



Llywodraeth Cymru
Welsh Government

POLICY AND STRATEGY

Financial support for Transport for Wales (TfW) 2023 to 2024

This letter was sent to Transport for Wales to formally tell them what their budget is for the financial year 2023 to 2024.

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Following the Welsh Government's approval of its final budget for the financial year (FY) 2023-24, I am pleased to provide the detail of your funding arrangements.

I have approved a total annual budget settlement for Transport for Wales of £276.269 million revenue allocation and £314.554 million capital allocation for FY 2023-24. TfW can incur expenditure in the specified financial year up to the limit of each budget line, in accordance with the strategic aims in the current Term of Government Remit Letter, the agreed delivery activities outlined in TfW's Corporate Strategy and Business Plan.

Your activity and expenditure must align with the allocation for the Welsh Government Budget Expenditure Lines (BEL) set out below. Further detail is available in the tables sent by the partnership team. Any variances to this profile must be agreed by your partnership team and the relevant policy officials who will require approval from ministers. This includes any variances arising from changes to the Welsh Government's priorities and / or budget availability. A TfW finance dashboard will also be developed in collaboration with my officials to allow the Welsh Government to monitor and report on expenditure.

Revenue

- BEL 1895 Transport Wales: £245.805 million
- Department for Transport: £18.600 million
- BEL 1880 Bus Support & Local Transport: £9.506 million (includes £5.96 million of pass-through funding for Traws Cymru services)
- BEL 2000 Concessionary Fares: £1.078 million
- BEL 2001 Youth Discounted Travel: £0.170 million
- BEL 2030 Sustainable Travel: £0.250 million
- BEL 1892 Road Safety: £0.518 million
- BEL 1885 Network Operations: £0.300 million
- BEL 1884 Network Operations: £0.042 million

Total Revenue Settlement: £276.269 million

Capital

- BEL 1895 Rail Capital: £196.172 million
- Department for Transport: £9.793 million
- BEL 1880 Bus Support: £47.740 million
- BEL 2030 Sustainable & Active Travel: £56.422 million (includes £49.977 million of active travel pass-through grants for local authorities)
- BEL 1885 Network Operations: £0.577 million
- BEL 1888 National Transport Infrastructure: £3.850 million

Total Capital Settlement: £314.554 million

TfW may be required to undertake further in-year activities, additional to those set out in the TfW Business Plan 2023-24, subject to ministerial approval and the availability of funding. Any proposed additional activities for TfW will be subject to the Change Control Process, and any additional funding will be added to the budget settlement for TfW.

The terms and conditions of this budget settlement are set out at Annex 1. In order to allow TfW to draw down funding in arrears based on actual expenditure, we will consider providing a small amount of upfront working capital. This will improve the accuracy of payments based on actual expenditure, rather than forecast amounts.

We recognise these figures present a number of rail funding pressures against your financial forecast in the Business Plan 2023-24 and that you will continue to work with the Welsh Government's partnership team and policy officials to address and mitigate these as well as planning for future years.

The Welsh Government's indicative budget for 24/25 has already been

published and it would be helpful to have a draft business plan and cost forecast to inform our budget process by the end of July that takes into account this budget envelope.

Annex 1: Terms and Conditions of Funding

The Remit Letter and Framework Agreement issued to TfW set out various operational requirements and make reference to government guidance and policies that TfW are required to comply with, in addition to its own duties and responsibilities as a part of the public sector in Wales.

The funding will be paid to TfW as a grant monthly in advance based on the Company's monthly claim. Advance payments made to the Company will be off-set against the cumulative funding limits during the monthly grant draw-down process. Funding for items subject to VAT will be provided on the basis of invoices supplied by TfW. A reconciliation of the Company's accrued expenditure will be undertaken during the Period.

Funding will be provided in accordance with budgeting guidelines for public bodies and should be utilised and reported on as such.

The Cumulative Revenue Funding Limit and Cumulative Capital Funding Limit are inclusive of any VAT liability that TfW will incur but is unable to recover.

Whilst TfW as a company limited by guarantee must produce its annual accounts in accordance with the Companies Act, as a company wholly owned by WG it is also required to submit to WG adjusted accounts which conform to accounting requirements for Public Bodies as set out in the Financial Reporting Manual (FRoM). These adjusted accounts will be consolidated into the Welsh Government group accounts. The timing for submission of these are as set out in the Management Agreement. Further, where any action by TfW has budgeting or accounting implications for WG then it is incumbent on TfW to identify these

at the earliest opportunity and advise WG of what these implications are.

The approved capital figure for grant-in-aid includes approval to purchase the requisite parcels of land as set out in your Business Plan 23/24, provided that all acquisitions are in accordance with HM Treasury Red Book valuations. Any variance to these capital acquisitions need to be submitted to Welsh Government accompanied by an Accounting Officer note, confirming that they are content with the variance.

Please note that rolling stock and other lease costs included in the funding requirement above are calculated on a OLR grant agreement contractual basis (near cash) as opposed to IFRS 16 (the new lease accounting standard which Central Government is adopting from 1 April 2022). These costs will be converted to an IFRS 16 basis at a later date as part of a wider exercise to convert budgets.

Your day to day contact with the Welsh Government will be through the partnership team (TransportSponsorship@gov.wales). Oversight and monitoring arrangements as agreed between yourselves and your partnership team will ensure compliance with the TfW Business Plan and Welsh Government financial standards.

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