



# TfN Business Planning Process

Scrutiny Committee  
October 2020





## Purpose



- To brief the Scrutiny Committee on:
  1. TfN's CSR submission.
  2. The business planning process for 2021/22;
  3. The specific challenges faced by TfN; and
  4. The proposed approach to delivering a business plan and budget for approval at the 10 March Board.
- To facilitate discussion regarding the approach that will need to be adopted.



## Key points

- TfN is faced by a high degree of uncertainty with regard to all of its operations and will not be able to follow normal business planning process.
- However, there is still a legal obligation to set a fully funded budget by the start of 2021/22.
- There will need to be an intensive and focused process in January/February 2021.
- Dependent on CSR outcomes, this process will potentially include redesign of the organisation – this will require a CEO led steering group.





## The TfN CSR Submission (1)

	21/22 £'m	22/23 £'m	23/24 £'m	<b>RDEL</b> £'m	24/25 £'m	<b>CDEL</b> £'m
Core Funding	11.2	11.2	11.2	<b>33.6</b>	-	-
IST						
- Revenue	8.7	5.5	3.2	<b>17.4</b>	-	-
- Capital	40.0	67.1	38.6	-	29.8	<b>175.5</b>
NPR						
- Revenue	98.7	162.0	251.2	<b>511.9</b>	-	-
- Capital	-	14.9	62.0	-	336.5	<b>413.4</b>





## The Business Planning Process for 2021/22

1. TfN's business planning process would normally begin in September and be substantively concluded by the January Board meeting to allow a budget to be set and approved in March.
2. However, the best estimate that we have is that we are unlikely to receive a funding allocation from the department before the start of December at the earliest.
3. As well as the basic uncertainty regarding the quantum of funding that will be allocated, it is also possible that funding will only be confirmed for a single year.
4. Further, there are additional uncertainties in relation to both TfN programmes regarding funding and delivery model.
5. However, TfN is still required by law to have a fully funded budget in place at the start of the new financial year on 1 April 2021.





## Specific Challenges (1) Context

### **There are some current unknowns that need to be considered:**

- **Integrated Rail Plan (IRP):** Understood to be reporting 'by end of the year' but NIC presenting early findings to Govt in November. Will set scope, capital envelope, sequencing and delivery strategy.
- **Williams Review:** Current situation with COVID causing tension regarding future of railways given extension of support packages. Broadly, Williams may not be released as 'one big bang' moment/document, but schemes within it progressed separately (flexi/smart ticketing).
- **Rail franchises:** Rail franchises are reported to be replaced with direct service contracts from April 2021. Unknown role of TfN in such landscape, in management of franchise and holding TOC to account
- **Devolution White Paper:** Expected 'later this year' – SoS for DCLG has said: 'placed-based regional economic strategy, one which helps us to kick-start the recovery and to level up'. Expected to focus on devolution to combined authorities/mayors.
- **National bus strategy:** Also due to be published later this year, implications for franchising and smart ticketing.



## Specific Challenges (2) Multiple uncertainties

- **Core funding:** Holding TfN's Core funding flat at £10m would require a reduction in costs of £1.2m per year for three years in order to maintain TfN's General Reserve target. In that example, any delays to the level of cost reduction would increase the levels of savings that would be required in years two and three of the CSR period. In addition, with the reserve level reduced to £2m there would be no further ability to feed in cash brought forward from TfN's early years and therefore TfN would need to operate entirely within its annual allocation thereafter – this has further implications for cost levels at the back end of the cycle.
- **Northern Powerhouse Rail:** Aside from the level of funding there is uncertainty as to the delivery model that will be adopted, the timing of any changes if any, and the downstream implications for TfN. All these will impact on the capacity requirement within TfN and the operability / sustainability of teams such as TAME that operate across the core / programme funding boundary.
- **Integrated Smart Travel:** There are a wide range of potential outcomes in relation to the IST ask. We know that DfT is providing a number of options to HMT which would imply differing levels of input from, and therefore funding for, TfN. This impacts on the organization more broadly, and on the core funding position.



## Proposed approach (1)

1. There are too many variables within TfN's core funding outlook to create meaningful planning scenarios. Attempting to plan for multiple options prior to funding being announced would be both time consuming and largely nugatory.
2. However, it is equally not advisable to delay all the thinking that might need to be carried out until after a funding notification in December as there will only be eight weeks from the start of January until the Budget paper has to go to the Board on 2 March.
3. In the period between now it is therefore proposed that TfN undertakes a qualitative exercise with Directors and Senior managers to understand the extent and timing the work that TfN needs to do over the next three years. This would need to be split into the following categories:
  - Required to fulfil or support a statutory function (i.e. the renewal of the STP).
  - Activity to which we believe TfN is committed or that we consider critical to achieving its objectives.
  - Activity that we would like to undertake.
4. Where it is more feasible to undertake a more detailed planning exercise it is proposed that we do so. This would include the NPR programme, where discussions with the department indicate a level of certainty sufficient to create an outline plan, and IST where the essentially modular nature of the programme should allow planning to be undertaken on the basis of our submission.





## Proposed approach (2)

Putting this approach into effect will involve the following:

1. Recognition that we will still need to produce a robust business plan and associated budget – activity will still need to be linked to a “Golden Thread” as in previous years.
2. Early consideration of the form of the documents that we aim to take to board – for example, would we be able to prepare a designed document as in previous years.
3. Understanding how we will comply with the requirements of TfN governance and the nature of the documents that will be prepared.
4. The allocation of resources to allow the work to be co-ordinated and the plan to be created.
5. A largely top down approach in the eight weeks after Christmas driven by the timescales involved – that places a premium on interaction with the business in the autumn.
6. The need to collectively commit to revised planning horizons both prior to the funding announcement and thereafter, and the prioritisation of business planning.
7. Where is it possible to make reasonable assumptions regarding funding, such as in the NPR programme and possibly IST, for more detailed work to be undertaken prior to Christmas.
8. The creation of a small steering group, led by the CEO, to manage the process week on week to ensure that decisions can be taken quickly as required and drive delivery against timetables.





## Proposed approach (3) - Risks

1. That the final Core settlement from DfT is reduced from current levels – this would require a reappraisal of TfN operations.
2. That there is continuing uncertainty regarding NPR and IST beyond Christmas 2020.
3. Clashes with other significant TfN activity, most notably the production of the NPR SOC. This is likely to reduce the senior management time available for business planning.
4. The compression of the process in the first quarter of 2021 means that there is insufficient time to produce sufficiently robust business planning and budget outputs.



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