

Meeting: Transport for the North Audit & Governance Committee

Subject: Corporate Risk Register Report

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1. Background:

- 1.1 Transport for the North has updated the Corporate Risk Register ("CRR") to continue to reflect the Key Performance Indicators (KPIs) and business objectives outlined in the Business Plan for Financial Year 2021/22.
- 1.2 The CRR was presented at the Audit and Governance Committee on 19 November 2021 for feedback and was last presented to TfN Board on 29 September 2021. The Corporate Risk Register has subsequently been updated to reflect changes that have occurred since the report was last published.
- 1.3 On 25 January the board approved the deferral of the next Corporate Risk Register report which it should have received at the March 2022 meeting, until the next planned board meeting in July 2022.
- 1.4 This recognised that the publication of the IRP had crystallised some risks in relation to TfN's current objectives, had introduced considerable fresh uncertainty to the organisation with regard to future co-sponsorship and delivery arrangements and that combined with uncertainties with regard to Core funding this meant that TfN's objectives (and therefore the associated risks) were likely to be reset in a way that would require a comprehensive review of the Corporate Risk Register in the context of TfN's revised circumstances.
- 1.5 However, the need for all TfN business areas to continue to assess and manage risk and also include it as a key element of the Business Planning process for 2022/23 is noted.
- 1.6 The next scheduled Board meeting at which the risk register is due to be presented is June 2022, meaning that it will need to be reviewed by Audit & Governance Committee prior to that. The planning assumption is that by that point TfN will have greater certainty regarding its circumstances and that therefore the Corporate Risk Register will be capable of being updated to reflect TfN's future objectives, 2022/23 business planning, post-IRP position and core budget funding allocation.
- 1.7 The terms of reference for the Audit and Governance Committee includes the requirement for the committee to "monitor Transport for the North's risk and performance management arrangements including review of the risk register, and progress with mitigating action".
- 1.8 Transport for the North's corporate risks stem from the agreed KPIs and from a range of other sources, some of which are beyond Transport for the North's direct control. The challenges and uncertainty faced by Transport for the North create both threats that need to be addressed, and opportunities that can

potentially be exploited. Transport for the North's Corporate Risk Register is presented at Appendix 9.1.

2. Recommendation:

- 2.1 That the Committee **note** the approval of the TfN Board to defer the presentation of the Corporate Risk Register to the July meeting, in order to allow for it to be comprehensively reviewed in light of TfN's business plan.
- 2.2 That the Committee **consider** the report and provide comments regarding the risk information provided.
- 2.3 That the Committee **consider** the proposal to transition to a 5x5 Risk Matrix.

3. Consideration:

- 3.1 Transport for the North's approach to managing risk is described in its Risk Management Strategy ("RMS") which sets out guidance for how risks are identified, assessed, managed, and reported. The RMS has been applied in updating the Corporate Risk Register.
- 3.2 It is essential that Transport for the North and its programme teams recognise, understand, and manage the risks that could negatively impact on its ability to achieve its objectives and priorities.
- 3.3 This report provides the Committee with an update on the organisational risks and issues relating to the business KPIs/objectives which can be found in the Corporate Risk Register.
- 3.4 Once TfN's business plan, including its objectives in relation to the IRP, have been agreed, the Risk Manager will lead and manage the process to consider TfN's risks in detail, with the objective of presenting a revised Corporate Risk Register to the TfN Board at its meeting in July. Changes to the risks below are expected:

- 1. The Covid-19 Pandemic prevents or delays TfN from delivering its objectives (TCR01)** – Risk factors 1&2 to be reviewed and updated before the next publication to reflect the current Covid position.
- 2. TfN Reputational and Political Engagement (TCR02)** – Risk factors 1-4 to be reviewed and updated before the next publication to reflect post IRP position and in-line with the Levelling Up White Paper.
- 3. Embedding the Strategic Transport Plan (STP) Across Programmes (TCR03)** - Risk factor 1 to be reviewed and updated before the next publication to reflect 2022/23 business plan.
- 4. Delivery of Robust and Compelling Evidence to Support Investment Programmes (TCR04)** - Risk factor 1 to be reviewed and updated before the next publication to reflect 2022/23 business plan.
- 5. Transport Decarbonisation and Climate Change Emergencies (TCR05)**
Risk factor 1 to be reviewed and updated once TfN have confirmation of funding allocation.
- 6. TfN Reputational and Political Engagement TCR02 - Risk factor 2 and Transport for the North's Business Operations TCR06 - Risk factor 2** - the intention is to review and update prior to the next publication with a view to combining the two risks.
- 7. Transport for the North's Business Operations TCR06** – Risk factors 1 & 3 to be reviewed and updated prior to the next publication to reflect 2022/23 business plan and post IRP position.
- 8. Northern Powerhouse Rail (NPR) Business Case Delivery and Programme Development TCR08** – Risk theme to be reviewed in its entirety, once TfN have received core funding allocation and 22/23 business plans are in place. A reassessment of the corporate objectives is required in relation to post IRP position and NPR.

9. Rail Operations – Franchise and Delivery TCR09 – Risk factor 4 to be reviewed and updated prior to next publication to reflect post IRP position.

3.5 Emerging Risks Themes for Consideration

The following risks have been identified through TfN's risk management processes. Whilst they cover a range of discrete business and organisational issues, they either arise from or are reinforced by the uncertainty that currently exists across TfN. In addition, they are consistent with concerns that have been raised by officers in other settings, including Employee Forum. Key risk themes for discussion and consideration in relation to the Corporate Risk Register are as follows:

- a) TfN's future role, both in the context of STB's generally and specifically in relation to the intentions of, and relationships with, DfT and Members for example co-sponsorship)
- b) TfN's role in the ongoing management of the operational railway.
- c) TfN's policy, objectives, and role on NPR in the context of the IRP.
- d) The breadth and depth of TfN's role in developing evidence and policy in the future.
- e) Ongoing funding and resourcing, both in terms of transition and having the tools/capacity to deliver TfN's programme.
- f) Staff retention and morale post-IRP and funding settlement, specifically staff on FTC, impacted by TUPE or at risk from redundancy.

3.6 The key changes from the previous version

The key changes in the current Corporate Risk Register (Appendix 1) as compared to the report that was presented to the Committee in November are as follows:

- a) **TCR01: The Covid-19 Pandemic prevents or delays TfN from delivering its objectives:** risk factor 4 has been closed; the level of efficiency in corporate processes is equivalent to March 2020. A mitigation has been completed and retired and a new mitigation action has been identified in relation to TfN officers reviewing the IRP, Levelling Up White Paper and Transport Decarbonisation Plan.
- b) **TCR01: The Covid-19 Pandemic prevents or delays TfN from delivering its objectives:** risk factor 3 had medium probability and high impact. This risk has now been raised as an issue due to the implications of the Core funding settlement.
- c) **TCR05: Transport Decarbonisation and Climate Change Emergencies:** risk factor 2 has increased probability from low to medium due to increased understanding of embodied carbon impacts. New mitigation actions d & e identified for risk factors 1&2.
- d) **TCR06: Transport for the North's Business Operations:** risk factor 2 has become an issue due to the substance of the Core funding settlement and consequential reductions to Core expenditure that will be required.
- e) **TCR08: The Northern Powerhouse Rail (NPR) Strategic Outline Case (SOC):** risk factors removed based on the publication of the IRP.

4. Proposed 5x5 Risk Matrix and Impact Criteria Scoring System

- 4.1 TfN currently operates a 4x4 scoring matrix. The introduction of the 5x5 matrix and updated impact scoring criteria would be beneficial as it allows greater granularity of assessment in terms of both probability of occurrence and the consequential impacts of the risks. It will also enable the organisation to be consistent with industry best practice. Once implemented, a full review and update

of the Risk Management Strategy will be undertaken. The 5x5 risk matrix and scoring system will be presented at OBT on 22 February 2022.

- 4.2 The transition to a 5x5 matrix was previously considered and agreed, but was delayed through a combination of circumstances, including the need to limit the number of changes made to the CRR in a short timeframe and the appointment of a new Risk Manager.
- 4.3 In line with the comprehensive review of the CRR and business planning 22/23 it is now considered to be the right time for the introduction of the 5x5 matrix, as reassessment of all risks is required. The transition to 5x5 will be communicated to all staff and training will be provided.
- 4.4 The Probability & Impact scoring will be extended from its current Low – High to a wider range; Very Low – Very High. The programme will evaluate against cost, time, reputation, quality, and external relationships into our Risk Management Process. The matrix shows an extension of both the numerical scoring and colour bandings.
- 4.5 We have enhanced the probability scoring range Very Low – Very High range as follows:
Very Low: < = 5%, Low: 6- 25%, Medium: 26-50%, High: 51-74%, Very High: 75-100%.
- 4.6 Scoring systems have been updated and streamlined to reflect TfN's current requirements. In particular, the financial values required to trigger higher risk classifications have been reduced in line with TfN's overall funding envelope. More detail in relation to the proposed 5x5 matrix is set out in Appendix 9.2.

4. Corporate Considerations

Financial Implications

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

Resource Implications

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

Legal Implications

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

Risk Management and Key Issues

- 4.4 The Corporate Risk Register is part of this report.

Environmental Implications

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

Equality and Diversity

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

Consultations

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

5. Background Papers

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

6. Appendices

6.1 Item 9.1 – Corporate Risk Register February 2022

6.2 Item 9.2 – 5x5 Risk Matrix and Scoring System