

## Scrutiny Committee

**Subject:** Business Planning Process 2021/22

**Author:** Iain Craven, Finance Director

**Sponsor:** -

**Meeting Date:** Wednesday 28 October 2020

### **1. Purpose:**

- 1.1 For the Scrutiny Committee to be briefed on the Business Planning process for 2021/22.

### **2. Background:**

- 2.1 A business planning process is a key component of effective corporate governance, providing the underpinning for the effective operation of the organisation's outputs, resourcing, performance and culture (including the annual budget).
- 2.2 In addition, the Memorandum of Understanding that TfN has agreed with the DfT requires a business plan to be completed as a prerequisite for funding to be released each year.
- 2.3 On 28 August TfN submitted a Comprehensive Spending Review (CSR) submission to the DfT. This is the first step in a process that will continue through to an announcement by the Chancellor, probably in mid-to-late November. TfN has requested funding that will allow it to maintain its Core operations and continue to deliver its aspirations around the NPR and IST programmes.
- 2.4 The original CSR process was intended to commence in March 2020 and would have concluded in the summer. The delay until November, caused by the Covid-19 pandemic, means that we are unlikely to achieve certainty in relation to the funding allocations for 2021/22 onwards until after we would normally have substantially completed the business planning process. The currently stated intention of HMT is for the settlement to cover three years, although there is clearly a risk that this may be reduced, as was the case in 2019 when a one year settlement was provided.
- 2.5 Transport for the North receives virtually all its revenue from central Government via the DfT. Any business planning activity that can be done in the autumn would be absent any certainty with regard to the

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level of funding that will be available to it. This will in turn create a significant challenge to our ability to produce a fully worked up and funded budget, as we are required to do, by 1 April 2021.

### **3. High Level Timelines:**

- 3.1 In previous years, we have taken a final draft business plan and budget to the March Board for approval. This has required substantially complete business planning and budget documents to be presented to the February meetings of the Executive Board and Scrutiny Committee. This has required those papers to be largely agreed by the beginning of February.
- 3.2 Further, in order to test the proposed business plan with members, we have previously presented a draft high-level business plan to the Partnership Board at its pre-Christmas meeting. This year that meeting will be held on 19 November, meaning that the report will need to be circulated on the 11<sup>th</sup>.
- 3.3 Even in the best of circumstances, it is unlikely that a target date of 11 November would provide sufficient time for all elements of the business plan to be developed. In previous years, the corporate action plan and external facing elements were fully worked up in time for the November Partnership Board, but the internal planning, resourcing and finance elements were still at a high level at that stage (i.e. sufficient to give comfort that the options provided to the Board are deliverable).
- 3.4 However, as noted in 2.5 this is all *prior* to the date by which TfN expects to receive confirmation of the resources that it will have available to it over the next three years, and specifically in relation to 2021/22. This indicates that TfN will not be able to follow the same business planning process as previously with the same certainty that it will produce a basis for an adoptable budget by the start of 2022.
- 3.5 Transport for the North has therefore considered the extent and timing of the work that will need to be undertaken, the challenges that we face, and the means by which we will finalise a business plan and budget once certainty around funding has been received.

### **4. Challenges & Options**

- 4.1 As noted in Section 3 above, the key challenge that TfN faces is the level of uncertainty that exists across its business areas.
- 4.2 This includes:
  - 1) The level of Core Funding that will be received.
  - 2) The delivery model that will be adopted for NPR as well as the funding that will be allocated.

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3) The level of funding that will be allocated for IST.

Whilst this uncertainty clearly impacts on all aspects of the business, TfN can flex the activity it undertakes on its programmes to align with the funding that is allocated. This is more challenging in relation to the Core from which TfN is required to deliver a range of statutory functions. In addition, the financial dynamic in relation to the Core reserves means that the fundable activity level in 2021/22 will be driven more by the year three outturn position than by the funding notionally available in year.

- 4.3 In addition, the nature of TfN's operations means that there is an interplay between the various elements of the business, with both risks and opportunities possibly arising from the final programme settlements.
- 4.4 Transport for the North therefore currently has a very limited basis upon which to make meaningful planning assumptions in relation to either the Core activity or our programmes.
- 4.5 This in turn will make it impossible to complete the business planning process to the usual timelines. However, there is still a requirement upon TfN to adopt a balanced budget by the start of the next financial year.
- 4.6 Transport for the North therefore had three broad options:
- 1) To attempt to predict the outcome of the CSR and prepare a Business Plan on that basis.
  - 2) To undertake a preparatory exercise to identify delivery priorities and high-level work programmes over the next three years as preparation for when funding certainty is achieved.
  - 3) Delay business planning activity until the outcome of the CSR has been confirmed.
- 4.7 Option 1 would require a significant effort on the part of colleagues across TfN without any certainty that that effort would not be nugatory. Indeed, it is likely that whatever assumptions were made would be incorrect. This is particularly the case given the range and nature of the uncertainty faced.
- 4.8 Option 2 would not allow a business plan to be produced. However, it would allow TfN to consider some key issues in relation to both 2021/22 and the full CSR period in a way that could then inform the planning process once the funding allocation had been confirmed.
- 4.9 Option 3 would minimise the level of wasted effort but would leave TfN very poorly placed in relation to the development of either the business plan or the budget and substantially compromise TfN's ability to agree a budget as is legally required. This is particularly the case as the first quarter of 2021, immediately following the CSR announcement, is

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likely to require senior management to focus on the approval of the NPR SOC.

- 4.10 Transport for the North has therefore adopted Option 2 as its preferred approach.

## **5. Objectives:**

- 5.1 Regardless of the challenges that we face, the overall aim of the business planning process will be to produce a document that can be the basis for a robust budget for 2021/22 and beyond.
- 5.1 The business plan document will set out TfN's vision, mission and objectives for 2021/22, milestones for achievement of outcomes, the associated financial and people resource requirements, risks and external interdependencies. It is expected that the core of the plan will be derived from the need to discharge our statutory functions and from decisions that have previously been taken by the Transport for the North Board.
- 5.2 This will require TfN to produce a high-level output plan for 2021/22 that includes both external deliverables and internal development. Additionally, given the likelihood that the Core funding settlement will be below the level of our submission, and therefore require reductions in costs year-on-year to ensure financial sustainability, we will need to produce plans for 2022/23 and 23/24. The level of detail required at this stage for the later years will be dependent on the level of Core settlement that TfN receives.
- 5.3 This will provide the framework for programme and corporate planning, including the development of detailed activity which in turn will drive team and individual objectives and measures. These plans will allow effective workforce planning and a budget to be produced. Additionally, monthly and quarterly financial performance reporting will continue. Budget Revision 2 will form the 2020/21 outturn upon which planning for 2021/22 will be based.
- 5.4 The business planning process to be developed will facilitate:
- Golden thread approach - consistency between the activity, objectives and measures at the corporate, departmental and individual level through to appraisal and individual objective setting processes.
  - Effective risk management aligned to delivery plans.
  - Externalities – TfN needs to collaborate with DfT and its key delivery partners (in particular Network Rail and Highways England) to mutually understand objectives and resourcing levels /

requirements to ensure that activity is neither duplicated nor missed.

- Internal performance planning and monitoring at the corporate, departmental and individual basis.
- Effective resource planning, people and financial aligned to deliverables - this is particularly important given the transitional state of the organisation and the internal development activities required.
- A look forward to future years to support medium term financial planning.

5.5 The target output from the business planning process will be a fully resourced and costed workplan that will provide a framework within which TfN will operate during 2021/22 and an associated operating budget.

5.6 However, we need to acknowledge that any significant move away from current funding levels for either core activity or programmes will significantly increase the challenge that Transport for the North faces and may indicate the need for a “holding” budget to be put in place supported by a business planning process and revised budget to be completed in Q2 of 2021/22, once the NPR SOC and year end accounts processes have been finalised.

## **6. Recommendation**

6.1 That Scrutiny Committee note the challenges and approach to the 2021/22 business planning process.

## **7. Appendices**

Appendix 1 – Business Planning Slides

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**Required Considerations**

Equalities:

Age	Yes	<b>No</b>
Disability	Yes	<b>No</b>
Gender Reassignment	Yes	<b>No</b>
Pregnancy and Maternity	Yes	<b>No</b>
Race	Yes	<b>No</b>
Religion or Belief	Yes	<b>No</b>
Sex	Yes	<b>No</b>
Sexual Orientation	Yes	<b>No</b>

Consideration	Comment	Responsible Officer	Director
Equalities	A full Impact assessment has not been carried out because the report does not propose any new strategy or service provision	-	Iain Craven

Environment and Sustainability

Yes	<b>No</b>
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Consideration	Comment	Responsible Officer	Director
Sustainability / Environment – including considerations regarding Active Travel and Wellbeing	A full impact assessment has not been carried out because the report does not propose any new strategy or service provision	-	Iain Craven

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 Legal

Yes	<b>No</b>
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Consideration	Comment	Responsible Officer	Director
Legal	There are no new legal implications for TfN as a result of this report	Julie Openshaw	Dawn Madin

## Finance

Yes	<b>No</b>
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Consideration	Comment	Responsible Officer	Director
Finance	There are no new financial implications for TfN as a result of this report.		Iain Craven

## Resource

<b>Yes</b>	No
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Consideration	Comment	Responsible Officer	Director
Resource	Resourcing planning for future years is integral part of the business planning process.	Head of HR	Business Capabilities Director

## Risk

<b>Yes</b>	No
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Consideration	Comment	Responsible Officer	Director
Risk	A risk assessment has been carried out and the		Iain Craven

	key risks are included in the report.		
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Consultation

Yes	<b>No</b>
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Consideration	Comment	Responsible Officer	Director
Consultation	No consultation has been carried out since this report does not propose any new policy or strategy	-	Iain Craven