



TRAFNIDIAETH CYMRU
TRANSPORT FOR WALES



Annual report

2022/23



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2022/23 Year at a glance

April – May

Traveline Cymru became part of TfW.

With Cardiff City Football Club, we launched a campaign to reduce the vandalism of defibrillators in Wales.



June – July

We set up arrival hubs at Cardiff Central and general railway stations to welcome Ukrainian refugees to Wales.

Sherpa'r Wyddfa, a new bus service in Eryri National Park, was launched.



August – September

Launched the From Rail to Trail campaign, highlighting walking routes that can be reached by train.

We sponsored Pride Cymru and Butetown Carnival.





October – November

Launched the Women in Transport Hub.

Opened our new train driver training facility at Chester.



December – January

Installed 6,500 metres of overhead electrification wires on the Core Valley Lines over the holiday period.



Launched our Welsh-built Class 197 trains.

February – March

Launched the TrawsCymru T1 all-electric buses, connecting Carmarthen and Aberystwyth.

Launched our Class 231 trains.

Chair's statement

Scott Waddington



Public transport needs to be at least as convenient as using a car.

At Transport for Wales, we want to change the way people travel. We want people to walk, wheel, cycle and take public transport rather than drive their car. We're supporting the Welsh Government in reducing car journeys in Wales by 10% by 2030.

If people are to stop travelling by car, they must have reliable, cost-effective and safe alternatives. This year, we made impressive gains to realise this ambition in rail. Trains such as our 197s and 231s are more accessible and comfortable. We've worked with our partners to develop Metro areas, making the business case for new stations, improving infrastructure and increasing the frequency of trains.

Public transport needs to be at least as convenient as using a car. To facilitate this, we've centralised our customer services in the Transport for Wales Customer Engagement Centre. We're setting up pilots to display live bus times at bus stops. We're investing in transport hubs to enable people to cycle, walk and wheel to rail and bus stations.

We're also simplifying ticketing. We've run trials for a single ticket that can be used on multiple buses and bus companies in North Wales. Our new app has seen digital rail tickets increase to 65% of all tickets sales. We're running pilots so people can use their bank cards to tap on, tap off on buses in North Wales.



Where we find there are substantial gaps in transport provision, we seek to bridge them. We distributed £48 million for active travel projects across Wales. We launched the electric T1 bus, linking up Carmarthen and Aberystwyth. We're using geographical data to understand the specific needs of rural communities across Wales and the borders.

We've been working closely with the Welsh Government to deliver this sustainable transport network. This year, we've co-chaired working groups, collaborated on reports and analysed data on transport in rural communities.

Collaborating with local authorities, corporate joint committees and local businesses is key to our approach. We've been supporting local authorities to develop and deliver active travel projects. The continued support of our partners and stakeholders makes our work possible. Together, we're building a transport network of which the people of Wales can be proud.

However, this process is not easy and we have had to contend with infrastructure issues, teething troubles with new trains, the knock-on effects of the UK-wide industrial action and the disruption on the Core Valley Lines as we invest for the future. On behalf of everyone involved with Transport for Wales, I would like to thank our most important stakeholder—our customers—for their forbearance as we tackle and overcome these issues.

We're always planning for future and managing current risks. To ensure we can continue to perform, we have to manage the risks from supply chains, inflation, climate change and industrial action.

We want this growth to be sustainable. The Welsh Government declared a climate emergency in 2019 and we're committed to playing our part in tackling climate change. This year, we published our Sustainable Development Plan, outlining how we'll make travel in Wales more sustainable over the next five years. Climate resilience will be integrated into all aspects of our planning and decision-making processes. Ensuring we change how people travel in Wales will be key to meeting these sustainability, net zero and well-being goals.

I want to thank our Board for their continued support and input over the year. They have adroitly steered us through another complex year. James Price, our Chief Executive Officer has continued to be an exemplary leader and he has the backing of a committed leadership team. Our colleagues have worked hard to achieve everything in this report. They have responded with agility to changing circumstances and delivered excellent customer service. On behalf of the Board, I offer them all my thanks.

This year has reaffirmed just how important public transport is for connecting communities. Over the coming years, working ever more closely with our partners, we'll continue to improve and build on those connections. This will help Wales achieve its net zero goals and provide a transport network fit for future generations.

Chief Executive Officer's statement

James Price



More people than ever are interacting with our digital platforms. There are 424,000 average monthly users of our website, up 70% on last year. Rail ticket sales on our app have increased by 55%.

For TfW, this year has been a year of recovery. Pandemic restrictions were lifted and we've had the pleasure of welcoming more people back onto our services. Passenger revenue continues to recover towards pre-pandemic levels and average rail journey distances are 14% longer than they were pre-pandemic. Working alongside local authorities, we've encouraged more people to use buses. In Snowdonia, the Sherpa'r Wyddfa service has seen passenger numbers increase to 113% of their pre-pandemic numbers.

More people than ever are interacting with our digital platforms. There are 424,000 average monthly users of our website, up 70% on last year. Rail ticket sales on our app have increased by 55%. Nearly everyone in Wales has seen our Real Social Network campaign, a multimodal transport campaign encouraging more people to walk, cycle, wheel and use public transport. We've expanded our ability to offer online travel planning by acquiring Traveline Cymru.

Which is not to say things are back to normal. The cost of living crisis and high inflation is impacting many people in Wales. We've sought to mitigate this by extending the geographical scope of our free child rail fares to Liverpool, Manchester, Birmingham and Cheltenham. In January, we ran sales on rail tickets and railcards. Refugees took an average of 7,530 free journeys a month on our rail services.

Unfortunately, we've found faults in some of our trains and after three thermal incidents, we had to remove our Class 175s from service while they underwent a complete safety investigation and subsequent upgrade. We're bringing individual trains back into service once they pass those safety checks. This process left us with a temporary shortage of trains and I recognise the impact this had and that led to real issues for customers right across Wales. I would like to thank our customers for bearing with us while we solve the problem.



We've had to adapt to external events. The Ukraine-Russia War has increased the pressure on supply lines already strained by the pandemic and Britain's exit from the EU. These events have led to unavoidable increases in the cost of our infrastructure work. We'll continue to respond to these risks and mitigate them wherever possible.

While Transport for Wales has not been in dispute with rail trades unions, and indeed has continued to build strong working relationships with our trade union colleagues, our services have been impacted by the industrial action between RMT and Network Rail. We'll continue to work with trades unions to ensure that any future disruption is mitigated as far as possible.

Extreme weather events have also impacted our services. High temperatures in July saw us having to cancel rail services in red weather warning areas. This winter, flooding has closed routes. These events reinforce the importance of sustainable travel and the need to future-proof our infrastructure. We've invested in weather stations and climate resilience measures on the Core Valley Lines so we can mitigate the effects.

We've firmly established ourselves as the Welsh Government's trusted partner in delivering transport projects and the relevant commitments in Llwybr Newydd: the Wales transport strategy 2021. We're using our expertise to propose alternatives to road expansion and provide research on 20mph speed limits. We're collaborating with Welsh Government to help more people walk, cycle and wheel to their destination. We've contributed to the Roads Review and the Burns Delivery Unit to propose alternatives to travelling by car.

I want to thank the people of Wales and the borders for their patience as we transform public transport. In the short term, some of our infrastructure changes are disruptive, sometimes in a very real way. In the long term, measures such as electrifying tracks, building footbridges and expanding stations will provide sustainable travel and connect communities for generations to come.

This year, we introduced a new operating model (the way we run our business) that will allow us to be more agile when responding to future transport needs. In recent years, we've welcomed Transport for Wales Rail Limited, Pullman Rail Ltd, PTI Cymru as well as infrastructure, cleaning and catering colleagues to the TfW family. This change will allow us to be one organisation and operate more effectively and efficiently. It will allow us to become a truly multimodal transport provider.

I want to thank my colleagues for all their hard work over the year. This report is a testament to their impressive achievements. To support them, we've invested in learning and development. We set up a working group for equality, diversity and inclusion. We've prioritised the mental and physical well-being of our colleagues through greater occupational health support and training mental health first aiders. We're committed to eliminating the gender pay gap and this year our median gender pay gap for colleagues employed on TfW Group contracts has narrowed to 14.0%. We're offering employment to people who have been or are in prison to give them a second chance. Through graduate schemes and apprenticeships, we're developing the skills of younger generations.

Finally, I thank our Chair Scott Waddington, the Board and partners for their hard work, constructive challenge' and support.





About Transport for Wales

We're changing travel behaviour. We want fewer journeys by car and more people walking, wheeling, cycling and using public transport. We're building an integrated transport network, providing seamless and simple travel. Our transport network will contribute to the long-term economic and environmental sustainability of Wales and the borders.

Our vision

Our vision is to create customer focused services through a safe transport network of which Wales is proud.

Our work focuses on improving connectivity. We achieve this by planning, commissioning and managing efficient transport networks and by drawing on the best skills from across industry, government and society.

Our purpose

Our purpose is to provide sustainable transport services that keep Wales moving.

Transport connects people and communities, underpins sustainable development and enables economic growth. Better public transport and services will result in real benefits for people, including better access to employment and educational opportunities.

Our values

Fundamental to everything we do are our values. They are ingrained in our culture and our ways of working. We'll create trust with our customers, colleagues and stakeholders, founded on:

- Being safe – health, safety and well-being
- Being the best – high performance, at pace
- Being positive – can do, will do
- Being connected – enterprising and networked
- Being fair – integrity and equality
- Creating shared success – passion for the best deal

Our role

TfW collaborates with other transport providers, partners, communities and stakeholders. Together, we deliver a safe, accessible, reliable, sustainable, affordable and integrated transport network.

TfW does not set policy nor exercise any statutory functions. We're the Welsh Government's transport delivery partner, expert adviser and advocate for everything transport related. Everything we do is within the Welsh Government's policy framework.

Our structure

Transport for Wales (TfW) is wholly owned by the Welsh Government. We're a not-for-profit organisation. We have three operating subsidiaries: Transport for Wales Rail Limited (TfW Rail), TfW Innovation Services Limited and Pullman Rail Limited.

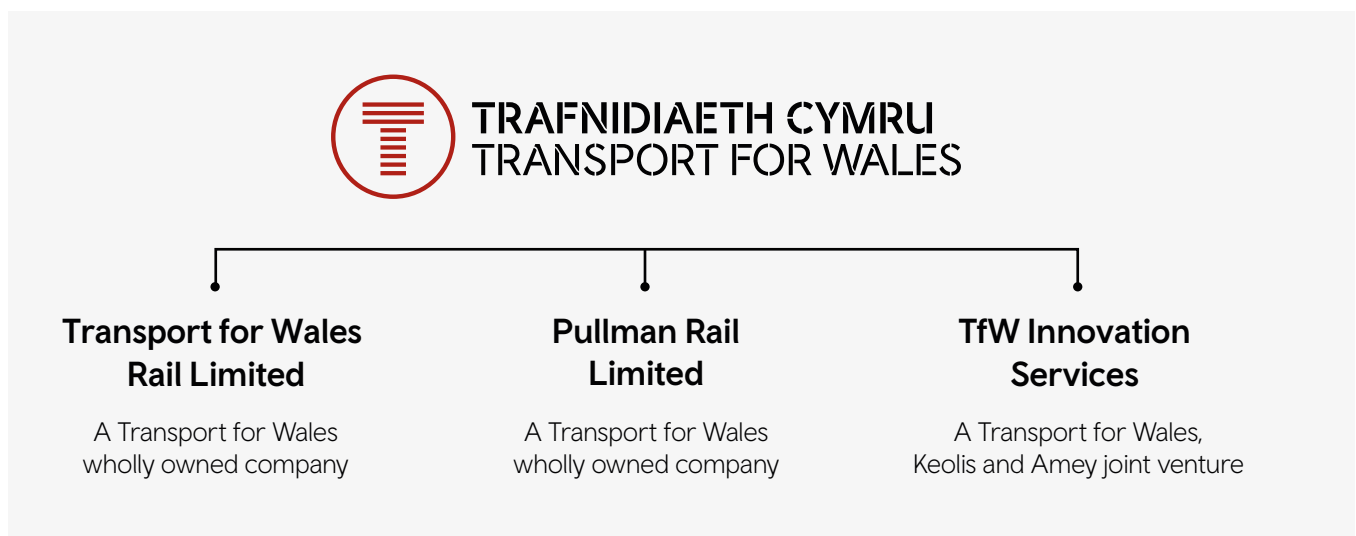
This year, we introduced a new operating model (way we operate as a business). It was introduced to enable better modal integration and collaboration across our business. As our remit expands, it will allow us to respond with agility to changing transport needs and policies. In addition, we combined our IT systems, making it much easier for us to work together as one team.

TfW Rail is responsible for the day-to-day operation of rail services on the Wales and Borders network. TfW Rail was created as the Welsh Government's appointed Operator of Last Resort and succeeded KeolisAmey Wales as the operator of the network in February 2021.

TfW Rail manages 248 stations and operates all mainline services wholly within Wales as well as services connecting Wales with Chester, Shrewsbury, Liverpool, Manchester, Crewe, Bidston and Cheltenham.

Pullman Rail Limited operates as a stand-alone company, delivering services under its own brand. Pullman Rail Limited provides technical rail expertise, specialist engineering solutions, rolling stock upgrades and repair, refurbishment and maintenance of all passenger and freight rail vehicles.

TfW Innovation Services Limited is a joint venture between TfW, Keolis and Amey. TfW has the majority shareholding. The company provides specialist expertise and capability to drive innovation and change for the wider TfW group, enabling the delivery of an integrated multimodal transport system for the people of Wales and the borders.





A message from Lee Waters MS, Deputy Minister for Climate Change

An efficient, effective and accountable multimodal transport authority is essential to encouraging more people to make sustainable travel decisions. In TfW's remit that I issued last year, I set out our priorities for TfW to support us in encouraging people to make sustainable travel decisions in order to meet our Llwybr Newydd target of 45% of journeys by sustainable modes by 2040. The achievement of this will require a cultural transformation across TfW and the Welsh Government to ensure that the sustainable transport hierarchy in the Wales Transport Strategy is at the heart of decision making.

The scope, scale and complexity of services now delivered by TfW has grown significantly since its inception. As a result of these significant changes and to better align with our shared objectives, TfW has implemented new approaches to improving integration and promoting a multimodal approach. We therefore expect to see the benefits of this re-alignment in terms of efficiency, agility and—most importantly—outcomes.

Bus services will be the next primary focus of our sustainable transport agenda across both organisations. Over this Senedd term, we are not only legislating to re-regulate bus services through a franchise model but we will also consider all aspects of bus service provision including infrastructure, road allocation, accessibility and integration. TfW will have a key role in supporting the development and implementation of the new model for planning and delivery of services.

TfW's role is key in improving the delivery of active travel infrastructure across Wales, in terms of scale and quality, and maximising the benefits of the significant investment that the Welsh Government is making. Working with us, local authorities, and other partners, TfW will therefore have a key role in driving the behaviour change needed to see the step change in active travel rates that the achievement of our carbon targets require.

Finally, achieving our broader ambitions to decarbonise the network, reduce inequalities and support rural communities will require working with other partners, in particular in local government and we are developing our ways of working in partnership with local authorities across all modes to ensure their knowledge of local transport issues inform our work across the Welsh Government and TfW.

Therefore, much remains to be done. Unfortunately, infrastructure improvements have caused and will continue to cause disruption to travellers particularly on our rail network that is benefitting from its largest investment for generations. I understand the frustration that this has caused to travellers and to the communities affected and thank them for their patience and understanding. This work is essential to build a multimodal, integrated transport network that works for Wales both now and for future generations.

Lee Waters MS



Traws Cymru

Traws Cymru

CE72 YOL

Executive Director of Finance and Governance's report

Heather Clash



"Now more than ever, we need to ensure that everything we do is providing value for money to the people of Wales."

This year, we have seen our revenue increase and more people return to rail travel. Our plans for the future as part of the transformation programme for the Core Valley Lines and South Wales Metro will support the economy with increased rail services. We're increasing the ease of travelling by public transport by improving journey planning and simplifying ticketing. Collaborating with local authorities, we're improving active travel infrastructure. Taken together, these projects will enable the people of Wales to change how they travel.

TfW has good working relationships with our trade union partners and has not been in dispute with them. However, we have still been significantly impacted by the wider industrial action. It resulted in cancellations and impacted our revenue. Such cancellations also have the potential to undermine customers' confidence in our ability to deliver services. Should this industrial action continue, we'll do all we can to mitigate the impact of it.

Most of our capital expenditure has gone on developing infrastructure and new trains, especially on transforming the Core Valley Lines as we develop the South Wales Metro. As we enhance our infrastructure to improve services, there will be disruption for communities which we continue to minimise wherever possible. Infrastructure work again makes up a substantial proportion of our carbon emissions—a fact for which we have planned and remains one of our areas of focus. The short-term repercussions are necessary for the long-term goals of modern and sustainable public transport.

We're also developing other forms of transport. This year, we've awarded £48.1 million to fund over 250 local authority active travel projects and certain active travel related rail projects across Wales. We launched new electric buses, expanded cycle facilities in stations and explored alternatives to the car in rural areas.

To facilitate building a truly multimodal transport network, we've introduced a new operating model. It will allow us to move with greater agility between transport projects and we'll be able to better integrate active travel with public transport. This will enable us to take the next step in increasing services across Wales.



Now more than ever, we need to ensure that everything we do is providing value for money to the people of Wales. With our current funding from the Welsh Government, we'll continue to be cost effective and ensure our services are as affordable as possible.

We understand that such value for money needs to be combined with transparency and good governance. We have a strong governance framework comprising Transport for Wales's Board, its committees and subsidiary company boards, the executive leadership team and governance groups to enable informed and quality decision making. They support and challenge our work, ensuring that we're providing the best possible transport network for the people of Wales.

Performance for the year

The table below sets out the results of the TfW Group for the year. Expenditure is split by type of grant funding. Our spend was in line with our remitted funding and other authorised spend, which was varied during the year due to the response to the coronavirus pandemic.

The results are based on the central government budgeting boundary. The results exclude the performance of Pullman Rail Limited which is classified as an arm's length public corporation and therefore outside the boundary other than for financing transactions and distributions.

Expenditure	Welsh Government funding (remit and additional)	Outturn			
		Total expenditure (excluding commercial projects)	Less European Regional Development Fund capital funding	Less external revenue	Total Welsh Government funded outturn*
Revenue budget	£312m	£441m	-	(£129m)	£312m
Capital budget	£535m	£613m	(£78m)	-	£535m
Total	£847m	£1,054m	(£78m)	(£129m)	£847m

*The total Welsh Government outturn is made up of the following elements:

	Outturn				
	Rail services grant funding	Bus and active travel grants to Local Authorities	Other Welsh Government remit grant funding	Welsh Government non-grant funded activity	Total Welsh Government funding
Revenue grant funded expenditure	£263m	£3m	£43m	£3m	£312m
Capital grant funded expenditure	£102m	£48m	£377m	£8m	£535m
Total	£365m	£51m	£420m	£11m	£847m

The rail services grant funding received relates to payments made under the grant agreement to operate the Wales and Borders rail franchise which is administered by TfW on behalf of the Welsh Government.



The performance of the rail franchise is below. Rail revenue has continued to recover from the impact of the coronavirus pandemic to close to pre-pandemic levels. However, due to impacts of the pandemic, we are yet to achieve the incremental growth that was anticipated based on pre-pandemic assumptions when Welsh Government awarded the rail services contract to KeolisAmey in 2018.

Rail franchise revenue subsidy	£000
Total passenger and other non-Welsh Government revenue	£154,138
Staff costs	(£184,602)
Rolling stock charges (pre IFRS 16 basis)	(£149,820)
Performance charges (net of income from Network Rail and other train operating companies for service disruptions)	£19,081
Infrastructure charges	(£61,344)
Other operating costs	(£34,705)
Total operating expenditure	(£257,251)
Interest, depreciation and amortisation	(£4,919)
Welsh Government revenue subsidy required before IFRS 16 adjustments	(£262,170)
IFRS 16 funding adjustments	(£638)
Welsh Government revenue and lease subsidy required	(£262,808)

Our financial statements

The consolidated income statement shows a loss for the year of £26 million, down from the £30 million loss in 2022. TfW applies a revaluation policy to its rail network assets, which results in the annual depreciation of £44 million (in 2022, £44 million) for the rail network being significantly higher than the grant funding of £15 million (in 2022, £14 million) to acquire and improve the rail network which is amortised through the income statement. This will therefore result in an ongoing annual loss in the income statement alone. This loss is offset through a transfer within the Statement of Changes in Equity from the revaluation reserve to retained surplus of £29 million (in 2022, £30 million).

The retained surplus/(loss) after these adjustments is set out below:

Revenue subsidy	2022/23 £000	2021/22 £000
Surplus/(loss) before reserves transfer and rail franchise acquisition adjustments	(£26,026)	(£29,732)
Reserves transfer	£29,045	£29,622
Other OCI movements	£565	£44
Retained surplus/(loss) for the year	£3,584	(£66)

As TfW and TfWRL are not for profit, the retained surplus is made up mainly of timing differences within TfWRL in relation to leases and corporation tax as well as performance in Pullman Rail Limited.



Total expenses for the year were £656 million (in 2022, £565 million). This growth is driven by an increase in non-rail related activity (for example, development of future bus strategy) alongside inflationary increases, growth in staff and other costs related to new rolling stock for more frequent services.

We also facilitated direct grant payments to local authorities of £3 million of TrawsCymru bus grant payments and £48 million of active travel grant payments (netted within the Statement of Comprehensive Income as TfW acts as administering agent to Welsh Government, not grantor).

At the end of the year, the capital assets we hold were valued at £3.4 billion (in 2022, £2.7 billion). We incurred £541 million of Welsh Government and European Regional Development Fund grant-funded capital additions during the year (in 2022, £286 million) as well as £25 million of capital grant-funded expenditure (in 2022, £6 million) in relation to spend which is eligible for capital grant funding but does not meet the criteria for capitalisation on our balance sheet; this is included within administrative expenses in the income statement.

We assess the worth of the Core Valley Lines rail network through a valuation process, which is set out in note 8 to the accounts. The valuation is based on a modern equivalent depreciated replacement cost. The value as at March 2023 is £2,135 million, an

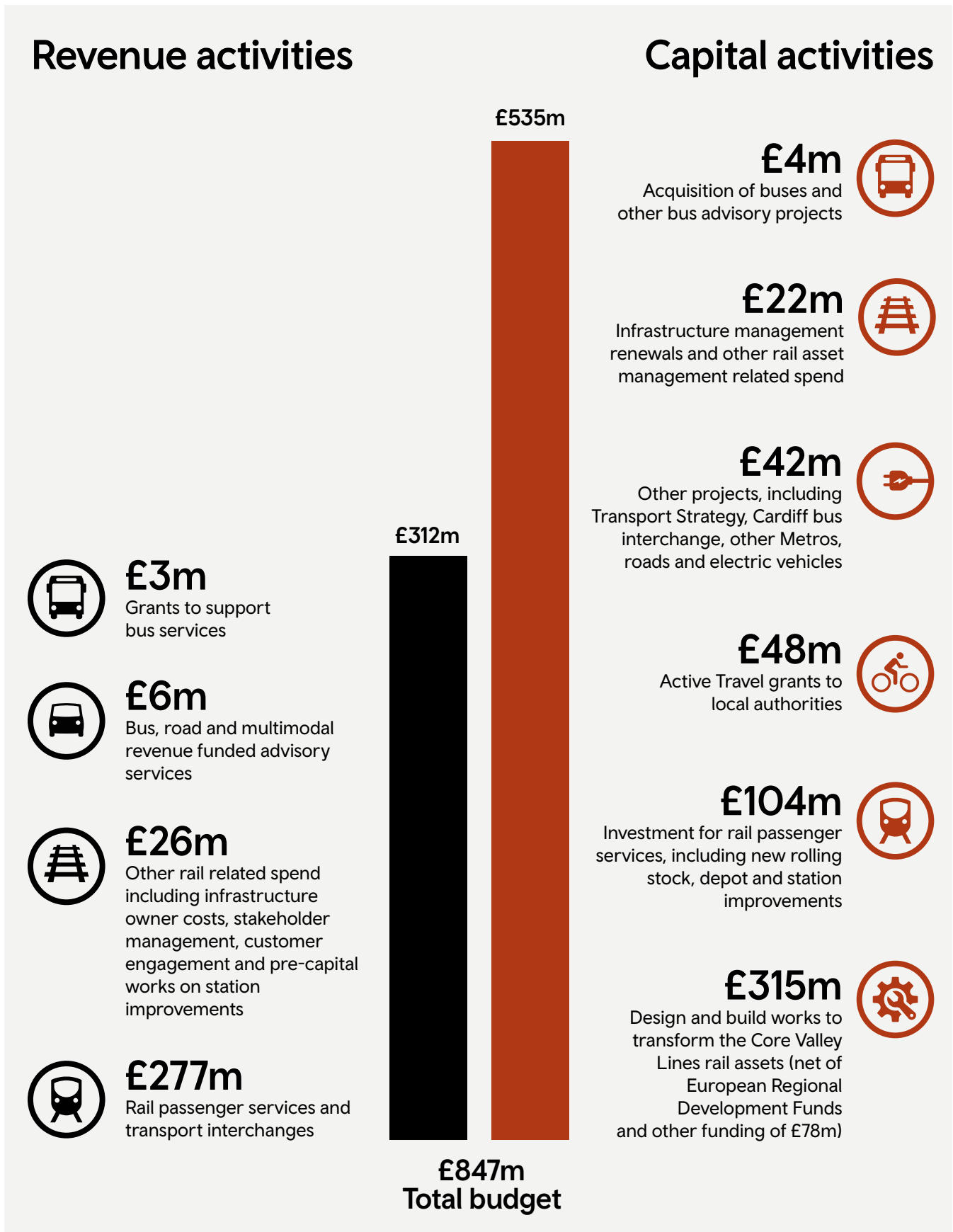
increase of £101 million compared with the previous figure primarily due to indexation as well as £23m of capital renewals and some further revisions in useful lives as our detailed understanding of the asset base continues to improve following the acquisition in March 2020 from Network Rail.

Most of our property, plant and equipment assets are rail infrastructure-related but we also hold £282 million (in 2022, £173 million) of other in-use capital assets. These include property, rolling stock, plant and machinery, leases, IT and software and data licences. We have £959 million (in 2022, £474 million) of assets under construction as at March 2023, which includes the programme of works being carried out to support the development of the South Wales Metro and capital costs in relation to the introduction of new fleet.

We have £262 million of current assets, mostly trade receivables and £289 million of current, short-term liabilities, mainly accrued trade payables. Invoiced trade payables are relatively low (£40 million) as we aim to pay all suppliers promptly.

We have non-current liabilities of £1,729 million, of which the majority relate to deferred capital grant balances to be released against the assets. The remainder includes defined benefit pension liabilities, leases and related dilapidations provisions.

How we spent our Welsh Government funding during 2022/23





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TRANSPORTS FERROVIAIRES
Lignes de France
Lignes européennes



Changing travel behaviour

We want fewer people travelling by car. A shift to using public transport, walking, wheeling and cycling will only happen if those options are easy to use, cheap and safe. That's why we're using behavioural science to encourage people to change the way they travel.

It will give people greater opportunities and increased motivation to make sustainable travel choices. We're helping people make changes to how they travel with training, support and by removing barriers. Some of these projects are local, targeted interventions to change the behaviour of specific groups and communities. Others are Wales-wide, intended to encourage transport behaviour change nationally.

Behaviour change steering group

We set up a cross-organisation behaviour change steering group to oversee our plans to encourage behaviour change. We're developing our new behaviour change strategy. Our strategy is guided by four high-level goals:

- reduce private car use
- increase the use of active travel
- increase the use of public transport
- increase the use of behavioural science within TfW.

We use the Capability, Opportunity, Motivation and Behaviour (COM-B) analysis to understand the barriers that prevent people from travelling more sustainably. This analysis allows us to target our projects to minimise these barriers.

The Real Social Network campaign

In April, we launched The Real Social Network. It is the first Wales-wide, multimodal public transport campaign. The campaign includes TV, radio, and social media advertising. Shot at locations around Wales, it shows ordinary people using public transport to visit the people and places they love.

This 18-month campaign is encouraging more people to use public transport and active travel when seeing family and friends, commuting to work and travelling for leisure. In Wales, projections show 99.4% of adults have seen or heard our campaign. The campaign has increased traffic to our website and engagement with our social media channels.

To measure the impact of the campaign, we've developed a bespoke evaluation model, built around the COM-B model of behaviour change. This model allows us to evaluate a range of measures including media interest, commercial impact, behaviour change and cost-effectiveness. We're also surveying customers to understand campaign performance.

Rail Rambles

We're supporting Rail Rambles to deliver guided rambling walks in mid-Wales from railway stations. By engaging with the general public of all ages—particularly those who may have an interest but have lacked the confidence to join in—we've encouraged the use of using rail to reach walking routes. Through our website and social media channels, we promote the health and well-being benefits of exploring the Welsh countryside on foot. Over the past 12 months, Rail Rambles have delivered 56 walks to 1,017 walkers, of whom 783 travelled by train (77%).

Confidence to travel

We've been working with school, college and community groups to give them the confidence to travel on public transport. This includes catering for the specific needs of disabled people with anxiety, loss of sight or limited mobility. We incorporate safety and confidence training into the events.

Cost of living campaign

In January 2023, we launched a major marketing campaign to promote price reduction offers to mitigate the rising cost of living as cost is a key barrier to behaviour change. We targeted commuters and customers undertaking long distance, inter-city, leisure travel. A key dimension of this campaign was to encourage the sustained adoption of train travel. There was no limit to the number of price reduced tickets a customer could buy. Downloading the TfW app was promoted as retail trends demonstrate that customer retention is strongly linked to app adoption. Early indications show a growth in commuter and leisure rail journeys of around 32,000 additional journeys through the campaign period. TfW app downloads and website visitors also rose, indicating an increase people planning and purchasing sustainable train journeys over the longer term.



99.4%

of adults in Wales are projected to have seen or heard our Real Social Network campaign





Integrating transport

At TfW, we're making journeys by public transport, walking and cycling more seamless and efficient. Through Traveline Cymru and TrawsCymru, we're making it easier for people to plan journeys across transport modes. This planning allows more people to travel sustainably.



Transport for Wales Customer Engagement Centre

This year, we created our Transport for Wales Customer Engagement Centre. It centralises customer relations of PTI Cymru, the PTI contact centre, South Wales fflecsi and concessionary contact centre and the Customer Relations team.

We aim to provide a best in class, multimodal and bilingual service to the travelling public. We're upskilling our customer teams to ensure that they can respond to fluctuations in demand.

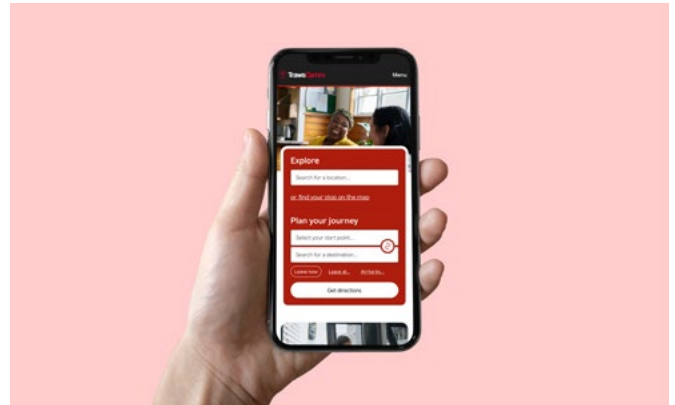
We wrote the Future Contact Centre strategy, outlining how we'll centralise all customer contact needs across the business over the next three years. This includes new and pilot projects such as Pay-As-You-Go ticketing, Coaches for Capacity, Electric Vehicles and others currently outsourced to suppliers.

PTI Cymru (Traveline Cymru)

PTI Cymru (Traveline Cymru) was the Welsh Government funded public transport information service in Wales. It became part of TfW on 1 April 2022. Traveline Cymru services allow people to plan journeys by bus, train, cycle, plane and on foot. It provides fares and ticketing advice and travel alert information. This year, the customer contact centre received 385,958 calls. In the same period, the Traveline Cymru website and the customer contact centre provided over 3.3 million pieces of information on journey planning and timetables to people travelling in Wales.

TrawsCymru

TrawsCymru is our long distance bus services across Wales and to certain destinations in England. We launched a new app and website for TrawsCymru. It combines journey planning, route information, live vehicle tracking, mobile app tickets and carbon saving relative to travelling by car.



Hearing Enhanced Audio Relay application

We trialed a new app that provided customers with hearing loss personalised journey information announcements. It was successfully tested on TfW trains on the Rhymney to Penarth route. The app notifications are in both audible and readable formats. Hearing Enhanced Audio Relay was funded by the Department for Transport through its £9m 'First of a Kind 2021' competition.



3.3 million pieces of information on journey planning across website and contact centre



385,958 calls this year to our customer contact centre



Ticketing

To make public transport easier and cheaper to use, we've extended free rail travel for children, discounted fares and dynamic pricing. We're integrating tickets so customers will only need one ticket for journeys using different modes of transport. By developing innovative digital solutions, we're reducing waste.

Train travel post-pandemic

Post-pandemic, there's been a shift in how and when people travel by train: we've seen our revenue increase and more people return to rail travel.

There have been changes on specific days and changes in travel behaviour. On Sundays, demand is 107% of pre-pandemic levels. Average journey lengths are up 14%.

Giving our customers value for money

We've ensured that more people can benefit from our services.

Between July and December 2022, we reintroduced dynamic pricing and improved our Advance Purchase On Departure product, allowing customers to buy cheaper fares up to five minutes before travel.

In January 2023, we introduced a number of cost-of-living fare offers, including an Advance ticket sale, discounted Multiflex fares and a sale on Local Railcards.

In March 2023, we extended our free child fares offers to include people traveling to and from Liverpool, Manchester, Birmingham and Cheltenham.

Refugees took an average of 7,530 free journeys a month on our rail services.

TfW app

We launched our bilingual TfW app, increasing ticket revenue generated from the app by 55%. Based on feedback, we made usability improvements to allow customers to:

- spread payments over three instalments using PayPal 'Pay in 3'
- login quicker via touch and face ID
- find quieter trains via the Capacity Checker
- added a dark mode option to save phone battery life and eye strain.

We were announced as the 2022 Digital Champion at the Transport Ticketing Global awards.

One ticket for bus and train

We're working towards customers only needing one ticket even when traveling on multiple different forms of public transport. This year, we introduced a single ticket pilot for the T1 bus route between Aberystwyth and Carmarthen and connecting train travel.

Selling tickets in partnership

In partnership with Trainline, we launched digital barcode rail season tickets, increasing the use of smart ticketing to over 65% across the network.

In partnership with Payzone and Silverrail, we launched a 12-month pilot for people to buy rail tickets from their local corner shop or convenience store.



14%

Average journey lengths are 14% longer than pre-pandemic



Seddi
Seats
17 - 24



Rhybudd
Ffwrddw a chysio
weddi ar ymroddwr
ydd a drwyddwr.

Caution
Don't get on the
train when the
doors are closing.

Seddi
Seats
25 - 40



Active travel

Active travel means walking, wheeling and cycling. By 2040, the Welsh Government has set the target of 45% of all journeys being made using sustainable transport. We want active travel to be the preferred option for short, everyday journeys.

TfW is working with the Welsh Government, local authorities and Sustrans Cymru to deliver active travel projects, helping Welsh local authorities to fulfil their legal requirement to map and plan suitable routes for active travel.

Active Travel Fund programme

We manage the Active Travel Fund programme on behalf of the Welsh Government. We work with local authorities to identify, develop and deliver active travel routes.

This year, we've supported local authorities in delivering over 250 individual schemes across Wales by managing the £48.1 million awarded to them by Welsh Government.

Station Network Plans

We're collaborating with local authorities to develop Station Network Plans to improve active travel access to public transport services for medium and long-distance journeys. In 2022/23, we focused on our railway stations. We've completed plans for Bridgend, Haverfordwest, Llanelli, Neath and Pontypridd stations. We've worked with local authorities to develop designs for 11 routes to five further stations (Bangor, Flint, Holyhead, Shotton and Wrexham General).

Active Travel Network development

For the Welsh Government, we led the review of the Active Travel Network Maps developed by local authorities to fulfil their duties under the Active Travel (Wales) Act 2013. Using our strategic knowledge of multimodal travel, we provided suggestions for enhancements and amendments to strengthen the proposals. As a result, 21 of the 22 local authority maps have now been approved by the Deputy Minister for Climate Change.

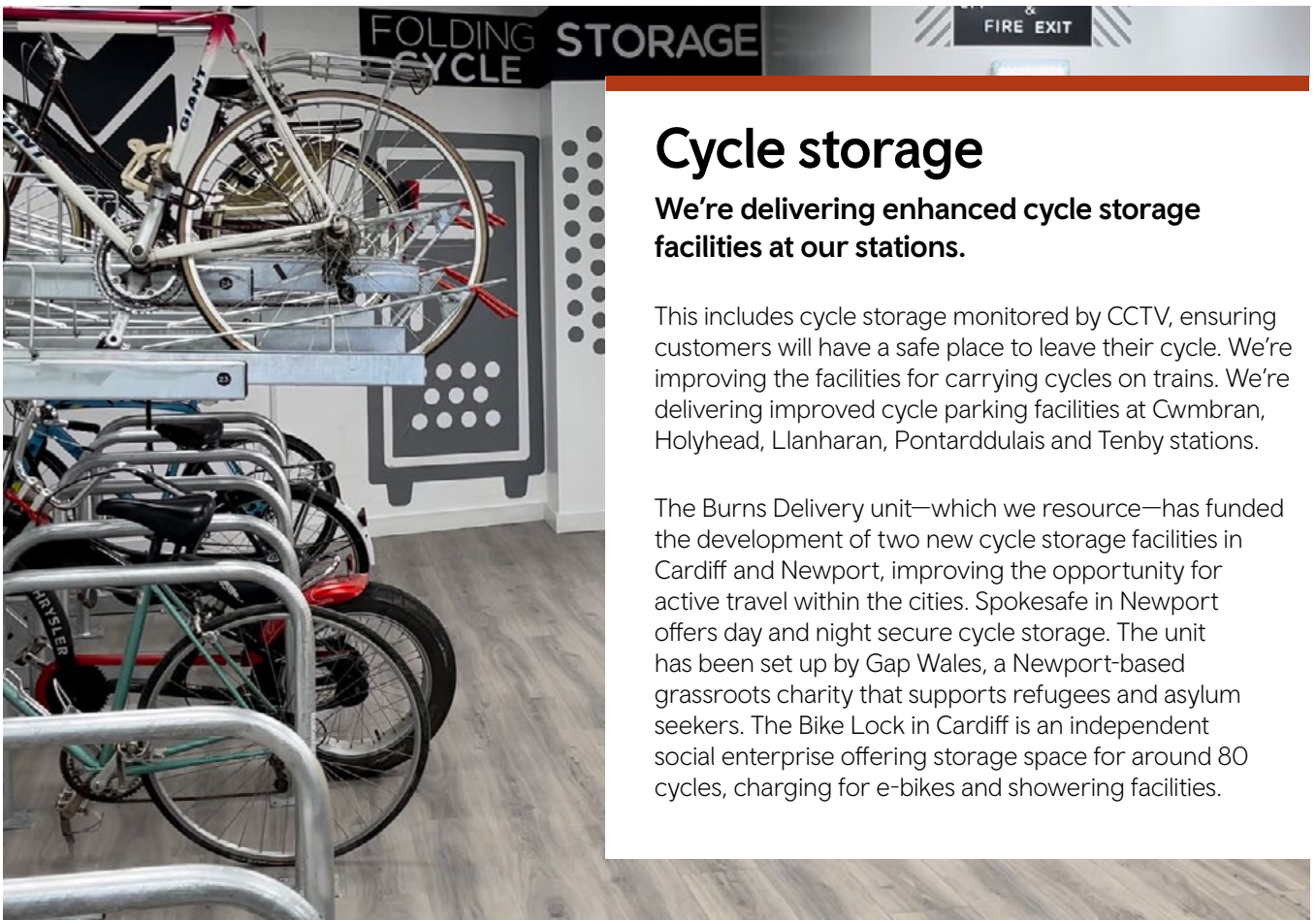
Working with three local authorities, we're developing a tool to identify the routes that will have the greatest impact on increasing active travel journeys. Local authorities can then prioritise these routes in funding applications.

Cycle hire

We're completing a study into potential opportunities to widen availability of cycle hire. The outputs of the study will help identify locations that may be suitable for public cycle hire schemes similar to those in Cardiff and the Vale of Glamorgan. The study will also highlight railway stations that may be suitable for return-to-base cycle hire facilities. This could improve integration between public transport and active travel for end-to-end journeys.

Collaboration

In October 2022, we held a collaborative meeting with Welsh Government and Sustrans Cymru. The workshop brought together key officers from each organisation with the aim of identifying the active travel priorities for each organisation, enabling relationship building and the sharing of good practice. We have since been working together to identify our current and future activities to identify potential quick wins and areas for collaborative working to achieve the applicable targets in Llwybr Newydd: The Wales Transport Strategy 2021.



Cycle storage

We're delivering enhanced cycle storage facilities at our stations.

This includes cycle storage monitored by CCTV, ensuring customers will have a safe place to leave their cycle. We're improving the facilities for carrying cycles on trains. We're delivering improved cycle parking facilities at Cwmbran, Holyhead, Llanharan, Pontarddulais and Tenby stations.

The Burns Delivery unit—which we resource—has funded the development of two new cycle storage facilities in Cardiff and Newport, improving the opportunity for active travel within the cities. Spokesafe in Newport offers day and night secure cycle storage. The unit has been set up by Gap Wales, a Newport-based grassroots charity that supports refugees and asylum seekers. The Bike Lock in Cardiff is an independent social enterprise offering storage space for around 80 cycles, charging for e-bikes and showering facilities.

Bus

TfW helps local authorities run bus services across Wales. This includes long and medium-distance TrawsCymru services and more local, on-demand fflecsi services. We're looking at ways to improve the sustainability of bus travel by investing in electric buses.

We're tasked by the Welsh Government with improving the provision of bus services in Wales. Our work covers infrastructure, road allocation, accessibility and integration of buses with other public transport modes. We're simplifying ticketing, expanding routes and providing clear information.

Cardiff Bus Interchange

We took ownership of the Cardiff Bus Interchange on 21 March 2023. The external building work is now complete and the next phases of work, such as the internal fit-out, can begin. We're enhancing wayfinding to ensure the interchange links up with Cardiff Central and other modes of transport.

TrawsCymru T1

We launched eight electric buses on the TrawsCymru T1 route. The route runs between Carmarthen and Aberystwyth. It connects with rail services at each town. Through Great British rail systems, we're offering combined journey planning and a single ticket for bus and rail travel. We opened a new charging hub with facilities for drivers in Carmarthenshire.

With these buses, the full journey can be completed on a single charge. The buses have been extensively tested. They have air conditioning, reading lights, tables and mobile phone charging sockets. The new service includes an improved timetable and lower, distance-based fares.

TrawsCymru T8

In partnership with Denbighshire County Council, we introduced a new hourly TrawsCymru T8 bus service between Corwen, Ruthin, Mold and Chester. It offers more frequent and faster services and passengers can travel without changing buses. This service connects rural towns not on the rail network to each other and the transport hub at Chester.

TrawsCymru T10

Launched in July, the new TrawsCymru T10 bus service runs from Bangor to Corwen. It provides a more sustainable way of travelling in and around Eryri National Park. It connects with the existing T3 service and new T8 service in Corwen. This allows passengers to continue to Llangollen and Wrexham or Ruthin, Mold and Chester.

fflecsi

The fflecsi service is an on-demand bus which picks customers up from a location that suits them. In partnership with local authorities, we run 11 fflecsi schemes across Wales in Blaenau Gwent, Buckley, Carmarthenshire, Conwy, Denbigh, Holywell, Llŷn Peninsula, Pembrokeshire, Prestatyn, Rhondda Cynon Taf and Ruthin. The Pembrokeshire fflecsi now covers almost the entire county. The zones in Ruthin, Denbigh and Buckley have expanded. An electric vehicle has been introduced in Ruthin and the Llŷn Peninsula.



x11 fflecsi

We maintained 11 fflecsi services across Wales



x8

Electric buses have been launched on the TrawsCymru T1 route



Tap on, tap off bus ticketing

In North Wales, we launched a multi-operator tap on, tap off fare capping scheme. Customers can use contactless bank cards or mobile phones to pay for their ticket. The scheme (covering six local authorities, 27 separate bus operators and 200 routes) caps the maximum cost of a daily ticket at £6. The scheme is the biggest of its type in terms of geographical coverage and operator involvement in the UK to date.

We've facilitated the implementation of tap off readers on buses across Wales to support the continued expansion of the scheme.

Bus Network Reform

We've worked with local authorities across Wales to review local bus networks. We've developed proposals for a more coordinated, simpler and integrated bus service. This network will be developed in partnership with local authorities and bus companies.

Artificial intelligence to improve bus transport

We partnered with Cityswift to analyse performance insights for five of Wales's major bus operators. Using this data, local authorities can improve bus schedules and punctuality. This offers passengers a more reliable, and convenient service.

Live arrivals times at bus stops

We've put in place the infrastructure and data to show live bus times at bus stops. We've procured a content management system and made it available to all public bodies in Wales. This will allow them to show consistent real-time information. Next year, we'll trial this real-time information at bus stops in three local authorities.

Decarbonising buses

We aim to make public transport more efficient and greener. To move away from fossil fuels, we've been exploring renewable sources of energy. We're exploring the potential to retrofit diesel buses as battery electric buses. We're exploring opportunities to train people in the local communities to do the work.

Some routes in Wales may not be suitable for battery-powered buses. We're therefore exploring different renewable sources. In Swansea Bay, we've been exploring the business case for a hydrogen bus project. This includes the fuel supply infrastructure necessary to power the required 20 buses.



Sherpa'r Wyddfa

Launched in July 2022, Sherpa'r Wyddfa is a bus service that serves Eryri National Park.

We worked in partnership with Gwynedd County Council to improve the Sherpa'r Wyddfa bus service. It provides a viable alternative to the car for tourists and locals, helping to ease road congestion.

It has better frequency and connectivity than the previous service and the new network provides an hourly service every day between tourist hotspots Betws-y-Coed and Caernarfon. Daily services between Bangor and Pen-y-Pass give walkers a sustainable way to travel to the foot of Yr Wyddfa. In 2022/23, passenger numbers increased to 113% of pre-pandemic levels.



Rail and infrastructure

TfW has been appointed by the Welsh Government to run rail services in Wales. Our services reach over 93% of the Welsh population.

We're making sure journeys are door-to-door, ensuring more people can cycle, walk and wheel to and from their local stations.

South Wales Metro

Our biggest infrastructure expenditure this year has been our continuing transformation of the Core Valley Lines, part of the development of the South Wales Metro. This work is part-funded by the European Regional Development Fund through the Welsh Government. The investment in the Metro will help unify rail, bus and active travel routes. It is a multi-year project which will enable faster, more frequent services between Cardiff and the heads of the valleys.

This year, we closed several sections of track to enable us to install electric railway lines, modernise the signalling and improve footbridges. To do this work, we ran rail replacement buses and worked with the local community to mitigate disruption.

Taff's Well Depot

We continued the construction of the £100 million control centre, maintenance facility and depot at Taff's Well. It transformed from a steel frame in April 2022 to house the first of our new tram-trains in March 2023.

The project includes raising a road bridge and creating a new rail tunnel. To allow this work to take place, we had to reroute the cycle and pedestrian Taff Trail. We had to close Ffordd Bleddyn from the Cardiff Road junction and the entrance to Taff's Well railway station car park.

We hosted a series of open days to listen to and inform the community. In collaboration with Literature Wales, we worked with Ffynnon Taf Primary School on a literature project about how the Metro work is transforming Taff's Well. The children's work will be displayed at the school and the local station. Over 1,000 people visited the train mock-ups at Taff's Well depot.



1,000+

people visited the **train mock-ups** at Taff's Well Depot





The Cardiff Bay Line transformation project

We began the Cardiff Bay Line transformation project. It includes a new railway station in Butetown, the redevelopment of Cardiff Bay station and new signalling and track electrification. The project is part-funded by the European Regional Development Fund through the Welsh Government. We've run several engagement events to inform and listen to the local community. This engagement included sending letters to local residents, visiting schools and workplaces and sponsoring community events such as the Butetown Carnival.

Asset management

Working with our partners, we upgraded and managed our rail infrastructure. Work in 2022/23 undertaken included:

- Clearance and ground investigations at Onllwyn for the site of the Global Centre of Rail Excellence.
- Continuing electrification work including borehole drilling, installing steel and raising bridges.
- Renovating footbridges at Cwmcynon, Quakers Yard and Devil's Footbridge, Treforest.
- Beginning work on making Treforest station fully accessible as part of the Department for Transport's Access for All scheme.
- Upgrading our Shrewsbury, Holyhead, Machynlleth and Canton depots.
- Acquiring Barry Depot.





Station improvements

This year, we installed:

- Harrington humps, car stop markers and level crossing upgrades to allow new trains to run on the network.
- Cycle storage stands at five stations at Cwmbran, Holyhead, Llanharan, Pontarddulais and Tenby
- Customer information screens at Cardiff Central, Wrexham General and 12 stations on the Core Valley Lines.
- 26 shelters at 20 stations.
- Tactile paving at three stations.
- 210 defibrillators across Wales and the borders.

Investment in trains

We're investing £800 million in new trains to offer more accessible and comfortable train travel for our customers. We're refurbishing older trains to ensure they continue to meet customer's needs.

In July 2022, we completed the refurbishment of our 26 Class 153 trains. The work was completed at Landore works. The refurbishment included accessible toilets, recovered seats and renewed fittings.

In January 2023, we launched the first of our Class 197 trains. These 77 trains are being built in Newport, Wales by CAF. The new trains are more accessible for disabled customers and have increased cycle storage space.

In March 2023, the first of our Class 398 tram-trains were delivered to Taff's Well depot. These tram-trains run on overhead electric or batteries. They will enter service in 2024.

In March 2023, we launched the first of our Class 231s. Their engines will reduce air pollution. The new technology on the trains allows our maintenance colleagues to remotely diagnose, identify and fix faults. This removes the need for trains to return to the depot to be fixed. They have space for up to six cycles and automatic level boarding for disabled passengers.

We readied three Class 230 trains for service on the Borderlands Line between Wrexham and Bidston. They have 120 seats and capacity for over 420 customers. The metro-style trains, which were repurposed from former London Underground trains, are powered by diesel and batteries. The first service ran on 3 April 2023.

Thermal events on Class 175

During February and March 2023, there were three thermal events on our Class 175 fleet. They involved smoke and flames in the engine compartments. No passengers or colleagues were injured. The fire protection system prevented any smoke and heat from entering the carriage interiors.

In response we withdrew our Class 175 fleet from service and repaired them at our Chester depot. This caused a shortage of trains and we focused on minimising the impact of the withdrawal of the fleet on customers as much as possible. We've reviewed our processes with our maintainers and wider industry bodies in light of the issues. We're sorry for the sustained impact this has had while we worked to repair and upgrade the trains.



210
defibrillators
installed across Wales and the borders



Connecting rural and urban communities

Transport is vital to connect people in Wales to loved ones, education, health, tourism and work. The challenge for TfW is how to connect people more sustainably. We're engaging with the specific challenges for those living in rural and urban areas.

Improving rural transport

We're committed to developing a public transport network that works for everyone in Wales. People living in rural communities can face significant challenges in travelling to access education, employment, health and leisure activities. The Welsh Government and TfW are engaging with this challenge. We're looking at how easily people in rural areas can access public transport services and how easily they can travel to villages, cities or towns.

Using a geographic information system (GIS), we've produced a map showing where the 33% of the Welsh population who live in rural areas are located. We've mapped what proportion of these populations have access to hourly (or more frequent) public transport services.

TfW has been working with Welsh Government to produce the Welsh Government's Rural Pathway, due to be published in 2023. The report will highlight how local authorities and local communities can improve rural communities across Wales.

Car clubs

We're exploring car club membership for people living in rural areas. Car clubs enable members to hire cars for only the periods that they need to use them. Increasing the opportunity to hire vehicles will improve air quality through the use of lower emission vehicles, reduce parking pressures and ease congestion. They can also potentially help reduce transport poverty in rural areas by reducing the need for car ownership.

TfW has been working with Welsh Government to enable communities to establish car clubs using low-emission, predominantly electric vehicles. The initiative will support clubs with charging infrastructure and booking systems. Focusing initially on Powys, the initiative is designed to be replicated anywhere in Wales to allow car clubs to be set up at scale.

North Wales Metro

We've continued with plans for our multi-million-pound North Wales Metro Programme. It will transform rail, bus and active travel services transport across North Wales. Development work has been undertaken on capacity, journey times and accessibility.








We've been developing a business case for the North Wales Mainline and Borderlands line. In collaboration with Merseyrail, we're planning to increase the number of direct trains to Liverpool on the Borderlands line.

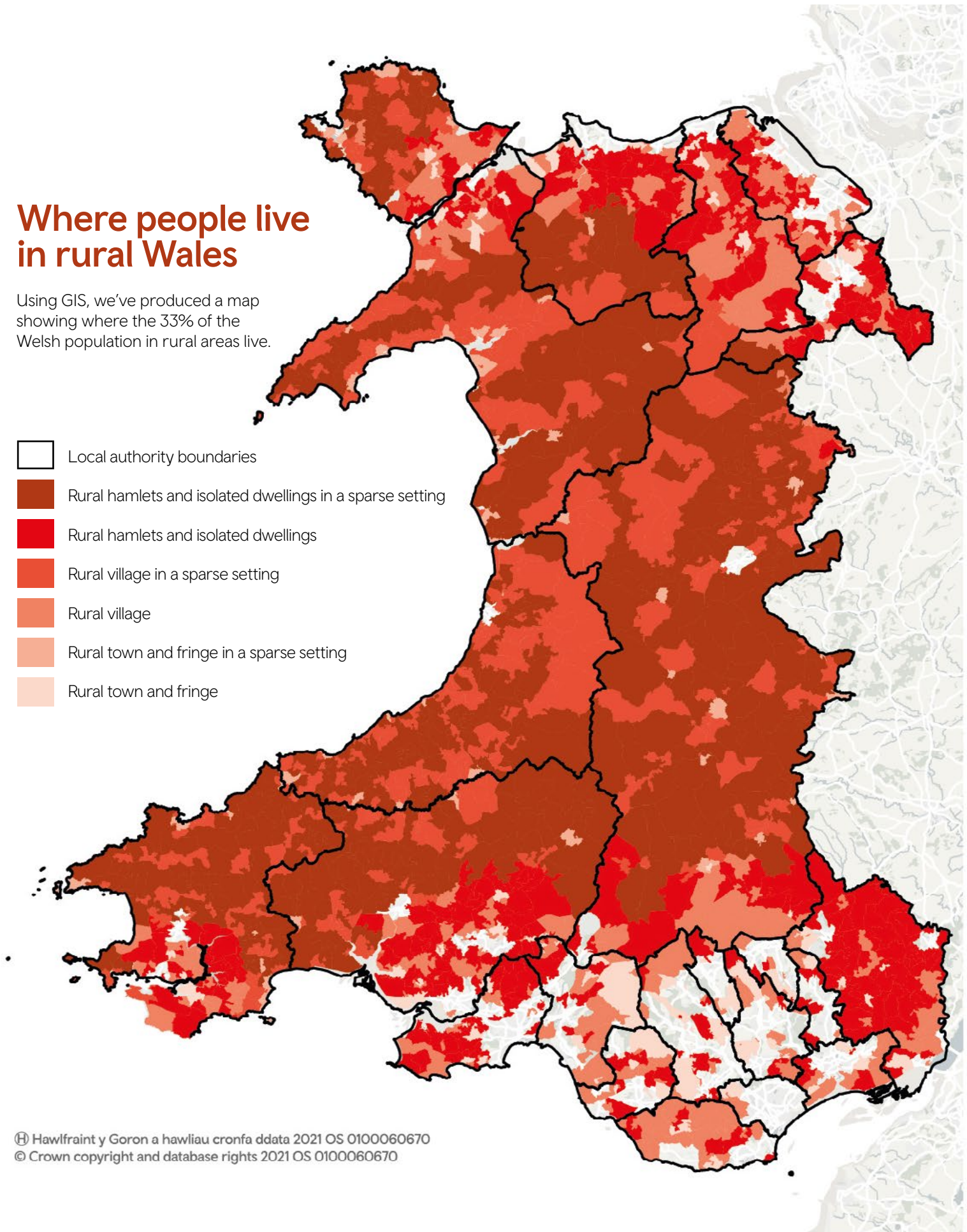
In collaboration with local authorities, we're improving cycle and pedestrian routes to stations in Llandudno, Bangor, Holyhead, Wrexham, Shotton and Llandudno Junction.

We've been developing business cases and feasibility studies for key transport interchange projects at Wrexham Gateway, Bangor Gateway and Holyhead stations. We're looking into expanding sustainable access to Eryri National Park.

Where people live in rural Wales

Using GIS, we've produced a map showing where the 33% of the Welsh population in rural areas live.

-  Local authority boundaries
-  Rural hamlets and isolated dwellings in a sparse setting
-  Rural hamlets and isolated dwellings
-  Rural village in a sparse setting
-  Rural village
-  Rural town and fringe in a sparse setting
-  Rural town and fringe





Swansea Bay and West Wales Metro

We've been developing business cases for seven new Metro stations. We've developed a proposal for a Swansea city tram-train. Each planned new station will dovetail with existing and proposed bus and active travel networks in the region. This would improve journeys and provide greater local transport options across Swansea Bay.

With the support of Carmarthenshire County Council and the Welsh Government, we're progressing the development of transport interchanges at Carmarthen, Llanelli, Whitland and Pembrey & Burry Port railway stations. These improvements would make it easier to change between rail, bus and active travel, encouraging the use of sustainable transport.

We've reviewed the frequency and journey times for rail services from West Wales. This review has provided business cases focusing on three route options: Carmarthen to Milford Haven, Carmarthen to Fishguard and Swansea to Pembroke Dock.

Cardiff Capital Region Metro

We explored how to improve travel in Bridgend, the Vale of Glamorgan and the North West Cardiff Corridor. We completed four outline business cases for transport interchanges, prioritising bus travel on roads and increasing train frequency. We engaged with stakeholders from the Cardiff Capital Region, Welsh Government and local authorities.

We've completed an outline business case and feasibility design for rapid bus transit between Cardiff and Newport. This would deliver high-frequency, direct services with faster journey times and improved reliability. It would provide a viable alternative to travelling by car.

We undertook feasibility work for potential new stations on the Core Valley Lines. We looked into the feasibility of increasing train frequency on the City and Coryton lines. These interventions could make it easier for more people to use public transport.

South Wales Mainline

This year, the TfW South Wales mainline programme (funded by the Department for Transport and Welsh Government) commissioned:

- An updated strategic outline case and an outline business case for five new mainline stations between Cardiff Central and Severn Tunnel Junction. These stations would be served by new rail services between Cardiff, Newport and Bristol or Cheltenham.
- Feasibility studies for increasing the number of trains travelling through the Severn Tunnel to accommodate proposed increased services.
- An outline business case for direct regional passenger services between West Wales and Bristol Temple Meads.
- Development work to ensure timetable compatibility between proposed regional Metro and mainline services.

The programme is being developed with key stakeholders on the route including Network Rail, all relevant train operators and local authorities. We undertake regional work on cross-boundary matters with the Western Gateway Sub-national Transport Body, West of England Combined Authority and Western Gateway partnership, including supporting the development of its 2050 rail vision.



Metro Central Programme

We've continued our work on the Metro Central Programme. The programme will establish an integrated transport hub in the centre of Cardiff for bus, rail and active travel. This will provide better access to transport connections and more sustainable travel choices.

We commissioned a report to consider the facilities for long-distance coach services in Cardiff. Specifically, we were interested in how facilities for coaches and passengers could be improved. This could potentially include a new 24-hour coach station. Cardiff Council and coach operators were consulted.

We're exploring potential options for improving transport routes between Cardiff Central and Newport Road, via Cardiff Bay and Porth Teigr subject to securing funding. We ran a public consultation which closed in January 2023. The findings will be used to inform the project's outline business case.

We've been working closely with Cardiff Council on the development and delivery of the first stage of Cardiff Crossrail to deliver a tram-train link from Cardiff Central to Cardiff Bay. The £50m Levelling Up Fund bid submitted by Cardiff Council was approved by the UK Government. The Welsh Government is match funding the project with a further £50m.

We investigated how people travel to Cardiff for sports and entertainment events. The study established a platform for future collaborative working between TfW, other transport providers and venues. This will ensure that the city is in a strong position to host and deliver future events.

We reviewed signage and wayfinding around the Metro Central area. The aim of such signage is to ensure that pedestrians and cyclists can find their way around Cardiff sustainably.



Sustainable development

TfW is delivering sustainable transport solutions. We want to enhance social, economic, cultural and environmental well-being. By working collaboratively with stakeholders and partners, we're building a more sustainable Wales.

Sustainable development plan

We published our Sustainable Development Plan in November 2022. It outlines how we'll make travel in Wales more sustainable over the next five years. It aligns with the goals of the Well-being of Future Generations (Wales) Act 2015, Llwybr Newydd: The Wales Transport Strategy 2021 and the National Transport Delivery Plan. It sets out a framework for creating a more prosperous and sustainable Wales. It offers a comprehensive route to delivering our sustainable development and organisational goals.

Community woodlands

Through Coed Cymunedol (Community Woodlands), we've improved woodlands on active travel routes. TfW and ten community partners were awarded £100,000 from the Welsh Government and National Lottery Heritage Fund's Community Woodlands scheme. The project funded the creation, enhancement and management of eight new and existing woodlands. It supported the Welsh Government's National Forest for Wales initiative.

We collaborated with local authorities, social enterprises and woodland and community charities. Almost 90% of the project's budget was spent with Welsh suppliers. We helped deliver 60 volunteer and community engagement sessions. Volunteers gave over 1,300 hours of their time.



1,300 hours

Volunteers gave over 1,300 hours of their time to the community woodlands projects

Green Routes

Our Green Routes project enhanced biodiversity and created habitats at 25 railway stations. We worked with 176 volunteers to enhance more than 1,000 square metres of land. This included installing 125 planters and 300 green features at our stations. The success of this project has allowed us to achieve half of the Welsh Government's target to enhance biodiversity at stations.

The project received £100,000 from The National Lottery Heritage Fund through the Welsh Government's Local Places for Nature Scheme. Almost 80% of the funding was spent on Welsh local businesses and organisations.

Green Dragon

The Green Dragon Environmental Management System is a five-level certification programme for Welsh businesses. It helps them improve their environmental performance and sustainability practices. This year, our office at Llys Cadwyn and our Catering centres achieved level five, up from level three. Our stations improved to level three, up from level two. Llys Cadwyn, our three train maintenance depots and four Catering centres are now at the highest level.

Climate adaptation and resilience

In 2021/22 we began to develop our Climate Adaptation and Resilience Plan. Published in May 2023, the plan identifies a range of climate-related risks and challenges that we need to address. These include flooding, extreme weather events, and sea-level rise. To build resilience against these risks, we can improve drainage systems and invest in more sustainable transport infrastructure.

Climate resilience will be integrated into our planning and decision-making processes. We'll work closely with local authorities, communities and the public to develop solutions and promote sustainable transport options. The plan represents a significant step towards building a more resilient and sustainable transport network.

S6 Duty Report

In December 2022, we published our [S6 Duty Report](#) which fulfils the requirement to report our actions under the Section 6 (S6) of the Environment (Wales) Act 2016. The report provides key examples of how we are compliant with the S6 duty. It sets out how we maintain and enhance biodiversity and ensure the resilience of ecosystems we look after at a local and national level. It demonstrates how we'll embed sustainable practices across TFW.



Weather stations

We installed seven weather stations along the Core Valley Lines.

They are at Cardiff Bay, Pontypridd, Treherbert, Aberdare, Merthyr, Cwmbargoed and Rhymney. These weather stations provide live weather data and send out alerts so we can react to extreme weather events.

The weather stations have been made public on the Davis Weatherlink system. They are part of a wider network of weather stations across the UK used to enhance weather forecasting.

Players Entrance Mynedfa'r Chwaraewyr



Safety, security and risk

Safety, security and risk will always be at the heart of all TfW does. We're seeking ways to reduce suicide on our network. We're making sure our customers, colleagues and operations are safe from crime, anti-social behaviour and harassment.

We recognise the impact incidents can have on individuals and our ability to operate safely. We work collaboratively with stakeholders to reduce and manage risks. We're considerate to the communities and the environment in which we operate.



Keeping people safe

During Rail Safety Week, we developed a Beware of the Bubble safety roadshow to encourage customers to be aware of their surroundings on station platforms.

In conjunction with Network Rail and Amey Infrastructure Wales, we ran an initiative to raise awareness of how to safely use level crossings.

We continue to implement our strategy for suicide prevention. We've liaised with stakeholders and reviewed the Samaritans signage at our stations.

At Cardiff Central station, we hosted the Lions Barber Collective. This collective engages with men's mental health, aiming to reduce male suicide.

Installing defibrillators at our stations

This year, we installed 210 defibrillators across Wales and the borders. Defibrillators can improve a person's chance of survival by as much as 70%. The defibrillators are registered online, allowing NHS ambulance services to direct members of the public to the nearest defibrillator when needed.

We worked with Cardiff City Football Club on a campaign to discourage vandalism of these defibrillators. Footballers Rubin Colwill, Mark Harris, Hollie Smith and Seren Watkins starred in a video highlighting the importance of having defibrillators in communities. It was shared on TfW's and Cardiff City's social media channels to target younger football supporters and rail users.

For colleagues and partners

We implemented and embedded the use of iAuditor software into our business. This software provides insights to help raise safety and quality standards.

We monitored in-cab noise on our trains to measure the effect of noise exposure on our drivers. This determined whether additional control measures and greater future monitoring were required.

We issued 100 more body worn cameras to station colleagues. These help to reduce the incidents of confrontation and provide evidence of crime.

Security and resilience

We set up regional forums to address incidents of anti-social behaviour and crime on the network. British Transport Police and other services attend these forums. Using data, we focus on hot spot areas.

We work with School of Hard Knocks charity and Idris Davies Comprehensive School, Rhymney to reduce antisocial behaviour. Since the programme started, there has been a reduction of 40% in reported antisocial behaviour on the Rhymney Valley route. The pupils involved have improved their attendance and behaviour.

We follow the National Railways Security Programme. We ensure our projects incorporate security into their design. This included anti-terrorism mitigation at Cardiff Central station and interchange.

We monitored and responded to security and anti-social behaviour issues based on up-to-date intelligence from reports from our front-line colleagues.

Managing risk

To manage risks, we provide TfW's Board and Audit and Risk Committee with a Strategic Risk Register and Threat Level Report. This year, the risks we managed included:

- the implications of Ukraine-Russia War for energy and our supply chain
- the impact of UK-wide industrial action on our rail services
- the combined impact of a cold winter and high energy costs
- inflation and price increases.

Reimagining roads and car usage

At TfW, we're supporting the Welsh Government's aim of reducing car mileage by 10% by 2030. This year, we contributed to a number of reviews related to roads and road usage. We're putting in place projects to reduce and decarbonise car use.

Electric vehicle charging points

To deliver more electric charging points, we've been working with other public sector bodies and the private sector.

We supported Cadw and two local authorities with technical and project management advice. These projects will deliver charging at depots and up to 14 public sites.

In Wrexham, we ran an engagement event to encourage commercial providers to build charging points on public land. We've developed tools to assist investors in identifying optimal sites.

This year, we built five electric vehicle charging sites in local authority car parks. We expect to build a further 13 sites during 2023. This will ensure there are rapid charging facilities at least every 25 miles on most Welsh roads.

Parking strategy

This year we devised a strategy for our car parks. Across the network, we have 165 parking facilities with over 10,000 parking spaces. The strategy sets out how we'll gather data on car park users and improve their experience. Our aim is to reduce overall car dependency in Wales, keep customers safe and increase revenue.

Roads Review Panel

TfW provided technical and programme support arrangements to the Roads Review Panel. The Panel was asked by the Welsh Government to review road schemes in development across Wales and made recommendations for the future of road investment in Wales.

The Roads Review Panel provided their final report on [The Future of Road Investment in Wales](#) to the Welsh Government in Summer 2022. It was published along with the [Welsh Government Response](#) in February 2023.

**5**

built five **electric vehicle charging sites** in local authority car parks

**10,000**

Across the network we have 165 parking facilities with **over 10,000 parking spaces**



The Burns Delivery Unit

We resource the Burns Delivery Unit which delivers the recommendations of the South East Wales Transport Commission.

The recommendations aim to provide a network of alternatives to car journeys on the M4 in South East Wales. They seek to make public transport and active travel a more attractive choice in the region. The unit is working with local authorities and stakeholders to develop the proposals and deliver public consultations.

In March 2023, with Newport City Council, we delivered a consultation for travel improvements in the Newport city centre. It attracted nearly 2,500 survey responses.

20mph speed limits on roads

TfW published the Interim Monitoring Report for the first phase of the default 20mph speed limit on restricted roads programme. The findings suggested a drop in average speed of cars and an increase in people traveling to school by walking, wheeling or cycling.

Heads of the Valleys Road

We're halfway through the four-year project to transform 17.7km of the A465 trunk road between Dowlais Top and Hirwaun to a double two-lane carriageway. We're working for the Welsh Government to monitor and certify the design, construction and maintenance of the project infrastructure.

The dualling of the A465 and the additional 13km of cycleways and footpaths supports economic regeneration by improving access to key services, jobs and markets. The scheme will provide 120 apprenticeships, over 60 traineeships and over 300 internships, providing opportunities to develop skills in the local community.



Working with communities, partners and stakeholders

We're building strong and lasting relationships with stakeholders, partners and the communities we serve. The priority for 2022/23 was mitigating the impact of engineering works and encouraging people back onto public transport. We worked with the Welsh and UK Governments to provide better transport planning. With our partners, we're improving the Welsh transport network.

Engaging the communities we serve

To name our new trains, we ran a competition aimed at school children aged four to eleven. It encouraged children to come up with names based on a real place, landmark, historical site or mythical figure associated with places in Wales and the borders. The first winning entry by Tabitha from Ysgol Tudno in Llandudno saw our first Class 197 train named Happy Valley.

We installed artworks by school children at six railway stations across Wales. The project was undertaken in partnership with our Community Rail Partnerships, British Transport Police, residents, schools and third-sector organisations. The projects addressed trespassing, antisocial behaviour and criminal damage. The art installations were installed at Chirk, Swansea, Colwyn Bay, Holyhead, North Llanrwst and Conwy stations.

We developed Talking Transport, a toolkit for facilitators engaging with the public on transport-related topics. The pilot scheme engaged with a range of stakeholders, community groups, schools and youth groups.

Our Station Adoption scheme continues. Adopters maintain planters and report on faults, issues and vandalism at their adopted stations. There are now 330 station adopters covering 162 stations. Our Community Rail Team hosted six conferences at Cardiff, Llandudno Junction, Shrewsbury, Wrexham, Carmarthen and Llandrindod. More than 200 volunteers attended.

Working with government

We work closely with the Welsh Government to deliver on their behalf and have developed collaborative relationships across all areas of activity. We work to support officials and Ministers through formal remit and the cooperation between teams. We have regular engagement with the UK Government to collaborate and ensure effective delivery in areas where we operate services directly on their behalf.

We updated the [Welsh transport appraisal guidance \(WeTAG\)](#) for the Welsh Government. The guidance helps stakeholders and partners plan effective transport programmes, policies and projects.

We provided research and support for the [National Transport Delivery Plan, 2022 to 2027](#). It set out how the priorities and aims set out in Llwybr Newydd: The Wales Transport Strategy 2021 would be delivered. It was published in February 2023.

We worked with the UK Government on their review of the Border Operating Model to reduce the cost and rate of inspections at UK ports. Specifically, it looked at the impact at Holyhead, Pembroke Dock and Fishguard.

In partnership

This year, we partnered with Route Media to display digital and static media at stations, roads and bridges in Cardiff, Newport, Swansea, Rhyl, Wrexham, Bangor, Flint, Holyhead, Shrewsbury and Chester.

We continued to work closely with Network Rail including aligning our priorities for investment and supporting their Operation, Maintenance and Renewal Plans, 2024-29. With Network Rail, we launched a project to work together to provide better outcomes for passengers, freight and the communities we serve. This project seeks to anticipate how the industry rail reform programme set out in the Williams–Shapps Rail Review and the proposed creation of Great British Railways.

Through Pullman Rail, we signed three-year contracts with Transport for London to overhaul bogies and wheelsets for the Jubilee and Piccadilly Lines. This has helped to secure jobs and has created a further 15 vacancies. Pullman Rail continues to support South West Railways by overhauling class 455 bogies and wheelsets.





Customer opinions, feedback and needs

We're always aiming to improve our services for our customers and users. This year, our Insights team have been improving our data and analytics capabilities. We've introduced a more targeted approach to make data-driven decisions that benefit more customers. We use a range of methodologies and tools to ensure all voices are heard.

Sgwrs: The TfW panel

Sgwrs is the customer panel we use to inform our work. The panel now comprises 1,500 people from across Wales. We ask panelists about their perceptions on the TfW brand. We ran polls on electrifying railway lines, surveyed people who used our Coaches for Capacity pilot and ran a series of research projects with YouGov.

We recently introduced a tool to evaluate the impact of campaigns such as Confidence to Travel and Mind the Gap initiatives. We measured people's perception of public transport, their increased social contacts and access to employment.

Analytics and data

We use analytics and data to better understand our customers' needs. This year we:

- Procured the Wales National Travel Survey. The survey will fill a large gap in knowledge about how and when people in Wales travel.
- Obtained autumn 2022 travel demand data from a mobile phone network operator to understand travel post-pandemic.
- Analysed the time of day customers used our services.
- Measured rates of home working across Wales to understand changes in commuter demand.

Feedback from the Sgwrs panel

"Knowing that my opinions are valued. I feel like I'm making a difference towards improving transport in Wales."

"It provides me with an opportunity to feed back to TfW on key issues and areas which affect regular users."

Our colleagues and culture



Recruitment and skills

In 2022/23, our recruitment activity grew with record levels of new vacancies and vacancies filled.

TfW Group's headcount increased from 602 in 2022 to 782 (a 29.9% increase). We recruited 308 more colleagues – a 33% increase on the previous financial year. This included 92 internal hires, a 50% increase on the previous financial year. This increase demonstrates our commitment to developing talent from within the company.

TfW Rail's headcount increased by 10.8% from 2,762 in 2022 to 3,060 colleagues. We recruited 325 more colleagues in 2022/23 – a 29% increase on the previous financial year. There were also a total of 644 internal transfers, a 14% increase from the previous year. This includes 449 promotions, an 18% increase from the previous year.

We continued to improve our recruitment advertising to represent the variety of jobs and diversity of people across our organisation. Our aim is to encourage applications from underrepresented groups to ensure the people we recruit reflect the diversity of the communities we serve. We merged the recruiting platforms for TfW Group and TfW Rail. This led to savings which can be reinvested in other recruitment areas.

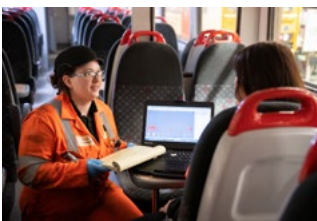
Alongside our industry partner Balfour Beatty, we signed the Skills Partnership Working Group agreement. This formalises our commitment to addressing the skills gap and the need for greater diversity across our industry.

Pathways to employment

The Pathways to Employment Programme works across TfW and the Craidd Alliance. The Craidd Alliance is a partnership with TfW, Balfour Beatty, Siemens Mobility, Alun Griffiths Contractors Ltd and Amey Infrastructure Wales. It provides employment opportunities for people from underrepresented groups. Currently, we're focusing on people who have had or are at risk of contact with the criminal justice system and military veterans. The Pathways programme is key to an inclusive and diverse TfW.

We go into communities to engage talented and skilled individuals who might not otherwise apply for our vacancies. We support individuals to become work ready. Once at TfW, we ensure they are supported for as long as they need, building their confidence and increasing their chance of success.

To date, 14 people have come through the Pathways Programme. Currently, ten are working for TfW or the Craidd Alliance. The programme supported a further four individuals to go on to find further work in other organisations.



Equality, diversity and inclusion

2022/23 has seen us grow our Equality, diversity and inclusion (EDI) team to include the pathways to employment programme. The team works across TfW to create an inclusive culture. We're committed to creating a fairer place to work, reflective of the diversity of the Welsh population and the communities that we serve.

We completed an EDI strategy which involved a Well-being, Diversity and Inclusion employee survey and focus groups across TfW, engaging 1,700 colleagues. We offered EDI awareness training for over 245 people managers. For the second year, we ran our 'My Name Is' campaign as part of our race equality programme. During 2023/24, we'll develop an anti-racism plan.

We're committed to improving the representation of women in the transport sector. This year:

- Collaborating with the Welsh Government, Chwarae Teg, we launched Women in Transport in Wales at the Senedd.
- We supported the LeadHERship Senedd programme from Chwarae Teg for the third year. The programme provides young women with shadowing opportunities in national politics at the Senedd, local politics at various local councils, and in business. We provided free rail travel for participants.
- We launched the Women's Health Series for women in TfW with a focus on Menopause awareness with guidance to support people managers and colleagues.

We retained our Disability Confident Leader Level 3 award. To raise awareness of the issues and barriers facing underrepresented groups, we ran 15 lunch-and-learn seminars. We supported finance and IT with a placement programme partnering with the Wales Council for Deaf People. We ran a 16-week programme for several Deaf and hard of hearing people that developed into permanent employment.



33%

increase in the number of **colleagues recruited** compared to the previous year

How to Fix a Railway

For the last three years, we've given the BBC access to produce a documentary on TfW. It aired on BBC1 Wales in March 2023 as 'How to Fix a Railway'.

The documentary featured many of our staff from drivers and conductors to director-level. It captured our staff responding to the coronavirus pandemic, upgrading the Core Valley Lines and launching our new trains.

"I was really proud to be part of the programme and it was great to see a strong representation of Women in Transport when the programme aired. It gave a really good snapshot of the struggles the business has faced in the last few years, and the exciting changes ahead."

Holly Flye, Conductor Manager



Early talent

We became a member of the 5% Club. We've pledged to continue investing in apprenticeships, graduate schemes and sponsored placements. We want 5% of our colleagues to be in one of these schemes by 2028.

This year, 11 new graduates entered their second year of the graduate scheme. 12 more graduates will join us in 2023. Six interns joined us from Cardiff University and the University of South Wales MBA programmes.

We welcomed 21 new apprentices working in Risk, HR, Project Management, Fleet and Operations. We launched a new TfW Apprenticeship Academy. This is a bespoke recruitment strategy and development programme for our apprenticeships. We introduced a new salary structure to bring apprenticeship starting salaries in line with national living wages.

Learning and development

Learning and development are key to our organisational success. It drives the behaviours, competencies and capabilities that our colleagues and organisation need to be successful.

This year, over 80 colleagues benefited from leadership programmes such as Leading with Confidence, Leading with Empowerment and Leading with Influence. We ran over 200 one-to-one and nine team coaching sessions, allowing colleagues insight into their strengths and weaknesses.

The well-being of our colleagues

At TfW, the health and well-being of our colleagues is a priority. We want our colleagues to feel safe and well working for us. It is key to the success of our business. In the last year, the top two reasons for absence were mental health and musculoskeletal conditions.

We're committed to supporting colleagues with mental health conditions. We signed the Rail Industry Mental Health Charter to commit to de-stigmatising mental health in the workplace. We supported an industry-wide survey commissioned by the Department for Transport. It sought to understand and provide recommendations for mental health provision in the rail industry.

We developed a peer-to-peer support service at TfW. We trained over 15 colleagues to become Mental Health First Aiders to signpost colleagues to support services. The Samaritans ran a pilot Journey to Recovery course for our managers to equip them with skills to support colleagues that experience traumatic events. We ran hour-long online seminars delivered by trained counsellors covering topics such as bereavement and men's mental health.

To improve musculoskeletal conditions, we introduced physiotherapy treatment as part of our Occupational Health services. This provides our colleagues with early access to treatment. We commissioned ergonomic risk assessments for our drivers to prevent musculoskeletal conditions.



Gender pay gap

TfW Group gender pay gap

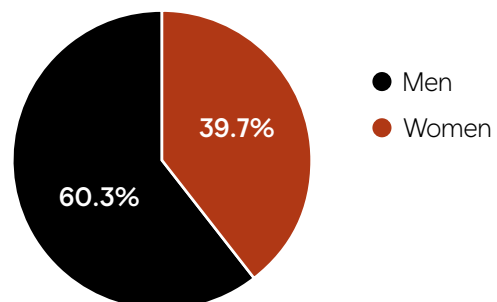
As of 31 March 2023, TfW Group employed 774 people. Of these, 60.3% (467) were men and 39.7% (307) were women. The median hourly pay for men was £15.82. For women, it was £13.61. This represents a gender pay gap of 14.0%. This has reduced from 33.2% in March 2022. This fall shows our commitment to reducing the pay gap.

The narrowing of the gender pay gap is due to several factors. First, our increased focus on equity for women in TfW through talent management, learning and development and EDI. Second, we increased women in higher-paid roles. PTI Cymru joined TfW in April 2022 and we changed our Executive Leadership Team in September 2022. Third, the catering and cleaning pay award decreased the median pay gap from 32.8% to 23.9%. Fourth, TfW saw the introduction of a salary sacrifice scheme for our pension. The salary sacrifice brings higher and lower earners closer together as the deduction is a lot more in monetary terms for the higher earners. The introduction of the new pension scheme means that this year's gap and last year's gap are not comparable.

Median gender pay gap in hourly pay for TfW Group, March 2023



Gender by proportion of TfW Group staff, March 2023



TfW Rail gender pay gap

As of 5 April 2022, TfW Rail employed 2,834 people. Of these, 20.0% (567) were women and 80.0% (2,267) were men. The median hourly pay for men was £20.67. For women, it was £16.69. This represents a gender pay gap of 19.2%. This gap has reduced compared with the gender pay gap of 5 April 2021 which was 21.2%.

We've increased the proportion of women hired, with women making up 35% of total hires compared to 25.6% in 2020/21. At 5 April 2022, there were 54 female drivers (7.9% of all drivers).

Through focus groups and recruitment fairs, we're seeking to increase the number of female train drivers. We're working jointly with ASLEF (the trade union that represents train drivers) to develop an action plan to further increase diversity in our train-driving workforce. We've met with other rail businesses and rail industry partners to share best practice to improve gender parity across the industry in train driving.

Moving forward

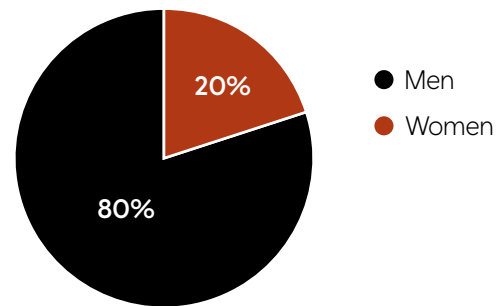
Over the coming year, we'll build on this year's reductions in the pay gaps. Our new structure will allow colleagues from TfW Group and TfW Rail to work together to close their respective gender pay gaps. We recognise more needs to be done to promote careers in rail to women, particularly in train driving and engineering roles.

We'll be increasing membership of the Women in Transport hub to ensure we provide a central point of support and professional development for women. We're currently reviewing our EDI strategy to guide our new holistic approach for equality issues. We're developing our talent management for women through recruitment, early talent, pathways and learning and development. We're committed to eliminating the gender pay gap.

Median gender pay gap in hourly pay for TfW Rail, April 2022



Gender by proportion of TfW Rail staff, April 2022



TfW Group and TfW Rail have different gender pay gap reporting dates which is why the two sets of figures are almost a year apart. An error with TfW Rail gender pay gap data in our 2021/22 annual report means that the figures do differ slightly this year as we've now corrected the information.

Risk

Risk is a part of everyday life for everyone. We know that understanding the risks of the decisions we make, the activities we do and the impacts upon us, helps us navigate and minimise threats and capitalise on opportunities through our risk management process.

Our risk management framework has three lines of defence. This model ensures that responsibility and accountability is held for risks and issues at an appropriate level:

- our first line of defence is the operations or project teams who are best placed to manage risks day-to-day. They are supported in discharging this responsibility by using our risk database and the advice of our risk specialists who hold monthly risk review meetings, and provide risk advice, guidance and support ensuring that the operations and project teams have the necessary tools and access to best practice
- the second line of defence provides oversight on the risk process through established escalation and reporting procedures to senior level meetings, project reviews and reports and ultimately to the Audit and Risk Committee and in the case of projects to the Major Projects Committee
- our third line of defence is our internal audit function which reviews the effectiveness of the company's risk management and internal controls systems and reports to the Audit and Risk Committee. This process means that the Board can have confidence that the TfW Group's risk systems are effective.

As part of TfW's Annual Audit Programme a Risk Management internal audit has been undertaken for 2022/23. The Audit has given an opinion of "Good", identifying a number of areas of good Risk Management practice, namely:

- There is a current Risk Management Strategy.
- There is effective leadership and clear roles and responsibilities.
- There are effective governance and monitoring arrangements.
- There are effective systems to ensure risks are reviewed with risk owners.
- There is evidence that risk owners are fully aware of their roles and responsibilities.
- A training programme is being rolled out to all staff, and advanced training will be given to appropriate staff.



Continuous improvement

We initiated a strategic review of our risk management system in 2021 to ensure that we manage risks to promote innovation and change and hence contribute to the delivery of our overall business objectives and ambition.

As part of our continuous improvement culture, we've developed a risk maturity tool and used this to benchmark and assess our operations. We now complete this assessment annually to measure our performance and the progress we're making.

Our recent review shows that the current risk maturity level is embedded, demonstrated through our risk governance, framework and operating model. However, as risk management is a key system and enabler to success, continuous improvement is always to be strived for to support achievement of TfW's corporate priorities.

The Audit and Risk Committee carries out regular reviews of the risk management and internal control system through the internal audit function, and subsequent discussion and challenge through the Audit and Risk Committee. Based on the most recent audit and review, the Audit and Risk Committee is satisfied with the effectiveness of the risk management and internal control systems.

Risk maturity tool	
Foundations	
	• Risk culture
	• Risk governance
Enablers	
	• Capacity and capability
	• Methodologies and tools
	• Data and information
Integration	
	• Strategy and business planning
	• Projects
	• Programmes and operational performance
	• Reporting and communications
	• Third parties

Real world, real risks

Effective risk management must be agile to react to new situations. It has to look forward to predict potential risks to known operations and projects and react to the potential for external or worldwide events to impact on the organisation.

As part of our horizon-scanning process, we've initiated a full review of the National Risk Register to consider significant events that could impact on TfW. Our internal experts on business continuity, security, sustainability and health and safety review and assess the risk and mitigations from malicious attacks, serious and organised crime, environmental hazards, human and animal health, major accidents and societal risks.

To assess the potential impacts of the Ukraine-Russia War to TfW, our risk team worked in collaboration with our supply chain, procurement, HR and operational teams. This strategic approach allowed us to implement existing strategic responses such as our business continuity plans for fuel shortages and support for employees with links to the conflict. We've also been able to navigate the supply chain to mitigate or minimise impacts from loss of supply and increase in costs. In addition, we were able to recognise secondary risks from theft such as the copper used in our infrastructure cabling, as the cost of raw materials rises, theft becomes more attractive to those with criminal intent.

Principal risks

This table sets out the principal risks that could affect TfW in this year as determined by our Chief Risk Officer, overseen by the Audit and Risk Committee, and considered and approved by the Board. The content of the table is not intended to be an exhaustive list of the risks and uncertainties that may arise.

The table sets out the mitigating actions that are in place; a commentary on the progress in managing the risk; an assessment of whether the potential impact of the risk is increasing, decreasing or is stable and the speed at which the risk is likely to impact.

1. Failure of the infrastructure management partner to operate	2. Failure of Transport for Wales Rail Limited to operate
Risk description	Risk description
<p>Failure of the infrastructure management partner to meet its authorisation to act as the Core Valley Lines Infrastructure Manager as agreed by the Office of Rail and Road (ORR) resulting in the loss of ability to manage and maintain the Core Valley Lines Infrastructure.</p> <p>Impact – ability to operate on the Core Valley Lines and a delay/disruption of transformation programme.</p>	<p>Failure of Transport for Wales Rail Limited to meet its authorisation to act as Train Operator as agreed by the ORR resulting in the loss of ability to operate services leading to a delay or disruption of transformation programme.</p>
Mitigation actions	Mitigation actions
<ul style="list-style-type: none"> • Senior level governance and key performance monitoring. • Regular monitoring of supply chain health to understand supplier health. • Audits, inspections and assurance reviews. • ORR feedback and engagement. • Infrastructure of last resort process as business continuity plan. 	<ul style="list-style-type: none"> • Senior level governance and key performance monitoring. • Integrated programmes, processes and systems. • Audits, inspections and assurance reviews. • ORR feedback and engagement. • Board governance and business continuity plans.
Progress	Progress
<ul style="list-style-type: none"> • Clear governance and performance management in place and in use. • Procurement health reports escalation process. • TfW audit and assurance programmes linked to governance. • Regular interactions with ORR. • Business continuity management. 	<ul style="list-style-type: none"> • Clear governance and performance management in place and in use. • TfW audit and assurance programmes linked to governance. • Regular interactions with ORR. • Business continuity management.
Speed at which the risk could impact	Speed at which the risk could impact
Less than six months	Less than six months



3. Delivery of the Core Valley Lines transformation

Risk description

Risk that the CVL transformation programme is not delivered to time and budget and that the system is not properly integrated. Delays in the programme could potentially lead to the loss of ERDF funding.

Mitigation actions

- Robust programme and project management and management controls.
- Regular programme reviews Implementing improved governance and scrutiny.

Progress

- Regular programme reviews and re-baselining been undertaken.
- Maintenance and priority focus on ERDF milestones.
- Board sub-committee in place to monitor and support major projects.

Speed at which the risk could impact

Less than three months

4. Extreme weather events

Risk description

Continued risk of major disruption to the network caused by extreme weather events such as flooding, heavy snowfall and storm force winds.

Mitigation actions

- Joint seasonal disruption programmes and strategies.
- Monitor weather warnings and forecasting.
- Vegetation management and assessments for dead, dying and diseased trees.
- Review of flood sites and remediation programmes.
- Allowing season tickets to be used on other nearby lines and maintaining agreements with bus operators.

Progress

- Seasonal change and preparation meetings in place with Train Operations and Infrastructure Managers.
- Rail replacement services in contract.
- Development of the TfW climate resilience and adaptation plan.

Speed at which the risk could impact

Less than three months

5. Industrial action

Risk description

Risk of continued industrial strike action causing disruption for TfW services. Namely:

- Lack of signallers means most of the Wales and borders network is closed on RMT strike days.
- Lack of other operators' services due to industrial action means more pressure and crowding on some TfW services.

Mitigation actions

- Preparation of appropriate strike contingency train plans.
- Using communications plan to inform customers of the impacts on train service and the reasons for the strike action.
- Safeguarding Rail Head Treatment Trains that may be affected by strikes.
- Seeking confirmation from Network Rail that they are training contingency signallers for our routes to enable additional services to be run on strike days.

Progress

- Current ballots have not included TfW Rail or AIW staff. However, the impact from loss of Network Rail operations would impact TfW operations, especially on mainline services.
- Working with Network Rail (both Wales and Western, and North West & Central regions) to allow TfW to access and operate some services in line with the published key route strategies. A Core Valley Lines service would operate north of Radyr, extending to Cardiff Central in hours when Network Rail contingent signaller cover is available.
- Planned rail replacement buses will operate between Cardiff Central and Radyr at times when Network Rail contingent signallers are not on duty (for example, after 1830 on strike days).

Speed at which the risk could impact

Less than a week

6. Power outages

Risk description

Risk of power outages severely affecting TfW's operations, causing disruptions to business activities on a regional or national level.

Mitigation actions

- Development of a National Power Outage Resilience Framework.
- Development of a full contingency plan.
- Development of a fuel contingency plan.
- Engage with Local Resilience Forums.
- Collation of power supplies.
- Run regular scenario exercises.
- Align plans with Rail Delivery Group guidance.

Progress

- National Power Outage Resilience Framework has been completed.
- Engagement with Local Resilience Forums is ongoing.
- Working on a full contingency plan for business operations before, during and after a power outage event.
- Attending power outage events.
- Details are being collated of current power supplies and any contingencies or assurance that is offered with them. We're obtaining lists of our sites where back up supplies are available in the event of a National Power Outage.
- Mapping how and on what scale the network (both Core Valley Lines and Mainline) could operate during a power outage and how we link that into an emergency response.

Speed at which the risk could impact

Less than a week



Section 172 statement

Direct statement

Over the course of the year, our Board of Directors have acted to promote the success of TfW for the benefit of its owner, the Welsh Government, while also having regard to (among other matters) the factors set out in section 172(1)(a) to (f) of the Companies Act 2006.

These matters take a central role in decision making at Board level and throughout the company. We've integrated our reporting across this annual report to make it clear how we've had regard to the long-term consequences of our decisions. Particularly, we have regard to our Well-being of Future Generations responsibilities (see below), the interests of employees, customers and suppliers, the environment, our communities and the Welsh Government. This decision making is always underpinned by our desire to maintain high standards of conduct.

Although not every decision we make will result in a positive outcome for all, our directors' regard for these matters helps us to ensure decision making processes are robust, trusted by all our stakeholders, fair and consistent.

Our approach

To ensure we fulfil our obligations to those impacted by our work, our Board provides leadership, challenge and involvement in stakeholder engagement. This leadership sets a clear tone and example to follow for the rest of the company, which is reflected in our team's day to day work with our stakeholders.

Our Board have taken a proactive approach with our stakeholders by engaging with a wide range of representative groups to make sure we know how our decisions affect them. We've also set up structures to ensure their voices heard and to help us create customer focused services through a safe transport network of which Wales is proud.

We've made our decisions within the confines of our delegated authority from the Welsh Government and our remit, and many of our key strategic decisions over the year have also been through the Welsh Government and Welsh Ministers' decision-making processes.



In practice

Welsh Ministers and Welsh Government

How we engage:

The Welsh Ministers and Welsh Government are TfW's owner, and we are in regular discussion with them about key plans, proposals and approvals.

Since May 2023, a Welsh Government observer has attended TfW Board meetings. Discussions are taking place to provide local government representation at TfW Board meetings.

The monthly Welsh Government Steering Board facilitates strategic discussions about TfW's future remit and direction. It provides important scrutiny and oversight.

Board involvement:

The TfW Board Chair, Chief Executive and Chief Finance, Governance and Corporate Services Officer attend the Welsh Government Steering Board.

Our Board receive an update at every meeting outlining discussions and decisions made at Steering Board.

The Chief Executive also provides a monthly update on TfW's activities which includes details of Welsh Government decisions and actions.

Our customers

How we engage:

We're committed to ensuring that the interests of our customers are a core part of our decision-making processes.

We regularly invite feedback from our customer and advisory groups which helps improve our customer experience. Customers can contact us by phone, letter and online to register complaints and provide us with highly valuable feedback.

On our website, we make sure to provide as much information as possible about our services and any changes, especially any planned and unplanned disruption. We also ensure information is available about how to book accessible travel assistance.

Board involvement:

Our Board makes sure customer interests are central to its decision-making, and its [Customer and Communication Committee](#) provides leadership and challenge on customer issues. It also receives regular customer satisfaction and service quality information.

Every Board and Board Sub-Committee meeting begins with a 'safety and customer moment' where topics of interest are raised, discussed and learnt from.

Our employees

How we engage:

We recognise that our people are one of the most important drivers of success. They're regularly invited to provide feedback, suggestions and concerns during our 'All Company Exchanges', our colleague email inbox and our internal Yammer network.

We've launched our Colleague Communications and Engagement Charter. It aims to create a 'best in the business' shared internal communication service. We have a Core Brief: a roundup of what's happening across the organisation that's relevant or important to colleagues. These initiatives help to make sure our internal communications support TfW's vision and values, are efficient and sustainable.

Board involvement:

Board meetings are attended by a trades unions observer to help nurture a trusting industrial relationship with our employees.

Our Board also receive and provide challenge on regular updates from our Executive team on important matters which affect our people, monitor culture and the performance of our people strategy.

"We regularly invite feedback from our customer and advisory groups which helps improve our customer experience."



The communities we serve

How we engage:

Our services and work can have effects on communities across Wales and the Borders. Through our Community Rail and Stakeholder and Community Engagement teams, we are working hard to build links with, identify, and promote the needs of those communities through local projects and drop-in events ahead of major infrastructure work.

We can't always prevent disruption and negative impacts on the communities we serve, but our teams provide feedback within TfW on their behalf to inform our decision making and minimise disruption wherever possible.

Our quarterly Advisory Panel brings together representatives from customer groups, government, industry, and people from marginalised backgrounds and identities to provide feedback, scrutiny, and advice to TfW. Their activities span a diverse range of topics and provide an important steer in our decision-making process.

Over the reporting period, we've also changed the way we engage with other stakeholders, by introducing a quarterly All-Wales and Borders stakeholder forum which breaks out into four regional forums covering North Wales, Wales and the Borders, South East Wales, and Mid and West Wales. Every forum is an opportunity for representatives from a wide range of groups impacted by our work, to become informed about and provide feedback on many public transport issues, ranging from rail timetabling to upcoming consultations and awareness campaigns.

Board involvement:

Our Board are aware of the importance of understanding and taking into account the needs of our communities. They receive monthly updates through our Chair and Chief Executive, which details our engagement with communities and highlights potential areas of impact caused by our works programme and service changes.

Our Board Chair and Chief Executive attend our advisory panel meetings, ensuring they receive direct feedback from members.

Our Chief Executive attends our All-Wales and Borders Stakeholder Forums to receive feedback and engage in dialogue with attendees, which include local authorities, education bodies, regional transport authority partners, transport watchdogs, business and tourism partners.

Our suppliers

How we engage:

Our long-term plans and the services we provide mean our supplier partnerships are critical to everything we do. We've continued working to improve our supply chain, which has required close engagement with our suppliers.

We've also continued to promote our Fairness Inclusion and Respect programme. We serve as a member of the Craidd Alliance in partnership with Balfour Beatty, Siemens Mobility, Alun Griffiths Contractors Ltd and Amey Infrastructure Wales. The alliance has previously been recognised for its approach to sharing resources, experience, and skills to benefit its suppliers, customers, and partners.

Board involvement:

The TfW Board have regular opportunities to provide challenge and feedback on supply chain matters through escalated reports from our Executive team and consideration of our risk register.

Our Board's [Audit and Risk Committee](#) also has a regular opportunity to consider risk related issues in-depth.

"Our Board Chair and Chief Executive attend our advisory panel meetings, ensuring they receive direct feedback from members."



Sustainable decision making

Our Board is aware that many decisions it makes or has delegated will have an impact on future generations in the long term, including for the communities we serve, environment, economy and the health of those we serve. Our Board is clear that all decisions must be made according to the Well-being of Future Generations (Wales) Act 2015 national well-being goals, five ways of working towards the sustainable development principles, and the [Welsh Socio-economic Duty](#).

Board and Executive proposals require early and evidenced consideration of any consequences arising from decisions, particularly in the long-term. This challenges us to make changes to resolve or mitigate any negative impacts at an early stage and make better decisions.

Our Board is concerned about the contribution we all make to climate change, biodiversity, and other environmental challenges. They are committed to reducing our impact and providing leadership and challenge on our [decarbonisation and modal shift efforts](#).

Moving forward

In the coming year, our Board is committed to developing our existing work to enhance the way they make decisions and have due regard for the matters under Section 172(1)(a) to (f) of the Companies Act 2006.

For example, we are developing a TfW Code of Ethics. It will be completed and implemented over the coming year. This code will bring together the principles and expectations our Board have for all employees. It will include helpful advice on how to maintain the high standards of ethical conduct our customers and communities expect from us.

“We are concerned about the contribution we all make to climate change, biodiversity, and other environmental challenges.”

James Price

Chief Executive and Accounting Officer

This Annual report was approved by the Board of Directors on 27 June 2023. Each of the directors who was in post at the date of the approval of this Annual report confirms that to the best of his or her knowledge the Annual report, taken as a whole is fair, balanced and understandable and provides the information necessary for stakeholders to assess TfW’s position and performance, business model and strategy.



Our Board

Our Board represents the independent and diverse perspectives of our customers and stakeholders.

They each play an active and valued role in the delivery of our strategic objectives and are collectively responsible for ensuring that we continue to drive forward the Welsh Government's vision of a high quality, safe, integrated, affordable and accessible transport network of which the people of Wales can be proud.

Non-Executive Directors

- **Scott Waddington**
Chair
- **Sarah Howells**
Chair, Communications and Customer Committee
- **Alison Noon-Jones**
Chair, People and Remuneration Committees
- **Nicola Kemmery**
Chair, Health, Safety and Well-being Committee
- **Alun Bowen**
Chair, Audit and Risk Committee
- **Vernon Everitt**
Chair, Major Projects Committee

Executive Directors

- **James Price**
Chief Executive
- **Heather Clash**
Executive Director of Finance and Governance

Board committees

We have six sub-committees. Each committee is chaired by an independent Board member. They include:

- Audit and Risk
- Communications and Customer
- People
- Remuneration
- Health, Safety and Well-being
- Major Projects



Scott Waddington

Chair

Originally from Swansea and a graduate of Reading University, Scott has held a variety of senior roles in the hospitality sector, mainly in drinks marketing and pub retail.

For 17 years, he was the Chief Executive of privately owned Welsh brewer and pub company SA Brain & Co, where he led a comprehensive review of corporate strategy, repositioning the Brains brand, investing heavily in expanding the pub estate and the acquisition, development and sale of the Coffee#1 chain. He also took responsibility for overseeing the creation of a joint venture to redevelop the Old Brewery site in Central Quay.

Scott was Chair of CBI Wales in 2010 and 2011. He was Wales Commissioner to the UK Commission for Employment and Skills for five years from April 2012 and chaired the Wales Employment and Skills Board.

He is currently chair of the Cardiff Business Club and a Board governor of Cardiff Metropolitan University.



Sarah Howells

Non-Executive Director

Raised in Bridgend, Sarah is chief customer officer of Jurassic Fibre Limited the leading internet service provider serving the South West of England.

She is responsible for leading the marketing, sales, installation and customer operations divisions as they roll out full fibre internet to local communities.

Sarah has over 20 years' experience in customer service across a range of industries. She's held several senior roles at large, well-known organisations in the UK and New Zealand, including Virgin Media, Vodafone, Les Mills Clothing and Merchandising and 2 Degrees Mobile. She also led a team of over 1,000 people to deliver service support when she was the customer service head for Tesco.

Sarah has a strong track record in developing people, enhancing digital capability and delivering transformational change.



Alison Noon-Jones

Non-Executive Director

Alison Noon-Jones has over 35 years' HR experience, 25 years at national and international board level within a range of blue-chip high profile organisations including Invacare Corporation, General Motors Acceptance Corporation and Airbus Defence and Security. She's worked all over Europe and also in the Middle East.

Alison is currently the Vice President, People and Culture for Leidos UK and Europe. She's responsible for leading a team of 25 HR professionals, providing HR services to support the \$500m business which includes 1,400 employees and contractors located in 11 sites across UK and Europe. Alison joined Leidos in 2016 and prior to taking this role, she was HR director for the Logistics Commodities Service Transformation programme, an £8bn defence logistics programme for the Ministry of Defence.

Alison has spent a large amount of her career in transformation and large-scale strategic HR change programmes and thrives on nurturing teams to optimum performance and delivery. She's collaborative and builds strong partnerships across programmes and businesses.

Alison has a degree in modern languages from Swansea University, is a Fellow of the CIPD and is a qualified executive coach and mentor.



Nicola Kemmery

Non-Executive Director

With extensive health and safety and senior managerial experience, Nicola is the Health and Safety Director at Dŵr Cymru Welsh Water, where she has worked since 2010.

Having spent most of her career in the water industry, Nicola is responsible for developing and leading Dŵr Cymru's health, safety and well-being improvement strategy. Reporting to the Chief Executive, she provides direction and leadership as part of the executive management team. She also leads a team of health and safety professionals managing a range of advisory and governance functions supporting over 3,500 employees and their contract partners.

A chartered health and safety professional, Nicola started her working life in Yorkshire and was previously the health and safety manager for the privately owned Kelda Group (Yorkshire Water Services) for 14 years. She devised and implemented the Group's health and safety management systems and improvement plans.

Nicola has been a member of the Institution of Occupational Safety and Health for 29 years, including 6 years as an elected Council Member. She has also been an active member of the Water UK Occupational Health and Safety Group for the last 23 years.



Alun Bowen

Non-Executive Director

A natural sciences graduate of Trinity College, Cambridge, Alun worked for KPMG for 37 years, holding a range of roles across the world including in Cardiff, London, Hong Kong, Sydney and Kazakhstan.

Originally from Llandeilo, Alun was lead business planning advisor on the National Botanic Garden of Wales and Wales Millennium Centre. He was the global head of KPMG's sustainable services practice before taking on responsibility for 600 people in the Central Asia division of the business.

Former chair of Business in the Community in Wales, Alun was a member of the Audit Committee of the Institute of Chartered Accountants in England and Wales and a council member of The Prince's Trust Cymru. He is currently chair of the Audit Committee of KAZ Minerals Limited. Alun is also the Chair of Pullman Rail Limited.



Vernon Everitt

Non-Executive Director

With over 40 years' experience across the finance, transport and technology sectors, Vernon is the Transport Commissioner for Greater Manchester. He advises the Mayor on developing an integrated public transport network for the region alongside more active travel facilities.

From 2007 to January 2022 Vernon was Managing Director for Customers, Communication and Technology at Transport for London. Vernon's focus was on putting customers at the heart of transport strategy and operations, including how integration of services and technology and data can deliver better journeys. He led the successful pan-Government and transport industry marketing and communications strategy for the London 2012 Olympic Games, the largest ever integrated campaign of its kind.

Vernon has also worked at senior level at the Financial Services Authority and the Bank of England in a variety of banking, regulatory, corporate and communications roles. He is also a senior advisor to the consultancy Teneo, and chairs the National Grid ESO Technology Advisory Council. He joined TFW as a Non-Executive Director in September 2019.



James Price

Chief Executive Officer

Former Deputy Permanent Secretary at the Welsh Government, James was appointed as TfW's Chief Executive Officer in January 2018 after acting as Chair during the start-up phase.

James originally started his career in civil engineering contracting. A professional economist, he has worked across the UK with the Welsh Government, UK Government and with government-owned agencies in Wales and England.

Until the end of 2017 he was also the Additional Accounting Officer for Economy, Transport, Skills and Natural Resources, leading a team of around 2,500 civil servants.

James has had responsibility for infrastructure delivery for the Welsh Government since 2007, firstly as Director of Transport and then as director general and Deputy Permanent Secretary. He is now responsible for the day-to-day operations of TfW and the proper stewardship of public funds. James is also the Chair of Transport for Wales Rail Ltd and a Director of Pullman Rail Ltd.



Heather Clash

Executive Director, Finance and Governance

Having lived, studied and worked in Wales for over 26 years, Heather joined TfW in July 2018. An experienced accounting professional who studied at Cardiff University, she has worked in finance for all her career.

Heather specialises in the financial management and control of portfolios of outsourced contracts and corporate functions within large corporate organisations. Before joining TfW, she held the role of Finance Director in a variety of large organisations including the IT Services Division of Capita Group Plc and UK Sales and Marketing for Compass Group UK and Ireland.

Heather sits on the senior leadership team at TfW and is responsible for financial strategy and planning, analysing the organisation's performance and risk, overseeing its governance and finance function, as well as all audit and internal financial controls. Heather is also a director of Transport for Wales Rail Limited.

Board committees and reports from their chairs

Audit and Risk Committee

Chair – Alun Bowen

The Audit and Risk Committee provides oversight over TfW's risk management and internal control system, financial and non-financial reporting and the Welsh language within and outside of TfW.



Highlights of 2022/23

2022/23 has seen a significant improvement in TfW's internal control environment and its risk management framework, although progress towards achieving our goals for the year has been slightly delayed to in order that the improvements are aligned with the new management operating model commented on elsewhere in this report.

A key responsibility of the committee is still to ensure that TfW's financial and non-financial information and the contents of this annual report, are fair, balanced, and understandable. The committee challenges the assumptions and estimates made by management in preparing the financial statements and in preparing the non-financial information included in this report. As in previous years, the most material matter in the financial statements is the valuation of TfW's infrastructure assets.

The Audit and Risk Committee published its first Audit and Assurance Policy for the three years ending 31 March 2025 at the same time as the 2021/22 Annual Report was issued. The Audit and Assurance Policy covers most of the work carried out by the committee, and in accordance with the recommendations of the UK Government's consultation document – "Restoring trust in corporate governance and audit", which has yet to be enacted, the Audit and Risk Committee has decided to prepare an Annual Implementation Report which sets out changes that have been made to the Audit and Assurance Policy and how the assurance activity set out in the Audit and Assurance Policy is working in practice. The Annual Implementation Report for the year ended 31 March 2023 is available [here](#).



The Annual Implementation Report also provides some detail of the highlights of 2022/23, for example, the culmination of the process for the appointment of TfW's external auditor; the progress being made on enhancing internal controls over financial and nonfinancial reporting, aligned to the expected future UK corporate governance reforms for large companies; the ongoing monitoring and mitigation of fraud risk; and the committee's commentary on how it believes the assurance activity within TfW is working in practice.

I am pleased to report that TfW continues to progress in its ambitions for ensuring that it is as easy to engage with all aspects of TfW's work in Welsh as in English. Having staff dedicated to this is making a huge difference. As I have commented in previous reports, the investment being made by TfW in new trains and new technology is generally making it easier to achieve this objective and significant progress has been made during the year. However, TfW's older trains and aspects of travel where TfW has limited control such as paper tickets (controlled on a UK-wide basis) are more problematic and longer-term solutions will necessarily involve embracing 21st century technology.

2023/24 priorities

The Audit and Risk Committee is committed in the next twelve months to ensuring that the following aspects of the matters on which it has oversight are satisfactorily completed or progressed:

- Significant progress in enhancing the internal controls over financial and non-financial reporting, with a view to finalising the work and ensuring it is fully embedded by the end of 2025.
- Completing the work on the risk management framework and ensuring it is consistently applied throughout the TfW Group.
- Ensuring that as far as possible TfW meets its Welsh language obligations and continues to endeavour to be an exemplar organisation for the Welsh language.

Customer and Communications Committee

Chair – Sarah Howells

The Customer and Communications Committee oversees TfW's customer strategy and delivery plans. The committee also reviews non-financial operational performance metrics (such as punctuality) along with customer and stakeholder feedback. The committee ensures our customers are placed at the heart of everything we do and that there is a clear plan in place to achieve the service delivery and transformation that our customers expect.



Highlights of 2022/23

- Reviewed the performance of our multimodal behaviour change campaign and our station investment programmes, prioritising customer feedback and safety.
- Monitored the development and delivery of ticketing pilots across Wales and the development of multimodal fares and ticket products.
- Reviewed the ongoing customer contact programme, which aims to provide improved information and support to our customers in Wales and the border regions.
- Oversaw and reviewed the demand responsive transport fflexsi services, providing innovative technology for customers who use the service.
- Scrutinised the operational performance and monitoring of on-going rail replacement services and development of improvement plans.
- Scrutinised station investment programmes, ensuring they enhance the customer experience.

Priorities for 2023/24

- Ongoing Scrutiny of operational performance metrics and improvement plans along with further enhancement to rail replacement services.
- Monitor improvements in customer support, ensuring that technologies, processes and performance are enhanced to deliver the outcomes customers expect.
- Ongoing review of station improvement programme and Metro transformation performance.
- Continue to monitor and review our multimodal behaviour change campaigns.

Health, Safety and Well-being Committee

Chair – Nicola Kemmery

The Health, Safety and Well-being Committee provides assurance to the Board that its interests and accountabilities for health, safety, well-being, sustainability, climate adaptation, resilience, security and business continuity are appropriately managed. It ensures robust measures are in place in relation to the activities of the company as they affect the general public (including customers), direct and indirect employees, contractors and suppliers. It promotes continuous improvement and the sharing of best practice.



Highlights of 2022/23

- The committee reviewed its role and remit during the year and now includes sustainability, security and business continuity alongside health, safety and well-being. The membership has also been updated to reflect the new organisational structure and ensure that we are effectively engaging with all aspects of TfW activities, including any new activities or acquisitions.
- Monitored the health and safety risks to employees and customers from coronavirus as we have increased services and returned to 'business as usual' post-pandemic.
- Continued preventing anti-social behaviour and ensuring a safe travel experience for customers and employees.
- Ensured continual improvement in health and safety risk management. Where there have been incidents—at TfW or the wider rail industry—key learning points have been identified and suitable actions taken.
- The committee observed effective implementation of a range of initiatives including:
 - Leadership tours and safety step up events to ensure senior management are actively engaging with staff and contractors across the business.
 - Partnership working with external organisations including British Transport Police and Network Rail to tackle crime, trespass, thefts and antisocial behaviour.
 - Investigation of the causes of Signals Passed at Danger and subsequent interventions to prevent future incidents.
 - Development of the Craidd Alliance, working with our key contractors to set standards and share learning, particularly those working on Core Valley Lines infrastructure improvements.
 - Maintaining focus on occupational health, hygiene and well-being, supporting colleagues working on-site and from home as we have moved to a hybrid working model.



Priorities for 2023/24

- Continue to monitor performance across all TfW activities, ensuring that we're effectively identifying and managing risks, developing improvements and undertaking appropriate monitoring and assurance activities.
- Encourage visible health and safety leadership, including safety tours conducted by our senior leaders and staff health and safety briefings.
- Monitor the safe operation, construction and maintenance of our assets to ensure that risks of injury, ill health and environmental impacts are effectively addressed.
- Foster a culture of continuous improvement, ensuring that teams identify opportunities to share learning and manage risks. We will also focus on the longer term and the potential impacts of climate change.
- Ensure the business has effective processes in place to manage health, safety, well-being and sustainability as the organisation develops and takes on additional functions and responsibilities.

Major Projects Committee

Chair – Vernon Everitt

The Major Projects Committee ensures a rigorous focus by the executive on major project safety, delivery, controls and risk management. The committee also monitors the pipeline of potential new projects. The committee takes regular reports on project delivery on behalf of TfW's Board. It monitors and challenges risk mitigation and the control environment put in place by the executive.



Highlights of 2022/23

- Focused on safe project design and delivery—with safety always remaining the top priority—and continuing recovery of projects from disruption caused by the coronavirus pandemic.
- Monitored progress on:
 - The Core Valley Lines upgrade, bus service transformation, rolling stock delivery, Metro schemes development, Cardiff Bus Interchange delivery and progress on a number of other existing and potential major TfW projects.
 - Completion of TfW's contribution to the development and delivery of the Global Centre for Rail Excellence.
 - TfW's administration of Active Travel Fund grants on behalf of Welsh Government.
- Produced regular summary reports from the Project Management Office on the status of projects progressing through TfW's Plan of Work Lifecycle and tracking the maturity of the Project Management Office itself as a key mechanism for the effective management of major projects.

Priorities for 2023/24

- Safely designing and delivering major projects.
- Ensuring the health, safety and well-being of everyone working on the projects.
- Effectively delivering and managing the risk of major projects including Core Valley Lines, bus transformation and rolling stock delivery.
- Developing business cases across a wide range of Metro and other schemes which could lead to a pipeline of potential new major projects.
- Maturing the TfW Project Management Office and shared learning across project delivery.

People Committee

Chair – Alison Noon-Jones

The People Committee assist the Board to review the TfW People Strategy. It ensures that the Board and Executive Leadership Team retain an appropriate structure, size and balance. It reviews the annual development plans of leadership teams. The committee monitors key metrics and dashboards to support assessment of current performance and future goals of TfW. This includes oversight of the diversity and inclusion programme.



Highlights of 2022/23

- Attracted and retained high-quality talent in a particularly buoyant post-pandemic market.
- Addressed new hybrid ways of working.
- Swiftly concluded annual pay planning.
- Effectively integrated and collaborated with Pullman team.

Priorities for 2023/24

- Continue to grow our future talent pipeline through the TfW Graduate Programme.
- Maintain focus on the Diversity and Inclusion programme including a commitment to proactively address the gender pay gap.
- Drive positive employee engagement through high-level interaction and communication with workforce.
- Develop a robust succession plan for Executive Leadership Team.

Remuneration Committee

Chair – Alison Noon-Jones

The Remuneration Committee review and recommend remuneration policy that attracts and retains TfW Executives and Senior leadership. It sets Executive total reward principles that motivate our senior personnel to deliver TfW's objectives.



Highlights of 2022/23

- Reviewed and successfully implemented the revised leadership structure.
- Retained exceptional Executive leadership talent against a backdrop of market buoyancy and disruptive sector relations.

Priorities for 2023/24

- Continue to develop a programme of competitive Executive compensation within TfW.
- Ensure governance of various Executive benefits where appropriate such as pensions.

Corporate governance statement

As TfW's Chief Executive and Accounting Officer, I'm personally responsible for the overall management and governance of the TfW group of companies including its three subsidiaries (TfW Rail Ltd, TfW Innovation Services Ltd and Pullman Rail Ltd).

As Accounting Officer, I'm accountable to the TfW Board and the Welsh Government's Permanent Secretary. This Governance Statement outlines how I've discharged my responsibility to manage and control TfW's resources this year. TfW is committed to the highest standards of governance, accountability and transparency. These values are vitally important to the success of all aspects of the TfW group.

TfW is governed by:

- The Minister and Deputy Minister for Climate Change who have overall responsibility for the company.
- The Welsh Government Permanent Secretary's responsibility (to the Minister and Deputy Minister for Climate Change and directly to Senedd Cymru) as the Principal Accounting Officer for the TfW's expenditure and management.
- My responsibility as TfW's Accounting Officer.
- TfW's Board which, supported by its sub-committees, has collective responsibility for overseeing the work of the company and providing oversight, scrutiny and assurance to ensure that TfW is achieving its aims and objectives with an appropriate level of internal control.
- TfW's subsidiary company boards: Transport for Wales Rail, Transport for Wales Innovation Services, and Pullman Rail Ltd.

TfW's system of governance also includes the Executive Leadership Team.

Our governance framework is underpinned by our Articles of Association and a Management Agreement between TfW and the Welsh Ministers. For TfW, good corporate governance is about ensuring that the TfW group of companies are aligned with the Welsh Ministers' objectives as set out in these two documents, our Corporate Governance Framework, the Welsh Government's Managing Welsh Public Money and our schedule of delegations.

The TfW Board

TfW's Board oversees all our activities providing leadership and strategic vision. It ensures that high standards of corporate governance and ways of working are maintained. It operates collectively, concentrating on:

- Ensuring effective arrangements are in place to provide oversight and governance.
- Strategic and significant issues affecting the operations of Transport for Wales in delivering its remit.
- The implementation of the Board's strategy. It steers, scrutinises and challenges the effectiveness and efficiency of TfW's performance, with a view to ensuring its future and the vision of creating a transport network of which Wales is proud.

The Board may delegate responsibility for the administration of day-to-day management issues to the Executive Team but they remain ultimately responsible and accountable for all matters. Our independent Non-Executive Directors scrutinise the performance of the executive in meeting agreed objectives. Members of TfW's Executive Team therefore regularly attend to present papers with recommendations and to provide up-to-date information.

A nominated trades unions observer joins the Board for part of the strategic session. The observer is elected by a process overseen by the Wales TUC and although they are not a full member of the Board and do not have voting rights, they are able to take part in discussions.

Our Directors have signed a Declarations of Interest statement and complete a quarterly declarations of interest update. Declared interests are available at on TfW's website. Declarations of interest are also made at the start of each meeting.

All Directors are expected to act in accordance with the seven principles of public life and have each signed the terms of TfW's Corporate Governance Framework which includes the Cabinet Office's Code of Conduct for Board Members of Public Bodies. TfW has chosen to comply with the Wates Corporate Governance Principles. We tested compliance against these principles during 2021/22 and found no areas of weaknesses. There have been no significant changes to governance in 2022/23. We'll undertake a further detailed compliance review during 2023/24.

This year, our Board met eleven times. The minutes of all Board meetings are [published on our website](#).

The following table shows directors' attendance at Board and sub-committee meetings for the year ending 31 March 2023:

	Board	Audit and Risk	Customer and Communications	Health, Safety and Well-being	Major Projects	People, Remuneration and Nominations
Alun Bowen	11/11	4/4			5/6	
Heather Clash	11/11	4/4			6/6	
Vernon Everitt	10.5/11				5/6	
Sarah Howells	9/11	4/4	4/4			
Nicola Kemmery	10.5/11			3/3		4/4
Alison Noon-Jones	10/11		3/4			4/4
James Price	11/11		4/4		5/6	
Scott Waddington	11/11					1/4 (Remuneration only)



Our Board combines the knowledge and skills of six independent Non-Executive and two Executive members to provide insight and experience that help to shape our strategic direction. The full biographies of all Board members can be found on [page 63](#). The independent Non-Executive Directors bring a wide range of skills and experience to the Board and each are leading professionals in their own fields. They provide independent judgement on issues of strategy, performance and risk. They are well placed to constructively challenge and scrutinise the performance of management.

Board diversity

The Board recognises that diversity, in all forms, is key to ensuring different perspectives are introduced into its decision-making processes. The Board believes that gender is an important aspect in creating an optimal Board in terms of balance and composition. Board membership currently has a gender split of four women and four men.

Board committees

Our Board has delegated certain powers to five Board sub-committees which operate to assist the Board in fulfilling its overall duties and responsibilities. The Audit and Risk sub-committee provides assurance to the Board regarding risk management, internal control and financial reporting.

The Customer and Communications sub-committee assists the Board in reviewing, monitoring and providing direction on topics related to customers. We help people to travel safely. We pay particular attention to the voices of our customers. We're transforming the customer experience with open and honest communication. We use digital innovation to improve journeys.

The Health, Safety and Well-being sub-committee assists the Board in:

- recommending health and safety policy
- monitoring and assessing compliance
- developing and delivering continuous improvement
- reviewing and investigating health and safety incidents
- considering health and safety issues that may have strategic, business and reputational implications for the company
- recommending appropriate measures and responses.

The Major Projects sub-committee assists the Board to review and scrutinise major projects and recommend decisions associated with major projects in the TfW portfolio. The Committee's main focus is on projects and programmes related to the development and delivery of TfW's capital infrastructure investment programme.

The People, Remuneration and Nominations sub-committee assists the Board in all issues relating to organisation structure, compliance with policy, pay frameworks and policy, training and development, the principles and parameters of remuneration policy, benefit plan administration and Board nominations.

In June 2022, the Remuneration and People committees were combined to include remit for Board nominations. As a result, the People, Remuneration and Nominations Committee was formed during the year.

Each committee is chaired by a Non-Executive Director and meets at least quarterly. The Major Projects and Customer Experience and Communications committees meet bi-monthly. Each Board sub-committee has delegated authority from the Board to carry out the duties defined in its terms of reference. The Chair of each sub-committee updates the Board on the sub-committee's activities carried out during the previous month and (where necessary) makes recommendations on behalf of the sub-committee to the Board for approval.



Governance framework

Our Board is accountable to the Welsh Ministers who are the sole member of the company. The Welsh Ministers are responsible for strategic policy relating to all devolved transport matters. The First Minister has allocated primary responsibility for the oversight of TfW to the Minister for Climate Change. The Minister remits TfW by setting objectives, priorities and operational and capital budgets, which form the basis of TfW's business and corporate plan.

The relationship in terms of financial management and corporate governance between TfW and the Welsh Government is outlined in the Management Agreement. This document sets out the terms of agreement between TfW and the Welsh Government to support constructive and clear relations between them.

The Executive Leadership Team

Our Executive Leadership Team comprises the Chief Executive Officer (myself) and eight other members who are focussed upon TfW's day-to-day management. The Executive Leadership Team meets weekly to discuss and take decisions on operational and strategic issues. The team has responsibility for finance, health and safety, people, risk management, governance and the performance and progress of projects and programmes.

Transport for Wales Rail Ltd Board

The Transport for Wales Rail Ltd Board is responsible for all obligations set out in the Operator of Last Resort Grant Agreement relating to the Wales and Borders rail franchise. As TfW's Accounting Officer, I chair the Board which enables me to hold to account TfW Chief Operations Officer who has Executive responsibility for all operational matters relating to TfW Rail Ltd. In turn, the TfW Board holds me to account for TfW Rail Ltd's performance. Other members of the TfW Board include the Chief Finance, Governance and Corporate Services Officer, the Chief Commercial Officer, the Chief Operations Officer, the Chief Customer and Culture Officer and one independent Non-Executive Director who also chairs TfW Rail Ltd's Rail Safety Executive Group.

TfW Innovation Services Ltd Board

The TfW Innovation Services Ltd Board oversees the joint venture in place between TfW, Keolis and Amey. The Board oversees the company's remit supporting the delivery of an integrated transport system for Wales and the borders.

The Board is chaired by a member of the TfW Executive Leadership Team and also comprises of three other members of the TfW Executive Leadership Team, a Director from Amey and a Director from Keolis.

Pullman Rail Ltd

Pullman Rail operates as a stand-alone company, delivering services under its own brand. Operating from its depot in Canton, Cardiff, Pullman Rail provides technical rail expertise; specialised rolling stock upgrades; repair, refurbishment and maintenance of all passenger and freight rail vehicles; and engineering rail solutions.

The Board is chaired by a TfW Non-Executive Director and also comprises of two other TfW Executive Directors and a senior manager from TfW. It is attended by Pullman's General Manager and other senior managers as appropriate.

The TfW Board receives updates following the meeting of each of its subsidiary company boards.

Framework of internal control

All bodies funded by public money in Wales are subject to internal and external controls to ensure compliance with frameworks from the Welsh Government such as Managing Welsh Public Money. Through the work of the Audit and Risk Committee, TfW has implemented internal control arrangements to provide assurance to the Board that public money and resources are used properly and efficiently. The Audit and Risk Committee monitors and evaluates the effectiveness of internal control systems with assurance obtained using the "three lines of defence" model.



Our schedule of delegations sets out where authority rests within the company for particular decisions made in the name or on behalf of TfW and where the Board has delegated any such decision to the Executive or one of the Board's sub-committees. The schedule sets out matters reserved solely for the Board and covers both corporate decision-making and spending authorities. The Board reviewed the schedule of delegations reserved for the Board in June and December 2022. In December 2022, the TfW and TfW Rail delegations of authority were combined.

Financial governance, management and control

TfW's business planning is determined by the budget set by the Welsh Government as set out in its annual funding letter and five-year remit letter. The actual results are compared with forecasts and reviewed each month to ensure that spend is managed in line with approved budgets and to provide assurance and advice to the Board.

Counter fraud, counter bribery and whistleblowing

TfW takes a zero tolerance approach to fraud, bribery and corruption. TfW has an Anti-Fraud, Corruption and Anti-Bribery policy and procedure and a Whistleblowing policy and procedure. Any suspected cases of fraud or corruption are fully investigated. Disciplinary and/or legal action is taken where appropriate in line with our policy. In 2022/23, there were no reported cases of fraud, corruption or bribery in TfW.

All TfW new starters are required to undertake a Corporate Governance induction which includes modules on counter-fraud, conflicts of interest, gifts and hospitality and whistleblowing.

Our whistleblowing policy and procedure is designed to ensure a culture of confidence and a safe environment should a concern be raised in TfW. Several concerns were raised through our whistleblowing procedure during the year. These have been investigated and appropriate action taken.

Over the last 12 months, we have been developing our Internal Control Environment in response to the UK's new corporate governance regime.

Openness and transparency

We are committed to openness and transparency in the way TfW operates as a business and have adopted the Model Publication Scheme prepared and approved by the Information Commissioner. The Scheme commits TfW to making certain information routinely available to the public.

In 2022/23, TfW received 229 requests for information and met the statutory deadlines for nearly all requests.

Risk Management

Our Board is responsible for the management of the risks relating to the operations of TfW. We regularly undertake assessments of the risks we face. Key risks are recorded in the Strategic Risk Register which the Board reviews at each meeting. The executive leadership team considers both the Operational and Strategic Risk Registers at its meetings.

Our risk registers identify potential risks and prioritise them according to impact and likelihood of the risk occurring. Mitigating action is presented alongside each risk in order to manage and reduce the identified risks.

During the year, our Board formally set its risk appetite to determine the amount, level and type of risks that projects, programmes, business activities and TfW as a whole is willing to take in order to meet its strategic objectives at each respective level. The process undertaken by the Board was based on HM Government's Orange Book and resulted in risk appetite statements for TfW as a whole and across 16 activity areas.



Assurance

TfW's prime source of assurance comes from identifying how well its objectives are being met and risks managed. As well as TfW's internal audit arrangements, assurance is also obtained through monthly reports to the Board, Board sub-committees, the executive leadership team, risk registers and other management information. We have also provided operational highlight reports to the Welsh Government Operational and Steering Boards.

Internal audit activities have continued across the full group during 2022/23. This year we extended activities into Pullman Rail following their acquisition in 2021/22. The audit team has developed their knowledge and understanding of the business of Transport for Wales. This has enabled them to further support the business with recommendations for continuous improvement.

The audit plan approved in April 2022 has been delivered over the year including reviews in the areas of finance systems and processes, communications, asset management, legal compliance, procurement and supply chain management, human resources systems, workforce planning, cybersecurity, business continuity and risk.

The Audit and Risk Committee approved the internal audit plan for 2023/24 in March 2023 with a full programme covering all business directorates and a variety of financial and nonfinancial aspects of our work.

I am satisfied that for the financial year 2022/23 there were no significant weaknesses in TfW's governance framework and systems of internal control. TfW's governance framework and systems of internal control supported the achievement of TfW's policies, aims and objectives, facilitated effective exercise of the Company's functions and safeguarded public funds and assets for which I, as the Accounting Officer, am personally responsible.

A handwritten signature in black ink that reads "James Price".

James Price

Chief Executive and Accounting Officer

27 June 2023

Resilience statement

Many of the activities that TfW is involved with require a long-term view.

We're mainly funded from the public purse by remit grant and other funding for services delivered to the Welsh Government. This remit grant includes the grant subsidy for rail passenger services across Wales and the borders.

The Welsh Government issues TfW with a remit letter and a separate funding letter for the budget allocated to carry out specific activities for that financial year. Alongside this, the Welsh Government also issues other direct instructions over the course of the year for specific projects. In addition, TfW in December 2022 issued a five-year corporate strategy, which was agreed with the Welsh Government, and published a 2023/24 business plan as agreed with the Welsh Government in the early part of the 2023/24 financial year.

Many of our activities do however require an even longer-term view such as planning for infrastructure projects, greater integration of Wales's transport system and achieving a future with lower carbon emissions.

Accordingly, our analysis of our longer-term resilience has been based on the directors' knowledge of those activities that we've been asked to take responsibility for by the Welsh Government and does not anticipate the effect of further activities which could possibly affect our resilience in the short and medium term.

Short-term resilience

The directors have determined "short term" for the purpose of this resilience statement as the 12 months after the signature of the financial statements. Namely, to the end of June 2024. This coincides with the period of the directors' assessment that TfW is a going concern for the purpose of preparing our financial statements.

During the year ending 31 March 2023, the funding support provided by the Welsh Government has demonstrated its willingness to provide financial support at times of extreme stress. The Welsh Government has also written to our directors confirming its commitment to fund TfW and its subsidiaries for a period of at least 12 months from the date of signing our financial statements.

Medium-term resilience

TfW's Audit and Assurance Policy for the three years ending 31 March 2025 includes two potential scenarios to illustrate TfW's resilience:

- financial sensitivity to changes in transport customers' behaviour
- financial sensitivity relating to the European Regional Development Fund (ERDF) funding of TfW's capital expenditure and regeneration programme.

The Audit and Risk Committee has chosen to illustrate the financial effect of the first scenario, by using a 10% rise or fall in rail passenger numbers. This sensitivity assumes that the mix and the average spend per passenger stays the same and management does not carry out any steps to discourage or encourage demand.

Such a rise or fall (which also does not consider potential overcrowding in peak time in the event of a rise in passenger numbers) would lead to a reduced or increased revenue funding requirement from the Welsh Government of some £16 million per annum.



The second scenario relates to the ERDF funding for the Core Valley Lines transformation programme. Specifically, the potential loss of funding should TfW have a delay in the claim timeline so that sufficient eligible spend is not incurred before the deadline for ERDF claims (31 October 2023). A one to three-month slippage in ERDF eligible works—assuming no mitigating actions are taken by TfW management (an unlikely scenario)—could result in a £7-9million shortfall in ERDF funding (and thus an equivalent increased funding requirement for Welsh Government). Both these scenarios would therefore require supplemental Welsh Government funding to enable TfW to continue to deliver the relevant remitted activities.

Longer-term resilience

In the period post-2027, we're likely to face several further challenges, which will affect our resilience in the longer term. These are:

- Climate change as the move to a lower carbon economy will have a significant effect on TfW. These challenges are set out in the separate section on climate change.
- Potential future changes to Welsh and UK transport policy.

Our approach to identifying emerging risks, horizon scanning and collaboration with other transport and government bodies provides the directors with some confidence that there will be time to be able to address such issues well in advance, subject to appropriate funding.



Transport decarbonisation statement

In 2020, transport was responsible for 15% of Welsh greenhouse gas emissions. The UK Climate Change Committee has proposed a carbon reduction pathway to achieve net zero in Wales where emissions from transport (excluding plane travel) needs to be roughly halved between 2020 and 2030.

We'll support the reduction of greenhouse gas emissions from transport in Wales through modal shift from private vehicle to public transport and active travel. We're enabling this shift through the provision of more environmentally friendly services and increased infrastructure in line with the UK Climate Change Committee recommendations. We're committed to supporting the Welsh public sector target of net zero by 2030 as outlined in the Welsh Public Sector Net Zero Carbon Reporting Guide.

Governance

The TfW Board recognises climate change as a material matter for its business, particularly in light of the declaration of a climate emergency by the Welsh Government in April 2019 and the Welsh Governments ambition to reduce carbon dioxide equivalent (CO₂e) to net zero by 2050.

We're committed to ensuring transparency and action in relation to climate related risks and opportunities. We support the voluntary recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures.

The TfW Audit and Risk Committee is responsible for ensuring that the disclosure in this report is consistent with the disclosure requirements of the Task Force on Climate-Related Financial Disclosures. The Committee is also responsible for overseeing effective management of climate-related risk within the organisation.

Strategy

We're currently developing our Carbon Management Plan. It will be published in November 2023 and will set out in detail our strategy and targets to decarbonise emissions from our estate in support of the Welsh public sector target of net zero by 2030.

Recent analysis of our carbon footprint indicates that the majority of TfW's CO₂e emissions result from scope 3 activities (largely construction). The primary emitting activity within scope 1 is diesel fuel, which is used to provide passenger train services across Wales. The remainder of the carbon footprint is from operations and activities related to stations, depots and offices.

Each year, TfW produces an organisational Carbon Footprint based on a calculator developed by The Carbon Trust which calculates our scope 1, 2 and 3 emissions.

To enable TfW to deliver our strategy, we've a dedicated Climate Change and Energy Team of four people: a Climate Change and Energy Manager, Climate Resilience and Adaptation Lead, an Energy and Carbon Lead and an Energy and Utilities Coordinator.

Risk management

The identification, assessment and management of climate-related risks is fully integrated in TfW's overall risk management process.



Management is also ensuring that climate related risks and opportunities are culturally embedded in day-to-day business. These risk and opportunities are actively considered and actioned in TfW's transformation programme.

Our [Climate Adaptation and Resilience Plan](#) details how we will assess and manage climate risk across our networks and operations.

Our governance framework provides a consistent and accountable approach for climate change adaptation reporting and management. This is aligned to TCFD recommended disclosures for climate risks and opportunities. We have considered but not yet fully complied with these disclosures and are looking to gain full compliance within the next year.

Risk Term	Board	Audit and Risk
Short Term	Failure to meet Welsh Government's Public Sector net zero target by 2030.	The Public Sector Net Zero Target is a combined Public Sector Target. Collaborative action across the sector is predicted to achieve positive outcomes.
Short Term	Increasing costs of electricity tariffs could increase the delivery costs of decarbonisation programmes.	Energy Strategy will identify opportunity for the roll out of renewable technology and efficiencies.
Short Term	Extreme Weather Events (flooding, extreme heat, ice, snow) may cause disruption to infrastructure which could have operational and cost implications.	We are undertaking Climate Change Risk Assessments (CCRA) using our CCRA Tool Our Extreme Weather Working Group is developing a procedure to create response plans to reduce risk on services and operations.
Short Term	There is a risk that vehicle emissions from business travel could lead to the burning of fossil fuels, air pollution, contribute towards global warming and car and taxi costs.	Roll out of electric vehicle Charging network will enable shift to electric vehicles and increased and improved public transport and active travel infrastructure will enable mode shift for business travel.
Medium Term	Failure to deliver on net zero target due to loss of green spaces to infrastructure development, which could reduce the sequestration potential of the land we own.	We have developed a Biodiversity Action Plan and are completing a Biodiversity Strategy for the Core Valley Lines.
Long Term	Risk we will be unable to meet the 2040 target of removing diesel-only passenger trains.	We are developing a Rolling Stock Decarbonisation Strategy.

Climate adaptation and resilience

We work closely with Network Rail who own the majority of the rail assets in Wales. They have undertaken Climate Change Risk Assessments on the Railway and, in December 2021 published a new Adaptation Report. We plan to work collaboratively with Network Rail to develop a Climate Adaptation pathways approach to help identify key decision to increase climate resilience.

Transport for Wales took over ownership of the Core Valley Lines in March 2020, with Amey Infrastructure Wales (AIW) acting as TfW's delivery partners. Their role involves complying with Network Rail's Standards which includes the development of extreme weather plans (NR/L3/CIV/190) for the management of assets during extreme weather.

As part of the asset management duties, Transport for Wales is currently updating its Strategic Asset Management Plan (SAMP) which highlights the strategic vision of the management of the assets, including drainage, structures and earthworks. The SAMP also highlights key activities associated with the improvement of asset knowledge and resilience. In addition, AIW produces Asset Management Plans, which highlight key activities including adverse weather events and the establishment of trial sites.

We've used geographic information system to map Core Valley Lines assets and their interface with known flooding sites, as derived from Natural Resources Wales flooding data for river and surface flooding. We are in the process of conducting a comprehensive study of river flooding that has potential to impact the Core Valley Lines network.



Discussions are currently taken place between TfW and other organisations (such as Natural Resources Wales and Dŵr Cymru Welsh Water) about collaborative working and setting up a Memorandum of Understanding to enhance understanding of assets and promote a joint approach to understanding and implementing resilience. We understand the importance of working with other infrastructure owners in Wales to identify and assess climate risks, particularly those that are interacting, compounding or cross-organisational in nature.

We've published our Climate Change Adaptation and Resilience Plan. The Plan sets out planned actions we'll deliver to ensure our network and operations are able to withstand extreme weather events we're likely to experience as our climate in Wales changes over the course of this century.

Vegetation management

We're undertaking management of lineside vegetation across the Core Valley Lines to reduce the impact of autumn (and increasingly other seasons) on our services. Fallen leaves and dying trees can fall across tracks, onto trains and into the overhead line equipment which is dangerous and costly. Incidents relating to fallen trees during bad weather can severely affect our services.

Metrics and targets

The principal metrics used by TfW to assess and manage its climate-related risks are:

- Direct CO₂e emissions scope 1: from activities relating to our operations and activities such as train fuel, refrigeration and air conditioning.
- Indirect (owned) CO₂e emissions scope 2: indirect emissions such as the generation of purchased energy, from a utility provider.
- Indirect (not-owned) CO₂e emission scope 3: includes emissions from activities such as waste, water, commuting and procurement.
- A standardised approach across TfW, supported with TfW climate change projections guidance and a risk assessment tool developed using UK Climate Projection 2018 data.

Revision of targets

TfW established the following targets in place while the Carbon Management Plan was being developed:

- Scope 1 emissions (traction) Core Valley Lines – 100% reduction by the end of 2023.
- Scope 1 emissions (traction) Wales and Cross-Border. Lines – 30% reduction by the end of 2023.
- Scope 2 emissions – 100% reduction by the end of 2023.

The progress of our Metro and new fleet introduction was adversely affected by the coronavirus pandemic, resulting in delays. In light of the challenges posed by the delayed enhancements works on the railway, we're re-evaluating and revising emission reduction targets. Although the original targets are not attainable within the initial timeframe, we remain committed to taking the necessary actions to achieve these targets in the future.

- Scope 1 emissions (traction) Core Valley Lines: Our revised objective is to make significant reductions of Scope 1 emissions by 2024, with a focus on attaining a 100% reduction.
- Scope 1 emissions (traction) Wales and Cross-Border. Lines: We've adjusted our target to aim for a substantial 30% reduction in scope 1 emissions by 2024. Working with our partners, we'll continue to further reduce our emissions beyond this timeframe.
- Scope 2 emissions: Our ambition is to work towards reducing scope 2 emissions by 2024 with a focus on attaining a 100% reduction.

While the delayed enhancement work has posed challenges to our original timeline, we're determined to overcome these obstacles. We'll pursue innovative strategies and initiatives to achieve our revised emission reduction targets as we strive for a more sustainable and environmentally responsible future.



Progress on targets

We publish our annual carbon footprint in accordance with the Welsh Government Public Sector Net Zero Reporting Guidance.

As we've developed our reporting methodology and improved it in line with wider requirements, our carbon footprint has increased. Our carbon report for 2021/22 has been amended due to discrepancies in fuel data. Previous figures for rolling stock diesel consumption also included fuels used for heating our depots. This fuel should have been reported on separately. The figures for our fuel consumption emissions (Scope 1 and 3) have been amended to account for the differing sources. Data for rolling stock diesel consumption also included fuel that we resell to other train operating companies. The resell values have been subtracted from the rolling stock fuel data to capture the diesel used by our train fleet. We've developed a process to ensure that heating and rolling stock fuel emissions are reported separately going forward and traded fuel is subtracted at source before emissions estimates are calculated.

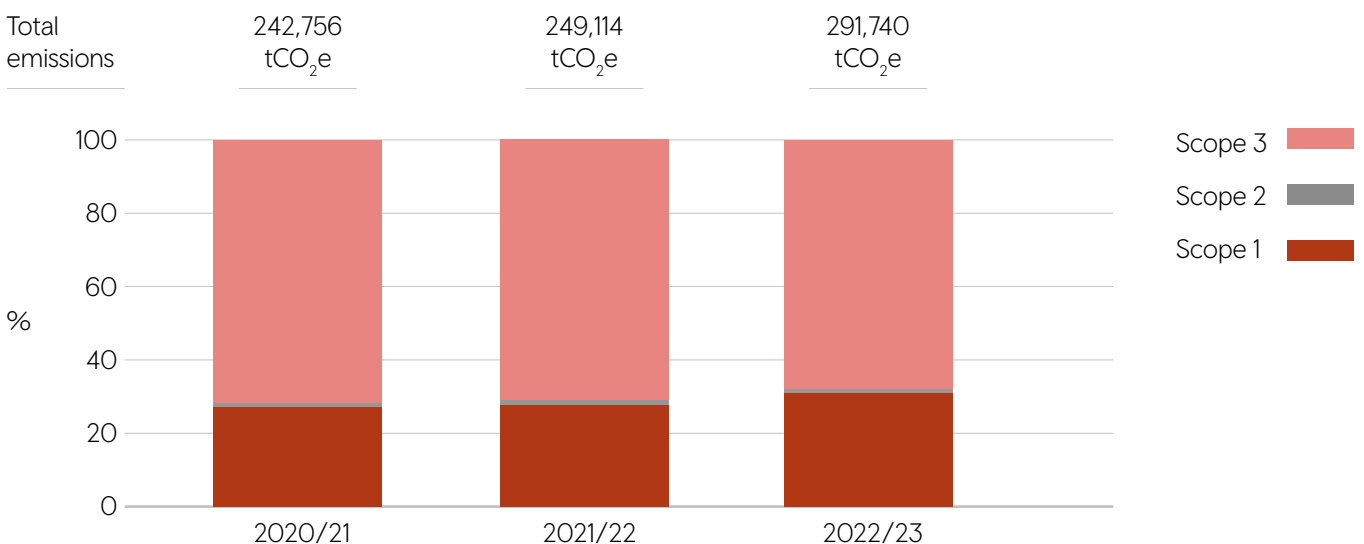
Our supply chain is our highest emitting activity. As we progress our transformation programme our supply chain emissions will continue to be difficult to minimise and may increase as a result. However, while our supply chain emissions are currently high, our investment in the creation of an integrated, multimodal sustainable transport system is considered necessary to realise a far greater, enduring long-term reduction in emissions from Wales's transport sector. Nevertheless, we continue to explore opportunities to reduce emissions from our supply chain to ensure our carbon is properly accounted for and minimised as far as is reasonably practicable.

TfW's 2022/23 Corporate Carbon Emissions

Of our corporate emissions in 2022/23, our total carbon emission (tCO₂e) for scopes 1-3 was 291,740 tCO₂e. This is an overall increase of 9% (23,941 tCO₂e) compared with 2021/22. The increase in our corporate emissions is largely due to increased rolling stock fuel consumption and an uplift in spend on purchased goods and services.

The graph below illustrates the breakdown of emissions from the last financial year. Scope 3 accounts for 68% of our entire carbon footprint.

TfW's emissions by financial year



TfW's highest emitting category was our supply chain which produced 173,050 tCO₂e. This is an increase of 12,200 tCO₂e compared to 2021/22.

The second highest emitting activity in 2022/23 was our scope 1 fuel consumption which has increased by 9,787 tCO₂e compared with 2021/22.



Remuneration report

The following sections provide details of the remuneration of Board members. This includes salary and pension entitlements.

Single total figure of remuneration

Director	Salary 2022/23 £000	Salary 2021/22 £000	Pension benefits 2022/23 £000	Pension benefits 2021/22 £000	Total 2022/23 £000	Total 2021/22 £000
James Price Chief Executive Officer*	195-200	160-165	10-15	30-35	210-215	190-195
Heather Clash Executive Director of Finance	135-140	130-135	10-15	10-15	150-155	140-145
Scott Waddington Non-Executive Director – Chair	35-40	35-40	-	-	35-40	35-40
Sarah Howells Non-Executive Director	20-25	20-25	-	-	20-25	20-25
Nicola Kemmery Non-Executive Director	20-25	20-25	-	-	20-25	20-25
Alison Noon-Jones Non-Executive Director	20-25	20-25	-	-	20-25	20-25
Alun Bowen Non-Executive Director	20-25	20-25	-	-	20-25	20-25
Vernon Everitt Non-Executive Director	20-25	20-25	-	-	20-25	20-25

* Until 9 October 2022, James Price was seconded to TfW from Welsh Government with a full year equivalent salary of £160-165,000 and pension benefits accrued as a member of the Civil Service Pension Scheme. On this date, he joined TfW as an employee with a full-year equivalent salary of £215-220,000 and no pension benefits. His higher full-year equivalent salary reflects the fact that he receives no pension benefits from TfW and is a saving compared to the secondment charge from Welsh Government to TfW. His remuneration above is the aggregate total remuneration from Welsh Government and TfW during the year.



Pension details

	Accrued defined benefit pension at pension age as at 31/03/23	Real increase in pension and related lump sum at pension age	Cash Equivalent Transfer Value at 31/03/23	Cash Equivalent Transfer Value at 31/03/22	Real increase in Cash Equivalent Transfer Value	Contribution to defined contribution scheme
Director	£000	£000	£000	£000	£000	£000
James Price Chief Executive Officer*	70-75	0-2.5	1,039	993	0	-
Heather Clash Executive Director of Finance	-	-	-	-	-	10-15

* The pension disclosures above represent James Price's pension benefit accrued during his employment at Welsh Government. Since 9 October 2022, as an employee of TfW, he no longer receives any pension benefits.

Salary

'Salary' includes gross salary and overtime. No benefits in kind or bonuses have been paid by TfW.

Pensions

James Price, was an active member of the Civil Service Pension Scheme during his employment by Welsh Government (seconded to TfW). The pension benefits figure for the Civil Service Pension Scheme represents the lifetime value of pension benefits accrued during the year calculated by (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). It is impacted by the effect of inflation which can lead to significant variances between years.

TfW employees are members of a defined contribution pension scheme. The pension benefits figure for this scheme represents the employer contribution of 8%. Non-executive directors are not members of the TfW employer pension scheme.

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are calculated in accordance with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.



Real increase in Cash Equivalent Transfer Values

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation and contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement). It uses common market valuation factors for the start and end of the period.

Fair Pay Disclosures

The following Fair Pay Disclosures are calculated as required by HM Treasury Government Financial Reporting Manual (FReM). Total remuneration used in the calculations includes salary and excludes employer pension contributions.

The banded remuneration of the highest paid director of TfW in the financial year 2022/23 was £195-200,000 (in 2021/22, it was £160-165,000) – [see page 88 for explanation](#) of this change. No employees received remuneration in excess of the highest paid director.

The pay multiple ratio between the highest paid director's remuneration and the pay and benefits of the employee at various percentiles of pay and benefits of the group's employees as at 31 March is set out below:

	2022/23		2021/22	
	Pay and benefits	Ratio	Pay and benefits	Ratio
25th Percentile	£34,633	5.7 times	£33,153	4.9 times
50th Percentile (Median)	£45,159	4.4 times	£43,231	3.8 times
75th Percentile	£59,720	3.3 times	£56,591	2.9 times

The year-on-year movement in the ratios is due to the change in the highest paid director's remuneration package since transferring to TfW from Welsh Government, reflecting the fact that he receives no pension benefits from TfW. The ratio disclosures are calculated excluding pension benefits and, as such, do not provide the complete picture of the remuneration of either the highest paid director or employees. Adjusting for changes in the highest paid director's pension benefits (we cannot include employee pension benefits as the data is not readily available for employees who are members of our defined benefit pension schemes), the growth in the median pay ratio has increased 3.1% year-on-year.

Annual basic salaries for the group ranged from £18,525 to £195-200,000 (in 2021/22, it was £16,800 to £160-165,000).

The average change from the previous financial year in respect of salary and allowances for all group employees (calculated by dividing total annualised salaries by the full-time equivalent number of employees) is 7.3%.

While salary increases within the TfW group reflect the performance of individuals, there is a very limited amount of specific performance pay and bonuses above base salaries paid across the TfW Group to certain groups of employees (for example, commission for front-line staff). The total performance related pay paid across the group during the year ended 2021/22 was £453,106, which, when applied as an average across all employees in accordance with the FReM calculation requirements, has increased by 167% compared to 2021/22 (£151,443). The increase in the average is primarily as a result of increased passenger travel following the impact of coronavirus pandemic restrictions on previous years (conductor commission is paid twice annually six months in arrears – so the commission paid in 2021/22 related to the period from October 2020 to September 2021). However, the vast majority of employees are not eligible for performance pay and as such this calculation has limited relevance to TfW Group. There are no senior management bonus schemes.



Exit packages

There were no voluntary or compulsory redundancy or early retirement schemes in 2022-23 or 2021-22 and only individual exits were in place. The exit payments agreed in each year are set out below:

	Number of compulsory redundancies	Number of other departures agreed	Total number 2022/23	Total number 2021/22
<£10,000	-	-	-	14
£10,000 – £25,000	-	1	1	2
£25,000 – £50,000	-	-	-	4
£50,000 – £100,000	-	2	2	-
£100,000 – £150,000	-	-	-	-
£150,000 – £200,000	-	-	-	-
£200,000 +	-	-	-	-
Total number of exit packages	-	3	3	20
Total cost £			168,629	208,183

The table above shows the total cost of exit packages agreed and accounted for in 2022/23 (2021/22 comparative figures are also given). The costs included in the table provide the total cost to TfW of any exit (including National Insurance and pensions contributions).



Directors' report

Our Directors present their report for the year ended 31 March 2023.

Directors

The Directors who held office during the year to the date of this report were as follows:

Name	Role
J S Waddington	Chair/Non-Executive Director
S Howells	Non-Executive Director
N J Kemmery	Non-Executive Director
A J Noon-Jones	Non-Executive Director
D A Bowen	Non-Executive Director
V J Everitt	Non-Executive Director
J R Price	Executive Director
H J Clash	Executive Director

There have been no appointments or resignations in 2022/23.

Financial instruments

Liquidity and cash flow risk

We monitor our working capital on a regular basis to ensure that sufficient funds have been drawn down from the Welsh Government to meet our liabilities as they fall due.

The Group has a fuel price hedge to mitigate exposure to the fluctuations in the price of fuel that would otherwise import uncertainty to the financial performance of the business. The previous hedge ended on 31st March 2023; in April 2023 the Group entered into a new hedge until 31st March 2026.

Credit risk

We do not have significant credit risk exposure as the majority of the Group's activity is either funded through the Welsh Government grants received in advance, through trading with other public sector organisations or through cash sales to the public. Our credit risk is monitored on an ongoing basis.

Proposed dividend

The directors do not recommend the payment of a dividend. The retained surplus is to be used to fund our future activities.

Employees

Information on diversity and inclusion is detailed on [page 50](#) and in the people committee report on [page 74](#). Further information on employee engagement is included within the Section 172 statement on [page 59](#).



Engagement with suppliers, customers and others in a business relationship with the company

Information on how we engage with our suppliers, customers and other stakeholders is included in our Section 172 statement on [page 59](#). We aim to pay all our suppliers as soon as the spend is approved and comply with the Government's Prompt Payment Code.

Energy and carbon reporting

Information on our energy consumption and actions is included in the transport decarbonisation statement on [page 84](#).

Political contributions

As a wholly owned subsidiary of the Welsh Government, TfW is not allowed to be involved in political activity and accordingly we have made no political donations or incurred any political expenditure during the year.

Whistleblowing procedures

We're committed to achieving and maintaining high standards of behaviour at work, service to the public and in all our working practices. Our employees are expected to conduct themselves with integrity, impartiality and honesty and we seek to develop a culture where we challenge inappropriate behaviour at all levels. To achieve this we encourage the reporting of genuine concerns about malpractice, illegal acts or failures to comply with recognised standards of work without fear of reprisal or victimisation.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which TfW's auditor is unaware and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that our auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the Board

James Price

Director/Chief Executive

3 Llys Cadwyn, Pontypridd, CF37 4TH
27 June 2023



Statement of directors' responsibilities in respect of the annual report and the financial statements

The directors are responsible for preparing the Annual Report and the group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare the group financial statements in accordance with UK-adopted international accounting standards ("UK-adopted IFRS") in conformity with the requirements of the Companies Act 2006 and applicable law and have elected to prepare the parent company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of the group's profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the group financial statements, state whether they have been prepared in accordance with UK-adopted international accounting standards;
- for the parent company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's [website](#). Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Financial statements



Independent auditor's report to the members of Transport for Wales

Opinion

We have audited the financial statements of Transport for Wales ("the company") for the year ended 31 March 2023 which comprise the Consolidated Income Statement, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows, Company statements of Financial Position, Company Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2023 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the company or to cease their operations, and as they have concluded that the group and the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group and Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group and Company's available financial resources over this period was the continued availability of funding from Welsh Government in line with the Group and Company's remit.

Since the Group and Company are reliant on continued funding from Welsh Government, we assessed the risk that this support would not be available. We inspected letters received by the directors indicating Welsh Government's intention to provide this support, examined financial statements to assess its ability to provide this support over the period of the audited entity's going concern assessment, and assessed the business reasons why the group may or may not choose to provide this support.

We considered whether the going concern disclosure in note 1 to the financial statements gives a full and accurate description of the directors' assessment of going concern, including the identified risks and, dependencies. We assessed the completeness of the going concern.



Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the group or the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the group or the company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board and Audit and Risk Committee minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that Group management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as valuation of assets. On this audit we did not identify a fraud risk related to revenue recognition due to the non-complex revenue recognition criteria, which limits the opportunity to fraudulently manipulate revenue.

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of the Group-wide fraud risk management controls.

We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included unusual postings to cash accounts and unusual postings to assets under construction.

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.



We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, taxation legislation and pension legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, data protection laws, anti-bribery, employment law, environmental regulations, regulations applicable to public sector bodies in Wales, transport related legislation, and certain aspects of company legislation. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.



Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on [page 94](#), the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Rees Batley (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
3 Assembly Square
Britannia Quay
Cardiff Bay
CF10 4AX

29 June 2023



Consolidated income statement

for the year ended 31 March 2023

	Note	2023 £000	2022 £000
Revenue	2	627,796	537,365
Administrative expenses		(656,426)	(565,154)
Operating surplus being surplus before tax		(28,630)	(27,789)
Financial expenses	6	(1,888)	(1,289)
Interest receivable	6	-	13
Net financing income/(expense)		(1,888)	(1,276)
Surplus/(deficit) before tax		(30,518)	(29,065)
Taxation credit/(charge)	7	4,491	(667)
Surplus/(deficit) for the year		(26,027)	(29,732)
Statement of Other Comprehensive Income			
Items that will not be reclassified to profit or loss:			
Revaluation of property, plant and equipment	8	129,191	(549,624)
Remeasurements of defined benefit liability/asset	18	553	45
Related tax	7	12	(1)
Total items that will not be reclassified to profit or loss		129,756	(549,580)
Items that may be reclassified subsequently to profit or loss:			
Effective portion of changes in fair value of cash flow hedges	19	(7,144)	6,171
Related tax	7	242	(58)
Total items that may be reclassified subsequently to profit or loss		(6,902)	6,113
Other comprehensive income for the year, net of tax		122,854	(543,467)
Total comprehensive income for the year		96,827	(573,199)

All comprehensive income is attributable to the equity holder of Transport for Wales.

The notes on [pages 106 to 141](#) form an integral part of these financial statements.



Consolidated statement of financial position

at 31 March 2023

	Note	2023 £000	2022 £000
Non-current assets			
Property, plant and equipment	8	3,361,950	2,681,987
Intangible assets	9	10,639	14,157
Goodwill	9	3,546	3,546
Total non-current assets		3,376,135	2,699,690
Current assets			
Inventories	11	11,965	9,343
Trade and other receivables	12	183,238	133,732
Cash and cash equivalents	13	66,835	63,766
Total current assets		262,038	206,841
Total assets		3,638,173	2,906,531
Current liabilities			
Trade and other payables	14	265,202	218,111
Lease liabilities	20	23,603	18,622
Provisions	15	356	673
Total current liabilities		289,161	237,406
Non-current liabilities			
Lease liabilities	20	175,735	80,284
Deferred government grants	17	1,551,277	1,062,630
Employee benefits	18	549	1,140
Provisions	15	2,289	2,736
Total non-current liabilities		1,729,850	1,146,790
Total liabilities		2,019,011	1,384,196
Net assets		1,619,162	1,522,335
Equity			
Retained surplus		8,393	4,810
Capital Contribution Reserve		11,097	11,097
Revaluation Reserve		1,599,672	1,499,526
Hedging Reserve		-	6,902
Total equity		1,619,162	1,522,335

These financial statements were approved by the Board of Directors on 27 June 2023 and were signed on its behalf by:

J R Price, Director
Company registered number: 9476013



Consolidated statement of changes in equity

for the year ended 31 March 2023

	Retained Surplus £000	Capital Contribution Reserve £000	Revaluation Reserve £000	Hedging Reserve £000	Total equity £000
Balance at 1 April 2021	4,876	-	2,078,772	789	2,084,437
Total comprehensive income for the period					
Surplus	(29,732)	-	-	-	(29,732)
Other comprehensive income					
Revaluation of property, plant and equipment	-	-	(549,624)	-	(549,624)
Remeasurements of defined benefit liability/asset	45				45
Effective portion of changes in fair value of cash flow hedges	-	-		6,171	6,171
Tax on other comprehensive income	(1)	-	-	(58)	(59)
Total comprehensive income for the period	(29,688)	-	(549,624)	6,113	(573,199)
Capital Contribution from owner	-	11,097	-	-	11,097
Transfer from Revaluation Reserve to Retained Surplus	29,622	-	(29,622)	-	-
Balance at 31 March 2022	4,810	11,097	1,499,526	6,902	1,522,335
Balance at 1 April 2022	4,810	11,097	1,499,526	6,902	1,522,335
Total comprehensive income for the period					
Deficit	(26,027)	-	-	-	(26,027)
Other comprehensive income					
Revaluation of property, plant and equipment	-	-	129,191	-	129,191
Remeasurements of defined benefit liability/asset	553				553
Effective portion of changes in fair value of cash flow hedges	-	-		(7,144)	(7,144)
Tax on other comprehensive income	12	-	-	242	254
Total comprehensive income for the period	(25,462)	-	129,191	(6,902)	96,827
Transfer from Revaluation Reserve to Retained Surplus	29,045	-	(29,045)	-	-
Balance at 31 March 2023	8,393	11,097	1,599,672	-	1,619,162

All equity is attributable to the equity holder of Transport for Wales.



Consolidated statement of cash flows

for the year ended 31 March 2023

	Note	2023 £000	2022 £000
Cash flows from operating activities			
Surplus/(deficit) for the year		(26,027)	(29,732)
Adjustments for:			
Depreciation, amortisation and impairment	8 and 9	122,550	112,950
Release of deferred government grants		(52,555)	(45,967)
Finance expense		2,130	1,202
Taxation	7	(4,558)	667
(Increase)/decrease in inventory	11	(2,622)	(1,153)
(Increase)/decrease in trade and other receivables	12	(17,212)	(13,974)
Increase/(decrease) in trade and other payables	14	44,874	75,554
Increase/(decrease) in provisions and employee benefits	15	(932)	558
Interest received	6	-	13
Tax received/(paid)	7	279	-
Net cash from operating activities		65,927	100,118
Cash flows from investing activities			
Acquisition of property, plant and equipment	8	(535,458)	(299,636)
Acquisition of business (net of cash)		-	(10,578)
Acquisition of intangibles		(1,486)	(2,842)
Proceeds from the receipt of capital government grants	17	504,206	279,348
Net cash from investing activities		(32,738)	(33,708)
Cash flows from financing activities			
Repayment of loan (on acquisition of Pullman Rail Limited)		-	(6,000)
Receipt of loan from parent		-	6,900
Capital contribution from parent		-	11,097
Payment of lease liabilities		(30,120)	(33,583)
Net cash from financing activities		(30,120)	(21,586)
Net increase in cash and cash equivalents		3,069	44,824
Cash and cash equivalents at 1 April		63,766	18,942
Cash and cash equivalents at 31 March		66,835	63,766



Company statement of financial position

at 31 March 2023

	Note	2023 £000	2022 £000
Non-current assets			
Property, plant and equipment	8	2,929,809	2,435,576
Intangible assets	9	3,159	3,343
Investments	10	11,097	11,097
Total non-current assets		2,944,065	2,450,016
Current assets			
Inventories	11	19	72
Trade and other receivables	12	165,211	137,135
Cash and cash equivalents	13	35,056	26,391
Total current assets		200,286	163,598
Total assets		3,144,351	2,613,614
Current liabilities			
Trade and other payables	14	194,507	157,480
Lease liabilities	20	1,206	626
Provisions	15	356	673
Total current liabilities		196,069	158,779
Non-current liabilities			
Lease liabilities	20	12,080	12,996
Deferred government grants	17	1,321,722	927,276
Employee benefits	18	16	504
Provisions	15	2,289	2,736
Total non-current liabilities		1,336,107	943,512
Total liabilities		1,532,176	1,102,291
Net assets		1,612,175	1,511,323
Equity			
Retained surplus		1,406	700
Capital Contribution Reserve		11,097	11,097
Revaluation Reserve		1,599,672	1,499,526
Total equity		1,612,175	1,511,323

These financial statements were approved by the Board of Directors on 27 June 2023 and were signed on its behalf by:

J R Price, Director
Company registered number: 9476013



Company statement of changes in equity

for the year ended 31 March 2023

	Retained Surplus £000	Capital Contribution Reserve £000	Revaluation Reserve £000	Total equity £000
Balance at 1 April 2021	652	-	2,078,772	2,079,424
Total comprehensive income for the period				
Surplus	(29,613)	-	-	(29,613)
Other comprehensive income				
Revaluation of property, plant and equipment	-	-	(549,624)	(549,624)
Remeasurements of defined benefit liability/asset	39	-	-	39
Total comprehensive income for the period	(29,574)	-	(549,624)	(579,198)
Capital Contribution from Owner	-	11,097	-	11,097
Transfer from Revaluation Reserve to Retained Surplus	29,622	-	(29,622)	-
Balance at 31 March 2022	700	11,097	1,499,526	1,511,323
Balance at 1 April 2022	700	11,097	1,499,526	1,511,323
Total comprehensive income for the period				
Deficit	(28,945)	-	-	(28,945)
Other Comprehensive income				
Revaluation of property, plant and equipment	-	-	129,191	129,191
Remeasurements of defined benefit liability/asset	606	-	-	606
Total comprehensive income for the period	(28,339)	-	129,191	100,852
Transfer from Revaluation Reserve to Retained Surplus	29,045	-	(29,045)	-
Balance at 31 March 2023	1,406	11,097	1,599,672	1,612,175



Notes

Forming part of the financial statements

Transport for Wales (“the Company”) is a company limited by guarantee incorporated, domiciled and registered in England and Wales in the UK. The registered number is 09476013 and the registered address is 3 Llys Cadwyn, Taff Street, Pontypridd CF37 4TH. The Company is a wholly controlled subsidiary of the Welsh Ministers (a body defined in the Welsh Government Act 2006) and therefore the Welsh Government is regarded as a related party.

1. Accounting Policies

Basis of preparation

The consolidated financial statements for Transport for Wales and its subsidiaries (together “the group” or “TfW”) have been prepared and approved by the directors in accordance with UK-adopted international accounting standards (“UK-adopted IFRS”).

The parent company financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (“FRS 101”). The parent Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- cash Flow Statement and related notes
- certain disclosures regarding revenue
- disclosures in respect of transactions with wholly owned subsidiaries
- disclosures in respect of capital management
- certain disclosures required by IFRS 3 Business Combinations in respect of business combinations undertaken by the Company; and
- certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

The financial statements are prepared on the historical cost basis except for the Core Valley Lines (CVL) rail network asset and certain financial assets and liabilities (including derivatives) measured at fair value.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Newly adopted IFRSs and IFRSs issued but not yet applied

A small number of newly adopted IFRS or amendments to IFRS have been adopted in these financial statements for the first time, none of which have an impact on comparatives reported in the prior period. In addition, a number of adopted IFRSs have been issued but have not been applied by the Group in these consolidated financial statements as their effective dates will apply to future financial statements. Their adoption is not expected to have a material effect on the financial statements.



Going concern

The Company's directors have at the time of approving the financial statements, a reasonable expectation (based on assurance as set out below) that TfW will have adequate funding allocated from the Welsh Government to fulfil its operational remit and to continue in operational existence for the going concern period for at least 12 months from the date of these financial statements.

The Welsh Government has issued TfW with a remit letter, which set out the priorities for TfW over the current term of government to 2026. TfW also receives an annual funding letter, the most recent of which covers the financial year ending 31 March 2024.

In addition, the Welsh Government has provided a letter of support setting out its intention to continue to provide funding (including continuing funding for Transport for Wales Rail Limited) for at least 12 months from the signing date of these accounts. This support would be expected to continue even in a downside scenario (see the Resilience Statement for further considerations).

Therefore, the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

Critical accounting judgements

The key judgements TfW makes in applying its accounting policies are in relation to the valuation of the CVL rail network valuation, in particular in relation to the depreciation period (see depreciation policy), and the assumptions used to arrive at the estimates for remaining useful lives, land compensation costs and risk. Further detail on these assumptions and their sensitivity is set out in note 8.

Key sources of estimation uncertainty

TfW makes estimates and assumptions based on historical experience and other factors that are considered to be relevant. These estimates and assumptions are reviewed on an ongoing basis and revisions are recognised in the period in which the estimate is revised.

The main estimate impacting on the current financial year is the valuation of the CVL rail network asset (see note 8).

Revenue

TfW has six income categories:

- Government grants (resource and capital grants from the Welsh Government and other government bodies)
- Other projects with the Welsh Government
- Franchise subsidy income
- Passenger revenue
- Rail maintenance revenue
- Other revenue



Government grants

- Welsh Government resource grant

The resource grant TfW receives from the Welsh Government is for the reimbursement of operating costs that TfW has incurred or will incur. The grant in relation to reimbursement of operating costs will be recognised as income in the period when the relevant expenses are incurred, with the remaining balance due to/from Welsh Government being recognised as deferred or accrued income in the statement of financial position. Income in relation to the Company's operating costs is a separate line item on the income statement.

- Welsh Government capital grant

TfW receives grants from the Welsh Government in relation to capital expenditure within its remit, as well as expensed costs which are eligible for capital budget funding under HMT Consolidated Budgeting Guidance. For grant funding in relation to TfW capitalised spend, TfW has chosen to present the grant as deferred income rather than deduct the grant from the carrying amount of the asset. The income is recognised in the income statement to match with the relevant costs. For a capital grant, this means recognising the income over the useful life of the asset so that the grant is matched with the depreciation charge (i.e. the relevant cost). Capital grant funding in relation to expensed costs is recognised as income in the period when relevant expenses are incurred. Any difference between grant funded spend and grant received is recognised as a balance due to/from Welsh Government in the statement of financial position.

Other government grants

In addition to grants received from the Welsh Government, TfW receives grants from the European Regional Development Fund (ERDF) in relation to the CVL transformation project (previously received by Welsh Government but now paid directly to TfW as the lead beneficiary role has transferred to TfW). These grants are accounted for in the same manner as Welsh Government grants. As ERDF funding is paid in arrears, accrued funding is recognised to the value of the works expected to be funded by ERDF but the grant has not yet been received. This is presented as accrued other government grant funding within receivables. TfW also receives a number of smaller grants from other government bodies as contributions for specific projects.

Other projects with the Welsh Government

The Welsh Government can commission TfW to perform other works/services which result in a direct provision of services to the Welsh Government.

The amount of revenue recognised over time is measured by the progress towards complete satisfaction of the performance obligation (the scope of works identified within the project). TfW has elected to base the measurement of revenue on an input method on the basis of costs incurred.

Franchise subsidy income

Franchise subsidy income represents amounts due to Transport for Wales Rail Limited from the Welsh Government under the OLR grant agreement to subsidise the net operating loss of the company (after passenger and other revenue), as well as funding certain capital asset spend.

The release of franchise subsidy income to the income statement is aligned to the relevant spend (or asset depreciation in respect of capital funding).



Passenger revenue

Passenger income represents amounts agreed as attributed to Transport for Wales Rail Limited by the income allocation systems of the Rail Settlement Plan Limited ("RSP"), mainly in respect of passenger receipts. RSP administers the income allocation system within the UK rail industry and allocates revenue to operators principally on agreed models of route usage. Income is principally attributed based on models of certain aspects of passengers' travel patterns and, to a lesser extent, from allocations agreed for specific revenue flows. The attributed share of season ticket income can involve some estimation - for example revenue is deferred within creditors and released to the Income Statement over the year of the relevant season ticket.

Revenue is deferred when passengers purchase tickets for travel in future financial periods or season tickets. This is then released in the same financial period as the length of the travel or season ticket.

Rail maintenance revenue

Rail maintenance income represents revenue generated by Pullman Rail Limited from the provision of rolling stock repair and maintenance services to the rail industry. Revenue is recognised over time, with the amount recognised measured by the progress towards complete satisfaction of the the scope of works identified within each contract. The Company has elected to base the measurement of revenue on an input method on the basis of costs incurred, as it is unable to accurately measure the outcome of contracts in progress but expects to recover the costs incurred.

Contract costs

The costs incurred in fulfilling third-party contracts are recognised as an asset as long as the costs relate directly to a contract or to an anticipated contract, the costs generate or enhance resources that will be used to satisfy performance obligations in the future; and the costs are expected to be recovered. General and administrative costs or costs that relate to satisfied performance obligations in the contract are expensed when incurred. A contract asset is amortised on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates.

Financial instruments

Financial assets

The Group holds two different types of financial asset, which are categorised according to the business model for managing the financial asset and the contractual cash flow characteristics of the financial asset:

- Trade, intergroup and other receivables which are categorised as held at amortised cost. These are non-derivative financial assets held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. These assets are subsequently measured at nominal value. At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.
- Derivative fuel hedge financial instruments which are categorised at fair value through profit and loss with the effective part of the hedge recognised in the hedging reserve – see Derivatives below.

Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements. The Group's financial liabilities constitute trade payables which are subsequently measured at amortised cost, using the effective interest rate method, and any derivative financial instruments classed as liabilities at the balance sheet date.

Derivatives and hedging activities

The Group accounts for one derivative item, a fixed cash flow hedge for rolling stock fuel, which is used to hedge its exposure to fuel price fluctuation. This is recognised at fair value. The effective part of the gain or loss on the fuel hedge is recognised directly in the hedging reserve. Any ineffective portion of the hedge is recognised immediately in the income statement.

Property, plant and equipment

Assets are recognised initially at cost, which comprises purchase price or construction cost, as well as any costs attributable to bringing the assets to the location and condition necessary for it to be capable of operating (e.g. directly attributable employee costs, cost of site preparation and clearance, initial delivery and handling costs, installation and assembly costs and professional fees).

The Rail Network Assets category is subsequently measured at its fair value – see below. In addition, other operational rail infrastructure and property assets which do not form part of the CVL rail network are also revalued. Other categories of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Rail Network and other rail infrastructure

On 28 March 2020, TfW acquired certain Rail Network Assets known as the Core Valley Lines (CVL) from Network Rail. This acquisition comprised the Aberdare, Coryton, Merthyr Tydfil, Rhymney and Treherbert lines.

These railway infrastructure, stations, bridges and other assets are part of a specialised integrated network servicing a geographical area and therefore have been treated equivalently to the guidance under HMT's Government Financial Reporting Manual ("FRoM") for networked assets (which TfW's parent, the Welsh Government, applies in its consolidated accounts). We consider that this approach is reasonable under IFRS given that IAS 16 is less prescriptive in its valuation, and the FRoM provides additional interpretations.

Other TfW-owned rail-related property assets which are part of the Network Rail-owned route and not part of CVL are included as other rail infrastructure and revalued separately to the CVL rail network.

The CVL network fair value is based on Depreciated Replacement Cost (DRC), because it is a specialised asset used to deliver a service to the public. To produce this valuation requires the use of assumptions, estimates and professional judgement.

The DRC is calculated by first determining a gross replacement cost for the CVL network. The gross replacement cost is then adjusted (or "depreciated") to reflect management's best estimate of the condition and capacity of the CVL network. This adjusted gross replacement cost is the depreciated replacement cost.

The gross replacement cost is determined in line with guidelines issued by the Royal Institute of Chartered Surveyors. The guidelines require specific assumptions including:

- a modern equivalent asset which is treated as being a network identical in function, scale and connectivity, but constructed using modern specifications and methods
- instantaneous build on a green-field site.

To arrive at the final DRC valuation, the gross replacement value is adjusted to reflect management's best estimate of the remaining useful lives of the assets, taking into account the condition and capacity of the network. A full valuation takes place at least every five years, with input indices applied to a standard price list of the network's components in interim periods. Judgement is required to determine the nature of a modern equivalent asset and the current condition of the assets.



Modern Equivalent Asset valuation uses repeatable 'components' which are aggregated to form the network. These components are:

- Earthworks
- Structures
- Electrification, plant and signals
- Operational property
- Track
- Telecoms.

All renewals that maintain the service potential of the rail network are capitalised. Subsequent expenditure that adds to the services or life of the CVL network is capitalised.

Enhancements and renewals of the CVL asset are included as a single amount at cost as assets under construction, until they are brought into use, at which point the asset is transferred into the Rail Network category and valued at DRC.

Upwards movements in value are taken to the revaluation reserve. Downwards movements in value are set off against any credit held in the revaluation reserve until the credit is exhausted and thereafter expensed in the Income Statement.

Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives for assets held at cost are as follows:

- Fixtures and fittings 5-7 years
- Plant and machinery 5-10 years
- Buildings ≤25 years
- Improvement to property 2 years
- Computer equipment 3-5 years
- Motor vehicles 3 years
- Rolling stock ≤35 years

The components of the railway network are depreciated over their estimated remaining useful economic lives. These are typically weighted averages for a range of components, given the complexity of these structures. These weighted averages are summarised below:

- Earthworks 94 years
- Structures 25 years
- Signalling and power 25 years
- Operational property 19 years
- Track 12 years
- Telecoms 7 years



This is a critical judgement based on the data available to TfW, and careful judgement is required in some cases, especially for components that are rarely replaced, such as structures and earthworks. Some components are capable of very long lives. However, for the annual depreciation calculation, remaining lives are capped at 100 years due to inherent uncertainty beyond that period.

Depreciation methods, useful lives and residual values are reviewed at each statement of financial position date.

Intangible assets and goodwill

Intangible assets largely comprise software and intellectual property licences which are amortised over 5-10 years and customer relationship assets resulting from the acquisition of Pullman Rail Limited which are amortised over five years.

Employee benefits

The Group sponsors two defined benefit pension plans as well as defined contribution plans expensed in the income statement. The defined benefit plans are:

- TfW's section of the Railways Pension Scheme (RPS) in respect of staff who transferred to TfW from Network Rail as part of the CVL assets acquisition.
- Transport for Wales Rail Limited's section of the RPS in respect of staff transferring from KeolisAmey under the Operator of Last Resort arrangements.

RPS is a pension scheme which covers the whole of the UK rail industry. In contrast to the pension schemes operated by most businesses, RPS is a shared cost scheme which means that costs are formally shared 60% employer and 40% employee. The Group only recognises amounts in relation to its share of costs in the income statement.

The accounting for each section of the scheme differs as set out below:

TfW section

The Group's net obligation in respect of the TFW Section is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) are deducted, with a final adjustment to recognise the employer's share of the net liability as set out above.

The Group determines the net interest on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset). The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA that have maturity dates approximating the terms of the Group's obligations and that are denominated in the currency in which the benefits are expected to be paid.

Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Group recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in profit or loss.

The calculation of the defined benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.



TFWRL Section

The Group is only obligated to fund the TFWRL section of the scheme over the duration of the Operator of Last Resort Grant Agreement. At the end of the contract term, responsibility for funding the relevant section of the scheme, and consequentially any deficit or surplus existing at that date, is passed to the next operator or back to the Welsh Government. As there is no requirement to make contributions to fund the current deficit, it is assumed that all of the current deficit will be funded by the next operator or the Welsh Government. Therefore, at each balance sheet date, a 'franchise adjustment' is recognised to offset the amount of the net pension asset or liability. The contract adjustment franchise adjustment is measured at the amount expected to be passed on to the next operator or the Welsh Government at the end of the Operator of Last Resort Grant Agreement.

When service costs are recognised in the income statement, a 'franchise adjustment' offsets an element of the service costs that would otherwise remain after reflecting the cost sharing with the members. This reflects the company's understanding of the legal position that some of the service costs in the current year will be funded in future years beyond the term of the current franchise and committed contributions. In the absence of specific guidance on this matter, the Directors believe that recognising a 'franchise adjustment' in the income statement to offset the excess service costs is the most appropriate reflection of the value of services attributable to the Company, and more accurately reflects the expense incurred by the Company in respect of operating the franchise contract.

Under circumstances where contributions are renegotiated, such as following a statutory valuation, an adjustment will be recognised in the income statement, whilst changes in actuarial assumptions continue to be recognised through other comprehensive income.

The Directors consider this to be the most appropriate interpretation of IAS 19 to reflect the specific circumstances of the franchise agreement with the Welsh Government where the contract commitment is only to pay contributions during the duration of the Operator of Last Resort Grant Agreement.

An alternative approach would involve not limiting the measurement of the service cost through the recognition of an income statement 'contract franchise adjustment' but recognising all changes in the 'contract franchise adjustment' in Other Comprehensive Income.

Provisions

The Group's provisions relate to dilapidations for certain property leases and self-insurance claims relating to the CVL infrastructure.

A dilapidations provision is capitalised as part of the cost of the asset at the inception of property leases when, as a result of leasehold improvements made at the inception of the leases, significant expenditure will be required to return the property to its condition at commencement of the lease. The value of the provision is based on the net present value of future cash flows expected to settle the liability at the end of the lease and is reviewed at each balance sheet date. The discount is unwound through the income statement until the end of the lease period.

The self-insurance provision is expected to fully unwind in the next period and as such no discounting is required. The provision represents the best estimate of the expenditure required to settle the claims at the balance sheet date.

Leases

As a lessee

The Group holds a number of leases, primarily in relation to rail rolling stock as well as certain property assets.

At the lease commencement date (generally when the asset is made available for use), the Group recognises a right-of-use asset and a lease liability. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to restore the underlying asset (e.g. dilapidation costs), less any lease incentives received.



The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. It is remeasured when there is a change in future lease payments.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for lease of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Track, depot and station access charges

Transport for Wales Rail Limited incurs track, station and depot access charges from Amey (in respect of CVL) and Network Rail (in respect of the rest of the rail network) which do not meet the definition of a lease under IFRS 16. This reflects the fact that either no identified asset exists or that the Group does not have the right to obtain substantially all of the economic benefits from the use of the assets throughout the period of use, or that Network Rail/Amey, not the Group, direct how and for what purpose the assets are used.

2. Revenue from contracts with customers

Disaggregation of revenue

In the following table, revenue is disaggregated by major products/service lines and timing of revenue recognition.

	2023 £000	2022 £000
Major products/service lines		
Core Welsh Government revenue grant	43,641	65,243
Capital Welsh Government grant release in line with depreciation and impairment	52,555	44,491
Core Welsh Government capital grant (expensed)	24,791	6,231
Other Welsh Government consultancy projects	10,994	6,038
Franchise subsidy	262,808	281,219
Passenger receipts	129,282	92,412
Rail maintenance revenue	24,430	11,478
Other income	79,295	30,253
Total	627,796	537,365
Timing of transfer of goods or services		
Grant income accounted under IAS 20	369,326	369,499
Products and services transferred at a point in time	211,006	144,918
Products and services transferred over time	42,585	19,928
Rental income accounted for under IFRS 16	4,879	3,021
Total	627,796	537,365

Other revenue includes transport consultancy services provided to third parties, rental income, station access charges, recharges, fuel sales and maintenance income. It also includes on train catering income, made up of cash and card sales to customers travelling on Transport for Wales Rail Limited's trains.

Contract balances

The following table provides information about opening and closing receivables, contract assets and contract liabilities from contracts with customers excluding grant income.

	Note	Group		Company	
		2023 £000	2022 £000	2023 £000	2022 £000
Receivables (trade and due from other group companies)	12	22,555	26,374	26,936	31,806
Contract assets (accrued income)	12	17,580	10,201	9,878	8,834
Contract liabilities (deferred income)	14	(20,254)	(16,728)	(14,205)	(9,961)
Total		19,881	19,847	22,609	30,679



The contract assets relate to TfW's rights to consideration for work completed but not billed at the reporting date on services provided to the Welsh Government and third-party customers (accrued income). The contract assets are transferred to receivables when the rights become unconditional. All contract assets are expected to be invoiced during 2023/24.

The contract liabilities relate to advance consideration received from customers for services. The balance at the end of the year will be recognised as revenue when the performance obligations are performed which is expected to be during 2023/24.

Assets recognised from costs to fulfil contracts

TfW recognises the costs incurred in fulfilling third-party contracts with customers as an asset if these costs are expected to be recoverable. As at the statement of financial position date this asset amounted to £6,395,000 (2022: £3,150,000).

Transaction price allocated to the remaining performance obligations

All remaining performance obligations that are unsatisfied at the statement of financial position date have original expected durations of one year or less.

3. Auditor's remuneration

	2023 £000	2022 £000
Audit of these financial statements	100	71
Audit of subsidiary financial statements	233	217
Amounts receivable by the Company's auditor in respect of taxation compliance services	-	20
Audit-related assurance services	11	-
Total	344	308

4. Employee numbers and costs

	Number of Employees	
	2023	2022
Central services and rail procurement, mobilisation and contract management	262	204
Rail operations (including on-train catering and cleaning)	3,214	2,957
Rail maintenance	195	124
Consultancy services	94	46
Customer engagement centre	42	-
Total	3,807	3,331

The aggregate payroll costs of these persons were as follows:

	2023 £000	2022 £000
Wages and salaries	186,629	156,849
Social security costs	18,937	15,335
Contributions to defined contribution plans	2,075	1,404
Current service cost	9,889	9,210
Total	217,530	182,798

5. Directors' remuneration

	2023 £000	2022 £000
Directors' remuneration through payroll	413	291
Company contributions to director money purchase pension plans	11	11
Total	424	302

In addition to the above, TfW paid the Welsh Government £146,000 (2022: £277,000) in relation to the services of directors seconded from the Welsh Government.

Retirement benefits are accruing to one director under a money purchase scheme (2022: one).



6. Finance income and expense

Finance income

	2023 £000	2022 £000
Bank interest receivable	-	13
Total	-	13

Any bank interest receivable is fully repayable to the Welsh Government and cannot be retained by TfW.

Finance expense

	2023 £000	2022 £000
Interest on loan from parent company	310	183
Interest expense on lease liabilities	1,494	1,029
Unwind of discount on provisions	55	53
Net interest on net defined benefit pension plan liability	29	24
Total	1,888	1,289



7. Taxation

Recognised in the income statement

	2023 £000	2022 £000
Current tax expense		
Current year	11	77
Adjustment for prior years	(12)	37
Total current tax expense/(credit)	(1)	114
Deferred tax expense		
Origination and reversal of temporary differences	(367)	585
Adjustments in respect of prior periods	(4,007)	(32)
Effect of changes in tax rate	(116)	-
Total deferred tax expense/(credit)	(4,490)	553
Total tax expense/(credit)	(4,491)	667

Recognised in other comprehensive income

	2023 £000	2022 £000
Remeasurements of defined benefit liability/asset	(12)	1
Effective portion of changes in fair value of cash flow hedges	(242)	58
Total	(254)	59

The current UK tax rate that has been used for the year is 19% (2022: 19%).

Reconciliation of effective tax rate

	2023 £000	2022 £000
Surplus/(deficit) for the year	(26,027)	(29,732)
Total tax expense/(credit)	(4,491)	667
Total current tax expense/(credit)	(30,518)	(29,065)
Tax using the current UK corporation tax rate (19%)	(5,798)	(5,522)
Expenses or income not deductible	5,442	5,384
Change in tax rate for deferred tax calculation	(116)	845
Amounts (charged)/credited to Other Comprehensive Income	-	(58)
Movement in deferred tax not recognised	-	13
Adjustments in respect of previous periods	(4,019)	5
Tax charge/(credit) for the year	(4,491)	667



8. Property, plant and equipment

Group

	Rail Network and other rail infrastructure £000	Other land, buildings and leasehold improvement £000	Plant and equipment fixtures and fittings £000	Rolling stock £000	Assets under construction (AUC) £000	Total
Cost						
Balance at 1 April 2021	2,608,271	23,515	10,550	130,275	273,326	3,045,937
Additions	20,381	50	792	11,132	261,878	294,233
Transfers out of AUC	-	534	14,367	45,324	(60,225)	-
Additions through business combination	-	8,487	2,075	-	-	10,562
Revaluations	(594,092)	-	-	-	-	(594,092)
Impairment losses	-	(14)	-	-	(522)	(536)
Balance at 31 March 2022	2,034,560	32,572	27,784	186,731	474,457	2,756,104
Balance at 1 April 2022	2,034,560	32,572	27,784	186,731	474,457	2,756,104
Additions	23,096	634	1,829	127,557	516,767	669,883
Transfers out of AUC	-	179	10,672	10,828	(21,679)	-
Adjustments to capital provisions	-	(502)	-	-	-	(502)
Disposals	-	(344)	(91)	-	-	(435)
Revaluations	77,544	-	-	-	-	77,544
Impairment losses	-	-	-	-	(10,533)	(10,533)
Balance at 31 March 2023	2,135,200	32,539	40,194	325,116	959,012	3,492,061
Depreciation and impairment						
Balance at 1 April 2021	-	1,282	772	6,786	-	8,840
Depreciation charge	44,790	2,227	3,032	58,332	-	108,381
Additions through business combination	-	75	1,289	-	-	1,364
Revaluations	(44,468)	-	-	-	-	(44,468)
Balance at 31 March 2022	322	3,584	5,093	65,118	-	74,117
Balance at 1 April 2022	322	3,584	5,093	65,118	-	74,117
Depreciation charge	51,798	2,390	6,823	47,065	-	108,076
Revaluations	(51,647)	-	-	-	-	(51,647)
Disposals	-	(344)	(91)	-	-	(435)
Balance at 31 March 2023	473	5,630	11,825	112,183	-	130,111
Net book value						
Balance at 1 April 2021	2,608,271	22,233	9,778	123,489	273,326	3,037,097
At 31 March 2022 and 1 April 2022	2,034,238	28,988	22,691	121,613	474,457	2,681,987
Balance at 31 March 2023	2,134,727	26,909	28,369	212,933	959,012	3,361,950



Company

	Rail Network and other rail infrastructure £000	Other land, buildings and leasehold improvement £000	Plant and equipment fixtures and fittings £000	Assets under construction £000	Total
Cost					
Balance at 1 April 2021	2,608,271	22,179	1,843	178,481	2,810,774
Additions	20,381	50	543	201,813	222,787
Revaluations	(594,092)	-	-	-	(594,092)
Balance at 31 March 2022	2,034,560	22,229	2,386	380,294	2,439,469
Balance at 1 April 2022	2,034,560	22,229	2,386	380,294	2,439,469
Additions	23,096	265	1,808	404,901	430,070
Adjustments to capital provisions	-	(502)	-	-	(502)
Disposals	-	(344)	(91)	-	(435)
Revaluations	77,544	-	-	-	77,544
Impairment losses	-	-	-	(10,533)	(10,533)
Balance at 31 March 2023	2,135,200	21,648	4,103	774,662	2,935,613
Depreciation and impairment					
Balance at 1 April 2021	-	1,237	374	-	1,611
Depreciation charge	44,790	1,435	525	-	46,750
Revaluations	(44,468)	-	-	-	(44,468)
Balance at 31 March 2022	322	2,672	899	-	3,893
Balance at 1 April 2022	322	2,672	899	-	3,893
Depreciation charge	51,798	1,454	741	-	53,993
Revaluations	(51,647)	-	-	-	(51,647)
Disposals	-	(344)	(91)	-	(435)
Balance at 31 March 2023	473	3,782	1,549	-	5,804
Net book value					
Balance at 1 April 2021	2,608,271	20,942	1,469	178,481	2,809,163
At 31 March 2022 and 1 April 2022	2,034,238	19,557	1,487	380,294	2,435,576
Balance at 31 March 2023	2,134,727	17,866	2,554	774,662	2,929,809



Property, plant and equipment under construction

Assets under the course of construction comprise the programme of capital works being carried out by TfW to support development and renewal of the South Wales Metro and design works relating to the new Cardiff bus interchange. The wider group balance also includes capital costs in relation to the introduction of new fleet, refurbishment of existing fleet, the Station Improvement Programme and new or upgraded retained and IT equipment.

Impairment and constructive loss

During the year, the decision was taken to cease the Llanwern Major Event Stabling Line project. As such, development costs of £10.54m that had been incurred since 2018 and treated as an asset under construction are now considered irrecoverable and, as they have no foreseeable future value at this time, an impairment loss has been recognised. This impairment is also considered as a Constructive Loss under the definitions set out in Managing Welsh Public Money.

Core Valley Lines revaluation

The CVL network fair value is based on Depreciated Replacement Cost (DRC), because it is a specialised asset used to deliver a service to the public. The valuation of the CVL is revised each year based on the latest available information from asset condition surveys and construction costs. This valuation is performed by TfW, with support from Atkins Limited (professional valuers) using data provided by TfW.

To produce this valuation requires the use of assumptions, estimates and professional judgement (see note 1).

The key assumptions within the valuation are considered to be:

- Asset lives and remaining asset lives of the network components – the valuation applies an adjustment to the gross replacement cost to reflect the estimated level of accumulated depreciation based on management’s judgement of the remaining useful lives of the existing network components as a proportion of the estimated useful lives of the components if new. Different methodologies are applied to each component using the data available at the time of preparing the estimates. These estimates are complex and require the use of judgement and estimation, which results in a degree of estimation uncertainty. TfW gathers renewed data on the assets (e.g. asset condition) via an ongoing basis via rolling inspection plans, and the assumptions are being adjusted where the latest data suggests this is appropriate.
- Land compensation adjustment – a 45% uplift is applied to the land market value to reflect the estimated cost of Compulsory Purchase Orders and potential compensation payments to adjacent landowners. As TfW does not purchase large parcels of land, this estimate reflects the experience of Welsh Government and is also used for trunk road network valuations. This figure was last revised in 2022 following a review of recent compensation costs paid by Welsh Government. Management considers the 45% is an appropriate figure to use, but there is a degree of estimation uncertainty.
- Risk factor – after allowing for known costs in constructing assets, there remain unknown and localised costs that are captured using a risk factor of 37.2%. This is arrived at using a build up of the various types of risk that can arise (for example technology, weather, physical access, skills and resource availability, supply chain) weighted based on their level of applicability to a project to construct a modern equivalent CVL network (which is assumed to be at a stage where asset requirement is known but detailed design development is ongoing). Given that the project is conceptual in nature and the scale of the build project, this risk factor is inherently judgemental and thus has a degree of estimation uncertainty.



The following sensitivity analysis reflects the key sources of estimation uncertainty in the valuation, showing the impact of changes in assumptions on the overall value of the rail network asset (excluding other rail infrastructure).

- Scenario 1 shows the impact of increasing or decreasing the remaining asset lives of the components of the modern equivalent railway network by 10%.
- Scenario 2 shows the impact if the land compensation adjustment (normally 45%) were to increase or decrease by 10%; i.e. a compensation adjustment of 35% or 55% respectively.
- Scenario 3 shows the impact of an adjustment to the risk factor applied to the overall DRC valuations, currently 37.2%, by an increase or decrease of 10%, effectively showing risk factors of 47.2% and 27.2%.

Type	Depreciated Replacement cost (-) £m	Depreciated Replacement cost £m	Depreciated Replacement cost (+) £m
Base value		2,126	
Scenario 1	(154)		154
Scenario 2	(41)		41
Scenario 3	(112)		112

Lease right-of-use assets

At 31 March 2023, property, plant and equipment includes lease right-of-use assets recognised under IFRS 16 as follows:

	Land and buildings £000	Rolling stock £000	Other £000	Total £000
Group	17,713	173,289	567	191,569
Company	11,473	-	-	11,473

Reconciliation to group statement of cash flows

	2023 £000	2022 £000
Tangible additions (note 8)	669,883	294,233
Movement in capital creditors	(6,135)	16,750
Recognition of dilapidations provision	(502)	-
Capitalised lease right-of-use assets	(127,788)	(11,347)
Payments to acquire capital assets per statement of cash flows	535,458	299,636



9. Intangible assets

Group

	Goodwill £000	Acquired intangibles £000	Data models £000	Software and IP licences £000	Assets under construction (AUC) £000	Total £000
Cost						
Balance at 1 April 2021	-	-	-	11,941	3,982	15,923
Additions	-	-	-	-	579	579
Arising from business combinations	3,546	2,367	-	-	-	5,913
Impairments	-	-	-	-	(695)	(695)
Transfers from AUC	-	-	3,137	-	(3,137)	-
Balance at 31 March 2022	3,546	2,367	3,137	11,941	729	21,720
Balance at 1 April 2022	3,546	2,367	3,137	11,941	729	21,720
Additions	-	-	-	3	486	489
Impairments	-	-	-	-	-	-
Transfers from AUC	-	-	-	798	(798)	-
Balance at 31 March 2023	3,546	2,367	3,137	12,742	417	22,209
Amortisation and impairment						
Balance at 1 April 2021	-	-	-	282	-	282
Amortisation for the year	-	531	523	2,681	-	3,735
Balance at 31 March 2022	-	531	523	2,963	-	4,017
Balance at 1 April 2022	-	531	523	2,963	-	4,017
Amortisation for the year	-	742	523	2,742	-	4,007
Balance at 31 March 2023	-	1,273	1,046	5,705	-	8,024
Net book value						
Balance at 1 April 2021	-	-	-	11,659	3,982	15,641
At 31 March 2022 and 1 April 2022	3,546	1,836	2,614	8,978	729	17,703
Balance at 31 March 2023	3,546	1,094	2,091	7,037	417	14,185



Company

	Data models £000	Software and IP licences £000	Assets under construction (AUC) £000	Total £000
Cost				
Balance at 1 April 2021	-	-	3,982	3,982
Additions	-	-	579	579
Impairments			(695)	(695)
Transfers from AUC	3,137	-	(3,137)	-
Balance at 31 March 2022	3,137	-	729	3,866
Balance at 1 April 2022	3,137	-	729	3,866
Additions	-	-	486	486
Impairments			-	-
Transfers from AUC	-	798	(798)	-
Balance at 31 March 2023	3,137	798	417	4,352
Amortisation and impairment				
Balance at 1 April 2021	-	-	-	-
Amortisation for the year	523	-	-	523
Balance at 31 March 2022	523	-	-	523
Balance at 1 April 2022	523	-	-	523
Amortisation for the year	523	147	-	670
Balance at 31 March 2023	1,046	147	-	1,193
Net book value				
Balance at 1 April 2021	-	-	3,982	3,982
At 31 March 2022 and 1 April 2022	2,614	-	729	3,343
Balance at 31 March 2023	2,091	651	417	3,159

In 2021/22 the Group recognised goodwill and other customer related intangible assets resulting from the acquisition of 100% of the ordinary shares of Pullman Rail Limited from Colas Rail Limited on 8 August 2021 – see note 23 for further detail. The Group tests goodwill annually for indicators of impairment – there are no indicators of impairment as at the balance sheet date.

Other intangible assets are made up of external data purchases and internal development relating to the North Wales and Mid and West Wales transport data models, as well as software, data model development relating to bus reform projects and a range of intellectual properties licences in relation to rail and other public transport delivery. The wider group balance also includes the licences for access to software and other intellectual property related to public transport service and infrastructure delivery.



10. Investments

The Company is a 100% shareholder in the following companies:

- Transport for Wales Rail Limited. This company was incorporated on 26 May 2020 with an investment of £1.
- Pullman Rail Limited. This company was acquired on 8 August 2021 for a consideration of £11,097,000.
- Wales Infrastructure Manager of Last Resort Limited. This company was incorporated on 18 September 2019 with an investment of £1. The company is current dormant.
- PTI Cymru Holdings Limited. On 1 April 2022, TfW took ownership of PTI Cymru Holdings, a company limited by guarantee, along with its three subsidiary companies – PTI Cymru Ltd, PTI No2 Ltd and PTI Cymru no 3 Ltd, for nil consideration – see note 23.

The Company is also a 51% shareholder in TfW Innovation Services Limited.

All the above companies are registered in England and Wales and have the same registered address as Transport for Wales and all are consolidated in this set of financial statements.

On 20 March 2023, as a requirement of acquiring the leasehold on Cardiff Bus Interchange, TfW acquired 33% of the shares in Cardiff Interchange Manco Limited for consideration of £33. This company holds the head-lease for the Cardiff Interchange development and holds subleases to the Interchange tenants, including Transport for Wales. The company is not for profit and has no post-acquisition profit or loss – therefore it is excluded from consolidation on the grounds of materiality.

Company

	Investments in subsidiaries £000
Cost and net book value	
Balance at 1 April 2021	-
Additions	11,097
Balance at 31 March 2022	11,097
Balance at 1 April 2022	11,097
Additions	-
Balance at 31 March 2023	11,097

11. Inventories

	Group		Company	
	2023 £000	2022 £000	2023 £000	2022 £000
Raw materials and consumables	11,946	9,271	-	-
Finished goods	19	72	19	72
Total	11,965	9,343	19	72

12. Trade and other receivables

	Group		Company	
	2023 £000	2022 £000	2023 £000	2022 £000
Trade receivables	19,766	16,267	4,424	6,165
Receivables due from parent and other group companies	2,789	10,107	22,512	25,641
Contract assets (accrued income)	17,580	10,201	9,878	8,834
Accrued funding – core Welsh Government capital grant	76,994	58,499	76,994	58,499
Accrued funding – other government grants	15,655	3,105	15,655	3,105
Other receivables	42,112	21,853	34,175	16,715
Prepayments	7,278	6,555	1,573	18,176
Deferred tax (Note 16)	1,064	-	-	-
Derivative financial Instruments	-	7,145	-	-
Total	183,238	133,732	165,211	137,135

13. Cash and cash equivalents

	Group		Company	
	2023 £000	2022 £000	2023 £000	2022 £000
Cash and cash equivalents per statement of financial position	66,835	63,766	35,056	26,391
Cash and cash equivalents per statement of cash flows	66,835	63,766		

14. Trade and other payables

	Group		Company	
	2023 £000	2022 £000	2023 £000	2022 £000
Trade payables	40,685	35,441	8,457	12,191
Payables due to parent and other group companies	6,900	7,576	6,949	7,576
Other trade payables	4,810	3,902	2,144	1,481
Accrued expenses	175,641	129,420	150,817	110,350
Deferred income – core Welsh Government revenue grant	11,135	15,141	11,135	15,141
Deferred income – third party	20,254	16,728	14,205	9,961
Social security and other taxation	5,777	6,227	800	780
Deferred tax (Note 16)	-	3,676	-	-
Total	265,202	218,111	194,507	157,480

At the balance sheet date the Company has an intercompany loan of £6.9m (2022: £6.9m) from Welsh Government in relation to the acquisition of Pullman Rail Limited in August 2021. The agreement stipulates an interest rate of “the Bank of England base rate plus 4%” and repayment terms to “as agreed between the parties from time to time”. As the loan is technically repayable on demand, the loan has been classed as short-term.



15. Provisions

	Group and Company		
	CVL self-insurance £000	Dilapidations £000	Total £000
Opening balance	673	2,736	3,409
Change in estimate	75	(502)	(427)
Use of provision	(392)	-	(392)
Unwind of discount on provisions	-	55	55
Closing balance	356	2,289	2,645

Expected timing of cash flows

	Group and Company		
	CVL self-insurance £000	Dilapidations £000	Total £000
Less than one year	356	-	356
Later than five years	-	2,289	2,289
Total	356	2,289	2,645

16. Deferred tax – Group

The deferred tax liability/(asset) is made up of the balances below:

	Balance at 1 April 2021 £000	Acquired under business combination £000	Movement in other comprehensive income £000	Movement in income statement £000	Balance at 31 March 2022 £000
Non-current assets					
Property, plant and equipment	19,059	1,249	-	12,757	33,065
Current assets					
Fuel hedge	184	-	58	-	242
Non-current liabilities					
Short-term provisions	-	-	-	(274)	(274)
Deferred capital grants	(17,426)	-	-	(11,930)	(29,356)
Pension liabilities	(2)	-	1	-	(1)
Total	1,815	1,249	59	553	3,676



	Balance at 1 April 2022 £000	Acquired under business combination £000	Movement in other comprehensive income £000	Movement in income statement £000	Balance at 31 March 2023 £000
Non-current assets					
Property, plant and equipment	33,065	-	-	24,871	57,936
Current assets					
Fuel hedge	242	-	(242)	-	-
Non-current liabilities					
Short-term provisions	(274)	-	-	1	(273)
Deferred capital grants	(29,356)	-	-	(28,033)	(57,389)
Pension liabilities	(1)	-	(12)	40	27
Tax losses				(1,365)	(1,365)
Total	3,676	-	(254)	(4,486)	(1,064)

17. Capital government grants deferred

	Group		Company	
	2023 £000	2022 £000	2023 £000	2022 £000
Balance at 1 April	1,062,630	821,091	927,276	721,363
Additions	541,202	286,030	429,788	222,671
Release in line with asset depreciation/impairment	(52,555)	(44,491)	(35,342)	(16,758)
Balance at 31 March	1,551,277	1,062,630	1,321,722	927,276

£51.1m is expected to be released within 12 months in line with the depreciation charge on the grant-funded assets – this has been included as a non-current liability aligned to the presentation of the corresponding non-current assets.



18. Employee benefits

Defined contribution pension schemes

The total expense relating to defined contribution plans is as follows:

	Group		Company	
	2023 £000	2022 £000	2023 £000	2022 £000
Total expense	2,075	1,404	1,930	1,404

Defined benefit pension schemes

The Group operates two sections of the Railways Pension Scheme (RPS). The first is within Transport for Wales in respect of staff transferring to TfW from Network Rail as part of the CVL assets acquisition. The second is within Transport for Wales Rail Limited in respect of staff transferring as part of the OLR transition. The disclosures for each of these sections are set out below.

The directors believe that separate consideration should be given to the Transport for Wales Rail Limited section under IAS 19 "Employee benefits" as the company has no rights or obligations in respect of the scheme following expiry of the OLR Agreement.

Despite remaining open to new entrants and future accrual, the risks posed by the Transport for Wales Rail Limited RPS are limited as, under the OLR Agreement, the company is not responsible for any residual deficit at the end of the contract. As such, there is only short-term cash-flow risk within the business.

	Group		Company	
	2023 £000	2022 £000	2023 £000	2022 £000
TfW section	16	504	16	504
Transport for Wales Rail Limited section	533	636	-	
Total	549	1,140	16	504



TfW Section

Movement in net defined benefit liability/asset

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability/(asset)	
	2023 £000	2022 £000	2023 £000	2022 £000	2023 £000	2022 £000
Balance at 1 April	3,081	2,923	(2,241)	(2,216)	840	707
Included in profit or loss						
Service cost	443	318	-	-	443	318
Administration costs	-	-	18	44	18	44
Interest cost/(income)	79	60	(60)	(46)	19	14
Included in OCI						
Actuarial loss (gain) arising from:						
• Changes in demographic assumptions	(44)	(87)	-	-	(44)	(87)
• Change in financial assumptions	(1,420)	(6)	-	-	(1,420)	(6)
• Experience adjustment	254	(113)	-	-	254	(113)
Return on plan assets excluding interest income	-	-	160	117	160	117
Other						
Contributions paid by the employer	-	-	(173)	(108)	(173)	(108)
Contributions paid by the employee	-	-	(70)	(46)	(70)	(46)
Benefits paid	(164)	(14)	164	14	-	-
Scheme deficit	2,229	3,081	(2,202)	(2,241)	27	840
Adjustment for the members share of assets/liabilities					(11)	(336)
Balance at 31 March					16	504

Plan assets

	2023 £000	2022 £000
Growth assets	2,009	2,045
Bonds	167	163
Other assets	26	33
Total	2,202	2,241



Actuarial assumptions

The following are the principal actuarial assumptions at the reporting date (expressed as weighted averages):

	2023	2022
Discount rate at 31 March	4.75%	2.65%
Price inflation	3.30%	3.60%
Future salary increases	3.30%	3.60%
Future pension increases	2.95%	3.25%

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year-old to live for a number of years as follows:

	2023	2022
Male retiree aged 65	19.8	20.0
Male retiree currently aged 45	21.1	21.4
Female retiree currently aged 65	23.8	22.2
Female retiree currently aged 45	23.8	23.9

Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarises how the impact on the defined benefit obligation at the end of the reporting period would have increased (decreased) as a result of a change in the respective assumptions by 0.25 percent.

	2023 £000	2022 £000
Discount rate decrease	106	182
Discount rate increase	(99)	(168)
Price inflation decrease	(97)	(159)
Price inflation increase	98	171
Future salary increase	39	61

In valuing the liabilities of the pension fund, mortality assumptions have been made as indicated above. If life expectancy had been changed to assume that all members of the fund lived for one year longer, the value of the reported liabilities at 31 March 2023 would have increased by £89,000 (2022: £123,000).

The above sensitivities are based on the actuarial valuation of the scheme carried out as at 31 December 2020. Whilst the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation to the sensitivity of the assumptions shown.

Funding

The Company expects to pay £157,000 in employer contributions to its defined benefit plans in the year ending 31 March 2024. The weighted average duration of the defined benefit obligation at the end of the reporting period is 19 years.



Transport for Wales Rail Limited section

Movement in net defined benefit liability/asset

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability/(asset)	
	2023 £000	2022 £000	2023 £000	2022 £000	2023 £000	2022 £000
Balance at 1 April	807,597	820,693	(507,066)	(447,048)	300,531	373,645
Included in profit or loss						
Current service cost	28,294	28,624	-	-	28,294	28,624
Franchise adjustment to service cost	(19,657)	(20,597)	-	-	(19,657)	(20,597)
Administration costs	-	-	973	964	973	964
Interest cost/(income)	12,723	10,016	(8,062)	(5,503)	4,661	4,513
Interest on franchise adjustment	(4,644)	(4,497)	-	-	(4,644)	(4,497)
Included in OCI						
Remeasurements loss/(gain):						
Actuarial loss (gain) arising from						
• Changes in demographic assumptions	(5,624)	(1,615)	-	-	(5,624)	(1,615)
• Change in financial assumptions	(343,087)	(51,376)	-	-	(343,087)	(51,376)
• Experience adjustment	95,158	33,268	-	-	95,158	33,268
Return on plan assets excluding interest income	-	-	21,097	(53,250)	21,097	(53,250)
Other						
Contributions paid by the employer	-	-	(9,777)	(9,148)	(9,777)	(9,148)
Contributions paid by the employee	6,541	6,031	(6,541)	(6,031)	-	-
Benefits paid	(14,854)	(12,950)	14,854	12,950	-	-
Scheme deficit	562,447	807,597	(494,522)	(507,066)	67,925	300,531
Adjustment for the members share of assets/liabilities					(27,170)	(120,213)
Rail franchise adjustment					(40,222)	(179,682)
Balance at 31 March					533	636

Plan assets

	2023 £000	2022 £000
Equity	491,576	504,302
Infrastructure	134	106
Other assets	2,812	2,658
Total	494,522	507,066



Actuarial assumptions

The following are the principal actuarial assumptions at the reporting date (expressed as weighted averages):

	2023	2022
Discount rate at 31 March	4.75%	2.65%
Price inflation	3.00%	3.25%
Future salary increases	3.35%	3.60%
Future pension increases	3.00%	3.25%

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year-old to live for a number of years as follows:

	2023	2022
Male retiree aged 65	19.9	20.0
Male retiree currently aged 45	21.2	21.4
Female retiree currently aged 65	22.5	22.2
Female retiree currently aged 45	24.1	23.9

Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarises how the impact on the gross defined benefit obligation (before member and franchise adjustments) at the end of the reporting period would have increased/(decreased) as a result of a change in the respective assumptions by 1%, or 0.5% where stated.

	2023 £000	2022 £000
Discount rate decrease	117,803	214,048
Discount rate increase	(89,914)	(156,423)
Price inflation decrease	(89,448)	(152,575)
Price inflation increase	112,275	200,504
Future salary increase (+0.5%)	19,019	33,694

In valuing the liabilities of the pension fund, mortality assumptions have been made as indicated above. If life expectancy had been changed to assume that all members of the fund lived for one year longer, the gross value of the reported liabilities prior to member and franchise adjustments at 31 March 2023 would have increased by £27,560,000 (2022: £26,639,000).

The above sensitivities are based on the results of the full actuarial valuation carried out by the RPS Trustee actuarial advisory team as at 31 December 2019.

Funding

The Company expects to pay £11,743,000 in employer contributions to its defined benefit plans in the year ending 31 March 2024. The weighted average duration of the defined benefit obligation at the end of the reporting period is 18 years.

19. Financial instruments

Fair values of financial instruments

There are no differences between the fair values for each class of financial asset and financial liabilities and their carrying amounts shown in the statement of financial position.

Credit risk

TfW does not have significant credit risk exposure as the majority of its activity is funded by the Welsh Government grant received in advance, with the remainder of activity being with other public sector organisations. Credit risk is monitored on an ongoing basis.

The carrying amount of trade receivables represents the maximum credit exposure. Therefore, the maximum exposure to credit risk at the statement of financial position date is as follows:

	2023 £000	2022 £000
Group	22,555	26,374
Company	26,936	31,806

There were no receivables past due at either reporting date.

Due to the nature of the receivables, no expected credit loss provision is considered necessary.

Liquidity risk

TfW monitors its working capital on a regular basis to ensure that sufficient funds have been drawn down from the Welsh Government to meet its liabilities as they fall due.

Fuel price risk

Fuel price hedging has been entered into with the intention to reduce price fluctuations attributable to fuel sources. The risk being hedged is changing fuel prices and the hedging instruments being used are fuel swaps. The Group's existing hedge expired on 31 March 2023 so there is no balance at year-end – a new hedge was taken out on 1 April 2023 on similar terms.

	2023		2022	
	£000 Other Comprehensive Income	£000 Receivables	£000 Other Comprehensive Income	£000 Receivables
Change in market value of cash flow hedges	(7,144)	-	6,171	7,145

The inefficiencies of cash flow hedges of the energy price derivatives recognised in the Income Statement are £nil (2022: £nil).

20. Leases

20 (a) Leases as a lessor

Operating leases

TfW has a lease to Amey Infrastructure Wales Limited in respect of the CVL assets. This lease commenced on 28 March 2020. This has been classified as an operating lease as the lease length is significantly less than the useful economic lives of the assets. The lease expires in February 2028 (following an amendment to the term as part of the Operator of Last Resort transition). The Company also has a small number of other property leases (e.g. station concessions).

During the year £2,872,000 (2022: £2,219,000) was recognised as rental income by the Company.

The Group also has leases with a number of companies in respect of station concessions and fleet. These have been classed as operating leases. During the year, £2,243,000 (2021: £802,000) was recognised of rental income in respect of these leases.

20 (b) Leases as a lessee

The Company holds four property leases—including the lease on its head office in Pontypridd, which commenced in October 2020 and ends in 2035, as well property leases lasting between one and five years for its other offices in Wrexham and Penrhyndeudraeth.

The Company's subsidiary Transport for Wales Rail Limited also holds a number of rolling stock leases averaging six years in length and a number of property leases for depots and offices.

The discount rate applied to these assets is the government borrowing rate for the relevant calendar year (the discount rate for leases starting during the year ended 31 March 2023 is 0.95% for leases commencing in 2022 and 3.51% for leases commencing in 2023).

In addition, the Group also holds a number of low value or short-term leases in relation to office equipment.

Right-of-use assets

Right-of-use assets related to lease properties are presented as property, plant and equipment:

Group

	2023				2022			
	Land and buildings	Rolling stock	Other	Total	Land and buildings	Rolling stock	Other	Total
Balance at 1 April	18,920	79,331	507	98,758	19,772	99,923	-	119,695
Additions to right-of-use assets	318	127,562	185	128,065	536	10,228	583	11,347
Depreciation charge for the year	(1,525)	(33,604)	(125)	(35,254)	(1,388)	(30,820)	(76)	(32,284)
Balance at 31 March	17,713	173,289	567	191,569	18,920	79,331	507	98,758

In addition, £24,719,000 paid by the company as a lease premium for Cardiff Bus Interchange has been recognised within Assets Under Construction until the site is handed over as ready for use in 2023/24. The £24,719,000 includes £4,500,000 paid to TfW's parent, Welsh Government, for the bus apron element of the interchange.



Company

	2023		2022	
	Land and buildings	Total	Land and buildings	Total
Balance at 1 April	12,117	12,117	13,009	13,009
Additions to right-of-use assets	262	262	-	-
Depreciation charge for the year	(906)	(906)	(892)	(892)
Balance at 31 March	11,473	11,473	12,117	12,117

Amounts recognised in profit or loss

The following amounts have been recognised in profit or loss for which the Group is a lessee:

	Group	
	2023 £000	2022 £000
Interest expense on lease liabilities	1,494	1,029
Expenses relating to short-term leases (excluding short-term leases of low-value assets)	46	217
Expenses relating to leases of low-value assets	93	35
Total	1,633	1,281

At 31 March 2023, the Group was committed to short-term and low-value leases with a total gross commitment of £202,000 (2022: £240,000) and has agreements to lease with the leases not yet commenced totalling £440,042,000 (2022: £591,520,000) all of which relates to future rolling stock leases. At 31 March 2023, the Company was committed to short term and low value leases with a total gross commitment of £31,000 (2022: £15,000) and had no agreements (2022: no agreements) to lease with the leases not yet commenced.

Lease liabilities

Current/non-current split

	Group		Company	
	2023 £000	2022 £000	2023 £000	2022 £000
Current portion of lease liabilities	23,603	18,622	1,206	626
Non-current portion of lease liabilities	175,735	80,284	12,080	12,996
Total	199,338	98,906	13,286	13,622

Split by asset type

	Group		Company	
	2023 £000	2022 £000	2023 £000	2022 £000
Land and buildings	19,537	20,241	13,286	13,622
Rolling stock	179,230	78,157	-	-
Other	571	508	-	-
Total	199,338	98,906	13,286	13,622



21. Capital commitments

As at 31 March 2023, the Group has entered into contracts to purchase property, plant and equipment for £279,849,000 (2022: £217,831,000). At the same date, the capital commitments of Transport for Wales as a standalone company are £256,388,000 (2022: £185,143,000).

22. Related parties

Identity of related parties with which TfW has transacted

During the year, TfW and its subsidiary TfW Rail received revenue grant and rail subsidy cash payments from the Welsh Government of £304,709,000 (2022: £348,790,000), as well as revenue grants to be paid to local authorities of £1,071,000 (2022: 2,285,000). TfW group also received cash capital grant and rail subsidy funding of £449,846,000 (2022: £282,197,000) as well as capital grants to be paid to local authorities of £53,918,000 (2022: £19,287,060). Included within deferred income is a creditor from the Welsh Government relating to resource grant costs incurred but funding not yet received as at 31 March 2023 of £13,898,000 (2022: £15,141,000) and a debtor for capital grant costs incurred but funding not yet received of £52,887,000 (2022: £58,499,000).

In addition, TfW recognised income from the Welsh Government relating to non-grant funded consultancy projects of £10,994,000 (2022: £6,038,000). At 31 March 2023, TfW was owed £2,789,000 (2022: £6,734,000) invoiced to the Welsh Government in relation to these consultancy services provided which is included in trade debtors. TfW has also accrued income for project services provided to the Welsh Government but not yet invoiced of £3,035,000 (2022: £2,014,000).

TfW made purchases from the Welsh Government totalling £274,000 (2022: £455,000) in relation to recharged services (primarily secondee costs and internal audit costs) and entered into a 999 year lease agreement with Welsh Government for Cardiff Bus Interchange bus apron for a lease premium of £4,500,000 (with £10 per annum peppercorn rentals). It has a payables balance as at the statement of financial position date of £nil due to the Welsh Government (2022: £455,000).

TfW also has a working capital loan with Welsh Government. As at the 31 March 2023, the balance is £6,900,000 (2022: £6,900,000). Interest payable on this loan during the year was £310,000 (2022: £183,000).

The parent Company's subsidiary TfW Innovation Services Limited has a minority interest shareholder, and as such, related party disclosures for the parent company are required in accordance with FRS 101. During the year, TfW made purchases of £440,000 from TfW Innovation Services Limited (2022: £1,070,000), and there is a trade debtors and accrued income due to TfW Innovation Services Limited from TfW at 31 March 2023 of £349,000 (2022: £720,000) as well as a working capital loan from TfW to TfW Innovation Services of £100,000 (2022: £100,000).

Transactions with key management personnel

Key management personnel is deemed to include company statutory directors (whose remuneration is disclosed in note 4) and other members of the executive team. The compensation of key management personnel is as follows:

	2023 £000	2022 £000
Key management emoluments including social security costs	1,911	1,332
Company contributions to money purchase pension plans	110	83
Payments to third parties in respect of secondees	146	277
Total	2,168	1,692



23. Acquisition of business

Acquisitions in the current period

On 1 April 2022, TfW took ownership of PTI Cymru Holdings Limited, a company limited by guarantee, along with three subsidiary companies – PTI Cymru Ltd T/A Traveline Cymru, PTI No2 Ltd and PTI Cymru no 3 Ltd, for nil consideration. The deal was agreed with Welsh Government in order to create an integrated public transport information centre fit for the future.

PTI Cymru is a not-for-profit business primarily funded by Welsh Government, with a core activity of providing impartial information to the general public about public transport in Wales as well as providing bilingual customer contact services to certain third parties. On 15 December 2022, the trade and assets of the companies were transferred into Transport for Wales for nil consideration. The net assets of the Group at both the acquisition date and the asset transfer date were zero and no fair value adjustments were required; as such no goodwill was created. The total aggregate assets of all three subsidiaries at 1 April 2022 was £1,030,733. PTI Cymru Holdings Limited and its subsidiaries are due to be liquidated during the 2023/24 financial year.

Effect of acquisition

The acquisition of PTI Cymru and subsidiaries had the following effect on the Company's assets and liabilities.

	Recognised values on acquisition £000
Acquiree's net assets at the acquisition date:	
Property, plant and equipment	122
Intangible assets	7
Trade and other debtors	118
Cash	708
Creditors falling due within one year	(830)
Creditors falling due after more than one year	(125)
Net identifiable assets and liabilities	-
Total cash consideration relating to business combination	-
Goodwill on acquisition	-

Acquisitions in the previous period

On 8 August 2021, TFW acquired 100% of the ordinary share capital of Pullman Rail Limited from Colas Rail Limited. TFW paid £11,097,000 as consideration for the acquisition. The business's principal activity is the refurbishment and maintenance of rail rolling stock and the acquisition enables both TfW and Pullman to build on an existing working partnership, and provide increased capacity and resilience at Canton depot (where Pullman Rail is based). In the eight months to 31 March 2022, Pullman Rail Limited contributed revenue of £11.5m and a loss before tax of £91,000 to the consolidated profit for the year (including one-off transition and integration costs of £339,000). If the acquisition had taken place on 1 April 2021, the contributed revenue would have been an estimated £19.7m and contributed profit before tax would have been an estimated £105,000. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition occurred on 1 April 2021.

Effect of acquisition

The acquisition of Pullman Rail Limited had the following effect on the Company's assets and liabilities.

	Recognised values on acquisition £000
Acquiree's net assets at the acquisition date:	
Property, plant and equipment	9,198
Intangible assets recognised on acquisition (customer relationships)	2,367
Stocks	3,387
Trade and other debtors	3,696
Cash	519
Trade and other creditors	(10,367)
Deferred tax liabilities	(1,249)
Net identifiable assets and liabilities	7,551
Total cash consideration relating to business combination	11,097
Goodwill on acquisition	3,546

Goodwill has been recognised in relation to the synergies that Pullman Rail Limited provides for the group, particularly in relation to increased capacity and resilience at Canton Depot to support the South Wales Metro scheme. Acquisition costs of £309,000 relating to legal and professional fees supporting the acquisition have been included in operating expenditure in the Consolidated Income Statement.

24. Losses and special payments

The following is the statement of losses and special payments as required by the Government Financial Reporting Manual, with individual disclosures where the total amounts incurred are over the limits prescribed in Managing Welsh Public Money of £300,000.

	2023	2022
Total number of losses and special payments	115	60
Total value of losses and special payments (£000s)	10,861	270

Individual losses of £300,000 or more

During the year, the decision was taken to cease the Llanwern Major Event Stabling Line project. As such, development costs of £10.54m that had been incurred since 2018 and treated as an asset under construction are now considered irrecoverable, and as they have no foreseeable future value at this time, an impairment loss has been recognised. This impairment is also considered as a Constructive Loss under the definitions set out in Managing Welsh Public Money.

25. Ultimate parent company and parent company of larger group

TfW is a subsidiary undertaking of the Welsh Ministers which are also the ultimate parent entity. TfW's results are consolidated in the Welsh Government's consolidated annual accounts which are available from its registered address, Cathays Park, Cardiff, CF10 3NQ or from its [website](#).

