
Meeting: Scrutiny Committee

Subject: Business Planning Process 2022/23

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Does the report contain information which has been identified as confidential or exempt as defined in S100A(2) of the Local Government Act 1972 (as amended) and/or is the information exempt as set out in Schedule 12A of the Local Government Act 1972 (as amended)?

No this report does not contain information identified as confidential or exempt.

1. Purpose of the Report:

- 1.1 For the Scrutiny Committee to be briefed on and discuss the proposed Business Planning process for 2022/23.

2. Recommendations:

- 2.1 That Scrutiny Committee note the challenges and approach to the 2022/23 business planning process.

3. Challenges & Opportunities for the 2022/23 process:

- 3.1 TfN continues to face uncertainty on a number of fronts, principally related to the intentions of Government and the impact of Governmental decisions upon TfN's operations and funding. As colleagues will be aware, this includes policies that are either yet to be announced (at the time of writing, the Integrated Rail Plan and the Levelling Up White Paper), or where the impact of policy upon TfN is not yet fully understood (such as the re-shaping of the railway following the Williams-Shapps Review).
- 3.2 Dependent on these and a number of other policy decisions, TfN could see its remit change in a number of areas. This could provide opportunities for increased responsibilities / funding for TfN, in line with the preference of TfN's Board, but also has the potential to result in a reduced role for the organisation.
- 3.3 The position with regard to the IRP is particularly critical. Any change to the current delivery model could have significant implications for TfN. Not only does NPR form a key part of TfN's purpose, but the programme currently constitutes over 80% of our ongoing expenditure, meaning that the organisation has been shaped and scaled to support it.

- 3.4 These challenges were reflected in the decision of TfN in June to temporarily pause permanent recruitment until September at the earliest, when it was hoped that greater clarity regarding some of these issues will be available.
- 3.5 More positively, the submission for the 2021 Spending Review (SR) process provided an opportunity to reconfirm with members the vision and objectives of TfN (the starting point for the Golden Thread). Further, the approach to developing the SR submission that was adopted means that officers have clear and current insights into the priorities of TfN members at the point at which the planning process is initiated in earnest following receipt of the funding allocation.

4. Challenges and Options:

4.1 As noted 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.
- 3) The delivery model that will be adopted for Rail Operations arising from the Williams-Shapps review.

This means that TfN faces uncertainty across all areas of both its operational and programme expenditure. Moreover, the financial dynamic in relation to the Core reserves means that the fundable activity level in 2022/23 will be driven more by the year three outturn position than by the funding notionally available in year.

4.3 In addition, as noted in 3.2, some of the potential delivery options for NPR could have fundamental implications for TfN, not least because the corporate functions are scaled in line with the programme and in turn funded through recharges into the programme.

4.4 Transport for the North therefore currently has no 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 Consistent with the 2021/22 process, Transport for the North therefore has three broad options:

- 1) To attempt to predict the outcome of the policy decisions / Spending Review 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 policy / funding certainty is achieved.
- 3) Delay business planning activity until the outcome of the policy decisions / Spending Review 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 2022/23 and the full Spending Review 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 Spending Review announcement, is likely to require senior management to focus on the approval of the NPR SOC.
- 4.10 Following consideration of these options, TfN has adopted Option 2 as its preferred approach until such time as we have greater clarity on policy and funding. It is noted that, dependent on the final position on these matters, it may be necessary to reconsider the type of business planning process that needs to be undertaken and the approach that is adopted to deliver it.
- 4.11 Given these challenges and the interaction with the development of the Spending Review submission, the 2022/23 business planning process commenced at the beginning of October.
- 4.12 The prioritisation exercise will require teams to classify activity under one of the following three categories:
1. Required to fulfil or support a statutory function or fulfil a statutory requirement (i.e. the renewal of the STP).
 2. Activity to which we believe TfN is committed or that we consider critical to achieving its objectives.
 3. Activity that we would like to undertake.

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 2022/23 and beyond.
- 5.2 The business plan document will set out TfN's vision, mission, and objectives for 2022/23, 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 the work that was undertaken to develop our Spending Review submission.
- 5.3 This will require TfN to produce a high-level output plan for 2022/23 that includes both external deliverables and internal development. Additionally, as per 4.2 above, we will need to consider plans for 2023/24 and 24/25. The level of detail required at this stage for the later years will be dependent on the level of Core settlement that TfN receives and the period over which it is confirmed.
- 5.4 Consistent with the 2021/22 process, 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 2021/22 outturn upon which planning for 2022/23 will be based.

5.5 The business planning process to be undertaken 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 National Highways (formerly Highways England)) to mutually understand objectives and resourcing levels / requirements to ensure that activity is neither duplicated nor missed. This will require engagement with partners once TfN has an outline of its approach to delivering its objectives.
- 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 high level planning.

5.6 The target output from the business planning process is a fully resourced and costed workplan that will provide a framework within which TfN will operate during 2022/23 and an associated operating budget.

5.7 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 additional processes to be put in place.

6. Corporate Considerations:

Financial Implications

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

Resource Implications

6.2 The resource implications have been considered and are included in the report. The organisation recognises UNISON, should changes to delivery model be required, full and proper consultation will be undertaken with UNISON and any employee affected

Legal Implications

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

Risk Management and Key Issues

6.4 The key risks are identified within the report.

Environmental Implications

6.5 As this is an internal planning document, a full impact assessment has not been carried out.

Equality and Diversity

6.6 Equalities considerations have been included in the report.

Consultations

6.7 A consultation has not been carried out because this is an internal planning report.

7. Background Papers:

7.1 None

8. Appendices:

8.1 Transport for the North Spending Review submission to DfT.