

Annual report

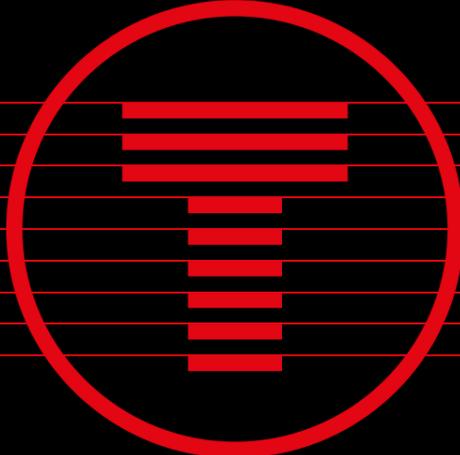
2019/20



TRAFNIDIAETH CYMRU
TRANSPORT FOR WALES

Contents

Year at a glance	4
Chair's statement	6
Chief Executive's statement	8
Who we are and what we do	10
Working together in 2019/20	16
Our customer focus	20
Working with our stakeholders	22
Achieving our strategic objectives	26
Looking ahead – our strategic objectives	44
Risk	52
Our board	58
Our board committees	64
Resilience statement	78
Corporate governance statement	82
Remuneration report	88
Financial statements	92
Notes	108



Year at a glance

Wales is changing which means our transport network also needs to change.

Better public transport underpins sustainable economic growth and also offers real benefits for people, improving access to employment opportunities and achieving stronger integration of education, health and other services.

Everything we do supports the achievement of Welsh Government policies and is aligned with the Welsh Government's policy framework as well as the well-being goals set out in the Well-being of Future Generations (Wales) Act 2015.

The long-term impact of Coronavirus (COVID-19) is unknown but we'll continue to work with the Welsh Government and our delivery partners to make sure that we Keep Wales Safe.



Building TfW in 2019/20

Our role and remit from the Welsh Government is continually evolving and we remain committed to building a safe, effective and sustainable transport network that moves both people and goods.

Working across different modes of transport, we're committed to delivering public investment with a social purpose and we're delivering projects that are making a real difference to the people, businesses and communities of Wales.

Our strong culture, capable team and close partnerships were fundamental to our achievements in 2019/20 and we're committed to building an effective social partnership.

2019/20 expenditure



£796million

Total grant-funded expenditure (excluding third-party-funded projects) made up of:



£581million

Total capital expenditure including £516 million on the acquisition of the Core Valleys Lines (including Land Transaction Tax and other costs)



£187million

Funding for Transport for Wales Rail Services including £14 million capital funding



£28million

Expenditure on projects and service operation

Highlights of 2019/20

The South Wales Metro

Our biggest achievement in 2019/20 was the successful transfer of the Aberdare, Coryton, Merthyr Tydfil, Rhymney and Treherbert lines Infrastructure, known as the Core Valleys Lines (CVL) from Network Rail to TfW in March 2020. We've now started transforming these lines to build 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.



Other key achievements include:

Building our Metro Control Centre

We started constructing our new £100 million Metro Control Centre in Taff's Well, a maintenance facility for the new tram-trains and control centre for the South Wales Metro.

Opening our Metro Infrastructure Hub

Our Treforest Metro Infrastructure Hub, which opened in January 2020, is home to around 200 colleagues and will play a vital role in the delivery and future maintenance of the South Wales Metro.

On-board catering

TfW now directly runs on-board catering on our trains. We welcomed over 100 employees to the TfW team and we're now implementing our ambitious plans to provide a reliable and distinctive service featuring locally sourced food and drink.

New-style Bus Concessionary Travel Cards

Collaborating with all Welsh local authorities and the Welsh Government, we issued over 600,000 new-style Bus Concessionary Travel Cards.

More Sunday rail services

Our December 2019 rail timetable saw a 40% increase in Sunday rail services and reduced journey times between North and South Wales.

Wrexham – Liverpool service relaunched

In May 2019, with the opening of the Halton Curve, we started running direct rail services between North Wales and Liverpool for the first time in 40 years.

A Real Living Wage Employer

Becoming an accredited Real Living Wage Employer in 2019/20 means we pay all eligible employees a minimum hourly wage 13% higher than the current minimum wage.

Investing in future talent

In 2019/20, we welcomed our first apprentices and also supported the 2020 Future Generations Leadership Academy.

Our advisory panel

Establishing our advisory panel in March 2020 enables us to engage proactively and transparently with our stakeholders and ensure that our work is influenced by a broad range of views.

Active travel

We're supporting the Welsh Government with the implementation of the Active Travel (Wales) Act 2013.

Reducing assaults on our trains

We introduced body cameras, resulting in a significant reduction in reported incidents.

Sustainability

In 2019/20 we published our Sustainable Development Plan and our Biodiversity Action Plan. We also achieved the Green Dragon award.



Chair's statement

Scott Waddington

Welcome to our annual report for 2019/20.

This is our second annual report and what a year it has been. We finished the year in the midst of the Coronavirus pandemic with all the challenges it has brought for our customers, our stakeholders and our people. Inevitably, this will impact our future investment plans as we work together with our local and more global partners to recover from this exceptionally difficult time.

However, we should still recognise the fantastic progress TfW has made as an organisation and it is credit to our team that there is so much good work to report on during 2019/20.

As the Welsh Government's transport delivery body, we are responsible for creating the integrated public transport network our country needs. Our purpose is to provide sustainable transport services across different modes of transport, to provide a seamless experience to our customers, to contribute to the success of the Welsh economy, to improve public health and to drive economic prosperity for all.

Although TfW is a relatively young organisation I believe that the culture we have in place is closely aligned to our purpose, values and strategy. It is our people who are at the heart of what we do, and I continue to be impressed with how embedded, strong and committed to delivery our culture has already become.

We are in the midst of a significant programme of change and investment to deliver a step-change improvement in the quality of the Wales and Borders rail service. Indeed, our programme of transformation reached a key milestone on 28 March 2020 with the transfer of the Aberdare, Coryton, Merthyr Tydfil, Rhymney and Treherbert lines, which are also known as the Core Valleys Lines, from Network Rail to TfW. A massive achievement on the part of our own team and our delivery partners, this means that track and train are now truly integrated. Thank you to everyone who has worked so hard to make this possible.

The Core Valleys Lines are a key part of the South Wales Metro so I am pleased it is starting to take shape. Our new Metro Infrastructure Hub in Treforest opened in January 2020 and construction has also begun on our new Metro Control Centre at Taff's Well. Both will play a vital role in the delivery of the South Wales Metro.

"It is the strength of our Board, the commitment of our delivery partners and the skill of our people that makes TfW what it is today."



Elsewhere in Wales, work started on the construction of a new £8 million railway station at Bow Street in Ceredigion. This is part of our commitment to improving connectivity across Wales with the planned opening of the new station in late 2020 signalling the first time that trains have stopped at Bow Street in 55 years.

Our Board has a crucial role to play in the success of Wales' future transport network so I have been particularly pleased to welcome a trades union representative to our Board meetings as an observer, representing all our recognised unions as part of our commitment to building an effective social partnership. We are also delighted to welcome Vernon Everitt, Transport for London's Managing Director for Customers, Communication and Technology to our Board.

It is the strength of our Board, the commitment of our delivery partners and the skill of our people that makes TfW what it is today. We are also very fortunate to benefit from the ongoing support of the Welsh Government Steering Board providing effective leadership and governance.

Our task is to do what is right for Wales. TfW is changing lives. We are improving connectivity, nurturing economic prosperity and driving sustainable development and growth. We hope that the people of Wales are proud of our achievements to date and pleased to be on the journey with us.

Chief Executive's statement

James Price

Our vision for transport is focused on the people and communities of Wales.

Our role and our remit from the Welsh Government is continually evolving and already includes more than rail. This year, our broadening remit has been even more prominent through projects that we delivered across multiple modes of transport. A key example was collaborating with all Welsh local authorities and the Welsh Government to successfully roll out new-style Concessionary Travel Cards to over 600,000 people across Wales.

As part of our growing advisory role, our in-house transport analysis unit is working hard to improve the quality and consistency of the evidence that underpins transport decision-making and investment in Wales. We've also been supporting the Welsh Government with the implementation of the Active Travel (Wales) Act 2013. This means that we're encouraging an integrated approach to walking and cycling with a purpose as well as bus and train travel and car-sharing.

Our ambitious rail agenda is hugely important, and over the last 12 months we've continued to work hard to deliver improvements throughout Wales and the borders by increasing capacity and improving reliability across our rail network. This includes the launch of the first direct rail service between North Wales and Liverpool for 40 years and providing capacity for 6,500 extra commuters a week on the Valleys Lines.

Importantly, we're holding our delivery partners to account with the introduction of a new performance incentive regime designed to improve the reliability and presentation of our trains and stations. I'm pleased to see that service delivery is already improving and I hope our customers are also starting to notice the improvement. Added to this, our performance during Autumn 2019 was significantly better than the previous year thanks to our collaborative work with our operating partners.

I'm also pleased that TfW started directly operating on-board catering services in January 2020 when over 100 employees joined the TfW team. We're now working hard with local suppliers and our catering team to improve our on-board catering service.

"This year, our broadening remit has been even more prominent through projects that we delivered across multiple modes of transport."



As our Chair rightly states, the transfer of the Core Valleys Lines railway infrastructure from Network Rail to TfW in March 2020 was a significant achievement, and a key milestone in the development of the South Wales Metro. I'd like to thank everyone who's made this possible including our colleagues at Network Rail. The Core Valleys Lines will be an important part of the South Wales Metro and we're now looking forward to transforming them so that they can run our new cleaner, greener and faster trains.

However, whilst we have significant progress to report in 2019/20, we're now confronted by Coronavirus. Without doubt, life will change and like other organisations, TfW will adapt to this.

Sadly, people have lost and will lose their lives before their time and the way we live our lives will change. Our society and the economy will take time to recover from this global pandemic and this is likely to impact how we deliver our future investment plans. Coronavirus has also changed our relationship with our rail services operator and we've reached a six-month Emergency Measures Agreement to make sure our rail services can continue to operate following a huge fall in passenger numbers.

Under the agreement, which lasts from May – October 2020, our rail services operator will be paid a management fee while the Welsh Government takes cost and revenue risks. TfW is now more directly involved in cost control and service recovery and we're also planning and developing financial models for November 2020 onwards.

However, TfW is still committed to building a safe, effective and sustainable transport network that moves both people and goods. This is particularly important for Wales as we continue to move away from relying on our own cars.

As with any challenge, we'll respond to Coronavirus by doing what is right for the people and communities of Wales and we'll adapt our strategy and operational delivery to ensure maximum efficiency and effectiveness in line with economic requirements and government policy.

Meanwhile, as we look forward to 2020/21 and beyond, I want to thank our customers, suppliers, partners and the TfW team for their continuing support. We still have lots of hard work ahead of us, but together, we're creating a high-quality, safe, integrated, affordable and accessible transport network of which Wales is proud.

Who we are and what we do

Who we are

We're Transport for Wales (TfW), the not-for-profit company set up by the Welsh Government in 2015.

TfW is driving forward the Welsh Government's vision of a high-quality, safe, integrated and affordable transport network. A reliable, accessible and low-carbon network of which the people of Wales can be proud. Our continually evolving remit means that we're building a sustainable transport network that's fundamental to a thriving Welsh economy now and in the future.

The transfer of the Core Valleys Lines railway infrastructure from Network Rail to TfW in March 2020 is a key milestone, enabling us to start building the South Wales Metro. We've also been collaborating with all Welsh local authorities and the Welsh Government to roll out new-style Concessionary Travel Cards successfully to over 600,000 people across Wales and supporting the Welsh Government with the implementation of the Active Travel (Wales) Act 2013. Importantly, our in-house transport analysis unit is working hard to improve the quality and consistency of the evidence that underpins transport decision-making and investment in Wales.

We're proud of what we've achieved to date and remain focussed on delivering public investment with a social purpose that's fully aligned with Welsh Government policy; benefitting people, communities and businesses across Wales.

Our remit

Everything we do supports the achievement of Welsh Government policies and is aligned with the Welsh Government's policy framework. A management agreement governs TfW's relationship with the Welsh Government and each year the Welsh Government provides us with a remit letter setting out our strategic objectives for the following 12 months.

The Welsh Government sets TfW's strategic goals in line with Prosperity for All: the national strategy, the Well-being of Future Generations (Wales) Act 2015, the Active Travel (Wales) Act 2013 and other policies, making sure that we operate efficiently and always act in the public interest.

The Welsh Government develops Welsh transport policy and we provide the technical advice and expertise to help develop these policies. TfW doesn't set policy, nor do we exercise any statutory functions.

We're the Welsh Government's trusted transport delivery partner, expert adviser and advocate for transport-related matters.

As a trusted delivery partner of the Welsh Government, we're passionate about delivering a world-class transport network that will make a difference to people, communities and businesses across Wales.

Working collaboratively

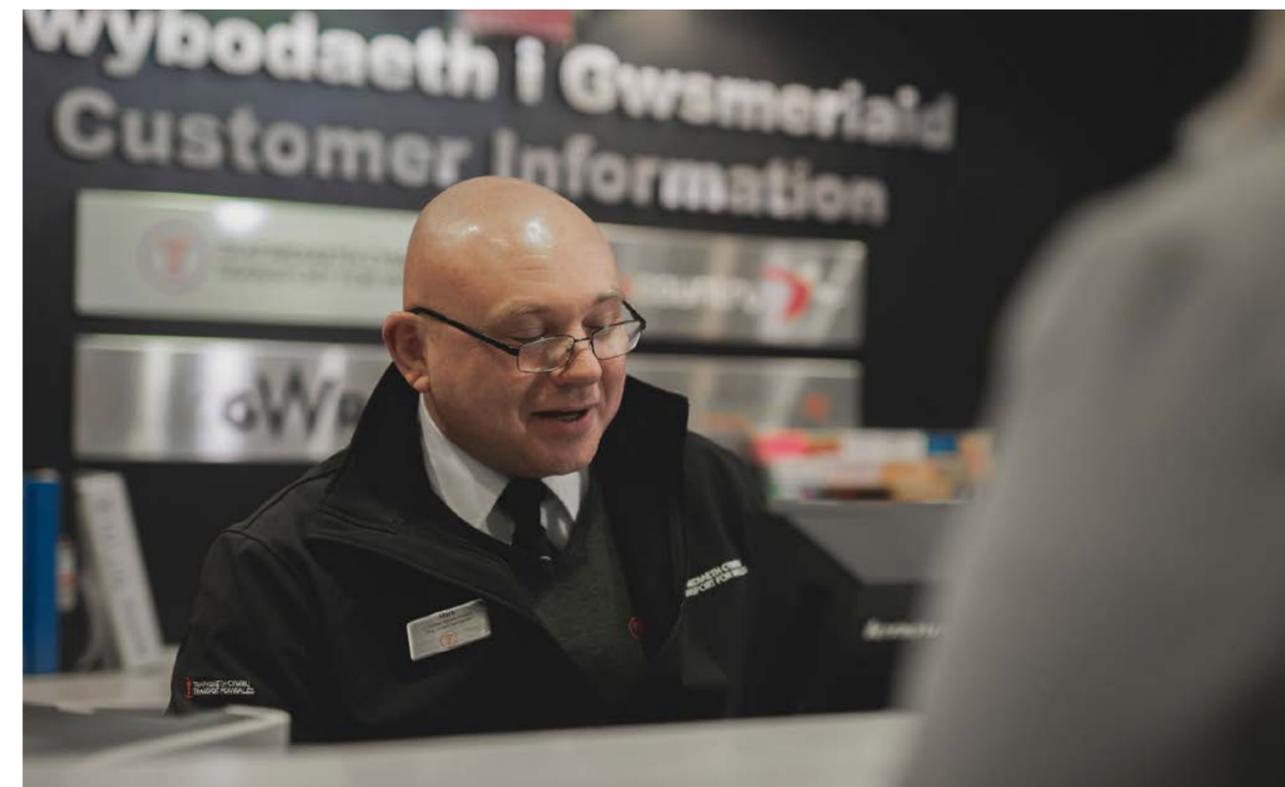
Across Wales, we collaborate with other transport providers, partners, communities and stakeholders to deliver a safe, accessible, reliable, affordable and integrated transport network, with a focus on sustainable development.

Our approach to collaboration and social partnership means that TfW is doing things differently. We're working with a wide range of stakeholders including local authorities, local communities, tourism leaders, transport providers and delivery partners to deliver the Welsh Government's vision for an integrated transport network that will improve connectivity and make travel easier for all.

In response to recommendations made by the Economy Infrastructure and Skills (EIS) Committee, we've also established an advisory panel to engage with our stakeholders in an open, transparent and proactive way. As part of our wider advisory structure, our advisory panel ensures that our work is influenced by a broad range of stakeholders.

Our Stakeholder Engagement Strategy also sets out how we're building effective relationships with our stakeholders and includes a new code of practice endorsed by our partners, while our Community Relations and Contact Framework details our commitment to effective community engagement.

Our innovative Sustainable Transport Infrastructure Delivery (STRiDe) Framework is enabling local suppliers to benefit from TfW's investments whilst increasing TfW's economic impact.



Why we're here

Wales is changing which means our transport network also needs to change. Better public transport underpins sustainable economic growth and also offers real benefits for people, improving access to employment opportunities, opening up new opportunities and better integration of education, health and other services.

A better, more integrated public transport network is a key driver in the Welsh Government's national strategy: Prosperity for All. We're focused on delivering the Welsh Government's vision for transport and playing our part in delivering Prosperity for All as well as the Economic Action Plan which drives the twin goals of economic growth and reducing inequality. Our activities are also aligned with the seven well-being goals set out in the Well-being of Future Generations (Wales) Act 2015.

'TfW is driving forward the Welsh Government's vision of a high-quality, safe, integrated and affordable transport network.'

Our purpose

To provide sustainable transport services that Keep Wales Moving

Our purpose is to Keep Wales Moving by providing excellent services and investing in improvements that will benefit people and communities for future generations to come.

TfW is much more than helping people get from A to B – we're about connecting people and communities, sustainable development and helping open up new opportunities.

A more integrated public transport network is key to achieving the Welsh Government's national strategy: Prosperity for All.

A better public transport network will result in real benefits for people and our economy, improving access to employment opportunities as well as access to services, such as education and health.

Our values

Our values are at the heart of all we do and they're core to how we build our customers' and stakeholders' trust. We'll only be able to achieve our ambitious mission if we have a reputation for being an honest, human, useful and engaging organisation.

Being safe Health, safety and well-being	We're committed to health, safety and well-being in all we do and we want our customers and stakeholders to trust us and feel assured by our commitment.
Being the best High-performance, pace	Driven by our ambitious mission, we want our customers, stakeholders, partners and the people of Wales to be impressed by what we do and proud of what we achieve.
Being positive Can do, will do	By empowering our people and working collaboratively we're listening to our customers and stakeholders to ensure that we win their trust and confidence.
Being connected Enterprising and networked	Our collaborative approach and focus on building strong relationships helps us to meet the challenges we face in achieving our mission in an innovative way.
Being fair Integrity and equality	By working collaboratively and building strong relationships, we want to demonstrate that we're listening to our customers and stakeholders and that we value and take into account a wide range of perspectives in our decision-making.
Creating shared success Passion for the best deal	The sustainable transport network we're building will transform the way we travel in Wales. We want our customers, stakeholders and the people of Wales to be excited by this transformation.

Our vision

To create customer-focused services through a safe transport network of which Wales is proud

Our vision drives us to be customer-centric and provide transport services that enable mobility and also improve accessibility.

The Well-being of Future Generations (Wales) Act 2015 sets out seven well-being goals:

- ✓ A globally responsible Wales
- ✓ A healthier Wales
- ✓ A Wales of cohesive communities
- ✓ A resilient Wales
- ✓ A prosperous Wales
- ✓ A Wales of vibrant culture and thriving Welsh language
- ✓ A more equal Wales

Our vision enables us to focus our activities on these goals, ensuring that we create a positive impact in Wales.



Case study

Building the South Wales Metro

In March 2020, TfW became the owner of the Aberdare, Coryton, Merthyr Tydfil, Rhymney and Treherbert lines, taking ownership from Network Rail.

This is a major step forward in our plans to deliver the South Wales Metro and make it easier, quicker and more convenient for people to travel around South Wales.

TfW will invest at least three quarters of a billion pounds, including ERDF funding, over the next five years to transform these lines which are also known as the Core Valleys Lines.

The investment will see the electrification and modernisation of around 170 km of track in South Wales – mostly installing overhead line equipment to power our new trains. We'll upgrade our stations, signalling equipment, level crossings and modify some bridges. We also plan to build a number of new stations.

We've also created over 50 new jobs and 27 engineers transferred to TfW from Network Rail.

"The South Wales Metro will be a world-class transport network that will transform the way people travel. Metro will offer quicker, more sustainable, convenient, frequent and reliable services with better connections between different types of transport.

"The Aberdare, Coryton, Merthyr Tydfil, Rhymney and Treherbert lines are a key part of our plans for the South Wales Metro. We now have significant construction and infrastructure work to complete to ensure that our new tram-trains can run on these lines and provide a modern turn-up-and-go 'Metro-style' service that's also cleaner and greener."

**Karl Gilmore, Rail Programme Director,
Transport for Wales**

What makes us different?

We're a not-for-profit company and can invest any extra money we earn in line with our remit. So, if we do well, our customers and the people of Wales will benefit.

The Welsh Government has made a commitment that Wales' transport network will be increasingly directly owned or operated by TfW. We made excellent progress in 2019/20 with the transfer of the Core Valleys Lines from Network Rail to TfW, a key step in our ambitious plans to build the South Wales Metro. We also took over the running of catering services on the Wales and Borders rail service.

In future, we'll have more control over how we build our transport network, doing what's right for the people of Wales and creating shared success that benefits people and communities all over Wales. It's this joined-up approach to providing sustainable transport services across different modes of transport that's enabling us to change lives by improving connectivity, nurturing economic prosperity and driving sustainable development and growth.

Our commitment to safety

The safety of our customers, stakeholders, suppliers and our people is paramount and we're committed to providing 'a safe, happy and healthy experience for all'.

We're constantly challenging ourselves as an organisation. We're continuously reviewing our policies and procedures to reflect our growth and growing remit. We've developed our Health, Safety and Well-being Plan and are working closely with our teams to embed an effective health and safety culture throughout TfW.

Our commitment to social partnership

As a fair, inclusive and progressive employer, we're committed to establishing a best-practice agreement with our trades unions based on mutual trust and shared understanding.

We recognise the value a social partnership can bring, working on the principle that we can only achieve our vision if our management, people and trades unions cooperate and collaborate. Our managers, colleagues and trades unions are working together to ensure that TfW becomes as an exemplar employer providing an effective service for the people of Wales.

Our commitment to climate change

Climate change is one of the most significant challenges facing the transport industry. 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 and one of our key drivers is to ensure we decarbonise and support the transition to a low carbon Wales.

The climate is already changing with trends showing that the UK is continuing to warm and sea levels are rising. In Wales, this means increased chances of milder, wetter winters and hotter, dryer summers as well as an increase in the number of extreme weather events, such as the storms and flooding we've recently experienced. Climate change is already putting pressure on our transport infrastructure which in turn affects our most vulnerable communities.

Catering

The Welsh Government has made a commitment that Wales' transport network will be increasingly directly owned or operated by TfW. That's why we took over the running of the on-board catering services on our trains in January 2020. With over 100 employees in our catering team, we're working hard with local suppliers to improve our on-board catering service. We hope our customers and local suppliers will welcome the improvements we're planning.

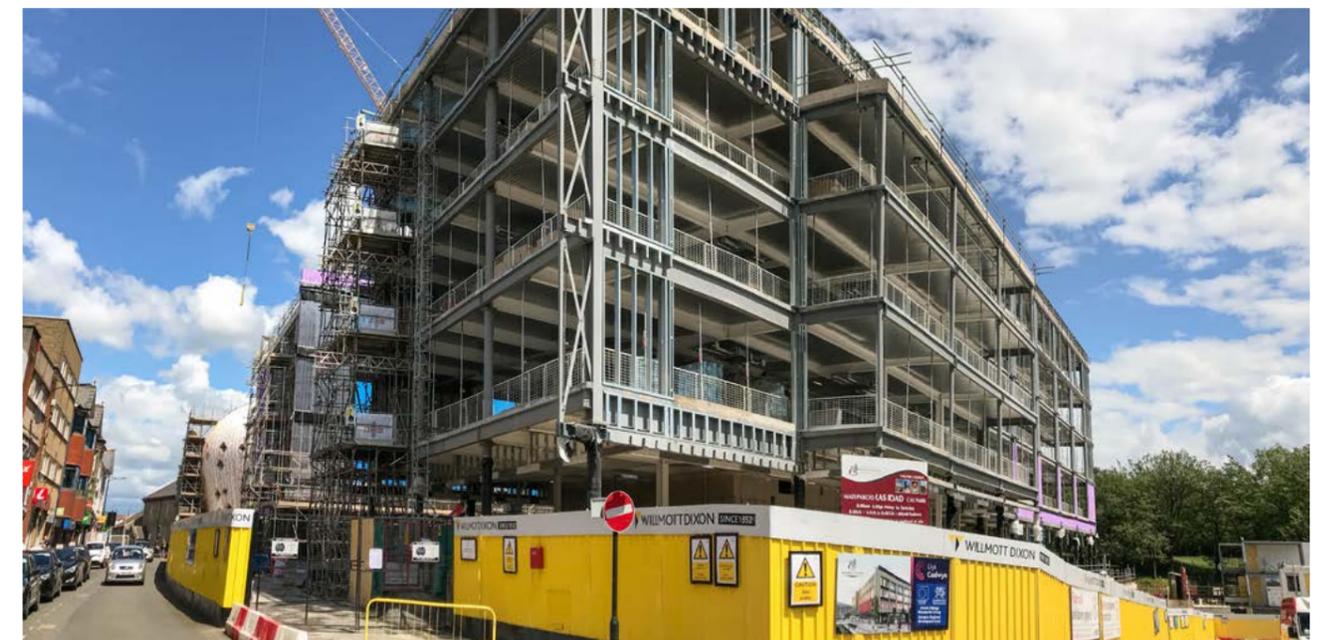
Moving to Pontypridd

In 2020 we plan to move to our new headquarters at Rhondda Cynon Taff's flagship Llys Cadwyn development in Pontypridd and we're excited about the move. It will bring a huge boost to the local economy, allowing us to achieve one of our core values by creating shared success. We're also creating a working environment our people can feel proud of and one that will encourage cooperation and collaboration.

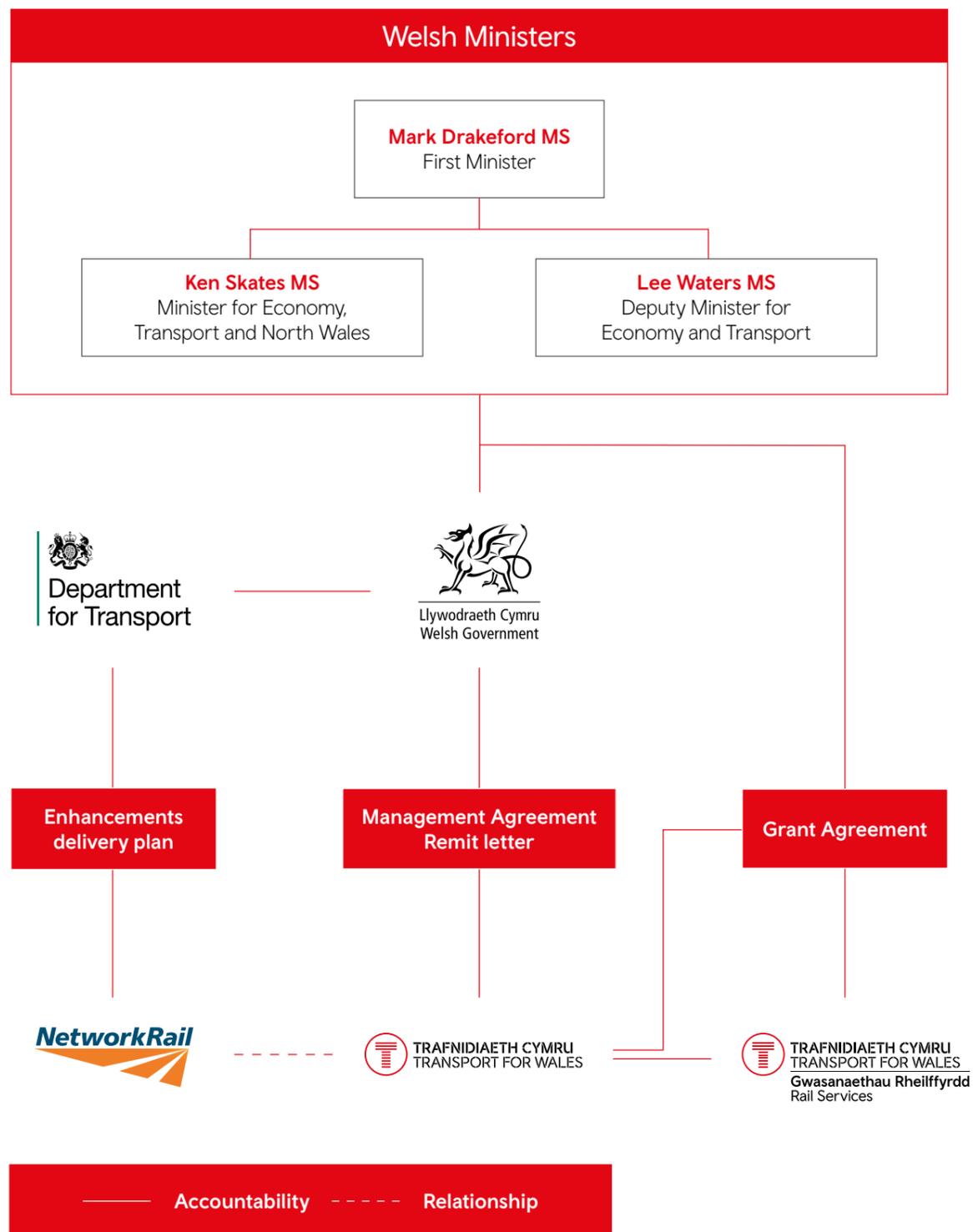
Building contractor Willmott Dixon is supporting both the Well-being of Future Generations (Wales) Act 2015 and Rhondda Cynon Taff County Borough Council's Corporate Plan for 2016-2020: 'The Way Ahead'. By March 2020, 99.82% of construction waste from the project had been diverted from landfill. Since starting in March 2018, construction has created over 2,700 weeks of work for local people, from the long-term unemployed to new entrants to the sector, such as trainees and apprentices.

Our ambition is for Llys Cadwyn to become a hub for high-value jobs in the transport sector for people living locally. We're already looking at how we can encourage local regeneration. We've started building relationships with local businesses and giving back to the community through our employees' volunteering initiatives.

Being part of the local community means supporting each other through difficult times, which is why we felt it important to provide support when our employees volunteered their time during the terrible storms in February 2020.



Working together in 2019/20



Transport for Wales and the Welsh Government



Mark Drakeford MS
First Minister of Wales

"Even at very testing times, the Welsh Government is here to help make our nation a better place in which to live and work. Our aim is to create a Welsh economy which spreads opportunity and tackles inequality, delivering individual and national prosperity with improved connectivity.

The continued development of Transport for Wales is vital in delivering our vision for a transport system which is integrated, low carbon and rooted in the needs and preferences of Welsh citizens. Together we will work to drive our economy and communities forward to greater prosperity".

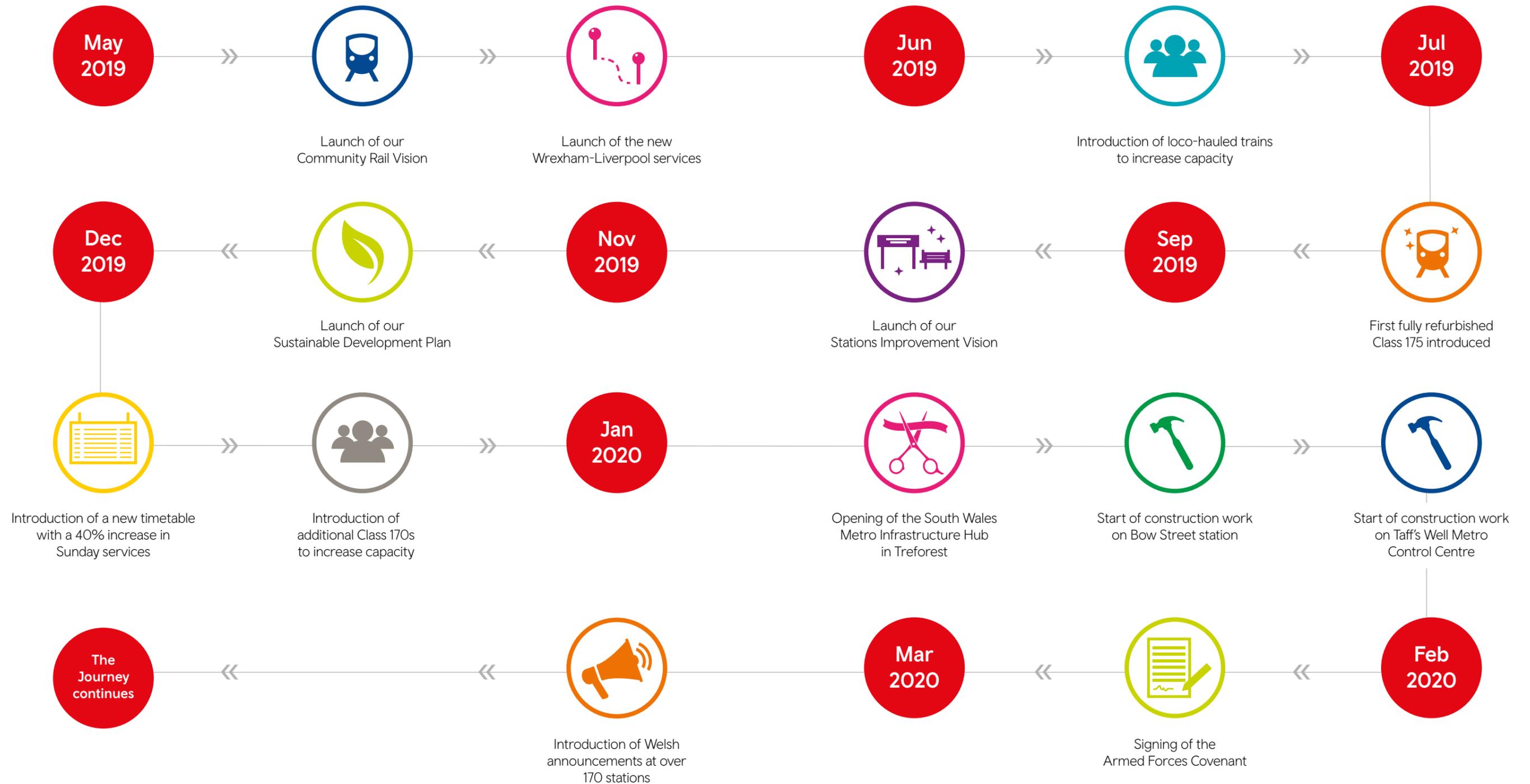


Ken Skates MS
Minister for Economy, Transport and North Wales

"Transport plays a key role in shaping our daily lives. A good transport system is central to achieving a vibrant economy and social justice; providing the services that we all need to stay healthy, to learn, to access employment and to build prosperity with the right environment for businesses to grow and thrive.

Together with our delivery partners, we're building an integrated public transport network for the people of Wales which is safe, reliable, affordable and low carbon. It's a transport network that the people of Wales will be proud of".

Rail services in Wales and the borders



Our customer focus

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

Improving customer experience doesn't just depend on investment. It's about developing our people and making sure that everyone at TfW understands the importance of a customer-focused culture.

A world-class experience for our customers means delivering services that arrive on time, are safe, reliable, clean and comfortable. It's also important to provide our customers with value for money.

Our aim is to create a transport network that sets a new standard. We're improving our services and facilities all the time to encourage more people to use public transport or engage in active travel (walking and cycling with a purpose). But it's also crucial that our customers feel appreciated, cared-for and valued.

Case study

Building our bilingual transport network

TfW is committed to being a bilingual brand and creating a bilingual transport network is a priority for TfW.

We're working with the Welsh Language Commissioner's Office to ensure we achieve our goals. In 2019/20 we introduced our new Welsh language information system at more than 170 of our stations in Wales, having successfully piloted the system at Porthmadog, Treforest Estate, Skewen, Hengoed and Pontyclun stations in late 2019.

Previously, only a quarter of our stations had an effective Welsh language information system, while the remainder had a text-to-speech system that struggled to pronounce Welsh words and place names correctly.

Owned by Amazon and IVONA, the new 'Geraint' system provides clear Welsh language journey announcements and up-to-the-minute updates. Geraint allows TfW's information controllers to provide our customers with accurate bilingual journey updates and changes as they happen.

What this means for our customers

We're committed to:

- ✓ Engaging people to deliver the highest possible standards of customer service
- ✓ Delivering a high-quality and reliable service every day whilst continuously developing our customer offering
- ✓ Working hard to enable smooth and seamless journeys across Wales with high-quality customer engagement, insights and communication

Geraint has enabled TfW to take a step in the right direction towards a bilingual network and is already making a positive difference for our Welsh-speaking customers. TfW is also making progress with bilingual on-train announcement systems.

"We're a bilingual brand and we're committed to working with the Welsh Language Commissioner's Office to create a bilingual transport network. Our new Geraint system allows us to provide our customers with accurate bilingual journey updates and changes as they happen."

"We're pleased that our Geraint system is making a positive difference for our Welsh-speaking customers and we're now working on providing bilingual on-train announcement systems."

David O'Leary, Commercial and Customer Experience Director, Transport for Wales

What we've achieved so far

At a strategic level, we've set some clear objectives to ensure our customers always remain at the heart of everything we do.

We're committed to:

- ✓ Enabling smooth and seamless journeys across Wales
- ✓ Engaging people to deliver the highest possible standards of customer service
- ✓ Delivering high-quality customer engagement, insights and communication
- ✓ Continuously developing our customer proposition or the overall service we provide our customers
- ✓ Delivering a high-quality and reliable service

Embedding a customer focus at all levels throughout TfW

To ensure that we embed our customer focus we've:

- ✓ Set our vision for our customer-focused culture, to show our people the standards we expect, so that they know how to behave and engage with our customers. All employees have pledged to take responsibility for the company's actions, act in an open, honest and respectful way, work together to find solutions, listen to our customers and learn from their feedback
- ✓ Shown our commitment to a 'customer-first' culture at every level within TfW. Our Customer and Communications Committee continues to bring together discussions around our customer-focused activities and customer experience governance with Transport for Wales Rail Services
- ✓ Developed joint customer-experience key performance indicators for our rail services colleagues, enabling collaborative reporting to our Board and sub-committees
- ✓ Established a Welsh Customer Experience Network with our colleagues in Transport for Wales Rail Services in partnership with Cardiff Business School

- ✓ Introduced a Service Quality Regime to drive consistently high standards across all our operations. This is a new performance incentive regime focused on improving the reliability and presentation of our trains and stations

Engaging with our customers

We know that we can only create a 'customer-first' culture and deliver what matters to our customers if everyone at TfW understands who they are, how they behave and why, how they feel about our service and what they'd like to change.

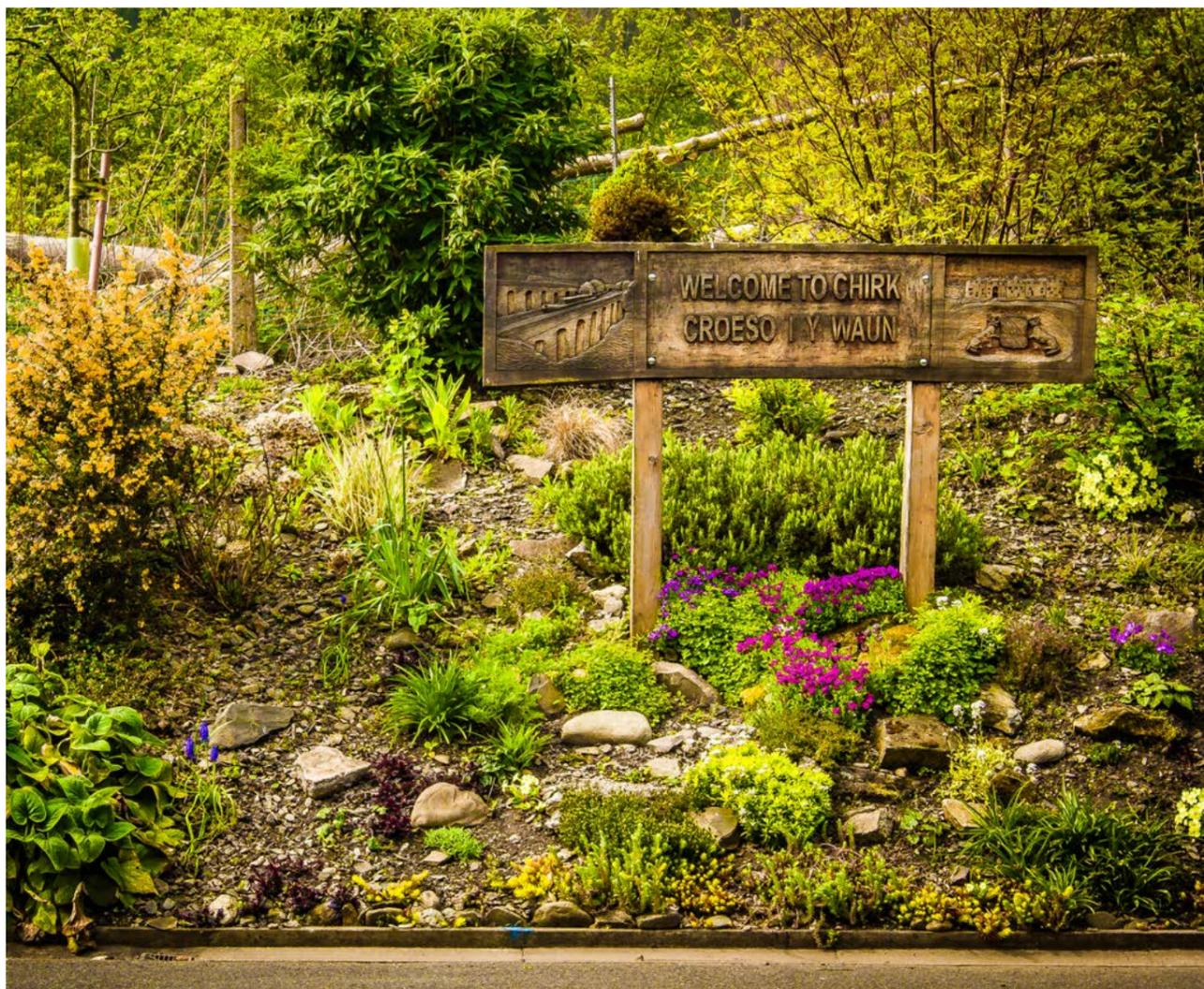
To understand our customers well, we need a range of tools and approaches that our employees can use, to provide detailed and robust customer insight:

- ✓ We've developed our Customer Insight Strategy which firmly focuses on customer engagement to achieve more open dialogue with stakeholders. We know that our customers are more likely to engage with us if they can see that their views make a difference, that we care about what they have to say and that they believe they're equal partners in building TfW's success
- ✓ We've engaged with our customers through regular customer-satisfaction and mystery-shopper surveys and have been analysing the resulting data to understand our customers' current experience – what works well and what needs to be done better. Over the last year we completed customer surveys to highlight the gaps that exist between customers' expectations and our service delivery and to identify those areas of improvement. We aim to close these gaps in 2020/21
- ✓ After reviewing TfW's current customer contact approach, we also developed a high-level customer contact strategy. We aim to make it as easy as possible for our customers to give us their feedback and suggestions
- ✓ Developing our broader advisory structure will help ensure customers are able to influence what TfW does right across our remit

Working with our stakeholders

TfW has a wide range of stakeholders and we're proud of the relationships we're building with them. Their support is vital to the success of our ambitious plans.

We're collaborating with our stakeholders on our journey of transformation and in 2019/20 we created regular opportunities to discuss our plans, performance and progress with them. Our stakeholders' feedback helps us to keep improving and to shape our plans.



Case study

A vision for community rail

Ken Skates, Minister for Economy, Transport and North Wales launched TfW's Community Rail Vision at Llandudno station in May 2019.

TfW's Community Rail Strategy goes hand-in-hand with our Stations Improvement Vision which we also launched in 2019/20.

As part of our Community Rail Strategy we'll set up new Community Rail Partnerships across the entire Wales and Borders network to promote and encourage rail use in communities.

Additional community ambassadors will be recruited alongside marketing roles focusing on promoting regional tourism and local economic growth.

We'll also target station adoption. Our ambition is for 90% of our stations to be adopted within four years, creating better links with the communities they serve.

Empty station buildings and facilities will be refurbished for community use and TfW's Station Adoption Scheme, which has already attracted individuals and groups of all ages and backgrounds across Wales and England, will be boosted as part of the strategy. Greater support from local stakeholder and community managers will allow adopters to do more and help them put stations in their rightful place at the heart of communities.

"We're excited to be working with TfW to support this growing grassroots movement. Community rail partnerships and station groups play a critical role in enabling communities to get the most from their local railways and stations.

"They bring people together, help more people to access rail travel, promote sustainable travel and tourism, and empower communities to have a voice – helping to create happier, healthier, more sustainable and inclusive communities."

Jools Townsend, Chief Executive of the Association of Community Rail Partnerships

In 2019/20, we:

- ✓ Finalised our Stakeholder Engagement Strategy which sets out how we'll engage with and build effective relationships with our stakeholders. It also includes a new code of practice endorsed by our partners
- ✓ Recruited Regional Stakeholder Managers based in Shrewsbury, Wrexham, Swansea and Cardiff to build our relationships with key stakeholders
- ✓ Undertook a stakeholder-mapping exercise and held introductory meetings with a number local authorities, rail user and community groups
- ✓ Finalised our Stakeholder Engagement Strategy for the Core Valleys Lines. This strategy, which is endorsed by our partners, details how we'll engage with and inform our stakeholders as we build the South Wales Metro
- ✓ Held three regional stakeholder forums (North Wales, Mid and West Wales and the borders) to help us gather information and input from businesses, organisations, user groups and individuals on how their regions are engaging with the railway network. These forums are an excellent platform for us to discuss potential economic development and marketing opportunities in their regions, along with service improvement plans and opportunities to work collaboratively with communities
- ✓ Finalised our Community Relations and Contact Framework, detailing our commitment to both reactive and proactive community engagement. We want to be a good neighbour, providing accurate and timely information about construction and other works we'll be undertaking. It also sets out how our neighbours and stakeholders can contact us
- ✓ Actioned the Economy, Infrastructure and Skills (EIS) Committee's recommendations, including establishing an advisory panel to engage with our stakeholders in an open, transparent, proactive way

We also held a host of events for the public and local businesses to inform them about our exciting plans. We:

- ✔ Supported the Valleys Task Force in delivering a number of public events across the South Wales Valleys, ensuring the voice of these communities helps shape our future plans
- ✔ Teamed up with several industry partners to hold public events throughout the year, including an event to announce our plans for the new Bow Street Station in Ceredigion
- ✔ Met numerous community, town and parish councils with One Voice Wales as the principal organisation for community and town councils in Wales, to brief them on TfW's local plans and improvements
- ✔ Supported Network Rail and Community Rail during the disruption to the Conwy Valley line caused by storms and engaged with the communities impacted by the severe flooding, sharing information on rail replacement services to assist them with their ongoing journeys
- ✔ Launched our vision for community rail at Llandudno station in May 2019, with the Minister for Economy, Transport and North Wales announcing plans to invest £600,000 every year into community rail partnerships across the Wales and Borders network
- ✔ Reopened the Halton Curve in May 2019, creating 215 new hourly services per week, significantly improving connectivity between North Wales, Cheshire and Liverpool and unlocking a wealth of leisure and business opportunities

We also held extensive one-to-one briefings and in-depth workshops with many of our key stakeholders. We:

- ✔ Set up individual strategic transport groups with a number of local authorities
- ✔ Held an inaugural TfW / all network Rail User Group, Passenger Association and Community Rail workshop in November 2019, giving us valuable feedback on our planned May 2020 timetable changes. A second workshop in March discussed timetable changes, rolling stock, infrastructure and special events. We plan to hold these events biannually and use this feedback to make continuous improvements

Establishing our advisory panel

TfW achieved an important stakeholder engagement milestone in March 2020 when we established our advisory panel.

Established at the request of the Welsh Government and the Economy Infrastructure and Skills (EIS) committee, this panel enables us to engage proactively and transparently with our stakeholders. The panel, which is also part of our wider advisory structure, ensures that a broad range of views including those of people with protected characteristics, for instance, influence our work.

Made up of representatives from a cross-section of stakeholders, including transport bodies, the Children's and Future Generations Commissioners as well as business membership bodies and faith groups, the first meeting of the advisory panel was held virtually in May 2020. This follows three regional stakeholder forums which were held in March and April, 2020.

'Our stakeholders' feedback helps us to keep improving and shape our plans.'



Achieving our strategic objectives

2019/20 was a busy year full of opportunities and progress for TfW.

2019/20 wasn't without challenge, with a number of storms leading to service disruption and line closures and towards the end of the financial year, we faced the coronavirus pandemic.

Against this challenging backdrop, we made significant progress on some of our exciting future plans and with the exception of retiring our Pacer trains we achieved all of our key customer commitments. We were granted dispensation by the Department for Transport to continue using our Pacers in 2020. At the end of March 2020, the South Wales Metro came a step closer when, together with our partners, we transferred the railway infrastructure known as the Core Valleys Lines from Network Rail to TfW. This was a significant milestone for both TfW and our partners across government and industry and a result of close collaboration.

Here's an overview of our performance for 2019/20, highlighting our key achievements and performance aligned to our key strategic objectives:

- ✔ Create a safe, sustainable, resilient and effective transport network
- ✔ Develop a continuously improving experience – placing the customer at the heart of what we do
- ✔ Deliver trusted, expert advice through leading, innovating and collaborating
- ✔ Build an organisation and partnerships capable of delivering our purpose



Creating a safe, sustainable, resilient and effective transport network

Ensuring the safety of our customers, employees and the public

Safety is at the heart of all we do and we take our responsibility to ensure the safety of our customers, employees and the public seriously. Accident prevention is a key focus for us and we made considerable progress in this area in 2019/20 by working closely with our colleagues in Transport for Wales Rail Services to implement measures to reduce the risk to our colleagues and customers.

Some of our key achievements:

- ✔ Developed a behaviour-based safety hazard reporting system, launching a confidential incident reporting system
- ✔ Held discussions with local authorities about winter preparedness and accident avoidance at our stations
- ✔ Became members of the Royal Society for the Prevention of Accidents (RoSPA) and the Track Safety Alliance (TSA)
- ✔ Published our employee drugs and alcohol policy
- ✔ Held a major incident tabletop exercise in January 2020 and our 'Every action has a consequence' conference, both of which received positive reviews from British Transport Police, Transport for Wales Rail Services and Network Rail
- ✔ Worked closely with Transport for Wales Rail Services to introduce body cameras to help reduce assaults, resulting in a significant reduction in reported incidents
- ✔ Developed a central safety information and resources hub and established our 'worksafe' programme to empower all employees to challenge unsafe practices. Our employees are also developing their skills, knowledge and understanding of safety using our e-learning safety training suite
- ✔ Responded quickly to emerging government advice on the coronavirus pandemic, prioritising our employees' safety and well-being

Protecting our employees' health and well-being is one of our key priorities and in 2019/20 we introduced measures to help improve their resilience.

That's why we:

- ✔ Launched a comprehensive health and well-being website
- ✔ Signed Mind Cymru's 'Time to Change Wales' pledge to keep mental health at the forefront of all we do. We've also trained ten Mental Health First Aiders and 15 Mental Health Champions
- ✔ Supported Mind Cymru's 'Time to Change' day, raising awareness of mental health issues in the workplace
- ✔ Developed a range of well-being resources and activities aligned with the '5 Ways to Well-being' principles
- ✔ Introduced paid volunteering days for all our employees. Setting up our Employee Well-being Action Group, which is a team of 14 employees committed to helping to improve health and well-being at TfW, was also a key achievement in 2019. The group runs regular health campaigns based on '5 Ways to Well-being' principles, promotes and takes part in health-related activities, ensures our working environment is a healthy space and champions what our colleagues tell us works best for them

Our '5 Ways to Well-being':

1	Connect: Talk and listen, be there, feel connected
2	Be active: Do what you can, enjoy what you do, move your mood
3	Take notice: Remember the simple things that give you joy
4	Keep learning: Embrace new experiences, see opportunities, surprise yourself
5	Give: Your time, your words, your presence

Achieving our sustainable development targets

Many people rely on our transport network every day. In November 2019, we published our Sustainable Development Plan, which details our ambitious sustainable development targets as well as how we satisfy legislation and policies. It also explains how we're engaging and collaborating with our partners and stakeholders to ensure that our objectives are integrated and the decisions we make are sustainable.

Our Sustainable Development Plan is supported by our Sustainable Procurement Strategy, Environmental Management Plan, Active Travel Strategy, Waste Management Plan and Low Carbon Impact Strategy. In November 2019, we also published our Low Carbon Impact Strategy which details a range of measures we're taking to reduce rail emissions, from upgrading our rolling stock to procuring our energy from renewable sources and electrifying the Core Valleys Lines.

Some of the most significant measures we took in 2019/20 to achieve our sustainability targets:

- ✔ Working closely with Sell2Wales and Business Wales to attract small and medium-sized businesses (SMEs), holding two meet the buyer events to share available tendering opportunities
- ✔ Procuring 100% renewable energy in 2019/20
- ✔ Undertaking a feasibility study on trackside renewables
- ✔ Launching our Biodiversity Action Plan and publishing our first biodiversity report
- ✔ Volunteering in the community and introducing three paid volunteering days for each employee every year
- ✔ Partnering with Cadw to offer 2-for-1 entry to its sites and being a main sponsor and key travel partner for the 2019 National Eisteddfod at Llanwrst
- ✔ Establishing our baseline carbon footprint to help create our pathway to net-zero in 2030

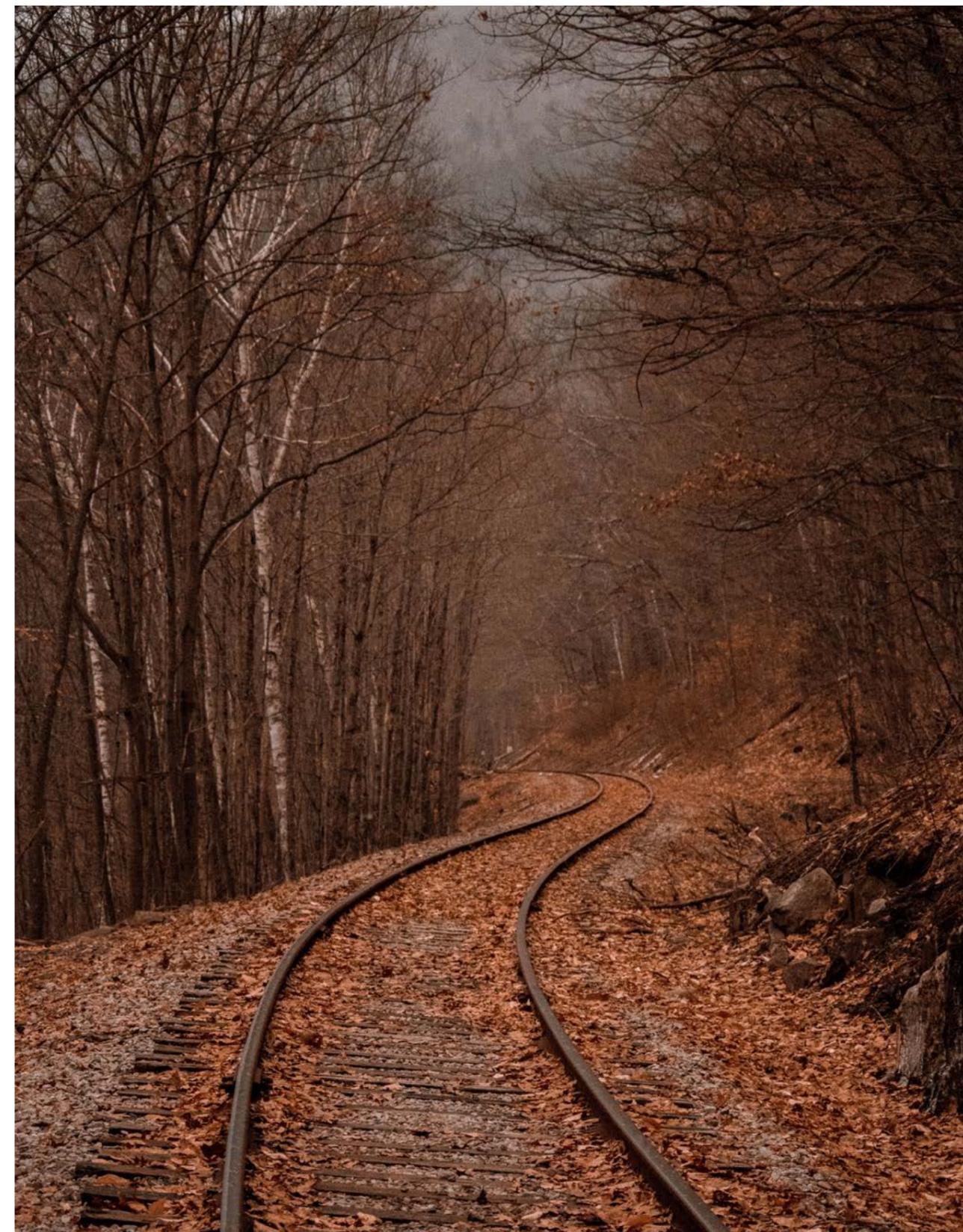
Improving our resilience

We're working hard to strengthen our resilience and adapt to climate change. We're also managing environmental risk by planning, monitoring, reviewing and, where appropriate, changing what we do.

Autumn is always a challenging period for the rail industry which can often significantly impact our customers, despite the hard work of our teams across Wales. Transport for Wales Rail Services and Network Rail carried out significant work to prepare for autumn 2019, including investing in wheel slip technology to improve resilience. An average of 108 trains were available each day in autumn 2019 compared with 99 in autumn 2018. Just 70 trains needed wheel repairs in autumn 2019 compared with 170 in autumn 2018 while there was a reduction of 10,852 delay minutes compared with the same period in 2018 - welcome news for our customers.

Other actions we took in 2019/20 to help improve resilience include:

- ✔ Building relationships with Natural Resources Wales, local authorities, the Coal Authority and the British Geological Survey to develop our knowledge and understanding of the Core Valleys Lines so we can understand the resilience of our railway infrastructure and the connection between the railway and third-party assets
- ✔ Developing a geographical information system with Network Rail using third-party data to understand assets most at risk from extreme weather events such as flooding. Added to this, we've also been reviewing performance data to map-out sites most at risk and taking action to mitigate these risks
- ✔ Undertaking a feasibility study on trackside renewables
- ✔ Achieving the Green Dragon Environmental Standard in recognition of our effective environmental management and the action we're taking to understand, monitor and control our impact on the environment



Delivering an effective transport network

We aim to operate our rail network as effectively as possible for the people and communities of Wales and the borders. In 2019/20 we made great strides in infrastructure improvements and development projects all designed to make our transport network as accessible and as reliable as it can be.

Core Valleys Lines asset transfer

In March 2020, we completed the transfer of the Aberdare, Coryton, Merthyr Tydfil, Rhymney and Treherbert lines, known as the Core Valleys Lines from Network Rail to TfW - the first time a transfer of this scale has taken place. In addition to the track, land, stations, signalling, bridges and tunnels, we also welcomed 27 Network Rail maintenance and operations employees to the TfW team. This transfer is a major step forward in our plans to deliver the South Wales Metro. The Core Valleys Lines are an important part of the South Wales Metro and we're now looking forward to transforming them so that they can run our new cleaner, greener and faster trains.

Case study

£8 million new station at Bow Street

Construction work on the new £8 million Bow Street railway station in Ceredigion started in January 2020. TfW, Network Rail and Ceredigion County Council are working in partnership to construct the new station.

Bow Street is the first new station to be built since TfW started running the Wales and Borders rail service in 2018. The station is the first of five planned new stations, demonstrating TfW's commitment to investing in connecting communities throughout Wales to the rail network.

Scheduled to open in late 2020, the station, which is funded by the Welsh Government and the Department for Transport through the New Stations Fund, will link the community of Bow Street to the national rail network for the first time since 1965.

Taff's Well Metro Control Centre

In January 2020, construction started on our new £100 million Metro Control Centre at Taff's Well. This will be a modern maintenance facility for the new tram-trains that will run on the South Wales Metro and a control centre overseeing Metro operations.

Treforest Metro Infrastructure Hub

Our Treforest Metro Infrastructure Hub, which opened in January 2020, is home to around 200 TfW, Transport for Wales Rail Services and infrastructure development partner employees. The new hub includes distribution facilities and management offices and is playing a vital role in the delivery and future maintenance of the South Wales Metro.

Bow Street station construction

Collaborating with Ceredigion County Council, Network Rail and the Department for Transport, we started constructing a new £8 million railway station at Bow Street in Ceredigion. Scheduled to open in late 2020, the station will be an interchange with a 69-space car park, links to local active travel networks and bus services. Part of our commitment to improve connectivity across Wales, the opening of the new station will see trains stopping at Bow Street for the first time in 55 years.

Served by trains on the Cambrian line between Aberystwyth and Shrewsbury, Bow Street station will be a multi-modal transport interchange with park-and-ride and cycle storage facilities. It will also provide access to Aberystwyth University's UK Innovation and Research Campus as well as its university's main campus and improve local transport links, opening up new employment and educational opportunities.

"The Bow Street Interchange project will make the railway more accessible for passengers from all over the county as well as reducing the amount of congestion on the roads within the area, therefore reducing the carbon emissions which, of course, is fundamentally better for the environment.

"The Cambrian Railway Partnership is proud to have been involved in this project from its inception and look forward to its opening later this year."

Claire Williams, Community Rail Officer, Cambrian Rail Partnership

James Price, TfW's Chief Executive and Ken Skates MS Minister for Economy, Transport and North Wales



Developing a continuously improving experience – placing the customer at the heart of what we do

TfW is committed to providing a world-class transport network of which the people of Wales can be proud.

We want to be a trusted and respected brand and our customers' satisfaction underpins all we do, from providing inclusive services to reducing journey times.

We know we have a long way to go to improve our customer experience and provide the best possible levels of customer satisfaction. That's why we've been busy making significant improvements across our services and the wider transport network in 2019/20. Here are some highlights:



Multi-million-pound fleet investment

In July 2019, we unveiled the first improvements to our fleet. Our Class 175 trains have been updated with USB and plug sockets, new seats, carpets, refinished tables and toilets. December 2019 saw the arrival of our first Class 170 trains, with air conditioning, on-board passenger information systems, WiFi and additional capacity on the Cheltenham to Maesteg and Cardiff to Ebbw Vale lines. We also introduced additional trains on the valleys lines, providing space for 6,500 more customers per week.

More Sunday rail services

Changes to our December 2019 timetable significantly increased the number of Sunday rail services we run across Wales and the borders and also reduced journey times between North and South Wales. Sunday timetables across Wales saw a 40% increase in services across the network with an additional 186 services added to improve links across Wales.

Innovations in our fares and ticketing

We also made a range of improvements to our ticketing and fares though the year, introducing several innovative options. Our customers can now book advance fares on almost 3,000 new routes. We also trialled smart ticketing across our network, introduced significant fare reductions and free child travel. Importantly, our January 2020 affordable fares initiative saw us reduce fares by over 1% on average across our entire network, with some routes seeing reductions of up to 14%.

Multi-million-pound Stations Improvement Vision

In addition to deep-cleaning all our stations and introducing new signage in 2019/20, we also announced our multi-million-pound investment programme to improve railway stations across our entire network. As part of this programme we'll be introducing additional free WiFi, improved shelters and CCTV, better cycle storage and improved passenger information.

On-board catering

In January 2020, we started directly operating on-board catering services on our trains, welcoming over 100 employees to the TfW team. We have ambitious plans to transform on-board catering services on our trains to provide our customers with a reliable and distinctive service featuring locally sourced food and drink. We're now working hard with local suppliers and our catering team to improve the service and increase its economic impact by supporting local suppliers and developing a local supply chain. We hope our customers and local suppliers will welcome these planned improvements.

Concessionary bus pass renewals

In 2019/20, we collaborated with all Welsh local authorities and the Welsh Government to roll out new-style Concessionary Travel Cards in four months. Just over 600,000 people had their concessionary cards renewed. Knowing that many people in Wales depend on their bus passes, we collaborated with partners such as Age Cymru to ensure this happened as smoothly as possible.

New Service Quality Regime introduced

We introduced a new performance incentive regime designed to improve the reliability and presentation of our trains and stations.

Wrexham – Liverpool service relaunched

In May 2019, we started running direct rail services between North Wales and Liverpool for the first time in 40 years, with three-services-a-day operating six days-a-week thanks to Network Rail's upgrade of the Halton Curve line.

New journey improvement targets introduced

In 2019/20 we introduced two new targets to drive improvements in our services and customers' journeys.

- ✔ Passenger Time Lost, is a new, industry-leading metric measuring average lateness at multiple stops on a journey, allowing us to track our customers' experiences and ensure they arrive on time
- ✔ The second, Short Formations, measures the percentage of services operating below required capacity in our timetable

Engaging with the Valleys Task Force

We held a series of roadshows with the Valleys Taskforce in Autumn 2019 at Aberdare, Bargoed, Ebbw Vale, Merthyr Tydfil, Neath, Pontypridd and Tondu so that local communities could learn about the improvements we're making to our transport network and the opportunities open to them. Local people joined us to discuss local transport issues and plans with the TfW team, their local authorities and local Members of the Senedd.

Welsh/bilingual station announcements introduced

As part of our commitment to being a bilingual brand, we introduced new and improved automated Welsh language/bilingual announcements at all our stations in 2019/20. We're also working towards introducing new and improved automated Welsh language/bilingual announcements on all our trains.

'We want to be a trusted and respected brand and our customers' satisfaction underpins all we do.'

Case study

Investment in our stations

September 2019 saw Ken Skates, Minister for Economy, Transport and North Wales launch in Swansea TfW's investment plan to improve all railway stations across Wales.

Our ambitious Stations Improvement Vision highlights the improvements we're planning over the next 15 years.

TfW's plans include free WiFi, improved shelters, CCTV, cycle storage and improved passenger information systems.

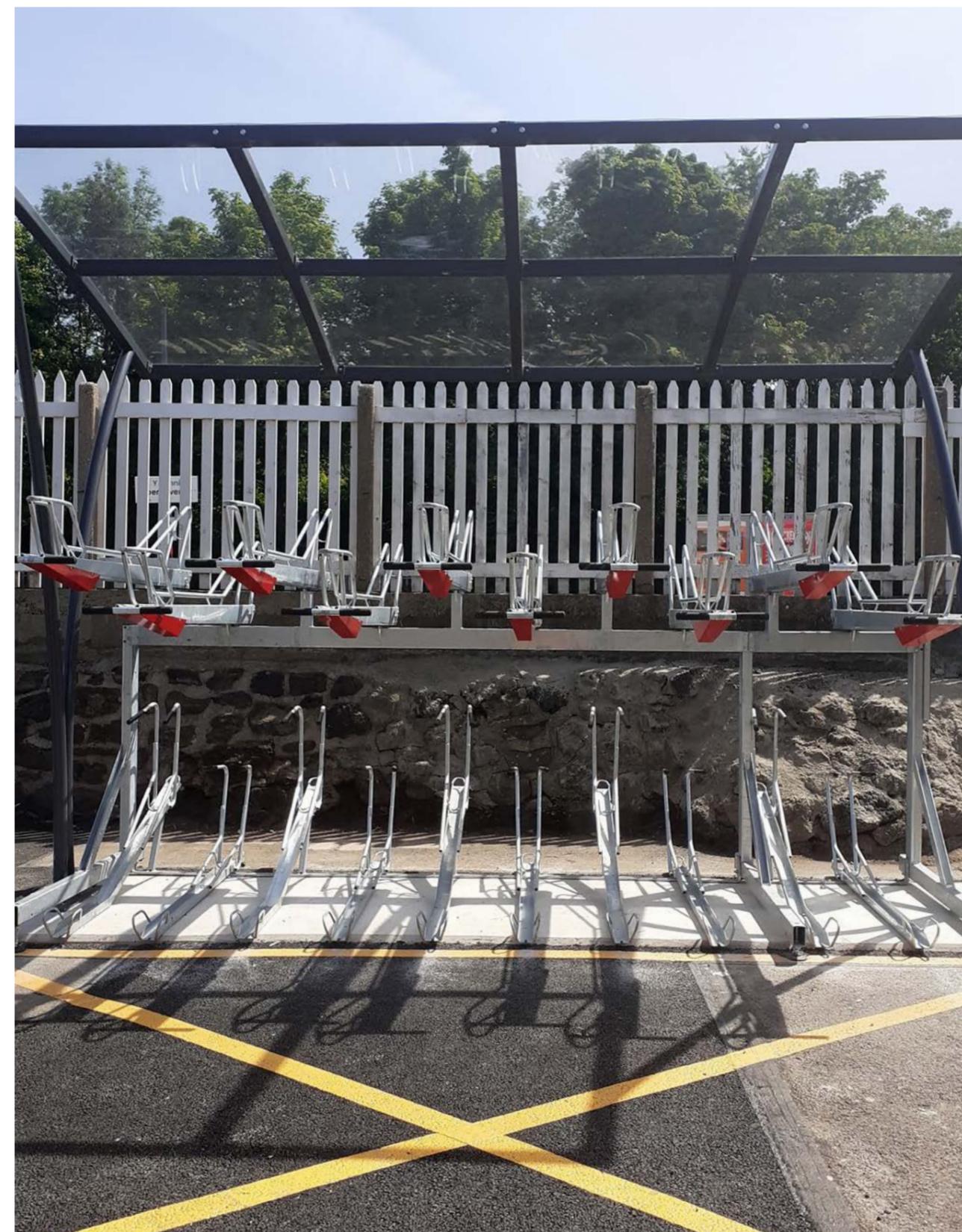
New retail facilities and community spaces are also planned at stations, creating opportunities for local businesses and communities.

Amongst other improvements, we'll also be expanding our Secure Stations Accreditation programme working with British Transport Police to make our stations safer and more welcoming for customers. This national scheme establishes standards of good practice and accredits individual stations where safety has improved.

"I applaud TfW's investment in Swansea's High Street Station; I'm pleased they're working with the council to improve this crucial gateway to the city. A brighter, fresher, more modern welcome to rail users into Swansea is very welcome; it complements the council's plans to regenerate the city centre and the High Street area.

"Being the first project in TfW's all-Wales station improvement vision, this adds to the excitement being generated by the celebrations around our 50th anniversary as a city. Swansea is undergoing its biggest regeneration for more than a generation. We are creating new opportunities that will see thousands more people live, work and play in the city centre."

Rob Stewart, Leader, Swansea Council



Delivering trusted, expert advice, leadership and innovation

TfW is proud to be a trusted Welsh Government adviser.

To provide accurate and meaningful advice, we need to be innovative and collaborate with a range of experts. In 2019/20 we built strong relationships with our customers, partners and stakeholders to understand important insights from high-quality data and information sources and ensure our decisions are based on the right evidence. We've also been involved in a number of innovative projects where we've worked in partnership with others to share our expertise in 2019/20.

Advising on land-use and transport planning

We're helping our stakeholders make well-informed decisions about infrastructure development by advising on land-use planning and modelling. In 2019/20, we provided professional advice to the South East Wales Transport Commission and in relation to the A483 Llandeilo transport study, both of which will require ongoing consultancy into 2020/21.

We've also been supporting the development of the Welsh Government's Wales Transport Strategy and our contribution to this crucial policy has been instrumental to its development.

Building our credibility as a transport delivery partner

Throughout 2019/20, we regularly met our stakeholders including local authorities right across Wales and the borders. We facilitated information sharing/gathering workshops to encourage joint working and also collaborated with local developers to create a comprehensive developer's guide. This guide will provide land developers with valuable knowledge about improving connectivity, for instance by protecting suitable corridors for potential Metro extensions.

We also reviewed several funding opportunities with the Welsh Government, Network Rail and Transport for Wales Rail Services. This includes providing evidence to support new station funds.

Having established TfW's Engineering Consultancy Services 2 (ECS2) framework, we also established our Business Consultancy Framework in 2019/20. This framework enables us to engage effectively with our supply chain partners to provide industry-leading transport consultancy, technical advice and project management services for a range of exciting projects.

Supporting integrated responsive travel

In 2019/20 we worked with local authorities, operators and established transport providers such as Grass Routes and Bwcabus to understand how passenger-focused bus transport can be delivered cost effectively across the whole of Wales.

We're also establishing three Integrated Responsive Travel (IRT) pilots where journeys can be booked using an app or by calling a national contact centre and intend to launch more in the coming year.

IRT will offer passengers the opportunity to book trips on a semi-scheduled basis that will pick them up close to home. The first services will be provided using brand new high-specification minibuses with grant funding from the Welsh Government.

In one pilot we're supporting Blaenau Gwent County Borough Council in its engagement with community organisations, commercial and community transport operators to assess how IRT could help address social isolation and help people to travel to work more cost effectively. Local communities have responded positively and we hope to begin consultation on potential services in 2020/21.

We've also been at the forefront of a pilot IRT service for Pembrokeshire County Council, collaborating with community transport operator, Pembrokeshire Voluntary Transport on a trial for the St David's peninsula. This pilot has started and has been transporting children to school.

Finally we've supported Conwy County Borough Council with extensive stakeholder engagement to understand how an IRT service could replace a number of under-used council-funded services in the Conwy valley. This new service is also expected to begin in 2020/21.



Case study

Construction begins on TfW's Metro Control Centre

January 2020 saw construction work start on TfW's new £100 million Metro Control Centre at Taff's Well which is a key part of the South Wales Metro and part-funded by the European Regional Development Fund through the Welsh Government.

The centre will include a modern maintenance facility for our new tram-trains that will be part of the South Wales Metro as well as a control centre for Metro operations, including signalling and train movements.

Located on the Garth Works Industrial Estate at Taff's Well, the centre will be home to around 400 train crew, 35 train maintenance employees and 52 control centre employees.

"This is yet another major development in Transport for Wales' plans to deliver the South Wales Metro for the people of South East Wales. Transport is being transformed in Wales and it's great to see more real examples of progress."

"The South Wales Metro is an investment of three quarters of a billion pounds and this £100 million depot is a major part of that. It will act as a home for our brand-new Metro Vehicles, where servicing and maintenance will take place and the control centre will oversee running operations."

Ken Skates MS, Minister for Economy, Transport and North Wales

Active travel

We're passionate about increasing levels of walking and cycling with a purpose in Wales, to ensure we all benefit from the environmental, health and other benefits active travel can bring. In 2019/20, we helped the Welsh Government to improve implementation of the Active Travel (Wales) Act 2013. We:

- ✔ Provided specialist advice and expertise to update the guidance that underpins the Active Travel (Wales) Act 2013
- ✔ Reviewed and updated the application process, assessment criteria and guidance notes for the Active Travel Fund programme to help improve the quality of approved active travel schemes
- ✔ Provided evidence to support the Welsh Government to develop policies and strategies including Healthy Weight: Healthy Wales and the Clean Air Plan for Wales
- ✔ Assessed and evaluated tenders for a new schools-based behaviour-change programme as well as local authority funding bids through the Welsh Government's Safe Routes in Communities and Active Travel Fund programmes
- ✔ Provided active travel advice and expertise on the development of Valleys Taskforce Masterplans for Caerphilly, Merthyr Tydfil and Pontypridd
- ✔ Coordinated specialist stakeholder contributions on active travel through a number of workshops to enhance infrastructure proposals for our Taff's Well Metro Control Centre as well as station cycle facilities
- ✔ Conducted an employee travel plan survey to help develop TfW's Travel Plan, helping to support Cardiff's Healthy Travel Charter
- ✔ Promoted active travel at several conferences

We've also been developing our Active Travel Strategy, setting out our objectives and plans for the work we do to enhance and promote active travel in years to come.

Exploring the feasibility of extending the South Wales Metro

In October 2019, we set up a project team to explore the feasibility of extending our rail network beyond the current planned transformation of the Core Valleys Lines.

Taking a data-led approach, the team held workshops to consider demand and demographic data and review the feasibility of a range of potential network extensions, considering factors such as the overall capacity of the South Wales Metro rail network, stakeholder aspirations, delivery timescales and indicative costs.

Project checkpoint process

We're growing rapidly and have a number of major projects with significant risk profiles underway. In 2019/20 we refined our management and governance, updating our processes to provide further assurance that each of these projects has a clear life cycle, appropriate governance and is auditable at all stages.

Design reviews

We're collaborating with the Design Commission for Wales to agree a joint strategic approach to our future major projects and programmes. We'll be undertaking design reviews and thought-leadership workshops with the Commission to agree practical steps to spearhead design quality in our future infrastructure developments. Our aim is to align TfW's systems, processes and culture to maximise the benefits of these developments for our customers, stakeholders and the communities of Wales.

Healthy Weight: Healthy Wales

We're members of the National Implementation Board for Healthy Weight: Healthy Wales which sets out the Welsh Government's ambitious ten-year plan to transform the way the people of Wales make everyday decisions about their weight and well-being.

We're working on guidelines to promote/advertise healthy choices at our stations. We're also providing free water refill points at several of our stations.

On-board catering

In January 2020, we started running the on-board catering services on our rail services, welcoming over 100 employees based at five depots to the TfW team from the private sector. We're now developing and enhancing our services to provide our customers with a high-quality, distinctive service that increases opportunities for local small and medium-sized businesses.

Expanding our consultancy team

We expanded our consultancy team in 2019/20, boosting our in-house capabilities with the appointment of additional project managers, project engineers and an apprentice to support the Welsh Government's highways function. We now plan to expand the team further, recruiting more transport planners and project managers to boost our capability to deliver the large-scale projects that will underpin Wales' future transport network.

Our analytical unit

At TfW we're committed to ensuring our decision-making is evidence-based and in 2019/20, we expanded our analytical unit to include a range of in-house transport analysis functions.

Our aim is to understand current and desired future transport usage in Wales to improve the quality and consistency of the evidence underpinning transport decision-making and investment in Wales.

In 2019/20 our analytical unit:

- ✔ Started developing new transport models covering South West, Mid and North Wales. These new models will complement the existing South East Wales model, providing computerised representations of people's journeys by rail, bus and road
- ✔ Provided data-led evidence to support the Welsh Government in preparing both the Wales Transport Strategy and the National Development Framework as the new development plan for Wales
- ✔ Established a joint working group for a new National Travel Survey for Wales

Taking a more proactive approach to transport demand analysis and transport model development will enable TfW to ensure that future transport projects and programmes are delivered more effectively, achieve better value for money and meet the needs of the people of Wales.

'In 2019/20 we built strong relationships with our customers, partners and stakeholders to understand important insights from high-quality data and information sources and ensure our decisions are based on the right evidence.'

Building an organisation and partnerships capable of achieving our purpose

Our strong culture, capable team and close partnerships were fundamental to our achievements in 2019/20.

We're committed to becoming an employer of choice. We want our employees and partners to be proud to work for us. We created 90 jobs in 2019/20 and achieved scores of 97% for well-being and 75% for employee satisfaction in our employee engagement survey in October 2019.

TfW aims to deliver public investment with a social purpose fully aligned with Welsh Government policies that benefits the people and communities of Wales. We introduced a range of initiatives to help us achieve this in 2019/20.

Case study

A fair day's pay for a fair day's work

Our accreditation as a Living Wage Employer means that everyone working for TfW will receive a minimum hourly wage of £9.30, significantly higher than the National Minimum Wage for over 25s of £8.21 per hour.

As a not-for-profit Welsh Government company, TfW aims to deliver public investment with a social purpose that's aligned with Welsh Government policies and brings benefits to the people, communities and businesses of Wales.

TfW has joined over 5,500 responsible UK employers voluntarily committing to go further than the national minimum wage to make sure all employees earn enough to live on.

As part of our Sustainable Development Plan we've also committed to paying our sub-contractors the Living Wage and in future we'll only select suppliers paying their employees the Real Living Wage.

Gender pay gap

In April 2019 TfW's Gender Pay Gap (GPG) was 18.6% and decreased to 14% by the end of December 2019. Between January and March 2020 our headcount increased to 305 from 136 in December 2019. This increase included 104 catering colleagues. Accordingly, with the majority of senior and middle management roles being held by male colleagues, our GPG has been significantly impacted by this transfer.

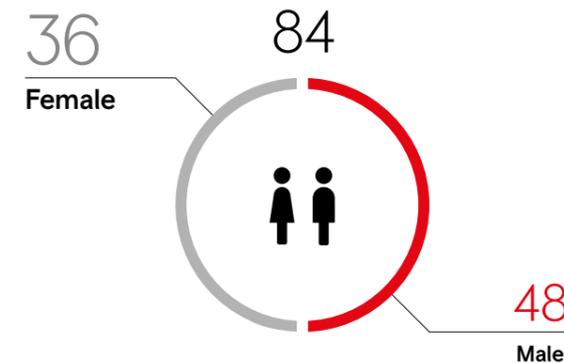
Our pay model will ensure that in future the only differences in pay are based on contribution and performance. This will take some time to impact our GPG in a positive way. Equally, at a time when we launch our equality objectives, we're working very hard to ensure equality of opportunity for all employees.

"We're pleased that TfW can play its part in supporting the Welsh Government's aim to make Wales a Fair Work Nation and we're delighted that TfW is now formally recognised as a Living Wage Employer.

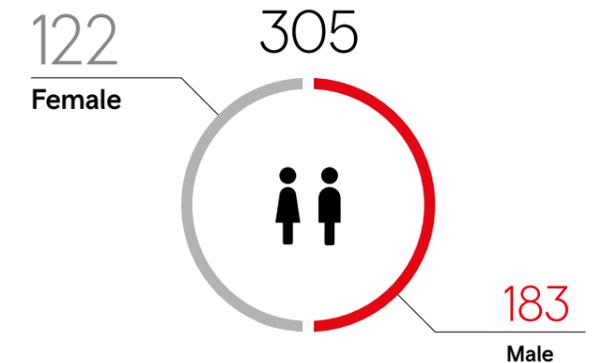
"We're building a diverse team at TfW which mirrors the communities we serve and the commitment of our employees is essential to our success. We want everyone working for TfW to feel valued and have a fulfilling career and we believe that a fair day's work deserves a fair day's pay."

Lisa Yates, Director of People and Organisational Development, Transport for Wales

Headcount March 2019



Headcount March 2020



Payroll



2020

£7.7million

2019

£2.0million

Retention



98.7%

Median pay



Median gender pay gap



Building our 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.

In 2019/20 we proposed a partnership agreement based on trust and shared understanding with our trades union partners that recognises that we can only achieve our goals when we cooperate and collaborate. Our collaborative and transparent approach to building an effective social partnership will drive continued success, ensuring TfW becomes an employer of choice. We also welcomed a representative of our recognised trades unions as an observer at our Board meetings. Gareth Howells (Prospect) attended our Board meetings from October to December 2019 and Natalie Feeley (TSSA, the Transport Salaried Staffs' Association) attended the March 2020 meeting.

Our apprentices

We aim to attract motivated, skilled and qualified people to TfW and in 2019/20, we welcomed our first apprentices. We recruited seven apprentice project managers to work in our Infrastructure and Corporate Service teams.

Creating tomorrow's leaders

Partnering with the Future Generations Commissioner for Wales we supported the 2020 Future Generations Leadership Academy to help create tomorrow's leaders and support young people with opportunities to learn and enhance their skills. One of our employees is participating in this ten-month programme which started in January 2020.

Our commitment to the Real Living Wage throughout our supply chain

We became an accredited Real Living Wage Employer in November 2019, ensuring that all eligible employees receive a minimum hourly wage 13% higher than the current minimum wage. With around 268,000 jobs in Wales paying less than the real Living Wage, as a not-for-profit Welsh Government company we're also ensuring that our suppliers pay the living wage.

New board appointments

In September 2019, Vernon Everitt, Transport for London's Managing Director for Customers, Communication and Technology joined our Board as a Non-Executive Director.

Our North Wales business unit

We opened our North Wales Business Unit in Wrexham in 2018 with just two people. Now a team of 11, the unit will soon be moving to a new home that will accommodate 24 colleagues before moving to Wrexham General Station as part of the Wrexham Hub.

Moving to Pontypridd

Construction of our new headquarters at Llys Cadwyn in Pontypridd town centre progressed in 2019/20 and in December 2019 we signed an agreement to lease the building from Rhondda Cynon Taff County Borough Council. We're creating the headquarters of what we hope will be a world-class organisation as well as a vibrant workspace that fosters a culture of collaboration and innovation and is also conducive to employee well-being.

We're committed to economic regeneration and pleased to be playing our part in driving sustainable growth in the Welsh economy. Our ambition is for Llys Cadwyn to become a hub for high-value jobs in the transport sector for people living locally. Llys Cadwyn is part of a wider regeneration scheme that will achieve significant economic benefits for Rhondda Cynon Taff and we want local people to be proud that our headquarters is located in Pontypridd.

By March 2020, 99.82% of construction waste from the project had been diverted from landfill and since construction started in March 2018, over 2,700 weeks of work have been created for local people, from the long-term unemployed to trainees and apprentices.

In 2019/20 we started to consider how we can encourage local regeneration and we started building relationships with local businesses. We also started giving back to the community through our employees' volunteering activities and our employees volunteered their time following the storms in February 2020.

Wales' future skills challenge

We're playing a key role in shaping Wales' future workforce to help the Welsh economy to thrive.

The construction and infrastructure projects we'll be delivering will provide new employment opportunities and help to address this skills challenge. We joined the Skills Partnership Employment and Skills Plan working group which aims to understand available skills as well as future skills needs. This working group also plans to strengthen relationships between infrastructure commissioners, government, business and schools, colleges and training providers to embed collaborative working and overcome the barriers to delivering significant investment projects in Wales.

Pay and total rewards

In 2019/20, in line with our aim to be a progressive employer and to build a learning-based culture that encourages high-performance, we introduced our new pay and employee total reward system.

Developing our finance and human resources systems and processes

We implemented our new finance system in 2019/20, enabling us to streamline our project accounting processes with security-controlled workflow approvals. This maximises visibility of our financial performance and improves the effectiveness of our decision-making. It also enables us to build effective relationships with our suppliers.

We procured and implemented our new HR system. We also implemented a range of new policies and procedures to enable us to grow whilst maintaining compliance in key areas such as security vetting and employment law.

Case study

Investing in future talent

As partners of the 2020 Future Generations Leadership Academy, we're investing in creating a leadership legacy which supports those who need to act today to create a better tomorrow.

The Future Generations Leadership Academy is a partnership programme led by the Future Generations Commissioner for Wales, Sophie Howe. The Academy supports young people with opportunities to learn and enhance their skills, to ensure we have strong leadership in Wales today and in the future.

TfW also invested in apprentices in 2019/2020, with seven joining the team as project management apprentices working towards Level 4 Project Management qualifications. This 18-month programme includes work-based learning, workshops and an examination on the principles of project management.

Alannah Lewis joined TfW in September 2019. She was a pupil at St. Martin's School in Caerphilly before studying law through the Open University.

"I really wanted to be part of something new and exciting. I love how TfW is so progressive and forward-thinking. We really are transforming Wales and I'm proud to be part of the team."

"My career is off to a great start and I'm really enjoying working on such exciting projects. I also recognise how fortunate I am to be part of a culture that nurtures such positivity, innovation and self-development."

Alannah Lewis, Apprentice, Transport for Wales

'We aim to attract motivated, skilled and qualified people to TfW.'

Looking ahead - our strategic objectives

We're entering a new era for transport in Wales and we've already started a significant programme of investment in our transport infrastructure.

TfW's remit is continually evolving and already includes more than rail. In 2019/20 we continued to grow and delivered a range of projects across different modes of transport. Key examples included collaborating with all Welsh local authorities and the Welsh Government to roll-out new-style Concessionary Travel Cards as well as driving forward plans for the future of Wales' bus services, Integrated Responsive Travel and Active Travel.

Transport is likely to continue to change in future and while we have a lot to do in the coming years, our vision and purpose will ensure we stay focused, embrace change and help to drive and shape our decision-making.

Coronavirus and our future plans

We've been developing our ambitious future plans since TfW was established and prior to the current Coronavirus pandemic. We're an agile company and we've adapted to the challenges we're currently facing while also reviewing and developing our longer-term plans and managing the resulting financial consequences effectively.

We ran a reduced timetable during lockdown to support key workers and customers making essential journeys. We also withdrew catering services on our trains in March 2020 and have continued to support our employees at this difficult time.

We put in place measures to support social distancing on our trains and at our stations. We also launched our Travel Safer campaign and supported the Welsh Government's Keep Wales Safe campaign in addition to working closely with Wales' bus operators, including launching the new fflecsi bookable bus service pilot on certain routes in Newport.

Recognising the long-term impact of Coronavirus, we'll adapt our plans throughout 2020/21 so that customers can use public transport as safely and conveniently as possible in future. We'll continue to engage with our customers, businesses, stakeholders and the Welsh Government as we develop and implement our plans. We'll also consider how technology and new ways to run services can help us to adapt.

We'll adapt our plans throughout 2020/21 so that customers can use public transport as safely and conveniently as possible in future.



Create a safe, sustainable, resilient and effective transport network

Our aim is to make travelling easier and improve connections between different modes of transport and different regions by providing a high-quality, integrated transport infrastructure and associated services. We're transforming our transport network into one that's fit for the future and that our customers can rely on. So, whether they're travelling by train, bus, cycle or on foot, our customers can expect better, safer and more joined-up journeys.

We're also making the most of technology to ensure our whole network is well-run and more joined-up. Sustainable development is at the forefront of this, helping to minimise our impact on the environment, and ensure we have a measurable impact on Welsh society by contributing to a thriving Welsh economy now and in future.

Our focus in 2020/21

Delivering and managing services across different modes of transport	<ul style="list-style-type: none"> • We're developing a service improvement plan for the Wales and Borders rail service. • Having taken ownership of the Core Valleys Lines at the end of March 2020, we're starting to build the South Wales Metro, an exciting new, world-class transport network that will transform the way we travel, whether by train, bus, cycle or on foot. • We're supporting a range of consultation, engagement, training, communication and awareness-raising activities to improve the implementation of the Active Travel (Wales) Act 2013, as well as helping with the procurement of all Wales services such as the expansion of public cycle hire schemes.
Embedding sustainability in our transport network	<ul style="list-style-type: none"> • We aim to achieve net-zero carbon emissions by 2030 by adopting a net-zero approach to both our own operations and those we influence – we're developing a plan to deliver a zero-emissions bus, taxi and private hire vehicle (PHV) fleet in Wales by 2028. • Using renewable energy sources for our operations, we'll reduce our greenhouse gas emissions and minimise waste wherever possible.
Building a resilient transport network	<ul style="list-style-type: none"> • We've created an Infrastructure Manager of Last Resort (IMLR) and Shadow Network Licence for the Core Valleys Lines. This means that we can operate the Wales and Borders rail service and South Wales Metro if our infrastructure development partner can no longer do so. • We're reviewing our long term future rail capacity, including developing a costed plan and procurement approach to achieve future growth. • By conducting risk and impact assessments we'll ensure that we have robust adaptation plans to respond to climate change, as well as the impact of the Coronavirus pandemic.
Planning and delivering an integrated, intelligent and end-to-end transport network	<ul style="list-style-type: none"> • We're working with the Welsh Government to develop an integrated transport infrastructure to meet residential, business and public service needs, including the Cardiff Central Masterplan, Metro, our bus network and Integrated Responsive Transport. • We'll provide more integrated services through our account-based ticketing system, building links with cycle hire systems, bus services and automatic number-plate recognition systems at TfW's car parks.

Develop a continuously improving experience – placing the customer at the heart of what we do

We're working hard to ensure our customers have an exceptional experience when they're travelling on our network and using our services. That's why our customers are at that heart of all we do and we're continually improving our understanding of their needs.

We're starting by making sure that our services are accessible, reliable, safe and good value for money, but we're also going much further. Our people will make our customers feel appreciated, cared-for and valued. They'll put customers first and we'll empower them to make the right decisions.

We're building an efficient, joined-up transport network and providing our customers with better travel information so they can make the most of it.

Our focus in 2020/21

Designing for our customers' travel and transport experience	<ul style="list-style-type: none"> • When we're designing a seamless travel experience for our customers, we'll consider wider end-to-end travel patterns and needs and aim to provide services and develop partnerships to make travelling easier. • We'll improve connections between different modes of transport across our network by providing high-quality integrated transport services that meet our customers' current and future needs. • We'll also support the procurement and implementation of a new rail replacement service in 2020/21.
Delivering affordable, attractive and accessible transport services	<ul style="list-style-type: none"> • We'll support accessibility improvements across our transport network and also seek opportunities to pass on any savings from our operational efficiencies to make our services more affordable and help reduce poverty. • We'll develop an action plan to become a 'Dementia Friendly' organisation and engage with the Alzheimer's Society Cymru to improve our stations, wayfinding and accessibility.
Engaging with our customers and communities	<ul style="list-style-type: none"> • Introducing a new customer service training and engagement programme for all employees to embed a customer-focused culture throughout TfW. This will include developing a new approach to managing customer contact. • By making sure we understand both current and future transport needs across the whole of Wales when planning network improvements, we'll continue to collaborate and engage nationally, regionally and locally to develop our understanding and ensure that we deliver best value. • Continuing to develop our new advisory structure with the implementation of a virtual customer panel - a representative group of TfW customers advising us on improving customer engagement and consultation. • Developing our insight by engaging with the public to understand non-transport users' concerns. • Working collaboratively with the Welsh Government we'll develop a National Transport Survey for Wales. We'll also work with Visit Wales to help improve the tourist experience, as set out in Welcome to Wales - Priorities for the Visitor Economy 2020-25.

'Our people will make our customers feel appreciated, cared-for and valued.'

Influencing a positive change in customer behaviour and informing expectations	<ul style="list-style-type: none"> • By raising awareness of the need for sustainable services, we'll encourage more responsible travel choices and also launch communication campaigns to set expectations and positively influence travel choices.
Creating an experience based around healthy living	<ul style="list-style-type: none"> • Creating an enjoyable, healthy and safe experience for our customers, whatever time of day or night they use our services, whatever the weather. • Focusing on promoting active travel and reducing noise, improving air quality, and providing nutritious food, water and shelter for our customers when they're using our services. • Reviewing and assessing the impact of pollutant emissions from all our existing and future operations to make sure they don't exceed European or national ambient air-quality limits. We'll review this annually and aim to operate ultra-low emission technologies. • Developing a plan to offer free public water refill points at as many of our stations, new transport interchanges, electric vehicle charging points and other sites as possible.
Being a respected, bilingual and customer-focused brand	<ul style="list-style-type: none"> • We're proud to be a Welsh organisation and want to earn the trust of our customers by building a respected, bilingual and customer-focused brand that will become part of the fabric of Welsh life. • Developing a plan to integrate and rebrand some of our public transport services including the Metro and cycle hire schemes across Wales – and introduce integrated ticketing where we can. • Rail customers will benefit from new digital platforms during 2020. • Continuing to play an important role in supporting the Welsh language and Welsh culture, to preserve its heritage and meet the requirements of the Welsh Language Act 1993 and Welsh Language (Wales) Measure 2011. • Developing and promoting TfW's brand and values both internally and externally, to improve perceptions wherever possible. • Providing meaningful, timely service information, improving the transparency of our communications and embedding excellence in our customer service and marketing, especially during times of disruption. • Continuing to suggest and deliver bold and ambitious longer-term project ideas to help support the long-term ambitions we've set out in our strategic goals.

Deliver trusted expert advice through leading, innovating and collaborating

Looking to the future, we want to continue to develop our capability as a trusted adviser to deliver the Welsh Government's vision for transport. We know we can do this by collaborating with our customers, partners and stakeholders, being a sector leader and being respected for our well-informed and reliable advice.

We want to provide leadership in transport, helping our partners and supply chain to maintain market relevance and earn the trust and respect of our customers, partners and stakeholders. We'll identify, evaluate and support opportunities to improve efficiencies, explore new revenue streams and reinvest in transport.



Our focus in 2020/21

Advising on land-use and transport schemes

- Continuing to build our pan-Wales analytical unit to support demand-modelling, analytical-assurance and evidence-gathering. We'll also re-launch the National Transport Survey.
- Developing our capacity and capability to provide professional consultancy services and to work closely with the Welsh Government to develop business cases and undertake feasibility studies. In 2020/21 our focus will include supporting the Welsh Government in the delivery of sections five and six of the Heads of the Valleys road scheme and developing a full business case for the redevelopment of Cardiff Central station.

Being a leader and a credible delivery partner in the transport sector

- Supporting the development of the Welsh Transport Strategy and the National Transport Plan, helping to future-proof transport in Wales. We'll also continue to support the work of the South East Wales Transport Commission and collaborate with the Design Commission for Wales.
- Engaging with Welsh local authorities, Members of the Senedd, Welsh MPs, the public and media to help our stakeholders and members of the public understand our responsibilities, as well as our business and operational plans.
- Working with the Welsh Government, we'll take an increasing role awarding local transport grant schemes, supporting the continued development of effective delivery and monitoring arrangements.
- Collaborating on local government legislative reforms and shaping policy regulations for transport that relate to data, technology and other areas where appropriate.

Investing in research, development and innovation

- Investing in our research and development capability to further our thinking on applying innovative new technologies to satisfy Wales' transport needs, research new business models and harnessing the power of our data.
- Continuing to explore innovative ideas and opportunities to expand our portfolio and deliver transport services more effectively.

Sustaining financial strength and reinvesting in transport

- Working with the Welsh Government to deliver 15-20% efficiency savings in capital expenditure in the next five years, improving value for money for taxpayers.
- Developing a plan to generate enough efficiency savings to cover the costs of our operations by using technology to simplify processes, eliminate duplication and improve our efficiency.
- Continuing to develop and consider proposals to invest in transport delivery businesses.
- Working with the Development Bank of Wales to identify innovative funding solutions that could maximise opportunities for our Welsh supply chain.

Realising ecological value, social benefits and economic prosperity

- Identifying, evaluating and supporting opportunities to rethink the land-value-capture process, driving value and preserving biodiversity.
- Starting to develop transport interchanges, regeneration plans and transit-oriented development in areas around our railway stations.
- Supporting the Welsh Government with its electric vehicle policy development and starting to procure a partner which can help to fund, build and operate a Wales-wide network of electric vehicle charging points.

Build an organisation and partnerships capable of delivering our purpose

We have ambitious plans and to achieve our goals we need to develop our people's knowledge and skills. We're passionate about creating a fair, diverse and inclusive workplace and making TfW a great place to work.

Our focus in 2020/21

Being an employer of choice	<ul style="list-style-type: none"> • Recruiting and retaining the best employees and continuing to diversify our recruitment activities through outreach into local communities. • Reinforcing our Welsh language and Welsh culture commitments as a bilingual organisation and funding/supporting all colleagues who want to learn Welsh. • Developing our Equality, Diversity and Inclusion Strategy, reviewing our recruitment policies and succession planning.
Developing partnerships and embracing the capabilities of our supply chain	<ul style="list-style-type: none"> • Developing strategic partnerships through our procurement framework to help drive our vision across a range of activities including active travel, quality assurance and research. Partnering with universities, centres for educational excellence and others to pilot the use of advanced technology to improve and enhance safety, improve sustainability and reduce the environmental impact of our transport network. • Identifying collaboration opportunities to maximise value for money, developing a strategic alliance with Network Rail, for instance, to improve the effectiveness of planning and project delivery across our railway infrastructure. We'll form alliances with both small and medium-sized businesses as well as larger organisations to procure more services locally and regionally. We'll also seek opportunities to collaborate with stakeholders to respond to the recommendations of the Williams Rail Review.
Creating an agile, sustainable and high-performing organisational culture	<ul style="list-style-type: none"> • We want to create an agile, engaging and sustainable culture, both to enhance performance and improve employee satisfaction. Focused on safety, health, well-being and sustainability, we'll empower our people to deliver our services to the highest standards. • Developing a plan to achieve the Corporate Health Standard, promoting our employees' health and well-being and reporting on how our ways of working and well-being goals align with the Well-being of Future Generations (Wales) Act 2015. • Exploring new and agile ways of working to develop an engaged, high-performing culture supported by our strong customer-focus and values.
Developing our team, skills and leadership	<ul style="list-style-type: none"> • Maximising opportunities for our people to learn, upskill and develop their careers, skills and leadership capabilities. • Taking a lead role in developing apprenticeship programmes and creating skilled jobs closer to home with our delivery partners. • Investing in training our people to address any skills gaps and contribute to a thriving Welsh economy. We'll also seek opportunities for our people to develop transformation, change-management and leadership skills and capabilities.
Futureproofing our workplace and associated infrastructure	<ul style="list-style-type: none"> • Implementing our workplace strategy when we move to Llys Cadwyn to identify and minimise any potential inefficiencies in our systems and processes. • Setting out 'best in class' cyber security plans, addressing gaps identified in our Cyber Security Internal Audit Report including emerging cyber threats. • Introducing a smart ticketing transaction processing engine to provide the central transaction hub and security for our station gates, on-bus ticket machines, in-store and online retail and other systems.



Tenby, Pembrokeshire

Risk

We face complex and wide-ranging risks. Effective risk management is essential to our operations and strategy.

This includes risks in the management of the contract to run the Wales and Borders rail service and the need to ensure that we're satisfied that, for example, risks such as safety, customer and environmental are managed appropriately by Transport for Wales Rail Services. There are also a range of risks associated with the transformation of the Core Valleys Lines as our Infrastructure Development Partners build the South Wales Metro.

We're also managing risks with delivering our on-board catering services. Our involvement and leadership of key projects such as the Concessionary Travel Card renewal and the Welsh Transport Strategy has also meant that we've had to manage direct and indirect risks associated with these projects.

We continued to develop our Risk Management Framework in 2019/20 and have increasingly embedded risk management within TfW. Formal risk identification and management processes ensure that we're continually identifying, evaluating and, wherever possible, mitigating risks in our day-to-day operations, as well as our external environment and the economy more widely.

TfW's Board is responsible for ensuring that we maintain a sound risk management and internal control system.

Set out in this section is:

- a description of our risk management objectives
- the role of individuals and teams in managing risk
- a description of the principal risks and uncertainties that TfW faces

Risk management objectives

The overriding objective of our risk management system is to ensure that risks are effectively identified, mitigations developed, and management actions delivered to reduce the level of risk held by the business to a safe level. As a Welsh Government-owned company, our overall approach to risk management is underpinned by the need to safeguard public money by providing value for taxpayers, money through the economic, effective and efficient use of the resources given to us.

Our management systems work to achieve the following objectives:

- ✓ Ensuring that risk management is embedded in the organisation. Embedding risk management means that evidence of the implementation of policy and procedures can be readily discovered in the organisation and reflected in the outputs that TfW delivers
- ✓ Ensuring 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
- ✓ Ensuring, in so far as is possible, that the Risk Management practice of our supply chain is consistent with our approach
- ✓ Testing and benchmarking our risk management practices against those adopted in other organisations by seeking regional, national and international recognition
- ✓ Proactively seeking feedback about the effectiveness and efficiency of our risk management practice from stakeholders and employees, both confidentially and non-confidentially

Risk management roles and responsibilities

All employees within TfW are required to adhere to our risk management policies and procedures. TfW's risk management policies and procedures are applicable to all colleagues, appointed consultants and secondees.

The Chief Executive, as Accounting Officer is responsible for ensuring that appropriate and effective risk management policy and procedures are developed and implemented in the business, providing reports on risk profile and advising on mitigating controls.

We employ several risk management professionals, who are appropriately qualified and competent within their field to advise on, develop and manage our risk management systems and processes. They regularly consult with external bodies to ensure that our approach and practices are consistent with good practice and legal requirements where applicable.

On a monthly basis, as a minimum, TfW's Senior Leadership Team is responsible for collectively reviewing strategic and operational risks, providing a report to the Board on how those risks being managed, their maturity and the mitigating steps being taken to reduce or remove them.

The Board reviews this report at every meeting and discusses and challenges management on its assessments. The Audit and Risk Committee meets quarterly and is responsible for oversight of the risk management framework, TfW's risk management policy and procedures and ensuring that the controls put in place to support the mitigating actions are appropriate. It is supported by internal audit in its review of the internal control framework. The Audit and Risk Committee also seeks further insight and assurance on TfW's practices, challenging assumptions and seeking change and development where required.

Principal risks

The table overleaf sets out the principal risks that could affect TfW as determined by the Board. The content of the table, however, is not intended to be an exhaustive list of the risk and uncertainties that may arise.

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

'TfW's Board is responsible for ensuring that we maintain a sound risk management and internal control system.'

Risk name	Risk description	Mitigating actions	Progress	Speed at which the risk could impact
Business failure of an Infrastructure Development Partner	Business Failure of an Infrastructure Development Partner during the redevelopment of the Core Valleys Lines, leading to a decline in performance, lack of available workers and disruption to infrastructure development	<ul style="list-style-type: none"> Assessments of supplier stability are undertaken at procurement stage Regular monitoring of supply chain health to understand supplier health The procurement approach is via dedicated frameworks, enabling work to be commissioned through other suppliers where necessary 	<ul style="list-style-type: none"> Proactive steps have been taken to engage with suppliers during the Coronavirus crisis and understand how pressures on them can be supported by TfW Supply chain and contract management systems have been enabled in TfW, providing greater clarity and insight 	Less than three months
Business failure of the rail services delivery partner (ODP)	Business Failure of the ODP during the life of the Grant Agreement. This may be caused by incidents such as the Coronavirus crisis, a long-term requirement for additional funding, delays to major programmes such as rolling stock delivery or macro-economic changes such as the United Kingdom leaving the European Union	<ul style="list-style-type: none"> The Grant Agreement makes provision for changes of operator ownership - specifically surrounding the legal entity delivering services (Keolis Amey Wales Cymru Limited) 	<ul style="list-style-type: none"> Support payments have been made to the ODP during the Coronavirus crisis to ensure ongoing stability Discussions continue on the future stability of the contract and further financial support which may be required 	Less than a year
Coronavirus peaks again	Risk that the Coronavirus may peak again in the United Kingdom, impacting the business through ill health of employees and customers, leading to a reduction in service availability, use and consequential financial impacts	<ul style="list-style-type: none"> Learning from the March 2020 outbreak has informed business continuity plans, enabling more detailed preparation IT systems are developed and tested to ensure that they are fit for remote working in the event of an incident 	<ul style="list-style-type: none"> Regular engagement takes place with the Welsh Government to understand the likelihood and impact of outbreaks Preparations have been developed and tested during the March 2020 outbreak, enabling TfW to be better prepared for any future events 	Less than three months
Delivery of the Core Valleys Lines transformation	Risk that the Core Valleys Lines transformation programme is not delivered to time and/or budget and that the system is not properly integrated. Delays in the programme could potentially lead to the loss of ERDF funding	<ul style="list-style-type: none"> Robust programme and project management and management controls Regular programme reviews Implementing improved governance and scrutiny 	<ul style="list-style-type: none"> Regular programme reviews and re-baselining being undertaken Discussions on-going with the Welsh Government extension of ERDF milestones Development of a Board sub-committee to monitor and support major projects 	Less than three months
Extreme weather events	There is a risk that severe disruption to the network could be caused by extreme weather events such as flooding, heavy snowfall and storm force winds	<ul style="list-style-type: none"> Monitor weather warnings and ensure that sufficient rail replacement services are on standby Ensure a programme of inspection of sites affected by Critical Rail Temperatures is carried out Review of flood sites and consideration of additional flood defence mechanisms or mitigation Allow season tickets to be used on other nearby lines and maintain agreements with bus operators 	<ul style="list-style-type: none"> We are working with Transport For Wales Rail Services and Network Rail on autumn plans including rail replacement services Options are being considered for early warning systems for high winds Sites impacted by flooding during the winter of 2019/20 have been inspected and plans are being developed We are working with our stakeholders to understand the impact of extreme weather events to consider joint plans 	Less than three months

Note: All risks in this table link to our resilience statement

Climate adaptation and resilience

Transport emissions make up 14% of all emissions in Wales. Passenger rail contributes just 1% of these emissions, with 55% coming from cars. TfW recognises that the most significant impact it can make towards the climate change is modal shift, moving journeys from motor vehicles to public transport, electric vehicles and active travel.

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

Governance

TfW's Board recognises climate change as a material matter for its business, particularly in light of the declaration of a climate emergency by the Welsh Government in April 2019 and the Welsh Government's target to reduce its CO_{2e} emissions by 95% by 2050.

The Board carefully examines the issues TfW faces in rising to the challenge of reducing its CO₂ equivalent (CO_{2e}) emissions and making the most of the opportunities that a low carbon future involves. The entire Board, at least once a year, has an in-depth discussion on how climate change issues affect TfW, our response and proposed strategies and actions.

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

Strategy

TfW published a Low Carbon Impact Strategy for 2019/20 which is available at:

[https://trc.cymru/sites/default/files/inline-files/Low impact carbon4 english.pdf](https://trc.cymru/sites/default/files/inline-files/Low%20impact%20carbon4%20english.pdf)

This sets out in detail TfW's strategy and targets.

The overwhelming majority of TfW's CO_{2e} emissions in the year ending 31 March 2020 were from diesel fuel used to provide the passenger train service. The remainder of TfW's carbon footprint is from TfW offices in various locations.

A greater challenge to TfW is an increase in weather-related incidents. For example, the storms in early 2020, which as well as causing inconvenience to passengers, and a more dangerous environment for staff, can also have significant adverse financial consequences, particularly as TfW is responsible for the management and maintenance of the Core Valleys Lines. Notwithstanding the direct impact on TfW, TfW also recognises the significant impact extreme weather has on people and communities across its network, and its role as a responsible member of society in supporting wider efforts to recover from such events.

Risk management

The identification, assessment and management of climate-related risks is fully integrated in TfW's overall risk management process, which is set out elsewhere in this report.

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

Metrics and targets

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

- Direct (scope 1) CO_{2e} emissions
- Indirect (scope 2) CO_{2e} emissions
- Modal shift (scope 3) total tonnes of carbon saved (split between Core Valleys Lines and Wales and Borders)

TfW has set the following targets:

- Scope 1 emissions (Traction) CVL
- 100% reduction by the end of 2023
- Scope 1 emissions (Traction) WCB
- 30% reduction by the end of 2023
- Scope 2 emissions
- 100% reduction by the end of 2023

Risks and opportunities

An analysis of TfW's climate change risks and opportunities is set out below:

Risk	Opportunity
Short-term (one-to-two years)	Short-term (one-to-two years)
Achievement of our CO ₂ targets is at risk due to the late delivery of more fuel-efficient trains and keeping our Pacers in service for longer. While running a reduced timetable during the Coronavirus pandemic could make a positive contribution to achieving our targets, potential future changes in travelling behaviour could offset this contribution.	TfW's responsibilities, taken on in 2019/20 for electric vehicles and active travel, could reduce the carbon footprint of the people of Wales if they are successful.
Medium-term (two-to-five years)	Medium-term (two-to-five years)
Delays arising in the next few years in the delivery of more fuel-efficient trains and the Coronavirus pandemic may make the targets set less achievable.	The better service provided by newer trains and an expanded timetable could lead to a significant "modal shift", particularly if the UK Government adopts a progressive taxation regime for petrol and diesel.
Longer-term (over five years)	Longer-term (over five years)
An increase in the number of weather-related incidents arising from climate change.	The completion of the North Wales and South Wales Metros could further significantly increase the extent of "modal shift".

Our board

Our Board has a crucial role to play in the success of Wales' future transport network and has overall responsibility for ensuring that TfW achieves its strategy and the strategic objectives set out in the Welsh Government's remit letter.

Made up of our Chair, five independent Non-Executive Directors and two Executive Directors, including our Chief Executive, our Board provides strong governance and strategic vision by:

- ✓ Providing effective leadership and establishing our vision, mission, purpose and values in addition to developing our strategic direction and setting our strategic objectives
- ✓ Overseeing and guiding how TfW operates, setting our structure and ensuring that TfW's activities are conducted efficiently and effectively
- ✓ Advising and mentoring TfW's Senior Leadership Team to develop the business strategy and continue to improve business performance
- ✓ Monitoring performance to ensure that TfW achieves its aims, objectives and performance targets
- ✓ Ensuring that adequate resources are available, and that senior-level succession is well-planned
- ✓ Exercising accountability to the Welsh Government and being responsible to relevant stakeholders, supporting and providing constructive challenge to our Senior Leadership Team
- ✓ Promoting high standards of public finance and upholding the principles of regularity, propriety and value for money

TfW's Board

Non-Executive Directors:

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

Executive Directors:

- James Price, Chief Executive
- Heather Clash, Executive Director of Finance

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 Communication 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
 Reviews health and safety management arrangements including policies and procedures
 Monitors compliance and seeks continual improvements

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 Committee

Chair: Alison Noon-Jones
Meets: Quarterly
 Considers, agrees and recommends to the Board an overall remuneration policy and philosophy aligned with business strategy, objectives, values and long-term interests

Board members



Scott Waddington
Chair

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

He was the chief executive of privately owned Welsh brewer and pub company SA Brain & Co for 17 years where he led a comprehensive review of corporate strategy, repositioning the Brains brand, investing heavily into expanding the pub estate and overseeing the creation of a joint venture to redevelop the old brewery site into Central Quay.

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

He is currently Chair of the Cardiff Business Club and a Board Governor of Cardiff Metropolitan University.



James Price
Chief Executive

Former Deputy Permanent Secretary at the Welsh Government, James took up the helm at Transport for Wales in January 2018 after acting as Chair of Transport in Wales during the start-up phase.

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

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

James has had responsibility for infrastructure delivery for the Welsh Government since 2007, firstly as Director of Transport and then as Director General and Deputy Permanent Secretary. He is now responsible for the day-to-day operations of Transport for Wales and the proper stewardship of public funds.



Heather Clash
Executive Director, Finance

Having lived, studied and worked in Wales for over 25 years, Heather joined Transport for Wales in July 2018.

An experienced accounting professional who studied at Cardiff University, she has worked in Finance for all her career.

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

At Transport for Wales, she sits on the Senior Leadership Team and is responsible for financial strategy and planning, analysing the organisation's performance and risk as well as overseeing its governance and finance function, as well as all audit and internal financial controls.



Sarah Howells
Non-Executive Director; Chair,
Customer and Communications Committee

Raised in Bridgend, Sarah is currently Head of Customer Service for Orangebox, a successful Welsh business that designs and manufactures innovative furniture for a global market.

She is responsible for leading the international customer operations team, improving the service experience, the delivery and ongoing transformation of all frontline systems which includes CRM, Sales, Field and Transport planning systems.

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

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

Board members



Nicola Kemmery

Non-Executive Director; Chair, Health, Safety and Wellbeing Committee

With extensive experience spanning 28 years, Nicola is Health and Safety Director at Dwr Cymru Welsh Water, where she has worked since moving to Wales in 2010.

Having spent most of her career in the water industry, Nicola is responsible for developing and leading Dwr Cymru's health, safety and improvement strategy. She implemented this new approach soon after joining to help the organisation retain and extend its OHSAS 18001 and ISO14001 accreditations.

A chartered health and safety professional, Nicola was born and raised in Yorkshire where she previously worked for 14 years with privately owned Kelda Group (Yorkshire Water Services) as its Health and Safety Manager, implementing the Group's health and safety strategy.

She has been an active member of the Water UK Occupational Health and Safety Group for 20 years and was an elected Council Member of the Institution of Occupational Safety and Health from 2013 to September 2019.



Alun Bowen

Non-Executive Director; Chair, Audit and Risk Committee

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

Originally from Llandeilo, Alun was lead business planning advisor on the National Botanic Garden of Wales and Wales Millennium Centre. He was Head of Personnel at KPMG in London before taking on responsibility for 600 people in the Central Asia division of the business.

Former Chair of Business in the Community in Wales, Alun was also a member of the Audit Committee of the Institute of Chartered Accountants in England and Wales and a council member of Prince's Trust Cymru.

Current Chair of the Risk and Conduct Committee of Cardiff-based financial services group, Hodge, Alun also chairs the Audit Committee of Severstal, Russia's largest fully integrated steel company.



Alison Noon-Jones

Non-Executive Director; Chair, People Committee

Alison Noon-Jones is the Vice President, People and Culture for Leidos UK and Europe. She is responsible for leading a team of 25 HR professionals, providing HR services to support the \$500m business which includes 1,200 employees and contractors located in 11 sites across UK and Europe. Alison joined Leidos in 2016 and prior to taking this role, Alison was HR Director for the LCST programme, an £8Bn defence logistics programme for the MoD.

Alison has 35 years' HR experience, 25 years at national and international board level within a range of blue chip high profile organisations including Invacare Corporation, General Motors Acceptance Corporation and Airbus Defence and Security and has worked all over Europe and also in the Middle East. Alison has a degree in modern languages from the University of Swansea, is a Fellow of the CIPD and is a qualified Executive Coach and Mentor.

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



Vernon Everitt

Non-Executive Director

With over 40 years' experience across a range of sectors, Vernon is Managing Director for Customers, Communication and Technology at Transport for London (TfL), and is our newest Board member, joining Transport for Wales as a non-executive director in September 2019. He is responsible for putting customers at the heart of TfL's operations, looking at how technology and data can deliver better journeys, as well as supporting and partnering with the capital's thriving tech sector and ensuring TfL plans for London's long-term future.

Vernon led the successful pan-Government and transport industry marketing and communications strategy for the London 2012 Games, the largest ever integrated campaign of its kind.

Before joining TfL, Vernon worked at the Financial Services Authority (FSA) and the Bank of England in a variety of banking, regulatory, corporate and communications roles. He is on the Board of the London Transport Museum.

Our board committees

As well as the TfW Board, we have five sub-committees.

In 2019/20, we launched our Remuneration Committee to set the principles and parameters of TfW's remuneration policy and oversee remuneration policies and outcomes for everyone working for the company.

Each committee is chaired by a different Board member and meets quarterly to review progress. They include:

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

Audit and risk committee

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

This is my second report as Chair of TfW's Audit and Risk Committee. The year ending 31 March 2020 was challenging as TfW expanded rapidly and hence the range and complexity of its activity increased significantly. March 2020 included two events which had a significant impact on the work of the Audit and Risk Committee: the transfer of the Core Valleys Lines from Network Rail; and the start of the economic impact of the coronavirus pandemic.

TfW's staff has the Committee's admiration and thanks for its ability to produce this Annual Report, and in particular the finance team in producing the financial statements to the previously agreed timetable.



Alun Bowen
Chair, Audit and Risk Committee

Progress during the year

When I wrote my report last year I set out a number of issues, apart from our regular work, that the Committee would focus on during the year ending 31 March 2020. These are set out below and I comment on the progress that has been made:

Area of focus	Progress
Support the finance team in its efforts to provide TfW with up-to-date, accurate information to support its decision-making	Significant progress has been made during the year and with the implementation of the new finance system. In addition, the finance function has developed systems to account for TfW's catering operation
Assists management in continuing to build a well-staffed, motivated internal audit function to facilitate the Committee carrying out aspects of its oversight role	Good progress has been made and is commented on in the section on internal audit below
Support the risk management function as it endeavours to embed good practices in the organisation in an effective modern way	This is covered under the heading "risk and the control environment" below
Ensure that the organisation has an appropriate approach to cybersecurity	A review carried out by internal audit with specialist resource indicated several gaps in TfW's cybersecurity coverage. Management took action well before the report was finalised to remediate the position and by the end of the year significant progress had been made, although implementation will continue during 2020
Oversee continuing improvements in TfW's reporting, particularly in non-financial information to provide greater clarity and transparency for stakeholders and ensure that they receive the information that they require in the most effective manner	This Annual Report includes for the first time: a Resilience Statement in accordance with the recommendations made by Sir Donald Brydon; and climate change disclosure in accordance with the Taskforce on Climate-related Financial Disclosures (TCFD)

Reporting

A key responsibility of the Committee is to ensure that TfW's financial information and the contents of this Annual Report are fair, balanced and understandable. The Committee challenges the assumptions and estimates made by management in preparing the financial statements. Set out below is a summary of the material matters that we considered in our deliberations.

Area of focus	Work undertaken	Conclusion/action taken
Core Valleys Lines: the Core Valleys Lines were acquired from Network Rail on 28 March 2020. It is a very material transaction for the balance sheet of TfW at 31 March 2020	Management has considered the options available to them in deciding which is the most appropriate method of valuation of the assets acquired from Network Rail. It has drawn up the financial statements using the cost basis, in particular, given the proximity of the acquisition to the year-end The Committee discussed possible alternative valuation options with management and also the method using for allocating cost to the various assets acquired	The Committee agreed with management that the method adopted was the most appropriate in the circumstances, although it also recognised that this may need to be revisited in 2020/21
Coronavirus: the pandemic and the related economic effects required a review of TfW's going concern assumption	The Committee reviewed management's analysis of the: financial issues arising out of the change in economic activity; the cash flow implications; and the outcome of discussions with the Welsh Government	The Committee was satisfied that management has considered events and conditions that could give rise to material uncertainties and agreed with management's conclusion that the range of possible outcomes does not cast significant doubt over the Group's ability to continue as a going concern, in particular, as a result of the continuing support being provided by the Welsh Government
Resilience Statement: a Resilience Statement sets out the directors' view of TfW's resilience in the short, medium and longer-term to the challenges that, in the directors' view, TfW is likely to face, and its ability to withstand the estimated financial effects of those challenges	The Committee discussed with management the work it had carried out in preparing the Resilience Statement and particularly the decision process for determining the stress scenarios selected to establish TfW's resilience and its reasons for not implementing fully the medium-term stress scenarios this year	The Committee agreed with management that the approach adopted was consistent with the spirit of the recommendations made in the report issued by Sir Donald Brydon in December 2019 and supported management's view on the financial scenarios

Area of focus	Work undertaken	Conclusion/action taken
Relationship with the Welsh Government: the relationship between TfW and its shareholder (the Welsh Ministers) and the disclosure of transactions between TfW and the Welsh Government is fundamental to the preparation of the financial statements	The Committee has reviewed the work carried out by management to ensure that transactions between TfW and Welsh Government have been accounted for correctly and that appropriate disclosure has been made in the financial statements	The Committee was satisfied that the accounting and the related disclosure in the financial statements for transactions between TfW and Welsh Government was appropriate
TfW and KeolisAmey: the relationship between TfW and Keolis Amey Wales Cymru Limited, which is governed by a contract between Keolis Amey Wales Cymru Limited and the Welsh Ministers is significant to the financial statements. In particular, in March 2020, the Welsh Government announced a support package for the railways in Wales, as a result of the Coronavirus pandemic, which took a different form to the financial support package announced by the UK Government for the railway franchises in England	The Committee discussed with management the major events during the year in the relationship between TfW and Keolis Amey Wales Cymru Limited. In particular, it discussed the support package announced by the Welsh Government. This had not been implemented by the end of the financial year and hence will impact the 2020/21 financial year.	The disclosure in the financial statements has been enhanced this year and the Committee is satisfied that the additional information makes the disclosures more helpful to readers
Climate change disclosures: the disclosures in the Annual Report are appropriate and consistent with the requirements of the Task Force on Climate Related Financial Disclosures (TCFD)	The Committee discussed with management the disclosures made in the Annual Report having read and considered the reports issued by the Task Force on Climate-Related Financial Disclosures (TCFD)	The Committee was satisfied that the disclosures on climate change made in the Annual Report are appropriate
Annual Report: taken as a whole the Annual Report needs to be fair; balanced and understandable so that it is relevant to readers	Preparatory meetings were held with management to determine the format of the Annual Report. Lessons learnt from the experience of the previous year, the first year of preparing an Annual Report, were discussed to ensure process improvement. A final draft of the Annual Report was reviewed by both the Board and the Committee and focus was drawn to judgemental areas such as the risk section and the Resilience Statement	Lessons learnt from the previous year were excellently implemented, making for a far more efficient and effective process with greater commitment and demonstrable engagement from all relevant parties The Committee was satisfied that the Annual Report taken as a whole, is fair, balanced and understandable

External audit

The Committee places great importance on the quality and effectiveness of its external audit. In assessing quality and effectiveness the Committee looks to the audit team's: objectivity; professional scepticism; independence; and its relationship with management.

A full external audit tender process was carried out in early 2019. Rees Batley from KPMG has been the Senior Statutory Auditor for the last two years and we communicate regularly, separately from management.

In addition to the annual evaluation of the corporate auditor's performance the Committee undertakes an ongoing assessment of audit quality by:

- ✔ debating and agreeing the scope of the audit prior to its commencement and the key areas of focus for the audit
- ✔ discussing the accuracy (materiality) with KPMG both for accounting errors that will be brought to the Committee's attention and amounts that would need to be adjusted so that the financial statements are fairly presented
- ✔ discussing with the corporate auditor its view of the judgments taken by management in preparing the financial statements and where these judgements might lie in an acceptable range from conservative to aggressive

I also discuss with KPMG the output of reviews carried out by the regulator on how its recommendations and lessons learnt have been incorporated into its audit plans.

The Committee receives at every meeting: an update on KPMG's work; its independence; and its findings. At the year-end there is a detailed discussion of KPMG's audit findings, including any uncorrected audit misstatements arising from the audit. No uncorrected audit misstatement was qualitatively or quantitatively material, in the Committee's view, to require adjustment of the financial statements.

KPMG's audit fees for the year ended 31 March 2020 were £50,000 (2019: £29,000). Non-audit fees, all of which were approved in accordance with TfW's published non-audit fee policy were £36,000 (2019: £4,000).

Internal audit

The model for internal audit continues to develop. The partially outsourced model, which has worked effectively to date, is planned to continue for the foreseeable future. The model, which involves the Internal Audit Manager overseeing the work of secondees from the Welsh Government for specific audits and the use of specialists for review of issues such as cybersecurity, is flexible and in my view currently meets the needs of an evolving organisation.

The plan for the year ended 31 March 2020 was satisfactorily completed with a particular focus on standard and non-standard procurement, European funding claims, cybersecurity and payroll.

The internal audit function has an ambitious programme for the year ending 31 March 2021, addressing TfW's key risks, which is now fully aligned with the Board's view of risk. The Senior Leadership Team and the Committee will need to ensure that appropriate people are brought to bear to enable the plan to be delivered effectively.

Risk and the control environment

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

During the year the respective responsibilities of the Board and the Committee have been clarified. Risk information is presented at each Board meeting and provides sufficient information for the Board to challenge management's assessment of risk and its view as to whether the likelihood and probability of both the gross risk and the risk after mitigation is appropriate.

The Committee's responsibility is to:

- oversee the risk management framework, the risk management policy and its implementation
- review and assess the controls put in place by management for the mitigation of risk
- assess the process that management has in place to amend changes in its assessment of the effectiveness of mitigation measures

Significant progress has been made in developing all aspects of the risk process during the year, particularly in risk identification and assessment.

Further work needs to be done, however, in ensuring that the process for ensuring that risk mitigation is appropriate, documented and effective.

Management has plans to move toward a more clearly defined "three lines of defence" risk model and as part of this is looking to create a Head of Risk role, which will have reporting lines to the Executive Director of Finance and me.

During the year the Committee received presentations on cybersecurity and contract management to enhance its knowledge of the risk environment in these areas and ensure that the executives responsible are able to articulate and demonstrate the controls they have in place to mitigate risk. This programme of presentations will continue in the year ending 31 March 2021.

Audit and risk committee effectiveness

A self-assessment of the performance of the Board and its committees was carried out in January 2020, accordingly, it was decided to defer the detailed self-assessment of the performance of the Committee until 2021.

Looking ahead

The Committee has the following initiatives on its agenda for the year ending 31 March 2021, as well as its regular business:

Initiative	Comment
Oversee management's plans for enhancing TfW's defences against a possible cybersecurity attack	The internal audit report which has been commented upon earlier has several actions which need to be closed and this endeavour, together with further enhancements and testing of TfW's cybersecurity defences will continue through the year ending 31 March 2021
Draft an Audit and Assurance Policy and consult with TfW's shareholder and stakeholders	The Committee will prepare a draft Audit and Assurance Policy for the three years ending 31 March 2024, in accordance with the recommendations of Sir Donald Brydon's review, and plan to finalise the policy in early 2021
Support management's plans to enhance TfW's risk management framework, particularly in light of the acquisition of the Core Valleys Lines	Management has plans, which are commented on above, to build further its dedicated risk function. The Committee will work with management to ensure that it is implemented in as effective and timely a way as possible
Oversee management's plans for valuing the Core Valleys Lines assets	Management has plans to change the accounting policy for the valuation of Core Valleys Lines' assets to be in accordance with the accounting policy of the Welsh Government, which would be to value the assets using the Depreciated Replacement Cost method
Support the continuing development of the internal audit function	The challenges facing the internal audit function will increase as TfW's complexity increases, and will need to be regularly assessed and supported to ensure that it can provide the service that TfW requires

Health, safety and well-being committee

Our Health, Safety and Well-being Committee acts as both a governance and an enabling body to ensure that our strategies in this area are being implemented effectively.

A key focus of our Health, Safety and Well-being Policy is that our customers, suppliers and employees have a safe, happy and healthy experience in all their dealings with us.



Nicola Kemmery
Chair, Health, Safety and Well-being Committee

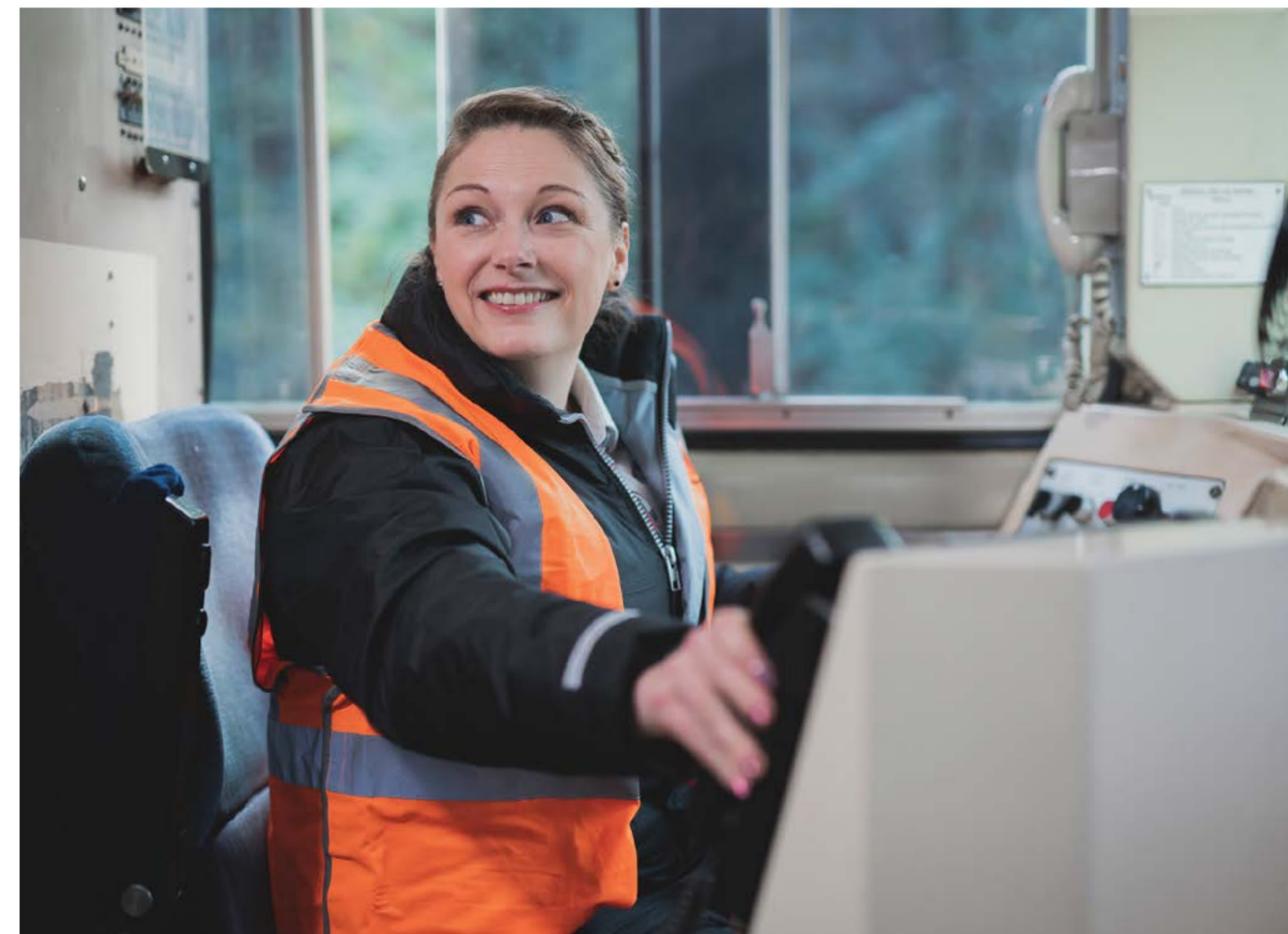
What we did in 2019/20:

- ✓ We developed and reviewed our health and safety performance reporting metrics, both leading and lagging indicators. This included reports of injuries and incidents involving employees, contractors and customers. We ensured that key learning points had been identified and suitable improvement actions taken
- ✓ We scrutinised all existing and emerging health and safety risks and controls across all business functions but specifically where major changes had occurred, such as insourcing catering operations
- ✓ We reviewed specific health and safety risks and improvement initiatives including:
 - Rail Services' culture and 'Life Saving Principles'
 - Crime, trespass, anti-social behaviour and assaults
 - Level crossing risk management
 - Fatigue management and Signals Passed at Danger (SPADs)
 - Autumn preparedness and vegetation management
 - Occupational health and well-being
 - Developing a positive approach to Mental Health Awareness
- ✓ We held safety tours for directors as well as colleague health and safety briefings where we shared our learnings
- ✓ We reviewed the activities of the TfW Employee Well-being Action Group, including the findings from our employee safety culture surveys and the MIND well-being index

Looking ahead

During 2020-21 we'll be:

- ✓ Monitoring TfW's performance in relation to health, safety and well-being, making sure we're learning from any incidents, both internal and external
- ✓ Identifying opportunities and developing proactive interventions to improve how we manage our health, safety and well-being risks and prevent injuries and ill health
- ✓ Engaging with our employees, suppliers and stakeholders to make sure we implement best practice and foster a culture of continuous improvement
- ✓ Ensuring the business has effective processes in place to continue to manage health, safety and well-being issues effectively as TfW develops and takes on additional functions and responsibilities



People committee

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

TfW wants to attract, retain and support all its employees to be a high-performing organisation. The People Committee supports this aim through monitoring compliance with key policies, reviewing the appropriateness of the current and future organisational structure, as well as designing and implementing performance and reward frameworks and strategies and recognising the valuable contribution of our employees.



Alison Noon-Jones
Chair, People Committee

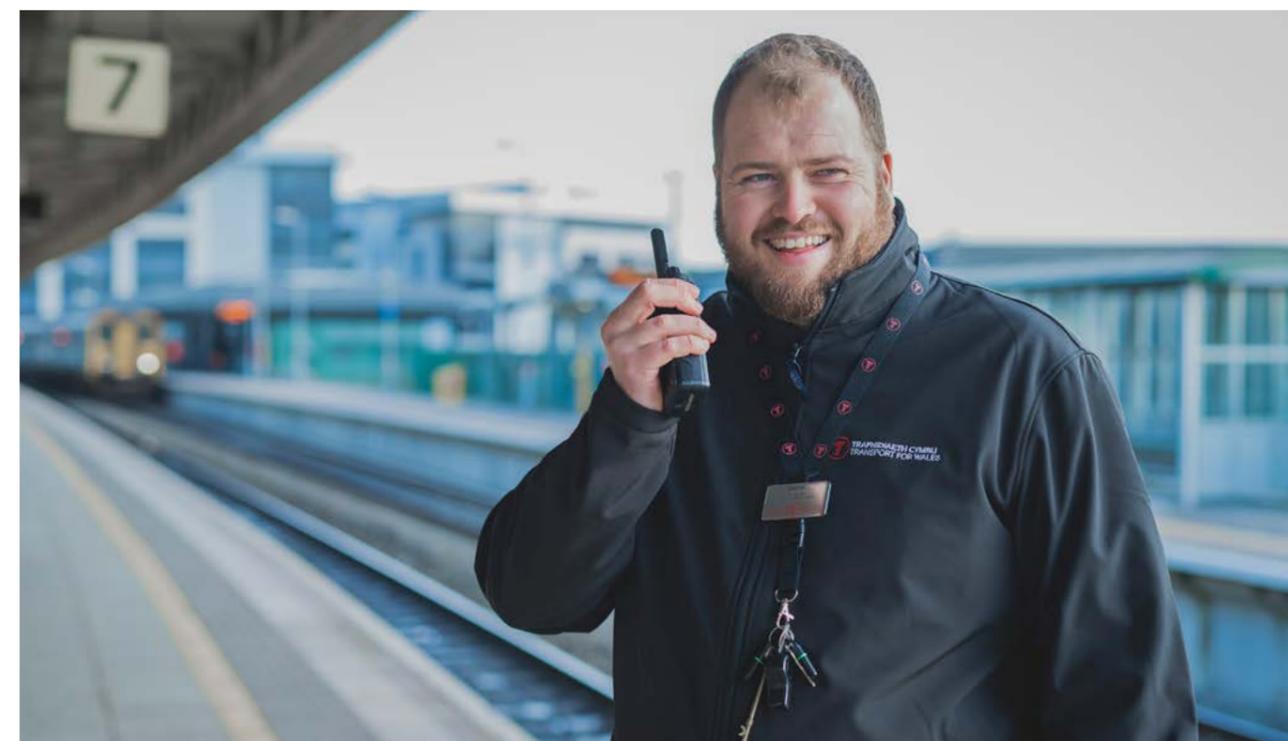
What we did in 2019/20:

- ✓ We reviewed the Committee's terms of reference and membership including the appointment of an employee representative
- ✓ We embedded policies to support our employees based on our organisational values
- ✓ We agreed a framework to work with the trades unions so demonstrating our inclusive approach to modern and flexible working practices
- ✓ We designed and implemented a total reward approach to pay, performance and benefits
- ✓ We engaged with our employees to support them on our move to our new Pontypridd headquarters in late 2020 in a way which allows them to be productive whilst maintaining flexibility, dynamic working opportunities and ensuring high levels of satisfaction
- ✓ We implemented a new HR system
- ✓ We extended support and well-being packages to all employees underpinning mental, personal and organisational health
- ✓ We attracted highly relevant skills to the Board reflected in the robust experience and gravitas of recent Non-Executive Director appointments
- ✓ We observed governance through ensuring employees complete all mandatory training
- ✓ We brought recruitment activities inhouse to ensure diversity and inclusion is maximised across the organisation

Looking ahead

During 2020/21 we'll be:

- ✓ Creating learning and development opportunities for all employees
- ✓ Introducing a talent management strategy to facilitate career development and individual growth to future proof the organisation
- ✓ Creating pathways for talent and succession mapping through executive coaching and mentoring strategies
- ✓ Broadening early careers initiatives to include a graduate programme, increased apprentice opportunities and skills partnership with our supply chain
- ✓ Supporting progressive organisational development which recognises relevant clusters of responsibility within reasonable spans of control
- ✓ Establishing inclusion as an organisational imperative through recognised improvement in employee population diversity, positive developments in gender pay metrics and in developing all employees
- ✓ Seeking and encouraging constructive feedback, whilst self-reflecting and learning from leadership experiences



Remuneration committee

Our newest committee, the Remuneration Committee, has been established to set the principles and parameters of TfW's remuneration policy and oversee remuneration policies and outcomes for everyone working for the company.

A key focus will be to ensure that our remuneration policy is fair, is reflective of employee performance and is regularly reviewed.



Alison Noon-Jones
Chair, Remuneration Committee

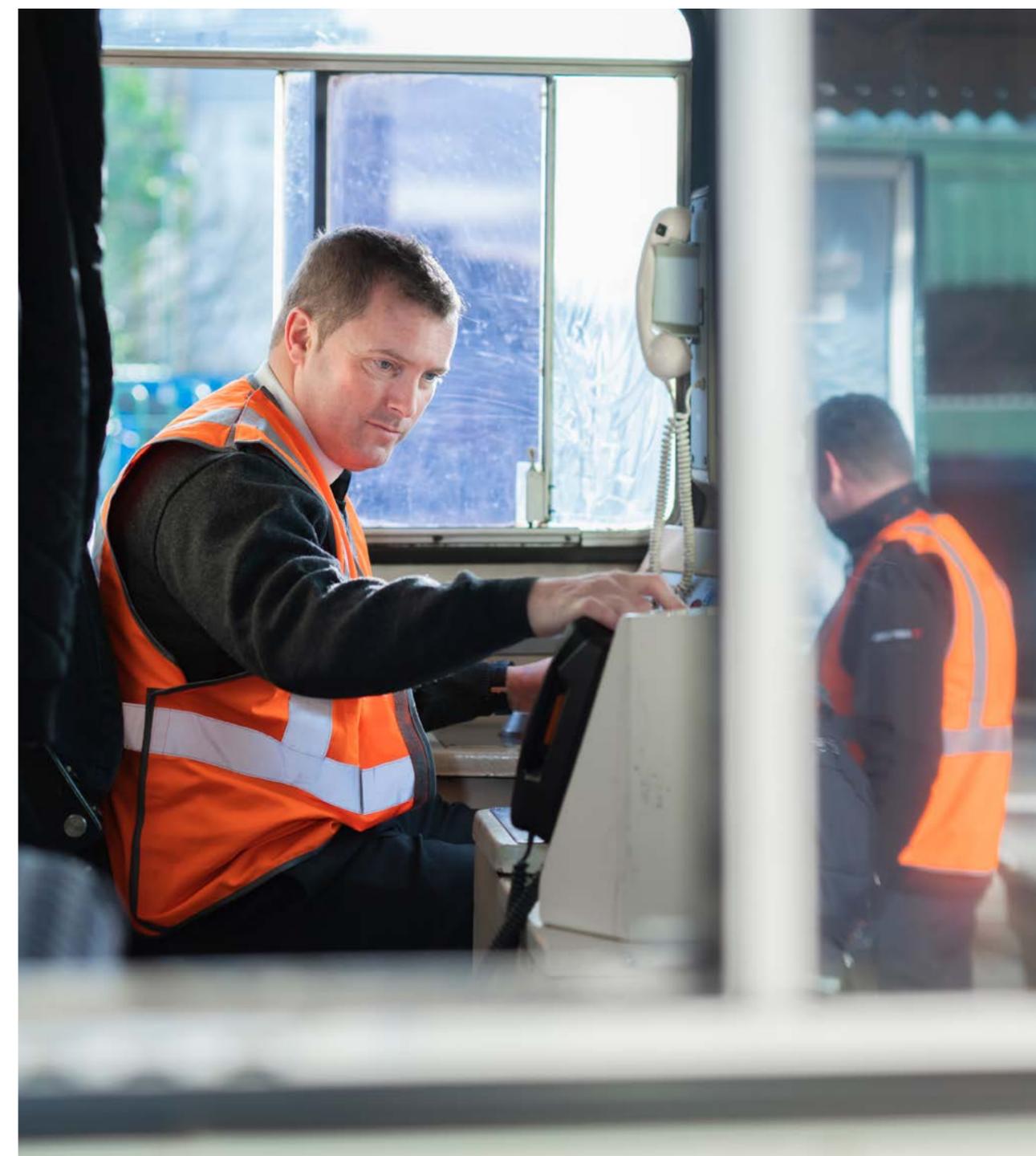
What we did in 2019/20:

- ✓ The new Committee was established in September 2019 and its terms of reference were approved
- ✓ Committee members were appointed and the key purpose and responsibilities were agreed

Looking ahead

During 2020/21 we'll be:

- ✓ Determining and approving the employment contracts including all aspects of remuneration of the Chief Executive and each director, and any other individuals whose base salary exceeds £100,000
- ✓ Approving the remuneration principles and policy for all other employees working for TfW
- ✓ Agreeing the pensions policy for all employees
- ✓ Setting the budget for annual salary increases for the Chief Executive and all directors
- ✓ Determining the eligibility for any annual performance-related pay schemes and then agreeing their design and any targets. If introduced, we'll then start reviewing individuals' performance against these
- ✓ Regularly monitoring the remuneration policy to review its effectiveness and to reflect emerging legislation, codes of conduct and best practice
- ✓ Reporting annually to the Board to provide assurance on the remuneration policy
- ✓ Liaising closely with the HR and Finance teams as well as any consultants to ensure we have the best support and advice to make the policy as effective as possible



Customer and communications committee

The Customer and Communications Committee oversees TfW's customer strategy and action plan. It also reviews TfW's non-financial operational performance metrics as well as customer and stakeholder feedback.

A key focus of the committee is ensuring customers are placed at the heart of all our operations and its role is to ensure there is a clear plan in place to achieve the expected transformation in our customer service and communications.



Sarah Howells
Chair, Customer and Communications Committee

What we did in 2019/20:

- ✓ We reviewed and monitored Transport for Wales Rail Services' improvement plan
- ✓ We put in place performance metrics to measure customer experience and monitored these closely
- ✓ We reviewed all the initiatives and plans that had been put in place to deliver to the customer strategy. These included:
 - Delivery of new rolling stock
 - Improved timetable, increasing services and capacity for customers
 - Implementation of delay repay and reduced fares
- ✓ We monitored the development of our stakeholder advisory panels

Looking ahead

During 2020/21 we'll be:

- ✓ Reviewing learnings from recent severe weather performance and introducing improved recovery and communication plans for our passengers
- ✓ Using the insights from our customer surveys to suggest further improvements to our customer experience and customer contact strategies
- ✓ Building upon the progress that's already been made by the stakeholder advisory panels and ensuring TfW develops and prioritises any suggested ongoing improvement initiatives
- ✓ Developing a virtual panel to extend our customer feedback process and using this, alongside the advisory panel feedback, to help prioritise future change initiatives
- ✓ Reviewing and monitoring the progress of our innovations around fares and ticketing
- ✓ Having discussions with different organisations such as Cardiff University and Transport Focus about improving the qualitative analysis of our data
- ✓ Investigating the feasibility of using our new Passenger App as a source of data for our customer experience research
- ✓ Launching a new CRM system to improve customer contact with single customer view
- ✓ Developing our engagement activities to build collaborative relationships with elected representatives across Wales and the borders



Resilience statement

Background

- Many of the activities that TfW is involved with such as: planning for infrastructure projects; greater integration within Wales' transport system; achieving a lower-carbon future; overseeing the 15-year contract with Keolis Amey Wales Cymru Limited; the regeneration of the Core Valleys Lines; and the development of the North East Wales and South Wales Metros; require a long-term view.
- TfW is working on a five-year plan until 31 March 2025, which sets out its plans for that period and TfW's estimate of the capital and revenue requirements to fulfil its plan.
- In March each year the Welsh Government issues its annual remit letter, which includes the budget that the Welsh Government has allocated to TfW to carry out specific activities in the year commencing on 1 April.
- TfW's analysis of its longer-term resilience has been based on the directors' knowledge of those activities that it has been asked to take responsibility for by the Welsh Government and does not anticipate the effect of further activities which could possibly affect TfW's resilience in the short and medium term.

Short-term resilience

The directors have determined "short-term" for the purpose of this Resilience Statement as the twelve months after the signature of the financial statements i.e. 30 June 2021. This coincides with the period of the directors' assessment that TfW is a going concern for the purpose of preparing TfW's financial statements. The Welsh Government has committed to funding TfW for the period to 31 March 2021, and the directors are not aware of any reason why this should not continue for the period to 30 June 2021.

The "shock" to the Welsh and UK economies as a result of the actions taken by the Welsh and UK Governments to combat the spread of coronavirus have delivered a significant stress to TfW, which is unprecedented in its severity in this century as it has affected directly the people of Wales' daily activities, using public transport.

The initial impact only affected to a limited extent the year ended 31 March 2020. Since that time the funding support provided by the Welsh Government has demonstrated its willingness to respond during a time of exceptional stress, involving a significant decline in passenger numbers.

Since 1 May 2020, as commented on elsewhere in this report, there has been a fundamental change in the operating model between TfW and Keolis Amey Wales Cymru Limited. Until mid-October 2020, TfW, on behalf of the Welsh Government, is managing a fundamentally different relationship with Keolis Amey Wales Cymru Limited, whereby all the revenue and cost risks are borne by the Welsh Government and Keolis Amey Wales Cymru Limited receives a management fee for operating the train service.

Medium-term resilience

Prior to the onset of the health and economic effects of the coronavirus pandemic, the directors had established a number of scenarios for the period to 31 March 2025. These scenarios were based on the directors' analysis of risk, which is commented on earlier in this report.

The scenarios which the directors had considered in their analysis were the following:

- ✓ A scenario based on the stress used by the Prudential Regulation Authority ("PRA") in 2019 for UK banks, which envisages a UK and global macroeconomic stress, spanning a five-year period to the end of 2023, the principal assumptions that affect TfW is that UK GDP would drop by 4.7% and that UK unemployment would reach 9.2% (the "PRA stress"). Consideration was given to flexing the PRA's stress test for potentially different circumstances in Wales, however, the directors have taken the view that it is unlikely that Wales's economy would perform substantially differently from the economy in the rest of the UK.
- ✓ A scenario whereby Keolis Amey Wales Cymru Limited withdraws from its obligations under its contract with the Welsh Government and the Operator of Last Resort (OLR) and Infrastructure Manager of Last Resort (IMLR) legislative provisions are implemented – the OLR/IMLR stress.

Set out below are observations on the two stresses:

PRA stress – planned scenario

It was anticipated that the impact of the decline in GDP and rise in unemployment would result in a substantial reduction in passenger numbers particularly at peak commuting times when fares are the most expensive and the combination would have a significant impact on passenger revenue. Possible mitigation might involve reducing the extent of the timetable.

OLR/IMLR stress – planned scenario

The withdrawal of the service provider, Keolis Amey Wales Cymru Limited, from its obligations could result in the implementation of OLR and IMLR provisions. This would mean that all the revenue and cost risks are borne by the Welsh Government. There may also be a delay to infrastructure projects with consequential increased costs.

Coronavirus stress – the reality

The Coronavirus pandemic has resulted in a stress greater than that anticipated in the PRA stress. Indeed, the full impact of the Coronavirus pandemic on public transport is yet to be fully determined. Also, the operating model between Welsh Ministers and Keolis Amey Wales Cymru Limited has changed significantly, reflecting the fact that revenue and cost risk is currently borne by the Welsh Government.

The directors' view

The uncertainty arising from the coronavirus pandemic is such that the directors do not consider that developing financial scenarios is helpful to readers of this Annual Report in circumstances where: TfW's business model beyond mid-October 2020 is not clear and there are such a number of uncertainties, for example, a possible continuing requirement for social distancing on public transport.

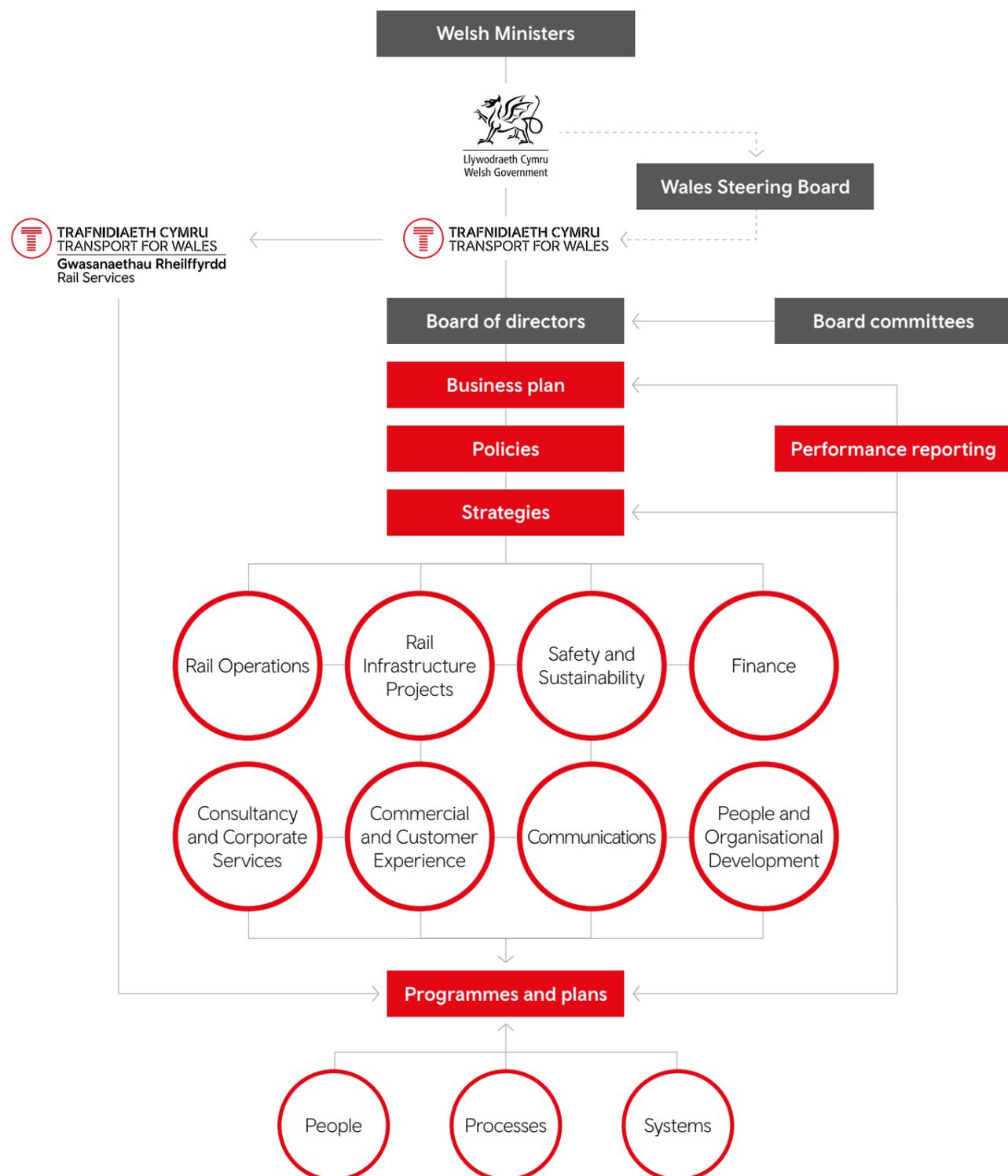
Longer-term resilience

In the period to 2025, as well as the longer-term effects of the coronavirus pandemic, TfW is likely to face a several further challenges, which will affect its resilience in the longer term:

- ✓ Climate change – the move to a lower carbon economy will have a significant effect on TfW and these are set out in the separate section on climate change.
- ✓ Future potential changes to Welsh and UK transport policy.

TfW's approach to identifying emerging risks, horizon scanning and involvement in Welsh, UK and international bodies provides the directors with some comfort that there will be time to be able to address such issues well in advance, subject to appropriate funding.

Governance framework



Section 172 statement

TfW has opted to voluntarily comply with the Companies (Miscellaneous Reporting) Regulations 2018 (2018MRR) in 2020. These regulations require Directors to explain how they considered the interests of key stakeholders and the broader matters set out in section 172(1) (A) to (F) of the Companies Act 2006 ('S172') when performing their duty to promote the success of the Company under S172.

This includes considering the interest of other stakeholders which will have an impact on the long-term success of the company.

Our Board has a clear framework for determining the matters within its remit set by the Welsh Government and has approved Terms of Reference for matters delegated to its Committees. Certain financial and strategic thresholds have been determined to identify matters requiring Board consideration and approval which are detailed in a Delegations Matrix which sets out the delegation and approval process across the company.

TfW's Directors have acted in accordance with their duties codified in law, which include their duty to act in the way in which they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, having regard to the stakeholders and matters set out in section 172(1) of the Companies Act 2006.

Section 172 considerations are embedded in decision-making at Board level and throughout the company. Issues, factors and stakeholders which the Directors have considered when discharging their duty under section 172(1) are throughout this Annual Report.

Our vision, purpose, and values are set out in the Annual Report, as are the risks facing our organisation and the mitigating action we take, our environmental, social and governance practices, examples of stakeholder engagement and information about our engagement with employees, customers and suppliers. The company's environmental, social and governance activity, overseen by the Board, is described throughout the report.



Corporate governance statement

As TfW's Chief Executive and Accounting Officer, 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 the resources of TfW 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, Transport and North Wales' overall responsibility for the company;
- the Welsh Government Permanent Secretary's responsibility, both to the Minister for Economy, Transport and North Wales and directly to the Welsh Parliament, as the Principal Accounting Officer for the company's expenditure and management;
- my responsibility as TfW's Accounting Officer; and
- TfW's Board, supported by its sub-committees, which has collective responsibility for overseeing the work of the company and providing oversight, scrutiny and assurance to ensure that TfW is achieving its aims and objectives with an appropriate level of control.

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

The Board

TfW's Board oversees all TfW's activities providing leadership and strategic vision 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 the operations of Transport for Wales in delivering its remit; and
- 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 and supported by other members of the Board. 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 to present papers with recommendations and to provide up-to-date information.

Our Directors have signed a Conflict of Interest statement and all complete a quarterly declaration of interest return. Declared interests are available on TfW's website. Declarations of interest are also made at the start of each meeting. All Directors are expected to act in accordance with the seven principles of public life and have each signed the 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 certain of its principles.

Our Board met eleven times during the year. The minutes of all Board meetings are published at <https://trc.cymru/board-minutes>

Board and sub-committee attendance

	Board	Audit and Risk	Customer and Communications	Health, Safety and Well-being	People
Alun Bowen	6/11	5/5			
Heather Clash	11/11	5/5			
Vernon Everitt*	6/6			2/2	
Sarah Howells	11/11	5/5	4/4		
Nicola Kemmery	10/11			4/4	2/2
Alison Noon-Jones	11/11		1/2		4/4
James Price	11/11		3/4		
Scott Waddington	11/11				

Our Board combines the knowledge and skills of six independent non-executive and two executive members to provide insight and experience to help 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.

During the year, the Board reviewed its effectiveness through a self-assessment exercise. The assessment scored highly across most areas. Actions have been agreed where areas for development and improvement were identified.

During the year, there was one change to Board membership:

- Vernon Everitt was appointed as an independent non-executive director in September 2019.

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

Board committees

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

- Audit and Risk - to provide assurance to the Board regarding risk management, internal control and financial reporting.
- Customer and Communications - 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, and 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.
- Remuneration - to set the principles and parameters of remuneration policy for TfW and oversee remuneration policy and outcomes.

Each committee is chaired by a non-executive director and meets at least quarterly, with the Remuneration Committee meeting as required. Each sub-committee has delegated authority from the Board to carry out the duties defined in its terms of reference. The full terms of reference of each committee are published on our website at <https://tfw.gov.wales/board-minutes>

Each sub-committee Chair updates the Board on its activities carried out during the previous month and where necessary makes recommendations on behalf of the sub-committee to the Board for approval.

Governance framework

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

The relationship in terms of financial management and corporate governance between TfW and the Welsh Government is outlined in the Management Agreement. This document sets out the terms of agreement between TfW and the Welsh Government to support constructive and clear relations between them. The current Management Agreement is under review and will be replaced by an updated framework document in 2020/21.

The senior leadership team

Our Senior Leadership Team, comprising of myself as Chief Executive Officer, seven executive directors and three directors, is responsible for TfW's day-to-day management. The Senior Leadership Team meets weekly to discuss and take decisions both operational and strategic issues with 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 Schedule of Delegation sets out where authority rests within the company for particular decisions made in the name of or on behalf of TfW and where the Board has delegated any such decision to the Senior Leadership Team or one of its sub-committees. The Schedule sets out matters reserved solely for the Welsh Government, the Board, the Senior Leadership Team 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. The actual results are compared with forecasts and reviewed each month to ensure that spend is managed in line with approved budgets and to provide the Board with assurance and advice.

Fraud, bribery and whistleblowing

TfW takes a 'zero tolerance' approach where fraud or bribery is concerned. TfW has agreed Anti-Fraud, Corruption and Anti-Bribery policies and procedures and a Whistleblowing policy and procedure. Any suspected cases of fraud or corruption are fully investigated, and disciplinary and/or legal action is taken where appropriate in line with our policy. In 2019-20, there were no reported cases of fraud or bribery in TfW.

All TfW employees 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 in place 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. The Scheme commits TfW to making certain information routinely available to the public.

In 2019-20, TfW received 114 requests for information and met the statutory deadlines for nearly all requests. TfW was not subject to any Information Commissioner reviews in 2019-20.

Risk management

Our Board is responsible for the management of the risks relating to the operations of TfW. The Company has undertaken an assessment of the risks it faces. Key risks are recorded in the Strategic Risk Register which the Board reviews at each meeting. The Senior Leadership Team considers both the Operational and Strategic Risk Registers at its meetings.

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 in order to manage and reduce the identified risks.

Assurance

TfW's prime source of assurance comes from identifying how well its objectives are being met and risks managed. As well as TfW's internal audit arrangements, assurance is also obtained through monthly reports to the Board, Board sub-committees and the Senior Leadership Team along with risk registers and other management information. We also provide monthly operational highlight reports to the Welsh Government.

TfW is also subject to external reviews. During the year, TfW staff 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 internal audit activities continue to evolve and strengthen. The Audit and Risk Committee approved the internal audit plan for 2020-21 on 13 March 2020.

The internal audits we carried out this year covered a variety of topics including European Funding, procurement, commercial departure requests, risk management, cyber security, purchase to pay, financial systems security, payroll, expenses, Health and Safety, business continuity, Regulatory compliance and Contract and supplier management. We completed the planned programme and the resulting reports provided reasonable assurance and made recommendations for improvements, all of which have 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 2019-20 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 the Company's functions and safeguarded public funds and assets for which the Accounting Officer is personally responsible.

James Price
Chief Executive and Accounting Officer

This Annual Report was approved by the Board of Directors on 29 June 2020. 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.

Green Bridge of Wales



Remuneration report

The following sections provide details of the remuneration of Board members.

Single total figure of remuneration

Director	Salary 2019-20	Salary 2018-19	Pension benefits 2019-20	Pension benefits 2018-19	Total 2019-20	Total 2018-19
James Price Chief Executive Officer (seconded from Welsh Government)	155-160	155-160	60-65	35-40	220-225	195-200
Heather Clash Executive Director of Finance from July 2018	120-125	90-95 (full year equivalent 120-125)	5-10	5-10 (full year equivalent 5-10)	130-135	95-100 (full year equivalent 125-130)
Scott Waddington Non-executive director - Chair from January 2019*	25-30	5-10	-	-	25-30	5-10
Nick Gregg Non-executive director - interim chair to January 2019*	-	15-20	-	-	-	15-20
Sarah Howells Non-executive director from July 2018	5-10	0-5	-	-	5-10	0-5
Nicola Kemmery Non-executive director from July 2018	5-10	0-5	-	-	5-10	0-5
Alison Noon-Jones Non-executive director from July 2018	5-10	0-5	-	-	5-10	0-5
Alun Bowen Non-executive director from April 2019	0-5	-	-	-	0-5	-
Vernon Everitt Non-executive director from September 2019	0-5	-	-	-	0-5	-
Martin Dorchester Non-executive director to September 2018*	-	0-5	-	-	-	0-5
Peter Kennedy Board member to July 2018**	-	-	-	-	-	-
Brian McKenzie Board member to July 2018**	-	-	-	-	-	-
Andrew Falley Board member to May 2018**	-	-	-	-	-	-

* Non-executive directors appointed and remunerated by Welsh Government

** Board members as part of civil service duties within Welsh Government; received no specific/additional pay for board member role

Pension details

Director	Accrued defined benefit pension at pension age as at 31/03/20 £000	Real increase in pension and related lump sum at pension age £000	CETV at 31/03/20 £000	CETV at 31/03/19 £000	Real increase in CETV £000	Contribution to defined contribution scheme £000
James Price Chief Executive Officer (seconded from Welsh Government)	60-65	2.5-5	855	782	31	-
Heather Clash Executive Director of Finance	-	-	-	-	-	5-10

Salary

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

Pensions

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

TfW employees are members of a defined contribution pension scheme. The Pension Benefits figure for this scheme represents the employer contribution of 8%.

Non-executive directors are not members of a TfW employer pension scheme.

Cash Equivalent Transfer Values

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

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

Real increase in CETV

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

Pay multiples

The banded remuneration of the highest paid director of TfW in the financial year 2019-20 was £155-160,000 (2018-19: £155-160,000). This was 5.3 times (2018-19: 3.1 times) the median remuneration of the workforce, which was £29,879 (2018-19: £51,400). The year on year increase in the multiple can be attributed to the in-house transfer of the on-train catering service for the Wales and Borders franchise from January 2020 onwards. 104 catering colleagues transferred from the private sector into TfW, which impacted the employee distribution across the role grading structure. No employees received remuneration in excess of the highest paid director.

Total remuneration for the pay multiple calculation includes salary and excludes employer pension contributions.

Pay and grading structure

The following table sets out the TfW pay and grading structure including the salary bandings for each role and number of individuals in each band as at March 2020.

Pay Band	Basic Salary (Min)	Basic Salary (Mid-point)	Basic Salary (Max)	No. Staff at 31 March 2020
Executive Director Pay Band 2 (including executive board members)	£117,200	£146,500	£175,800	4
Executive Director Pay Band 1 (including executive board members)	£96,800	£121,000	£150,600	5
1	£70,000	£87,500	£105,000	11
2	£50,400	£63,000	£75,600	30
3	£37,200	£46,500	£55,800	48
4	£28,400	£35,500	£42,600	53
5	£22,000	£27,500	£33,000	29
6	£16,800	£21,000	£25,200	125



Financial statements

31 March 2020

Registered number 09476013

Strategic report

Transport for Wales (TfW) presents its strategic report, directors' report and financial statements for the year ended 31 March 2020.

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

2019/20 has been a year of change and growth for TfW working with our partners
- our key achievements this year include:

- ✓ Completing the transfer of Aberdare, Coryton, Merthyr Tydfil, Rhymney and Treherbert rail lines, known as the Core Valleys Lines (CVL) from Network Rail to TfW;
- ✓ Continuing to work with Keolis Amey Wales Cymru Limited, our Operator and Development Partner (ODP), to design and deliver the programme of works for transformation of the CVL, including starting construction of our new £100 million Metro Control Centre in Taff's Well – a maintenance facility for the new tram-trains that will run on the Metro and a control centre overseeing South Wales Metro operation. This work is supported by ERDF funding through the Welsh Government.
- ✓ Opening our Treforest Metro Infrastructure Hub which is home to around 200 TfW, Transport for Wales Rail Services, and infrastructure development partner colleagues;
- ✓ Starting work on the construction of a new £8 million railway station at Bow Street, Ceredigion;
- ✓ Directly operating on-train catering services on our trains, welcoming over 100 employees to the TfW team;
- ✓ Collaborating with all Welsh local authorities and the Welsh Government to roll out more than 600,000 new-style Bus Concessionary Travel Cards;
- ✓ Changing our December 2019 rail timetable to enable a 40% increase in the number of Sunday rail services we run across Wales and the borders and reduce journey times between North and South Wales;
- ✓ Introducing 'Delay Repay 15', enabling our rail customers to claim compensation if they're delayed by 15 minutes or more;
- ✓ Starting to run direct rail services between North Wales and Liverpool for the first time in 40 years;
- ✓ Developing new transport models covering South West, Mid and North Wales to complement the existing South East Wales model, providing computerised representations of people's journeys by rail, bus and road;
- ✓ Becoming an accredited Real Living Wage Employer, ensuring that all eligible employees receive a minimum hourly wage 13% higher than the current minimum wage;

- ✓ Progressing construction of our new headquarters at Llys Cadwyn in Pontypridd town centre;
- ✓ Implementing new finance and human resource systems;
- ✓ Recruiting three apprentice project managers and four infrastructure apprentices;
- ✓ Working with the 2020 Future Generations Leadership Academy to support young people with opportunities to learn and enhance their skills;
- ✓ Finalising our Stakeholder Engagement Strategy which sets out how we'll engage with and build effective relationships with our stakeholders and also includes a new code of practice endorsed by our partners;
- ✓ Establishing our advisory panel to enable us to engage proactively and transparently with our stakeholders to ensure that a broad range of views influence our work;
- ✓ Procuring 100% renewable energy;
- ✓ Launching our Biodiversity Action Plan, publishing our first biodiversity report and achieving the Green Dragon award;
- ✓ Working closely with Transport for Wales Rail Services to introduce body cameras to help reduce assaults on our people; and
- ✓ Developing a geographical information system with Network Rail using third-party data to understand assets that are most at risk from extreme weather events such as flooding.

Our focus for 2020/21 is set by the Welsh Government's remit letter and includes:

- ✓ Ensuring the delivery of high-quality and reliable train services across Wales and the borders;
- ✓ Managing our ODP to ensure the effective and efficient management of the infrastructure to deliver rail services;
- ✓ Developing our plan to ensure that new rolling stock ordered under the Rail Services contract is available for use as early as practically possible;
- ✓ Supporting the Welsh Government in providing on-going professional advisory and consultancy capacity, including on matters relating to the bus network, strategic road network, the Welsh transport appraisal guidance (WeITAG), active travel and the development of the case for investment in the transport network;
- ✓ Working with the Welsh Government to reconsider the activity schedule for the transfer of responsibility for delivery of various functions to TfW;
- ✓ Supporting the development of the Wales Transport Strategy (WTS);
- ✓ Developing the role we play in supporting Welsh language and culture; and
- ✓ Supporting the response to the Coronavirus, which has had a significant impact on rail passenger numbers (see Risks and Uncertainties).

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

Results for the period

The most significant event during the period was the acquisition of the Core Valleys Lines on 28 March 2020 from Network Rail.

The acquisition price was £469.8m, with Land Transaction Tax and directly attributable costs of acquisition resulting in a final capitalised cost of £520.9m (which includes £5.0m spend from previous years).

The income statement shows a surplus for the year of £28,000 (2019: £27,000) and administrative expenses for the year of £33.5 million, a 71 per cent increase on the previous year of £19.6 million. This increase reflects further growth in activities during 2019/20 following the commencement of the new Wales and Borders rail service in October 2018 and in advance of the Core Valleys Lines acquisition on 28 March 2020 and other wider activity on transport projects.

TfW also facilitated payments of £172.8 million of revenue grant payments and £13.9 million of capital grant payments under the grant agreement between the Welsh Ministers and Keolis Amey Wales Cymru Limited (excluded from the above expenditure).

In addition to the Core Valleys Lines acquisition, TfW spent £63.3 million on other capital projects, primarily on works we are carrying out to support the development of the South Wales Metro (including significant upgrades to the Core Valleys Lines), 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, Ceredigion.

Our property, plant and equipment balance stands at £608.4 million as at 31 March 2020 (2019: £31.6 million). We also incurred £1.9 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 £0.68 million (£0.65 million at 31 March 2019). 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.

	Remit £m	Budget for additional chargeable services £m	Outturn £m			Variance vs remit/budget £m
			Total WG grant*	Additional chargeable services	Total	
Operational revenue grant funded expenditure	198.1	-	198.1		198.1	-
Additional chargeable services*		0.8		2.9	2.9	2.1
Capital grant funded expenditure	598.0	-	598.0	-	598.0	-
Total	796.1	0.8	796.1	2.9	799.0	2.1

* See next page for breakdown

The total WG grant outturn is made up of the following elements:

	Outturn £m			Total WG grant
	Core WG grant	TfW Rail Services grant funding	Capital funding of central services	
Operational revenue grant funded expenditure	28.4	172.8	(3.1)	198.1
Capital grant funded expenditure	581.0	13.9	3.1	598.0
Total	609.4	186.7	-	796.1

TfW receives resource grant funding in relation to its core funding and also receives rail services revenue grant payments and capital grant funding in relation to rail services capital grant payments under the grant agreement between the Welsh Ministers and Transport for Wales Rail Services. This rail services grant funding is netted within Expenditure in the income statement, as set out in Note 2 to the financial statements.

Risks and uncertainties

Key risks impacting on TfW are set out below:

- The Coronavirus has had a significant impact on rail passenger numbers in the spring of 2020. A further outbreak of the virus will impact the business through ill health of employees and customers, leading to a reduction in service availability, use and consequential financial impacts. As a response to this, TfW has facilitated an interim funding arrangement with our Operator and Development Partner (ODP) Keolis Amey Wales Cymru Limited until the end of April 2020, and subsequently agreed an Emergency Measures Agreement which provides coverage until October 2020. Work is currently ongoing to understand the long-term funding impact.
- TfW has a 15-year agreement with the ODP to deliver rail services for the Wales and Borders Franchise and an Infrastructure Delivery Partner (IDP) to deliver transformation of the Core Valleys Lines. Incidents such as the Coronavirus crisis, a long-term requirement for additional funding, delays to major programmes such as rolling stock delivery or macro-economic changes such as Britain leaving the EU may cause business failure for our key delivery partners.
- TfW is using funding from the European Regional Development Fund (ERDF) to support the delivery of the 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.
- 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.

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

29 June 2020

Directors' report

Our directors present their report for the year ended 31 March 2020.

Directors

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

Name	Role	Date of appointment/resignation
J S Waddington	Chair / Non-Executive Director	
S Howells	Non-Executive Director	
N J Kemmery	Non-Executive Director	
A J Noon-Jones	Non-Executive Director	
D A Bowen	Non-Executive Director	Appointed 1 April 2019
V J Everitt	Non-Executive Director	Appointed 30 September 2019
J R Price	Executive Director	
H J Clash	Executive Director	

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 the 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

South Gate House, Wood Street Cardiff, CF10 1EW
29 June 2020

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 is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the 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 2020 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 2020 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.

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 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.

Other information

The directors are responsible for the other information, which comprises the strategic report, the directors' report and all other information in the annual report including the section 172 statement, remuneration report and the corporate governance statement. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information 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 other information;
- in our opinion the information given in the strategic report and the directors' report 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 100, 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.

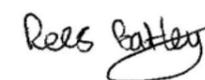
Auditor's responsibilities

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.

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

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



Rees Batley
Senior Statutory Auditor for and on
behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
KPMG LLP
3 Assembly Square
Britannia Quay
Cardiff
CF10 4AX

30 June 2020

Income statement

for year ended 31 March 2020

	Note	2020 £000	2019 £000
Revenue		33,474	19,629
Administrative expenses	2	(33,455)	(19,597)
Operating surplus		19	32
Financial expenses	6	(7)	-
Net financing expense		(7)	-
Surplus before tax		12	-
Taxation	7	16	(5)
Surplus being total comprehensive income for the year		28	27

All operations are continuing operations.

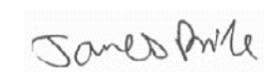
The notes on pages 108 to 131 form an integral part of these financial statements.

Statement of financial position

for year ended 31 March 2020

	Note	2020 £000	2019 £000
Non-current assets			
Property, plant and equipment	8	608,428	31,593
Intangible assets	9	2,173	-
Investments	10	-	-
		610,601	31,593
Current assets			
Inventories	11	74	-
Trade and other receivables	12	35,930	1,966
Cash and cash equivalents	13	16,672	14,147
		52,676	16,113
Total assets		663,277	47,706
Current liabilities			
Trade and other payables	14	51,676	13,128
Tax payable	7	-	6
Lease liabilities	18	125	-
Capital government grants	15	-	226
		51,801	13,360
Non-current liabilities			
Lease liabilities	18	-	-
Deferred capital government grants	15	610,453	33,693
Employee benefits	16	342	-
		610,795	33,693
Total liabilities		662,596	47,053
Net assets		681	653
Equity			
Retained surplus		681	653
Total equity		681	653

These financial statements were approved by the Board of Directors on 29 June 2020 and were signed on its behalf by:


J R Price, Director

Company registered number: 9476013

Statement of changes in equity

for year ended 31 March 2020

	Retained surplus £000	Total equity £000
Balance at 1 April 2018	626	626
Total comprehensive income for the period		
Surplus	27	27
Total comprehensive income for the period	27	27
Balance at 31 March 2019	653	653
Adjustment from the initial application of IFRS 16 (note 22)	-	-
Balance at 1 April 2019	653	653
Total comprehensive income for the period		
Surplus	28	28
Total comprehensive income for the period	28	28
Balance at 31 March 2020	681	681

Statement of cash flows

for year ended 31 March 2020

	Note	2020 £000	2019 £000
Cash flows from operating activities			
Surplus for the year		28	27
Adjustments for:			
Depreciation, amortisation and impairment	8,9	358	522
Release of deferred government grants	15	(215)	(522)
Financial expense		7	-
Taxation	7	(16)	5
		162	32
(Increase)/decrease in inventory	11	(74)	-
(Increase)/decrease in trade and other receivables	12	(2,056)	1,053
Increase in trade and other payables	13	4,896	2,284
Tax paid	7	-	(120)
Net cash from operating activities		2,928	3,249
Cash flows from investing activities			
Acquisition of property, plant and equipment*	8	(73,111)	(19,269)
Acquisition of intangibles	9	(2,173)	-
Capital spend on third party assets	15	(1,991)	(4,082)
Proceeds from the receipt of capital government grants*	15,12	77,042	32,420
Net cash from investing activities		(233)	9,069
Cash flows from financing activities			
Capital element of lease liabilities payments		(163)	-
Interest element on lease liabilities payments		(7)	-
Net cash from financing activities		(170)	-
Net increase in cash and cash equivalents		2,525	12,318
Cash and cash equivalents at 1 April		14,147	1,829
Cash and cash equivalents at 31 March		16,672	14,147

* The acquisition of the Core Valleys Lines from Network Rail was funded by a nil-cash mechanism – see note 8 and 15. This has therefore been excluded from both acquisitions and grant proceeds.

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 South Gate House, Wood Street, Cardiff, CF10 1EW. 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, none of which have had a material impact on the financial statements unless otherwise stated:

- IFRS 16: Leases. See note 22 for impact. This has been adopted using the modified retrospective method and as a result the comparatives have not been restated and are reported under IAS 17.
- IFRIC 23: Uncertainty over Income Tax Treatments.
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement.
- Amendments to IFRS 9: Prepayments Features with Negative Compensation.
- Annual Improvements to IFRS Standards 2015-2017 Cycle.

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 going concern period as set out in IAS 1 Presentation of Financial Statements i.e. at least 12 months from the date of these financial statements.

Welsh Government has provided a letter of support to TfW setting out its intention to continue to provide funding for at least 12 months from the signing date of these accounts.

Therefore, the directors 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 as set out in the relevant accounting policy
- 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 as set out below.

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 Keolis Amey Wales Cymru Limited (trading as Transport for Wales Rail Services) under the grant agreement between the Welsh Ministers and Keolis Amey Wales Cymru Limited, the directors have determined that TfW is acting only as an agent, and therefore the grant payments to Keolis Amey Wales Cymru Limited 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. Design works towards assets that are expected to be owned by TfW (for example as a result of anticipated land transfers from Welsh Government) are being capitalised to the extent that we expect them to provide enhancement to assets 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 corresponding capital grant income being recognised in the income statement.

Revenue

TfW has five income streams:

- Government grants
- Other consultancy projects with the Welsh Government
- Third-party consultancy contracts
- On-train catering income
- Rental income

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

In relation to the grant received paid directly to Keolis Amey Wales Cymru Limited (trading as Transport for Wales Rail Services) under the grant agreement between the Welsh Ministers and Keolis Amey Wales Cymru Limited, TfW is acting only as an agent, and therefore the grant payments made to Keolis Amey Wales Cymru Limited 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. TfW has chosen to present the grant as deferred income rather than deduct the grant from the carrying amount of the asset. The income is recognised in the income statement to match with the relevant costs. For a capital grant this means recognising the income over the useful life of the asset so that the grant is matched with the depreciation charge (i.e. the relevant cost).

For capital grants received that are to be paid directly to KeolisAmey under the grant agreement between the Welsh Ministers and Keolis Amey Wales Cymru Limited, the grant payments to Keolis Amey Wales Cymru Limited 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 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 a number of contracts with third parties for the provision of consultancy support.

At point of entering into the contract, an assessment is made as to whether the performance obligation(s) of the contract will be satisfied over time or at the point when the relevant output is transferred to the customer, dependent on whether the customer receives and consumes the benefits provided simultaneously. For contracts where performance obligations are recognised at a point in time, 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. For contracts where revenue is recognised over time, revenue is measured on an input method, using cost plus the margin agreed within the contract.

On-train catering income

On train catering income is made up of cash and card sales to customers travelling on TfW Rail Services trains and income from TfW Rail Services in relation to the first class catering service "Gerald of Wales" which is a flat rate per ticket sold.

Rental income

TfW receives rental income from Keolis Amey Wales Cymru Limited in relation to the lease of the CVL assets, which commenced on 28 March 2020.

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 otherwise would have been 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 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 also assesses 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
Plant and machinery	5-10 years
Improvement to property	2 years
Computer equipment	3 years
Motor vehicles	3 years

The rail network asset is broken down into components which are depreciated using the following useful lives:

Track	37 - 50 years
Operational property	32-65 years
Signaling and power	40 - 52 years
Earthworks	20 - 100 years
Structures	100 years

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

Treatment of Core Valleys Lines Acquisition

TfW acquired the Core Valleys Lines (CVL) Assets from Network Rail on 28 March 2020. These assets do not meet the definition of a business in accordance with IFRS 3 Business Combinations as the acquisition does not include the processes in place (systems, operational processes and protocols) to use the assets. As such, they have been recognised as an acquisition of a group of assets and liabilities in accordance with the appropriate standard, primarily IAS 16 Property, Plant and Equipment.

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.

Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

Defined benefit plans

The Company has established a section of the Rail Pension Scheme (RPS) in respect of staff transferring to TfW from Network Rail as part of the CVL assets acquisition. This is a defined benefit pension plan. The Company's net obligation in respect of the plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) are deducted. The Company determines the net interest on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset).

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA that have maturity dates approximating the terms of the Company's obligations and that are denominated in the currency in which the benefits are expected to be paid.

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

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

Leases (policy applicable from 1 April 2019)

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17.

As a lessee

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

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; and
- penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, to the extent that the right-of-use asset is reduced to nil, with any further adjustment required from the remeasurement being recorded in profit or loss.

Short-term leases and leases of low-value assets

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

As a lessor

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

The Company recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of rental income.

Adopted IFRS not yet applied

The following Adopted IFRSs have been issued but have not been applied in these financial statements. Their adoption is not expected to have a material effect on the financial statements :

- Amendments to References to the Conceptual Framework in IFRS Standards (effective date 1 January 2020).
- Amendments to IAS 1 and IAS 8: Definition of Material (effective date 1 January 2020).

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.

	2020 £000	2019 £000
Major products/service lines		
Core Welsh Government revenue grant	28,368	13,620
Capital Welsh Government grant release in line with depreciation and impairment	215	522
Capital Welsh Government grant release in relation to spend on third party assets	1,991	4,082
Other Welsh Government consultancy projects	2,176	1,295
Third-party consultancy and other third-party funded projects	502	110
On-train catering	199	-
Rental income	23	-
Total	33,474	19,629
Timing of transfer of goods or services		
Grant income accounted under IAS 20	30,574	18,225
Products and services transferred at a point in time	655	110
Products and services transferred over time	2,222	1,294
Rental income accounted for under IFRS 16	23	-
Total	33,474	19,629

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, Keolis Amey Wales Cymru Limited (trading as Transport for Wales Rail Services), under the grant agreement between the Welsh Ministers and Keolis Amey Wales Cymru Limited. 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:

	2020 £000	2019 £000
Transport for Wales Rail Services revenue grant funding	172,769	88,290
Transport for Wales Rail Services capital grant funding	13,877	17,276
Total	186,646	105,566

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 2020 £000	1 April 2019 £000
Receivables	12	2,468	1,310
Contract assets (accrued income)	12	667	475
Contract liabilities (deferred income)	14	(751)	(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 and third-party customers (accrued income). The contract assets are transferred to receivables when the rights become unconditional. All contract assets are expected to be invoiced during 2020/21.

The contract liabilities relate to the advance consideration received from customers for services. The balance at the end of the year will be recognised as revenue when the performance obligations are performed which is expected to be during 2020/21.

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 £279,000 (2019: £43,000).

Transaction price allocated to the remaining performance obligations

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

3. Auditor's remuneration

	2020 £000	2019 £000
Audit of these financial statements	50	29
Amounts receivable by the Company's auditor in respect of taxation compliance services	5	4
Other taxation services	31	-
	86	33

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	
	2020	2019
Central services and rail procurement, mobilisation and contract management	105	32
Consultancy services	10	2
Rail operations (catering)	25	-
	140	34

The aggregate payroll costs of these persons were as follows:

	2020 £000	2019 £000
Wages and salaries	6,486	1,714
Social security costs	719	198
Contributions to defined contribution plans	500	129
	7,705	2,041

5. Directors' remuneration

	2020 £000	2019 £000
Directors' remuneration through payroll	151	100
Company contributions to money purchase pension plans	10	7
	161	107

In addition to the above, TfW paid the Welsh Government £271,000 (2019: £256,000) in relation to the services of directors seconded from the Welsh Government.

Retirement benefits are accruing to one director under a money purchase scheme (2019: one).

6. Finance income and expense

Finance income

Transport for Wales received £32,000 (2019:£nil) of bank interest this year which is fully repayable to Welsh Government and reduces remit draw down – as such this has been shown net against administrative expenses within the accounts.

Finance expense	2020 £000	2019 £000
Interest expense on lease liabilities	7	-
Total finance expense	7	-

7. Taxation

Recognised in the income statement

	2020 £000	2019 £000
Current tax expense		
Current year	2	6
Adjustments for prior years	(18)	4
Total current tax expense / (credit)	(16)	10
Deferred tax expense		
Origination and reversal of temporary differences	-	(5)
Total deferred tax expense	-	(5)
Total tax expense / (credit)	(16)	5

The current UK tax rate that has been used for the year is 19% (2019: 19%).

Reconciliation of effective tax rate

	2020 £000	2019 £000
Surplus for the year	28	27
Total tax expense / (credit)	(16)	5
Surplus excluding tax	12	32
Tax using the current UK corporation tax rate	2	6
Deferred tax write-off	-	(5)
Over provided in prior years	(18)	4
Total tax expense / (Credit)	(16)	5

8. Property, plant and equipment

	Rail network assets £000	Leased buildings & leasehold improvement £000	Plant and equipment £000	Fixtures and fittings £000	Assets under construction £000	Total £000
Cost						
Balance at 1 April 2018	-	165	-	65	6,044	6,274
Additions	-	146	648	152	25,068	26,014
Impairment losses	-	-	-	-	(464)	(464)
Balance at 31 March 2019	-	311	648	217	30,648	31,824
Recognition of right-of-use assets on application of IFRS 16	-	310	-	-	-	310
Balance at 1 April 2019	-	621	648	217	30,648	32,134
Transfers	5,036	-	-	-	(5,036)	-
Additions	515,822	37	1,369	496	59,212	576,936
Balance at 31 March 2020	520,858	658	2,017	713	84,824	609,070
Depreciation and impairment						
Balance at 1 April 2018	-	146	-	27	-	173
Depreciation charge	-	33	-	25	-	58
Balance at 31 March 2019	-	179	-	52	-	231
Recognition of right-of-use assets on application of IFRS 16	-	53	-	-	-	53
Balance at 1 April 2019	-	232	-	52	-	284
Depreciation charge	-	218	52	88	-	358
Balance at 31 March 2020	-	450	52	140	-	642
Net book value						
At 1 April 2018	-	19	-	38	6,044	6,101
At 31 March 2019	-	132	648	165	30,648	31,593
Recognition of right-of-use assets on application of IFRS 16	-	257	-	-	-	257
Balance at 1 April 2019	-	389	648	165	30,648	31,850
At 31 March 2020	520,858	208	1,965	573	84,824	608,428

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 development works being carried out at Llanwern and Bow Street (Ceredigion), and design works relating to the new Cardiff bus interchange. The intended ownership of the Llanwern and Bow Street 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.

Core Valleys Lines acquisition

On 28 March 2020, Transport for Wales acquired certain Rail Network Assets known as the Core Valleys Lines (CVL) from Network Rail. This acquisition comprised the Aberdare, Coryton, Merthyr Tydfil, Rhymney and Treherbert lines (including all stations, track and related rail infrastructure) and was for a purchase price of £469.8m, with Land Transaction Tax and other directly attributable costs resulting in a full capital addition of £520.9m. The acquisition was fully funded by grant from Welsh Government, with the purchase price being funded via a nil-cash mechanism (see note 15).

Reconciliation to statement of cash flows

	2020 £000	2019 £000
Tangible additions (note 8)	576,936	26,014
Nil-cash grant for Core Valleys Lines	(469,800)	-
Movement in capital creditors	(33,649)	(6,745)
Recognition of defined benefit pension scheme as part of CVL acquisition	(342)	-
Capitalised right of use asset	(34)	-
Payments to acquire capital assets per statement of cash flows	73,111	19,269

9. Intangible assets

	Assets under construction £000	Total £000
Cost		
Balance at 1 April 2018	-	-
Balance at 31 March 2019	-	-
Balance at 1 April 2019	-	-
Additions	2,173	2,173
Balance at 31 March 2020	2,173	2,173
Amortisation and impairment		
Balance at 1 April 2018	-	-
Balance at 31 March 2019	-	-
Balance at 1 April 2019	-	-
Amortisation for the year	-	-
Balance at 31 March 2020	-	-
Net book value		
At 1 April 2018	-	-
At 31 March 2019 & 1 April 2019	-	-
At 31 March 2020	2,173	2,173

Intangible assets are made up of external data purchases and internal development relating to the North Wales and Mid & West Wales transport data models, as well as software and data model development relating to bus reform projects.

10. Investments

The Company is 100% shareholder in Wales Infrastructure Manager of Last Resort Limited, a company registered in England and Wales. The investment value is £1. This company is currently dormant and has £1 assets and £1 equity.

11. Inventories

	2020 £000	2019 £000
Finished goods – catering retail stock	74	-
	74	-

12. Trade and other receivables

	2020 £000	2019 £000
Trade receivables	787	328
Receivables due from parent company	1,681	982
Contract assets (accrued income)	667	475
Accrued income – core revenue grant	342	-
Accrued funding – core capital grant	31,898	-
Other receivables	279	43
Prepayments	266	138
Corporation tax receivable (note 7)	10	-
	35,930	1,966

13. Cash and cash equivalents

	2020 £000	2019 £000
Cash and cash equivalents per statement of financial position	16,672	14,147
Cash and cash equivalents per statement of cash flows	16,672	14,147

14. Trade and other payables

	2020 £000	2019 £000
Trade payables	2,403	1,442
Other trade payables	431	68
Accrued expenses	47,562	10,114
Deferred income – core revenue grant	-	1,206
Deferred income – third party	751	225
Social security and other taxation	529	73
	51,676	13,128

15. Capital government grants

	2020 £000	2019 £000
Balance at 1 April	33,919	6,103
Additions – cash	108,940	32,420
Additions – non-cash funding for CVL acquisition	469,800	-
Release in line with asset depreciation / impairment	(215)	(522)
Release – third party asset spend	(1,991)	(4,082)
Balance at 31 March	610,453	33,919
Unallocated to assets – repayable to Welsh Government	-	(2,326)
Deferred – allocated to assets	610,453	31,593

The 2019 balance of £33,919,000 is made up of £226,000 current liabilities and £33,693,000 non-current liabilities.

There is no balance not yet allocated to assets at 31 March 2020; instead there is a balance of £31,898,000 due from Welsh Government for grant not yet received. This is presented in note 12.

The nil-cash funding line above relates to the acquisition of the Core Valleys Lines (CVL) of £469,800,000. The purchase transaction for the acquisition of these assets was undertaken through a nil-cash mechanism to minimise unnecessary cash transactions between Central Government bodies. TfW assigned the rights to funding arising from the Welsh Government grant to Network Rail as settlement for the CVL purchase. The disposal of the CVL asset and its acquisition was undertaken on a nil gain / loss principle across Central Government, accordingly an equal nil-cash grant funding flow from was made from DfT to Welsh Government.

16. Employee benefits

TfW operates a defined contribution pension plan. The total expense relating to this plan in the current year was £500,000 (2019: £129,000)

TfW also has a defined benefit pension scheme from 28 March 2020, having established a section of the Rail Pension Scheme (RPS) in respect of staff transferring to TfW from Network Rail as part of the CVL assets acquisition.

	2020 £000	2019 £000
Defined benefit asset	(1,724)	-
Defined benefit liability	2,294	-
Adjustment for the members share of deficit	570 (228)	-
Net asset/liability for defined benefit obligations (see following table)	342	-

Movement in net defined benefit liability/asset

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability / (asset)	
	2020 £000	2019 £000	2020 £000	2019 £000	2020 £000	2019 £000
Balance at 1 April	-	-	-	-	-	-
Included in profit or loss	-	-	-	-	-	-
Included in OCI	-	-	-	-	-	-
Other Pension scheme assumed on acquisition of CVL assets	2,294	-	(1,724)	-	570	-
Adjustment for the members share of assets / liabilities	(918)	-	690	-	(228)	-
Balance at 31 March	1,376	-	(1,034)	-	342	-

Plan assets

	2020 £000	2019 £000
Growth assets	1,552	-
Bonds	172	-
Total	1,724	-

The above amounts are estimated amounts to be transferred from the Network Rail RPS section into the TfW section in respect of transferred employees. The final transfer amounts will be confirmed by the scheme actuary during 2020/21.

Actuarial assumptions

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

	2020 £000	2019 £000
Discount rate at 31 March	2.15%	-
Price inflation	2.5%	-
Future salary increases	2.5%	-
Future pension increases	1.8%	-

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

- Current pensioner aged 65: 21.6 years (male)
- Future retiree upon reaching 65: 22.9 years (male)

Sensitivity analysis

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

	2020 £000	2019 £000
Discount rate decrease	124	-
Discount rate increase	(117)	-
Price inflation decrease	(117)	-
Price inflation increase	124	-
Future salary decrease	(38)	-
Future salary increase	39	-

In valuing the liabilities of the pension fund, mortality assumptions have been made as indicated above. If life expectancy had been changed to assume that all members of the fund lived for one year longer, the value of the reported liabilities at 31 March 2020 would have increased by £103,000.

The above sensitivities are based on the results of the full membership liability calculations carried out by the RPS Trustee actuarial advisory team as at 31 December 2018 to determine initial contribution rates for the new section. The first full actuarial valuation of the scheme is due to be carried out as at 31 December 2020. Whilst the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation to the sensitivity of the assumptions shown.

Funding

The Company expects to pay £59,000 in contributions to its defined benefit plans in 2020/21. The weighted average duration of the defined benefit obligation at the end of the reporting period is 22 years.

17. 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 £2,468,000 (2019: £1,310,000).

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.

18. Leases

Leases as a lessor

Operating leases

TfW has a lease to Keolis Amey Wales Cymru Limited in respect of the CVL assets. This lease commenced on 28 March 2020. This has been classified as an operating lease as the lease length is significantly less than the useful economic lives of the assets.

The lease is for £2,000,000 per annum and has an expiry date of 16 October 2033.

During the year £23,000 was recognised as rental income by the Company.

Leases as a lessee

The Company holds unsecured property leases on two premises in Cardiff and Wrexham. The Cardiff property is made up of two leases, both of which end during 2020/21. The discount rate applied to these assets is the government borrowing rate of 3.5%. The current Wrexham lease also ends in 2020/21, and was under 12 months in duration at the IFRS 16 adoption date; therefore the Company has elected to apply the exemption not to recognise assets and liabilities in relation to this lease.

In addition the company also holds a number of low value leases in relation to office equipment.

Right-of-use assets

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

	Land and buildings £000	Total £000
Balance at 1 April 2019	256	256
Additions to right-of-use assets	34	34
Depreciation charge for the year	(141)	(141)
Balance at 31 March 2020	149	149

Amounts recognised in profit or loss

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

	£000
2020 – Leases under IFRS 16	
Interest expense on lease liabilities	7
Expenses relating to short-term leases (excluding short-term leases of low-value assets)	14
Expenses relating to leases of low-value assets	7
	28
	£000
2019 - Operating leases under IAS 17	
Lease expense	94
	94

At 31 March 2020, the Group was committed to short term leases with a total gross commitment of £4,000 (2019: £261,000) and has agreements to lease with the leases not yet commenced totalling £18,113,000 (2019: £nil) of which £18,033,000 relates to the 15 year lease for the new headquarters in Pontypridd expected to commence in late 2020, and £80,000 relates to a new 3 year office space lease in Wrexham.

Lease liabilities

	2020 £000	2019 £000
Current portion of lease liabilities	125	-
Non-current portion of lease liabilities	-	-
	125	-

19. Capital commitments

During the year ended 31 March 2020, TfW entered into contracts to purchase property, plant and equipment for £151,000,000 (2019: £53,717,000). These commitments are expected to be settled in the following financial year.

20. Related parties

Identity of related parties with which TfW has transacted

During the year, TfW received revenue grant income from the Welsh Government of £199,589,000 (2019: £102,671,000), which included passthrough grant under the Rail Services Grant Agreement of £172,769,000 (2019: £88,290,000). TfW also received cash capital grant funding of £80,919,000 (2019: £49,699,000), which included passthrough under the Rail Services Grant Agreement of £13,877,000 (2019: £17,276,000) and spend on third-party assets of £1,991,000 (2019: £4,082,000). TfW also received non-cash grant in relation to the acquisition of the Core Valleys Lines of £469,800,000 (2019: £nil) – see note 15. Included within deferred income is a debtor from the Welsh Government relating to resource grant costs incurred but funding not yet received as at 31 March 2020 of £342,000 (2019: £1,206,000 creditor) and a debtor for capital grant costs incurred but funding not yet received of £31,898,000 (2019: £2,327,000 creditor).

In addition, TfW recognised income from the Welsh Government relating to non-grant funded consultancy projects of £2,176,000 (2019: £1,294,000). At 31 March 2020, TfW was owed £1,681,000 (2019: £982,000) 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 £635,000 (2019: £475,000).

TfW made purchases from the Welsh Government totalling £500,000 (2019: £1,320,000) 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 £472,000 due to the Welsh Government (2019: £8,000 credit due back from 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:

	2020 £000	2019 £000
Key management emoluments including social security costs	1,074	501
Company contributions to money purchase pension plans	75	45
Payments to third parties in respect of secondees	354	422
Compensation for loss of office	-	16
	1,503	984

21. Contingent assets

HMRC is currently performing a review of a proposed retrospective VAT reclaim by Transport for Wales following the finalisation of the operational structure of the CVL infrastructure manager and transformation activities. The potential VAT refund relates to input VAT incurred on activities relating to the transfer of CVL assets and preparatory works relating to the transformation of these assets. Should this be agreed by HMRC, the potential VAT refund to Transport for Wales is approximately £13.6m relating to VAT incurred during the 2018/19 and 2019/20 financial years.

Due to the level of uncertainty at the balance sheet date, TfW has not recognised an asset within these financial statements and will recognise any refund during 2020/21 when it is expected that the review will have been finalised. Any VAT refund will be reflected within the remit grant drawdown from Welsh Government during 2020/21.

22. Change in significant accounting policies

The Company has applied IFRS 16 using the modified retrospective with cumulative effect method.

The disclosure requirements in IFRS 16 have not been applied to comparative information.

The Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Only finance leases were then recognised on the balance sheet.

Leases classified as operating leases under IAS 17

On transition, for operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at 1 April 2019.

Right-of-use assets were measured at their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the Company's incremental borrowing rate at the date of initial application.

The Company used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Company:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. photocopiers);
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.

The following table summarises the quantitative impact of adopting IFRS 16 on the Company's financial statements for the year ending 31 March 2020.

	Impact of adoption of IFRS 16		
	31 March 2019 As previously reported £000	Adjustments £000	1 April 2019 after IFRS 16 adoption £000
Balance sheet			
Property, plant and equipment	31,593	257	31,850
Rent prepayment	4	(4)	-
Lease liabilities (current)	-	(106)	(106)
Lease liabilities (non-current)	-	(147)	(147)
Retained earnings	653	-	653

The following table summarises the difference between the operating lease commitments disclosed under IAS 17 at 31 March 2019 in the Company's financial statements and the lease liabilities recognised at 1 April 2019:

	1 April 2019 £000
Operating lease commitments at 31 March 2019 as disclosed under IAS 17	261
Adjustment for rent prepayment (including in commitment but paid in March)	11
Discounted using the incremental borrowing rate at 1 April 2019	(8)
Recognition exemption for leases with less than 12 months of lease term at transition	(11)
Lease liabilities recognised as at 1 April 2019	253

The reconciling items are made up of a recognition exemption taken for the Wrexham property lease which had less than 12 months term at transition, as well as an adjustment to add back in a rent prepayment for Q1 2019/20.

23. 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>.

