

**Meeting:** Rail North Committee

**Subject:** Train Operating Companies Annual Business Plans 2025/26

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**Sponsor:** Martin Tugwell, Chief Executive Officer

**Meeting Date:** Monday 15 July 2024

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**1. Purpose of the Report:**

- 1.1 To provide an update and overview of the process for shaping the Northern and TransPennine Trains (TPT) business plans for the 2025/26 financial year.
- 1.2 To approve Transport for the North (TfN)'s strategic priorities for input into the Annual Business Plan process for the train operator 2025/26 business plans.

**2. Recommendations:**

- 2.1 That the Committee considers and approves, subject to any amendment agreed by the meeting, the strategic priorities in paragraph 3.13 as TfN's input into the train operator business plans for 2025/26.
- 2.2 That the Committee considers recommending to the Secretary of State that operators should be required to set their annual business plans in the context of their 5-year strategic plans and in the context of the 10-year service specification that it is under development.

**3. Main Issues:**

**Background**

- 3.1 All contracted train operators, whether operated by the private sector or public sector, are subject to annual business planning. Operators are asked to set out their proposals against a budget provided by the Department for Transport (DfT) as funder of services. These arrangements cover Northern and TPT but do not apply to locally specified services such as Merseyrail and Tyne and Wear Metro.
- 3.2 As a party to the Rail North Partnership (RNP), Transport for the North is in a unique position to help shape the business plans for Northern and TPT by providing input at each main stage of the process. In previous years, this has been done through a combination of this Committee's Member Working Group and through lead officers, working closely with RNP.
- 3.3 It is recognised that the Annual Business Planning process can limit the depth of contributions that partners and stakeholders can make in terms of shaping the plan outcomes. As a result, the annual plans are often iterations of the previous year's plan and opportunities to plan for and develop the service offer over time more limited.
- 3.4 At the Committee meeting on 21 February 2024, the Committee approved the RNP proposal to work on a 10-year re-specification of the baseline for both operators as a way of enabling a discussion on longer-term service development and investment. Whilst this will sit outside the Annual Business Plan process, it does provide the opportunity to agree a direction of travel within which to develop

services. Work on this re-specification has commenced. The two-year programme of work includes information gathering and specification development over summer and Autumn/Winter 2024. This will be followed in Spring 2025 with analytical assurance of the specification proposal and business case, and in Summer 2025 seek approval to proceed. It is currently anticipated that implementation of specification will be for the 2027/28 annual business planning cycle.

### **2025/26 Priorities**

- 3.5 The train operator budgets (set by DfT) for 2025/26 are expected to remain challenging and operators will have to continue to focus on the “must haves”. However, the operator’s annual business plans do allow for inclusion of a 5-year medium term plan, so they have an opportunity to set out direction of travel and a pipeline of priorities. TfN should press that it is a requirement of operators that they should set out the annual business plans in the context of their 5-year plans. In addition to showing how the proposals in each year’s annual business plan are consistent with their 5-year plan, they should also be required to demonstrate how it is consistent with the longer term 10-year specification.
- 3.6 The TfN Strategic Transport Plan sets out the key role that our rail system has to play in transforming the North in terms of economic growth, reducing the environmental impact of our transport system and improving social inclusion. The operator business planning process can be used to start building the case for expansion of the rail offer. TfN’s work to develop the Northern Playbook (to provide advice to partners on how to strengthen transport business cases so that they better reflect the economic context and wider societal and environmental benefits) will support this ambition.
- 3.7 In terms of the immediate task, it is expected that the template for business plans for 2025/26 will follow previous years’ format and cover the following areas:
- Leadership and Management (including culture)
  - People Plan (the workforce including recruitment, training, and diversity)
  - Collaboration Plan (working with other parts of the industry and to deliver wider economic and social benefits)
  - Train Service Operations Plan (the timetable and trains to be operated)
  - Customer and Communities Plan (meeting the needs of passengers and communities served)
  - Revenue Plan (growing the revenue and responding to new markets)
  - Environmental Sustainability Plan (contributing to decarbonisation)
  - Accessibility Plan (both physical and broader access such as information)
  - Levelling Up (this is unique to the business plans for Northern and TPT).
- 3.8 Under the arrangements set out in the Rail North Partnership Agreement, TfN is able to input the North’s priorities and be involved in the business planning process. For 2025/26 it is proposed that that the working arrangements will be:
- Rail North Committee inputs at 3 key stages of the process:
    - i. Initial priorities (Committee meeting in July 2024)
    - ii. Finalising the specification for operators (September 2024)
    - iii. Finalising the plan once proposals have been received (December 2024/January 2025)
  - The Committee Member Working Group will be reestablished to oversee TfN’s input at stages ii and iii and a meeting will be arranged following this meeting;

- Our role through the Rail North Agreement enables a dialogue with the Rail Minister on the budget implications and trade-offs that may have to be made, and which may require other operators to step in, (reflecting the fact that the budget is a reserved matter for the Secretary of State);
- A number of lead officers from partners are once again embedded into the process collaborating with us and RNP and attending meetings/workshops.

3.9 Under the rail reform agenda, we have emphasised that TfN's role as the Secretary of State's statutory advisor on pan-regionally significant priorities must be reflected in any proposal taken forward. The updated Strategic Transport Plan (STP), adopted by the TfN Board in March 2024, forms statutory advice on how the North's transport system needs to develop in order to realise the strategic outcomes agreed by the North's Political and Business leaders.

3.10 In this way the STP provides the context within the rail industry (both infrastructure and operators) should develop its detailed proposals and plans for each successive 5-year investment period. It is therefore proposed that the agreed STP priorities are used as the basis for TfN's strategic guidance for train operators' business plans. Although TfN's formal role relates to Northern and TPT, it is recommended that TfN also has discussions with other key operators so that their business planning also takes into account the requirements of the STP. The main points from the STP which Train Operators will be required to consider include:

- a) To achieve the strategic economic, environmental, and social outcomes set out in the STP it is necessary to plan for and deliver sustained growth in both passenger and freight demand, with a target to triple rail freight's modal share and accommodate up to a tripling of passenger demand by 2050.
- b) There needs to be a focus on delivery of TransPennine Route Upgrade (TRU) as an initial phase of Northern Powerhouse Rail (NPR). As well as facilitating delivery of TRU, there should be an emphasis on building demand and developing new markets in advance of work to develop the business case for the later stages of NPR.
- c) In order to encourage and facilitate a shift to rail in advance of the implementation of these major schemes, a number of more immediate measures need to be planned and implemented as a phased programme of co-ordinated works, including bringing all stations in the North up to a common set of standards (especially with regards accessibility), progress on integrated and SMART ticketing, efficient linespeed improvements, responsive timetabling, moves towards a genuine "seven day" railway, and a programme of many small-scale enhancements to improve reliability, punctuality and resilience.

3.11 Together, the above measures will underpin accelerated economic growth arising from a more agglomerated labour market, enable a sustainable and decarbonised transport system, and reduce transport-related social exclusion.

3.12 Based on the experience of business planning in previous year, in addition to the operator's business as usual work, it is recommended that the following priorities are fed into the work for the 2025/26 business plans.

### **Priorities**

3.13 In collaboration with TfN, Northern and TPT are:

- a) Through the delivery of initiatives including the Committee's Accessibility Task and Finish Working Group programme, Stations as a Place and rolling stock

procurement and refurbishment, improve the level of accessibility, facilities, and passenger safety whilst in and around the network;

- b) To use the lessons learnt and best practice from TransPennine Route Upgrade work carried out to date to improve the approach to journey planning and disruption messaging to enhance the customer experience and promote customer confidence, including delivering consistent guidance during planned and unplanned disruption;
- c) To take advantage of changing markets and new and emerging opportunities including initiatives such as the seven-day railway to support the leisure and tourism, to grow customer demand and revenue;
- d) To support TfN and RNP, and work with other operators to develop the Training Academy initiative for the North;
- e) To consider and reflect TfN's Strategic Transport Plan priorities, including levelling up, decarbonisation and the wider social, environmental, and economic benefits and addressing Transport Related Social Exclusion, in future timetable development.

3.14 The Committee is asked to consider and discuss the priorities set out above.

#### **4. Corporate Considerations**

##### ***Financial Implications***

4.1 There are no financial implications to Transport for the North arising within this report.

##### ***Resource Implications***

4.2 There are no direct resourcing implications to Transport for the North as a result of this report.

##### ***Legal Implications***

4.3 Legal implications are included within this report.

##### ***Risk Management and Key Issues***

4.4 There are no further risk implications as a result of this report. There are two corporate risks which are being managed in relation to the viability of train services and future investment decisions and Transport for the North having a reduced role in the rail industry.

##### ***Environmental Implications***

4.5 This report does not constitute or influence a plan or programme which sets the framework for future development consents of projects listed in the Environmental Impact Assessment (EIA) Directive and therefore does not stimulate the need for Strategic Environmental Assessment (SEA) or EIA

4.6 Passenger rail and rail freight has an essential part to play in achieving our decarbonisation objectives within Transport for the North's Decarbonisation Strategy, particularly around reducing road vehicle mileage.

##### ***Equality and Diversity***

4.7 Transport for the North have not undertaken an Equality Impact Assessment, however the business plan priorities outlined in this paper have the potential to impact customers, therefore it is our view that Equality Impact Assessments should be undertaken by the train operating companies which are implementing the changes to ensure that they have both identified and addressed any equality and accessibility requirements, prior to implementation of the change.

### **Consultations**

4.8 Transport for the North Members are being consulted through this report.

### **5. Background Papers**

5.1 There are no background papers.

### **6. Appendices**

6.1 There are no appendices to this report.

### **Glossary of terms, abbreviations and acronyms used (*if applicable*)**

TfN	Transport for the North
TPT	TransPennine Trains Ltd
DfT	Department for Transport
RNP	Rail North Partnership
NPR	Northern Powerhouse Rail
SMART	Specific, Measurable, Achievable, Relevant, and Time-bound
EIA	Environmental Impact Assessment
SEA	Strategic Environmental Assessment