



**TRAFNIDIAETH  
CYMRU  
TRANSPORT  
FOR WALES**

**Annual report and  
financial statements  
2018/19**



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## Year at a glance

Transport for Wales (TfW) is the not-for-profit company driving forward the Welsh Government's vision of a high quality, safe, integrated, affordable and accessible transport network.

2018/19 has been a year of change and growth for TfW. Here are some of our key achievements.

Total planned investment in rail

# £5 BILLION OVER 15 YEARS

### The Wales and Borders rail service and South Wales Metro

- TfW successfully completed an innovative competitive dialogue process to procure a new Operator and Development Partner (ODP), Keolis Amey Wales Cymru Limited, to run the Wales and Borders rail service and help build the South Wales Metro. Keolis Amey Wales Cymru Limited, a Private Limited Company, now operates as Transport for Wales Rail Services
- Wales and Borders rail services now run under Transport for Wales' brand, with employees from both organisations working as one team
- We progressed the Transfer of Powers process with the Department for Transport (DfT), before awarding the new contract to run the Wales and Borders rail service

Read more on Page 25



- We collaborated effectively with Transport for Wales Rail Services prior to the launch of the new Wales and Borders rail service

### Launch of the new Wales and Borders rail service

- We launched the new service on 14 October 2018 to start transforming our rail network

### Infrastructure/Core Valleys Lines

- We made progress on the transfer of the Core Valleys Lines (CVL) into TfW's ownership to develop the South Wales Metro
- We undertook design work for a number of rail infrastructure projects including the Core Valleys Lines transformation, new stations and the North Wales Metro

## The largest procurement ever undertaken by the Welsh Government

### 2018/19 expenditure



## £30 million

spent on rail infrastructure development



## £33 million

spent on other projects and service operation



## £88 million

operational expenditure (not capital)



## £151 million

total spent up to 31 March 2019

### Building TfW



We're building our team to manage the rail services contract, deliver infrastructure changes and provide expert advice to the Welsh Government.

## #63

We employed 63 permanent employees at the end of 2018/19.

### Our North Wales Business Unit

We opened our new North Wales Business Unit in Wrexham and appointed our North Wales Director, Lee Robinson.

### Sustainable Transport Infrastructure Delivery (STriDe) Framework

We appointed Infrastructure Delivery Partners to our Sustainable Transport Infrastructure Delivery (STriDe) Framework in June 2018, aligned with the procurement of our Operator and Development Partner.

### The South Wales Metro

We started to invest £738 million to upgrade infrastructure to develop the South Wales Metro.

A number of projects for the South Wales Metro have been part-funded by the European Regional Development Fund through the Welsh Government.



### Award-winning

TfW won the Vision of the Year award for the planned South Wales Metro at the 2018 Global Light Rail awards. These prestigious awards recognise excellence and innovation in the global light and urban rail sector.





## Chair's statement

Scott Waddington

Welcome to TfW's annual report where we will update you on our progress in 2018/19 and share some of our ambitious plans.

Creating an integrated public transport network which is safe, reliable, affordable and low carbon is a key commitment of the Welsh Government's national strategy, Prosperity for All. TfW has an important role in achieving the key goals set out in Prosperity for All and I am delighted that our plans to transform transport will have a positive, long-term impact on the economy of Wales.

We are also working with the Welsh Government to maximise the benefits of its long-term transport capital funding programme and focusing on delivering projects efficiently and effectively to maximise the public sector's considerable purchasing power.

Having joined TfW in January 2019, I am enjoying working with the other members of TfW's Board

who each bring their own specialist expertise. We are continuing to strengthen the Board with new Non-Executive Directors, most recently welcoming Alun Bowen to the team. I have also been impressed by the Senior leadership and wider team's depth of knowledge, passion and determination.

In 2018/19 we established Audit and Risk, Customer and Communications, Health, Safety and Well-being and People board sub-committees focused on continuous improvement.

James Price, TfW's Chief Executive, and I also meet monthly with the Welsh Government at our Steering Board to monitor the progress TfW is making.

**2018/19 was a pivotal year as we took over the Wales and Borders rail service and I would like to thank our many stakeholders for their ongoing insight, help and support. During the year we focused on:**

- Structuring TfW, recruitment and creating the right working environment to deliver our strategic plan
- Preparing to take over the Wales and Borders rail service on 14 October 2018 under the Transport for Wales brand
- Collaborating with Transport for Wales Rail Services to ensure our rail services achieve our performance targets. We are continuing to strengthen our evolving relationship
- Preparing to take over responsibility for the Core Valleys Lines from Network Rail as well as the significant infrastructure investment to create the South Wales Metro
- Developing a new ethical and sustainable procurement approach to maximise opportunities for Welsh suppliers and create a distinctively Welsh brand
- Putting the right foundations in place by embedding effective governance

**"I am enjoying working with other members of TfW's Board who each bring their own specialist expertise. We are continuing to strengthen the Board with new Non-Executive Directors, most recently welcoming Alun Bowen to the team."**

Building a sustainable transport network will have wide-ranging benefits for everyone in Wales. It will open up more employment opportunities and enable us to integrate education, health and other important services so that they are more accessible.

Through our ethical and sustainable approach to procurement, we are making sure that our investments are maximising opportunities for Wales' many talented businesses in line with the goals of the Well-being of Future Generations Act. Our Sustainable Transport Infrastructure Delivery (STriDe) framework aims to build long term relationships with suppliers, helping to

create local employment, skills-development and training opportunities.

Our customers are at the heart of all we do and drive our decision-making. We are clear about our future vision and I am determined that we improve our customers' experiences of travelling on our network.

Throughout 2018/19 we put in place the foundations of our company. We now have a strong team and I'd like to thank everyone at TfW for their enthusiasm and hard work. We know our strategy is ambitious but I am confident that we are prepared for the challenges we face as we enter a key delivery phase of our journey.





## Chief Executive's statement

James Price

When the Welsh Government announced a £5 billion investment in our rail services last year, it signalled a new beginning for our transport network as well as a long-term investment in the future prosperity of Wales. We have a once-in-a-generation opportunity to create a rail network which can be built into an integrated transport network that will improve connectivity, encourage sustainable economic growth and better supports our public services.

Many of the transformational changes we're planning will take time, but we have a clear agenda and comprehensive plans in place. While we know we'll face challenges, we also understand the risks involved. We're passionate about spearheading change as quickly as we can to achieve our mission to create an integrated transport network of which Wales is proud.

We're determined to ensure that our customers' journeys are safe, and that our people and the suppliers we work with go home safe and healthy every day.

2018/19 was a busy year of transition and growth for TfW. We completed the largest procurement ever undertaken by the Welsh Government to appoint our new Operator and Development Partner. We then prepared for a seamless transition for our customers when we took over running the Wales and Borders rail service on 14 October 2018.

While storms, autumnal conditions and ageing trains presented us with significant challenges in our first few months of operation, we worked round the clock to restore services for our customers. We established a programme to identify common and repeated causes of breakdowns to prevent them happening in the first place. We also introduced streamlined processes in our workshops to return our trains to service more quickly.

**"It's TfW's role to deliver this significant enhancement and, while the scale and complexity of what we're undertaking is unprecedented, the team at TfW is focused on making a difference for the people, communities and businesses of Wales."**

We're determined to ensure that our customers are at the heart of the transport network we're developing and it's important to provide them with the best experience as soon as we can. In 2018/19 we started investing £40 million in our current fleet to improve service levels, introduce additional services and make accessibility improvements. We hope our customers are already starting to see the benefits of this investment.

Added to this, our rail services team has recruited an additional 120 employees to run our rail services since taking over the Wales and Borders rail service.

Our people are pivotal to TfW's success and we're ensuring that their voice impacts our decision-making. We're building an effective social partnership and have chosen to recognise all unions in the sectors in which we operate. We've also invited a trades union representative to join our People Committee and to participate in our board meetings.

We started building TfW and recruiting the team we need to achieve our ambitious goals. Our aim is to be an employer of choice where our people feel valued and have fulfilling careers.

Looking to the future, we've also started building our future network and we invested £29 million to develop our rail infrastructure in 2018/19.

Public investment with a purpose is at the heart of TfW's approach and in line with the Welsh Government's Economic Action Plan. We believe that it can make a real difference to our businesses and communities, stimulating the Welsh economy and developing local skills as well as creating and supporting as many local jobs as possible.

To help achieve this goal we created our Sustainable Transport Infrastructure Delivery (STriDe) framework which currently includes 32 pre-qualified suppliers or Infrastructure Delivery Partners.

Initially the suppliers on our framework can tender for projects to deliver the infrastructure for the South Wales Metro.

It's TfW's role to deliver this significant enhancement and, while the scale and complexity of what we're undertaking is unprecedented, the team at TfW is focused on making a difference for the people, communities and businesses of Wales.

# Who we are and what we do

We want to create a transport network of which the people of Wales are proud.

## Who we are

We're a not-for-profit, customer-focused company wholly owned by the Welsh Government and we're driving a step change in how we understand, plan, use and invest in transport in Wales. A pan-Wales organisation, we apply our local understanding for the benefit of our customers.

## Working together

TfW delivers Welsh Government policies and as a trusted delivery partner of the Welsh Government, we make independent operational decisions.

We engage with the Department for Transport in relation to parts of the Wales and Borders rail service running in England as well as Network Rail across all of Wales and the borders.

## Why we're here

A better, more integrated public transport system is a key driver in the delivery of the Welsh Government's national strategy: Prosperity for All. Transport connects people and communities, underpins sustainable development and enables economic growth. Better public transport services will result in real benefits for people, including better access to employment opportunities and better integration of services, such as education and health.

We'll play our part in delivering Prosperity for All – the national strategy for Wales and the Economic Action Plan which drives the twin goals of growing the economy and reducing inequality.

## Our mission

Transport for Wales exists to 'Keep Wales Moving' by delivering customer-focused services, expert advice and infrastructure investment.

## Our vision

To create a transport network of which Wales is proud.

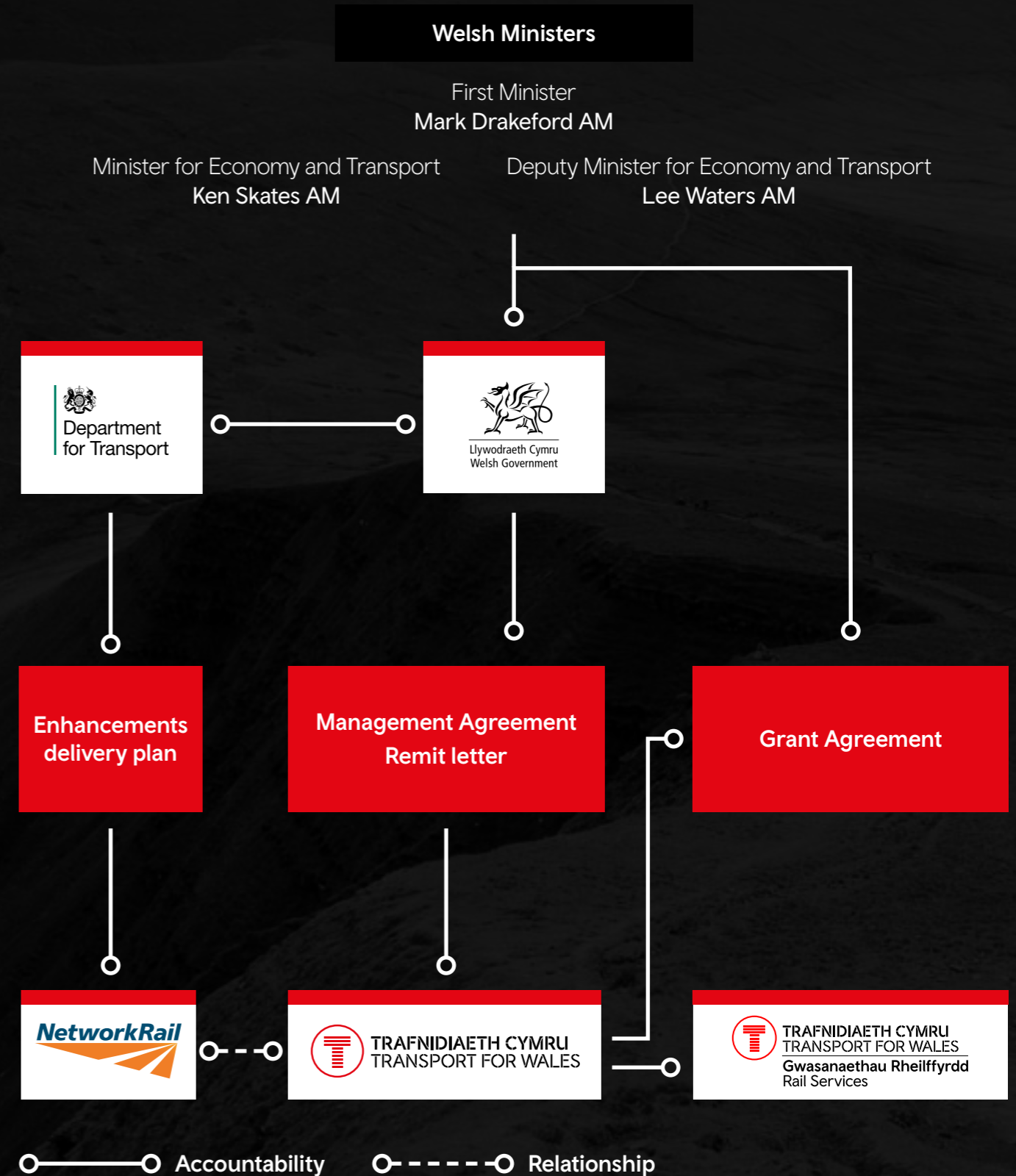
## Our values

Being safe	- Health - Safety - Well-being
Being the best	- High-performance - Pace
Being positive	- A good attitude - Can do, will do
Being connected	- Enterprising - Networked
Being fair	- Treating people well - Integrity - Equality
Creating shared success	- Passion for the best deal

**Welsh Government policy alignment**

**TfW is focused on delivering Welsh Government policy, including Prosperity for All – the national strategy for Wales and the Well-being of Future Generations Act.**

# Working together in 2018/19





## What makes us different?

- We're a not-for-profit company and any surplus from our operations can be reinvested in our transport network for the benefit of our customers
- The Welsh Government has made a commitment that the transport network in Wales will be increasingly directly owned or operated by TfW



## Social partnership

Trades unions are an important part of building our company and we've chosen to recognise all relevant unions in the sectors we operate in to build an effective social partnership. TfW is a fair, inclusive and progressive employer and we've invited a trades union representative to join our People Committee and to participate in our board meetings.

Read more on Page 49



## Our North Wales business unit

The Welsh Government's Economic Action Plan recognises that each region of Wales has its own opportunities and challenges.

Our North Wales Business Unit will play an important role in building a modern transport system for the whole of Wales that's tailored to local needs.

We opened our North Wales office in Wrexham in 2018.

## Our commitment to safety

Our customers, users, employees and suppliers have an expectation that when using or delivering our services or assets they will remain harm free. Our passion is: 'A safe, happy and healthy experience for all'.

## Moving to Pontypridd

We'll move to our new headquarters at Rhondda Cynon Taf Council's flagship development, Llys Cadwyn in Pontypridd town centre in 2020.

Transport for Wales Rail Services will share these offices, encouraging close collaboration, cross-team working and greater innovation as well as the delivery of an efficient and effective transport network.

We'll be creating the headquarters of what we hope will be a respected world-class organisation and to create a vibrant workspace that fosters a culture of collaboration and innovation and is also conducive to employee well-being.

## Our commitment to economic regeneration

Llys Cadwyn is part of a wider regeneration scheme that will deliver significant economic benefits to Rhondda Cynon Taf. We want local people to be proud that our headquarters is located in Pontypridd. We're also pleased to be playing our part in driving sustainable growth in the Welsh economy.

**"In the coming years TfW will be improving and enhancing the transport network in North Wales as we work together with partners to deliver the Welsh Government's vision for the North Wales Metro and create an integrated transport network for the whole of Wales. Our North Wales Business Unit will play an important part in ensuring that it meets local and regional needs"**

Lee Robinson  
Development Director for North Wales



**"Rhondda Cynon Taf Council has ambitious plans to regenerate our County Borough to attract hundreds of high-quality, skilled jobs and Llys Cadwyn is at the heart of our major plans for Pontypridd. Transport for Wales is transforming transport in Wales and our County Borough will benefit enormously from the South Wales Metro. We're also pleased that Pontypridd will soon be home to such an important innovative world-class organisation."**

Councillor Andrew Morgan  
Leader, Rhondda Cynon Taf Council  
Chair, Cardiff Capital Region





## A new chapter for rail services in Wales and the borders

In 2018 we prepared to launch and run the Wales and Borders Rail Service and to provide our customers with the best possible service from Day 1.

### Launching the Wales and Borders rail service

- On 4 June 2018 the First Minister of Wales announced a £5 billion investment to fund significant enhancements to rail services in Wales and the borders and the creation of the South Wales Metro
- We hosted a launch event at Coleg Y Cymoedd's rail engineering training facility in Nantgarw which was attended by more than 150 stakeholders including industry partners, passenger groups, politicians as well as local, national and industry media
- We also held technical briefing events for AMs, Welsh local authority leaders/Chief Executives/members for transport, Welsh MPs and English MPs through whose constituencies Wales and Borders services run as well as members of the House of Lords
- This is the first time a rail service has been procured and awarded in Wales, for Wales. It began a new chapter for rail services in Wales and the borders. It is also the largest procurement ever undertaken by the Welsh Government
- KeolisAmey, which now operates as Transport for Wales Rail Services, won the 15-year contract to run the Wales and Borders rail service and help build the South Wales Metro
- A joint venture partnership of international public transport operator Keolis and infrastructure asset management specialist Amey, KeolisAmey is working in partnership with TfW, running all services under TfW's brand

- The contract started on 4 June 2018 and runs until 16 October 2033. We took over running the Wales and Borders rail service from Arriva Trains Wales on 14 October 2018

### Preparing to run the Wales and Borders rail service and start developing the South Wales Metro

- We're a growing company and we spent 2018/19 laying the groundwork to enable us to achieve our ambitions and create the right working environment to build a world-class organisation
- We also focused on resourcing and filling a range of critical roles
- Committed to providing our customers with the best possible service from Day 1, we collaborated with Transport for Wales Rail Services prior to taking over the Wales and Borders rail service on 14 October 2018 to ensure a seamless transition
- We also wanted to ensure that our customers knew that the journey of transformation for their rail network had started, so we provided our customer-facing employees with new uniforms and ensured that our brand appeared at stations, on some trains as well as on information leaflets and posters. We also launched our customer website and app

## KEN SKATES AM

Ysgrifennydd y Cabinet dros yr Economi a Thrafnidiaeth  
Cabinet Secretary for Economy and Transport

#dechrautaith  
#journeybegins

### The Williams Rail Review

In September 2018 the UK Government announced a review of the structure of the rail industry, including increasing integration between track and train, regional partnerships and improving value for money for passengers and taxpayers.

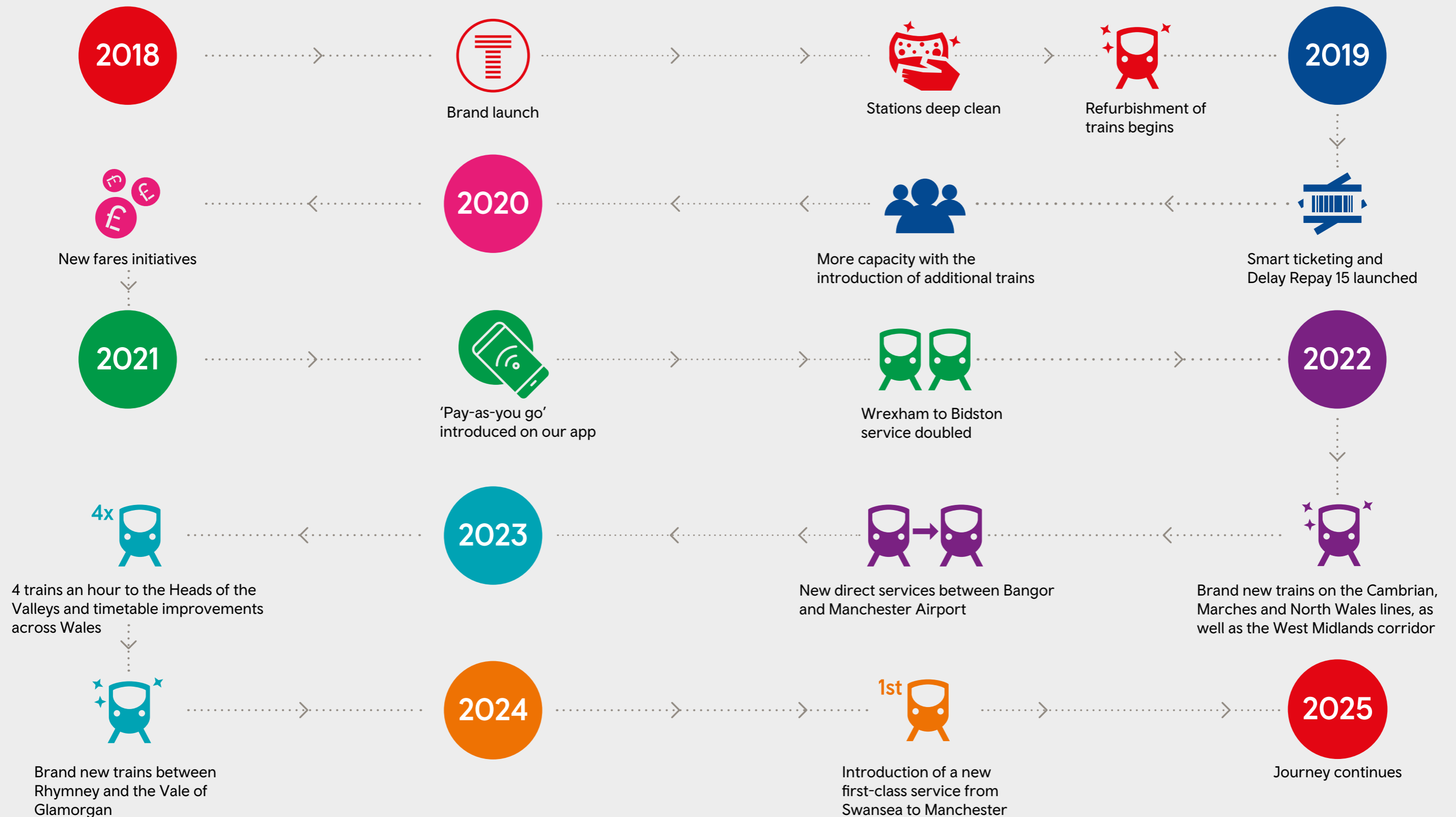
The review is being led by former British Airways Chief Executive, Keith Williams supported by an expert panel and any plans for reform are expected to be implemented from 2020.

In February 2019 Keith Williams met our passenger panel to hear their thoughts and feedback first-hand. We also contributed to the review.



# The future for rail services in Wales and the borders

Here are some of the improvements that our customers can expect in the coming years.





## Our customer focus

We take our responsibility for delivering a high-quality public transport network seriously and continuously strive to improve our services. Our ambition is to encourage greater use of public transport by creating an efficient, effective and high-quality network.

### We believe in being 'Customer First'

While we'll be making significant investments in the coming years, these will not be enough to truly impact customer experience. The biggest impact will come from our people and our customer-centric culture.

Our people and the organisations we work with have a part to play in creating and delivering a world-class experience for our customers.

We know our customers expect our services to arrive on time and provide an efficient, comfortable, safe and smooth journey.

We're committed to improving the service and experience we deliver and our aim is to create a transport network that sets a new standard.

## Engaging people to create continuously improving experiences that place the customer at their heart.

### Engaging people to deliver the highest possible standards of customer service

We want our customers to feel appreciated, cared-for and valued and our people will make the difference between success and failure.

Whatever their role, our people will put our customers first. We'll encourage and support them to deliver the best possible experience for our customers and also empower them to make the right decisions for our customers.

We'll apologise when we get things wrong, explain our mistakes and how we'll learn from them.

### Delivering a high-quality and reliable service

Our customers expect our services to be on time and reliable. This means we must do our utmost to ensure we meet their expectations and work with our people and other organisations to continuously improve.

When things go wrong, we'll do all we can to provide our customers with the advice and assistance they need to continue their journey.

High-quality service recovery plans along with consistent and accurate communications will be critical to our future success.

### Continuously developing our customer proposition

While a high quality of customer service goes a long way to achieving a great customer experience, we'll also develop our services and facilities to support and enhance our customers' journeys.

Our customer proposition will be innovative, ambitious and focused on improving our customers' experiences at every stage of their journey.

We'll develop high-quality digital platforms to allow our customers to find information and engage with us before they travel and we'll continuously develop and improve the facilities we offer.





### Enabling smooth and seamless journeys

Accessing our services and seamless travel are important both to our customers and the economy.

We'll bring systems and operators together to deliver real improvements and work with operators and the Welsh Government to create real change.

Integrated transport can't be delivered without effective co-operation, so we'll build effective relationships across every relevant mode of transport.

We'll focus on creating interchange points that enable better connectivity between modes of transport and provide onward travel information, advice and services which support a smooth transition between operators.

### Delivering high-quality customer engagement, insights and communication

It's critical to our success that we engage and communicate effectively with those who use our services as well as those who don't.

We'll create a high-quality approach to customer engagement – whether digital or face-to-face – and we'll understand more about how we could change or improve our services. Our customers' views will be at the heart of our decision-making – informing our future direction and development.



## TfW and the Welsh Government

TfW is a not-for-profit company wholly owned by the Welsh Government.

### Welsh Government policy alignment

- TfW is a trusted delivery partner of the Welsh Government enabling us to make independent operational decisions
- We're also the Welsh Government's expert adviser and an advocate for transport-related matters. Our technical advice and expertise helps the Welsh Government to shape policy

### Our Relationship with the Welsh Government

- The Welsh Government develops policies for transport in Wales
- Everything TfW does supports Welsh Government policies
- A management agreement governs TfW's relationship with the Welsh Government
- The Welsh Government provides TfW with a remit letter setting out our focus

**“Transport for Wales is building a sustainable, modern transport network that will ensure our people, communities and businesses will be better connected. We’re committed to maximising this exciting economic development opportunity and our exciting transformation of our rail services of over £5 billion will ensure an investment in Wales’ future prosperity.”**

Mark Drakeford AM, First Minister of Wales



**“An effective transport network is a key building block of an economy that works for all and we’re on a journey that will greatly improve our rail services. Our customers’ needs are at the heart of this transformation and I’m pleased that they’re already starting to see the benefits.**

**Public investment with a social purpose is also critical to our ambitious approach to rail and in line with our Economic Action Plan. We’re determined that our investment stimulates the Welsh economy, maximises opportunities for Welsh businesses, develops local skills and creates and supports as many local jobs as possible.”**

Ken Skates AM, Minister for Economy and Transport





## Our stakeholders

TfW has a wide range of stakeholders and we're committed to building effective relationships with them. We want them to be well informed and part of the journey of transformation.

### Elected representatives

#### Assembly Members (AM) and Members of Parliament (MP)

- We aim to build a strong, trusted relationship with Ministers, AMs and MPs so that they feel informed and part of the journey of transformation we're on
- We want to listen and respond to their constituents' concerns and feedback
- Since taking over the rail service we've:
  - Responded to correspondence we've received from AMs and MPs
  - Met with AMs and MPs and invited them to see first-hand our approach by visiting stations, showcasing new train interiors etc.
  - We've also held drop in sessions at the Senedd and in Westminster

#### National Assembly for Wales Committees

- We appeared before the Assembly's Economy, Infrastructure and Skills Committee in late 2018 and early 2019 to share our exciting plans to transform transport, provide an assessment of the initial months since we started running services and, together with Network Rail, explain the autumn service disruption
- In March 2019, TfW also gave evidence to the committee's inquiry into TfW's future development

### Local government

#### Wales and Borders local authorities

- We've engaged local authorities in Wales and the borders on plans to transform transport and to establish a number of strategic transport groups in 2018/19
- We also held a number of stakeholder workshops with:
  - Caerphilly, Merthyr Tydfil and Rhondda Cynon Taf councils about the location of potential strategic hubs
  - Blaenau Gwent and Bridgend councils around potential frequency enhancement schemes
  - All local authorities across Wales in relation to concessionary travel and other bus-related matters
  - Conwy, Pembrokeshire and Blaenau Gwent councils around integrated responsive travel pilots
  - Borders authorities in relation to key strategic transport challenges



During 2018/19 we undertook detailed discussions with the DfT and the Welsh Government to devolve the rail franchise to the Welsh Government.

The agreement to devolve powers takes into account that TfW operates rail services in England as well as Wales and the agreement includes safeguards for passengers using our services in England.

TfW meets quarterly with the DfT to discuss issues including cross-border performance, stakeholder engagement and rail enhancements.



### TfW's Accessibility Panel

- We established our Accessibility Panel during the year. Our panel meets quarterly and held its first meeting in December 2018 and a second meeting in March 2019
- Our Accessibility Panel focuses on making our transport network more accessible and meets quarterly. It considers issues ranging from signage to ticket machines as well as the design of our trains. Panel members also meet between quarterly meetings to consider particular projects

### Rail User Groups, transport associations, charities, third sector groups and other industry / government bodies

- We established working relationships with many Rail User Groups, transport associations, charities, third sector groups and other industry / government bodies to brief them on our plans and capture feedback

### Transport Focus passenger panel workshops

- We also took part in Transport Focus' passenger panel workshops in January 2019. One workshop covered the structure of the UK's rail industry where passengers provided input into the Williams Rail Review. The other considered how to break down the barriers preventing young people from using the railway

### Community engagement

- Our services shouldn't just benefit our passengers. They should positively impact the local economies and communities we serve and we can only ensure we do this by collaborating with those economies and communities
- We consulted with local communities and other stakeholders on a range of planning applications

### Community Rail Partnerships

- In late 2018, Transport for Wales Rail Services became an active member of each of the five existing Community Rail Partnerships (CRP) in Wales and the borders
- We've helped the CRPs hold two workshops to develop their business plans

### Working in partnership with Network Rail

- We're committed to establishing an effective joint partnership with Network Rail to provide our customers with the best possible service
- In 2018/19 we started developing a programme of enhanced joint working to improve performance, capacity and reliability
- In 2019 an Alliance Agreement was put in place between Network Rail and Transport for Wales Rail Services
- Our aim is to bring track and train closer together with a focus on strategies, structures and targets such as seasonal preparedness, improving service recovery from incidents and performance management
- We're also working with Network Rail to transfer the Core Valleys Lines to TfW

### Bus and integrated transport

- We engaged with bus and coach operators on the concept design for the fitout of Cardiff Central bus station
- We established, and now Chair, the Cardiff Central Interchange Supervisory Board, bringing together delivery partners to ensure a joined-up approach that meets the needs of passengers, operators and the local community
- We developed the bus concessionary travel card renewal campaign for local authorities and the Welsh Government



### Creating engagement routes for our customers, stakeholders and interest groups

- In 2019 we'll create an advisory panel to enable our customers, stakeholders and interest groups to provide feedback on our services
- Our advisory panel will include subsidiary panels that will be our customers', stakeholders' and interest groups' voice, enabling them to advise us on our activities
- We'll manage our advisory panel in an open and transparent way, ensuring that the panel's outputs are publicly available



## Our progress against key policies in 2018/19

The Welsh Government develops policies for transport in Wales and everything we do supports Welsh Government policies.

Policy/Act	Progress
<b>Active Travel (Wales) Act 2013</b>	<ul style="list-style-type: none"> <li>We collaborated with the Welsh Government and local authorities to integrate services</li> <li>We provided expert advice, guidance and support on the design and delivery of active travel</li> <li>We engaged with Sustrans, the sustainable transport charity, to implement active travel across Wales</li> </ul>
<b>Ministerial Task Force: Our Valleys Our Future</b>	<ul style="list-style-type: none"> <li>We supported the Welsh Government and local partners with regeneration plans and transit-oriented developments around stations in the South Wales Valleys</li> <li>We developed a pilot, demand-led bus service in the Valleys Task Force area with the Welsh Government, local authorities, operators and community stakeholders</li> </ul>
<b>Prosperity for All: the national strategy</b>	<ul style="list-style-type: none"> <li>We published our integrated Sustainable Procurement and Supply Chain Management Policy, which incorporates TfW's sustainable and ethical procurement principles, to support local supply chain opportunities</li> <li>We've embedded sustainability criteria in line with the Well-being of Future Generations (Wales) Act</li> <li>Working with Business Wales and Social Business Wales to support local suppliers and enable them to take advantage of relevant opportunities</li> <li>We established our Sustainable Transport Infrastructure Delivery (STriDe) framework</li> <li>We've developed our Environmental Policy and we're working towards BS EN ISO 14001:2015 to set up an effective environmental management system</li> </ul>



<b>Railways Act 1993</b>	<ul style="list-style-type: none"> <li>We continued to meet our obligations under the Railways Act, including safety and employment matters as well as separation and transfer of infrastructure from Network Rail to TfW</li> </ul>
<b>The Railways and Other Guided Transport Systems (Safety) Regulations 2006</b>	<ul style="list-style-type: none"> <li>We're ensuring that Transport for Wales Rail Services complies with the Railways and Other Guided Transport Systems (Safety) Regulations</li> </ul>
<b>Wales Transport Strategy</b>	<ul style="list-style-type: none"> <li>We supported the Welsh Government to deliver rail infrastructure investments identified in the National Transport Finance Plan</li> <li>We took responsibility for the management of rail infrastructure projects and programmes, including phase 2 of the South Wales Metro</li> </ul>
<b>Welsh Language Act 1993 and Welsh Language (Wales) Measure 2011</b>	<ul style="list-style-type: none"> <li>TfW is a bilingual organisation committed to providing services in Welsh and English</li> <li>Transport for Wales Rail Services is implementing a Welsh language plan</li> </ul>



“The Well-being of Future Generations Act is at the heart of the rail franchise for Wales and the Borders. I am encouraged by Transport for Wales’ plans to contribute to a prosperous Wales by giving work opportunities to small businesses, social enterprises, and to contribute to a resilient Wales by committing that all electricity for stations and overhead wires will come from zero carbon energy. In mapping contributions towards the seven well-being goals, I am pleased to see Transport for Wales present their commitment in an easily identifiable and transparent design.”

**Sophie Howe**  
Future Generations Commissioner for Wales



The Welsh Government has committed to achieving a carbon neutral public sector by 2030 and made a climate emergency declaration in April 2019. We’re supporting the Welsh Government in its response to climate change through our alignment with the Well-being of Future Generations (Wales) Act 2015.

## How we currently align with the Well-being of Future Generations (Wales) Act 2015

TfW’s activities support the Well-being of Future Generations (Wales) Act and we’ll continue to align our activities in future.

### A globally responsible Wales

- TfW will have due regard to conserving and enhancing biodiversity and will comply with international legislation
- Minimising the global impact of our waste
- Supporting Wales’ Fair Trade Nation

### A healthier Wales

- Promoting active travel, new cycle storage and safe, well-lit walking routes to encourage people to make healthier choices
- Reducing our contribution to air pollution
- Providing mental health awareness training for all employees

### A Wales of cohesive communities

- Employing Customer and Community Ambassadors to encourage a greater sense of community around our rail network
- Doubling the number of Community Rail Partnerships and encouraging station adoption
- Engaging with local communities to ensure their interests are at the heart of our decision-making
- Developing a more integrated transport network

### A resilient Wales

- Electricity for stations and the overhead wires will come from 100% zero carbon energy, with at least 50% sourced in Wales
- Reducing our water use by 50%
- Managing our environmental risk
- Developing and implementing our Biodiversity Action Plan

### A prosperous Wales

- Providing opportunities for small businesses and social enterprises
- Enabling employees to access training
- Creating 600 new jobs to run our rail service
- Creating 30 apprenticeships every year
- Assembling more than 50% of our new trains in Wales
- Diverting 95% of our waste away from landfill and recycling at least 50% of it
- Creating a true seven-day service with new Sunday and bank holiday services
- Becoming an accredited Living Wage employer and cascading this through our supply chain

### A Wales of vibrant culture and thriving Welsh language

- Building our bilingual brand and providing our services in Welsh and English
- Funding and supporting our employees who want to learn Welsh
- Developing a rail and tourism strategy, working with Visit Wales
- Supporting the work of local artists at our stations
- Gold sponsorship of the National Eisteddfod of Wales

### A more equal Wales

- Developing a new fares structure to ensure price is not a barrier to using the network
- Introducing cheaper off-peak rail fares across Wales
- Working closely with disability groups to improve accessibility and setting up a new accessibility panel
- Offering employees time off to volunteer in the community



# Our strategic objectives



## Improved customer services

Develop a common customer services ethos across transport services in Wales and its borders focused on the needs of people, involving communities and businesses to deliver safe, reliable, affordable and low carbon transport.



## Fully integrated

Focus on continually improving integration between different modes of transport.

Integration requires reliable information provision, simplified ticketing and joined-up services where interchange takes place, as well as thought-through and, wherever possible, colocated services e.g. bus and rail stations located together.



## Reinvesting in transport

As a not-for-profit company wholly owned by the Welsh Government, we'll ensure that any surplus from our operations can be reinvested in transport services and infrastructure for the benefit of customers - building on the Welsh Government's commitment that the transport network in Wales will be increasingly directly owned or operated by TfW.



## Ensuring we serve all of Wales effectively

Ensure that we maximise our understanding of local and regional needs across Wales for the benefit of current and future transport users.

Our immediate plans to achieve this include a North Wales Business Unit in 2018/19 and the establishment of our headquarters with key partners at Pontypridd in 2020.



## Developing skills sustainably

TfW's success relies upon the development of skills for delivery of services and infrastructure. We'll look at ways to procure infrastructure and services that lead to even greater local and regional benefits. We'll work with SMEs and larger organisations in an alliancing approach to maximise direct value for money through efficient and effective delivery, as well as wider sustainable economic benefits.



## Connecting communities

Our approach to many of our objectives will underpin our aim to ensure communities are properly connected. Beyond transport links, the focus on regeneration and placemaking opportunities to support sustainable growth and our commitment to the Welsh language will support this objective.



## Transport modelling, land-use planning

We'll establish an evidence-based approach to support decision making associated with infrastructure investment. We'll support the Welsh Government by working to ensure opportunities to maximise the amount of residential, business and leisure space within walking distance of public transport and to improve connectivity and increase transport's contribution towards the lowering of carbon footprints are fully understood.



## Environment/Carbon

We'll deliver on the Welsh Government's policy by decarbonising our transport networks and improving the air quality of the communities they serve, seeking to prevent the associated negative impact on health.



## Playing our part in Prosperity for All (the Economic Action Plan)

In addition to the objectives detailed above which support Prosperity for All, we'll work with the Welsh Government to maximise the benefit of the commitment to future long-term (five-year) programme of transport capital funding to deliver projects in the most efficient and effective way whilst maximising the public sector's considerable purchasing power.

# Our performance in 2018/19

## Customer-focused services

Strategic objectives	Achievements 2018/19	Plans for 2019/20
<ul style="list-style-type: none"> <li>• Integration across transport modes: Improving information, joined-up ticketing and coordination of transport services</li> <li>• A single TfW brand and supporting values/culture, working with partners and suppliers to deliver integrated transport</li> <li>• Real understanding of customer requirements across Wales and the borders, addressing national and regional agendas (urban, suburban, rural and long distance)</li> <li>• Customers' experiences are at the heart of any rail service. It is vital that TfW meets current needs and responds to and stimulates future passenger growth</li> <li>• TfW will establish systems to enable the delivery of a consistently high-quality and reliable rail service</li> <li>• TfW will deliver a rail service people can depend on for journeys to work, education and their leisure activities</li> <li>• Our rail service will also deliver a material improvement in customer experience by increasing the quality of both stations and train services</li> </ul>	<ul style="list-style-type: none"> <li>• Supporting the Welsh Government to finalise the closure of the existing Wales and Borders franchise</li> <li>• Leading the delivery of the mobilisation of the Wales and Borders rail service and securing the licence to operate within the timeframe for our ODP (Operator and Development Partner) to commence operations on 14 October 2018</li> <li>• Transferring any outstanding ATW-led projects to Transport for Wales Rail Services, such as the Controlled Emission Toilets' project and Chester-Liverpool timetable changes</li> <li>• Concluding all commercial and regulatory contractual agreements to enable our ODP to operate, including closing out remaining commercial agreements</li> <li>• Continuing to develop TfW's brand as a strong customer-focused brand so our passengers and stakeholders recognise and understand our values</li> <li>• Working collaboratively with stakeholders and establishing new networks to ensure that community and customer voices are heard as TfW develops detailed delivery plans</li> <li>• Introducing fully bilingual website content and customer communications</li> <li>• Introducing new performance measures</li> <li>• Forming a new accessibility panel and appointing an Accessibility and Inclusion Manager to ensure all our customers are better consulted and their needs are considered</li> <li>• Developing and trialling a smart ticketing system on our rail network</li> </ul>	<ul style="list-style-type: none"> <li>• Introducing additional rolling stock to increase capacity and improve resilience</li> <li>• Introducing earlier first and later last trains and increasing Sunday services by 61% from late 2019</li> <li>• Undertaking a refurbishment programme across our fleet of trains</li> <li>• Implementing smart ticketing and 236 new ticket machines across our rail network</li> <li>• Employing dedicated customer assistance staff introduced at key stations</li> <li>• Launching our next generation customer website and app incorporating chatbot and door-to-door journey planning capability</li> <li>• Introducing the Wrexham - Chester - Liverpool service</li> </ul>



## Expert advice

Strategic objectives	Achievements 2018/19	Plans for 2019/20
<ul style="list-style-type: none"> <li>Evidence-based decision-making for results-led service and supporting transport infrastructure improvements</li> </ul>	<ul style="list-style-type: none"> <li>Establishing TfW's Analytical Unit</li> <li>Appointing our Strategic Transport Analysis Manager and Active Travel Leads in November 2018</li> <li>Starting regional transport models procurement</li> <li>Understanding journey time accessibility, using TRACC software to provide us with the capability to identify transport needs</li> <li>Implementing our Geographical Information System (GIS) to improve our decision-making</li> <li>Taking control of the South East Wales Transport Model (SEWTM) Management Group and commissioning the first tranche of maintenance/upgrade activities for the model</li> <li>Providing technical expertise and support for a range of active travel issues, including reviewing the Active Travel Design Guidance, appraising grant applications and technical queries regarding scheme design as well as supporting the WelTAG process from an active travel perspective for schemes promoted by the Welsh Government and TfW</li> <li>Surveying local authorities' current approach to active travel delivery to ascertain the support they require to develop and deliver active travel proposals</li> <li>Providing professional advice to support the Welsh Government's bus services review</li> <li>Supporting and providing professional advice on the development of a Strategic Outline Case to develop a national bus network, integrated/responsive travel solution and ticketing/back office</li> <li>Providing professional advice to develop the case for investment in our transport network</li> </ul>	<ul style="list-style-type: none"> <li>Leading the development of the South West and Mid Wales Transport Model as well as the North Wales Transport Model</li> <li>Enabling our employees to use our GIS system to improve our decision-making</li> <li>Providing professional advice on and assisting with the Active Travel Design Guidance review</li> <li>Undertaking a range of activities such as the cycle hire scheme expansion and assessing local authority grant applications to the Active Travel Fund (ATF) and Safe Routes in Communities Programme</li> <li>Assisting Sustrans with the Active Travel Act Delivery Guidance review</li> </ul>

## Infrastructure investment

Strategic objectives	Achievements 2018/19	Plans for 2019/20
<ul style="list-style-type: none"> <li>The safe, timely and value-for-money delivery of effective infrastructure investment, to the agreed quality standards</li> </ul>	<ul style="list-style-type: none"> <li>Taking forward the delivery of rail infrastructure projects including the delivery of the North and South Wales Metros</li> <li>Options development and selection for the design of the Core Valleys Lines completed</li> <li>First contract awarded for asbestos removal at Taff's Well site via Sell2Wales</li> <li>Ongoing treatment of invasive species on the Core Valleys Lines</li> <li>Undertaking design work on the Llanwern, Bow Street, Cardiff Interchange and Deeside infrastructure projects</li> <li>Taking Shotton and Deeside, Wrexham General and Ebbw Vale through 'development of scheme' stage</li> <li>Obtaining planning permission for Phase 1 of Llanwern Rail Facilities development and starting options development</li> <li>Completing track works for Bow Street Transport Interchange</li> <li>Establishing the scope of investment for a Multi-modal Integrated Station at Shotton</li> <li>Establishing the scope of investment for Deeside Parkway Station</li> </ul>	<ul style="list-style-type: none"> <li>Continuing to develop our STRiDe framework alliance and engagement events with SMEs</li> <li>Continuing to run stakeholder events to inform potential suppliers of opportunities for the Core Valleys Lines transformation programme</li> <li>Continue to work with Business Wales to upskill SMEs and ensure they're in a better position to bid for STRiDe framework opportunities</li> <li>Awarding construction contracts through our STRiDe framework</li> <li>Undertaking our first station improvements at Abercynon</li> <li>Progressing the transfer of the Core Valleys Lines from Network Rail</li> <li>Completing our Treforest depot</li> <li>Starting our vegetation clearance contract via Sell2Wales</li> <li>Starting work on our new signalling control centre and signalling-enabling works</li> <li>Progressing development of Taff's Well depot</li> <li>Undertaking the detailed design of certain sections of the CVL (Radyr to Pontypridd and Pontypridd to Aberdare)</li> <li>Completing the design and starting construction of Phase 1 of Llanwern Rail Facilities</li> <li>Identifying the preferred design and submitting a planning application for Llanwern's new park and ride station</li> <li>Continuing the concept design for the fit-out of Cardiff Bus Interchange</li> <li>Completing the detailed design of Bow Street Transport Interchange, obtaining planning permission and starting construction</li> <li>Completing project feasibility and identifying the preferred option for Shotton station</li> <li>Completing project feasibility and identifying the preferred option for Deeside Parkway Station</li> </ul>



## Outcomes for customers

2018 saw the beginning of an exciting journey of transformation for our transport network as we began to revitalise the Wales and Borders rail service and create the South Wales Metro.

### £40 million investment in our current fleet

- While we'll be introducing new trains in the coming years, we recognise how important it is to give our customers the best experience as soon as possible, which is why we're investing £40 million in our current fleet
- We're fitting our current fleet with Wheel Slide Protection to improve future service levels
- This investment will also fund additional services, customer experience and accessibility improvements
- We've begun a programme to identify common and repeated causes of breakdowns to prevent them happening in the first place and hope to reduce the number of depot visits by our trains by around 10% in the first year
- We're also introducing streamlined processes within our workshops to ensure that when trains are damaged, we don't have to wait for common parts and can return them to service more quickly

### Delay Repay compensation

- We're committed to ensuring that our services are punctual and in December 2018 we introduced the Delay Repay scheme to compensate customers delayed by 30 minutes or more
- Our improved scheme makes it easier for our customers to claim compensation
- Since February 2019, customers could claim compensation under our Delay Repay scheme if they reached their final destination 15 minutes later than expected, regardless of the reason

- Our customers can now claim 25% of the cost of the single fare or 25% of the cost of the relevant leg of a return ticket for delays of between 15 and 29 minutes

### New services

- In May 2019 we started running rail services between North Wales and Cheshire to Liverpool with the reopening of the Halton Curve track
- TFW now runs an additional 215 services each week, improving connectivity and strengthening cross-border links. The new service is providing a major economic boost for North Wales, creating important economic and social opportunities. Improving access will also boost local communities and the tourism sector, attracting more visitors to Wales
- These services have created 30 new jobs

### Station improvements

- In 2018/19 we started an enhanced deep-cleaning programme of our stations
- We installed ticket vending machines incorporating contactless payments at stations on the Core Valleys Lines

**Our customers will see a range of improvements in the coming years**





## Outcomes for our people

We aim to be an employer of choice and to attract talented people with the right passion, attitude and expertise to help us achieve our vision.

### Building our company

- We're a growing company and we spent 2018/19 laying the groundwork to enable us to achieve these ambitions and create the right working environment to build a world-class organisation
- We also appointed our People and Organisational Development Director to spearhead our ambitious plans

### Recruitment

- In 2018/19 our HR team's primary focus was resourcing and filling a range of critical roles
- We also recruited employees in a number of specialist roles, and put in place a smooth induction process to welcome new starters and enable them to be as effective as possible as quickly as possible
- Importantly, our induction programme also created opportunities for colleagues and key stakeholders to build effective working relationships. This programme has also helped new recruits to understand TfW's mission, vision and values

### Building our culture

- We're putting in place the right conditions to establish and build TfW's culture and create an environment where our organisation can grow and evolve
- We want our employees to feel proud of their role in creating a transport network of which Wales is proud and to feel valued and develop fulfilling careers

### Drivers for success





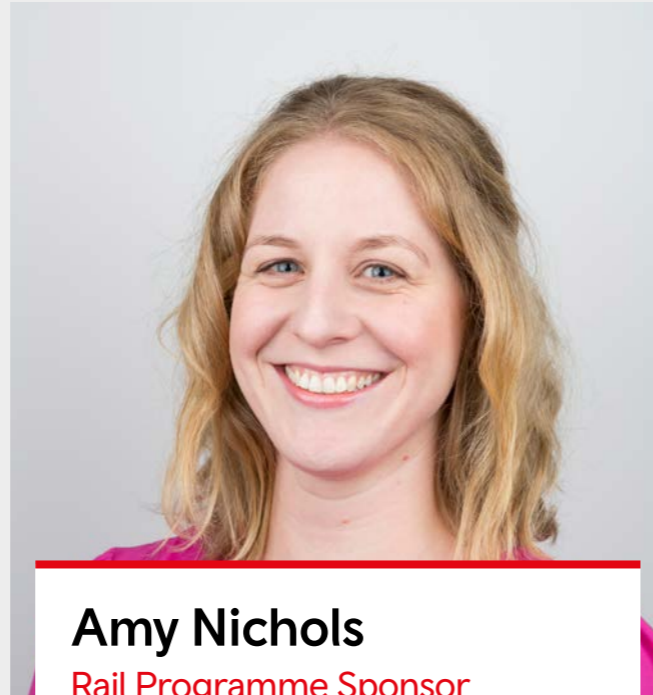
## Some of our new recruits



**Wali Mohammad**

HR Officer

**“TfW’s culture is inclusive, encouraging and positive. In HR I work with colleagues throughout the company and it’s great to be able to learn from them. I very much feel part of a customer-focused team working hard to build a better transport network for the people of Wales.”**



**Amy Nichols**

Rail Programme Sponsor

**“At TfW we’re making a real difference to the people and economy of Wales by transforming our transport network and that’s why I find TfW such an exciting place to work. As Rail Programme Sponsor, I’m at the forefront of this transformation, working closely with our stakeholders to successfully develop and implement key projects.”**



**Natalie Rees**

Sustainable Development Manager

**“TfW is building a sustainable transport network in Wales and I’m really excited to play my part in the effort to reach net-zero carbon emissions. Our work to transform the transport network and increase active travel will play an important part in achieving Wales’ ambitious targets.”**



**James Williams**

Media Relations Manager

**“My role involves telling our story and influencing how we’re portrayed in the media. TfW is a visionary, modern organisation with big aspirations and it’s great to be part of something that will have a huge positive impact on people’s lives in Wales. I’m excited by our future plans.”**

## Equality, diversity and inclusion

- We're building a diverse team at TfW which mirrors the communities we serve because we believe it will enable us to provide our customers with a better service
- We want equality, diversity and inclusion to be integral to our culture and how we engage with our customers, employees and suppliers
- We believe that by understanding diverse perspectives we'll understand our customers better, make better decisions and be more innovative and creative
- Our aim is to build a world-class company and we want our people to play a pivotal role in achieving this
- Our approach to equality, diversity and inclusion is key to helping us become an employer of choice
- Moving forward we'll continue to develop our equality and diversity policies. We'll also develop an equality, diversity and inclusion strategy, ensuring that equality, diversity and inclusion, is central to all we do

## Employee safety and well-being

- The safety and well-being of our employees is at the core of what we do and we've put in place the mandatory policies and procedures required by law. We've supported this with a suite of online learning modules
- In 2019/20 we're developing our employee health and well-being programme. This includes signing up to the Time to Change Wales charter/campaign run by Hafal and Mind Cymru as well as putting in place our employee assistance programme and occupational health providers

## HR infrastructure

- In 2018/19, we focused on developing the policies and procedures we needed to enable us to grow whilst maintaining compliance in key areas such as security and vetting and employment law. This work is continuing during 2019 as we build our HR infrastructure
- Our HR team supports TfW's employees in the organisational and operational challenges they face
- We're building our HR Infrastructure and a progressive HR team to implement a new HR system and develop materials to support compliance, development and engagement for employees
- 2019 will also see us focus on organisational performance, employee engagement and creating a learning-based culture

## Employee gender balance

- Developments in our gender balance are encouraging:
  - 43% of our appointments in 2018 were women
  - Women now make up 48% of our senior team
  - In 2018/19 we appointed four new female board members and currently over 50% of our board members are female

The following chart shows the current gender balance of TfW employees as of July 2019:



We continue to develop initiatives to encourage more women to join both TfW and the currently male-dominated transport industry. We'll work to reduce the historic gender pay gap in the transport industry. As part of our talent resourcing strategy we're building links with schools, colleges and universities to share the opportunities we have to offer.

## Our gender pay gap

### Our median gender pay gap

**18.6%**

### UK average 2018

**17.9%**

(We've calculated hourly rates using full-time equivalent salaries, based on a working week of 37.5 hours.)





**Our mean gender pay gap**  
**12.3%**

(We've calculated hourly rates using full-time equivalent salaries, based on a working week of 37.5 hours.)



**The proportion of female and male employees in each of the pay quartiles**

**Upper quartile**

6 female 37.5% ●  
10 male 62.5% ●



**Lower quartile**

9 female 56.25% ●  
7 male 43.75% ●



**Upper middle**

5 female 31.25% ●  
11 male 68.75% ●



**Lower middle**

6 female 37.5% ●  
10 male 62.5% ●



**Our social partnership and engagement with trades unions**

We've chosen to recognise all relevant unions in the sectors we operate in to build an effective social partnership.

In 2018/19, we continued to meet regularly with representatives of the unions whose members

are working to deliver the Wales and Borders rail service. We're also continuing to develop and put in place appropriate structures to ensure that we continue to have ongoing positive and constructive dialogue.



ASLEF, the Associated Society of Locomotive Engineers and Firemen



FDA, the union for senior managers and professionals in public service



PCS, the union for civil and public servants, and private sector workers on government contracts



Prospect, the union for professionals, managers, technical experts and craftspeople working in a huge range of industries



RMT, the National Union of Rail, Maritime and Transport Workers



TSSA, the Transport Salaried Staffs' Association



Unite, Britain and Ireland's largest union with members working across all sectors of the economy

**"Transport for Wales has adopted a different approach to building relationships with a range of stakeholders including trades unions. We're pleased that ASLEF has already had high levels of positive engagement with Transport for Wales and we also welcome the fact that Wales is developing a more integrated transport policy."**

Mick Whelan  
General Secretary, ASLEF



# Risk

TfW's Board is responsible for maintaining a sound risk management and internal control system.

## Our risk management framework

- Risk management will be embedded in the organisation, evidenced and readily identifiable in TfW's processes, procedures and deliverables
- We've designed our risk management framework to identify, manage and mitigate our risk of failure to achieve business objectives
- TfW will actively welcome feedback about the effectiveness and efficiency of its risk management practice from its stakeholders and employees, both confidentially and non-confidentially. We will consult those who have disclosed concerns and propose practicable remedies
- We have a formal management structure in place, with clear roles, responsibilities and accountabilities for our Board, Audit and Risk Committee, Senior Leadership Team and risk management function

## Risk identification and assessment of TfW's risk landscape

- Our risk landscape covers all risks that could affect our business, customers, supply chain and communities
- Our formal risk identification and management processes ensure that we're continually identifying, evaluating and, where possible, mitigating risks from our day-to-day operations as well as from the rail industry and the economy
- TfW managers brief our Senior Leadership Team – and where appropriate, our Board – when significant new risks to TfW occur
- We'll continue to develop and refine our approach to identifying and managing emerging risks

## Risk management

- Effective risk management is critical to TfW and we've embedded it throughout our company

- Our board and directors are accountable for risk management at TfW
- We employ a range of technical experts to assess and mitigate risks as well as to oversee how we achieve our risk management objectives

## Our risk management objectives

- Risk management will be embedded in the organisation, evidenced and readily identifiable in TfW's processes, procedures and deliverables. Embedding risk management in TfW will mean that evidence of the implementation of this risk management policy can be readily discovered in the organisation and reflected in the outputs that TfW delivers
- TfW will ensure that sufficient resources are allocated to carry out effective risk management, in accordance with the pertaining risk appetite and to support the development of a strong, embedded company-wide risk culture
- TfW will actively welcome feedback about the effectiveness and efficiency of its risk management practice from its stakeholders, employees, both confidentially and non-confidentially. We'll consult those who have disclosed concerns and propose practicable remedies
- TfW will endeavour to ensure, in so far as is possible, that the risk management practice of its supply chain is consistent with this policy
- TfW will, from time to time, test and benchmark its risk management practice against those adopted in other organisations by seeking regional, national and international recognition

## Risk management roles

### Board

- Monthly reviews of the risks we face
- Oversees our internal controls and agrees with internal audit areas requiring assurance

### Risk reporting

- Risk reports are compiled and submitted at each Audit and Risk Committee meeting
- Material risks are then reported for discussion to the Board

### Risk management function

- Coordinates our risk identification and assessment processes
- Implements risk management best practice
- Internal and external reporting
- Coordinating TfW's assurance programme

### Senior Leadership Team

- TfW's Senior Leadership Team assesses, monitors and mitigates our strategic risks, reporting monthly to our Board
- Monitors a broad range of strategic, operational and project risks, ensuring that we're using our risk management framework effectively
- Embeds our risk management policies and processes in their department

### Audit and Risk Committee

- Monitors the effectiveness of our risk management system
- Obtains regular risk reports from management
- Oversees internal controls for the Board
- Agrees with internal audit the areas in which it requires assurance
- Meets several times a year and can meet more frequently if necessary

### Managers and employees

- Assess, monitor and mitigate operational and project-level risks throughout our company
- Our qualified risk managers oversee our risk management processes, advising on, recording, processing and escalating risks



## 2018/19 summary risk register

Risk type	Title	Description	Mitigating actions
<b>Economic</b>	Loss of European Regional Development Fund (ERDF) funding	TfW is using £162 million of ERDF funding to support the delivery of the Core Valleys Lines (CVL) infrastructure upgrade  A failure to deliver the business benefits as intended, or to meet construction milestones, or to complete the necessary paperwork correctly, may result in the loss of ERDF funding	<ul style="list-style-type: none"> <li>• Management controls have been put in place to ensure that funding and reporting requirements are met. The activities will be subject to internal audit to support the process</li> <li>• Our Commercial and Customer Experience Director is accountable for the process</li> <li>• Our Rail Infrastructure Director is accountable for project controls</li> <li>• Our Finance Director is accountable for financial controls.</li> <li>• UK Treasury has committed to underwrite ERDF funding due to Brexit implications</li> </ul>
<b>Economic</b>	The historical track record of the construction industry and the impact upon CVL delivery	The construction industry has an historically poor track record of delivering multi-disciplinary rail projects on time and on budget, and within an agreed funding envelope  If this happens on the CVL then TfW will have an overspend against budget and will have to either seek further funding from the Welsh Government or reduce the delivery scope of the project	<ul style="list-style-type: none"> <li>• We've implemented detailed project management controls from project initiation stage</li> <li>• We work closely with our Operations and Delivery Partner, Transport for Wales Rail Services, to understand, manage and mitigate risk</li> <li>• We'll have a more detailed view of project risk exposure and value will be better understood in late 2019, when the final CVL transformation proposal is available. This will detail the overall capital works cost, risk exposure of identified hazards (by means of a Quantitative Cost Risk Assessment (QCRA) process) and remaining optimism bias</li> <li>• Further mitigations will be developed following the completion of the above process</li> </ul>

Risk type	Title	Description	Mitigating actions
<b>Social</b>	TfW may fail to develop adequate safety systems	TfW may fail to develop an adequate Safety Management System and so increase the risk of harm to people on or about the railway. In the event of an accident, TfW may then have its permission to operate a rail network revoked and be replaced by another organisation	<ul style="list-style-type: none"> <li>• We've established a dedicated Safety and Sustainability function to ensure that both TfW and Transport for Wales Rail Services have effective controls and safety culture embedded</li> <li>• The Office of Rail and Road (ORR) externally assesses the adequacy of safety systems and audits them regularly</li> <li>• We continue to work closely with Transport for Wales Rail Services to ensure system compliance</li> </ul>
<b>Social</b>	Delivery of new rolling stock and operational / passenger experience benefits realisation	From 2021, TfW is due to take delivery of new fleets of trains to enable the growth and development of the network	<ul style="list-style-type: none"> <li>• Following contract signature in 2018, TfW and Transport for Wales Rail Services have continued to work closely with suppliers to ensure that the design and delivery programme remains on track</li> <li>• Continuing to monitor the design and delivery programme to ensure any risks are identified and mitigated</li> </ul>
<b>Political</b>	A 'no deal' Brexit occurs	A 'no deal' Brexit could lead to impacts upon TfW and its suppliers and partners. This could lead to an increased cost of operation, risks to essential materials supply (e.g. fuel) and the constrained movement of people and resources between the EU and UK	<ul style="list-style-type: none"> <li>• TfW and Transport for Wales Rail Services have undertaken a full assessment of Brexit risks for the organisation and we continue to monitor the situation closely</li> <li>• We've developed mitigations to limit and manage the potential impact on service delivery in the event of a 'no deal' Brexit</li> <li>• Senior Leadership Team monitoring is continuing to take place</li> </ul>

## Our board



### Scott Waddington

Chair

Born and educated in Swansea, Scott has spent most of his career in the hospitality sector in drinks marketing and pub retailing. He was Chief Executive of Welsh brewer and pub company, SA Brain for 17 years where he oversaw a review of corporate strategy, repositioned the Brains brand and increased investment in the company's pub estate. Brains now has over 200 pubs and employs over 2500 people.

Scott was Chair of CBI Wales in 2010 and 2011 and was Wales Commissioner to the UK Commission for Employment and Skills for five years from April 2012 as well as Chair of the Wales Employment and Skills Board. He is currently Cardiff Business Club's Chair and a Board Governor of Cardiff Metropolitan University.



### James Price

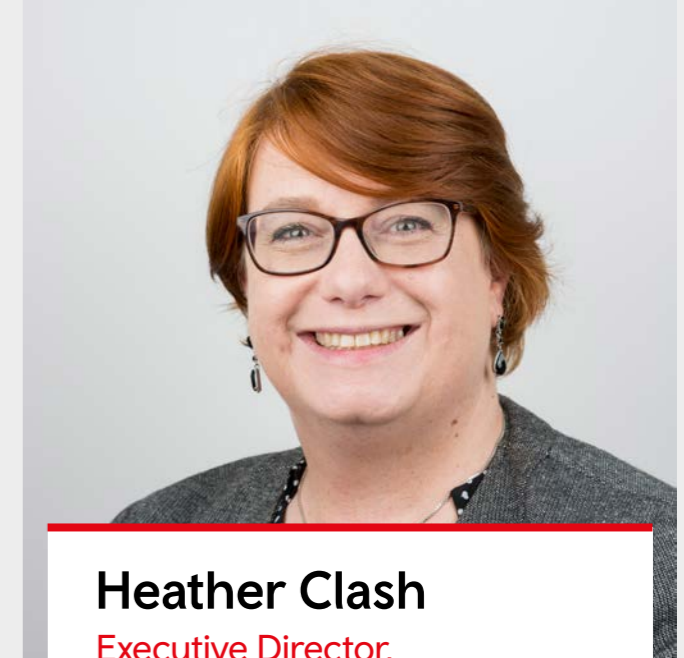
Chief Executive

James took up the post of Chief Executive at Transport for Wales in January 2018 after a period of two years in which he was Chair of Transport for Wales during its start-up phase.

James was Deputy Permanent Secretary at the Welsh Government and was the additional accounting officer for Economy, Transport, Skills and Natural Resources, leading a team of around 2,500 Civil Servants until the end of 2017.

James started his career in civil engineering contracting before moving into the Civil Service.

James is a professional Economist by training and background having held a number of different roles across the UK with the Welsh Government, the UK Government and with Government-owned Agencies in Wales and England. Since 2007, James has held responsibility for infrastructure delivery for the Welsh Government, firstly as Director for Transport and subsequently as Director General and Deputy Permanent Secretary.



### Heather Clash

Executive Director,  
Finance

Heather joined Transport for Wales in July 2018. She has lived, studied and/or worked in Wales for over 25 years.

Heather has held a variety of roles relating to the financial management and control of various portfolios of outsourced contracts and corporate functions within large corporate organisations.

Heather's previous roles include Finance Director for External Clients within the IT Services Division of Capita Group Plc and Finance Director for UK Sales and Marketing for Compass Group Plc as well as holding other Finance Director roles covering Regions and Sector businesses within Compass Group Plc.





## Sarah Howells

**Non-Executive Director  
Chair, Customer and  
Communications Committee**

Originally from Bridgend, Sarah is currently Head of Customer Service at Orangebox. She lived and worked in New Zealand before returning to Wales.

With over 20 years' experience in the customer service sector in a number of different industries, Sarah has spent the majority of her career in telecommunications, working for well-known brands such as Virgin and Vodafone.

During her time as Chief Operations Officer at 2degrees, New Zealand's newest full-service telecommunications provider, the company achieved the best customer satisfaction levels of any mobile operator in New Zealand.



## Nicola Kemmery

**Non-Executive Director  
Chair, Health, Safety and  
Well-being Committee**

Having spent most of her career in the water industry, Nicola joined Dŵr Cymru-Welsh Water as Head of Health and Safety in 2010. Following the insourcing of all operational activities at Dŵr Cymru in 2010, Nicola established a new health and safety management system.

A Chartered health and safety professional, Nicola has been a Council Member of the Institution of Occupational Safety and Health for six years.

Born and bred in Yorkshire, Nicola married a Welshman in 2000 before moving to Wales in 2010.



## Alun Bowen

**Non-Executive Director  
Chair, Audit and Risk Committee**

Originally from Llandeilo, Alun's career has taken him all over the world. He spent 37 years at KPMG where he worked in London, Cardiff, Hong Kong, Sydney and Kazakhstan.

He was the Managing Partner of KPMG in Wales before becoming the Managing Partner of KPMG in Kazakhstan and Central Asia. He also spent three years as Head of Personnel of KPMG London and four years as global leader of KPMG's sustainability practice.

Currently Chair of the Risk and Conduct Committee of Cardiff-based bank and insurance group Hodge, Alun is also a trustee of the Hodge Foundation. He chairs the Audit Committee of Severstal, the seventh largest steel company in the world based in Russia with shares listed on the London Stock Exchange.



## Alison Noon-Jones

**Non-Executive Director  
Chair, People Committee**

Alison has 34 years Human Resources experience including 25 years gained at UK or European board level in a wide range of sectors including manufacturing, financial services, higher education, transport and logistics. She has been Leidos Europe's HR Director for the last three years.

An influential transformation specialist, she has led and delivered a wide range of change programmes.

Alison moved to South Wales as a child and read both Welsh and English at Swansea University where she was awarded the Henry Lewis Prize for best student of Welsh.

## Our board committees

TfW is a young company and in 2018/19 we established Audit and Risk, Customer and Communications, Health, Safety and Well-being and People board sub-committees. Our customers are at the heart of all TfW does and each committee is focused on continuous improvement.



**Alun Bowen**

Chair, Audit and Risk Committee

The Audit and Risk Committee provides oversight over TfW's risk management system, internal control and financial reporting.

I was appointed chair of TfW's Audit and Risk Committee on 1 April 2019. I am looking forward to this opportunity as I believe that TfW has a challenging, but exciting future.

TfW is an evolving, expanding organisation and accordingly many of the processes and controls within the organisation are still in development.

A key responsibility of the Audit and Risk Committee is to ensure that TfW's financial information and the contents of this Annual Report are fair, balanced and understandable. To do this the Committee focuses on the quality

of the financial information, the independence of our external auditors and their commitment to audit quality, and the assurance provided by internal audit. The Committee also challenges the assumptions and estimates made by management in preparing the financial statements. The Committee has exercised its judgement in deciding which of the issues we considered as being significant to the financial statements and this report sets out the material matters that we have considered in our deliberations.



## Financial reporting

The most significant issues regarding the Annual Report and Financial Statements 2018/19 and how the Audit and Risk Committee dealt with them is set out below:

Area of focus	Work undertaken	Conclusion/action taken
The relationship between TfW and its shareholder (the Welsh Ministers) and the accounting and disclosure of transactions between TfW and Welsh Government is fundamental to the preparation of the financial statements.	The Committee has reviewed the work carried out by management in relation to ensuring that the transactions between TfW and the Welsh Government have been accounted for appropriately. The Committee has also independently reviewed the agreement between TfW and Welsh Ministers.	The Committee was satisfied that the accounting for the transactions between TfW and Welsh Government is appropriate, and that disclosure has been made in the financial statements in accordance with relevant law and accounting standards and a commitment to transparency.
TfW is investing in a number of infrastructure projects many of which commenced 2018/19. Management needs to exercise judgement in determining which costs are to be capitalised and also ensuring that there will be available funding for the infrastructure projects to be satisfactorily completed and brought into use.	The Committee has reviewed the work carried out by management in relation to the capitalisation of infrastructure assets and discussed the basis on which relevant costs have been capitalised and management's view on the availability of future funding.	The Committee was satisfied that the capitalisation of the infrastructure assets in the balance sheet at 31 March 2019 was appropriate.
IFRS 15 a revised accounting standard for the recognition of revenue which came into effect for the year ended 31 March 2019.	The Committee reviewed TfW's policies for accounting for revenue in the light of the revised requirements for revenue recognition introduced by IFRS 15.	The Committee was satisfied that TfW had taken the requirements of IFRS15 into account in developing its policy and approach to revenue recognition.

Area of focus	Work undertaken	Conclusion/action taken
The relationship between TfW and Keolis Amey Cymru Limited, trading as Transport for Wales Rail Services, which is governed by a contract between Keolis Amey Cymru Limited and the Welsh Ministers could also have an impact on the financial statements.	The Committee discussed the management impact of the relationship with Keolis Amey Wales Cymru Limited on TfW's financial statements. It also reviewed the agreement between Welsh Ministers and Keolis Amey Wales Cymru Limited.	The accounting and disclosure in the financial statements was, in the Committee's view, appropriate.
Annual Report: taken as a whole the Annual Report needs to be fair, balanced and understandable so that it is relevant to readers.	We held preparatory meetings with management to determine the format of the Annual Report and reviewed the allocated responsibilities and its content, overall cohesion and understandability. Management compared TfW's Annual Report with that of other companies in our industry and best practice more widely. In light of that work the Committee provided feedback. A draft of the Annual Report was reviewed by both the Audit and Risk Committee and the Board. We considered judgemental matters such as the principal risks in the Risk section.	We received confirmation that individuals' responsibilities had been fulfilled and confirmed that the overall report was consistent with the directors' knowledge. This allowed the Audit and Risk Committee and the Board to be satisfied that the Annual Report taken as a whole is fair, balanced and understandable.

TfW has not included a viability statement concerning TfW's longer-term prospects in this Annual Report, as in the view of the Audit and Risk Committee, it will provide little additional information or assurance until arrangements with Welsh Government have been further progressed, with a more established time horizon for funding.

## External audit

The Audit and Risk Committee places great importance on the quality and effectiveness of external audit. In assessing quality and effectiveness, the Committee looks to the audit team's objectivity, professional scepticism, continuing professional education and its relationship with management.

In early 2019, prior to my appointment, TfW carried out an external audit tender process. The process involved an open tender and accordingly was open to all auditing firms. The incumbent auditor decided not to participate in the process. A number of proposals from firms were received and after assessing the proposals received the TfW Board appointed KPMG as its external auditor for the year ended 31 March 2019.

I have reviewed the process and the submissions made by the short-listed firms and concur with the conclusion arrived at by the Board.

The Audit and Risk Committee carries out an annual evaluation of the independence and objectivity of the external auditor. It will also carry out a review of the effectiveness of the audit process, taking into consideration relevant professional and regulatory requirements. This assessment will be based on a specific discussion between the members of the Committee with the input of the Executive Directors and other relevant senior management and subsequently the external auditors.

In addition to the annual evaluation, the Audit and Risk Committee undertakes an ongoing assessment of external audit quality and effectiveness in the following ways:

- 1 The Committee debates and agrees the key areas of focus for the external audit.
- 2 The Committee discusses the accuracy of financial reporting (materiality) with KPMG both for accounting errors that will be brought to the Audit and Risk Committee's attention and amounts that would need to be adjusted so that the financial statements give a true and fair view.
- 3 The Committee negotiates and agrees the scope of the audit prior to its commencement.
- 4 The Committee discusses with KPMG its view of the judgements taken by management in preparing the financial statements and their view, i.e. where they believe the judgements, based on their experience, might lie in an acceptable range from conservative to aggressive.

I also discuss with KPMG the output of reviews carried out by its regulators on its work and how these have been incorporated into its plans.

I have met with KPMG's Audit Director without management present once since my appointment. We also communicate regularly by email and telephone.

The Committee receives at every meeting an update of KPMG's work, its independence and its findings. At the year-end there is a detailed discussion of KPMG's audit findings including audit differences, and the work undertaken to support their audit opinion on the financial statements. No uncorrected audit difference was qualitatively or quantitatively material to any line item in either the income statement or the balance sheet. Accordingly, the Committee did not require any adjustment to be made to the financial statements as a result of audit differences reported by KPMG.

The Audit and Risk Committee has established a formal policy in relation to the use of the external auditor for non-audit work. Generally, services are only purchased where it is sensible to use the external auditor from a cost-efficiency or regulatory perspective. KPMG's audit fees for the year ended 31 March 2019 were £29,000 (2018: £5,000 paid to Haines Watts Wales LLP) and non-audit fees comprised fees for corporation tax compliance services of £4,000 (2018: Haines Watts Wales LLP - £Nil).



## Internal audit

The internal audit function within TfW is evolving as the organisation changes. An outline programme of work for the period ending 31 March 2021 has been developed from a consideration of the principal risks facing TfW and management requests. The plan for the period ended 31 March 2019 has been satisfactorily completed with a focus on procurement, cash and the implementation of the new finance system.

I have been impressed with the dedication and thoroughness of the internal audit staff.

I have met with the Interim Head of Internal Audit face-to-face without management present once since my appointment, ensuring that the individual understands in practice that their primary reporting line is to the Audit and Risk Committee.

The internal audit function and the Audit and Risk Committee have developed an Internal Audit Charter in accordance with the recommendations of the Chartered Institute of Internal Auditors as applied to UK public sector bodies, as a key step towards building a professional, independent and objective internal audit service. The Internal Audit Charter is available on TfW's website.

When the internal audit function is more established and the Committee has had the opportunity to provide input into the plan for the year ending 31 March 2020 and beyond, the Committee will carry out a review of the





effectiveness of internal audit which will involve discussion as a Committee and input from some of Internal Audit's key customers.

Management has shown good commitment to implementing the recommendations of internal audit and the Committee will monitor implementation closely during the year ahead.

### Risk and the control environment

On behalf of the board, the Audit and Risk Committee has responsibility for the oversight of risk management and the control environment.

Effective risk management is an essential element of TfW's operations and strategy. The accurate and timely identification, assessment and management of risks supports decision making at all management levels and ensures that we can achieve our strategic goals and meet our KPIs.

The Committee monitors the effectiveness of the risk management system, obtains regular risk reports from management and in future will agree with internal audit the areas in which it requires assurance.

In April 2019 the Audit and Risk Committee approved TfW's risk management policy, thus formalising a reasonably well-established strategic and operational risk register process. The Committee will endeavour to work with management to make the risk management process more effective, ensuring significant risks are identified and that mitigating actions and where possible effective controls are established. It will be important that management can see the "wood for the trees", particularly in the area of emerging risks. The Committee will also support management in considering establishing a system of operational resilience as the business matures.

### Audit and Risk Committee effectiveness

It is too early to carry out a review of the Audit and Risk Committee's terms of reference and its effectiveness as a committee. This is planned to take place during 2020. It will be coordinated with

any external review of the effectiveness of the Board and its committees.

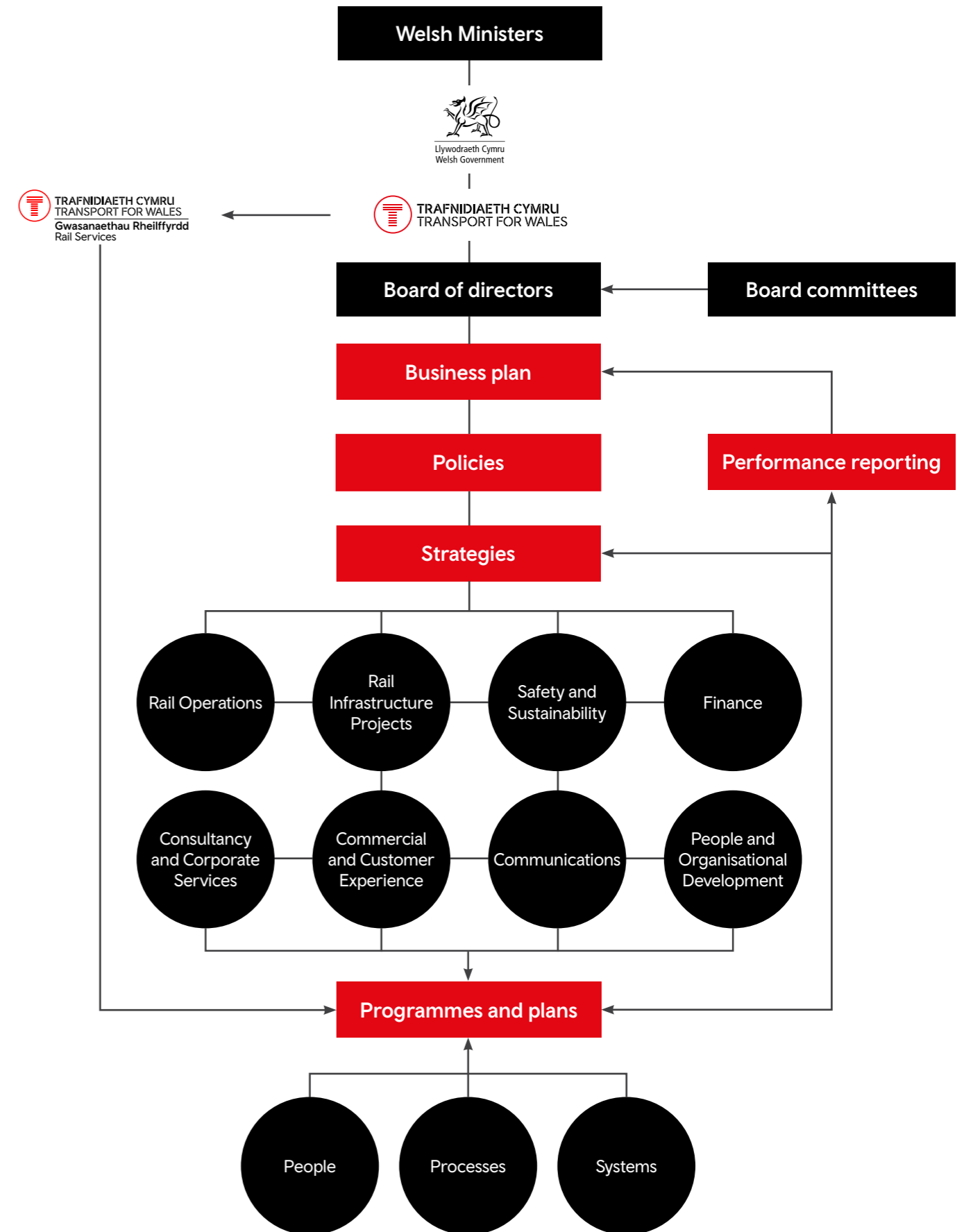
### Looking ahead

In the rest of 2019 and the beginning of 2020, in addition to its regular work, the Committee will look to:

- Support the finance team in its efforts to provide TfW with up-to-date, accurate information to support its decision making
- Assist management in continuing to build a well-staffed, motivated internal audit function to facilitate the Committee carrying out aspects of its oversight role
- Support the risk management function as it endeavours to embed good practices in the organisation in an effective, modern way
- Ensure that the organisation has an appropriate approach to cyber security
- Oversee continuing improvements in TfW's reporting, particularly non-financial information, to provide greater clarity and transparency for stakeholders and ensure that they receive the information they require in the most effective manner



# Governance framework





## Nicola Kemmery

Chair, Health, Safety and Well-being Committee

TfW's Health, Safety and Well-being Committee acts as both a governance and enabling body to ensure that our health, safety and well-being strategy is implemented effectively.

Ensuring that our customers, suppliers and employees have a safe, happy and healthy experience is a key focus of our Health, Safety and Well-being Policy.

### 2018/19 activities

- Establishing the Committee's terms of reference
- Endorsing TfW's Health, Safety and Well-being policy
- Developing performance reporting metrics – both leading and lagging indicators as well as incidents involving staff and customers
- Commencing a review of key health and safety risks and controls across all functions
- Meeting with Network Rail's Wales Route Safety Board and increasing understanding of the risks and controls in place for level crossing safety management
- Supporting director safety tours, staff health and safety briefings and sharing learning

- Engaging with TfW's people and establishing an Employee Well-being Action Group
- Establishing TfW's Employee Assistance Programme
- Recruiting a group of volunteer Mental Health First Aiders and supporting Time to Change Wales and Mates in Mind

### Looking ahead

- Monitoring TfW's performance in relation to health, safety and well-being
- Developing proactive interventions and leading indicators to prevent injuries and ill health
- Identifying opportunities to improve how we manage our health, safety and well-being risks
- Engaging with employees, suppliers and stakeholders to ensure we implement best practice and share what we learn from incidents that occur



## Alison Noon-Jones

Chair, People Committee

TfW's People Committee reviews the appropriateness of TfW's current and future organisational structure as well as our strategies for growth, change, transfer and integration.

TfW wants to attract and retain key employees to support its growth and the Committee recommends policies that support this aim and nurtures the right environment. Our policies encourage equal opportunity for all and ensure that our people have a positive work-life balance.

### 2018/19 activities

- Establishing the Committee's terms of reference
- Defining a clear and agile organisation structure
- Embedding a suite of policies that support our values, recognise best practice and provide a meaningful guidance framework for all employees
- Launching our Learning and Development Commitment to develop our people and create a dynamic team with the right level of skills
- Engaging with and working in partnership with appropriate trades unions
- Started implementing a competitive compensation and benefits framework that recognises the skills of our people and provides modern, flexible and meaningful benefits that support our employees' well-being and personal circumstances

- Launching an employee pulse survey to encourage feedback and active engagement

### Looking ahead

- Planning for TfW's future shape and profile
- Reviewing and recommending development plans for emerging talent, professional apprenticeships, graduate development and early career paths
- Supporting and promoting the recruitment and development of Welsh talent wherever possible
- Embedding a culture of performance that recognises and celebrates success
- Encouraging an environment of 'employee voice'. Providing communication channels and forums that promote active engagement and feedback
- Creating a consistent TfW employee experience
- Engaging with educational establishments in Wales to promote the benefits of and development opportunities in our forward-thinking and customer-focused organisation





## Sarah Howells

Chair, Customer and Communications Committee

The Customer and Communications Committee oversees TfW's Customer strategy and initiatives to be delivered. The Committee also reviews TfW's performance metrics as well as customer and stakeholder feedback to ensure we understand their needs.

We're placing customers at the heart of everything we do, and we have a clear plan to improve our rail services to achieve the transformation our customers are expecting. Building upon the delivery of this plan will be a key focus in 2019/20.

### 2018/19 activities

- Establishing the Committee's terms of reference and building the Committee's operating framework
- Reviewing and monitoring Transport for Wales Rail Services' improvement plan
- Implementing new performance metrics to measure customer experience
- Started implementing a customer experience plan that places customers at the heart of everything we do

### Looking ahead

- Building on current performance measures to establish new and meaningful customer performance metrics that are measured and monitored with appropriate governance
- Finalising detailed customer experience improvement initiatives and plan to improve our customers' experiences
- Developing a mechanism to engage customers, colleagues, suppliers and key stakeholders to capture their feedback and prioritise ongoing improvement initiatives
- Developing our digital and customer interaction mechanisms and tools, ensuring it's easy for customers to interact and transact with us
- Developing enhanced ticketing solutions

# 65%

MWY O LE.  
MORE CAPACITY.

# Corporate governance statement

As the Chief Executive and Accounting Officer for Transport for Wales (TfW), I am personally responsible for the overall management and governance of the company. This Governance Statement outlines how I have discharged my responsibility to manage and control TfW's resources during the year. TfW is committed to the highest standards of governance, accountability and transparency which are vitally important to the success of all aspects of the company.

## TfW is governed by:

- the Minister for Economy and Transport's overall responsibility for the company
- the Welsh Government Permanent Secretary's responsibility, both to the Minister for Economy and Transport and directly to the National Assembly for Wales, as the Principal Accounting Officer for the company's expenditure and management
- the Chief Executive's responsibility as TfW's Accounting Officer
- TfW's Board which has a 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 control

TfW's system of governance also includes Board sub-committees and the Senior Leadership Team.

## The Board

TfW's Board oversees all of TfW's activities, providing leadership and strategic vision and ensuring 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 TfW's operations 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

Our Chair's responsibilities are shared with other members of the Board who support the Chair in this role. The Board may delegate to the Senior Leadership Team responsibility for the administration of day-to-day management issues but remains ultimately responsible and accountable for all matters.

Information is provided to the Board between and prior to each meeting to allow open discussion and if appropriate, decisions to be made. Members of TfW's Senior Leadership Team regularly attend and make presentations.

Our Board members have signed a Conflict of Interest statement and all have completed a quarterly declaration of interest return. Declared interests are available on our website. Any new declarations of interest are made at the start of each meeting. All Board members are expected to act in accordance with the seven principles of public life and have each signed the Cabinet Office's Code of conduct for board members of public bodies. TfW is not required to comply with the UK Corporate Governance Code but has chosen to voluntarily comply with its principles.

Our Board met eleven times during the year. 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 2019:

	Board	Audit and Risk	Customer and Communications	Health, Safety and Well-being	People
James Price	11/11				
Nick Gregg	8/8	1/1			
Martin Dorchester	3/5				
Peter Kennedy*	2/3				
Brian McKenzie*	3/3				
Heather Clash	8/9	1/1			
Sarah Howells	8/9		2/2		
Nicola Kemmery	9/9			3/3	
Alison Noon-Jones	8/9				3/3
Scott Waddington	3/3				
Andrew Falley*	0/2				

Board attendance: Actual/ Potential

\*During early 2018/19 there was a transition of board membership (see page 78)



Our Board combines the knowledge and skills of five independent non-executive and two executive members to provide insight and experience that helps shape our strategic direction. 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 and are well placed to constructively challenge and scrutinise the performance of management.

Our Board is committed to its own development and during the year took part in governance training. As it becomes fully established, the Board will review its effectiveness during the next year.

Having appointed Alun Bowen as a non-executive director and Chair of the Audit and Risk Committee from 1 April 2019, TfW is in the process of appointing two new Board members; an independent non-executive director with a transport specialism and a Trades Union representative.

### Board diversity

Our Board is committed to attracting and retaining talented people, and with that in mind, diversity across a range of criteria is valued. Our Board recognises that diversity, in all forms is key to introducing different perspectives into its decision-making processes. Our Board believes that gender is an important aspect in creating an optimal Board in terms of balance and composition. The current gender split of our board is four female and three male members.

### Board committees

Our Board has delegated certain powers to four Board sub-committees which operate to assist the Board in fulfilling its overall duties and responsibilities. The four sub-committees are:

- Audit and Risk – to provide assurance to the Board regarding risk management, internal control and financial reporting
- Customer and Communications – to assist the Board in reviewing, monitoring and providing direction on topics related to customers in pursuit of delivering on TfW's purpose to "Keep Wales Moving" safely, paying particular attention to the voice of the customer, transforming the customer experience, digital innovation and open and honest communication
- Health, Safety and Well-being – to assist the Board in recommending health and safety policy, monitor and assess compliance, develop and deliver continuous improvement, review and investigate health and safety incidents and consider health and safety issues that may have strategic, business and reputational implications for the company as well as to recommend appropriate measures and responses
- People – to assist the Board in all issues relating to organisation structure and succession planning, compliance with policy, training and development, review and recommend compensation policy, executive compensation and benefit plan administration

Each committee is chaired by a non-executive director and meets at least quarterly. Each of our Board sub-committees has delegated authority from the Board to carry out the duties defined in its terms of reference. The full terms of reference of each sub-committee are published on our website.

The Chair of each sub-committee provides the Board with an update of any activity 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 Economy and Transport. The Minister remits TfW by setting objectives, priorities as well as operational and capital budgets, which form the basis of TfW's business and corporate plan. During the year, TfW received three remit letters from the Welsh Government:

- April to June 2018
- July to September 2018
- October 2018 to March 2019

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

### Our Senior Leadership Team

Our Senior Leadership Team, comprising the Chief Executive Officer, seven executive directors and two directors, is responsible for TfW's day-to-day management. Our Senior Leadership Team meets weekly to discuss both strategic and operational issues with particular responsibility

for finance, health and safety, people, risk management, governance and the performance and progress of projects and programmes.

### 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. TfW has implemented robust control arrangements to provide assurance to the Board, its Principal Accounting Officer and the Welsh Ministers that public money and resources are used properly and efficiently.

Our delegation scheme sets out where authority rests within our company for particular types of decisions made in the name of or on behalf of TfW and where the Board has delegated any such decision making to our Senior Leadership team. The scheme clearly sets out matters reserved solely for the Board and covers both corporate decision-making and spending authorities.

### 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 remit letter. Our actual results are compared with forecasts and reviewed each month to ensure that we manage our spend in line with approved budgets and to provide assurance and advice to the Board.



### Fraud, bribery and whistleblowing

TfW takes a 'zero tolerance' approach as far as fraud or bribery is concerned. During the year, TfW agreed and implemented an Anti-Fraud, Corruption and Anti-Bribery policy and a Whistleblowing policy and procedure. Any suspected cases of fraud or corruption are investigated fully, and disciplinary and/or legal action is taken where appropriate, in line with our policy. In 2018/19, there were no reported cases of fraud or bribery.

All staff are required to undertake Anti-Bribery and Money Laundering training.

Our Whistleblowing policy and procedure is designed to ensure a culture of confidence and a safe environment should a concern be raised. There were no concerns raised through our Whistleblowing procedure during the year. We have also established a Whistleblowing panel and nominated officers.

### 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. This Scheme commits TfW to making certain information routinely available to the public.

In 2018/19, TfW received 18 requests for information, and met the statutory deadlines for all of these requests. In addition, TfW was not subject to any reviews by the Information Commissioner.

### Risk management

Our Board of Directors is responsible for the management of the risks relating to TfW. We have undertaken an assessment of the risks we face, and the key risks are contained in our Risk Register. Our Board reviews the Strategic Risk Register at each meeting and our Senior Leadership Team considers both the Operational and Strategic Risk Registers at its weekly meeting.

Our Risk Register identifies potential risks and prioritises them according to impact and likelihood of the risk occurring. Mitigating action is presented alongside each risk to manage and reduce the identified risks.

### Assurance

TfW's prime source of assurance comes from identifying how well we are meeting our objectives and managing our risks. In addition to our internal audit arrangements, assurance is also obtained through monthly reports to the Board, Board sub-committees and Senior Leadership Team, risk registers and other management information. We also provide monthly operational highlights reports to the Welsh Government.

TfW is also subject to external reviews and during the year, TfW representatives twice gave evidence to the National Assembly's Economy, Infrastructure and Skills Committee. External reviews may also be conducted by the Auditor General for Wales.

Our Audit and Risk Committee met during the year to establish its terms of reference as well as the forward work plan for our internal audit function. During the last quarter, we appointed a non-executive director with responsibility for audit, risk and finance, who took up post on 1 April 2019 and will chair the Audit and Risk Committee.

As TfW has grown during the year, our internal audit activities have evolved and strengthened. The Board approved our internal audit plan for 2018/19 on 4 December 2018.

The internal audits we conducted covered a variety of topics including European Funding Claim reviews, procurement, purchase-to-pay, cash and bank as well as a review of our new financial system. We completed our planned programme and the resulting reports provided reasonable assurance and made recommendations for improvements which have all been accepted. All improvements are being implemented in accordance with a timetable agreed by internal audit to strengthen internal control processes.

I am satisfied that for the financial year 2018/19 there were no significant weaknesses in TfW's governance framework and systems of internal control. They supported the achievement of TfW's policies, aims and objectives; facilitated effective exercise of our functions and safeguarded public funds and assets for which the Accounting Officer is personally responsible.



**J R Price**  
Director/Chief Executive  
19 June 2019

## This Annual Report was approved by the Board of Directors on 6 September 2019

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 and committee structure

## TfW's Board

Chair: Scott Waddington  
Meets: 11 times a year  
Oversees TfW's activities

Provides leadership and strategic vision

Ensures high standards of corporate governance and ways of working are maintained

## Audit and Risk Committee

Chair: Alun Bowen  
Meets: Quarterly

Provides oversight of TfW's risk management system, internal control systems and financial reporting

## Customer and Communications Committee

Chair: Sarah Howells  
Meets: Quarterly

Reviews, monitors and provides direction in relation to customers

## Health, Safety and Well-being Committee

Chair: Nicola Kemmery  
Meets: Quarterly

Recommends health and safety policy  
Monitors and assesses compliance

## People Committee

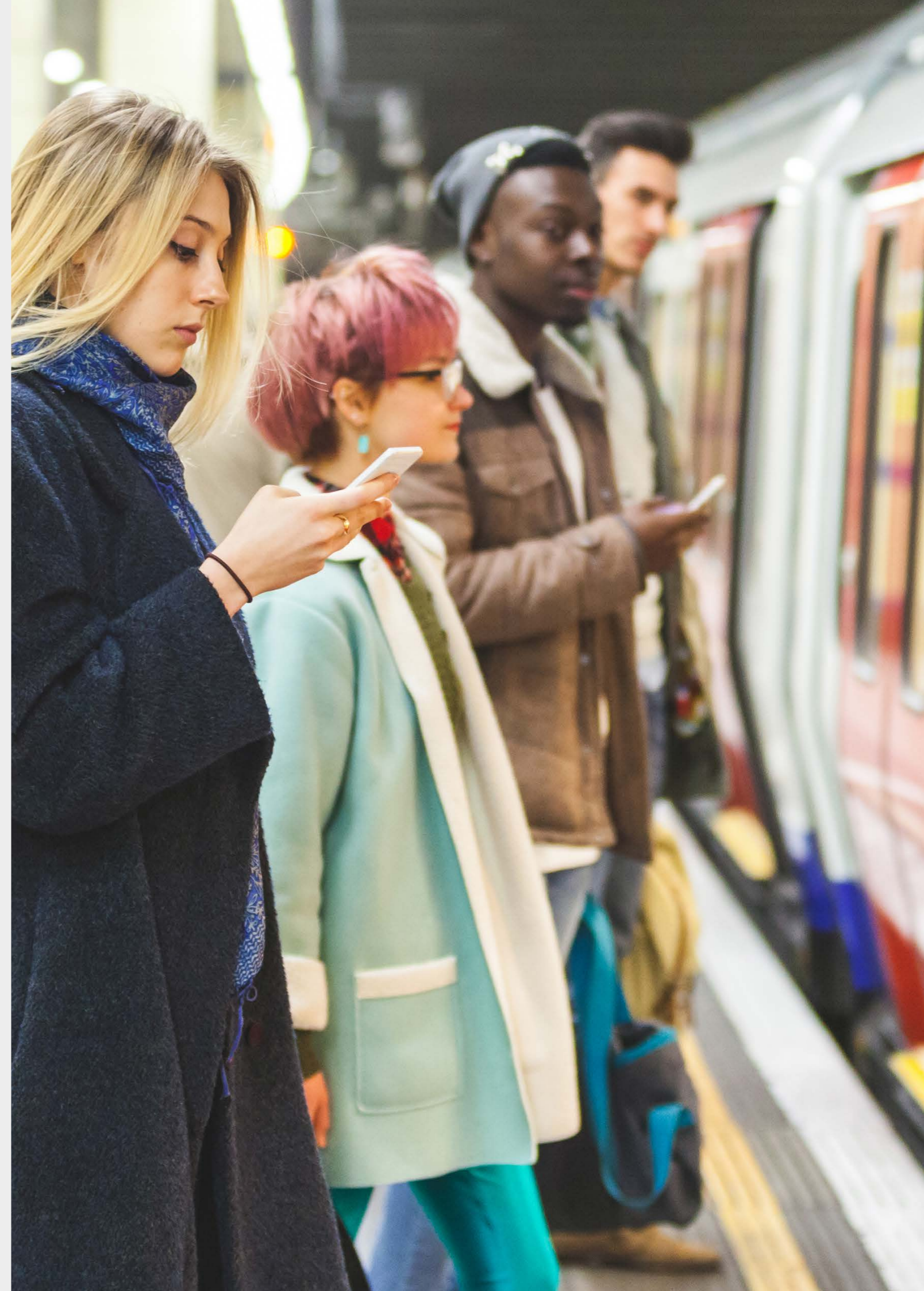
Chair: Alison Noon-Jones  
Meets: Quarterly

Responsible for endorsing and challenging TfW's people agenda

## Senior Leadership Team

Chair: James Price, Chief Executive  
Meets: Weekly

Responsible for TfW's day-to-day operational and strategic management





## Remuneration (including salary) and pension entitlements

The following sections provide details of the remuneration of Board members. Disclosure is only provided for 2018/19 as prior to this date, board members were all appointed and remunerated by Welsh Government.

### Remuneration report: Board of Directors

Director	Salary 2018/19 (£000)	Pension benefits 2018/19 (£000)	Total 2018/19 (£000)
<b>James Price</b> Chief Executive Officer (seconded from the Welsh Government)	155-160	*	-
<b>Heather Clash</b> Executive Director of Finance (from July 2018)	90-95 (full year equivalent 120-125)	5-10 (full year equivalent 5-10)	(full year equivalent 125)
<b>Scott Waddington</b> Non-Executive Director (Chair from January 2019**)	5-10	-	5-10
<b>Nick Gregg</b> Non-Executive Director (Interim Chair to January 2019**)	15-20	-	15-20
<b>Sarah Howells</b> Non-Executive Director (from July 2018)	0-5	-	0-5
<b>Nicola Kemmery</b> Non-Executive Director (from July 2018)	0-5	-	0-5
<b>Alison Noon-Jones</b> Non-Executive Director (from July 2018)	0-5	-	0-5
<b>Martin Dorchester</b> Non-Executive Director (to September 2018**)	0-5	-	0-5
<b>Peter Kennedy</b> Board member (to July 2018***)			
<b>Brian McKenzie</b> Board member (to July 2018***)			
<b>Andrew Falley</b> Board member (to May 2018***)			

\*Data for the value of Civil Service Pension Scheme benefits was not available at the time of publication.

\*\* Non-Executive Directors appointed and remunerated by the Welsh Government

\*\*\* Board members as part of civil service duties within Welsh Government who received no specific/additional salary for board membership

### Salary

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

### Pay multiples

The banded remuneration of the highest paid director of TfW in the financial year 2018/19 was £155-160,000. This was 3.1 times the median remuneration of the workforce, which was £51,400. No employees received remuneration in excess of the highest paid director.

Total remuneration includes salary and excludes employer pension contributions.

### Pensions

TfW employees are members of a defined contribution pension scheme. TfW makes a basic contribution of 8% to this scheme.

Our Non-Executive Directors are not members of this scheme.

### Our pay and grading structure

The following table sets out TfW's pay and grading structure including the salary bandings for each role and the number of employees in each band at the end of March 2019. This table doesn't include Non-executive Directors.

Salary band	Annual basic salary		Number of employees at 31 March 2019
	Min (£)	Max (£)	
Executive Directors' pay band (including executive board members)	95,000	160,000	7
<b>1B</b>	100,000	110,000	1
<b>1A</b>	80,000	99,999	7
<b>2B</b>	70,000	78,000	1
<b>2A</b>	60,000	70,000	6
<b>3B</b>	50,000	58,000	14
<b>3A</b>	38,000	48,000	10
<b>4B</b>	30,000	40,000	4
<b>4A</b>	22,000	32,000	11
<b>5</b>	17,000	24,000	2



# Strategic report

Transport for Wales (TfW) presents its strategic report, directors' report and financial statements for the year ended 31 March 2019.

TfW is a not-for-profit company, wholly owned by the Welsh Government, driving forward the Welsh Government's vision of a high-quality, safe, integrated, affordable and accessible transport network of which the people of Wales are proud. TfW is key to delivering the Welsh Government's key themes as set out in Prosperity for All: The National Strategy and in the context of the Well-being of Future Generations (Wales) Act 2015.

## Business review

2018/19 has been a year of change and growth for TfW and our key achievements this year include:

- the successful procurement of our new Operator and Development Partner (ODP), KeolisAmey Wales Cymru, to run the Wales and Borders rail service and develop the South Wales Metro. KeolisAmey now operates as Transport for Wales Rail Services (Rail Services)
- collaborating effectively with Transport for Wales Rail Services prior to the launch of the new Wales and Borders rail services (mobilisation) to ensure a smooth launch of the new Wales and Borders rail service
- launching the new Wales and Borders rail service on 14 October 2018 and collaborating with Transport for Wales Rail Services to start transforming our rail network
- progressing the transfer of Core Valleys Lines into TfW's ownership as we develop the South Wales Metro
- undertaking design work for a number of rail infrastructure projects including the Core Valleys Lines transformation, Llanwern, Bow Street Aberystwyth and the North Wales Metro
- working with Transport for Wales Rail Services to procure 134 new trains we plan to introduce between 2021 and 2023 as well as five completely rebuilt trains which we plan to introduce on the Wrexham to Bidston line in 2019
- building TfW's team to manage the rail services contract, delivering infrastructure changes across and providing expert advice to Welsh Government

Our focus for 2019/20 is set by the Welsh Government's remit letter and includes:

- raising our brand awareness
- running high-quality and reliable train services across Wales and the borders
- considering rail investment opportunities and supporting the Welsh Government in the transfer of the Core Valleys Lines to TfW
- consider short, medium and longer-term strategic opportunities to invest in rail infrastructure to generate additional financial and/or social impact
- supporting the Welsh Government in its review of bus services in Wales by providing expert advice
- providing technical expertise and support on active travel (i.e. walking and cycling)
- working with local partners, including local authorities and regional transport authorities to ensure high-quality planning that is aligned with our economy's future needs
- setting out our contribution to reducing both carbon dioxide and other emissions from transport in Wales
- publishing a location strategy
- publishing a five-year corporate plan

The Welsh Government will continue to provide funds to TfW to support the achievement of this remit.

## Results for the period

The income statement shows a surplus for the year of £0.03 million (2018: £0.4 million) and administrative expenses for the year of £19.6 million, a 100 per cent increase on the previous year of £9.8 million. This increase reflects the growth in activities following the commencement of the new Wales and Borders rail service in October 2018.

TfW also facilitated payments of £88.3 million of revenue grant payments and £17.3 million of capital grant payments under the grant agreement between the Welsh Ministers and KeolisAmey Wales Cymru (excluded from the above expenditure).

In addition to revenue expenditure, TfW spent £26.0 million on capital acquisitions, primarily on works we are carrying out to support the development of the South Wales Metro (in preparation for the transfer of the Core Valleys Lines from Network Rail planned to take place in 2019) in addition to works being carried out on a new railway station and stabling facilities at Llanwern as well as the new railway station at Bow Street, Aberystwyth. Our property, plant and equipment balance stands at £31.6 million as at 31 March 2019 (2018: £6.1 million). We also incurred £4.1 million of capital grant-funded expenditure in relation to enhancements to third-party owned assets which do not meet the criteria for capitalisation on TfW's balance sheet; this is included within administrative expenses in the income statement.

Our retained surplus at year-end increased slightly to £0.65 million (£0.63 million at 31 March 2018 following the prior-year adjustment set out in note 19). This retained surplus results from our non-grant-funded consultancy work provided to the Welsh Government and other third-party organisations (primarily local authorities) which we will use to fund TfW's future activities and costs.

### Key performance indicators

The table below sets out our final expenditure compared with the published business plan. Our final outturn is split into expenditure that is grant funded by the remit set out in our business plan and additional services we provide to the Welsh Government and other bodies which are outside our grant remit.

	Business plan (BP) 2018/19 £million	Outturn 2018/19 £million*			Remit variance £million
		Within BP remit	Additional chargeable services	Total	
Operational revenue grant funded expenditure	101.9	101.9	1.4	103.3	0.0
Capital grant funded expenditure	54.8	47.4	-	47.4	(7.4)
<b>Total</b>	<b>156.7</b>	<b>149.3</b>	<b>1.4</b>	<b>150.7</b>	<b>(7.4)</b>

\* Includes £88.3 million of revenue grant funded expenditure and £17.3 million of capital grant funded expenditure provided to Transport for Wales Rail Services under the grant agreement between KeolisAmey Wales Cymru and Welsh Ministers which are netted within expenditure in the financial statements.

## Risks and uncertainties

### Key risks impacting on TfW are set out below:

- TfW is using £162 million of funding from the European Regional Development Fund (ERDF) to support the delivery of the Core Valley Line (CVL) infrastructure upgrade. A failure to deliver the business benefits as intended, or to meet construction milestones, or to complete the necessary paperwork correctly, may result in the loss of ERDF funding
- the construction industry has an historically poor track record of delivering multi-disciplinary rail projects on time, on budget and within an agreed funding envelope. If this happens on the CVL, then TfW will have an overspend against budget and will either have to seek further funding from the Welsh Government or reduce the delivery scope of the project
- TfW continues to develop its Safety Management System and is acutely aware of the risk of harm to people on or about the railway. In the event of an accident, TfW may then have its permission to operate a rail network revoked and be replaced by another organisation
- from 2021, TfW is due to take delivery of new fleets of trains to enable the growth and development of the network. Late, or delayed delivery of new rolling stock from the manufacturers (CAF and Stadler) may impact our ability to deliver operational and passenger experience improvements on the network
- a 'no deal' Brexit could lead to impacts upon TfW and its supply partners. This could lead to an increased cost of operation, risks to essential materials supply (fuel) and the constrained movement of people and resources between the EU and UK

The Board has discussed the risks and uncertainties set out above and is confident that it has appropriate controls and mitigations to ensure that these risks are appropriately managed. Further detail on TfW's risk management procedures are set out in our Annual Report.

By order of the Board



**J R Price**  
Director/Chief Executive

19 June 2019



# Directors' report

Our directors present their report for the year ended 31 March 2019.

## Directors

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

Name	Role	Date of appointment/resignation in 2018/19
J S Waddington	Chair / Non-Executive Director	Appointed 7 January 2019
N M Gregg	Acting Chair / Non-Executive Director	Resigned 4 January 2019
S Howells	Non-Executive Director	Appointed 2 July 2018
N J Kemmery	Non-Executive Director	Appointed 2 July 2018
A J Noon-Jones	Non-Executive Director	Appointed 2 July 2018
M Dorchester	Non-Executive Director	Resigned 18 September 2018
P D Kennedy	Non-Executive Director	Resigned 18 July 2018
B W McKenzie	Non-Executive Director	Resigned 4 July 2018
A D Bowen	Non-Executive Director	Appointed 1 April 2019
J R Price	Executive Director	
H J Clash	Executive Director	Appointed 1 September 2018
A Falley	Executive Director	Resigned 30 May 2018

## Financial instruments

### Liquidity and cash flow risk

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

### Credit risk

TfW does not have significant credit risk exposure as the majority of our activity is funded by Welsh Government grants we receive in advance, with the remainder of our activities being with other public sector organisations. 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.

## Political contributions

As a wholly owned subsidiary of the Welsh Government, we are 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

TfW is 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 TfW's 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



## J R Price

Director/Chief Executive

19 June 2019

QED Centre, Main Avenue, Treforest Industrial Estate  
Pontypridd CF37 5YR

# Corporate governance statement

As the Chief Executive and Accounting Officer for Transport for Wales (TfW), I am personally responsible for the overall management and governance of the company. This Governance Statement outlines how I have discharged my responsibility to manage and control TfW's resources during the year. TfW is committed to the highest standards of governance, accountability and transparency which are vitally important to the success of all aspects of the company.

TfW is governed by:

- the Minister for Economy and Transport's overall responsibility for the company
- the Welsh Government Permanent Secretary's responsibility, both to the Minister for Economy and Transport and directly to the National Assembly for Wales, as the Principal Accounting Officer for the company's expenditure and management
- the Chief Executive's responsibility as TfW's Accounting Officer
- TfW's Board which has a 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 control

TfW's system of governance also includes Board sub-committees and the Senior Leadership Team.

## The Board

TfW's Board oversees all of TfW's activities, providing leadership and strategic vision and ensuring 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 TfW's operations 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

Our Chair's responsibilities are shared with other members of the Board who support the Chair in this role. The Board may delegate to the Senior Leadership Team responsibility for the administration of day-to-day management issues but remains ultimately responsible and accountable for all matters.

Information is provided to the Board between and prior to each meeting to allow open discussion and if appropriate, decisions to be made. Members of TfW's Senior Leadership Team regularly attend and make presentations.

Our Board members have signed a Conflict of Interest statement and all have completed a quarterly declaration of interest return. Declared interests are available on our website. Any new declarations of interest are made at the start of each meeting. All Board members are expected to act in accordance with the seven principles of public life and have each signed the Cabinet Office's Code of conduct for board members of public bodies. TfW is not required to comply with the UK Corporate Governance Code but has chosen to voluntarily comply with its principles.

Our Board met eleven times during the year. 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 2019:

	Board	Audit and Risk	Customer and Communications	Health, Safety and Well-being	People
James Price	11/11				
Nick Gregg	8/8	1/1			
Martin Dorchester	3/5				
Peter Kennedy*	2/3				
Brian McKenzie*	3/3				
Heather Clash	8/9	1/1			
Sarah Howells	8/9		2/2		
Nicola Kemmery	9/9			3/3	
Alison Noon-Jones	8/9				3/3
Scott Waddington	3/3				
Andrew Falley*	0/2				

Board attendance : Actual/Potential

\*During early 2018/19 there was a transition of board membership



Our Board combines the knowledge and skills of five independent non-executive and two executive members to provide insight and experience that helps shape our strategic direction. 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 and are well placed to constructively challenge and scrutinise the performance of management.

Our Board is committed to its own development and during the year took part in governance training. As it becomes fully established, the Board will review its effectiveness during the next year.

Having appointed Alun Bowen as a non-executive director and Chair of the Audit and Risk Committee from 1 April 2019, TfW is in the process of appointing two new Board members, an independent non-executive director with a transport specialism and a Trades Union representative.

### Board diversity

Our Board is committed to attracting and retaining talented people, and with that in mind, diversity across a range of criteria is valued. Our Board recognises that diversity, in all forms is key to introducing different perspectives into its decision-making processes. Our Board believes that gender is an important aspect in creating an optimal Board in terms of balance and composition. The current gender split of our board is four female and three male members.

### Board committees

Our Board has delegated certain powers to four Board sub-committees which operate to assist the Board in fulfilling its overall duties and responsibilities. The four sub-committees are:

- **Audit and Risk** – to provide assurance to the Board regarding risk management, internal control and financial reporting
- **Customer and Communications** – to assist the Board in reviewing, monitoring and providing direction on topics related to customers in pursuit of delivering on TfW's purpose to "Keep Wales Moving" safely, paying particular attention to the voice of the customer, transforming the customer experience, digital innovation and open and honest communication
- **Health, Safety and Wellbeing** – to assist the Board in recommending health and safety policy, monitor and assess compliance, develop and deliver continuous improvement, review and investigate health and safety incidents and consider health and safety issues that may have strategic, business and reputational implications for the company as well as to recommend appropriate measures and responses
- **People** – to assist the Board in all issues relating to organisation structure and succession planning, compliance with policy, training and development, review and recommend compensation policy, executive compensation and benefit plan administration

Each committee is chaired by a non-executive director and meets at least quarterly. Each of our Board sub-committees has delegated authority from the Board to carry out the duties defined in its terms of reference. The full terms of reference of each sub-committee are published on our website.

The Chair of each sub-committee provides the Board with an update of any activity 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 Economy and Transport. The Minister remits TfW by setting objectives, priorities as well as operational and capital budgets, which form the basis of TfW's business and corporate plan. During the year, TfW received three remit letters from the Welsh Government:

- April to June 2018
- July to September 2018
- October 2018 to March 2019

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

### Our Senior Leadership Team

Our Senior Leadership Team, comprising the Chief Executive Officer, seven executive directors and two directors, is responsible for TfW's day-to-day management. Our Senior Leadership Team meets weekly to discuss both strategic and operational issues with particular responsibility for finance, health and safety, people, risk management, governance and the performance and progress of projects and programmes.

### 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. TfW has implemented robust control arrangements to provide assurance to the Board, its Principal Accounting Officer and the Welsh Ministers that public money and resources are used properly and efficiently.

Our delegation scheme sets out where authority rests within our company for particular types of decisions made in the name of or on behalf of TfW and where the Board has delegated any such decision making to our Senior Leadership team. The scheme clearly sets out matters reserved solely for the Board and covers both corporate decision-making and spending authorities.

### 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 remit letter. Our actual results are compared with forecasts and reviewed each month to ensure that we manage our spend in line with approved budgets and to provide assurance and advice to the Board.

## Fraud, bribery and whistleblowing

TfW takes a 'zero tolerance' approach as far as fraud or bribery is concerned. During the year, TfW agreed and implemented an Anti-Fraud, Corruption and Anti-Bribery policy and a Whistleblowing policy and procedure. Any suspected cases of fraud or corruption are investigated fully, and disciplinary and/or legal action is taken where appropriate, in line with our policy. In 2018/19, there were no reported cases of fraud or bribery.

All staff are required to undertake Anti-Bribery and Money Laundering training.

Our Whistleblowing policy and procedure is designed to ensure a culture of confidence and a safe environment should a concern be raised. There were no concerns raised through our Whistleblowing procedure during the year. We have also established a Whistleblowing panel and nominated officers.

## 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. This Scheme commits TfW to making certain information routinely available to the public.

In 2018-19, TfW received 18 requests for information, and met the statutory deadlines for all of these requests. In addition, TfW was not subject to any reviews by the Information Commissioner.

## Risk management

Our Board of Directors is responsible for the management of the risks relating to TfW. We have undertaken an assessment of the risks we face, and the key risks are contained in our Risk Register. Our Board reviews the Strategic Risk Register at each meeting and our Senior Leadership Team considers both the Operational and Strategic Risk Registers at its weekly meeting.

Our Risk Registers identify potential risks and prioritises them according to impact and likelihood of the risk occurring. Mitigating action is presented alongside each risk to manage and reduce the identified risks.

You can find out more about TfW's approach to risk management in our Annual Report published on our website.

## Assurance

TfW's prime source of assurance comes from identifying how well we are meeting our objectives and managing our risks. In addition to our internal audit arrangements, assurance is also obtained through monthly reports to the Board, Board sub-committees and Senior Leadership Team, risk registers and other management information. We also provide monthly operational highlights reports to the Welsh Government.

TfW is also subject to external reviews and during the year, TfW's representatives twice gave evidence to the National Assembly's Economy, Infrastructure and Skills Committee. External reviews may also be conducted by the Auditor General for Wales.

Our Audit and Risk Committee met during the year to establish its terms of reference as well as the forward work plan for our internal audit function. During the last quarter, we appointed a non-executive director with responsibility for audit, risk and finance, who took up post on 1 April 2019 and will chair the Audit and Risk Committee.

As TfW has grown during the year, our internal audit activities have evolved and strengthened. The Board approved our internal audit plan for 2018/19 on 4 December 2018.

The internal audits we conducted covered a variety of topics including European Funding Claim reviews, procurement, purchase-to-pay, cash and bank as well as a review of our new financial system. We completed our planned programme and the resulting reports provided reasonable assurance and made recommendations for improvements which have all been accepted. All improvements are being implemented in accordance with a timetable agreed by internal audit to strengthen internal control processes.

I am satisfied that for the financial year 2018/19 there were no significant weaknesses in TfW's governance framework and systems of internal control. They supported the achievement of TfW's policies, aims and objectives; facilitated effective exercise of our functions and safeguarded public funds and assets for which the Accounting Officer is personally responsible.



**J R Price**  
Director/Chief Executive

19 June 2019



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

Our directors are responsible for preparing our Strategic Report, the directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires our directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law.

Under company law our 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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable, relevant and reliable
- state whether they have been prepared in accordance with IFRSs as adopted by the EU
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations or have no realistic alternative but to do so

Our directors are responsible for keeping adequate accounting records that are sufficient to show and explain TFW's transactions and disclose with reasonable accuracy at any time our financial position and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine 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 company and to prevent and detect fraud and other irregularities.

Our directors are responsible for the maintenance and integrity of the corporate and financial information published on our website.

## 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 2019 which comprise the Income Statement, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows 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 company's affairs as at 31 March 2019 and of its surplus for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- 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 company 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.

### The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as the continued availability of grant funding and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

## Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that 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 its 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 are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

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 absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

## 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 13, 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 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 company or to cease operations, or have no realistic alternative but to do so.

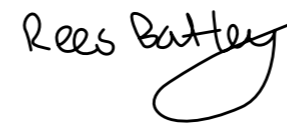
## Auditor's responsibilities

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](http://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

24 June 2019

**for and on behalf of KPMG LLP, Statutory Auditor**  
Chartered Accountants

KPMG LLP  
3 Assembly Square  
Britannia Quay  
Cardiff  
CF10 4AX



## Income statement

For year ended 31 March 2019

	Note	2019 £000	2018 £000
<b>Revenue</b>	2	<b>19,629</b>	10,272
Administrative expenses		<b>(19,597)</b>	(9,760)
<b>Operating surplus being surplus before tax</b>		<b>32</b>	512
Taxation	6	<b>(5)</b>	(103)
<b>Surplus being total comprehensive income for the year</b>		<b>27</b>	409

## Statement of financial position

At 31 March 2019

	Note	2019 £000	2018 as restated (note 19) £000
<b>Non-current assets</b>			
Property, plant and equipment	7	<b>31,593</b>	6,101
		<b>31,593</b>	6,101
<b>Current assets</b>			
Trade and other receivables	8	<b>1,966</b>	3,019
Cash and cash equivalents	9	<b>14,147</b>	1,829
		<b>16,113</b>	4,848
<b>Total assets</b>		<b>47,706</b>	10,949
<b>Current liabilities</b>			
Trade and other payables	10	<b>13,128</b>	4,099
Tax payable	6	<b>6</b>	116
Deferred government grants	12	<b>226</b>	32
		<b>13,360</b>	4,247
<b>Non-current liabilities</b>			
Deferred tax liabilities	11	-	5
Deferred government grants	12	<b>33,693</b>	6,071
		<b>33,693</b>	6,076
<b>Total liabilities</b>		<b>47,053</b>	10,323
<b>Net assets</b>		<b>653</b>	626
<b>Equity</b>			
Retained surplus		<b>653</b>	626
<b>Total equity</b>		<b>653</b>	626

These financial statements were approved by the Board of Directors on 19 June 2019 and were signed on its behalf by:

J R Price  
Director



Company registered number: 9476013

## Statement of changes in equity

	Capital reserves £000	Retained surplus £000	Total equity £000
Balance at 1 April 2017	145	217	362
Prior year adjustment (see note 19)	(145)	-	(145)
Balance at 1 April 2017 (restated)	-	217	217
<b>Total comprehensive income for the period</b>			
Surplus	-	409	409
Total comprehensive income for the period	-	626	626
<b>Balance at 31 March 2018</b>		<b>626</b>	<b>626</b>
<b>Balance at 1 April 2018</b>	-	<b>626</b>	<b>626</b>
<b>Total comprehensive income for the period</b>			
Surplus	-	27	27
Total comprehensive income for the period	-	27	27
<b>Balance at 31 March 2019</b>	-	<b>653</b>	<b>653</b>

## Statement of cash flows

For year ended 31 March 2019

	Note	2019 £000	2018 £000
<b>Cash flows from operating activities</b>			
Surplus for the year		27	409
<b>Adjustments for:</b>			
Depreciation, amortisation and impairment	7	522	97
Release of deferred government grants		(522)	(97)
Taxation	6	5	103
		32	512
(Increase)/decrease in trade and other receivables	8	1,053	(1,473)
Increase in trade and other payables	9	2,284	1,899
Tax paid	6	(120)	(32)
<b>Net cash from operating activities</b>		<b>3,249</b>	906
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment	7	(19,269)	(6,055)
Proceeds from the receipt of capital government grants		28,338	6,055
<b>Net cash from investing activities</b>		<b>9,069</b>	-
Net increase in cash and cash equivalents		12,318	906
Cash and cash equivalents at 1 April		1,829	923
<b>Cash and cash equivalents at 31 March</b>		<b>14,147</b>	1,829



# Notes

## Forming part of the financial statements

### 1 Accounting policies

Transport for Wales ("TfW" or 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 QED Centre, Main Avenue, Treforest Industrial Estate, Pontypridd CF37 5YR. The Company is a wholly controlled subsidiary of the Welsh Ministers (a body defined in the Welsh Government Act 2006) and therefore Welsh Government is regarded as a related party.

#### Basis of preparation

These financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs").

The financial statements are prepared on the historical cost basis.

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

#### Change in accounting policy

We have adopted the following IFRSs in these financial statements, neither of which have had a material impact on the financial statements:

- IFRS 9: Financial Instruments
- IFRS 15: Revenue from Contract with Customers

We have also reviewed its accounting policies and amended our treatment of government grants; details of this are set out in note 19.

#### Going concern

Our directors have at the time of approving the financial statements, a reasonable expectation that the Company has adequate funding allocated from the Welsh Government to fulfil its operational remit and to continue in operational existence for the foreseeable future. Therefore, they continue to adopt the going concern basis of accounting in preparing the financial statements.

#### Estimates and assumptions

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.

Our main estimates impacting on the current financial year are the useful lives applied to property, plant and equipment and the recoverability of contract assets (which have been based on work done not yet invoiced to the Welsh Government plus an agreed transfer pricing margin) and contract fulfilment costs which have been recognised as an asset (which are recognised only when considered directly attributable and recoverable).

#### Critical accounting judgements in applying the Company's accounting policies

In addition to the above, TfW makes certain judgements in applying its accounting policies.

#### Funding from the Welsh Government

TfW receives both resource and capital grants from the Welsh Government. An assessment has been made as to whether these grants should be treated as a government grant, capital contribution or a related party loan. The conclusion reached is that the Company, through the remit letter and the reporting requirements of the Welsh Government, has an obligation to carry out certain activities in consideration of receiving the funding, and therefore the funding has been treated as a government grant.

In relation to the grant received that is paid directly to KeolisAmey Wales Cymru Ltd (trading as Transport for Wales Rail Services) under the grant agreement between the Welsh Ministers and KeolisAmey, the directors have determined that TfW is acting only as an agent, and therefore the grant payments to KeolisAmey are netted against the corresponding grant income in the income statement.

#### Asset capitalisation

Works are being performed on certain assets which TfW does not currently own. It is anticipated that the Core Valleys Lines (CVL) will come under TfW's control during 2019 via an asset transfer from Network Rail. As such, design works towards this asset transfer and relating to the CVL transformation are being capitalised to the extent that we expect them to provide enhancement to assets to be owned by TfW, as are works being performed on other assets that are expected to be owned by TfW.

Works on other assets which are not expected to be owned by TfW are not capitalised. Due to the nature of these works (design and build), they are funded by capital grant from the Welsh Government. These works are expensed with a corresponding capital grant income being recognised in the income statement.

#### Revenue

TfW has three income streams:

- Government grants
- other consultancy projects with the Welsh Government
- third-party consultancy contracts

#### Government grants

TfW receives both resource and capital grants from the Welsh Government and are accounted for under IAS 20 Government Grants.

- **Resource grant**

The resource grant TfW receives from the Welsh Government is for the reimbursement of operating costs that we have 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 being held as deferred income on the statement of financial position. Income in relation to the Company's operating costs as a separate line item on the income statement

In relation to the grant received paid directly to KeolisAmey Wales Cymru Ltd (trading as Transport for Wales Rail Services) under the grant agreement between the Welsh Ministers and KeolisAmey Wales Cymru Ltd, TfW is acting only as an agent, and therefore the grant payments made to KeolisAmey Wales Cymru Ltd are netted against the corresponding grant income within the income statement

- **Capital grant**

TfW receives grants from the Welsh Government in relation to capital expenditure within its remit. We have 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)

For capital grants received that are to be paid directly to KeolisAmey under the grant agreement between the Welsh Ministers and KeolisAmey, the grant payments to KeolisAmey are netted against the corresponding grant income within the income statement

- **Other government grants**

In addition to grants received from the Welsh Government, TfW will receive grants from the European Regional Development Fund and the Department for Transport in relation to the CVL transformation project. These grants will be accounted for in the same manner as Welsh Government grants

### **Other consultancy projects with the Welsh Government**

The Welsh Government commissions Change Control Projects (CCPs) for works/services outside TfW's current remit. The Welsh Government issues these proposals and TfW responds to them with a formal delivery and cost proposal. Once the proposal has been agreed by both parties and accepted in writing by the Welsh Government, our client within the Welsh Government raises a purchase order and delivery of the works/services commences.

A contract for a CCP is deemed to be in place once a proposal has been agreed by TfW and the Welsh Government. The transaction price that TfW is expected to receive is the costs incurred to deliver the works/services plus a transfer pricing margin.

The transaction price is estimated at the start of the contract based on the scope of works and project plan. The amount of revenue recognised will be limited to the amount that is not expected to be reversed in the future, i.e. limited to revised forecasts and according to approval limits with the customer. Our policy is to recognise CCP revenue over time as we meet the following criteria:

- the contracts are for the provision of consultancy services (either provided directly by TfW or through third-parties we contract) and the Welsh Government receives and consumes the benefits provided simultaneously as they are performed
- the CCPs are for work that is outside TfW's remit (for example Wales' road network) and therefore the work performed is creating or enhancing an asset that is controlled by the Welsh Government
- there is no alternate use for the work undertaken
- the Welsh Government will pay consideration for any work completed to date

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. The input method used recognises revenue (cost plus the transfer pricing margin) on the basis of costs incurred by TfW, as this represents a direct relationship between the inputs from TfW and the transfer of control of services to the Welsh Government.

### **Third-party contracts**

TfW has entered into contracts with third-parties for a lump sum fee in exchange for the provision of consultancy support. We have determined that satisfaction of the performance obligation within the contract is not met over time but is at the point when the relevant output is transferred to the customer. This will be when TfW has delivered the outputs specified within the contract and the customer has accepted them. TfW's policy is therefore that revenue is recognised at the date of completion of the services, i.e. when we have the right to payment and will invoice the customer.

### **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, costs of wasted materials or labour 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.

TfW does not recognise incremental costs in obtaining a contract as the amortisation period of the asset that we otherwise would have recognised is one year or less.



## Financial instruments

### Recognition and measurement

Financial instruments are contractual arrangements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets constitute trade and other receivables which are initially recognised when they are originated and measured at the original invoiced amount and subsequently measured at amortised cost less any impairment losses.

Financial liabilities constitute trade and other payables, which are recognised when TfW becomes a party to the contractual provisions at fair value (usually the invoiced amount) and subsequently measured at amortised cost.

### Credit-impaired financial assets

TfW considers a financial asset to be in default when the debtor is unlikely to pay its credit obligations to us in full.

At each reporting date, the company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

TfW is also required to assess expected credit losses (ECLs) with a forward-looking model considering historic, current and forward-looking information. Given the nature of its receivables, TfW does not consider its ECLs to be material and therefore, no ECL provision has been made.

### Property, plant and equipment

Property, plant and equipment is recognised as an asset only when it is probable that future economic benefits associated with the item will flow to the Company.

The Company also capitalises any costs attributable to bringing the assets to the location and condition necessary for it to be capable of operating. These include directly attributable employee costs, cost of site preparation and clearance, initial delivery and handling costs, installation and assembly costs and professional fees. Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

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. Land is not depreciated. The estimated useful lives are as follows:

Fixtures and fittings	5 years	Improvement to Property	2 years
Plant and machinery	5-10 years	Computer Equipment	3 years

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

### Impairment of non-financial assets

The carrying amounts of TfW's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### Adopted IFRS not yet applied

IFRS 16 Leases (effective for accounting periods beginning on or after 1 January 2019) is the only adopted IFRS expected to have a material impact on future financial statements. The standard specifies how firms will recognise, measure, present and disclose leases. It presents a single lessee accounting model and requires that assets and liabilities be recognised in the statement of financial position, other than in the cases where leases are of low value or of a short-term nature of 12 months or less. TfW has chosen to take the modified retrospective adoption approach and introduce the new standard as an adjustment to equity at 1 April 2019.

The new standard will have a material impact on the statement of financial position as TfW's property leases will be recognised on the statement of financial position as right of use assets, with corresponding lease liabilities to be wound down over the course of the lease. The right-of-use asset at 1 April 2019 is expected to be £215,000 with a lease liability of £241,000. These balances will increase when TfW enters into the lease for its new headquarters in Pontypridd.

Lease costs will be made of up of depreciation of the right-of-use asset and lease financing costs, with costs being higher earlier in the lease term due to higher finance. The amount of lease related expense is not expected to change materially.

## 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.

	2019 £000	2018 £000
<b>Major products/service lines</b>		
Core Welsh Government revenue grant	13,620	10,172
Capital Welsh Government grant release in line with depreciation and impairment	522	97
Capital Welsh Government grant release in relation to spend on third party assets	4,082	-
Other Welsh Government consultancy projects	1,295	-
Third party consultancy	110	3
<b>Total</b>	<b>19,629</b>	<b>10,272</b>
<b>Timing of transfer of goods or services</b>		
Grant income accounted under IAS 20	18,225	10,269
Products and services transferred at a point in time	110	3
Products and services transferred over time	1,294	-
<b>Total</b>	<b>19,629</b>	<b>10,272</b>

TfW also receives resource grant funding in relation to rail services revenue grant payments and capital grant funding in relation to rail services capital grant payments. These monies are passed directly onto our rail services provider, Transport for Wales Rail Services, under the grant agreement between the Welsh Ministers and Transport for Wales Rail Services. TfW is acting as an agent only in this arrangement. As such the payments and income are netted within Expenditure in the income statement.

The total grant funding that has been netted in expenditure is detailed below:

	2019 £000	2018 £000
Transport for Wales Rail Services revenue grant funding	88,290	-
Transport for Wales Rail Services capital grant funding	17,276	-
<b>Total</b>	<b>105,566</b>	<b>-</b>

### 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	31 March 2019 £000	1 April 2018 £000
Receivables	8	1,310	2,924
Contract assets (accrued income)	8	475	-
Contract liabilities (deferred income)	10	(225)	-

The contract assets relate to TfW's rights to consideration for work completed but not billed at the reporting date on consultancy services provided to the Welsh Government (accrued income). The contract assets are transferred to receivables when the rights become unconditional. All contract assets are expected to be invoiced during 2019/20.

The contract liabilities relate to the advance consideration received from customers for these services. There was no contract liability balance at the start of the year. 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 2019/20.

### Assets recognised from costs to fulfil contracts

TfW recognises the costs incurred in fulfilling third party contracts with customers if these costs are expected to be recoverable. As at the statement of financial position date this asset amounted to £43,000 (2018: *Nil*)

### 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

	2019 £000	2018 £000
Audit of these financial statements	29	5
Amounts receivable by the Company's auditor in respect of taxation compliance services	4	-
	<b>33</b>	5

### 4 Employee numbers and costs

The average number of persons employed by TfW (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2019	2018
Central services and rail procurement, mobilisation and operations	32	6
Consultancy services	2	-
	<b>34</b>	6

The aggregate payroll costs of these persons were as follows:

	2019 £000	2018 £000
Wages and salaries	1,714	249
Social security costs	198	26
Contributions to defined contribution plans	129	10
	<b>2,041</b>	285

### 5 Directors' remuneration

	2019 £000	2018 £000
Directors' remuneration through payroll	100	-
Company contributions to money purchase pension plans	7	-
	<b>107</b>	-

In addition to the above, TfW paid the Welsh Government £256,000 (2018: £228,000) in relation to the services of directors seconded from the Welsh Government.

Retirement benefits are accruing to one director under a money purchase scheme (2018: nil).

### 6 Taxation

Recognised in the income statement

	2019 £000	2018 £000
<b>Current tax expense</b>		
Current year	6	116
Adjustments for prior years	4	-
<b>Total current tax expense</b>	<b>10</b>	116
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	(5)	(13)
<b>Total deferred tax expense</b>	<b>(5)</b>	(13)
<b>Total tax expense</b>	<b>5</b>	103

The current UK tax rate that has been used for the year is 19% (2018: 19%).

#### Reconciliation of effective tax rate

	2019 £000	2018 £000
Surplus for the year	27	409
<b>Total tax expense</b>	<b>5</b>	103
Surplus excluding tax	32	512
Tax using the current UK corporation tax rate	6	97
Reduction in tax rate on deferred tax balances	-	2
Non-deductible expenses	-	4
Deferred tax write-off	(5)	-
Over provided in prior years	4	-
<b>Total tax expense</b>	<b>5</b>	103

## 7 Property, plant and equipment

	Improvement to property £000	Plant and equipment £000	Fixtures and fittings £000	Assets under construction £000	Total £000
<b>Cost</b>					
Balance at 1 April 2017	160	-	59	-	219
Additions	5	-	6	6,044	6,055
<b>Balance at 31 March 2018</b>	<b>165</b>	<b>-</b>	<b>65</b>	<b>6,044</b>	<b>6,274</b>
Balance at 1 April 2018	165	-	65	6,044	6,274
Additions	146	648	152	25,068	26,014
Impairment losses	-	-	-	(464)	(464)
<b>Balance at 31 March 2019</b>	<b>311</b>	<b>648</b>	<b>217</b>	<b>30,648</b>	<b>31,824</b>
<b>Depreciation and impairment</b>					
Balance at 1 April 2017	64	-	12	-	76
Depreciation charge for the year	82	-	15	-	97
<b>Balance at 31 March 2018</b>	<b>146</b>	<b>-</b>	<b>27</b>	<b>-</b>	<b>173</b>
Balance at 1 April 2018	146	-	27	-	173
Depreciation charge for the year	33	-	25	-	58
<b>Balance at 31 March 2019</b>	<b>179</b>	<b>-</b>	<b>52</b>	<b>-</b>	<b>231</b>
<b>Net book value</b>					
At 1 April 2017	96	-	47	-	143
At 31 March 2018 and 1 April 2018	19	-	38	6,044	6,101
<b>At 31 March 2019</b>	<b>133</b>	<b>648</b>	<b>165</b>	<b>30,648</b>	<b>31,593</b>

### Impairment loss

Impairment losses constitute capital funded projects for which the spend no longer meets the requirements for capitalisation as TfW no longer intends to own the underlying assets; instead the assets will be owned by third parties (e.g. Network Rail).

## 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 of the South Wales Metro (Core Valleys Lines), in addition to works being carried out on a new railway station and stabling facilities at Llanwern, and on a new railway station in Aberystwyth. The intended ownership of the Llanwern and Aberystwyth sites is split between TfW and Network Rail. For these projects, TfW is only capitalising spend in relation to land which it intends to own.

## 8 Trade and other receivables

	2019 £000	2018 £000
Trade receivables	328	-
Receivables due from parent company	982	2,924
Contract assets (accrued income)	475	-
Other receivables	43	-
Prepayments	138	95
<b>Total</b>	<b>1,966</b>	<b>3,019</b>

## 9 Cash and cash equivalents / bank overdrafts

	2019 £000	2018 £000
Cash and cash equivalents per statement of financial position	14,147	1,829
<b>Cash and cash equivalents per statement of cash flows</b>	<b>14,147</b>	<b>1,829</b>

## 10 Trade and other payables

	2019 £000	2018 £000
Trade payables	1,442	1,668
Other trade payables	68	3
Accrued expenses	10,114	1,681
Deferred income – core revenue grant	1,206	444
Deferred income – third party	225	-
Social security and other taxation	73	303
	<b>13,128</b>	<b>4,099</b>



## 11 Deferred tax assets and liabilities

### Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets 2019 £000	Assets 2018 £000	Liabilities 2019 £000	Liabilities 2018 £000	Net 2019 £000	Net 2018 £000
Property, plant and equipment	6	-	-	(6)	-	(6)
Employee benefits	-	1	(1)	-	-	1
<b>Net tax assets / (liabilities)</b>	<b>6</b>	<b>1</b>	<b>(1)</b>	<b>(6)</b>	<b>-</b>	<b>(5)</b>

### Movement in deferred tax during the year

	1 April 2018 £000	Recognised in income £000	31 March 2019 £000
Property, plant and equipment	(6)	6	-
Employee benefits	1	(1)	-
	(5)	5	-

### Movement in deferred tax during the prior year

	1 April 2017 £000	Recognised in income £000	31 March 2018 £000
Property, plant and equipment	18	12	(6)
Employee benefits	-	1	1
	18	13	(5)

## 12 Deferred government grants

	2019 £000	2018 as restated £000
Balance at 1 April	6,103	145
Additions	28,338	6,055
Release in line with asset depreciation / impairment	(522)	(97)
Balance at 31 March	33,919	6,103
<b>Short-term element</b>	226	32
<b>Long-term element</b>	33,693	6,071

## 13 Employee benefits

TfW operates a defined contribution pension plan. The total expense relating to this plan in the current year was £129,000 (2018: £10,000)

## 14 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 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 was £1,310,000 (2018: £2,924,000)

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.

## 15 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2019 £000	2018 £000
Less than one year	136	69
Between one and five years	125	35
More than five years	-	-
	<b>261</b>	104

At the statement of financial position date, TfW holds premises leases on two premises in Cardiff and Wrexham. During the year £94,000 was recognised as an expense in the income statement in respect of operating leases (2018: £90,000).

## 16 Capital commitments

During the year ended 31 March 2019, TfW entered into contracts to purchase property, plant and equipment for £53,717,000. These commitments are expected to be settled in the following financial year.

## 17 Related parties

### Identity of related parties with which TfW has transacted

During the year, TfW received revenue grant income from the Welsh Government of £102,671,000 (2018: £10,269,000), which included passthrough grant under the Rail Services Grant Agreement of £88,290,000 (2018: *Nil*). TfW also received capital grant funding of £49,699,000 (2018: £6,055,000), which included passthrough under the Rail Services Grant Agreement of £17,276,000 (2018: *Nil*) and spend on third party assets of £4,082,000 (2018: *Nil*). Included within deferred income is a balance with the Welsh Government relating to the resource grant not spent as at 31 March 2019 of £1,206,000 (2018: £444,000) and capital grant balance unspent of £2,327,000 (2018: *Nil*).

In addition, TfW recognised income from the Welsh Government relating to non-grant funded consultancy projects of £1,294,000 (2018: *Nil*). At 31 March 2019, TfW was owed £982,000 (2018: *Nil*) by the Welsh Government in relation to these consultancy services provided and is included in trade debtors. TfW has also accrued income for project services provided to the Welsh Government but not yet invoiced of £475,000 (2018: *Nil*).

TfW paid the Welsh Government £1,320,000 (2018: £360,000) in relation to recharged services (primarily secondee costs and internal audit costs) and has a payables balance as at the statement of financial position date of £8,000 credit due back from the Welsh Government (2018: £17,000 owed to the Welsh Government).

## 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:

	2019 £000	2018 £000
Key management emoluments including social security costs	501	42
Company contributions to money purchase pension plans	45	3
Compensation for loss of office	16	-
	<b>562</b>	45

This excludes directors who are employees seconded from the Welsh Government who are not directly compensated by TfW.

## 18 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 at <https://gov.wales/welsh-government-consolidated-annual-accounts>.

## 19 Prior year adjustment

As a result of a review in accounting policies, the capital grant funding received from the Welsh Government has been reclassified from capital reserves to deferred government grant liabilities.

The impact on the statement of financial position is set out below:

	31 March 2018 as previously reported £000	Adjustments £000	31 March 2018 as restated £000
<b>Liabilities</b>			
Deferred government grant liabilities	-	6,103	<b>6,103</b>
<b>Net assets</b>	<b>6,729</b>	(6,103)	<b>626</b>
Capital reserves	6,103	(6,103)	-
<b>Total equity</b>	<b>6,729</b>	(6,103)	<b>626</b>

There is no impact on the income statement or the statement of cash flows.



