



Scott Waddington
Chair, Board of Directors
Transport for Wales
Pontypridd

15 March 2024

Dear Scott

Welsh Government Financial Support for Transport for Wales (TfW) 2024-25

Following the Welsh Government's approval of its final budget for the financial year (FY) 2024-25, I am pleased to provide the detail of your funding arrangements.

I have approved a total annual budget settlement for Transport for Wales of £376.075m revenue allocation and £181.612m capital allocation for FY 2024-25. 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 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. The TfW finance dashboard will be required to be updated to allow the Welsh Government to monitor and report on expenditure.

This funding does not include the allocation from the UK Government and other sources which have yet to be agreed for next financial year. We expect this to include around £27m for track access charges and England-only services and £4-8m (or possibly higher) for CVL operating and renewals. The Welsh Government will confirm this funding in due course.

Revenue BEL Allocation (£m)			
Division	Budget Expenditure Line		TfW Allocation
Public Transport	Transport for Wales - Rail	1895	364.736
	Transport for Wales - Analytical Unit	1895	1.452
	Transport for Wales - Co-op Agreement	1895	0.300
	Bus Support	1880	3.282
	Bus Support - Traws Cymru Grants	1880	6.000
Transport	Sustainable & Active Travel	2030	0.28
Strategy	Local Transport Priorities	1892	0.025
		Total	376.075

Capital BEL Allocation (£000)			
Division	Budget Expenditure Line		TfW Allocation
Public Transport	Transport for Wales - Rail	1895	75.217
Transport Strategy	Bus Support	1880	41.900
	Sustainable & Active Travel	2030	7.925
	Sustainable & Active Travel - Grants	2030	50.000
SRN	Network Operations	1885	6.570
		Total	181.612

TfW may be required to undertake further in-year activities, additional to those set out in the TfW Business Plan 2024-25, 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 2024-25 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.

This letter will be published on the Welsh Government's website.

Yours sincerely

Lee Waters AS/MS
 Y Dirprwy Weinidog Newid Hinsawdd
 Deputy Minister for Climate Change

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.

You must ensure that the use of the funding is compatible with the Subsidy Control Act 2022 and the applicable agreements contained in the World Trade Organisation rules, UK-EU Trade and Cooperation Agreement, and any Free Trade Agreement involving the UK and the Northern Ireland Protocol.

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 (FRM). 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 24/25, 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.