

Enterprise and Business Committee

Date: 20 October 2011

Time: 10.00am to 11.00am

Title: Evidence paper - Local Government and Communities, Draft Transport Budget Allocations for 2012-13.

1. Introduction

This paper provides comments and information to the Committee regarding Local Government and Communities' future programme budget proposals outlined within the Draft Budget which was laid on 4th October 2011. It covers those areas included in the remit of the Enterprise and Business Committee, namely Transport.

2. Background

Compared to indicative plans for 2012-13 published in the Final Budget 2011-12 (as restated based on the new structure in the First Supplementary Budget 2011-12), the Transport Budget allocation within the Local Government and Communities (LGC) total MEG allocation has decreased by £61.4m in 2012-13 and £61.4m in 2013-14. The indicative plan for 2014-15, which is published for the first time, is £0.7m higher than in 2013-14. These changes are due to a reduction in non-cash budgets which is explained later in this paper and an additional allocation in 2014-15 in respect of Concessionary Fares.

The following summary financial table shows the overall effect on the Transport budget with the Departmental Expenditure Limit (DEL) baseline budget. This does not include Annually Managed Expenditure (AME) which is outside the Welsh Government's DEL. The table also shows the monetary change in £000 and percentage change in the budget from the previous year, and the monetary change in £000 change from the previous budget (in italics).

Summary Financial Tables:

Transport

	2011-12	2012-13	2013-14	2014-15
Revenue DEL	436,263*	432,729	434,830	435,571
<i>£000 Change on Previous Plan</i>		<i>(61,419)</i>	<i>(61,419)</i>	<i>741</i>
Capital DEL	234,397	218,023	194,349	194,349
<i>£000 Change on</i>		<i>0</i>	<i>0</i>	<i>0</i>

£000

<i>Previous Plan</i>				
DEL Baseline	670,660	650,752	629,179	629,920
<i>£000 Change on Previous Plan</i>		(61,419)	(61,419)	741

****As restated in First Supplementary Budget***

A breakdown of the baseline budget and proposed changes down to Action level is attached at Annex A.

3. Budget Overview

Transport is an enabler for many aspects of the Welsh economy. Within transport we aim to support a modern society that features high levels of mobility. The transport network plays a vital role in reducing poverty by supporting economic growth; linking people to jobs, delivering products to markets, supporting domestic and international trade; thereby helping to promote greater social inclusion and ensuring the sustainability of communities.

As part of the Draft Budget, an additional £0.7m in 2014-15 has been allocated for **free bus travel for pensioners and disabled people and their carers.**

The other major change to the Transport Revenue allocations is that the Transport non-cash budget reduces by £61.5m from 2012-13 onwards. This budget provides for the depreciation and impairment of the trunk road network. Although there can be a significant degree of variability in charges against this budget, in light of previous outturn performance it has been agreed that this budget will be flat-lined at 2011-12 levels of £108.7m. Ongoing reviews of trends in the trunk road valuation and depreciation charges will continue to inform the level of non-cash budget provision required in future years.

Finally, the Transport Revenue allocation for 2012-13 onwards also includes an increase for the £0.130m transfer from Environment and Sustainable Development in respect of SUSTRANS funding.

There has been a re-profiling of funding within the Transport budgets. Due to the direct delivery nature of these budgets and the management of a range of schemes and projects such as Road Construction and Concessionary Fares, changes to delivery and demand profiles have been necessary. Changes to revenue allocations at Action level reflect revised estimates for demand led activities such as Third Party Claims, and revisions to the revenue / capital balance of the Road Safety Grant.

Capital budgets for Transport remain constrained, with reductions from 2011-12 levels in line with previous published plans. Changes to capital allocations at Action level are due to the re-profiling of major rail projects, and the re-profiling of road scheme construction costs.

4. Centrally Retained Capital Fund

Bids for additional capital funding from Phase 1 of the Centrally Retained Capital (CRC) have been approved totalling £14.2m over the period 2011-12 to 2012-13. The projects approved are A470 Maes Yr Helmau to Cross Foxes Improvement (£5.2m), A470 Gelligemlyn (£6.0m), and enhancements to the railway infrastructure on the Cardiff Valleys network (£2.96m). Budget allocations for these will be made via the Supplementary Budget process.

We are engaging with the Strategic Investment team on the future phases of the CRC process.

Support for roads and public transport has seen a continued emphasis in terms of the budget available to focus on public transport, continuing to rise from 61% in 2011/12 to 64% 2012/13 (excluding non-cash resource and supported borrowings). The National Transport Plan prioritisation exercise discussed later in this paper will shape this balance in the future.

5. Programme for Government

Immediate and longer term priorities for Transport include the following:

- Prioritisation of the National Transport Plan;
- Business cases for electrification to Swansea and Valley Lines Electrification;
- Maintaining the Concessionary Fares scheme and extending the scheme to seriously injured war veterans;
- Legislation in the area of Walking and Cycling;

National Transport Plan

The Draft Budget does not reflect the potential impact of the prioritisation of the National Transport Plan which is due later this year. Work is underway to prioritise interventions in the National Transport Plan to ensure existing transport funding is used effectively and the level of resources enhanced. The prioritisation exercise is seeking greater collaboration with and between local authorities. Future investment decisions will be made against the priority to deliver higher levels of mobility and enable economic and social development. Interventions will be considered for their contribution to improving the capacity and reliability of the main east-west strategic Trans European corridors in Wales

Rail Funding

Provision for Rail Funding in the period 2012/13 – 2014/15 is split between service provision and network infrastructure improvements as follows

£000

	2012-13	2013-14	2014-15
Service Provision	172,371	171,579	171,579
Network Infrastructure	47,142	27,426	27,426

The Network Infrastructure profile reflects planned project profiles including the major North South investment planned for the next financial year.

The Welsh Government is committed to ensuring a modern and efficient rail system for Wales. Electrification of railways in Wales will be critical to this we are working closely with DfT to review the business case for electrification all the way through to Swansea, as well as developing the business case for Valleys Lines Electrification. Transport is also looking at how best to take forward the commitment to pursue greater devolution of decision making to Wales to ensure that Welsh Government has greater influence over and accountability of the railways in Wales. These key developments are policy in nature and therefore will have no material spend implications within this Budget period.

Elements of Rail activity fall within the National Transport Plan and the precise funding balance will be determined by the outcome of the National Transport Plan prioritisation.

Concessionary Fares

The Welsh Government is committed to maintaining the Concessionary Fares scheme. A three year funding deal on Concessionary Fares following negotiations with local authorities and the Confederation of Passenger Transport has been agreed, with the Transport budget contribution capped to £59.4m in 2011-12, and £62.9m in 2012-13 and 2013-14. The split between capital and revenue funding within the Budget is determined during the year based upon scheme demand and operation. This includes an agreement to extend the scheme to seriously injured war veterans.

The continuation of the Concessionary Fares Rail Scheme for 2011/12 and 2012/13 has been recently announced. The scheme costs are included within these budget plans.

The Community Transport Concessionary Fares Initiative is due to come to a close in March 2012 with future funding of this scheme subject to National Transport Plan prioritisation.

Walking and Cycling legislation.

We are committed along with our partners to supporting walking and cycling in Wales. Behavioural change is central to delivering this commitment so that more people, young and old, walk and cycle more often. We must ensure that our policies, legislation, guidance and infrastructure supports this. Otherwise, the

required behavioural change will not happen and we will not be able to deliver on the benefits to society as a whole in terms of healthier life styles and our impact on the environment.

The Highways and Transport (Cycle Routes) Bill will put in place a more robust legislative platform from which local authorities will be able to deliver a genuine transport alternative, integrated with other transport nodes and appropriate for the communities they serve.

We will need to plan our investment to focus on providing safe and attractive opportunities for people to cycle if we want to our towns and cities to compete internationally.

The current funding level for the implementation of Safe Routes in Communities walking and cycling schemes is £5m. Support for Walking and Cycling is being considered as part of the National Transport Plan prioritisation.

We will not put undue legislative pressures on local authorities without ensuring that there is appropriate support in the delivery of schemes as well as finances available to assist the delivery and maintenance of these schemes.

Sustainable Travel Centres

Funding for Sustainable Travel Centres in 2011-12 amounts to £4.5m capital and £1.5m revenue. Future years funding levels are subject to NTP prioritisation considerations.

6. Impact Assessments

In determining budget allocations, careful consideration has been given to the impact of changes on equalities. As part of last year's budget process, we undertook a significant amount of work to assess the equality impact of the plans we published. The underlying assumptions of this year's allocations are unaltered from last year's plans. Increases in allocations for priorities such as the **free bus travel for pensioners and disabled people and their carers** in 2014-15 also underline our commitment to the equalities agenda. The National Transport Plan underwent a significant Equalities Impact Assessment as part of its development process and this is still applicable and relevant. While funding is being re-profiled within budgets there are no potential impacts in terms of equalities.

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Minister for Local Government and Communities