

Transport for the North Scrutiny Committee – Item 6

Subject: 2020/21 Business Planning Update

Author: Iain Craven, Finance Director

Sponsor: Barry White, Chief Executive

Meeting Date: Wednesday 18 December 2019

1. Executive Summary:

- 1.1 Transport for the North (TfN) produces an annual Business Plan which sets out its objectives for the coming year and how they will be delivered. This plan then provides the basis for the TfN budget. The Business Plan and Budget will be presented to the Transport for the North Board on 12 March for approval.
- 1.2 The TfN Board and Partnership Board provide regular direction and approvals for all of Transport for the North's main programmes. The TfN board has made, and will continue to make, decisions across the range of TfN's programmes that drive the activity that needs to be delivered in 2020/21 – notably activity associated with the adoption of the Strategic Transport Plan in February 2019 (including the development of the associated Investment Programme) and the ongoing development work on Northern Powerhouse Rail. In addition, there is a need to put in place the recommendations of the Blake Jones and Williams reviews and an ongoing need to ensure that both performance and longer-term franchise improvements are delivered on the rail network.
- 1.3 TfN therefore has a reasonable degree of certainty regarding the work that it needs to undertake in 2020/21. In addition to its approved programmes and work that arises from them, TfN will also need to produce a submission for the Spending Review that is likely to take place in the first half of 2020. This submission, which will be based on the outputs from the Member Working Group that has been developing the Northern Transport Charter, will provide the basis upon which TfN will operate through the next spending cycle.
- 1.4 A business planning presentation will be presented to the Executive Board on 12th December. Any feedback received from Executive Board will be shared with the Scrutiny Committee in the meeting.

2. Issue:

- 2.1 This paper provides a brief update on the 2020/21 Business Planning and budgeting process. A presentation setting out progress to date and key areas for consideration will be provided at the 8th January Partnership Board.

3. Recommendation:

- 3.1 The Scrutiny Committee is asked to note and comment on the progress of the 2020/21 Business Planning process.

4. Discussion:

- 4.1 An exercise was undertaken as part of the 2019/20 business planning process which identified TfN's key strategic priorities and identified a common 'golden thread' from strategy to delivery that was maintained throughout the process. The 'golden thread' ensured that when detailed individual departmental plans were being designed and objectives set, there was a common and coordinated approach to delivery across the organisation.
- 4.2 The Member Working Group provided an update report on the development of the Northern Transport Charter that was presented at the September TfN Board. The Board discussed and approved the summary of the Northern Transport Charter and its principles for further development, and agreed to its use to inform the upcoming Business Planning process. This work has required TfN officers to undertake an exercise to amend the "Golden Thread" to ensure that the business planning process is aligned to developing Member thinking. This identified the continuing relevance of TfN's high-level objectives and the strategic programmes underway to deliver them, with some additional detail added to ensure alignment.
- 4.3 TfN will therefore focus on the following ongoing activity during 2019/20:

Northern Powerhouse Rail

- deliver a revised business case including preferred NPR network and initial phasing of delivery agreed between government and the Transport for the North Board in January 2021
- Establish a clear programme towards delivery that will enable work to start in 2024

Strategic Rail

- drive accountability to deliver better passenger outcomes and deliver the Blake Jones actions

- push for greater levels of investment and smarter delivery of projects
- Better informed and more involved partners
- Delivery of the Long-Term Rail Strategy

Integrated Smart Ticketing

- Progression of phases 1&2
- Develop Phase 3 in line with the direction from the January 2020 Board

Modelling & Analysis

- Further develop and refine the analytical framework
- Deliver the analytical programme for the NPR business case
- Support TfN programmes and policy development

Strategy

- Complete the Strategic Development Corridor studies (Phase 2) and use the TfN Assurance Framework to sequence the interventions in the Investment Programme.
- Develop the Strategic Transport Plan including establishing clear evidence-based policy positions on decarbonisation and other issues, with a roadmap for updating the Plan in 2023
- Ensure that TfN has clear arrangements in place to monitor and evaluate the wider impacts of the Strategic Transport Plan, TfN programmes and transport investment
- In line with the Climate Emergency declared by many partners and TfN, there will be a focus on Sustainability and the development of TfN's policy position linking to all the programmes of activity.

Major Roads

- Work with HE on the development of the next route strategies
- Oversight of the development and delivery of MRN / LLM schemes in the North.
- Support greater integration across the SRN, MRN, rail and local transport networks, for example on plans for EV charging, Park & Ride and supporting sustainable travel modes.

In addition TfN will continue to develop the Northern Transport Charter, which will shape the emerging thinking around **A New Model for TfN** and for the basis of a **Spending Review** submission sometime in 2020.

- 4.4 As noted in 4.3, critical to delivering key elements of this activity, TfN will need to progress work on its economic and analytical frameworks. These provide the evidential underpinning for the infrastructure interventions that are likely to emerge from the work that TfN is undertaking.
- 4.5 TfN will further develop a Medium-Term Financial Strategy. Some of this activity was carried forward from 2019/20 following the one year "roll" of funding arrangements that was effected in place of a multi-

year spending review. This will reflect both the outputs of the Member Working Group in relation to the Northern Transport Charter, and the settlement achieved in the Spending Review.

- 4.6 TfN will produce a budget to support the Business Plan that allows it to deliver its activity within the constraints under which it operates. Funding sources available to TfN in 2019/21 are set out below, including ringfences. TfN will seek to achieve a balance between efficiency, effectiveness and sustainability in the decisions that it makes in relation to delivering activity, with the overarching objective of delivering Value for Money.
- 4.7 TfN has extremely limited revenue raising powers. It does not precept or levy and practically all its resources are granted to it by the Department for Transport. It is also unable to borrow (including overdraft facilities).
- 4.8 TfN has flexibility on how it deploys its Core funding. All other grants received are ringfenced to specific activity as a condition of the grant (NPR and IST). TfN recharges middle and back costs associated with activity on programmes with ringfenced funding, but TfN has no ability to transfer funding from programme allocations into other areas of activity.
- 4.9 The main funding sources for 2020/21 will be as follows:
- a) Up to £10m Core funding;
 - b) c£60m Transport Development Funding¹ for NPR – TfN is still in discussion with the DfT regarding the activity and resultant expenditure levels that will be funded;
 - c) IST Programme Grant – there is sufficient grant to meet the cost of completing Phases 1&2. The funding of Phase 3 will be dependent on the outcome of the January Board;
 - d) £1.2m Rail North Partnership and Rail Grant plus additional grants to deliver Blake Jones that are still being discussed with the DfT;
 - e) £0.37m from partner organisations for delivery of rail activity on a contracted basis; and,
 - f) £0.08m rail contributions from partners.

Available in-year grant resource is also supplemented by brought forward Core reserves. These reserves comprise savings from the early years of TfN's operations and underspends from slipped activity. Reserves are deployed in line with the Reserves Strategy, ordinarily to support 'one-off' activity rather than sustain ongoing work streams.

The amount of reserves that will be deployed to support activity will be in part determined by the amount of underspend arising in the current financial year. To-date, work has identified several pieces of activity

¹ The total NPR expenditure for 2020/21 is forecast to be £75m. Of this, c£15m is allocated to be spent by HS2 on NPR related work, whilst the balance of £60m will be spent by TfN to further develop business cases.

that will not be delivered in the current year, but now fall into the new year. Budgeted resource will be 'carried-forward' from this year to the next to support that activity.

- 4.10 The process to date has identified pressures on the Core operating budget for next year. These pressures in part reflect that TfN's current Core funding settlement was fixed in 2015 with an assumption that TfN would be able to recover its VAT costs. In 2018 HMRC confirmed that TfN would not be able to recover VAT costs, whilst TfN's Core grant has stood still at £10m. Inflationary effects and the unexpected VAT burden have reduced spending power by around £2.5m.

As part of the Business Plan exercise TfN is currently undertaking a process of refinement to ensure that it can operate within the envelope of resourcing that has been allocated to it. However, TfN officers are comfortable at this stage that the programme of activity to achieve its objective can be delivered within the funding available to it.

List of Background Documents

Required Considerations

Please confirm using the yes/no options whether or not the following considerations are of relevance to this report.

Equalities:

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

Consideration	Comment	Responsible Officer	Director
Equalities	A full Impact assessment has not been carried out because the subject matter of the report has no Equalities impact.		Iain Craven

Environment and Sustainability

Yes	No
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Consideration	Comment	Responsible Officer	Director
Sustainability / Environment	A full impact assessment has not been carried out because the report has no direct sustainability or environmental impacts.		Iain Craven

Legal

Yes	No
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Consideration	Comment	Responsible Officer	Director
Legal	The TfN Legal team has confirmed there are no legal implications.	Julie Openshaw	Dawn Madin

Finance

Yes	No
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Consideration	Comment	Responsible Officer	Director
Finance	The financial implications have been considered and are included in the report.	Gareth Sutton	Iain Craven

Resource

Yes	No
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Consideration	Comment	Responsible Officer	Director
Resource	Resourcing implication have been fully considered as part of the business planning process and the necessary resource plan	Stephen Hipwell	Iain Craven

	for FY2020/21 developed.		
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Risk

Yes	No
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Consideration	Comment	Responsible Officer	Director
Risk	There are no specific risk issues associated with this report.	Haddy Njie	Iain Craven

Consultation

Yes	No
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Consideration	Comment	Responsible Officer	Director
Consultation	A consultation process has not been carried out as it is not required for this report.		Iain Craven