



# Memorandum on the Transport MEG Draft Budget Proposals for 2025-26

## Climate Change & Economic Infrastructure Committee

08/01/2025

This paper provides information on the Transport budget proposals as outlined in the 2025-26 Draft Budget published on 10th December 2024. It also provides an update on specific areas of interest to the Committee.

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## Strategic Context

In the context of the new Cabinet's priority of Connecting communities, my transport budget has been developed based on the following prioritisation:

1. Maintain rail services and complete CVL.
2. Improve the safety and resilience of the SRN by an additional 100km of roads in poor condition (potholes) and progressing with major asset renewal.
3. Develop bus services, fleet, and infrastructure for franchising.
4. Continue to support development of Regional Transport Plans and delivery of local schemes.

In ensuring that the FM's priorities, there is an overall increase of £33m revenue over 24/25 (excluding approximately £32m additional A465 MIM commitments to be covered by central funding and £5m Local Government borrowing initiative). On the capital side, there is an increase of £51m to support the completion of the CVL, improve the SRN, and maintain grants to local authorities.

## Resource

The changes made from the 2025-26 Indicative Final Budget in Feb 2024 (restated to account for portfolio changes are as follows:

<b>Resource Movements</b>	<b>Plans as per 2024-25 Final Budget Restated September 2024</b>	<b>Changes</b>	<b>2025-26 Draft Budget December 2024</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Fiscal Resource			
3830 - Strategic Infrastructure Development	950	0	950
Motorway and Trunk Roads Operations	59149	58758	117907
1884 - SRN Contractual Payments	9681	48176	57857
1885 - SRN Operations & Renewals	49468	10582	60050
Road, Rail, Air and Sea Services	391549	-6749	384800
1883 - National & International Connectivity	4172	-72	4100
1890 - Frontline Rail Services	600	-600	0
1895 - Rail Service Support	386777	-6077	380700
Sustainable Travel	125202	22298	147500
1880 - Bus Service Support	123337	9163	132500
1882 - Regional Transport & Active Travel	0	7800	7800
2030 - National Policy Development and Projects	1865	5335	7200
1892 - Road Safety	5000	-5000	0
1250 - Armed Forces	20	350	370
	581870	69657	651527
Non-Fiscal Resource			
1886 - Network Operations Non-Cash	188691	0	188691
1886 - Transport for Wales Non-Cash	38000	0	38000
	226691	0	226691
<b>TOTAL RESOURCE BUDGETS</b>	<b>808561</b>	<b>69657</b>	<b>878218</b>

The main changes relate to the following:

- BEL1884 – Additional funding re contractual A465 MIM project and additional allocation for roads management
- BEL 1885 – Additional allocation for roads maintenance
- BEL 1895 – Additional allocation for TfW rail services/BEL 1890 merged
- BEL 1880 – Additional allocation for statutory bus support
- Restructuring BELs 1882, 2030 and 1892/Additional funding for government borrowing initiative
- BEL 1250 – Support for Armed Forces Liaison Officers

## Capital

The changes made from the 2025-26 Indicative Final Budget in Feb 2024 (restated to account for portfolio changes are as follows:

<b>Capital Movements</b>	<b>Plans as per 2024-25 Final Budget Restated September 2024</b>	<b>Changes</b>	<b>2025-26 Draft Budget December 2024</b>
	£'000	£'000	£'000
3830 - Strategic Infrastructure Development	5000	0	5000
1885 - SRN Operations & Renewals	185300	1100	186400
1895 - Rail Service Support	95497	86100	181597
<i>Sustainable Travel</i>	188000	-32200	155800
1880 - Bus Service Support	68000	-37000	31000
1882 - Regional Transport & Active Travel	40000	80000	120000
2030 - National Policy Development and Projects	80000	-75200	4800
1892 - Road Safety	4000	-4000	0
<b>TOTAL CAPITAL BUDGETS</b>	<b>477797</b>	<b>51000</b>	<b>528797</b>

The main changes relate to the following:

- BEL 1895 - Additional for rail infrastructure/Core Valleys Lines
- BEL 1880 – Adjusted profile for bus infrastructure
- Restructuring and BELs 1882, 2030 and 1892

## Cross cutting themes

### Preventative Spend

These budget proposals reflect my continuing commitment to protect and prioritise investment that supports preventative measures as far as possible. Value for money and clarity over how we use our resources effectively is central to delivering our priorities. Once expenditure is planned in line with priorities, we have well-established processes in place to ensure that resources are used effectively for the purposes intended.

Specific metrics are used to evaluate support programmes, as set out in the Wales Transport Strategy for example.

The assessment and value for money is referenced below.

### Evidence-based policy making

Evidence from a wide range of sources underpins our financial decisions such as published research, engagement with stakeholders, previous policy evaluations and statistics. This is embedded in decision making with some examples as follows:

Transport for Wales update and publish on our behalf monitoring and evaluation data for the Wales Transport Strategy that is used to track progress against achieving the priorities and ambitions and identify any areas where further interventions may be required to meet our targets. This is part of the broader work that the analytical unit in TfW carries out on behalf of the Welsh Government to support the assessment of policies and schemes to deliver our shared ambitions and statutory duties using bespoke data collection and synthesis and Wales-wide transport models.

### Well-being of Future Generations Act

My draft budget preparations show how I have sought to reflect the framework of the Wellbeing of Future Generations Act in setting our spending priorities. Current trends and future projections have been considered and their potential impacts in the short, medium and longer term.

## Equality, Welsh language and children's rights assessment

As part of the Draft Budget, I have taken an integrated approach to impact assessments, as well as considering the impact of decisions and policies on social, economic, cultural and environmental well-being, as set out within the Well-being of Future Generations (Wales) Act, which continues to be an important driver guiding our Budget considerations.

My Budget sets out the impacts of spending decisions, including highlighting spending decisions that directly impact on our stakeholders. This is complemented by the Strategic Integrated Impact Assessment (SIIA), outlining the strategic evidence and impacts that have supported spending decisions.



## Legislation

Legislation will be introduced next year which will reform the way bus services are provided, allowing public bodies to work together to plan and deliver the local bus network people need in Wales. This legislation will not have any significant budget implications in 2025/26, though there is an increase in the bus budget to help maintain the existing network ahead of bus reform beginning in 2027.

## Climate Change

The draft Budget supports my focus on decarbonising transport in line with our Net Zero Wales policies. Investments in electric vehicle charging infrastructure will support the switch to zero emission cars and vans and funding for zero emission buses will deliver cleaner and modernised services. My investments in public transport and active travel will encourage modal shift to sustainable transport modes. Revenue allocations will support the development of evidence-based carbon abatement policies for Carbon Budget 3.

# Transport

## 1 Strategic Road Network

### Revenue

#### a. SRN Contractual Payments (£57.857m)

I have created a new budget line to remove the operation and maintenance element of the SRN from the payments required for contractual commitments: -

- A55 DBFO Payments are continuing until 2028. The repayment is forecast to be £18m for 2025/26.
- Cleddau Tolls commitment of £3m per annum and being paid until 2039.
- A465 Section 5 & 6 MIM Annual Service Repayment cost of £36.857m

All the above are committed contractual obligations.

#### b. SRN Network Operations and Renewals (£60.050m)

The total SRN revenue requirement is £81.230m in 25/26 (excluding repayments for A465 MIM). This increase reflects the significant maintenance backlog and the FM's priority to fix roads.

The funding is required to undertake the day-to-day operation and maintenance for the SRN across Wales. Costs cover the statutory duties under the Welsh Government Trunk Road Maintenance Manual, the arrangements under the Welsh Government Managing Agent Agreement for the two trunk road agents along with the Welsh Government Traffic Officer services which operates on key high-flow routes in north and south Wales.

## Capital

### c. SRN Operations and renewals (£186.4m)

The uplift in revenue allows for more efficient use of capital budgets and will support a significant uplift for maintenance of the Strategic Road Network (SRN), needed to meet the Welsh Ministers' statutory commitments. As part of this I am creating a road improvement fund that will allow the improvement of up to 100km of the network (reducing and preventing potholes) and is the first step in addressing the road condition backlog.

## 2 Transport Strategy and Policy

I have re-organised the budgets which support local authority transport investment and our national transport policies. This affects the budget lines previously described as 'Local Transport Priorities', 'Sustainable and Active Travel' and 'Road Safety'. In future, the 'Regional Transport and Active Travel' budget line will cover investment by local authorities and Transport for Wales to support the delivery of the Regional Transport Plans, which are currently being developed by Corporate Joint Committees. The 'National Policy Development and Projects' budget line will cover spending on national transport policy.

## Revenue

### a. National Policy Development and Projects (£7.2m)

Next year, I am increasing the transport strategy-rated revenue budget allocation from £6.9m to £7.2m to enhance the resources available for road safety, decarbonisation, policy and evidence.

### b. Regional Transport (£7.8m)

Funding for Regional Transport includes £2.8m of funding for local authorities to carry out road safety training and for the Corporate Joint Committees to continue work on Regional Transport Plans.

Over the past two financial years, we have awarded each Corporate Joint Committee (CJC) £225,000 towards development of the Regional Transport Plans. CJsCs have made good progress on their RTPs and are due to consult in early 2025. Funding for Regional Transport will allow a further contribution towards the work of the CJsCs on their Regional Transport Plans.

An additional £5m resource funding is being allocated to the Transport MEG in 25-26 for a local government borrowing initiative to enable Local Authorities to borrow up to £60m to combat potholes and support other maintenance on their local road networks.

Allocations for LA grants are dependent on the applications received for local authorities, which are due to be submitted by 20 December and will be assessed in early 2025. The latest information (spend and current year allocations) for all grant schemes apart from the Active Travel Fund (which is covered separately) is shown below:

	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>
Local Transport Fund – capital	53,011,591	48,622,595	17,635,108	20,944,956	23,065,289	Share of c£100m
Local Transport Network Fund – capital	3,686,410					
Resilient Roads Fund – capital	18,836,877	17,933,248	4,600,474	7,392,692	9,073,000	Share of c£100m
Unadopted Roads – capital		1,307,172		458,328		Share of c£100m
Covid 19 – capital	12,743,431	1,030,000				
Ultra Low Emissions Transformation Vehicle Fund – capital			1,593,784	6,678,336	6,589,213	Share of c£100m

Road Safety – capital	3,925,722	2,770,002	1,024,138		3,553,177	Share of c£100m
Road Safety – revenue	628,520	2,028,539	1,326,091	1,630,356	1,597,645	Up to £2m
20MPH – capital		435,673	7,913,628	21,318,995	7,432,131	Share of c£100m
20MPH – revenue		1,365,372				
Total	92,832,551	9,436,575	34,093,223	58,423,663	51,310,455	TBC

<b>Active Travel spend (current year allocations) - all</b>						
	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>
Total £	49,717,860	64,007,369	56,970,829	59,658,715	65,282,338	TBC
Population*	3,169,586	3,131,640	3,131,640	3,131,640	3,131,640	3,131,640
Total per capita	£15.69	£20.19	£18.19	£19.05	£20.85	TBC

#### EV charging infrastructure

Final plans for EV charging infrastructure in 2025-26 are still being finalised. These will include completing phase 1 of EV infrastructure installation at railway stations and beginning phase 2. They are also likely to include a training programme to upskill LA staff, annual maintenance of existing infrastructure on the strategic road and railway network and work to identify target areas for EV installations using an evidence-based approach.

Funding in previous years for the Ultra Low Emissions Vehicle Transformation Fund and other local authority grants are shown below.

<b>LA capital grant allocations</b>						
	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>
Ultra Low Emissions Transformation Vehicle Fund	Nil	Nil	1,593,784	6,678,336	6,589,213	Share of c£100 m
Local Transport	53,011,591	48,622,595	17,635,108	20,944,956	23,065,289	Share of c£100 m
Resilient Roads Fund	4,141,501	6,554,231	3,458,343	4,727,367	6,149,338	Share of c£100 m
Unadopted Roads	Nil	1,307,172	Nil	458,328	989,487	Share of c£100 m
Road Safety Grant	3,925,722	2,770,002	1,024,138	Nil	3,553,177	Share of c£100 m
20MPH Implementation	Nil	435,673	7,913,628	21,318,995	7,432,131	Share of c£100 m

### 3 Public Transport

#### Transport for Wales

The allocations in the draft budget are based on the first draft of TfW's forecasts for 25-26 developed over the summer. This is the earliest that we have received TfW's initial top-down estimate of forecast future year costs and is the result of significant efforts across both organisations to align budget-setting processes. Further work has been undertaken since then and two challenge sessions with TfW's executive team are scheduled in early December to further interrogate and challenge cost and income assumptions. Full budget documentation will be revised and provided to WG in early January. It would be premature, therefore, to provide a more detailed breakdown of TfW's full budget allocation for 25-26 but we will share any available information in advance of the CCEI scrutiny session in January.

#### Revenue

##### a. Rail Service Support (£380.700m)

Following agreement with HM Treasury, there has been an increase in this year's rail budget of £18.72m to support the operation, maintenance, and renewal of the CVL. Once this increase has been accounted for and following ongoing significant scrutiny and challenge of the TfW budget, there will be a reduction of £7.7m in the revenue budget to support rail operations, including those related to the South Wales Metro. This includes a circa £10m challenge to TfW to reduce costs and increase revenues. [Following the incident on the rail network at Talerddig, although there is currently no indication that additional funding will be required, there is a possibility of consequences for the cost of maintaining or replacing rolling stock.]

The revenue funding that I have allocated allows for the delivery of the Wales and Borders Rail franchise by TfW on behalf of Welsh Ministers. As part of this TfW will continue delivering on our Programme for Government commitments. They will finish delivering the brand-new rolling stock, which is already providing new, faster, and more comfortable trains as well as increasing the resilience of the services which are operated by the rail franchise thus improving performance for customers.

##### b. Bus Service Support (£132.5m)



Appropriate levels of funding for bus networks are key as we plan for bus franchising through the forthcoming Bus Bill, to ensure that services are not lost. The bus budget has remained cash flat for some years, but I am now able to allocate an additional £9m to mitigate additional costs of services, and the demand-led concessionary fares scheme.

In 2024-25 the Bus Network Grant was established to fund local authorities to secure the services they deem socially necessary. This funding scheme sits alongside the longstanding Bus Services Support Grant. These will both continue in 2025/26, as will support for the Community Transport sector. I will also continue to provide funding to Transport for Wales for preparatory work for franchising, the management of the TrawsCymru network, Fflecsi services, the provision of timetable information through Traveline Cymru.

## Capital

### c. Rail Service Support (£181.597m)

Our continued investment in the Core Valley Transformation Project will deliver a truly modern rail network, that operates 100% clean electric trains on the infrastructure we own. It will change the way people travel by improving journey times and service frequency, encouraging more people to use the railways. Furthermore, the investment makes a significant contribution to our PfG commitment to make the public transport system more accessible to disabled people by ensuring stations have step free access and improved access on the new rolling stock. My priority therefore is to support the completion of the transformational CVL project, and I have allocated £181.6m to the rail capital budget (including non-CVL elements).

### d. Bus Service Support (£31m)

I am supporting further phasing of bus capital budgets through a £31m allocation next year, including the purchase of new buses. This has allowed the prioritisation of Cabinet's priorities.

#### 4 National and International Connectivity

##### Revenue

##### a. National and International Connectivity (£4.1m)

The aviation budget has been renamed the National and International Connectivity budget to reflect my planned allocations to support freight, marine, data collection, and analysis, as well as ongoing work on the future of Cardiff Airport.

#### 5 Armed Forces

##### Revenue

##### a. Armed Forces (£0.37m)

I have increased the Armed Forces budget next year to continue to support for Armed Forces Liaison Officers and Wales Armed Forces Day.