the overall transition budget.
- An underspend of £0.05m in the HR business area is driven by lower recruitment fees, a mixture of saving and phasing, due to the timing of new appointments.
- An underspend of £0.02m in Stakeholder Engagement in relation to the TfN Annual Conference. This activity has now been contracted and the full expenditure will be incurred in Q4.

Finance Dashboard



Human Resources Update

Salaried Establishment as at **9 January 2023**

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	17 (17.00 FTE)	-	17 (17.00 FTE)
Operational & Delivery	43 (42.84 FTE)	1 (1.00 FTE)	44 (43.84 FTE)
DfT Data Services (Hosted)	24 (23.69 FTE)	-	24 (23.69 FTE)
Rail North Partnership (Hosted)	15 (15.00 FTE)	3 (3.00 FTE)	18 (18.00 FTE)
Total Establishment	101 (100.53 FTE)	4 (4.00 FTE)	105 (104.53 FTE)
Strength (in post)	88 (87.53 FTE)	2 (2.00)	90 (89.53 FTE)
Appointed (start date pending)	6 (6.00 FTE)	-	6 (6.00 FTE)
Active/Pending Recruitment	6 (6.00 FTE)	1 (1.00 FTE)	7 (7.00 FTE)
Vacant – On-hold	1 (1.00 FTE)	1 (1.00 FTE)	2 (2.00 FTE)

Agency/Consultancy Resource – Covering Vacant Established Posts

Area	Posts (FTE's)
Support Services	2 Posts (2.00 FTE)
Operational & Delivery	8 Posts (8.00 FTE)
Total	10 Posts (10.00 FTE)

HR Metrics – 2022/23 Year-to-Date:

Corporate Sickness Level:	3.5%	3.0%
Employment Policy Application:	0%	0%
Rolling 12 Month - Employee Turnover (Voluntary Leavers):	30.5%	33.5%
% of Employees from an Ethnic Minority Background:	13%	14%
% of Employees declaring a Disability:	22%	22%
Gender Mix - % of Female Employees:% of Male Employees:	38% 62%	38% 62%

		opportunities to build on TfN's technical capabilities	discussions are expected to take place during the next quarter.
CEO/Strategy	8	Develop the business model that enables TfN to support its partners across the north	In Progress initial development work and discussions with Partners commenced in September and will continue in the next quarter.
Rail	9	Working with partners, prepare a Northern proposition for the implementation of the Williams-Shapps rail reforms	In Progress Work is continuing to develop more detailed proposals of how rail reform should be implemented in the North with the most recent meeting of TfN's Rail Reform Programme Board having taken place in September.
Strategy	10	Publish a refreshed Northern Powerhouse Independent Economic Review	On track A work programme has been established and technical modelling work is underway, with initial outputs produced in November and final outputs due to be reviewed in January 2023.
Road	11	Identify investment priorities for consideration as part of Road Investment Strategy (RIS3)	In Progress The team are working with TAME to develop an evidence-based assessment of the need for interventions in the RIS Programme and continue to engage with TfN partners on discussing their priorities for the 2025-30 RIS3 Programme Further delay to publication of the SRN initial report and National Highways Route Strategies may impact on the timeline for completing this work.
Road	12	Use the EV Charging Infrastructure framework to support partners – nationally and across the North	On track TfN launched the EVCI Framework and online toolkit in 2022 and the team are now progressing work to further enhance the EVCI evidence based on local authority partner feedback regarding priorities. TfN's EVCI work has attracted significant interest from the public and private sector, including from government, indicating appetite to extend the evidence capabilities nationally and further integrate with other sectors (eg spatial and energy planning).

Strategy	13	Make the Clean mobility visions outputs available for use by partners - nationally and across the North	On track	
			The development of CMV evidence base is now complete and work is underway on a suitable dissemination model.	
Strategy	14	Prepare a draft Strategic Transport Plan and secure TfN Board agreement to consult	On Track	
			The Board approved the outline approach, vision and objectives in December, and an initial draft shared with officers. TfN remains on track to present a draft Plan to the March meeting of TfN Board.	
Strategy	15	Complete an Integrated Sustainability Appraisal of the revised Strategic Transport Plan	On Track	
			Work is underway with Arup as the appointed consultants in line with the STP programme.	
Rail/Road	16	Develop a draft Connected Mobility Strategy and secure TfN Board agreement to publish	Delay	
			The Connected Mobility manager has left TfN, and the recruitment process is underway. Commissioning interim consultancy support is underway. An interim update was provided to Board in September.	
Rail	17	Develop and implement the Manchester Recovery Taskforce 'Blueprint' and apply the same approach to the East Coast mainline	In Progress	
			The Manchester Task, with input from TfN, continue to develop and deliver the Blueprint for Manchester. The Blueprint for the ECML (North) has been developed and is currently being updated.	
Rail	18	Contribute to the work of the Leeds Area Study as part of the implementation of the IRP	Delay	
			Network Rail has been asked to lead the Leeds Area Study, which will examine HS2 connections to Leeds and connections between Bradford and Leeds. The terms of reference for the Study have not yet been published.	
Strategy/Road/Rail	19	Deliver projects on BSIP's, hydrogen and local mobility in support of partners	On Track	
			The team is making good progress on developing analytical tools to support partners with their Bus Service Improvement Plans. Funding for the Hydrogen work has been secured and delivery now starting.	
Road	20		On Track	

		Submit to DfT an update on progress with the implementation of the Major Road Network Programme.	TfN submitted a report to DfT in 2022. DfT has not requested a report in 2022/23, however we maintain an ongoing engagement through the Major Roads Group and keep a record of progress with delivery of the MRN programme.
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Transport for the North
2nd Floor
4 Piccadilly Place
Manchester
M1 3BN

 0161 244 0888

 info@transportforthenorth.com



Meeting: Transport for the North Audit & Governance Committee
Subject: Corporate Risk Report, Updates to the RMS and Risk Deep Dive Schedule
Author: Daniella Della-Cerra-Smith, Risk Manager
Sponsor: Paul Kelly, Finance Director
Meeting Date: Friday 17 February 2023

1. Background:

- 1.1 Transport for the North (TfN) has updated the Corporate Risk Register (CRR) to reflect the Key Performance Indicators (KPIs) and Business Objectives outlined in the Business Plan for Financial Year 2022/23.
- 1.2 The CRR was last presented to TfN Board on 29 September 2022. The next scheduled Board meeting at which the CRR is due to be presented is 23 March 2023.
- 1.3 The updated CRR was presented to Operating Board on 30 January.
- 1.4 TfN's corporate risks stem from the agreed KPIs and from a range of other 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. TfN's Corporate Risk Register is presented at Appendix 4.1.

2. Recommendations:

- 2.1
 - a. Consider the updates to the Corporate Risk Register
 - b. Note update to the Risk Management Strategy
 - c. Consider the Audit and Governance Committee risk deep dive schedule

This is to provide assurance, that efficient and effective risk management practice and processes are in place.

3. Update to the Risk Management Strategy:

- 3.1 Following on from one of the actions identified by RSM as part of the risk maturity audit, the Risk Management Strategy has been updated to include the factors that will be considered when escalating risks to the Operating Board. Please see Appendix 4.2 for detail.

4. TfN Themes:

- 4.1 The top risk themes are currently:

TfN funding

- a. Resources
- b. Rail
- c. TfN's Strategic Transport Plan (STP)

For further details of key changes made please see the Executive Summary of the CRR.

5. Audit and Governance Committee Risk Deep Dive Schedule:

- 5.1 A risk deep dive schedule has been created. Important to note, the deep dive schedule may change, dependant on priorities or changes in scoring of risks. Please see Appendix 4.3 for schedule detail.

6. Considerations:

- 6.1 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 CRR.
- 6.2 It is essential that TfN and its programme teams recognise, understand, and manage the risks that could negatively impact on its ability to achieve its objectives and priorities.
- 6.3 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 CRR.

7. Corporate Considerations:

7.1 *Financial Implications*

The financial implications are detailed within individual risks where applicable.

7.2 *Resource Implications*

The resource implications are detailed within individual risks where applicable.

7.3 *Legal Implications*

The legal implications are detailed within individual risks where applicable.

7.4 *Risk Management and Key Issues*

The Corporate Risk Register is part of this report.

7.5 *Environmental Implications*

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

7.6 *Equality and Diversity*

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

7.7 *Consultations*

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

8. Background Papers:

- 8.1 The CRR presented as a standing item at each Audit & Governance Committee provides the background papers and context for this report

9. Appendices:

- 9.1 Item 4.1 TfN Corporate Risk Register Feb 2023
- 9.2 Item 4.2 TfN Risk Management Strategy Update
- 9.3 Item 4.3 TfN Risk Deep Dive Schedule

Glossary of terms, abbreviations and acronyms used

a) CRR	<i>Corporate Risk Register</i>
b) KPI's	<i>Key Performance Indicators</i>
c) STP	<i>Strategic Transport Plan</i>
d) RMS	<i>Risk Management Strategy</i>

Transport for the North

Corporate Risk Register

February 2023

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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 2022/2023 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 a monthly cycle, with clear reporting in line with governance arrangements.

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 TfN 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 2022/23 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 report provides information such as risk description, potential consequences on TfN's objectives and priorities, and the mitigation measures in place to manage risks.

Section 1 provides an executive summary of TfN's Risk Environment and Emerging Risks, corporate risk themes and factors, key changes to the register since the last risk review, key impacts/action themes, and TfN's 2022/23 KPIs.

Section 2 provides a detailed analysis of each risk, the mitigating actions that have been adopted, and the mitigation level of control, as it is important to understand the extent to which TfN is able to influence or control the risk outcomes.

1 Executive Summary

1.1 TfN's Risk Environment and Emerging Risks

- 1.1.1 Recognising the current fiscal environment including the rising cost of inflation, TfN are closely monitoring funding risks and budget expenditure. There is a risk at functional level to manage and monitor budget assumptions and there is a corporate risk relating to medium term sustainability.
- 1.1.2 TfN have received the funding allocation for 2023/24 and 2024/25, which provides teams with certainty and helps us better plan more strategically and support our partners more effectively. TfN will receive £6.5 million for each of the next 2 financial years and an additional £710,000 of grant funding in both financial years. This is to strengthen our role as a regional Centre of Excellence and support our partners regionally and nationally in their work. We continue to review and update the corporate risk register in line with the funding allocation, business plan 2023/24 and updated KPI's.

1.2 Key Changes to the corporate risk register

- 1.2.1 TCR02: Risk 879 Changes in government commitments - probability current and target position reduced from medium to low based on clarity within the current political environment.
- 1.2.2 TCR03: Risk 641 Endorsement of STP refresh - Reduced probability current from high to medium and target medium to low due to progress in producing a draft STP and agreeing key principles with TfN Board. New action added in relation to international connectivity.
- 1.2.3 TCR09: Theme has been renamed Rail. (Previously named Rail operations – franchise management and investment)
- 1.2.4 TCR09: Risk 311 reduced probability from high to medium current and target position as Manchester change has been implemented and East Coast mainline has been deferred.
- 1.2.5 TCR10 Risk 887 Data removal risk closed and managed at functional level as TfN has now transitioned to the new operating model and risk has reduced.

- 1.2.6 TCR12: Risk 882 TAME capabilities reduced probability current to medium and target to low due to improved TAME resourcing, successful delivery for DfT and increased funding certainty.
- 1.2.7 TCR11: Co-sponsorship theme has closed, and risks have been transferred into TCR09.
- 1.2.8 TCR12: Risk 884 Legal and commercial restrictions. Current probability reduced from Very High to high due to resolution of some licencing issues.
- 1.2.9 TRC13: Risk 878 Funding levels are significantly reduced – Risk closed due to confirmed two year funding allocation and managing future allocations through the sustainability risk 916.
- 1.2.10 TCR13: Risk 916, Demonstration of medium-term sustainability, risk rearticulated to reflect confirmed funding allocation.
- 1.2.11 TCR15: Risk 917 severance process, risk closed from corporate risk register and managed at functional level as reorganisation now complete.
- 1.2.12 Our Key Performance Indicators (KPI's) framework monitors and measures our progress and performance and ensures that we provide value for money. The KPIs that we have adopted for 2022/23 are set out below:

KPI	Detail	Deliver	Responsible
1	Establish the stakeholder forum for Trans-Pennine Route Upgrade	Jul-22	Rail
2	Publish the TfN work on Transport related social exclusion	Sep-22	Strategy
3	Complete the reshaping of TfN and implement new operating model	Sep-22	CEO
4	Implement effective governance arrangements for the Co-Sponsor Board	Sep-22	CEO/Rail
5	Publish the TfN Freight and Logistics Strategy	Sep-22	Strategy
6	Establish the agreed NPR analytical work programme for DfT through TAME	Sep-22	Strategy
7	Develop and autumn submission to Government that identifies opportunities to build on TfN's technical capabilities	Oct-22	Finance/Strategy
8	Develop the business model that enables TfN to support its partners across the North	Oct-22	CEO/Strategy
9	Working with partners to prepare a Northern proposition for the implementation of the Williams-Shapps rail reforms	Dec-22	Rail

10	Publish a refreshed Northern Powerhouse Independent Economic Review	Dec-22	Strategy
11	Identify investment priorities for consideration as part of Road Investment Strategy (RIS3)	Dec-22	Road
12	Use the EV charging infrastructure framework to support partners - nationally and across the North	Dec-22	Road
13	Make the Clean mobility visions outputs available for use by partners - nationally and across the North	Dec-22	Strategy
14	Prepare a draft Strategic Transport Plan and secure TfN Board agreement to consult	Mar-23	Strategy
15	Complete an Integrated Sustainability Appraisal of the revised Strategic Transport Plan	Mar-23	Strategy
16	Develop a draft connected Mobility Strategy and secure TfN Board agreement to publish	Mar-23	Rail/Road
17	Develop and implement the Manchester Recovery Task Force "blueprint" and apply the same approach to the East Coast Main Line	Mar-23	Rail
18	Contribute to the work of the Leeds Area Study as part of the implementation of the IRP	Mar-23	Rail
19	Deliver projects on BSIPS, hydrogen and local mobility in support of partners	Mar-23	Strategy/Road/Rail
20	Submit to DfT an update on progress with the implementation of the Major Road Network Programme	Mar-23	Road

1.3. Corporate Risk Dashboard



TCR	Themes ordered by highest current risk score	Number of Risk Factors per Theme	Current Score	Target Score	Risk Owners
13	TfN funding	2	20	18	Chief Executive Officer and Finance Director
14	TfN resources	2	19	17	Head of Human Resources
9	Rail	5	19	17	Chief Executive Officer and Strategic Rail Director
3	TfN's Strategic Transport Plan (STP)	2	19	11	Interim Strategy and Programme Director
2	TfN's reputation, political engagement and effectiveness (including 2 opportunities)	7	18	15	Chief Executive Officer and Interim Strategy and Programme Director
12	Technical appraisal, modelling and economics (TAME)	2	18	15	Interim Strategy and Programme Director
4	Delivery of robust and compelling evidence to support Investment Programmes	1	15	11	Interim Strategy and Programme Director
7	TfN compliance and relevant laws and regulations	1	11	11	Head of Legal Services
5	Transport decarbonisation and climate change	1	11	8	Interim Strategy and Programme Director
10	TfN cyber security	1	10	10	IT and Information Manager

Key impacts across themes:

- TfN reputational damage and loss of credibility.
- TfN's ability to deliver statutory duties.
- Recruitment and retention of staff.

Key action themes:

- Partner Engagement
- Developing a revised MoU with the DfT
- Collaborate with DfT on NPR Sponsor Board

Threat Scoring	
Issue	
Very High	19 - 25
High	14 - 18
Medium	7 - 13
Low	1 - 6

Opportunity Scoring	
Very High	-19 - -25
High	-14 - -18
Medium	-7 - -13
Low	-1 - -6

881	TfN's Strategic Transport Plan	TfN are unable to produce a draft STP that will be endorsed by TfN Board and government in time to consult and then adopt the plan by the end of 2023	<ol style="list-style-type: none"> 1. Engagement with Partners and Government 2. Manage programme via TfN's Strategic Oversight Group 3. Update Northern Powerhouse Independent Economic Review (NPIER) 4. Manage interdependencies with NPIER 5. Engagement with external stakeholders on NPIER and STP 2 	Interim Strategy and Programme Director
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2. Qualitative Risk Analysis of TfN’s Corporate Level Risk

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TCR02: TfN's reputation, political engagement, and effectiveness

ID	Risk Description	Owner	KPI	Current Score	Target Score	Trend
879	Despite our statutory status there could be a material change in government's commitment to STB's/ reduction of remit and powers of TfN or a change in views/ approach as to how STB's function.	Chief Executive Officer	All	17	17	↑
296	There is a risk of disconnect between TfN's statutory powers/remit and stakeholder expectations.	Chief Executive Officer	All	18	15	↔
640	The internal and external leaking of confidential information may create a legal liability.	Chief Executive Officer	All	15	15	↔
880	TfN are unable to provide the 'One Voice' for the North in relation to strategic transport investment priorities, and policy positions.	Chief Executive Officer	8, 20	18	15	↔
920	Failure to comply with governance and corporate processes across the organisation.	Chief Executive Officer	All	11	8	↔
913	Opportunity: TfN continues to develop and enhance services and guidance to support national, regional, and local partners, as a centre of excellence.	Interim Strategy and Programme Director	2, 5, 7, 8, 13, 19	-15	-18	↔
915	Opportunity: TfN could exploit the benefits of being a more focused organisation e.g., Simplification of and reduction in processes, overheads and services arising from reshaping of TfN	Chief Executive Officer	3	-15	-18	↔

Impacts:

- Reduction in core funding makes it more difficult for TfN to fulfil statutory responsibilities.
- TfN unable to fulfil its statutory responsibilities requiring a fundamental review of the organisation.
- Failure to make timely, evidence-based advice to Government in respect of priority projects and programmes thereby delaying or preventing 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 statutory responsibilities and powers and partners' perception of its role.
- TfN’s reputation and relationship with DfT, partners and members could potentially be adversely affected, with potential legal costs.
- TfN could lack the powers or the influence to deliver the economic, social and sustainability benefits to the North that is set out in the Strategic Transport Plan.
- [A source of trusted information, that is available to all our partners.](#)
- [Enhanced relations and reputation with government and partners as a recognised Centre of Excellence locally, regionally, and nationally.](#)
- [Improving outcomes for communities and businesses at local and regional levels.](#)
- [Simplification of processes in line with organisational redesign has the potential to reenergise the workforce, increases operational efficiencies and allows for efficient use of resource time.](#)

Mitigation actions for risk 879:

ID	Control Level and Action Description	Owner	Due
2489	Medium - There is structured engagement with government officials and decision-makers.	Chief Executive Officer	Mar 23
2490	Medium - TfN continue to respond to any DfT proposals and develop a revised version of Memorandum of Understanding (MOU) between DfT and TfN.	Chief Executive Officer	Sept 23
2491	Medium - TfN to demonstrate through priorities identified in the Business Plan that it delivers value for money, maximises the efficiency of taxpayer money and provides additional value to its partners (nationally and across the North) that realises benefit to the North of England.	Chief Executive Officer	Mar 23
2492	Fall-back Plan - Maximise the input and contribution of Partnership Board through increased engagement and consultation.	Chief Executive Officer	Mar 23
2493	Medium - Engagement with other Statutory Transport Bodies (STB’s) to identify areas of common interest and opportunities for collaboration.	Chief Executive Officer	Ongoing

Mitigation actions for risk:296

ID	Control Level and Action Description	Owner	Due
949	Medium - There is continuous engagement with stakeholders, and partners, to continue to represent 'One Voice' for the North.	Chief Executive Officer	Ongoing

Mitigation actions for risk:640

ID	Control Level and Action Description	Owner	Due
1551	Medium - TfN has in place Confidentiality Agreements with Constituent Authorities in relation to Northern Powerhouse 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.	Head of Legal Services	Ongoing
1553	Medium - 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.	Head of Legal Services	Ongoing
1554	Medium - 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 public authority. This is intended to support the management of the risk of deliberate or accidental disclosure of information shared on a confidential basis.	Head of Legal Services	Ongoing

Mitigation actions for risk 880:

ID	Control Level and Action Description	Owner	Due
2494	High - As part of the second Strategic Transport Plan work, maximise utilisation of existing forums to ensure Partners are actively engaged.	Interim Strategy and Programme Director	Ongoing
2496	Medium - There is continuous engagement with Members and constituent authorities, stakeholders, and partners, to continue to represent the 'One Voice' for the North.	Chief Executive Officer	Ongoing
2635	High - Use established governance, to ensure that TfN activity continues to meet the priorities agreed by TfN Board.	Interim Strategy and Programme Director	Ongoing
2740	High level of control: Maintain and enhance the recently developed EVCI evidence base, owned by TfN.	Head of Major Roads	Dec 23

2741	Medium level of control: Support Partners with the application of the EVCI evidence base in promoting provision of EV infrastructure across all areas of the North, developing EVCI infrastructure plans and securing funding.	Head of Major Roads	Ongoing
2742	Medium level of control: Co-ordinating engagement with DfT, Office for Zero Emissions, Electricity Distribution Network Operators, National Highways and Local Partners via the EVCI steering group.	Head of Major Roads	Dec 23

Mitigation actions for risk 920:

ID	Control Level and Action Description	Owner	Due
2678	High - Ensure staff have relevant induction, policy reminders through internal communications, annual training of key policies.	Chief Executive Officer	Ongoing
2679	High - Functional areas to monitor and assure teams adherence to internal polices, processes and procedures.	Chief Executive Officer	Ongoing
2680	Medium - Ensure that functional level mitigation actions in relation to this risk have been suitably identified, implemented.	Chief Executive Officer	Complete

Actions for opportunity 913:

ID	Control Level and Action Description	Owner	Due
2642	High - Explore and identify capabilities and collaboration opportunities with partners through Strategic Oversight Group.	Interim Strategy and Programme Director	Complete
2644	High - Ensure all core and NPR business plan commitments are prioritised before offering TAME services to third parties	Interim Strategy and Programme Director	Complete
2645	High - TfN working group in place to define the different area of expertise which TfN can develop as a centre of excellence including opportunities for funding and development of longer-term road map. For example TAME, Decarbonisation, Freight and TRSE.	Interim Strategy and Programme Director	Complete
2743	High level of control: Maintain and enhance the recently developed EVCI evidence base, owned by TfN.	Head of Major Roads	Dec 23

2744	Medium level of control: Support Partners with the application of the EVCI evidence base in promoting provision of EV infrastructure across all areas of the North, developing EVCI infrastructure plans and securing funding.	Head of Major Roads	Ongoing
2783	NEW: High level of Control: Set out a longer-term road map for future delivery of centre of excellence services.	Interim Strategy and Programme Director	Jun 23
2784	NEW: Develop and enhance TfN capabilities and collaboration opportunities with partners, government, and STB's.	Chief Executive Officer	Sept 23
2785	NEW: Continuing to monitor performance and delivery of TfN service offer to local, regional, and national partners.	Chief Executive Officer	Ongoing

Actions for opportunity 915:

ID	Control Level and Action Description	Owner	Due
2651	High - Establish a transparent and responsive TAME prioritisation approach to maximise the value we get from the TAME team.	Interim Strategy and Programme Director	Complete
2652	Medium - Rollout of policy development framework as part of establishing a single technical programme across TfN to eliminate double handling and need for re-work.	Interim Strategy and Programme Director	Jun 23
2653	Medium - Simpler internal governance arrangements, enabling more efficient use of budgets and allowing TfN to respond more rapidly to emerging opportunities.	Chief Executive Officer	Jun 23
2654	Medium - Simplifying external reporting, reducing the frequency and complexity of external reporting arrangements.	Interim Strategy and Programme Director	Complete
2655	High - Streamlining partner engagement and improving information sharing.	Interim Strategy and Programme Director	Jun 23
2656	Medium - Undertaking a review of how internal meetings are managed and identifying opportunities to reduce length and frequency and improve effectiveness.	Chief Executive Officer	Jun 23

TCR03: TfN's Strategic Transport Plan (STP)

ID	Risk Description	Owner	KPIS	Current Score	Target Score	Trend
641	Inconsistency between the second STP's policy positions and delivery of TfN workstreams.	Interim Strategy and Programme Director	2, 5, 14, 15, 16	11	8	↔
881	TfN are unable to produce a draft STP that will be endorsed by TfN Board and government in time to consult and then adopt the plan by the end of 2023.	Interim Strategy and Programme Director	10, 14, 15	19	11	↑

Impacts:

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 because of uncoordinated activity weakens TfN's reputation with government, constituent authorities and wider stakeholders.
- TfN's credibility could be negatively impacted.
- TfN do not produce a credible second STP that is endorsed by TfN Board and government.
- Significant TfN reputational challenges with TfN Board and government, as well as financial and time implications.

Mitigation actions for risk 641:

ID	Control Level and Action Description	Owner	Due
1556	High - 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.	Interim Strategy and Programme Director	Ongoing
1557	Medium Level of Control: A Policy Development Framework has been developed to identify clear and consistent approaches to policy development across the organisation. How the Policy Development Framework will enable decision makers to decide TfN's priorities for future projects and programmes will be agreed this financial year.	Interim Strategy and Programme Director	Jun 23

1559	High - The new STP programme has defined 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 no later than 2024.	Interim Strategy and Programme Director	Dec 23
2745	Medium - Benefits realisation framework to be agreed with TfN board as part of agreeing the draft STP.	Interim Strategy and Programme Director	Mar 23

Mitigation actions for risk 881:

ID	Control Level and Action Description	Owner	Due
2498	Medium - Continued direct and early engagement with partners and government departments over TfN's objectives and development of the approach to the Second STP	Interim Strategy and Programme Director	Ongoing
2499	Medium - Clear programme of activity developed for STP consultation and adoption and managing through SOG, Exec Board and TFN Board.	Interim Strategy and Programme Director	Dec 23
2500	High - Work with partners to review and update Northern Power Independent Economic Review.	Interim Strategy and Programme Director	Mar 23
2501	High - Manage interdependencies with Northern Power Independent Economic Review, which will run in parallel with STP2.	Interim Strategy and Programme Director	Mar 23
2636	Fallback plan: Present second STP to July TfN board to allow further engagement with stakeholders	Chief Executive Officer	Jul 23
2780	NEW: High Level of Control: Engagement with external stakeholders on both NPIER and STP 2 ahead of March 23 Board and through to adoption end 2023, this includes ports and airports in relation to international connectivity.	Interim Strategy and Programme Director	Dec 23

TCR04: Delivery of robust and compelling evidence to support Investment Programmes

ID	Risk Description	Owner	KPI	Current Score	Target Score	Trend
298	There is a risk that TfN might be unable to make a timely, robust, credible, evidence-based case for investment in transport.	Interim Strategy and Programme Director	11	15	11	↔

Impacts:

- 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.
- Programme delays could result in extra costs and resources.

Mitigation actions for risk 298:

ID	Control Level and Action Description	Owner	Due
953	Medium - 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 from DfT in a professional and timely manner.	Interim Strategy and Programme Director	Ongoing
954	High - Ensure programmes are realistic and achievable and are being re-adjusted if required, without significantly impacting delivery against TfN's core objectives.	Interim Strategy and Programme Director	Ongoing
955	Medium - 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.	Interim Strategy and Programme Director	Ongoing
957	High - TAME structure reviewed in line with 2022/23 business plan commitments. Work underway on future structure for 2023/24 business plan	Interim Strategy and Programme Director	Mar 23

2502	High - Strengthen TAME governance for more transparent prioritisation of activity. Initial prioritisation undertaken. To be reviewed and communicated regularly to programmes and partners	Interim Strategy and Programme Director	Ongoing
2503	Medium - Build in suitable Project Management controls into the team.	Interim Strategy and Programme Director	Mar 23
2504	Medium - Use evidence to provide recommendations to the Secretary of State for Road Investment Strategy.	Head of Major Roads	Mar 23
2505	Medium - Use evidence to provide recommendations to the Secretary of State for Rail Network Enhancement Pipeline.	Strategic Rail Director	Ongoing

TCR05: Transport decarbonisation and climate change

ID	Risk Description	Owner	KPI	Current Score	Target Score	Trend
299	Within its Decarbonisation Strategy, TfN and its partners have committed to achieving close to zero emissions for surface transport in the North by 2045. TfN is unable to deliver its contribution to achieving this target.	Interim Strategy and Programme Director	8	11	8	↔

Impacts:

- TfN fails to deliver on its commitments laid out within the TfN Decarbonisation Strategy.
- Adverse impacts on TfN credibility and influence as a Sub-National Transport Body.
- 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.

Mitigation actions for risk 299:

ID	Control Level and Action Description	Owner	Due
959	High - 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,	Interim Strategy and Programme Director	Ongoing

	there is a higher likelihood of the required levels of policy commitment being achieved.		
2362	Medium - Develop mechanisms to ensure decarbonisation and sustainability are reflected in project and strategy decision-making.	Interim Strategy and Programme Director	Ongoing
2425	Low - Aspiration to undertake an appraisal of the relative carbon benefits associated with the remaining activities defined within the decarbonisation strategy, dependant on funding.	Interim Strategy and Programme Director	Closed
2506	Medium - Continue to influence and engage with stakeholders and maintain reputational credibility.	Interim Strategy and Programme Director	Ongoing
2507	Medium - Aspiration to undertake a strategic embodied carbon footprint study of schemes within TfN's Investment Programme.	Head of Major Roads	Dec 23
2508	Medium - Embedding decarbonisation into wider TfN workstreams including freight and social inclusion and testing the interdependencies.	Interim Strategy and Programme Director	Ongoing
2746	Medium level of control: Support Partners with the application of the EVCI evidence base in promoting provision of EV infrastructure across all areas of the North, developing EVCI infrastructure plans and securing funding.	Head of Major Roads	Ongoing
2781	NEW: Medium level of control: Refocusing on emerging decarbonisation priorities for TfN and its partners for the development of the decarbonisation strategy update 2025	Interim Strategy and Programme Director	Ongoing

TCR07: TfN compliance and relevant laws and regulations

ID	Risk Description	Owner	KPI	Current Score	Target Score	Trend
303	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 exceeds its powers.	Head of Legal Services	All	11	11	↔

Impacts:

- 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.

Mitigation actions for risk 303:

ID	Control Level and Action Description	Owner	Due
970	High - TfN has suitably qualified officers in all senior positions, particularly the HoPS, S151 Officer and Monitoring Officer. In addition, TfN has employed an in-house legal team. Since the 2022 restructure and reduction in posts, the size and capacity of the in-house team needs to be kept under review.	Head of Legal Services	Ongoing
971	High - TfN ensures there are clear and well documented processes and procedures in place.	Head of Legal Services	Ongoing
972	High - Ongoing training on laws and legislation and communication across the organisation.	Head of Legal Services	Ongoing
973	High - Procedures are in place through Modern.Gov to ensure that there is continuous legal review to TfN's Boards and Committees. Modern.gov champions now in place and have received initial training to help to widen corporate knowledge of modern.gov to support governance and resilience, with further update training now planned.	Head of Legal Services	Ongoing
974	High - TfN employs in house legal and procurement specialists and where necessary seeks external legal advice on commissioning and procurement.	Head of Legal Services	Ongoing
1569	High - A new process, Modern.Gov has been implemented to streamline report approvals and support efficient decision-making. Modern.gov champions have been identified and have received initial training to widen corporate understanding of the system and help support governance and resilience. Further training is planned to be rolled out in August/September 2022.	Head of Legal Services	Closed
1570	High - TfN will seek external legal advice on legal issues as identified by the legal in-house team.	Head of Legal Services	Ongoing
1571	High - TfN has employer's liability, public liability, and professional indemnity insurance in place to mitigate any financial liability.	Head of Legal Services	Ongoing

2310	Medium - Audit and Governance Committee has core functions supporting compliance with laws regulations and best practice, including monitoring governance risks and control.	Head of Legal Services	Ongoing
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TCR09: Rail

ID	Risk Description	Owner	KPI	Current Score	Target Score	Trend
309	The long-term effect of Covid-19 may impact on the viability of train services and future investment decisions. The pandemic has changed travel patterns and behaviours and therefore service and investment decisions will need to reflect new markets and emerging evidence of demand.	Strategic Rail Director	17, 18	17	17	↔
310	There is a risk that TfN could have a reduced role in the rail industry following the implementation of rail reform under Great British Railway.	Strategic Rail Director	9	19	17	↔
311	Future timetable changes in the North reduce rail connectivity.	Strategic Rail Director	17, 18	15	15	↑
877	Change to the agreed Terms of Reference for the NPR Sponsor Board and associated delivery arrangements. This also covers the effectiveness of co-sponsorship arrangements.	Chief Executive Officer	4, 6	14	10	↔
647	The publication of the IRP has set out the Government's proposals in respect of NPR, TRU and HS2: it also sets out the need for further work to be undertaken. There is a risk that individual programmes are not aligned and expected benefits not realised.	Strategic Rail Director	1, 4	18	15	↔

Impacts:

- Low passenger numbers post-Covid and the result of industrial relations issues could reduce the viability of some existing services.
- Less investment in services and infrastructure because 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 Railways, 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 and on local connectivity, thereby reducing choice for passengers.
- 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.
- Reduction in engagement with TfN members could impact on the speed of delivering agreed investment priorities and result in missed opportunities to maximise wider benefits of agreed investment.
- A less effective sponsorship arrangement could result in missed opportunities to align investment in IRP with other delivery opportunities across the industry, which could impact on TfN's credibility and reputation with our partners and the public.
- 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.

Mitigation actions for risk 309:

ID	Control Level and Action Description	Owner	Due
980	Low - To continue to use TfN's influence in the monthly Rail North Partnership Board, Rail North Committee to shape the re-introduction of services, and infrastructure developments and re-build passenger confidence.	Strategic Rail Director	Ongoing
981	Medium - To continue with the close working relationship and communication with TfN member authorities on deliverables and risks - feeding back information through TfN governance structures.	Strategic Rail Director	Ongoing
1578	Medium - To continue to track train service performance and delivery via regular reporting dashboards.	Strategic Rail Director	Ongoing
1579	Medium - Strategic Rail and Rail North Partnership (RNP) to work together to support Network Rail and Operators in producing and monitoring recovery plans that meet passengers' needs and rebuild confidence.	Strategic Rail Director	Ongoing

Mitigation actions for risk 310:

ID	Control Level and Action Description	Owner	Due
1638	High - 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 and are working to develop TfN proposition to define what our role would be in the rail industry going forward to present to GBR Transition team.	Strategic Rail Director	Dec 23

983	High - TfN has established a rail-reform programme board from April 22 chaired by TfN's CEO. The programme board provides a programme of work to develop the partnership between TfN and GBR, defining TfN's future role on rail and its interface with the WISP (whole industry strategic plan).	Strategic Rail Director	Ongoing
2637	Fall-back Plan - Use rail-reform programme to strengthen TfN's relationships and position with GBRTT	Strategic Rail Director	Mar 24

Mitigation actions for risk 311:

ID	Control Level and Action Description	Owner	Due
1581	Medium - TfN, working with Partners will continue to convey to Operators and the Department the key concerns of the regions.	Strategic Rail Director	Ongoing
985	High - Blueprint for both ECML and Manchester have been established and will be further developed and updated.	Strategic Rail Director	Ongoing
2638	Medium - Contribute and influence the work of the Leeds area study as part of the implementation of the IRP and linked to ECML future timetable.	Strategic Rail Director	Ongoing

Mitigation actions for risk 877:

ID	Control Level and Action Description	Owner	Due
2481	Medium – Agree with DfT regular engagement forums to ensure alignment with programme/ escalation of key issues.	Strategic Rail Director	Mar 23
2640	Medium - NPR sponsorship agreement to be agreed between DfT ministers and TfN Board	Chief Executive Officer	Mar 23
2686	High Level of Control: Ensure stakeholder engagement strategy for NPR in place	Strategic Rail Director	Mar 23

Mitigation actions for risk 647:

ID	Control Level and Action Description	Owner	Due
2510	Medium - Define TfN's future role on programme boards through the design of the NPR sponsor function.	Strategic Rail Director	Mar 23

2511	Medium - TfN continue to chair the new TRU stakeholder forum that will directly influence the TRU programme board.	Strategic Rail Director	Ongoing
2547	Medium - TfN using its role on the North of England Integration Board to ensure alignment of benefits.	Strategic Rail Director	Ongoing
2639	Medium - Use NPR Sponsor Board as a mechanism for working with DfT to address programme alignment issues.	Chief Executive Officer	Ongoing
2782	NEW: Medium level of control: Ensure STP reflects TfN's desired outcome for the rail network and is supported by evidence.	Strategic Rail Director	Mar 24

TCR10: TfN cyber security

ID	Risk Description	Owner	KPI	Current Score	Target Score	Trend
876	Cyber disruption/attacks to the available information and technical infrastructure. Inappropriate user access to confidential information. Access may be limited for an unknown period.	IT and Information Manager	All	10	10	↔

Impacts:

- Site outages, loss of resource time, which could impact on programme timescales, impact on cost for restoration of resources and information.
- Ransomware, compromise of information, potential legal implications due leakage of data/GDPR fines which leads to reputational challenges.

Mitigation actions for risk 876:

ID	Control Level and Action Description	Owner	Due
2472	Medium - IT and Data Policies to be produced, reviewed, and updated in line with known cyber threats.	IT and Information Manager	Ongoing
2473	Medium - Training to all TfN staff on new policies.	IT and Information Manager	Ongoing
2474	Medium - Communications Plan in place for regular updates to employees when required.	IT and Information Manager	Ongoing
2475	Medium - Monitoring and compliance checks performed (e.g. phishing attacks).	IT and Information Manager	Ongoing
2476	Medium - On-going/monitoring security updates performed to user devices and software services.	IT and Information Manager	Ongoing
2477	Medium - Business Continuity Plan checks, system reviews and restoration timescales regularly assessed.	IT and Information Manager	Ongoing
2478	Medium - Insurance cover in place for ransoms where required.	IT and Information Manager	Ongoing

TCR12: Technical appraisal, modelling, and economics

ID	Risk Description	Owner	KPI	Current Score	Target Score	Trend
882	Providing a direct service to DfT limits TAME's services in delivering TfN 's objectives.	Interim Strategy and Programme Director	11, 12, 13, 14, 19	10	8	↑
884	Legal and commercial restrictions. TfN is not legally allowed to share its models or data with Partners.	Interim Strategy and Programme Director	All	18	15	↑

Impacts:

- TAME and TfN could be perceived to be prioritising NPR work above other TfN priorities or undertaking analysis of options that conflicts with requirements of Sponsor Board.
- Analysis undertaken for DfT is mis-represented as "TfN evidence".
- TfN is unable to complete the evidence base for its statutory role.
- TfN has a responsibility to share data with Partners as it develops its role as an industry leader and Centre of Excellence, so the inability to do so would cause reputational damage and loss of credibility.
- Restrictions in sharing data or models could cause delays to individual projects, which could result in additional costs and limit TfN's ability to expand the scope of its analytical services.

Mitigation actions for risk 882:

ID	Control Level and Action Description	Owner	Due
2515	High - Strengthen internal TfN TAME governance to enable more transparent prioritisation of activity. Initial prioritisation undertaken. To be reviewed and communicated regularly to programmes and partners.	Interim Strategy and Programme Director	Ongoing
2666	High - TAME structure reviewed in line with 2022/23 business plan commitments. Work underway on future structure for 2023/24 business plan.	Interim Strategy and Programme Director	Mar 23

Mitigation actions for risk 884:

ID	Control Level and Action Description	Owner	Due
2521	Medium - Introducing consideration of data licencing at the start of projects, including early engagement with the legal team.	Interim Strategy and Programme Director	Jun 23
2522	Medium - Present a proposal for TfN's licensing strategy to OBT, including data sharing protocols and clarity on commercial arrangements.	Interim Strategy and Programme Director	Mar 23
2526	High - Contact all data input suppliers to obtain licences that allow TfN to share data.	Interim Strategy and Programme Director	Jun 23
2641	Fall-back Plan - Agree action plan with legal team to overcome challenges and escalate where necessary with internal/external stakeholders	Interim Strategy and Programme Director	Dec 23

TCR13: TfN funding

ID	Risk Description	Risk Owner	KPI	Current Score	Target Score	Trend
300	There is a risk that TfN fails to deliver Value for Money in all areas within the funding allocation.	Finance Director	All	17	13	↔
916	Planning assumptions that underpin medium term sustainability are not delivered.	Finance Director	All	20	18	↔

Impacts:

- Failure to achieve Value for Money could impact on TfN's ability to access funding in the future.
- TfN unable to deliver statutory duties responsibilities.
- TfN's ability to retain/recruit suitably qualified staff.
- Reduction of funding and potential redundancies could damage organisational culture and lead to, unhealthy work/life balances/staff wellbeing.
- Lack of direction for the organisation could result in lower staff morale and potential resignations.
- TfN reputational damage and loss of credibility.
- TfN's relationship with the DfT, partners and members could potentially be adversely affected.

Mitigation actions for risk 300:

ID	Control Level and Action Description	Owner	Due
962	High - Clear and well documented processes and procedures are in place. External audit review and report on value for money on an annual basis.	Finance Director	Ongoing
963	High - Commissioning processes include OBT sign-off of expenditure, and explicit approval for expenditure against a schedule of delegations.	Finance Director	Ongoing
1564	High - To continue to brief and update staff through the monthly updates, regular bulletins, employee forum, OBT 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.	Finance Director	Ongoing

Mitigation actions for risk 916:

ID	Control Level and Action Description	Owner	Due
2670	High - Engagement with stakeholders to ensure the case for TfN's funding is supported by all Board members (Political and Business leaders), and amongst the North's MPs.	Chief Executive Officer	Mar 24
2671	Medium - There is structured engagement with government officials and decision-makers.	Chief Executive Officer	Mar 24
2672	Medium - TfN and DfT collaborative working to develop a revised version of Memorandum of Understanding.	Chief Executive Officer	Sept 23
2673	Medium - TfN to demonstrate that it delivers value for money, maximises the efficiency of taxpayer money and provide additional value and benefit for Partners in the North of England through a prioritised and sustainable business plan.	Chief Executive Officer	Mar 24
2674	Medium - TfN to explore wider funding opportunities through development of Centre of Excellence proposition.	Interim Strategy and Programme Director	Mar 24
2674	Medium - Early and continuous engagement with DfT in relation to business planning and subsequent performance	Chief Executive Officer	Mar 24
2676	Fallback Plan - Conclude budget and business planning based on funding allocation.	Chief Executive Officer	Mar 23

TCR14: TfN resources

ID	Risk Description	Owner	KPI	Current Score	Target Score	Trend
643	TfN's is unable to recruit and retain suitable staff to deliver the 2023/24 business plan and medium to long term TfN objectives.	Head of Human Resources	3	19	17	↔
918	Loss of knowledge	Head of Human Resources	All	17	13	↔

Impacts:

- Failure to recruit and retain the people with the right skills could negatively impact on TfN's ability to deliver its objectives and priorities.
- Damage to the organisational culture, staff morale and confidence.
- TfN reputational damage/external relationships and loss of credibility could be adversely affected.
- Programme delays due to loss of expertise and re-work required.
- Lessons learnt for the organisation and continuous improvement could be adversely affected.

Mitigation actions for risk 643:

ID	Control Level and Action Description	Owner	Due
1566	High - Update People Strategy (People Management Framework) aligned to the outcomes of the ongoing change agenda and timescales. This may include, reward, workforce/skills planning, succession planning, recruitment and selection, talent, and performance management.	Head of Human Resources	Ongoing
1568	Medium - To continue to brief and update staff through the monthly updates, regular bulletins, Team talks, intranet, employee forum and SMT meetings.	Head of Human Resources	Ongoing
2488	Medium - Work with the HR and Skills Team to provide development and training opportunities within TfN e.g., non-technical skills in the TAME team.	Interim Strategy and Programme Director	Ongoing
2537	High - Full and proper consultation with UNISON - to continue regular formal meetings.	Head of Human Resources	Ongoing

2786	NEW: Fallback Plan Recruitment of temporary consultants to ensure delivery of the business plan if required.	Head of Human Resources	Ongoing
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Mitigation actions for risk 918:

ID	Control Level and Action Description	Owner	Due
2663	High - All leavers (internal or consultants) to produce clear handover documentation and discuss outstanding work with managers through regular catch ups.	Head of Human Resources	Ongoing
2664	Medium - Ensure a suitable succession plan is in place (identifying successors for key posts where possible) and identify development and training opportunities.	Head of Human Resources	Ongoing



Transport for the North
2nd Floor
4 Piccadilly Place
Manchester
M1 3BN



0161 244 0888



info@transportforthenorth.com



Risk Management Strategy Update

TfN Risk Escalation to Operating Board

The below action was raised as part of the RSM Risk Maturity Review.

Management action 4: The Risk Management Strategy will be amended to include the factors that will be considered when escalating risks to the Operating Board. This could include risks that exceed the TfN risk appetite or could be driven by strategic themes outlined within the Business Plan.

TfN Risk Management Strategy has been updated to include;

Section 6.14 Project, Programme and Functional risks should be escalated to OBT if they:

- Prevent/impact the achievement of strategic objectives
- Adversely affect business critical activities or business plan delivery, which cannot be managed or controlled at project, programme or functional level
- Affect multiple projects, programmes or functions and require collaboration across teams

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TfN Risk Deep Dive Schedule - Audit and Governance Committee

Date	Deep Dive Focus Area
• Jun-23	Corporate Risk TCR14 - 643: TfN is unable to recruit and retain suitable staff to deliver the 2023/24 business plan and medium to long term TfN objectives. Current Score – Red
• Sep-23	Fraud
• Dec-23	Corporate Risk TCR09 - 310: There is a risk that TfN could have a reduced role in the rail industry following the implementation of rail reform under Great British Railway. Current Score – Red
Feb-24	Centre of Excellence

TfN will review the roll out of deep dives to date to create a schedule for future deep dives. Deep dives could consist of red corporate risks, industry specific areas, or project/functional risks.

Please note the deep dive schedule may change dependant if there is something industry specific that is felt to be a priority, or if a risk has reduced/increased in red rating or if a risk is retired and no longer deemed to have an impact on TfN.

TfN Deep Dive Methodology

Date: XXXXXX

Risk Manager: Daniella Della-Cerra-Smith

Project Manager: XXXXXX

Purpose of Deep Dives:

- Understanding the environment in which the risk has been identified.
- Allow the Audit and Governance Committee to undertake a comprehensive review of selected risks.
- Provide the opportunity to check and challenge selected risks in more detail to ensure completeness, integrity and accuracy of data.
- Demonstrate that the Audit and Governance Committee provide due diligence in the assurance of risk management.
- Recommend areas for consideration, if required.

Sample Deep Dive Questions:

1. Are the risk description, cause and impacts articulated clearly?
2. Is the risk scored against TfN's Risk Management Criteria?
3. Are there controls, actions and fallbacks in place?
4. Are the controls, actions and fallbacks effective enough to achieve the target score?
5. Any additional comments/ areas for consideration?

Meeting: Audit & Governance Committee
Subject: Treasury Management Strategy 2023/24
Author: Paul Kelly, Finance Director
Sponsor: Paul Kelly, Finance Director
Meeting Date: Friday 17 February 2023

1. Purpose of the Report:

- 1.1 Under section 21 of the Local Government Act 2003, Local Authorities (including TfN) are required to have regard to the CIPFA Code of Practice - Treasury Management in the Public Services 2017 edition and to adopt a Treasury Management Strategy (TMS). The parameters within which this strategy is developed are informed by operational practicalities and statutory obligations.
- 1.2 This report provides an overview of changes and updates to TfN's Treasury Management Strategy for the year ahead. The TfN TMS is attached to this report as Appendix 1.

2. Recommendations:

- 2.1 To note and comment upon TfN's Treasury Management Strategy for 2023/24.

3. Main Changes:

- 3.1 Given the changes to TfN's level of funding and the nature of the activity that TfN is engaged in, TfN has undertaken a number of non-substantive changes in order to simplify the TMS.
- 3.2 The simplifications reflect two main factors, firstly that TfN has no current plans to engage in any capital expenditure and secondly that TfN is operating with lower cash balances reflecting a reduced funding allocation since the removal of the NPR programme from TfN's direct remit.
- 3.3 Modifications have been undertaken in a manner which maintains the structure of the TMS, whilst simplifying some of the content, where no longer deemed relevant. However, this leaves scope for the TMS to be recalibrated should TfN's activity evolve again in the future.
- 3.4 The two main changes are:
1. Simplification of the Capital Prudential Indicators reflecting the fact that TfN is not engaged in any capital expenditure and that TfN's statutory position prevents it from raising credit.
 2. The removal of appendices analysing the wider economic environment.
- 3.5 TfN's investment policy remains unchanged, with its approach to investment decisions made with due regard to the following hierarchy of considerations:
- a) Security of the investment partner (creditworthiness)
 - b) Liquidity of the investment (accessibility)
 - c) Yield of the investment (financial return)
- 3.6 TfN will continue to engage with its Treasury Advisor – Link Treasury Services. The Treasury Advisor will assist TfN in maintaining market intelligence and ensuring that the cash-management strategy remains appropriate throughout the year.

4 Corporate Considerations:

This report is formed from considerations around cash management risk and proposes a Treasury Management Strategy for adoption.

4.1 *Financial Implications*

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

4.2 *Resource Implications*

There are no resource implications within this report.

4.3 *Legal Implications*

Legal implications are addressed within the report.

4.4 *Risk Management and Key Issues*

There are no material risks to be considered within this report.

4.5 *Environmental Implications*

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

4.6 *Equality and Diversity*

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

4.7 *Consultations*

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

5 Background Papers

5.1 None

6 Appendices

6.1 Treasury Management Strategy and Appendices

Treasury Management Strategy Statement

Annual Investment Strategy

2023/24

1. INTRODUCTION

1.1 Background

Transport for the North is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low-risk counterparties or instruments commensurate with Transport for the North's low risk appetite, providing adequate liquidity initially before considering investment return.

The contribution the treasury management function makes to Transport for the North is critical to ensure liquidity and the ability to meet spending commitments as they fall due. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to Transport for the North.

CIPFA defines treasury management as:

"The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

Transport for the North does not engage in any commercial investments and has no non-treasury investments.

1.2 Reporting Requirements

1.2.1 Capital Strategy

A capital strategy report is designed to show how local authorities will finance and fund long-term investment plans. They are designed to evidence that investment plans are both affordable in the short-term and sustainable in the long-term.

Transport for the North has no powers to enter into credit liabilities, so cannot borrow to finance investment. Transport for the North also owns no assets which could be disposed of to generate capital receipts. Finally, Transport for the North has no revenue raising powers, which could be used to raise cash for capital investment.

Instead, Transport for the North is an entirely grant funded organisation. All capital investments are grant funded, with no additional financing or funding issues.

Transport for the North's capital expenditure profiles are outlined later in this appendix.

1.2.2 Treasury Management Reporting

Transport for the North Board is currently required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals.

- a. **Prudential and treasury indicators and treasury strategy** (this report) - The first, and most important report is forward looking and

covers the aspects relevant to Transport for the North – notably management of cash and investments:

- any capital plans, (including prudential indicators)
 - the treasury management strategy, (how the investments are to be organised), including treasury indicators
 - an investment strategy, (the parameters on how investments are to be managed)
- b. **A mid-year treasury management report** – This is primarily a progress report and will update members on the capital position, amending prudential indicators as necessary, and whether any policies require revision
- c. **An annual treasury report** – This is a backward-looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

1.2.3 Scrutiny

The following bodies within TfN’s governance receive Treasury Management Reporting:

- The Audit & Governance Committee
- The TfN Board

1.3 Treasury Management Strategy for 2023/24

The strategy for 2023/24 covers two main areas:

Capital issues

- any capital expenditure plans and the associated prudential indicators.

Treasury management issues

- the current treasury position
- treasury indicators which limit the treasury risk and activities of Transport for the North
- prospects for interest rates
- the investment strategy
- creditworthiness policy
- the policy on use of external service providers

These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, the CIPFA Treasury Management Code and MHCLG Investment Guidance.

1.4 Training

The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. Transport for the North will review training requirements for members in the new financial year.

The training needs of finance officers involved in treasury management are periodically reviewed.

1.5 Treasury management consultants

Transport for the North uses Link Treasury Services, Treasury solutions as its external treasury management advisors, as required.

Transport for the North recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon the services of our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. Transport for the North will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review.

2 THE CAPITAL PRUDENTIAL INDICATORS 2023/24 – 2025/26

Regulation requires Transport for the North to present its capital prudential indicators. This reflects that, for most authorities, capital expenditure plans are a key driver of treasury management activity. This is principally because those plans will be underpinned by financing strategies that use debt or cash balances to finance activity.

Transport for the North's statutory position means that it is not able to raise credit, and its funding environment means that it is unlikely to generate significant long-term cash surpluses. Instead, Transport for the North's capital investment plans will be funded from grant awards.

These factors mean the capital prudential indicators are largely insignificant, though they do reflect the parameters in which Transport for the North operates.

2.1 Capital expenditure

There are currently no plans to incur any capital expenditure in 2023/24 or following years. This could change should Transport for the North receive grant funding to invest in capital assets. Any such change would be reported in accordance with the arrangements detailed above.

2.2 Core funds and expected investment balances

Transport for the North's cash balances are largely determined by its reserve strategy and working capital fluctuations. Transport for the North is funded on a needs basis, so only draws upon grant it requires to meet its expenditure plans. It does, however, hold cash in reserve to guard against financial shock. TfN will invest its cash balances in accordance with its investment policy.

2.3 Prospects for interest rates

Although there is available a great deal of commentary about and forecasting of future interest rates, the market remains essentially uncertain. In general, it does appear likely that rates will continue to rise at least in the first half of 2023, but the size, timing and duration of such increases cannot be known.

Investment and borrowing rates

- **Investment returns** are expected to improve in 2023/24. Generally, we can expect longer deposits to generate higher returns, but in a rising market it is appropriate to limit the length of the deposit as higher rates of return may have emerged by the maturity date.

3 ANNUAL INVESTMENT STRATEGY

3.1 Investment policy – management of risk

Transport for the North's investment policy has regard to the following: -

- DLUHC's Guidance on Local Government Investments ("the Guidance")
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the Code")
- CIPFA Treasury Management Guidance Notes 2018

Transport for the North's investment priorities will be security first, portfolio liquidity second and then yield, (return).

The above guidance from the MHCLG and CIPFA place a high priority on the management of risk. Transport for the North has adopted a prudent approach to managing risk and defines its risk appetite by the following means: -

1. Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.
2. **Other information:** ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration Transport for the North will engage with its advisors to maintain a monitor on market pricing such as "**credit default swaps**" and overlay that information on top of the credit ratings.
3. **Other information sources** used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
4. Transport for the North has defined the list of **types of investment instruments** that the treasury management team are authorised to use.
 - a. **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year.
 - b. **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use. Transport for the North will not use these investment categories.
5. **Non-specified investments limit.** Transport for the North has determined that it will not invest in any non-specified investment categories.
6. **Lending limits**, (amounts and maturity), for each counterparty will be set through applying the matrix table in paragraph 3.3.

7. **Transaction limits** are set for each type of investment in paragraph 3.3.
8. Transport for the North will set a limit for the amount of its investments which are invested for **longer than 365 days**, (see paragraph 3.5).
9. Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating**, (see paragraph 3.4).
10. Transport for the North has engaged **external consultants**, (see paragraph 1.5), to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of Transport for the North in the context of the expected level of cash balances and need for liquidity throughout the year.
11. All investments will be denominated in **sterling**.
12. As a result of the change in accounting standards for 2022/23 under **IFRS 9**, Transport for the North will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. (In November 2018, the Ministry of Housing, Communities and Local Government, [MHCLG], concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years commencing from 1.4.18.)

However, Transport for the North will also pursue **value for money** in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance, (see paragraph 3.5). Regular monitoring of investment performance will be carried out during the year.

3.2 Changes in risk management policy from last year.

The above criteria are unchanged from last year

Transport for the North continues to engage treasury management advisors to shape its investment strategy. It currently uses Link Treasury Services creditworthiness service to choose investment counterparties.

3.3 Creditworthiness policy

Transport for the North applies the creditworthiness service provided by Link Treasury Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard & Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- credit watches and credit outlooks from credit rating agencies
- CDS spreads to give early warning of likely changes in credit ratings

- sovereign ratings to select counterparties from only the most creditworthy countries

This modelling approach combines credit ratings, credit Watches and credit Outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by Transport for the North to determine the suggested duration for investments.

This approach is then tempered by Transport for the North's funding environment, and in particular its funding relationship with the Department for Transport. This environment sees Transport for the North directly funded every quarter for activity, and thus negates the need for, and the possibility of, running up significant cash balances over a long duration.

Transport for the North will therefore use counterparties within the following durational bands:

- Yellow 3 months
- Dark pink 3 months
- Light pink 3 months
- Purple 3 months
- Blue 3 months
- Orange 3 months
- Red 3 months
- Green 1 month
- No colour not to be used

The Link Treasury Services creditworthiness service uses a wider array of information other than just primary ratings. Furthermore, by using a risk weighted scoring system, it does not give undue preponderance to just one agency's ratings.

Before consideration of underlying sovereign rating, typically the minimum credit ratings criteria Transport for the North use will be a Short Term rating (Fitch or equivalents) of F1 and a Long Term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances, consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

All credit ratings will be monitored weekly. Transport for the North is alerted to changes to ratings of all three agencies through its use of the Link Treasury Services' creditworthiness service.

- if a downgrade results in the counterparty / investment scheme no longer meeting Transport for the North's minimum criteria, its further use as a new investment will be withdrawn immediately.
- in addition to the use of credit ratings Transport for the North will be advised of information in movements in credit default swap spreads against the iTraxx benchmark and other market data on a daily basis via its Passport website, provided exclusively to it by Link Treasury Services. Extreme

market movements may result in downgrade of an institution or removal from Transport for the North's lending list.

Sole reliance will not be placed on the use of this external service. In addition Transport for the North will also use market data and market information, information on any external support for banks to help support its decision making process.

Y	Pi1	Pi2	P	B	O	R	G	N/C
1	1.25	1.5	2	3	4	5	6	7
Up to 5yrs	Up to 5yrs	Up to 5yrs	Up to 2yrs	Up to 1yr	Up to 1yr	Up to 6mths	Up to 100days	No Colour

<i>See Appendix 4.7 for an indicative counterparty list</i>	Colour (and long term rating where applicable)	Money and/or % Limit	Transaction limit	Time Limit
Banks *	yellow	100%	£5m	3 months
Banks	purple	100%	£5m	3 months
Banks	orange	100%	£5m	3 months
Banks – part nationalised	blue	100%	£5m	3 months
Banks	red	100%	£5m	3 months
Banks	green	100%	£5m	1 month
Banks	No colour	Not to be used	£0m	-
Limit 3 category – TfN's banker^	n/a	100%	n/a	3 days
DMADF	UK sovereign rating	unlimited	n/a	3 months
Local authorities	n/a	100%	£5m	3 months
	Fund rating	Money and/or % Limit		Time Limit
Money Market Funds CNAV	AAA	100%	£5m	liquid
Money Market Funds LVNAV	AAA	100%	£5bm	liquid

* Please note: the yellow colour category is for UK Government debt, or its equivalent, money market funds and collateralised deposits where the collateral is UK Government debt

^ Transport for the North retains the ability to directly invest its cash surpluses with its own bank above the defined transaction limit where necessary. This includes managing unexpected cash flows, dealing with urgent matters, or where other options are not available to.

3.4 Country limits

Due care will be taken to consider the exposure of Transport for the North's total investment portfolio to non-specified investments, countries, groups and sectors.

- a. **Non-specified investment limit.** Transport for the North has determined that it will not use non-specified investment products.
- b. **Country limit.** Transport for the North has determined that it will only use approved counterparties from the UK and from countries with a **minimum sovereign credit rating of AA-** from Fitch, at the time that the investment decision is made.

3.5 Investment strategy

Investment Durations

Transport for the North's approach to investments is influenced by its funding environment. Transport for the North has no revenue raising powers, nor ability to raise credit. This limits its ability to raise surplus cash unilaterally, and also obviates the need for retaining significant amounts of cash to pay down debt obligations.

Transport for the North is funded on a needs basis from the Department for Transport, receiving periodical grants to meet its cash requirements. This funding arrangement is supplemented by a reserve strategy that enables Transport for the North to retain cash balances from its flexible Core Grant to mitigate against financial shock.

These arrangements mean that it is unlikely Transport for the North will have significant amounts of surplus cash that does not have a short-term call upon it. This in turn engenders a short-term view on investments, with the primacy of consideration being on security and liquidity.

Transport for the North considers that it will not invest for time-periods beyond 3 months.

Investment treasury indicator and limit

There is a regulatory requirement to set and publish a limit upon total principal funds invested for greater than 365 days. These limits are set with regard to Transport for the North's liquidity requirements and to reduce the need for early sale of an investment and are based on the availability of funds after each year-end. Transport for the North's funding environment is such that it will limit itself to investments of periods not greater than 3 months.

Therefore, the limit is set to ZERO for 2023/24, 2024/25 and 2025/26.

3.6 Investment risk benchmarking

These benchmarks are simple guides to maximum risk, so they may be breached from time to time, depending on movements in interest rates and counterparty criteria. The purpose of the benchmark is that officers will monitor the current and trend position and amend the operational strategy to manage

risk as conditions change. Any breach of the benchmarks will be reported, with supporting reasons in the mid-year or Annual Report.

Security – Transport for the North has opted for a particularly prudent approach to security

Liquidity – in respect of this area Transport for the North seeks to maintain:

- Liquid short-term deposits of at least £1m available with a day's notice in its own bank.
- Weighted average life benchmark is expected to be no greater than 3 months.

Yield - local measures of yield benchmarks are:

- Investments – internal returns above the 7-day LIBID rate

3.7 End of year investment report

At the end of the financial year, Transport for the North will report on its investment activity as part of its Annual Treasury Report.

4 APPENDICES

1. Prudential and treasury indicators and MRP statement
2. Treasury management practice 1 – credit and counterparty risk management (option 1)
3. Treasury management scheme of delegation
4. The treasury management role of the section 151 officer
5. Indicative counterparty list

4.1 THE CAPITAL PRUDENTIAL AND TREASURY INDICATORS 2023/24 – 2025/26

Transport for the North's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

4.1.1 Capital expenditure

ZERO for all three years.

4.1.2 Affordability prudential indicators

Ratio of financing costs to net revenue stream

ZERO for all three years.

4.2 TREASURY MANAGEMENT PRACTICE (TMP1) – CREDIT AND COUNTERPARTY RISK MANAGEMENT OPTION 1

SPECIFIED INVESTMENTS: All such investments will be sterling denominated, with **maturities up to maximum of 3 months**, meeting the minimum 'high' quality criteria where applicable.

NON-SPECIFIED INVESTMENTS: These are any investments which do not meet the specified investment criteria. Transport for the North will not use investment classes that fall under this category.

	Minimum credit criteria / colour band	Max % of total investments/	Max. maturity period
DMADF – UK Government	UK sovereign rating	100%	3 months
UK Government gilts	UK sovereign rating	100%	3 months
UK Government Treasury bills	UK sovereign rating	100%	3 months
Bonds issued by multilateral development banks	AAA (or state your criteria if different)	100%	3 months
Money Market Funds CNAV	AAA	100%	Liquid
Money Market Funds LNAV	AAA	100%	Liquid
Local authorities	N/A	100%	3 months
Term deposits with banks and building societies	Blue Orange Red Green No Colour		3 months 3 months 3 months 1 month Not for use

Accounting treatment of investments. The accounting treatment may differ from the underlying cash transactions arising from investment decisions made by Transport for the North. To ensure that Transport for the North is protected from any adverse revenue impact, which may arise from these

differences, we will review the accounting implications of new transactions before they are undertaken.

4.3 TREASURY MANAGEMENT SCHEME OF DELEGATION

(i) Transport for the North Board

- receiving and reviewing reports on treasury management policies, practices and activities;
- approval of annual strategy.
- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices;
- budget consideration and approval;
- approval of the division of responsibilities;
- receiving and reviewing regular monitoring reports and acting on recommendations;

(ii) Scrutiny Committee

- reviewing the treasury management policy and procedures and making recommendations to the responsible body.

(iii) Audit and Governance Committee

- reviewing the treasury management policy and procedures and making recommendations to the responsible body.

4.4 THE TREASURY MANAGEMENT ROLE OF THE SECTION 151 OFFICER

The S151 (responsible) officer (Transport for the North Finance Director)

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers.

Meeting:	Transport for the North Audit and Governance Committee
Subject:	Internal Audit Update
Author:	Paul Kelly, Interim Finance Director
Sponsor:	N/A
Meeting Date:	Friday 17 February 2023

1. Purpose of the Report:

- 1.1 To enable RSM, 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 To support the progress of the internal audit programme, RSM have provided the following reports for consideration:

- Progress report
- GDPR Audit
- Audit Plan 2023/24

- 3.2 RSM will brief members on the contents and findings of these reports and field any questions during the meeting.

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 The risks associated with the audits are detailed in the 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 Appendix 1 Progress Report

TRANSPORT FOR THE NORTH

Internal Audit Progress Report

17 February 2023

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1 Key messages

The internal audit plan for 2022/23 was approved at the February 2022 Audit and Governance Committee meeting.

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



One audit assignment has been completed since the last Audit and Governance Committee meeting. This relates to the General Data Protection Regulation (GDPR) Governance Framework (4.22/23) review. This was an advisory report and hence a formal assurance opinion was not given, but four 'uncategorised' management actions were agreed with management. [\[To discuss and note\]](#)



We are also presenting our annual plan of proposed audit areas for 2023/24. [\[To discuss and note\]](#)



No changes have been made to the internal audit plan 2022/23 since the last Audit and Governance Committee meeting. [\[To note\]](#)

2 Reports

2.1 Summary of final report being presented to this committee meeting

This section summarises the report that has been finalised since the last meeting.

Assignment	Opinion issued	Actions agreed		
		L	M	H
<p>General Data Protection Regulation (GDPR) Governance Framework (4.22/23)</p> <p>We were commissioned by TfN to undertake an assignment which considers GDPR current data governance processes, procedures and controls at a high level.</p> <p>Our assignment report is a factual report and we do not provide a level of assurance, or internal audit opinion, and the assignment report should not be taken to provide such. We confirmed that TfN has some elements of a data governance framework in place. However, we have raised a four management actions which will assist in improving and embedding the current framework.</p>	Advisory			Four 'uncategorised' management actions raised

2.2 Themes arising from control observations in 2022/23 reports

	Advisory	Low	Medium	High
Planning	0	0	0	0
Policies and / or procedures	0	0	0	0
Non-compliance with policies / procedures	0	0	0	0
Design of the control framework	4	0	1	0
Training / awareness for staff	0	0	0	0
Management or performance information	0	0	0	0
Lack of segregation of duties	0	0	0	0
Poor record keeping	0	1	0	0
Risk Management	0	0	0	0
Governance weaknesses	0	2	0	0
Information technology	0	0	0	0
Management actions from previous audit reports	0	0	1	1
Total	4	3	2	1

No arising themes have been detected through our work conducted at this time. Themes will continue to be analysed throughout 2022/23 following the completion of each audit assignment.

Appendix A – Progress against the internal audit plan 2022/23

Assignment and Executive Lead	Status / Opinion issued	Actions agreed			Target Audit and Governance Committee (as per IA plan 2022/23)	Actual Audit and Governance Committee
		L	M	H		
Follow Up (1.22/23)	Reasonable Progress	19 of 21 actions completed			June 2022	June 2022
Payroll (2.22/23)	Substantial Assurance	0	0	0	November 2022	September 2022
Risk Maturity Review (3.22/23)	Advisory	3	1	0	November 2022	November 2022
General Data Protection Regulation Arrangements (4.22/23)	Advisory	Four 'uncategorised' management actions raised			February 2023	February 2023
Project Management Arrangements)	Debrief completed 27 January 2023/ Draft report to be issued shortly				February 2023*	n/a
Equality, Diversity and Inclusion Framework (5.22/23)	Draft report issued				February 2023*	n/a

* The fieldwork for the Project Management Arrangements and Equality, Diversity and Inclusion Framework audits commenced in December 2022 and continued in January 2023 to accommodate the Christmas period and TfN staff availability.

Appendix B – Other matters

On-going liaison and internal audit plan 2022/23

The internal audit plan 2022/23 and three year strategy were approved at the February 2022 Audit and Governance Committee meeting. Ongoing liaison has taken place between RSM and the Interim Finance Director throughout the year to discuss progress against the internal audit plan. Our Internal Audit Plan for 2023/24 is included under a separate agenda item.

Quality assurance and continual improvement

To ensure that RSM remains compliant with the IIA standards and the financial services recommendations for Internal Audit, we have a dedicated internal Quality Assurance Team who undertake a programme of reviews to ensure the quality of our audit assignments. This is applicable to all Heads of Internal Audit, where a sample of their clients will be reviewed. Any findings from these reviews being used to inform the training needs of our audit teams.

The Quality Assurance Team is made up of; the Head of the Quality Assurance Department (FCA qualified) and an Associate Director (FCCA qualified), with support from other team members across the department. This is in addition to any feedback we receive from our post assignment surveys, client feedback, appraisal processes and training needs assessments.

Updates and briefings

Since the last Group Audit and Governance Committee meeting, we have issued the following:

- We have shared with management details regarding the following events:
 - Invitation to the Future of Finance webinar, on the role of finance in leading a data and analytics strategy (held on 16 November 2022);
 - National Minimum Wage event, held on 30 November 2022;
 - NEDs as mentors to the Board, that will take place on 25 January 2023; and
 - RSM and CIPFA Public Procurement webinar, held on 30 January 2023.
- Autumn Statement (November 2022);
- Employment Matters (November 2022) <https://www.rsmuk.com/ideas-and-insights/employment-matters>;
- Counter Fraud – Secondary Employment Risk Spotlight (November 2022);
- Review of 2021/22 internal audit high priority management actions (December 2022).
- The Real Economy Business Resilience – Lead generation opportunities (December 2022);
- RSM Emerging Risk Radar (December 2022); and
- Procurement and Contract Management newsletter (January 2023).



For more information contact

Lisa Randall, Head of Internal Audit

lisa.randall@rsmuk.com

07730 300 309

Alex Hire, Senior Manager

alex.hire@rsmuk.com

07970 641 757

Ciaran Barker, Assistant Manager

ciaran.barker@rsmuk.com

01782 216000

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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 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.

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TRANSPORT FOR THE NORTH

General Data Protection Regulation (GDPR) Governance Framework

Internal Audit Report 4.22/23

Revised Final v2

3 January 2023

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EXECUTIVE SUMMARY

Why we completed this assignment

With the use of secure portals for the transfer of information, and through electronic communication means, remote working has meant that we have been able to complete our assignment and provide you with the assurance you require and 100 per cent of our assignment has been conducted remotely.

From 25 May 2018 the General Data Protection Regulation (GDPR) replaced the EU Directive 95/46/EC. The UK Data Protection Act 2018 embeds significant elements of the GDPR into UK legislation. A Government consultation called 'Data: a new direction' on the future for UK data protection legislation closed in November 2021. The outcomes were published on 23 June 2022 and there may be further changes to data protection requirements to follow.

Whilst many of the GDPR's main concepts and principles (and thus those of the UK DPA 2018) remain largely the same as those in the Data Protection Act 1998, there were significant new elements and enhancements which required companies and organisations to perform some specific compliance activities for the first time. GDPR placed greater emphasis on the documentation that data controllers must keep demonstrating their accountability.

We have been commissioned by Transport for the North ('TfN') to undertake an assignment which considers the TfN's GDPR current data governance processes, procedures and controls. Our report is a factual report and we do not provide a level of assurance, or internal audit opinion, and this report should not be taken to provide such.

Headline findings

This report has been prepared in full and details of our testing and findings can be seen in our Detailed Findings and Actions section of this report. We confirmed that TfN has some elements of a data governance framework in place in the form of policies. However, we have raised a number of management actions which will assist in improving and embedding the current framework. Our work noted the following:

Business processes and data discovery:



TfN does not retain a comprehensive and accurate record of the location and origin of personal data held in-house and shared with third parties. Without this, there is an increased risk of non-compliance with the requirements relating to information held.

Awareness:



Although training and staff awareness has been completed as part of induction training, we noted that this training is only refreshed periodically after induction. We would advise the implementation of annual refresher training, to strengthen staff understanding and awareness of GDPR requirements.

Data policy, roles and responsibilities



Through review of the Data Protection Policy, we noted that it does not reflect current roles and responsibilities in relation to data protection. Furthermore, we noted that roles and responsibilities in relation to data protection were not fully defined within the organisation.

DETAILED FINDINGS AND ACTIONS

The results of our testing are set out below.

ICO Area: Business processes and data discovery

Area 1 A main focus of GDPR is protecting the rights of individuals who are referred to as data subjects. Personal data collected from data subjects should be audited and documented to ascertain what is being held and for what purpose.

TfN does not keep a comprehensive and accurate record of the location and origin of personal data held in-house and shared with third parties.

Findings / Implications Through review of evidence and discussions with both the Senior Lawyer and IT and Information Manager, we were informed that initial data mapping has taken place with regards to the systems that hold personal data. These include:

- Dynamics 365 – HR;
- Dynamics 365 – Finance;
- SharePoint;
- Emails; and
- Cloud Storage.

For each system, TfN has documented the following:

- Data Owner;
- Data Processor;
- Data Types;
- System Background/ Overview;
- Purpose of the Data;
- Security Restrictions in Place;
- Process of Access;
- Process of Use; and
- Risk Management and Key Issues.

We were also provided with a template document which TfN plans to populate to produce a formal record of processing activities (ROPA). However, as TfN does not have a comprehensive and accurate record of the location and origin of personal data held in-house and shared with third parties, there is an increased risk of non-compliance with the requirements relating to information held.

Examples of potential non-compliance include:

- Non-compliance with the requirement to have a ROPA containing a specified set of information about personal data that is processed;
- The inability to notify third parties of any inaccuracies in data shared with them, due to lack of awareness of the information sharing arrangements in question; and
- Non-compliance with the GDPR accountability principle by demonstrating that the organisation has effective policies and procedures in place for the management of personal data.

ICO Area: Business processes and data discovery

Management Action 1	<p>A formal record of processing activities (ROPA) will be produced and maintained which will include:</p> <ul style="list-style-type: none">• The organisation's name and contact details, whether it is a controller or a processor (and where applicable, the joint controller, their representative and the Data Protection Officer (DPO));• The purposes of the processing;• A description of the categories of individuals and of personal data;• The categories of recipients of personal data;• Details of transfers to third countries, including a record of the transfer mechanism safeguards in place;• Information required for privacy notices, such as the lawful basis for the processing and the source of the personal data;• Information required for processing special category data or criminal conviction and offence data under the Data Protection Act 2018 (DPA 2018);• Records of consent;• Controller-processor contracts;• The location of personal data;• Data Privacy Impact Assessment reports;• Retention schedules; and• A description of the technical and organisational security measures in place <p>Once completed, a process will be implemented to ensure that this central record is accurate and remains up to date to ensure that the organisation continues to hold a comprehensive, accurate and up to date record of all the personal data held. This could be undertaken via regular (at least annual) data audits with nominated data owners to capture any changes.</p>	Responsible Owner: Data Protection Officer	Date: 30 April 2023
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ICO Area: Third parties

Area 2	Although data audits to confirm personal data compliance have been undertaken, a comprehensive and accurate record of the location and origin of all personal data held in-house and shared with third parties is not retained.
Findings / Implications	As detailed above (at Area 1), there is currently no comprehensive and accurate record of the location and origin of all personal data held in house and shared with third parties. As such, there is an increased risk of non-compliance with the requirements relating to information held.
Management Action	See Management Action 1.

ICO Area: Data ownership

Area 3	Data owners have been identified.
Findings / Implications	As identified at Area 1 above, data owners have been identified as part of the initial data mapping that has taken place regarding the systems that hold personal data. However as detailed above at Area 1, TfN should ensure that these data owners are actively involved in populating the ROPA.
Management Action	None.

ICO Area: Data security system level controls

Area 4	TfN has appropriate data and system access controls and rights in place, which ensure that data or systems are only accessed by their intended user.
Findings / Implications	<p>Through discussions with the IT and Information Manager, we were informed that TfN has documented their IT systems that manage data and we were provided with the resulting Data Map. We were also informed that TfN utilises Microsoft Azure to ensure role-based access control. TfN also utilises web-based systems which have tiered access rights and multi-factor authentication.</p> <p>TfN has a documented IT Policy which details how the organisation ensures that appropriate measures are put in place to protect corporate information and the Information Technology Services (ITS), systems, infrastructure and equipment of TfN.</p> <p>We noted that the IT Policy referred on page 6 to the 'General Data Protection Act 2016'. Whilst no formal management action is raised, at the next update it should be clarified whether TfN intended to reference the General Data Protection Regulation 2016, or the Data Protection Act 2018.</p>
Management Action	None.

ICO Area: Data storage and retention

Area 5	TfN has identified systems and applications used to retain and store data. There is a Record Retention Policy in place.
Findings / Implications	The Record Retention Policy was last reviewed in January 2022. The Policy sets out the length of time that TfN's records should be retained and the processes for disposing of records at the end of the retention period.
Management Action	None.

ICO Area: Data Privacy Impact Assessment

Area 6	<p>A documented Data Privacy Impact Assessment (DPIA) template has been developed.</p> <p>A DPIA is a process which helps an organisation to identify and reduce the data protection risks of a project. An effective DPIA should be used throughout the development and implementation of a project, using existing project management processes. A DPIA enables an organisation to systematically and thoroughly analyse how a particular project or system will affect the rights of the individuals involved.</p>
Findings / Implications	<p>TfN has a documented DPIA template which should be completed at the beginning of any major project involving the use of personal data, if there is a significant change to an existing process, or a risk of a personal data breach (it should be noted that we were not provided with any examples of completed DPIAs during our review).</p> <p>As detailed above (at Area 1), TfN should ensure that any DPIA information is captured within the ROPA.</p>
Management Action	None.

ICO Area: Awareness

Area 7 TfN distribute emails to staff in relation to current data protection issues to raise awareness. Members of staff employed by TfN are made aware of their GDPR obligations through relevant training.

Findings / Implications We were provided with a recent example of raising awareness detailing a phishing attack. Furthermore, we were informed by the IT and Information Manager that TfN is currently looking into incorporating Office 365 phishing tests into the organisation. The Senior Lawyer and IT and Information Manager informed us that members of staff employed by TfN are made aware of their GDPR obligations through induction training (evidenced through a report showing recent new starters who have received an induction). The induction course features a series of videos around GDPR, different types of data and the risks of data breaches and how to safely share data. We were provided with a copy of the training which covers the following areas:

- Personal Data;
- Data Protection Principles;
- Data Breaches;
- Subject Rights;
- Governance and Accountability;
- Key Tasks of the DPO;
- Fines; and
- New Concepts.

At the end of the training, staff are required to complete a quiz to assess their understanding of GDPR from the training.

Although training and staff awareness has been completed as part of induction training, we noted that this training is only refreshed periodically after induction. It would be prudent to provide annual refresher training, to ensure that staff are sufficiently trained and aware of current GDPR requirements.

Management Action 2	Refresher training for existing staff will be undertaken annually to reflect GDPR requirements.	Responsible Owner: Data Protection Officer	Date: 31 March 2023
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ICO Area: Data policy, roles and responsibilities

Area 8	A Data Protection Policy is in place, which has been updated and references the changes as a result of the GDPR.		
Findings / Implications	<p>We confirmed that TfN has a Data Protection Policy which was last reviewed in January 2022. The Policy includes information relating to:</p> <ul style="list-style-type: none"> • Key Definitions; • Responsibilities; • Data Protection Code of Practice; • Data Subject Access Requests; and • Data Breach Procedure and Communications Plan. <p>Through review of the Policy, we noted that it does not reflect current roles and responsibilities in relation to data protection. The Policy makes reference to the Head of Legal Services in their capacity as Monitoring Officer and the Data Protection Officer for the organisation. As such, this needs updating.</p> <p>We also noted that the version control table had been maintained, but the date in the footer had not been updated.</p>		
Management Action 3	The Data Protection Policy will be reviewed and updated to ensure that it reflects current roles and responsibilities. The date in the footer will be updated to align to the version control table.	Responsible Owner: Data Protection Officer	Date: 31 March 2023

ICO Area: Data policy, roles and responsibilities

Area 9	<p>TfN has a number of individuals assigned with data protection responsibilities. These include:</p> <ul style="list-style-type: none"> • Monitoring Officer; • Senior Lawyer; • Governance, Data Protection and Contracts Lawyer (also designated as the Data Protection Officer) • and • IT and Information Manager. 		
Findings / Implications	<p>Through discussions with the Senior Lawyer and IT and Information Manager we were provided with a role profile for the Governance, Data Protection and Contracts Lawyer which details the responsibility to act as TfN's Information Officer and Data Protection Officer working with senior managers across the organisation to ensure on-going compliance with the Data Protection Act (including UK GDPR) and Freedom of Information Act and wider information law including maintenance of TfN's Publication Scheme. This role was filled on an interim basis and has now been permanently recruited to and the new lawyer commenced post on 12 December 2022.</p>		
Management Action 4	Management will ensure that the incoming Data Protection Officer receives appropriate training to undertake the role effectively.	Responsible Owner: Head of Legal and Monitoring Officer / Senior Lawyer	Date: 31 January 2023

ICO Area: Individuals' rights

Area 10	<p>The GDPR created some new rights for individuals and strengthened some of the rights that had already existed. The GDPR provides the following rights for individuals:</p> <ul style="list-style-type: none"> • Right to be informed; • Right of access; • Right to rectification; • Right to erasure; • Right to restrict processing; • Right to data portability; • Right to object; and • Rights in relation to automated decision making and profiling. <p>Individuals are informed of their rights through the Data Protection Policy, and Privacy Policy. TfN also has a Data Subject Access Request Procedure in place.</p>
Findings / Implications	<p>Through review of the documentation, we confirmed that both the Data Protection Policy and Privacy Policy provide details on individual rights. The Data Subject Access Request Procedure details the processes in relation to Subject Access Request. We also confirmed that TfN keep a record of Subject Access Requests, we reviewed the template log and we were informed that no Subject Access Requests have been received.</p>
Management Action	<p>None.</p>

ICO Area: Consent – Seeking Consent

Area 11	<p>TfN has defined its process for seeking, obtaining and recording consent, to ensure that personal data is handled in line with changes in those processes contained within the GDPR, including where explicit consent is obtained.</p>
Findings / Implications	<p>As identified at Area 10 above, TfN has a Privacy Policy outlining how it uses personal data and records that come under the GDPR. We confirmed that the Privacy Policy details which personal data TfN holds and how this data is used. The Privacy Policy also details the lawful basis upon which TfN collects and uses personal information. Through review of the TfN website, we confirmed that the Privacy Policy is available on the public website. TfN also ensures that, where necessary, it records explicit consent. This includes specific information related to photograph/ video usage.</p> <p>Given that TfN was formed in 2018, there was no need to undertake an exercise to identify whether explicit consent has previously been obtained and therefore, whether retrospective consent is required.</p>
Management Action	<p>None.</p>

ICO Area: Data Breaches

Area 12 A personal data breach means a breach of security leading to the destruction, loss, alteration, unauthorised disclosure of, or access to, personal details. This means that a breach is more than just losing personal data.

TfN has a Data Breach Procedure which details how to identify a data breach and the resulting actions to take. The procedure is supported by the data protection incident reporting form.

Findings / Implications TfN Data Protection Policy includes a Data Breach Procedure as an appendix. We confirmed that the procedure includes guidance in relation to the response and reporting of a personal data breach. The procedure is supported by the data protection incident reporting form.

Through discussions with the Senior Lawyer and IT and Information Manager we were informed that TfN maintains a Data Breach Log. We were informed that there had not been any data breaches during 2021/22. We noted that there may be a possible risk of under-reporting which could be a result of the lack of refresher training for current TfN staff.

Management Action None.

APPENDIX A: SCOPE

Scope of the assignment

The scope of the assignment has been agreed by management as follows:

1. Business processes and data discovery

Based on the documentation and information provided inspection of the management control processes designed to identify and document all in scope data across the organisation. Related data inflows and outflows focussing in particular on:

- the existence of process and data mapping;
- processes to classify data;
- identification of data flows to third parties; and
- methods of data storage and transfer.

2. Third parties

Based on the assessment set out at (1), we will carry out the following:

- inspection of the methods used to identify third parties to whom the 'in scope' data is transferred.
- identification of methods used to assess contractual data confidentiality existence and coverage.

3. Data ownership

- Based on the documentation and information at 1 above, note the existence of processes used to identify/allocate data owners.

4. Data security system level controls

- Test data security controls agreed by you over data inflow, data repository and data outflow and report results by reference to recognised good practice.

5. Data storage and retention

- Based on documentation and information at 1 above, comment on the existence of data retention and storage policies.

6. Awareness

- Based on the documentation and information at 1 above, comment on the existence of GDPR awareness processes.

7. Data policy, roles and responsibilities

- Based on the documentation and information at 1 above, comment on the existence and scope of current data policies.
- Based on the documentation and information at 1 above, comment on the existence and designation of data protection roles and responsibilities.
- Comment on current roles by reference to recognised good practice.

8. Individuals' rights

- Based on the documentation and information at 1 above, comment on the existence of procedures for updating, deleting, and reporting personal data at department and organisation level.

9. Consent

- Based on the documentation and information at 1 above, comment on the existence of processes in place to capture data consent.

10. Data breaches

- Based on the documentation and information at 1 above, comment on processes in place for the detection, reporting and investigation of personal data breaches.

Limitations to the scope of our work:

- The assignment is delivered as 'agreed upon procedures' and therefore will not result in a formal assurance level or opinion;
- The scope of our work is limited to those areas examined and reported upon in the context of the objectives set out above. It should not, therefore, be considered as a comprehensive review of all aspects of compliance with the principles of the GDPR;
- The audit will confirm the presence or absence of controls rather than detailed testing of specific areas or an assessment of whether policies and procedures are fit for purpose;
- The information in the report should therefore not be considered to detail all areas where error, risks or areas of non-compliance may exist either now or in the future;
- IT related controls are outside the scope of this review;
- The information provided in our review does not replace or negate the need for professional legal advice. We will not confirm compliance with GDPR and / or provide any legal or regulatory advice;
- The results of our work are reliant on the quality and completeness of the information provided to us; and
- Our work does not provide any guarantee against errors, loss or fraud or provide an assurance that error, loss or fraud does not exist.

Debrief held 22 November 2022
Draft report issued 23 November 2022
Responses received 5 December 2022
Final report issued 7 December 2022
Revised final report issued 22 December 2022
3 January 2023

Internal audit Contacts Lisa Randall, Head of Internal Audit
lisa.randall@rsmuk.com / 07730 300 309

Alex Hire, Senior Manager
alex.hire@rsmuk.com / 07970 641 757

Ciaran Barker, Assistant Manager
ciaran.barker@rsmuk.com / 01782 216 000

Client sponsor Paul Kelly, Finance Director

Distribution Paul Kelly, Finance Director
Emma Young, Senior Lawyer
Danny Chapman, IT and Information Manager

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

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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.

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TRANSPORT FOR THE NORTH

Internal Audit Strategy 2018/19 - 2024/25 (including the Internal Audit Plan for 2023/24)

Presented at the Audit and Governance Committee meeting of: 17 February 2023

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.

EXECUTIVE SUMMARY

In preparing our Internal Audit Plan for 2023/24 we have worked closely with management to produce an audit programme which remains mindful of the continuing developments and challenges around Covid-19. Whilst this plan is presented for consideration by the Audit and Governance Committee, we will continue to hold regular meetings with management, during the year, to deliver an internal audit programme which remains flexible and 'agile' to ensure it meets your needs in these ever changing circumstances.

The key points to note from our plan are:



2023/24 Internal Audit priorities: Internal audit activity for 2023/24 is based on analysing your corporate objectives, risk profile and assurance framework as well as other factors affecting you in the year ahead, including changes within the sector. Our detailed plan for 2023/24 is included at Section 1.



Level of Resource: The level of resource required to deliver the plan is 50 days, with the daily rate increased in line Retail Price Index (RPI). We will continue with our approach of using of technology when undertaking our audits including; the use of 4questionnaires, MS Teams meetings, secure web portals for audit data sharing (Huddle) and data analytics technology. Refer to Appendix A.



Core Assurance: As discussed with the Finance Director, the focus of our internal audit strategy relates to the operational areas and the internal audit plan is linked to Transport for the North's Strategic Risks where appropriate. We do not propose to duplicate other assurance mechanisms that Transport for the North has in place, and our service will allow for a complimentary assurance and scrutiny framework with reporting to the Audit and Governance Committee.



'Agile' approach: Our approach to working with you has always been one where we will respond to your changing assurance needs. By employing 'agile' or a 'flexible' approach to our service delivery, we are able to change the focus of audits / audit delivery; keeping you informed of these changes in our progress papers to the Audit and Governance Committee during the year.

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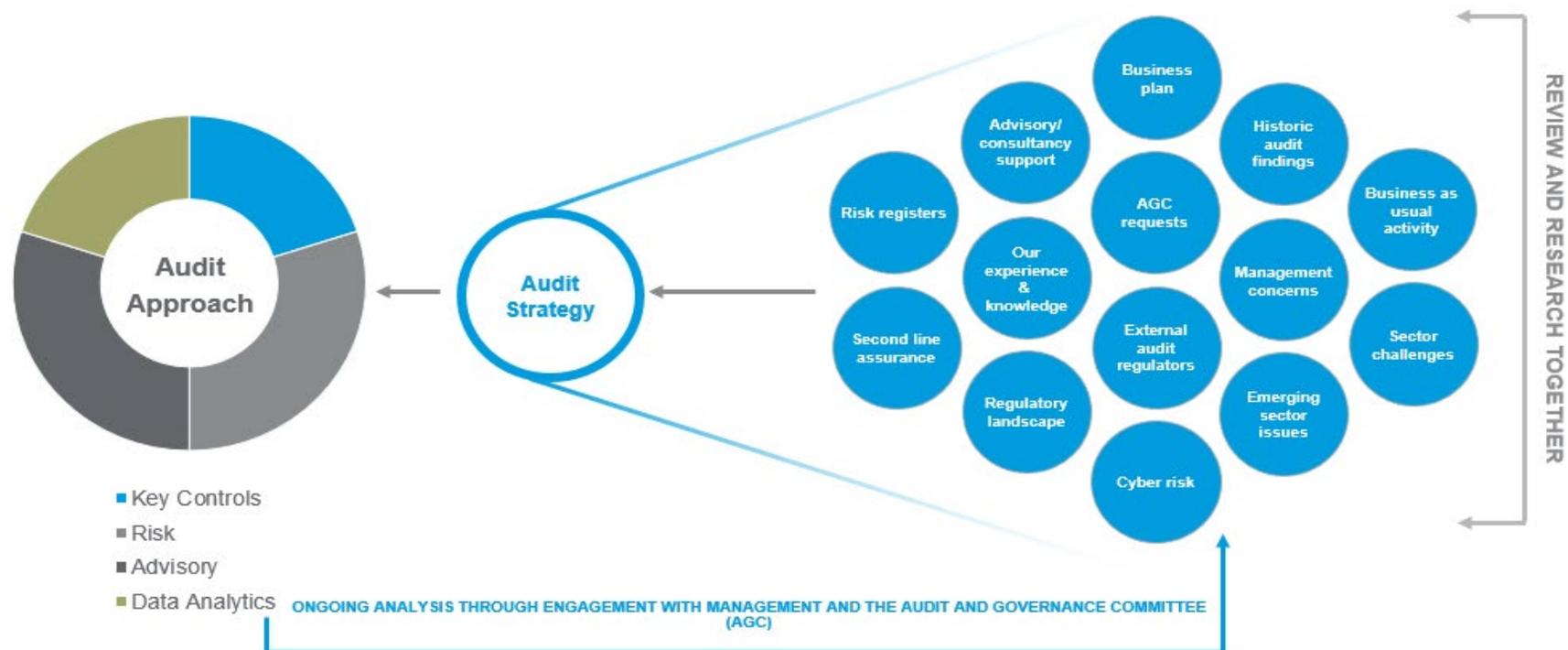
1. YOUR INTERNAL AUDIT PLAN 2023/24

Our approach to developing your internal audit plan is based on analysing your corporate objectives, risk profile and assurance framework as well as other, factors affecting Transport for the North in the year ahead, including changes within the sector.

Risk management processes

We have evaluated your risk management processes and consider that we can place reliance on your risk register to inform the internal audit strategy. We have used various sources of information (see Figure A below) and discussed priorities for internal audit coverage with the Finance Director. Our service will allow for a complimentary assurance and scrutiny framework with reporting to the Audit and Governance Committee.

Figure A: Audit considerations – sources considered when developing the Internal Audit Strategy.



Based on our understanding of the organisation, the information provided to us by stakeholders, and the regulatory requirements, we have developed an annual internal plan for the coming year and a high level strategic plan (see Section 2 and Appendix B for full details).

2. INTERNAL AUDIT PLAN 2023/24

The table below shows each of the reviews that we propose to undertake as part of the internal audit plan for 2023/24. The table details the strategic risks which may warrant internal audit coverage. This review of your risks allows us to ensure that the proposed plan will meet the organisation's assurance needs for the forthcoming and future years. As well as assignments designed to provide assurance or advisory input around specific risks, the strategy also includes: follow up and an audit management allocation.

Audit area and high level scope	Audit approach	Proposed timing	Proposed Audit and Governance Committee
Core Assurance			
<p>Governance</p> <p>Our review will consider the current governance structures in place at TfN and whether they are in line with other organisations of a similar size, complexity and budget.</p> <p>Risk: Failure to comply with governance and corporate processes across the organisation.</p>	Assurance	Quarter 1	July 2023
<p>Value for Money</p> <p>Our review will consider the overall Value for Money framework in place including the determination of measures to effectively report on Value for Money.</p> <p>Risk: There is a risk that TfN fails to deliver Value for Money in all areas within the funding allocation.</p>	Assurance	Quarter 2	September 2023
<p>IT: Security Review</p> <p>Our IT Security Review will be undertaken by RSM's Technology Risk Assurance Specialists and will focus on selected key cyber security controls, and whether these are in line with good practice.</p> <p>Risk: Cyber disruption/attacks to the available information and technical infrastructure. Inappropriate user access to confidential information. Access may be limited for an unknown period of time.</p>	Assurance	Quarter 2	November 2023
<p>Staff Mental Health and Wellbeing</p> <p>Our review will focus on the activities TfN undertakes to support the mental health and wellbeing of staff. We will review how TfN manages staff that are identified as having mental health and wellbeing concerns including the use of the Employee Assistance Programme. We will also consider training/ awareness activities for staff to recognise indicators in themselves and others.</p> <p>Risk: TfN is unable to recruit and retain suitable staff to deliver the 2022/23 business plan and medium to long term TfN objectives.</p>	Assurance	Quarter 3	November 2023

Audit area and high level scope	Audit approach	Proposed timing	Proposed Audit and Governance Committee
<p>Performance Management and Appraisals</p> <p>Our review will consider the processes for monitoring and assessing staff performance and how these feed into the appraisal process. We will also assess the processes by which appraisals are undertaken in line with schedules and actions set to aid staff development.</p> <p>Risk: TfN is unable to recruit and retain suitable staff to deliver the 2022/23 business plan and medium to long term TfN objectives.</p>	Assurance	Quarter 4	February 2024
Other Internal Audit Activity			
Management	<p>This will include:</p> <ul style="list-style-type: none"> • Annual planning preparation for, and attendance at, Audit and Governance Committee; • Regular liaison and progress updates; and • Liaison with external audit and other assurance providers. and • Preparation of your annual summary. 	Throughout the year	Throughout the year
Follow Up	To meet internal auditing standards, and to provide assurance on action taken to address management actions previously agreed by management.	Quarter 1	July 2023

A detailed planning process will be completed for each review, and the final scope will be documented in an Assignment Planning Sheet. This will be issued to the key stakeholders for each review.

2.1 Working with other assurance providers

The Audit and Governance Committee is reminded that internal audit is only one source of assurance and through the delivery of our plan we will not, and do not, seek to cover all risks and processes within the organisation.

We will however continue to work closely with other assurance providers, such as external audit to ensure that duplication is minimised, and a suitable breadth of assurance obtained.

APPENDIX A: YOUR INTERNAL AUDIT SERVICE

Your internal audit service is provided by RSM UK Risk Assurance Services LLP. The team will be led by Lisa Randall as your Head of Internal Audit, who will be supported operationally by Alex Hire, Senior Manager and Ciaran Barker, Assistant Manager.

Fees

Our fee to deliver the plan is £29,768.00 (excluding VAT) for a total of 50 days.

Core team

The delivery of the 2023/24 audit plan will be based around a core team. However, we will complement the team with additional specialist skills where required.

Conformance with internal auditing standards

RSM affirms that our internal audit services are designed to conform to the International Standards for the Professional Practice of Internal Auditing, the wider International Professional Practices Framework (IPPF), and the Internal Audit Code of Practice as published by the Global Institute of Internal Auditors (IIA) and the Chartered IIA.

Under the Standards, internal audit services are required to have an external quality assessment (EQA) every five years. The RSM UK Risk Assurance service line commissioned an external independent review of our internal audit services in 2021, to provide assurance as to whether our approach continues to meet the requirements.

The external review concluded that RSM 'generally conforms*' to the requirements of the IIA Standards' and that 'RSM IA also generally conforms with the other Professional Standards and the IIA Code of Ethics. There were no instances of non-conformance with any of the Professional Standards'.

* The rating of 'generally conforms' is the highest rating that can be achieved, in line with the IIA's EQA assessment model.

Conflicts of interest

We are not aware of any relationships that may affect the independence and objectivity of the team, and which are required to be disclosed under internal auditing standards.

Corporate responsibility

At RSM we believe it is our responsibility to positively impact on our society and the environment. We have three pillars of corporate responsibility: environment, charity and community. For more details on RSM's commitment visit our website: [Corporate responsibility | RSM UK](#).

APPENDIX B: INTERNAL AUDIT STRATEGY 2023/24 – 2024/25

The table below provides an overview of the audit coverage to be provided through RSM's delivery of the internal audit strategy. This has been derived from the process outlined in Section 1 above.

The table sets out the areas covered by internal audit as part of previous internal audit plans. Where assurance opinions were provided as a result of the assignments completed, this is indicated in colour in accordance with the key below, against the relevant audit in the year column.

Assurance Provided Red - Minimal Assurance / Poor Progress Amber/red - Partial Assurance / Little Progress Amber/green - Reasonable Assurance / Reasonable Progress Green - Substantial Assurance / Good Progress Advisory / AUP IDEA		Internal Audit – Third Line of Assurance (independent review / assurance)						
Audit area		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Risk Management							Risk Maturity	
Corporate Governance			Strategic Development Corridors Programme					Governance
			Northern Powerhouse Rail					
Core Financial Systems		Payment Authorisation, Expenses and Procurement Cards.	Treasury Management	New Payment (Commissioning) Process	Purchase to Pay Framework	Payroll	Value for Money Reporting	General Ledger
		Payroll		Income Management				
IT Audit		Cyber Security	SharePoint	Cyber Security	Cyber Security	GDPR Governance	IT: Cyber Review	

Assurance Provided	
	Red - Minimal Assurance / Poor Progress
	Amber/red - Partial Assurance / Little Progress
	Amber/green - Reasonable Assurance / Reasonable Progress
	Green - Substantial Assurance / Good Progress
	Advisory / AUP
	IDEA

Internal Audit – Third Line of Assurance (independent review / assurance)							
	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Audit area							

Procurement Framework / Contract Management	Procurement Framework		Contract Management				
Mental Health and Wellbeing						Staff Mental Health and Wellbeing	
Human Resources		Absence Management and Wellbeing	Recruitment and Selection			Performance Management and Appraisals	Succession Planning
Assurance Framework			Investment Programme Assurance				
Policy Development Framework							✓
Stakeholder Engagement/Communications and Social Media							✓

Assurance Provided	
	Red - Minimal Assurance / Poor Progress
	Amber/red - Partial Assurance / Little Progress
	Amber/green - Reasonable Assurance / Reasonable Progress
	Green - Substantial Assurance / Good Progress
	Advisory / AUP
	IDEA

Internal Audit – Third Line of Assurance (independent review / assurance)							
Audit area	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25

Project Management

✓ (in progress)

Equality, Diversity and Inclusion Framework

✓ (in progress)

Emergency Planning / Business Continuity

✓

Flexitime



Advice and Support

✓ ✓ ✓ ✓ ✓ ✓ ✓

Follow Up

✓ ✓ ✓ ✓ ✓ ✓ ✓

Management

✓ ✓ ✓ ✓ ✓ ✓ ✓

APPENDIX C: INTERNAL AUDIT CHARTER

Need for the charter

This charter establishes the purpose, authority and responsibilities for the internal audit service for Transport for the North. The establishment of a charter is a requirement of the International Standards for the Professional Practice of Internal Auditing and approval of the charter is the responsibility of the Audit and Governance Committee.

The internal audit service is provided by RSM UK Risk Assurance Services LLP (“RSM”).

We plan and perform our internal audit work with a view to reviewing and evaluating the risk management, control and governance arrangements that the organisation has in place, focusing in particular on how these arrangements help you to achieve its objectives. The internal audit function is required to comply with the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) as follows:

- Core principles for the professional practice of internal auditing;
- Definition of internal auditing;
- Code of ethics; and
- The Standards.

Mission of internal audit

As set out in the IPPF, the mission articulates what internal audit aspires to accomplish within an organisation. Its place in the IPPF is deliberate, demonstrating how practitioners should leverage the entire framework to facilitate their ability to achieve the mission.

“To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight”.

Independence and ethics

To provide for the independence of internal audit, its personnel report directly to the (acting as your head of internal audit). The independence of RSM is assured by the internal audit service reporting to the Chief Executive, with further reporting lines to the Finance Director.

To assist the assessment; RSM is able to remain independent for the following reasons:

- As an outsourced provider of internal audit services to Transport for the North, independence is inherent in our delivery and audit methodology.
- Our internal auditors do not have any operational responsibilities across Transport for the North.
- No member of the audit team is employed by Transport for the North.
- The head of internal audit reports to the Chief Executive and Audit and Governance Committee chair.
- .
- The Internal Audit Charter details our role and responsibilities and the authority we have which enables us to undertake our internal audit service.

The head of internal audit has unrestricted access to the Chair of Audit and Governance Committee to whom all significant concerns relating to the adequacy and effectiveness of risk management activities, internal control and governance are reported.

Conflicts of interest may arise where RSM provides services other than internal audit to Transport for the North. Steps will be taken to avoid or manage transparently and openly such conflicts of interest so that there is no real or perceived threat or impairment to independence in providing the internal audit service. If a potential conflict arises through the provision of other services, disclosure will be reported to the Audit and Governance Committee. The nature of the disclosure will depend upon the potential impairment, and it is important that our role does not appear to be compromised in reporting the matter to the Audit and Governance Committee. Equally we do not want the organisation to be deprived of wider RSM expertise and will therefore raise awareness without compromising our independence.

Responsibilities

In providing your outsourced internal audit service, RSM has a responsibility to:

- Develop a flexible and risk based internal audit strategy with more detailed annual audit plans. The plan will be submitted to the Audit and Governance Committee for review and approval each year before work commences on delivery of that plan.
- Implement the internal audit plan as approved, including any additional tasks requested by management and the Audit and Governance Committee.
- Ensure the internal audit team consists of professional audit staff with sufficient knowledge, skills, and experience.
- Establish a quality assurance and improvement program to ensure the quality and effective operation of internal audit activities.
- Perform advisory activities where appropriate, beyond internal audit's assurance services, to assist management in meeting its objectives.
- Bring a systematic disciplined approach to evaluate and report on the effectiveness of risk management, internal control and governance processes.

- Highlight control weaknesses and required associated improvements together with corrective action recommended to management based on an acceptable and practicable timeframe.
- Undertake follow up reviews to ensure management has implemented agreed internal control improvements within specified and agreed timeframes.
- Report regularly to the Audit and Governance Committee to demonstrate the performance of the internal audit service.

For clarity, we have included the definition of 'internal audit', 'senior management' and 'board'.

- Internal audit – a department, division, team of consultant, or other practitioner (s) that provides independent, objective assurance and consulting services designed to add value and improve an organisation's operations. The internal audit activity helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes.
- Leadership Team - who are the team of individuals at the highest level of organisational management who have the day-to-day responsibilities for managing the organisation.
- Board - the highest level governing body charged with the responsibility to direct and/or oversee the organisation's activities and hold organisational management accountable. Furthermore, "Board" may refer to a committee or another body to which the governing body has delegated certain functions (e.g. an Audit and Governance Committee).

Client care standards

In delivering our services we require full cooperation from key stakeholders and relevant business areas to ensure a smooth delivery of the plan. We proposed the following KPIs for monitoring the delivery of the internal audit service:

- Discussions with senior staff at the client take place to confirm the scope six weeks before the agreed audit start date.
- Key information such as: the draft assignment planning sheet are issued by RSM to the key auditee six weeks before the agreed start date.
- The lead auditor to contact the client to confirm logistical arrangements at least 15 working days before the commencement of the audit fieldwork to confirm practical arrangements, appointments, debrief date etc.
- Fieldwork takes place on agreed dates with key issues flagged up immediately.
- A debrief meeting will be held with audit sponsor at the end of fieldwork or within a reasonable time frame.
- Draft reports will be issued within 10 working days of the debrief meeting and will be issued by RSM to the agreed distribution list / Huddle.
- Management responses to the draft report should be submitted to RSM.

- Within three working days of receipt of client responses the final report will be issued by RSM to the assignment sponsor and any other agreed recipients of the report.

Authority

The internal audit team is authorised to:

- Have unrestricted access to all functions, records, property and personnel which it considers necessary to fulfil its function.
- Have full and free access to the Audit and Governance Committee.
- Allocate resources, set timeframes, define review areas, develop scopes of work and apply techniques to accomplish the overall internal audit objectives.
- Obtain the required assistance from personnel within the organisation where audits will be performed, including other specialised services from within or outside the organisation.

The head of internal audit and internal audit staff are not authorised to:

- Perform any operational duties associated with the organisation.
- Initiate or approve accounting transactions on behalf of the organisation.
- Direct the activities of any employee not employed by RSM unless specifically seconded to internal audit.

Reporting

An assignment report will be issued following each internal audit assignment. The report will be issued in draft for comment by management, and then issued as a final report to management, with the executive summary being provided to the Audit and Governance Committee. The final report will contain an action plan agreed with management to address any weaknesses identified by internal audit.

The internal audit service will issue progress reports to the Audit and Governance Committee and management summarising outcomes of audit activities, including follow up reviews.

As your internal audit provider, the assignment opinions that RSM provides the organisation during the year are part of the framework of assurances that assist the Board in taking decisions and managing its risks.

Data protection

Internal audit files need to include sufficient, reliable, relevant and useful evidence in order to support our findings and conclusions. Personal data is not shared with unauthorised persons unless there is a valid and lawful requirement to do so. We are authorised as providers of internal audit services to our clients (through the firm's terms of business and our engagement letter) to have access to all necessary documentation from our clients needed to carry out our duties.

Quality Assurance and Improvement

As your external service provider of internal audit services, we have the responsibility for maintaining an effective internal audit activity. Under the standards, internal audit services are required to have an external quality assessment every five years. In addition to this, we also have in place an internal quality assurance and improvement programme, led by a dedicated team who undertake these reviews. This ensures continuous improvement of our internal audit services.

Any areas which we believe warrant bringing to your attention, which may have the potential to have an impact on the quality of the service we provide to you, will be raised in our progress reports to the Audit and Governance Committee.

Fraud

The Audit and Governance Committee recognises that management is responsible for controls to reasonably prevent and detect fraud. Furthermore, the Audit and Governance Committee recognises that internal audit is not responsible for identifying fraud; however internal audit will be aware of the risk of fraud when planning and undertaking any assignments.

Approval of the internal audit charter

By approving this document, the internal audit strategy, the Audit and Governance Committee is also approving the internal audit charter.

FOR FURTHER INFORMATION CONTACT

Lisa Randall, Head of Internal Audit

lisa.randall@rsmuk.com

07730 300 309

Alex Hire, Senior Manager

alex.hire@rsmuk.com

07970 641 757

Ciaran Barker, Assistant Manager

ciaran.barker@rsmuk.com

01782 216000

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 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.

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Auditor's Annual Report

Transport for the North— year ended 31
March 2022

January 2023

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- 03 Commentary on VFM arrangements
- 04 Other reporting responsibilities

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Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' issued by Public Sector Audit Appointments Ltd. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Transport for the North. No responsibility is accepted to any member or officer in their individual capacity or to any third party.

Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales

01

Section 01: **Introduction**

1. Introduction

Purpose of the Auditor's Annual Report

Our Auditor's Annual Report (AAR) summarises the work we have undertaken as the auditor for Transport for the North (TfN) for the year ended 31 March 2022. Although this report is addressed to TfN, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice ('the Code') issued by the National Audit Office ('the NAO'). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.



Opinion on the financial statements

We issued our audit report on 29 November 2022. Our opinion on the financial statements was unqualified



Wider reporting responsibilities

We are unable to issue our audit certificate formally closing the audit for the 2021/22 financial year until we have completed our work in relation to TfN's whole of government accounts. We are still awaiting guidance from the National Audit Office.

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Value for Money arrangements

In our audit report issued we reported that we had not completed our work on TfN's arrangements to secure economy, efficiency and effectiveness in its use of resources and had not issued recommendations in relation to identified significant weaknesses in those arrangements at the time of reporting. Section 3 confirms that we have now completed this work and provides our commentary on TfN's arrangements.

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Audit of the financial statements

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Other reporting responsibilities and our fees

02

Section 02:

Audit of the financial statements

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2. Audit of the financial statements

The scope of our audit and the results of our opinion

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs).

The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to TfN and whether they give a true and fair view of TfN's financial position as at 31 March 2022 and of its financial performance for the year then ended. Our audit report, issued on 29 November 2022 gave an unqualified opinion on the financial statements for the year ended 31 March 2022.

Our Audit Completion Report, presented to TfN's Audit and Governance Committee on the 21 September 2022 provides further details of the findings of our audit of the TfN's financial statements. This includes our conclusions on the identified audit risks and areas of management judgement, internal control recommendations and audit misstatements identified during the course of the audit.

Qualitative aspects of TfN's accounting practices

We reviewed TfN's accounting policies and disclosures and concluded they comply with the 2021/22 Code of Practice on Local Authority Accounting, appropriately tailored to TfN's circumstances.

Draft accounts were received from TfN on 6 June 2022, well in advance of the revised statutory deadline and were of a good quality. The accounts were supported by good quality working papers and we received full co-operation from the Finance team to complete our work..

Significant difficulties during the audit

We did not encounter any significant difficulties during the course of the audit.

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Section 03:

Commentary on VFM arrangements

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3. Commentary on VFM arrangements

Overall summary

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3. VFM arrangements – Overall summary

Approach to Value for Money arrangements work

We are required to consider whether TfN has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:



Financial sustainability - How TfN plans and manages its resources to ensure it can continue to deliver its services



Governance - How TfN ensures that it makes informed decisions and properly manages its risks



Improving economy, efficiency and effectiveness - How TfN uses information about its costs and performance to improve the way it manages and delivers its services

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Our work is carried out in three main phases.

Phase 1 - Planning and risk assessment

At the planning stage of the audit, we undertake work so we can understand the arrangements that TfN has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements.

We obtain our understanding of arrangements for each of the specified reporting criteria using a variety of information sources which may include:

- NAO guidance and supporting information
- Information from internal and external sources including regulators where applicable
- Knowledge from previous audits and other audit work undertaken in the year
- Interviews and discussions with staff and directors

Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses.

Phase 2 - Additional risk-based procedures and evaluation

Where we identify risks of significant weaknesses in arrangements, we design a programme of work to enable us to decide whether there are actual significant weaknesses in arrangements. We use our professional judgement and have regard to guidance issued by the NAO in determining the extent to which an identified weakness is significant.

We outline the risks that we have identified and the work we have done to address those risks on page 10.

Phase 3 - Reporting the outcomes of our work and our recommendations

We are required to provide a summary of the work we have undertaken and the judgments we have reached against each of the specified reporting criteria in this Auditor's Annual Report. We do this as part of our Commentary on VFM arrangements which we set out for each criteria later in this section.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from TfN. We refer to two distinct types of recommendation through the remainder of this report:

- **Recommendations arising from significant weaknesses in arrangements**
We make these recommendations for improvement where we have identified a significant weakness in TfN arrangements for securing economy, efficiency and effectiveness in its use of resources. Where such significant weaknesses in arrangements are identified, we report these (and our associated recommendations) at any point during the course of the audit.
- **Other recommendations**
We make other recommendations when we identify areas for potential improvement or weaknesses in arrangements which we do not consider to be significant but which still require action to be taken

The table on the following page summarises the outcomes of our work against each reporting criteria, including whether we have identified any significant weaknesses in arrangements or made other recommendations.

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3. VFM arrangements – Overall summary

Overall summary by reporting criteria

Reporting criteria	Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Other recommendations made?
 Financial sustainability	12	Yes – see risk on page 11	No	No
 Governance	15	No	No	No
 Improving economy, efficiency and effectiveness	20	No	No	No

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Introduction

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3. VFM arrangements – Financial Sustainability

Risks of significant weaknesses in arrangements

We have outlined below the risks of significant weaknesses in arrangements that we have identified as part of our continuous planning procedures, and the work undertaken to respond to each of those risks.

Risk of significant weakness in arrangements	Work undertaken and the results of our work
<p>1 Financial Sustainability</p> <p>The Integrated Rail Plan for the North and Midlands, published in November 2021, set out that the arrangements for Northern Powerhouse Rail (NPR) would transition from a co-client hosted by TfN to sole-clienting by the Department for Transport (DfT). The Transport Development Fund (TDF) grant to TfN for the NPR programme therefore ceases as at 31 March 2022.</p> <p>The 40% reduction to Core funding in 2021/22 was mitigated, with the assistance of the DfT, by £1.5 million of recharges into the NPR programme and a release of £2.5 million of TfN reserves. Neither of these options is available in 2022/23 given the change in arrangements. As a consequence, the full impact of the funding reductions now have to be managed in 2022/23 and beyond. This represents a significant risk in respect of financial sustainability.</p>	<p>Work undertaken</p> <p>We reviewed the financial performance of TfN in 2021/22. Overall, there was a £7.85m underspend on a budget of £60.18m which was mainly due to work on NPR (£7.04m). As work programmes are fully funded by the Department for Transport, the key financial risk for TfN is the core operational expenditure of £8.1m. For 2021/22, this was funded through the core grant of £6m and a contribution from general fund reserves of £2.1m (which was below the original £2.5m budget). The general fund reserve balance as at 31 March 2022 stands at £4.57m.</p> <p>Following the changes in respect of the NPR programme, the budget for 2022/23 has been scaled down considerably with overall expenditure set at £16.52m. The core operational budget of £8.84m is to be funded mainly from £6.5m of core grant plus £0.34m to cover one year DfT initiatives. The overall financial plan for 2022/23 relies on a further contribution from reserves of £1.66m of which £1.44m relates to one year transitional costs to lower the annualised cost base. This will reduce the overall balances to £2.9m as at 31 March 2023. This balance remains above the minimum level of reserves £2m set by TFN. In the longer term, TFN expects the core budget will reduce to circa £7.2m in 2023/24 and £7.5m in 2024/25.</p> <p>As part of its financial planning, TfN modelled a number of scenarios for the period 2023/24 to 2025/26. This initially identified that, without additional funding from the DfT, there was likely to be a continued need to used reserves. If TfN makes a contribution from reserves of £1.9m over the three year period, the general fund balance will fall below the agreed minimum £2m balance. However, this will change as annual funding allocations are determined. The final funding allocations received in January 2023 for the next two years were generally seen as positive. As a result, TfN now forecasts reserve balances to be slightly in excess of the £2m minimum balance at the end of 2024/25.</p> <p>Overall conclusions</p> <p>We have not identified any significant weaknesses in arrangements. Although we are satisfied there is no immediate threat to TfN’s financial sustainability, the use of reserves at current levels is not considered sustainable into the future. Action should be taken to align funding to the reduced cost base to ensure reserves do not fall below the agreed minimum balance in the medium term. These reserves are critical to TfN’s ability to manage future financial risks.</p>

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3. Commentary on VFM arrangements

Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services

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3. VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria

How TfN identifies significant financial pressures that are relevant to its short and medium-term plans

TfN is required to set a balanced budget on an annual basis. The Annual Business Planning process ensures that all significant financial pressures are identified and the plan and associated 2021/22 budget were approved by the TfN Board in February 2021. The business planning process identifies key strategic priorities which are linked to operational plans and this provides the expenditure profile and budget for 2021/22. These budget is underpinned by a reserve strategy, which serves as mitigation against financial risk.

The plan recognises the risks and uncertainties facing TfN in terms of cost pressures, future funding arrangements and potential variations in the costs of the delivery. As most of the activity is fully funded by the Department for Transport (DfT), the key financial risk relates to the core operational spend of £8.1m.

Budgets are assigned to operational managers who monitor the position on a monthly basis. There is regular reporting of the financial position throughout the period, including regular communication to Members through the Monthly Operating Reports which are presented to the Audit and Governance Committee, Scrutiny Committee and Board Meetings as appropriate.

TfN's approach to managing financial risk relies on the following:

A culture that seeks to limit TfN's exposure to financial risk arising from contracting and business operations; and

A reserves strategy that ensures TfN always holds a level of cash at bank to guard against residual financial shock.

TfN's outturn report shows a balanced budget position but has relied on a planned contribution of £2.1m from its general fund reserves to manage the shortfall on the core operational budget. Current reserves as at 31 March 2022 have reduced from £6.16m to £4.57m which remains well above the £2m minimum reserves balance agreed with the DfT when TfN was established as a statutory body.

Our work did not identify any evidence to indicate a significant weakness in arrangements.

How TfN plans to bridge funding gaps and identifies achievable savings

The 2021/ 22 plan recognised the risks and uncertainties facing TfN in terms of cost pressures, future funding arrangements and potential variations in the costs of the delivery.

Following the changes in respect of the NPR programme, the budget for 2022/23 has been scaled down considerably with overall expenditure set at £16.52m. The core operational budget of £8.84m is to be funded mainly from £6.5m of core grant plus £0.34m to cover one year DfT initiatives. The overall financial plan for 2022/23 relies on a further contribution from reserves of £1.66m of which £1.44m relates to one year transitional costs to lower the annualised cost base. This will reduce the overall balances to £2.9m as at 31 March 2023. This balance remains above the minimum level of reserves £2m set by TFN. In the longer term, TFN expects the core budget will reduce to circa £7.2m in 2023/24 and £7.5m in 2024/25.

The transfer of the NPR programme to DfT in April 2022 also resulted in the transfer of the NPR team to the DfT under the TUPE regulations. The new operating model for TfN places more emphasis on investing in TfN's technical capacity and capability. Therefore, the Budget and Business Planning processes have been implemented with a reduced emphasis on commissioned activity.

TfN has modelled a number of scenarios for 2023/24 up to 2025/26. Based on the final funding allocations for the coming year, TfN expects to manage the budget without significant reliance on reserves – maintaining the balance above the minimum £2m balance to 2024/25.

Our work did not identify any evidence to indicate a significant weakness in arrangements.

How the TfN plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

The business plan includes the programmes of activity that will deliver the key priorities and drives the resourcing and financial plans for the organisation, resulting in the annual budget.

The financial plans recognise the ongoing pressure TfN faces in terms of its core operational budget and the impact on its reserves strategy. In-year monitoring reports detail the pressures faced by TfN.

Our work did not identify any evidence to indicate a significant weakness in arrangements.

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3. VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria - continued

How TfN ensures that its financial plan is consistent with other plans

The cost of pay awards is estimated each year and revised as part of budget setting. Salary budgets for budget managers are linked to the establishment for the structure.

The Treasury Strategy is updated on an annual basis. It sets out how TfN manages the risks and benefits associated with cash-flow and treasury management. TfN cannot access external credit and is, therefore, reliant upon grant received from DfT to resource its activity. This grant comes in the form of an annual 'core' grant over which TfN has discretion, together with specific grants for programme and development activity. All capital investments are grant funded, and do not present no additional financing or funding issues for TfN.

Risk management is considered in terms of financial plans. The Corporate and Operational risk-registers are regularly updated and reported to the Audit and Governance Committee and Board throughout the year.

The annual business planning process includes workforce requirements and also the requirements of TfN's significant partnerships which includes any in relation to capital projects.

The Audit and Governance Committee and Board consider the updated financial position at various stages throughout the year. This allows for appropriate Member scrutiny and challenge. The financial plan for 2022/23 was considered in February 2022. We have confirmed this through our attendance at Audit and Governance Committee meetings through the year.

The annual budget process includes considerations of TfN's reserves. We confirmed a review was completed in 2021/22 to ensure funding set aside remains in line with strategic and statutory priorities. This is evidenced in the outturn reports presented to the Audit and Governance Committee and Board during the financial year.

Our work did not identify any evidence to indicate a significant weakness in arrangements.

How TfN identifies and manages risks to financial resilience

The financial plan recognises the risks and uncertainties facing TfN in terms of cost pressures, future funding arrangements and potential variations in the costs of the delivery. However, there has been a heavy reliance on contributions from the general fund reserves in 2021/22 and 2022/23 to balance the core operational budget. There is a clear recognition this cannot continue indefinitely.

TfN has agreed a £2m minimum level of reserves to mitigate against unplanned changes to expenditure. In addition, TfN has an understanding with DfT, clearly set out in the Memorandum of Understanding and the Grant Funding Agreements, that DfT will assist with the orderly close down of any activities should this become necessary. In addition, the nature of TfN's business as a statutory sub-national transport body means it is not exposed to unplanned changes in demand for service. Activity in excess of that in the business plan can only be undertaken where additional funding is made available.

The final funding allocation for 2023/24 and 2024/25 were generally positive. This means there is no planned heavy reliance on reserves for these two financial years. As a result, the balance at the end of this two year period is expected to remain above the agreed £2m minimum.

TfN has an established risk management framework and the Audit and Governance Committee receives regular risk management updates. We reviewed the reports presented during 2021/22 which considered the monthly and yearly forecast outturn position. These reports contain evidence of a clear summary of the TfN's performance, detailing significant variances and providing adequate explanation of the causes.

Our work did not identify any evidence to indicate a significant weakness in arrangements.

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3. Commentary on VFM arrangements

Governance

How the body ensures that it makes informed decisions and properly manages its risks

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3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria

How the TfN monitors and assesses risk and how the TfN gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

TfN has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework, Delivering Good Governance in Local Government. As part of our audit procedures we considered the TfN's Annual Governance Statement. This included consideration of the Statement and our cumulative audit knowledge. We identified no matters indicating a significant weakness in arrangements. Whilst there are some Governance challenges, these are related to operational issues rather than significant weaknesses in arrangements or significant control issues.

TfN has adopted a Risk Management Strategy to create a framework within which risks are identified and evaluated prior to mitigation plans being put in place. Programme and corporate risks are monitored regularly - risk is a standing item on the Audit and Governance Committee agenda. The Corporate Risk Register is provided twice each year to the TfN Board for consideration. During 2021/22, to strengthen the robustness of its risk management, TfN implemented a new risk management software system. This has assisted both directorate and programme teams in the timely capture, escalation and reporting of risks, as set out in the Risk Management Strategy.

The Audit and Governance Committee is responsible for independently monitoring and assessing the adequacy and effectiveness of the risk management framework with particular focus on:

- the risk management strategy for managing key risks;
- risk ownership, accountability and the development of mitigating actions;
- the alignment of internal audit and other assurance planning through a risk-based approach to auditing; and
- receiving reports from management on the adequacy and effectiveness of the internal control and risk management framework.

TfN has a Risk Manager who is responsible for reporting on risk to the Finance Director who reports to the Audit and Governance Committee. From our attendance at these meetings, we are satisfied reporting is timely and sufficiently detailed to allow for adequate challenge.

TfN has outsourced its internal audit and counter-fraud services. The Internal Audit Plan and Head of Internal Audit Report is reviewed by the Audit and Governance Committee. The internal audit plan takes a risk-based approach to determine the priorities for internal audit activity, consistent with TfN's objectives.

We confirmed that the Audit and Governance Committee received regular updates on the Audit Plan. Internal Audit reports highlight weaknesses and recommend actions where required to strengthen processes or procedures. These are regularly reported to the Audit and Governance Committee which holds management to account where weaknesses are identified. The Committee monitors management actions in response to recommendations and this is reported on a regular basis. The Governance Committee challenges management if recommendations are not implemented within the agreed timeframe.

A Counter Fraud Plan is in place. We confirmed there is also regular reporting to the Governance Committee on counter fraud activities, including fraud investigations where applicable.

TfN has adopted procurement approval procedures which ensure that all procurements comply with its contract procurement rules.

TfN holds a 'Memorandum of Understanding with the DfT. This document has been drawn up collaboratively to set down the obligations, principles and working arrangements that underpin the relationship between the two parties. The aim is to provide both the Department and TfN with the information and lines of communication needed to ensure the effective functioning of both bodies and to ensure an effective partnership between the two. It also includes TfN's governance framework which establishes the control environment, by setting out the control activities to be undertaken, how they will be undertaken and who will do them; and develops the foundations for governance, review and reporting framework around the integrated organisation.

Our work did not identify any evidence to indicate a significant weakness in arrangements.

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3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria

How TfN approaches and carries out its annual budget setting process

The financial plan recognises the risks and uncertainties facing the TfN in terms of future cost pressures, funding arrangements and potential variations in the costs of delivery. The plan is supported by consultation with other partners and stakeholders. We have reviewed the budget setting arrangements through observation and discussions with officers.

The annual business planning process involves all programme teams and support teams to produce a Corporate Business Plan and Annual Budget. Reports are provided to the TfN Partnership Board, Board and Scrutiny Committee between the commencement of business planning in the Autumn and the approval of the budget in March. These reports provide updates on progress and seek approval for the workplans being developed.

In 2021/22 a Member Working Group was established to help improve the planning and budgeting process, following the late notification of 2021/22 funding allocations by the DfT. TfN also established a Steering Group, led by the CEO, to manage the process and take key decisions.

Our work did not identify any evidence to indicate a significant weakness in arrangements.

How TfN ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed

TfN produces a Monthly Operating Report which provides a range of operational, programme, financial, resourcing and risk information. This is accessible on the TfN website and is provided to TfN governance forums including the Board, Audit and Governance Committee and Scrutiny Committee.

Supporting this process are monthly review meetings between finance officers and each budget holder. These are used to monitor activity, provide information for the monthly reports and produce periodic budget revisions.

The draft financial statements for the year ending 31 March 2022 were published on 6 June 2022 – well ahead of the revised statutory deadline. Our audit of those financial statements did not identify any matters to indicate a significant weakness in the accuracy of the financial information prepared the TfN and reported or in the process for preparing the accounts. In our experience, management takes appropriate and timely action to address audit matters raised.

We are not aware of any adverse reports from regulators or inspectorates. We are not aware of any issues in terms of the working relationship with DfT.

We have reviewed TfN Board minutes and confirmed there was regular reporting of the financial position throughout the 2021/22 financial year. This included detail of movements in the budget and forecast outturn between quarters. The reports detailed the in-year pressures as well as planned mitigations. The outturn position was not significantly different to that reported to Members during the year for the core operational spend but there were amendments to the programme spend as expected,

Our work did not identify any evidence to indicate a significant weakness in arrangements.

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3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria - continued

How TfN ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency.

TfN's governance arrangements are set out in its Constitution. All decisions relating to the Constitution, approval of the Budget and Business Plan and adoption of the Strategic Transport Plan are reserved to the Board. Other decisions are delegated to Committees, the Chief Executive, and other senior officers under the arrangements set out in the Constitution including the principles and types of decisions made.

Decisions in relation to Strategic Plans or Statutory Advice to Government have to be fully supported. Some plans are subject to public consultation and there are arrangements in place to support this. For example, the Strategic Transport Plan is subject to a 13-week statutory consultation exercise during which officers and Members consider in detail the representations made by members of the public and stakeholders. The Strategic Plan is available for public inspection on the website.

Board decisions are subject to appropriate scrutiny under TfN's principle of "Scrutiny First". The Scrutiny Committee comprises elected representatives from the 20 Constituent Authorities and all major decisions are subject to scrutiny before presentation to the Board for a decision. All decisions are made in public unless an obligation of confidence requires TfN to take them in private.

Our reports contain details of the options considered and the advice provided by officers regarding any legal and financial and other key implications. The minutes include the reasons supporting the decisions made. Our review of Board papers indicates reports are sufficient to allow proper debate and decision making.

An Audit and Governance Committee is in place. It is independent of the Board and Scrutiny Committees. The Committee is tasked with ensuring, amongst other things, good stewardship of the TfN's resources and promoting proper internal control by reviewing the TfN's control systems and monitoring its compliance with legislation, relevant standards, codes of practice and policies. The Committee has independent members as well as representatives nominated from the elected members on the Board.

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

All major work programmes have Programme Boards set up. These are attended by representatives of the DfT, as well as the relevant officers from TfN. The progress of the programme is regularly reviewed against agreed milestones and any major decisions or implications are discussed.

During 2021/22 the NPR project was co-cliented with the DfT (as it had been in previous years) under a Memorandum of Understanding which set out governance arrangements including regular reporting of finances, performance, and risk to the Programme Board. Following the publication of the Integrated Rail Plan for the North and Midlands by Government in November 2021, this arrangement changed such that TfN is a co-sponsor from 2022/23 onwards. The client function is now the responsibility of DfT.

The Rail North Partnership Team reports regularly to the Rail North Committee, and is responsible to the Rail North Partnership Board which is made up of officers of the Constituent Authorities and the DfT where decisions in relation to the management of the performance of the contracted railways are made.

In 2021/22, TfN set up a General Purposes Committee which met for the first time in February 2022. This Committee. This provides an additional opportunity for members to engage with TfN's business. In due course, TfN will need to consider how the role and functions of this Committee should develop and how it relates to the TfN Board and other Committees.

TfN publishes financial transparency reports each quarter, detailing all individual items of expenditure greater than £500 and all procurement card spend. In addition, organisational and salary information is made available on the external website.

We have reviewed TfN minutes for its committees and the Board during the year. We have not identified any evidence of a weakness in TfN's arrangements. The reports we reviewed support informed decision-making and were clear about the decision or recommendation Members were asked to make.

3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria - continued

How TfN monitors and ensures appropriate standards are maintained

The Monitoring Officer, supported by an in-house legal team, monitors compliance with legislative requirements and reviews all Board and Committee papers before decisions are taken to ensure legislative compliance. The Monitoring Officer has statutory reporting responsibilities in relation to any unlawful decisions or maladministration and these are clearly understood.

The Constitution sets out how TfN operates, how decisions are made and the rules and procedures which are followed to ensure that these are efficient and transparent to local people. It is subject to review at least annually. There are established codes of conduct for members and officers and a register of gifts and hospitality is in place. Members are required to make declarations of their disclosable pecuniary interests and also to declare any disclosable pecuniary interests relevant to the business of the meeting at the start of all meetings of the TfN Board or its Committees. Where appropriate, Members are then expected to take no part in discussions around any such business, and to leave the meeting. Member Declarations of Interest are available on the TfN website.

The Annual Governance Statement (AGS) is published. It provides a review of the effectiveness of TfN's Governance Framework.

TfN has a zero-tolerance approach to fraud and corruption. It has adopted Anti-Fraud & Corruption and Whistleblowing Policies.

A Treasury Management Strategy is approved each year with the current version approved in February 2022. There is no history of non-compliance with laws and regulations and treasury management activity. This is supported by our audit work and the information provides by both management and those charged with governance during our audit.

Our work did not identify any evidence to indicate a significant weakness in arrangements.

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3. Commentary on VFM arrangements

Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services

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3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria - continued

How financial and performance information has been used to assess performance to identify areas for improvement

There are established and effective processes for reviewing financial and performance information and to use this to identify and inform areas for improvement.

The Monthly Operating Report is published on the TfN website and is available to all Board Members and stakeholders, as well as the general public. There are 26 KPIs which are routinely monitored as part of the monthly reports. These are organisational KPIs which set out targets for TfN for delivery. Of the 26 KPIs reported, 8 have been achieved, 4 are on track, and 6 remain in progress. A further 5 are delayed and 3 not yet started. The Monthly Operating Reports also include a range of other performance metrics around staffing, including for example, sickness rates, employee turnover and diversity information.

In addition, TfN undertakes periodic budget revisions. These identify where there are under / overspends and highlight mitigating activity where appropriate. These are reported to the TfN Board. Our review found these reports contained variance analysis with explanations to identify the cause of the variances and action being taken where required. The monthly operating report concludes with an assessment of the outturn position for the year citing the key reasons for any under/over spends. Areas of adverse performance feed into the TfN's risk register where relevant..

TfN's financial performance is reported on a regular basis to the Board with details of the financial position along with rationale for any changes and factors to be taken into account. Reports include HR implications and impact assessments.

Our work did not identify any evidence to indicate a significant weakness in arrangements.

How TfN evaluates the services it provides to assess performance and identify areas for improvement

TfN receives grant funding from DfT which is subject to grant conditions. TfN demonstrates performance against agreed targets and milestones in order to draw down this funding. Where slippage against milestones is identified, remedial measures are taken. Programmes are monitored, and performance is reported regularly to Programme Boards that are established for that purpose. This includes a risk analysis for each programme along with mitigating measures.

Based on our review of a sample of reports and our understanding of the reporting framework, there is sufficient monitoring, reporting and overall scrutiny of both the performance and the financial position of the TfN.

Our work did not identify any evidence to indicate a significant weakness in arrangements.

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3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria - continued

How the TfN ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve

Performance is reported on a regular basis to Programme and Partnership Boards which monitor TfN's performance against agreed targets and milestones and these ensure remedial action is identified and taken where necessary. The Partnership Board is a forum in which the elected Members of TfN engage and consult with the business leaders of the area through representatives of the eleven northern Local Enterprise Partnerships, and with the national transport delivery agencies such as Network Rail, Highways England and HS2.

TfN reviewed the membership of the Partnership Board. This led to it widening its membership to include representatives of the Northern, North West and Yorkshire & Humber Regional TUC areas, Disability Rights UK, Transport Focus and the Committee on Climate Change. This has broadened the interests represented on the Partnership Board, particularly in relation to the environment and the interests of the travelling public.

TfN carries out stakeholder engagement through its Engagement team and the wider organisation. TfN officers meet regularly with Parliamentarians, Members and officers of other Authorities, representatives of the Welsh and Scottish devolved governments, representatives of business organisations, and other stakeholders, such as community groups. The types of events vary from attending All Party Parliamentary Groups meetings in Parliament, including the Transport Across the North APPG for which TfN is the secretariat; to roundtable events, and speaking engagements across the North and the rest of the UK.

TfN's Annual Conference 2021 included speakers from TfN representatives, Board Members, Government Ministers, and other relevant stakeholders. 241 delegates registered for the Conference. A further conference is planned for early 2023.

Over the last year, TfN has facilitated a series of webinars called "TfN Talks". These have covered topics such as Freight and Logistics, as well as on the Decarbonisation Strategy and accessibility of the transport networks.

Further webinars are planned around the decarbonisation agenda and transport related social exclusion. TfN also facilitates regular podcast episodes, which cover a large variety of topics, to update stakeholders and the public on its work and other salient events and issues.

As part of its wider engagement, TfN has facilitated and advised on five Northern Evidence Academic Forum meetings. These meetings, attended largely by academics have had positive feedback.

In 2021 a full statutory consultation was held in relation to the Decarbonisation Strategy before the Board adopted the Strategy in November 2021. A consultation on the TfN Freight and Logistics Strategy commenced in January 2022.

TfN has brought together a number of informal Member Working Groups to ensure the views of the constituent authorities and their communities are heard and understood via their elected representatives. This engagement has contributed to the development of TfN's different programmes and initiatives, including the Northern Transport Charter and has supported business planning for 2021/22.

The Monthly Operating Report has continued to deliver during 2021/22 providing members and the public with detailed information about the performance of major programmes.

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3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria - continued

TfN has worked collaboratively with the other Sub-National Transport Bodies and inputted into co-ordinated engagement with key national bodies such as the DfT, National Highways, Network Rail and the Office for Road and Rail.

Some achievements in 2021/22 include:

- Updating the Strategic Transport Plan;
- Publishing the Regional Decarbonisation Strategy;
- Working with partners through the Regional Steering Group to develop the EV Charging Infrastructure evidence base;
- Working with partners to develop the evidence base on Transport Related Social Exclusion Consulted on our draft Freight and Logistics Strategy;
- Working as part of the Manchester Recovery Task Force to develop a 'blueprint' that aligns infrastructure and service changes;
- Working with partners across the North to define the scope of work for a Connected Mobility Strategy
- Working collaboratively with the 6 (non-statutory) Sub-national Transport Bodies on issues of common interest

The North already has the first phase of rail devolution through the Rail North Partnership, through which DfT works jointly with TfN to oversee the specification and delivery of the Northern and TransPennine Express service contracts.

How the TfN commissions or procures services, how the TfN ensures this is done in accordance with relevant legislation, professional standards and internal policies, and how the TfN assesses whether it is realising the expected benefits

Transport for the North has adopted procurement procedures which ensure that all procurements comply with legislation and its own contract procurement rules..

Our work did not identify any evidence to indicate a significant weakness in arrangements.

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04

Section 04:

Other reporting responsibilities and our fees

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4. Other reporting responsibilities and our fees

Matters we report by exception

The Local Audit and Accountability Act 2014 provides auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to the law; and
- issue an advisory notice.

We have not exercised any of these statutory reporting powers

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We did not receive any such objections or questions.

Reporting to the NAO in respect of Whole of Government Accounts consolidation data

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data,

We have not yet received group instructions from the National Audit Office for 2021/22 therefore we are unable to issue our audit certificate until this work is completed.

4. Other reporting responsibilities and our fees

Fees for work as Transport for the North's auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum presented to the Audit and Governance Committee in June. Having completed our work for the 2021/22 financial year, we can confirm that our fees are as follows:

Area of work	2020/21 fees	2021/22 fees
Planned fee in respect of our work under the Code of Audit Practice	£33,000	£33,000
Additional work arising from the change in the Code of Audit Practice in respect of Value for Money arrangements (recurring)	£5,000	£5,000
Additional testing on Defined Benefit Pensions Schemes as a result of changes in regulatory expectations (recurring)	£2,950	£3,200
Additional fees in respect of the transfer and disposal of intangible assets	£2,550	-
Total fees	£43,500	£41,200

Fees for non-PSAA work

We confirm that we have not undertaken any non-audit services for TfN in the year.

Karen Murray, Partner –Public and Social Sector

karen.murray@mazars.co.uk

Mazars

One St Peter's Square
Manchester
M2 3DE

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Audit and Governance Committee
 2nd Floor,
 4 Piccadilly Place,
 Manchester,
 M1 3BN

Direct +44 (0)161 238 9248
 Dial
 Email karen.murray@mazars.co.uk

29 November 2022

Dear Members of the Audit and Governance Committee

Update/conclusion of pending matters– Audit Completion Report

As required by International Standards on Auditing (UK), I am writing to communicate an update on those matters that were marked as outstanding within our Audit Completion Report dated 5 September 2022.

The outstanding matters and the conclusions we reached are detailed below:

Matter	Update/conclusion reached	Status
Pensions	<p>We have now completed our work on pensions, and in particular, we have received the assurance letter from the auditor of Greater Manchester Pension Fund.</p> <p>There is one matter to report:</p> <ul style="list-style-type: none"> The pension fund auditor has confirmed the 'benefits payable' for Transport for the North per the Fund general ledger to be £116k. This compares to a figure of £62k per the actuary in the IAS19 report and financial statements. The difference of £54k is not material and therefore management has decided not to adjust. There is one error of £215m reported by the pension fund auditor relating to an understatement of assets. Given TfN's share of assets is only 0.0445%, this would result in an error of £95,675 which is not material and therefore management has decided not to adjust. 	Complete
Narrative report	We have completed our work in this area and have no matters to report.	Complete

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We are registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at www.auditregister.org.uk under reference number C001139861. VAT number: 839 8356 73
 VAT number: 839 8356 73

Matter	Update/conclusion reached	Status
Review and closure procedures	Our review and closure procedures have now been completed including a review of post balance sheet events and the signed management representation letter. There are no further matters to report.	Complete

At the time of preparing this update letter, we intend to issue an unqualified audit opinion, without modification, on the financial statements on 29 November 2022.

At the time of preparing this update letter, the following matters remain outstanding, which as we have explained will be reported at a later date:

Audit area	Status	Description of outstanding matters
Value for money commentary		We are yet to complete our work in respect of the TfN's arrangements for the year ended 31 March 2022.
WGA		We have not yet received group instructions from the National Audit Office and are unable to complete our work in relation to both 2020/21 and 2021/22.

Status

-  Likely to result in material adjustment or significant change to disclosures within the financial statements
-  Potential to result in material adjustment or significant change to disclosures within the financial statements
-  Not considered likely to result in material adjustment or change to disclosures within the financial statements

We will inform Transport for the North of any further matters when we have completed the value for money and whole of government accounts formally closing the audit of Transport for the North for both 2020/21 and 2021/22. This will be reported in our Auditor's Annual Report.

If you wish to discuss these or any other points then please do not hesitate to contact me.

Yours faithfully

Signature: 
Karen Murray (Nov 29, 2022 16:07 GMT)

Email: karen.murray@mazars.co.uk

Karen Murray
Partner

Meeting: Audit and Governance Committee
Subject: Annual Governance Statement
Author: Emma Young. Senior Lawyer
Sponsor: Julie Openshaw, Head of Legal Services
Paul Kelly, Finance Director
Meeting Date: 17 February 2023

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 2022/2023.
- 1.2 Under Regulation 6 (1) of the Accounts and Audit Regulations 2015 (the "Regulations"), 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. The Regulations are supplemented by the advice provided by the Chartered Institute of Public Finance and Accountancy ("Delivering Good Governance" the "CIPFA Guidance") and the principles set out below reflect that guidance.

2. Recommendations:

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

3. Main Issues:

- 3.1 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 was extended to 30 September from the "normal" approval date of 31 July. This poses some issues in terms of addressing the past Governance position for Transport for the North rather than the future challenges but given the need to include in the Statement of Accounts these documents will need to coincide.
- 3.2 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.
- 3.3 In carrying out this annual review, Transport for the North is required to comply with the CIPFA Guidance. The Guidance sets out seven principles of good governance, which are set out below for ease of reference:
- 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

3.4 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 primarily be carried out by the Legal and Finance teams but will also involve other officers as necessary. The issues that will be addressed will include:

- Considering the extent to which TfN complies with the principles of good governance
- Classifying systems processes and documentation that provide evidence of good governance
- Identifying the individuals and committees responsible for monitoring and reviewing the systems, processes and documentation involved in compliance
- Establishing changes to the organisation and how the governance of Transport for the North will adapt to deal with these; and
- Identify the individuals responsible for carrying out any identified action

3.5 There have been some extensive changes in the basic functions and composition of Transport for the North over the last 12 months which will be considered carefully in producing the next Annual Governance Statement. These include:

- New funding allocation
- Introduction of the Centre of Excellence
- Rail reform and associated transfer of work out of Transport for the North
- Alteration of Transport for the North's role from Co-client to Co-sponsor for HS2 project; and
- Appointment of new executive and other officers

The Audit and Governance Committee has a key role to play in oversight of the preparations of the Annual Governance Statement and a comprehensive draft will be provided to the next meeting of the Audit and Governance Committee (in July 2023) for Members to review.

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.

Finally, the review will address how the Annual Governance Statement is presented so that it is in an accessible and user-friendly format. The intention is to streamline the content and adopt a structure that is easier for stakeholders to understand and connect with.

3.6 **Timetable**

Following this introductory report and input from various officers, a Draft Annual Governance Statement will be presented to the Committee for consideration and review in July 2023. 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 September 2023.

Concerns have been raised about the timeline adopted in previous years and whether the Annual Governance Statement should be prepared earlier in the year to encompass future planning rather than simply looking at compliance over the past year. The current timetable is in line with the Regulations and also with CIPFA Guidance. This is also tied to the submission of Transport for the North's Accounts, but Transport for the North are aware that this process may need to be accelerated in future years.

4. **Corporate Considerations:**

4.1 ***Financial Implications***

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

4.2 ***Resource Implications***

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

4.3 ***Legal Implications***

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

4.4 ***Risk Management and Key Issues***

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

4.5 ***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.

4.6 ***Equality and Diversity***

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

4.7 ***Consultations***

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

5. **Background Papers**

5.1 None

6. **Appendices**

6.1 None

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