

Transport for the North Audit & Governance Committee – Item 4

Subject: 2019/20 Business Planning Update

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Sponsor: Iain Craven, Finance Director

Meeting Date: Thursday 19 December 2018

1. Executive Summary:

- 1.1 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 TfN Board on 7 February for approval.
- 1.2 The TfN Board and Partnership Board provide regular direction and approvals for all of TfN'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 2019/20 – notably the adoption of the Strategic Transport Plan, the development of the associated Investment Programme, the ongoing delivery of the IST smart programme, and the submission of the SOBC for Northern Powerhouse Rail. In addition, there is 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 2019/20. 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 second half of 2019. This submission will provide the basis upon which TfN will operate through the next spending cycle and will itself be informed by a corporate strategic planning process to be undertaken in the first half of 2019/20.
- 1.4 The business planning process was presented to the Scrutiny Committee in November 2018 and this report reflects the comments made by the committee. A report was also provided to the December 6th Partnership Board.

2. Issue:

- 2.1 This paper provides a brief update on the 2019/20 Business Planning and budgeting process. A presentation setting out progress to date will be provided at the 19th December Audit & Governance Committee.

3. Recommendation:

- 3.1 The Audit & Governance Committee is asked to note and comment on the progress of the 2019/20 Business Planning process.

4. Discussion:

- 4.1 An exercise was undertaken as part of the 2018/19 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 TfN officers have undertaken an exercise to revisit the validity of those objectives and confirm that the "golden thread" is still relevant to TfN planning. This identified the continuing relevance of TfN's high-level objectives and the strategic programmes underway to deliver them. This was confirmed by the outputs from the Partnership Board in September which approved activity across all TfN's programmes.
- 4.3 TfN will therefore focus on the following ongoing activity during 2019/20:
- a) Northern Powerhouse Rail - iterate the Strategic Outline Business Case for the new lines and commence Outline Business Cases for the other corridors (18-24 month process);
 - b) Strategic Rail – hold the industry to account for the delivery of Franchise commitments and the recovery of May 2018 performance;
 - c) Strategic Rail - delivery of the Long-Term Rail Strategy including input to the Trans-Pennine Route Upgrade Strategy;
 - d) Complete the Strategic Development Corridor studies and develop and monitor the delivery of the Investment Programme;
 - e) Major Roads - input to three strategic road studies, critical friend role on RIS2;
 - f) Integrated Smart Ticketing - finish the roll out of the National Smart on Rail programme and complete the procurement of the ABBOT back office;
 - g) Modelling & Analysis - develop our analysis and modelling capability so that we can accurately represent the economic ambition of the North in our business case submissions;

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- h) Develop a 5-year corporate strategic plan / Develop a spending review submission.
- 4.4 In addition, TfN will undertake the following supporting activity in relation to its primary objectives:
- a) Strategy - activity complementing the Strategic Transport Plan (updates to reports on freight & logistics, international connectivity and sustainability);
 - b) Innovation (Economic analysis, Strategy);
 - c) Modelling & Analysis - consolidation / quality assurance of analytical framework;
 - d) Major Roads - Major Road Network readiness;
 - e) Integrated Smart Travel - Smart Phase 2 delivery.
- 4.5 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.
- 4.6 TfN will develop a Medium-Term Financial Strategy. This will require further work to be performed in relation to its purpose and operating model during the next spending review period. This work will be carried out in the first half of the financial year and will inform the business planning process for 2020/21.
- 4.7 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 are currently assumed to continue in their current form, 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.
- 4.8 The main funding sources for 2019/20 will be broadly as follows:
- a) Up to £12m Core funding;
 - b) £1m release from reserves (per the Reserves Strategy);
 - c) £30m Transport Development Funding¹ for NPR;
 - d) £50m IST Programme Grant;
 - e) £0.9m Rail North Partnership and Rail Grant;
 - f) £0.04m rail contributions from partners.
- 4.9 The process to date has identified pressures on the core operating budget for next year. These are driven by the level of activity that TfN is tasked with undertaking, and TfN is currently undertaking a process

¹ The total NPR expenditure for 2019/20 is forecast to be £52m. Of this, £22m is allocated to be spent by HS2 on NPR related work, whilst the balance of £30m will be spent by TfN to further develop business cases.

of refinement to ensure that it can operate within the envelope of resourcing that has been allocated 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.	Sasha Wayne	Iain Craven

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	The resource implications have been considered and are included in the report.	Stephen Hipwell	Iain Craven

Risk

Yes	No
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Consideration	Comment	Responsible Officer	Director
Risk	There are no risk implications considered within the report.		Iain Craven

Consultation

Yes	No
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Consideration	Comment	Responsible Officer	Director
Consultation	There is no requirement for consultation in relation to the matters set out in this report.		Iain Craven