

Transport for the North

Audit & Governance Committee – Minutes

Meeting: Transport for the North Audit and Governance Committee
Date: Thursday 14 July 2022, 11:00 – 13:00
Venue: Executive Boardroom, Lower Ground Floor, Holiday Inn Manchester, 25
Aytoun Street, Manchester M1 3AE

Attendees:

Cllr Keith Little (Vice-Chair)	Cumbria County Council
Kevin Brady	Independent Member
Graham Bell	Independent Member
Cllr Liam Robinson	Liverpool City Region
Cllr Hans Mundry	Warrington

Invitees:

Karen Murray	Mazars
Alex Hire	RSM UK

Officers:

Paul Kelly	Interim Finance Director
Emma Sanchez	Financial Accountant
Julie Openshaw	Head of Legal
Kevin Willans	Head of IT
Gary Rich	Democratic Services Officer
James Lyon	Legal Officer
Andrea Shepherd	Executive Assistant

Apologies:

David Pevalin	Independent Member
Cllr Jonathan Owen	East Riding of Yorkshire

1. **Welcome and Apologies**

- 1.1 The Vice-Chair welcomed Members to the meeting. Apologies were noted from David Pevalin and Cllr Jonathan Owen.

2. **Declarations of Interest**

- 2.1 There were no declarations of interest.

- 2.2 The Committee noted that this would be the last that James Lyon would be administering before leaving TfN at the end of July and that Andrea Shepherd would assist with support for future meetings.

The Committee thanked James Lyon for his work over the previous 3 years and welcomed Andrea Shepherd to the role.

3. **Minutes of the Last Meeting and Matters Arising**

- 3.1 The minutes from the previous consultation calls were formally approved as true and accurate records of the calls held on 19 November 2021 and 25 February 2022.

4. **Appointment of the Audit & Governance Committee Chair**

- 4.1 The Vice-Chair noted that Graham Bell had expressed an interest in standing as Chair of the Audit & Governance Committee and proposed his appointment to the role.

- 4.2 There were no other nominations for the role and Kevin Brady seconded the proposal. Having been duly elected, Graham Bell took the Chair for the remainder of the meeting.

RESOLVED: Graham Bell be elected Chair of the Audit & Governance Committee.

5. **2022/23 Budget and Business Plan**

- 5.1 This item, presented to and approved by TfN Board in June 2022, was included to enable the Committee to understand the future financial and operating environment for TfN.

- 5.2 Paul Kelly highlighted the key points within the budget:

- £16.5m overall budget
- c50% operational / core funded, and 50% hosted / ring fenced funded
- Discretionary spend equates to contractual spend and this mainly relates to the TAME NPR activity
- Notable shift from commissioned activity to staff costs within core funded activity. Consistent with business plan and the move towards retaining capacity and capability to deliver core duties
- Fully funded budget with several grant streams some of which, due to the process and timing of agreement, are effectively index linked. Core funding allocation is not index linked and any shortfalls are managed using reserves
- Use of reserves works for budget and two following years but becomes a challenge in future years. This emerging issue will be shared with DfT in due course.
- Key budget assumptions highlighted including 3% provision for staff cost increases and the need to consider office arrangements (Leeds office to

close and Manchester office arrangements to be considered as part of the 2023/24 business planning process).

- 5.3 Committee members responded with their thoughts and comments which included:
- Cllr Little aired his concern and sought more clarity around office arrangements. Paul Kelly reiterated the matter will be considered within our normal business planning process.
 - Kevin Brady noted the need to consider ways of working post covid and suggested other partner bodies would be faced with similar issues and / or could provide opportunities. Kevin also reiterated the critical nature of the risk where core funding was not directly linked to our cost base. Paul Kelly indicated offers of office accommodation had been made by board member organisations. Paul expanded further on the use of reserves to fund cost increases and that it was not sustainable in the long term.
 - Cllr Robinson noted the assumption that core funding levels were assumed to continue in future years. He aired the current political changes and the lack of recognition for levelling up or NPR and the need to continuously lobby. He echoed the previous comments on flexible working. He also noted that VAT was a sizeable element of the budget and sought assurance that we continued to pursue a non-vatable status and / or intelligent ways to procure that minimised this tax. Paul Kelly welcomed the support to creative ways of working and conveyed that the largest proportion of VAT related to the NPR Tame programme (due to contracted activity) and that the level of exposure within core funded activity was reduced due to the migration towards staff costs. TfN would continue to pursue a non-vatable arrangement.
 - Cllr Mundry requested clarity on how any changes to our working environment would be planned and that staff would be consulted as part of the process. He echoed Cllr Robinson's views on VAT and better ways of working that would enable TfN to make the most of its funding allocation. Paul Kelly reiterated that staff consultation was a critical element of any change process as they had been in relation to the closure of the Leeds office. Any proposal for the Manchester office would come through the business planning cycle.
- 5.4 The Chair noted the various budget assumptions and requested regular updates on any changes to TfN assumptions and re-forecasting, especially in light of the forthcoming change of leadership within Government at the time of the meeting. He also highlighted the level of change that TfN would be facing, both from a governance and a control perspective, and the need for the A&G committee to consider this change whilst delivering its duties. In particular, the reduced number of senior personnel and this impact on the control environment would need to be considered.
- Paul Kelly conveyed the intention to prepare and submit budget reforecasts on a quarterly basis and the next reforecast would be brought back to this committee.
- 6. Monthly Operating Report (May 2022)**
- 6.1 The report, included as a standing item, was taken as read and outlined some of the period of change covered in the previous agenda item. The finalisation of the 2022/23 business plan with its KPI's was discussed and that this was likely to be

captured in the July report. It was agreed the July report would be distributed to members when finalised.

6.2 The committee made a number of comments:

- The Chair requested sight of the KPI's as soon as they were published.
- Kevin Brady asked us to recognise the level and speed of economic change in recent months especially in the NPIER programme.

7. Draft Statutory Accounts

7.1 Paul Kelly referenced the slide pack within the papers which picked out the key points of the draft accounts which are due to be published for statutory public inspection no later than 1 August.

7.2 The accounts captured the closure of the IST programme and disposal of the intangible assets as well as pensions liability.

7.3 The challenges relating to utilising core reserves alongside annual funding allocations was highlighted.

7.4 Kevin Brady enquired about the pension liabilities and asked if future presentations from Greater Manchester Pension Funds could be considered, noting that the last one in July 2021 had been very useful.

RESOLVED: The Committee noted the challenges with the budget and resulting restructure and welcomed the clarity of the document and information.

8. Internal Audit Update

8.1 Alex Hire provided an overview of the Follow Up Audit, designed to report on the progress made on actions agreed on the previous year's audits. Of the 21 actions identified, 19 had been implemented or superseded. One of the delayed actions on Penetration Testing within the IT infrastructure had now been completed.

8.2 Within the Progress Report, it was noted that the timings of some of the planned audits had changed due to the restructure of the organisation. The Payroll Audit had been brought forward with the GDPR Audit moved back to accommodate this. However, there were no material issues to raise.

8.3 Graham Bell wanted to ensure there was a clear link between the Risk Register and the internal audit plan in terms of highlighting controls and processes to manage and mitigate risk, and he thanked RSM for their work.

RESOLVED: The Committee noted the reports and the audit plan.

9. External Audit Update

9.1 Karen Murray reminded the Committee that the papers covered the audit of financial statements as well as the audit in respect of Value for Money. The report had been originally scheduled for the June meeting which had been cancelled so she noted that the information within it was slightly out of alignment with the actual process due to the timings.

9.2 The work is due for completion in September. The Value for Money audit had captured the risk of ongoing sustainability and had suitable representations from management. It was noted that the minimum level of reserves had been agreed between TfN and DfT.

9.3 Cllr Keith Little advised the Committee that the reserve level had been raised at the previous TfN Board meeting as part of the ongoing funding discussions.

RESOLVED: The Committee acknowledged the funding risks outlined alongside the overall positive nature of the ongoing audit.

10. Risk Management

10.1 As noted within the report, the original schedule had been to bring the Risk Register to Audit & Governance in advance of TfN Board in June, but the cancellation of the June meeting meant this had not been possible. Paul Kelly advised that the Risk Register had been discussed at TfN Board after feedback from A&G members.

10.2 The focus of the risk management review had been to refresh the Risk Management Strategy in light of the transfer of the NPR programme to DfT. It was noted that a dashboard had been introduced to aid in the auditing and reporting.

10.3 It was noted as the A&G meeting in June did not go ahead as planned, feedback had been requested and received on the risk management item.

10.4 Kevin Brady inquired that now risks relating to NPR business case have closed does co-sponsor arrangements with the department remain as risks?

10.5 Kevin Brady asked, in relation to the Co-sponsorship arrangement – Unclear Who owns sponsor board? Is it TfN led?

10.6 Kevin Brady felt the risk register did not tease out how full member buy in would be achieved for the STP2 related risk.

10.7 Kevin Brady raised that there was challenge in terms of the TAME opportunity for TfN on how we free up resource to explore the opportunity and how do we follow those opportunities and aspirations without impacting on grant deal with department?

10.8 Kevin Brady thought TCR13 – Funding - mitigations were clear for value for money and case for funding but no reference to underpinning principle of devolution and that subsidiarity to the North.

10.9 Keith Little raised the risk around relationship with the department. Currently have no secretary of state. Uncertain what government wants the relationship to be between ourselves and other Strategic transport bodies.

10.10 Graham Bell asked that evidence of the relationship between the KPI's and the risk register be presented for the next committee meeting.

RESOLVED: The comprehensive nature of the Risk Register was again noted.

11. Future Meeting Dates

11.1 The Chair thanked all for attending and their contributions. He reminded Members that the next meeting would be held in-person in Manchester on Friday 16 September at a venue to be confirmed.

The meeting concluded at 13:00