

Meeting: Transport for the North Board

Subject: Funding & Business Planning 2022/23 Update

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1. Purpose of the Report:

1.1 For the Transport for the North Board to be briefed on and discuss the current funding position and business planning process for 2022/23.

2. Recommendations:

2.1 That the Board notes the challenges and approach to the 2022/23 Business Planning process.

3. Funding:

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. 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 (instead filling vacancies through fixed term or temporary arrangements) until September 2021 at the earliest, when it was hoped that greater clarity regarding some of these issues will be available. Such clarity has not been forthcoming and therefore the pause on permanent recruitment remains in place.

3.5 The submission for the 2021 Spending Review (SR) process (Appendix 1) provided an opportunity to reconfirm with members the vision and objectives of TfN. 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.

- 3.6 The importance of receiving earlier notification of our funding allocation was set out in TfN's SR submission. As part of TfN's regular business planning cycle we would normally seek to reference our funding allocation at the November / December Board meeting. This was not possible last year as we did not receive notification until early January, which had a number of negative consequences for TfN. It was hoped, given the timing of the SR in October that DfT would be able to provide earlier communication of TfN's funding position this year.
- 3.7 However, discussions with senior DfT officials have indicated that TfN will not receive notification of its funding allocation until January, nor can any indication be provided as to quantum of funding that will be allocated. Combined with the continued delay to the IRP (at the time of writing expected to be released in mid- to late-November), this ongoing uncertainty exposes TfN to a broad range of risks including the ability to robustly business plan and budget, continuity of workstreams, resource management and staff morale. These risks could be exacerbated significantly by the substance of the IRP publication and funding notifications once they have been received.
- 3.8 In those discussions it has been made clear to officials that the ongoing lack of clarity regarding NPR funding or delivery arrangements into 2022/23 is likely to impact the programme as a result of delays to resourcing and procurement activity. This has been mitigated to date by "in principle" commitment to individual procurements from the department, but this will become less sustainable as we approach the new financial year. In the best case this will lead to delays in 2022/23 as the procurement and resourcing "lag" is made up – in the worst case it could lead to the loss of critical embedded knowledge.
- 3.9 Further, it has been made clear to officials that any change to the organisational arrangements for NPR will have consequential implications for the rest of TfN. As has been previously noted at the board, there are significant linkages between our core funded activity and the NPR programme. This was recognised explicitly in the £1.5m allocation into the NPR programme budget to cover its share of central costs that was agreed for this financial year, and the extent of direct recharges that exist, particularly in relation to TAME support for NPR. A change in the NPR working arrangements would therefore require a reconsideration of the extent and structure of TfN's Core funded operations.

4. Business Planning Challenges and Approach:

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.

4.3 Moreover, once the allocations are received, TfN should have a much greater level of certainty regarding its medium-term financial position than it has had from the one-year settlements in 2020/21 and 2021/22. TfN will therefore need to be mindful of its forecast level of General Reserves at the end of year-three (2024/25) when considering fundable activity levels in 2022/23.

4.4 In addition, as noted in 3.2 and 3.3, 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.

- 4.5 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. 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 Given these challenges and the interaction with the development of the Spending Review submission, the 2022/23 business planning process, focusing on prioritisation in the first instance, commenced at the beginning of October.
- 4.7 This prioritisation exercise will require teams to classify activity under one of the following three categories:

Required to fulfil or support a statutory function or fulfil a statutory requirement (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.

This information will then be used to expedite the planning process once the current uncertainty is resolved.

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 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 4.3 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.
- 5.3 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 while monthly and quarterly financial performance reporting will continue as normal. Budget Revision 2 will form the 2021/22 outturn upon which planning for 2022/23 will be based.
- 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. Scrutiny Committee

- 6.1 The TfN Scrutiny Committee considered an earlier version of this report at its meeting on 4 November. The Committee recorded its concern that TfN planning for 2022/23 is being hampered by delays to both funding allocations and the IRP, and that continued delays would result in increased costs to TfN.

7. Corporate Considerations:

7.1 *Financial Implications*

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

7.2 *Resource Implications*

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.

7.3 *Legal Implications*

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

7.4 *Risk Management and Key Issues*

The key risks are identified within the report.

7.5 *Environmental Implications*

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

7.6 *Equality and Diversity*

Equalities considerations have been included in the report.

7.7 *Consultations*

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

8. Background Papers:

8.1 None.

9. Appendices:

9.1 Appendix 1 - Transport for the North Spending Review submission to DfT.