

Ken Skates AS/MS

**Ysgrifennydd y Cabinet dros Drafnidiaeth a Gogledd Cymru
Cabinet Secretary for North Wales and Transport**



**Llywodraeth Cymru
Welsh Government**

Our Ref - MA-KSNWT-0757-25

Scott Waddington
Chair, Board of Directors
Transport for Wales
Pontypridd

02 April 2025

Dear Scott

Welsh Government Financial Support for Transport for Wales (TfW) 2025-26

Following the Welsh Government's approval of its final budget for the financial year 2025-26, I am pleased to provide details of your funding arrangements.

I have approved a total annual budget for Transport for Wales for 2025-26 of £391.959m revenue and £281.645m capital. 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, your Annual Business Plan and TfW's Articles of Association and Management Agreement.

Your activity and expenditure must align with the allocation for the Welsh Government Budget Expenditure Lines set out below. Any variances to this profile must be discussed by your partnership team and the relevant policy officials who will require written approval from Welsh ministers before any variance can be agreed. This includes any variances arising from changes to the Welsh Government's priorities and / or budget availability. A monthly finance report will be required to allow the Welsh Government to monitor and report on expenditure.

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:
0300 0604400

Bae Caerdydd • Cardiff Bay
Caerdydd • Cardiff
CF99 1SN

Gohebiaeth.Ken.Skates@llyw.cymru
Correspondence.Ken.Skates@gov.wales

Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

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 £20.3m from the DfT for track access charges and England-only services. The Welsh Government will confirm this funding in due course.

We recognise these figures may present a number of rail funding pressures against your financial forecast in your Business Plan and we will continue to work with you to address and mitigate these as well as planning for future years.

Revenue BEL Allocation (£m)			
Division	Budget Expenditure Line		TfW Allocation
Public	Rail Service Support	1895	381.150
Transport	Bus Service Support	1880	9.300
NIC	National & International Connectivity	1883	1.509
Total			391.959

Capital BEL Allocation (£000)			
Division	Budget Expenditure Line		TfW Allocation
Public	Rail Service Support	1895	181.097
Transport	Bus Service Support	1880	31.000
Transport Strategy	Regional Transport and AT	1882	24.400
	Regional Transport and AT - Grants	1882	39.500
	National Policy Developments & Projects	2030	4.137
SRN	SRN Network Operations and Renewals	1885	1.511
Total			281.645

TfW may be required to undertake further in-year activities, additional to those set out in the Business Plan, 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 included in a supplementary funding letter.

In line with your Articles of Association, any land / property transactions (including sales, leases, and) not listed in the current land transaction tracker will require additional Welsh Government consent.

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. The terms and conditions of this budget settlement are set out at Annex 1.

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

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ken', enclosed within a thin black rectangular border.

Ken Skates MS

Cabinet Secretary for North Wales and Transport

Annex 1: Terms and Conditions of Funding

The Remit Letter dated 21 July 2023 and Management Framework 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 referenced in this letter 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 financial year.

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 25/26, 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 for approval 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.

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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.