

Further evidence to the CCEI Committee on TfW's 25/26 budget allocations

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 and challenge sessions with TfW's executive team took place over two days in early December to further interrogate and challenge cost and income assumptions in the second version of their budget. The outcome of these sessions will inform a further iteration of the budget in January before the Welsh Government's annual funding letter is published alongside TfW's business plan for 25-26 in advance of the start of the financial year.

It should be noted that up to last financial year, funding for the operations, maintenance, and renewal (OMR) of the CVL network was funded via transfers from the DfT to the Welsh Government's transport budgets. Following the end of this interim arrangement, this funding was for the first time this financial year included in the Welsh Government's block grant and have been subsequently included in the WG's transport revenue and capital budgets this year.

Revenue Budgets

TfW Revenue BEL Allocation (£m)		
Budget Expenditure Line		25/26 Budget
Rail Service Support	1895	380.2
Bus Service Support	1880	13.0
National & International Connectivity	1883	2.1
	Total	395.3

Rail Service Support - BEL 1895

Following this increase in the budget this financial year, next year's budget is broadly flat (following the reallocation of some items to BEL 1883 described below). This follows detailed scrutiny of TfW's forecast budget and a £10m challenge placed on TfW to increase fares revenue and reduce costs compared with initial forecasts. Experience this year has suggested that setting realistic but stretching budget targets promotes prudent financial management and commercial practices and an even greater commitment and culture of increasing revenues and reducing costs. The values in this table do not include the additional forecast funding allocation from the UK Government of around £20.2m for track access charges and England-only services which have yet to be finalised.

Next financial year will see the bulk of the work completed on the CVL transformation, associated trains operational, and new turn up and go services offered. As a result, we expect the subsidy requirement to reduce in future years.

Bus Service Support – BEL 1880

This funding will support Transport for Wales in their preparatory work for franchising, funding for and management of the TrawsCymru network, Fflecsi services, and the provision of timetable information through Traveline Cymru.

National & International Connectivity – BEL 1883

Funding for TfW's analytical unit and secondee programme that both support work across the transport portfolio will be allocated from the National and International Connectivity budget. These items were previously funded through the rail support budget.

Capital Budgets

TfW Capital BEL Allocation (£m)		
Budget Expenditure Line		25/26 Budget
Rail Service Support	1895	181.6
Bus Service Support	1880	31.0
Regional Transport and Active Travel	1882	TBC*
SRN Operations and Renewals	1885	1.6
Total		TBC

*The total available funding for local authority grants has been maintained at 24-25 levels but the value of active travel grants, which are managed and monitored on the Welsh Government's behalf by TfW, has yet to be finalised.

Rail Service Support – Rail – BEL 1895

£181.6m has been allocated next financial year to rail capital, which includes continued investment to transform and maintain the Core Valley Lines, and the ongoing delivery of new planned rolling stock to operate across the network.

Bus Service Support - BEL 1880

The bus capital budget will be used to support preparations for franchising including the purchase of replacement buses and associated infrastructure, including the establishment of a hydrogen bus pathfinder project. This will support cost effective and attractive bus services and also contribute towards decarbonisation of the transport network.

Regional Transport and Active Travel

This BEL includes funding for local authorities and Transport for Wales to develop and deliver local schemes. The total available funding for local authority grants has been maintained at 24-25 levels. Grant schemes include the Active Travel Fund, the Local Transport Fund, the Resilient Roads Fund, EV charging infrastructure, Safe Routes in Communities and Road Safety. The value of active travel grants, which are managed and monitored on the Welsh Government's behalf by TfW, has yet to be finalised and will be based on the strength of applications from local authorities, taking into account the views of CJs in advance of the devolution of decision-making through regional transport plans in the future.