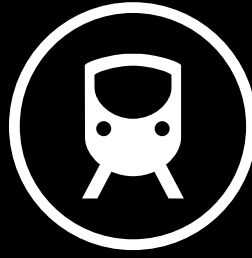


Annual report

2020/21





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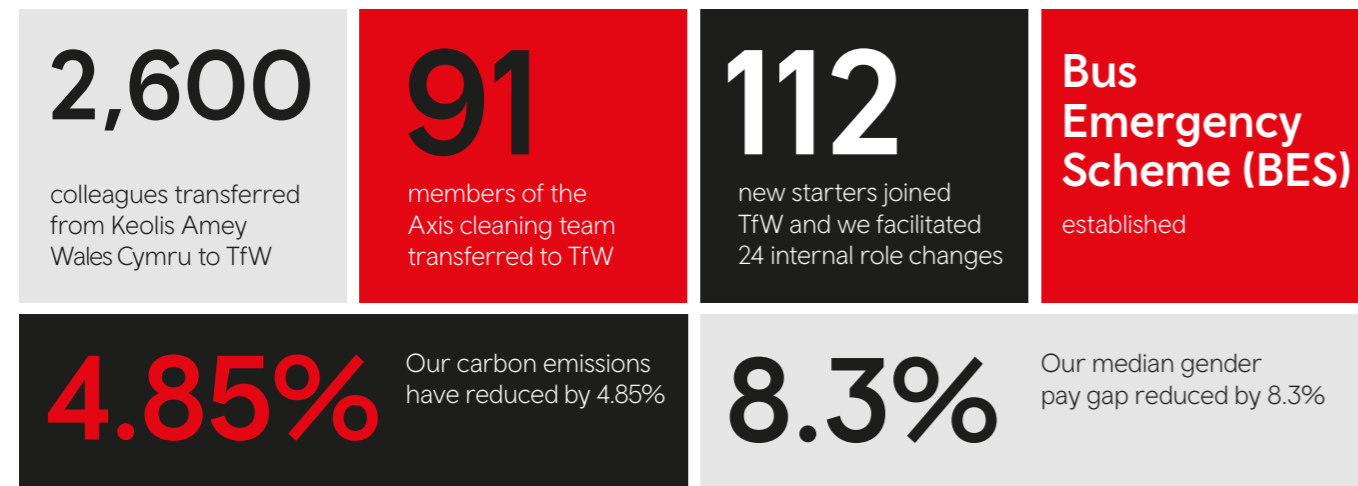
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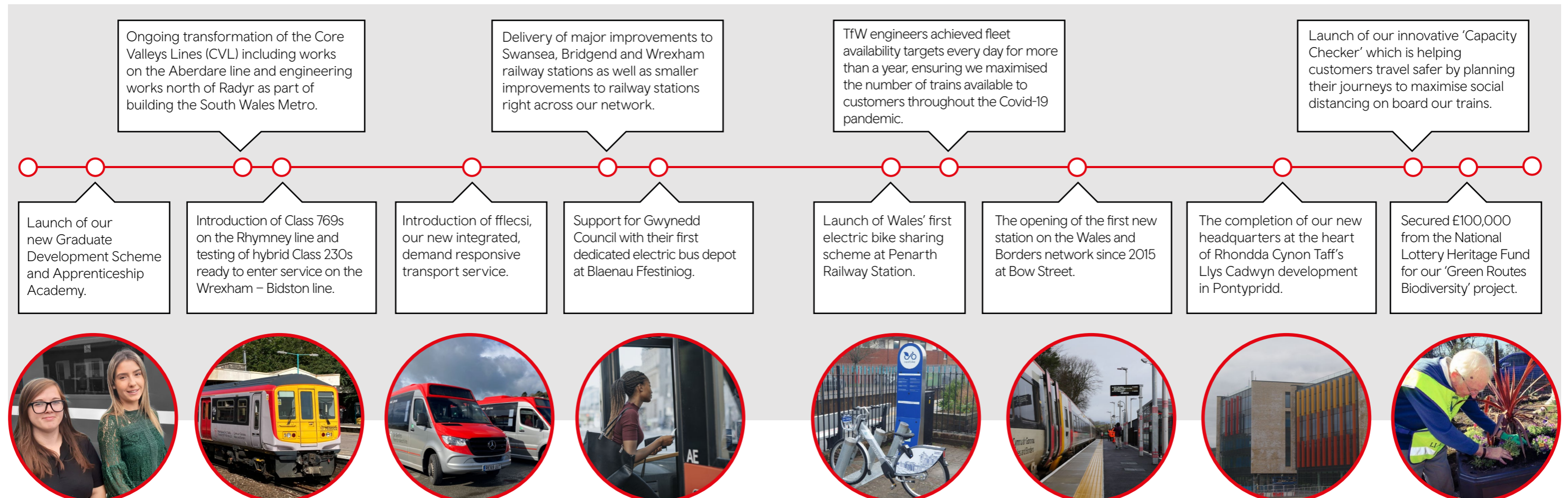
Our year at a glance

We're providing sustainable transport services that keep Wales moving.

2020/21 highlights



Key achievements



Chair's statement

Scott Waddington



2020/21 has been a year like no other. A period of unprecedented challenges and transformational changes with our colleagues working together to keep Wales moving safely whilst continuing to deliver the Welsh Government's vision of developing a more integrated transport network that is accessible to all.

Of course, we began the year not knowing how Covid-19 would impact our people, structure or services. It is testament to the skills and commitment of our people and the can-do nature of our culture that, despite Covid-19, we have achieved so much. This is an organisation that has changed beyond all recognition in the last 12 months yet we have remained focussed on delivery and absolutely aligned with our purpose, values and strategy.

I thank everyone for their hard work and continued support. Delivery partners, stakeholders, colleagues and customers have all played their part in making sure that we do not lose sight of the bigger picture; delivering an accessible, sustainable and efficient transport network that the people of Wales can be proud of.

Indeed, the transfer of the railway operations to Transport for Wales in February 2021 marked a major milestone for the people of Wales. The move, which was announced by the Welsh Government in October 2020, came in the face of a significant reduction in passenger numbers due to Covid-19.

It was a difficult decision to make and a huge task for all involved but it was absolutely the right thing to do because public ownership of the railway is enabling us to protect services, safeguard jobs and deliver infrastructure improvements. I'm particularly grateful for the positive engagement and professionalism shown by Keolis Amey colleagues throughout the mobilisation and transition process.

Of course, the Covid-19 pandemic means we still need to continue to review our activities based on the needs of our customers and colleagues as well as broader government priorities. We expect Covid-19 will continue to impact both the services we provide and our customers' attitude to sustainable transport.

Having supported the Welsh Government with the development of Llwybr Newydd: the Wales Transport Strategy 2021, we are fully aware of what it will take to reshape transport in Wales. Reducing our carbon footprint is a key priority so I am pleased that this annual report shares the progress we have made on developing an integrated transport network that encourages and facilitates walking, cycling and greater use of public transport.

With the transfer of the Core Valleys Lines from Network Rail to Transport for Wales in March 2020, we're already making headway with our transformation programme.

We're investing for the future by building the foundations for the South Wales Metro; a modern, sustainable bus, rail and active travel network that will transform people's lives and reduce the environmental impact of our transport network.

We're connecting people and communities, working hard to make sure Wales' transport network supports a fairer, greener and more equal recovery after Covid-19 because a better, more integrated public transport network is a key driver of economic growth and social mobility.

We've got a huge amount to do but with the continued support of our Board and the excellent leadership of James Price as Chief Executive along with his senior team, I am confident that whatever challenges come our way, we will deliver; for our people, for our customers and for Wales.

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

Chief executive's statement

James Price



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

Covid-19 has made 2020/21 a difficult year for everyone but I'm proud of the compassion, resilience and agility that our teams have shown; working together to keep customers safe, protect our services and take care of each other. I thank everyone for their commitment, dedication and continued focus on delivery.

Working as one team, we're driving forward the Welsh Government's vision of a high quality, safe, integrated, affordable and accessible transport network that the people of Wales can be proud of. The support of our stakeholders, neighbours and delivery partners is fundamental to our work so I'm pleased to have welcomed the introduction of our Advisory Panel this year and value the engagement that we continue to have with our funders, regulators and industry advisors.

Our Board also continues to play an important role; challenging, guiding and supporting us to ensure we find the right solution for customers and colleagues alike. I appreciate their guidance and counsel, particularly given that our remit has had to evolve so rapidly this year.

Indeed, this year has seen several significant milestones in the evolution of TfW. We've taken responsibility for the Core Valleys Lines following the transfer from Network Rail in March 2020 before becoming the operator of the Wales and Borders rail service with the creation of Transport for Wales Rail Limited in February 2021. There was also the transition of the Axis cleaning team early this year as we continue to build a better in-service experience for our customers.

Our teams have worked tirelessly alongside our partners and stakeholders to deliver these complex mobilisation projects, resulting in us having full operational responsibility for the safe and reliable delivery of rail services. The transfer of our 2,600 colleagues from Keolis Amey Wales Cymru Limited means we are now one team, working as one to do the right thing for the people of Wales.

From the preparation of new rolling stock to the launch of fflecsi, our on-demand bus service, we're working hard to transform customer experience and encourage a long-lasting and sustainable modal shift. We've also begun work to transform the Core Valleys Lines as part of building of the South Wales Metro; an integrated public transport network that will make it easier for people to travel around South East Wales.

Importantly, there is significant work happening behind the scenes as we continue to build an organisation capable of delivering our purpose. We're investing in our people and making the most of technology; as we get ready to make full use of our new home at Llys Cadwyn in Pontypridd.

It's been a year like no other but we continue to move forward and remain focussed on doing the right thing for Wales; delivering for our customers, investing for the future and transforming our transport network with a real sense of purpose and pride.

"Working as one team, we're driving forward the Welsh Government's vision of a high quality, safe, integrated, affordable and accessible transport network that the people of Wales can be proud of."

Transport for your every day

Transport for Wales (TfW) exists to drive forward the Welsh Government’s vision of a high-quality, safe, integrated, affordable and accessible transport network that the people of Wales are proud of.

Our vision

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

Our work focuses on improving connectivity – by planning, commissioning and managing efficient transport networks and by drawing on the best skills from across industry, government and society. Together, we’re creating a transport network fit for the future, that contributes to the long-term sustainability of Wales and of those communities connected to us, achieving the seven well-being goals of the Well-being of Future Generations (Wales) Act 2015.

Our purpose

“To provide sustainable transport services that keep Wales moving”

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

Our values

Fundamental to everything we do are our values, that are ingrained in our culture and our ways of working.

We’ll create trust with our customers, colleagues and stakeholders, founded on:

being safe Health, safety and well-being	being the best High performance, pace	being positive Can do, will do	being connected Enterprising and networked	being fair Integrity and equality	creating shared success Passion for the best deal
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Our remit

Established in 2015, TfW is a not-for-profit company that is wholly owned by the Welsh Government. We collaborate with other transport providers, partners, communities and key stakeholders across Wales and the borders to deliver a safe, accessible, reliable, affordable, and integrated transport network with a focus on sustainability.

We don’t set policy, nor do we exercise any statutory functions. We’re the Welsh Government’s transport delivery partner, expert adviser and advocate for transport related matters.



Our new offices at Llys Cadwyn

Our response to Covid-19

From rainbows on our trains to the launch of our Capacity Checker for the railway and contactless payments on buses, we've worked hard throughout the pandemic to deliver for our customers, protect our colleagues and support broader public health priorities.

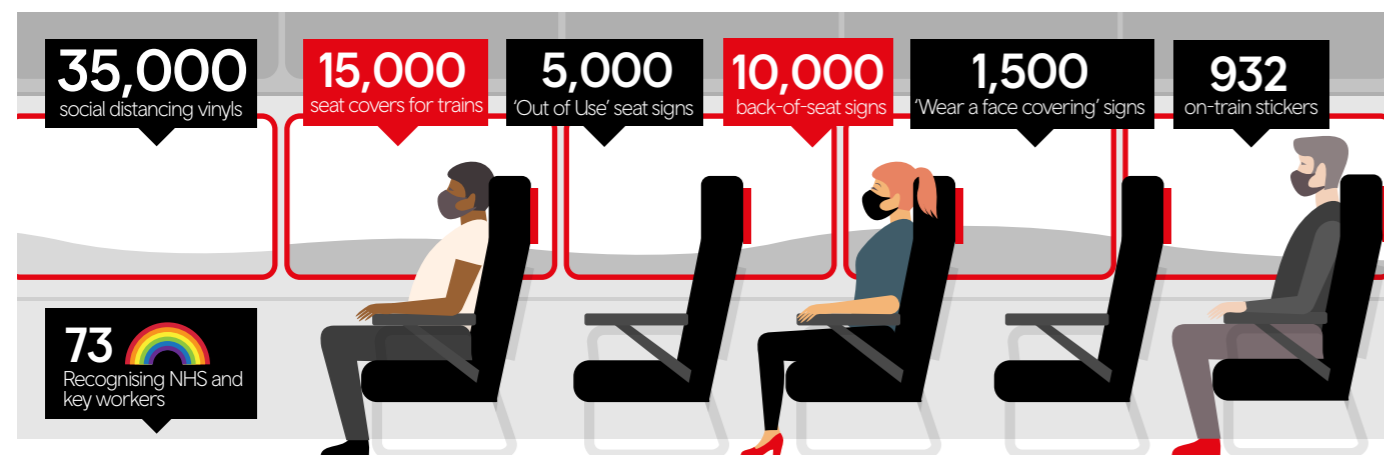
Our colleagues have juggled logistical and personal challenges to keep Wales moving; providing a much-needed service for key workers and free travel for NHS workers at the start of the pandemic. We've also worked closely with the Welsh Government; using nudge interventions to capture behavioural insights and positively influence customers to keep them and colleagues safe.

Keeping customers and colleagues safe

- ✓ Sourcing 2,000 innovative new face coverings for our front-line workers – a transparent window allows customers to see what workers are saying, helping to reduce the barrier to communication that face coverings present.
- ✓ Launching Capacity Checker, helping customers check before they travel which trains may have most space available for social distancing. Our new online portal shows customers when trains typically have plenty of space, are moderately busy or could be full, so they can plan ahead and choose the service that's right for them.
- ✓ Purchasing thousands of litres of hand sanitiser from a new Welsh distillery. Based in the Vale of Glamorgan, Hensol Castle originally had plans to open a gin school

in the cellars of its 17th century castle. However, they quickly re-purposed their distillery and started to produce highly effective industrial hand sanitiser and we're now one of their main customers.

- ✓ Redeploying our on-board catering team to support with touchpoint cleaning and stewarding in key stations, helping to maintain social distancing and face covering compliance.
- ✓ Increasing cleaning teams, carrying out extra cleaning at stations, depots and trains and introducing new anti-viral cleaning products.
- ✓ Introducing one-way systems and signage throughout our railway stations to support social distancing for our colleagues and customers.
- ✓ Working with our advisory panel to liaise with business organisations such as the FSB, CBI and IoD in offering guidance to business and employees.
- ✓ Implementing a plan to support students returning to education in September 2020 with buses operating on key routes to provide additional capacity for students enabling social distancing.



Protecting our rail service

As part of our integrated timetable approach to Covid-19, we've worked closely with the Rail Delivery Group (RDG), Network Rail and other industry partners to align our services with industry principles as well as Welsh and UK Government guidance. We've introduced social distancing measures, worked collaboratively with Trades Unions, ensured resources delivery requirements can be sustained, and increased dwell and turnaround times of trains to ensure a reliable and punctual service throughout the pandemic.

We're currently running around 85% of services against last year's timetable, broadly in line with other UK operators. Customer demand has ranged from 15% to 35% compared to pre-Covid-19 so our team has focussed on offering a consistent timetable throughout the day with more carriages than normal to allow for better social distancing by maximising all available trains. We've also introduced extra time in our timetable to carry out our enhanced cleaning regimes for passengers and front-line colleagues.

Safeguarding bus services

We collaborated with operators, suppliers and local authorities at the start of the pandemic to accelerate the planned roll-out of contactless payments across small bus operators in Wales to help to protect passengers and bus drivers alike.

We worked with operators, the Welsh Government and local authorities to establish the Bus Emergency Scheme (BES). The funding from the Welsh Government and contractual provisions of BES have helped local authorities to work with operators to secure the continued provision of services; ensuring that passengers had continued access to bus services during times when bus operators experienced more than an 80% drop in revenue.

92 bus operators in Wales are now signed up to the BES 2 agreements which will provide a framework for longer term partnership working between the bus industry and the Welsh Government to support recovery from the impact of the pandemic. The agreement includes provisions to improve the design of Wales' bus network, value for money for passengers and for all bus operators to sign up to an Economic Contract. Importantly, we've put the foundations in place to use data to better plan and manage services, helping inform future strategy for delivery of bus services as part of an integrated transport service.

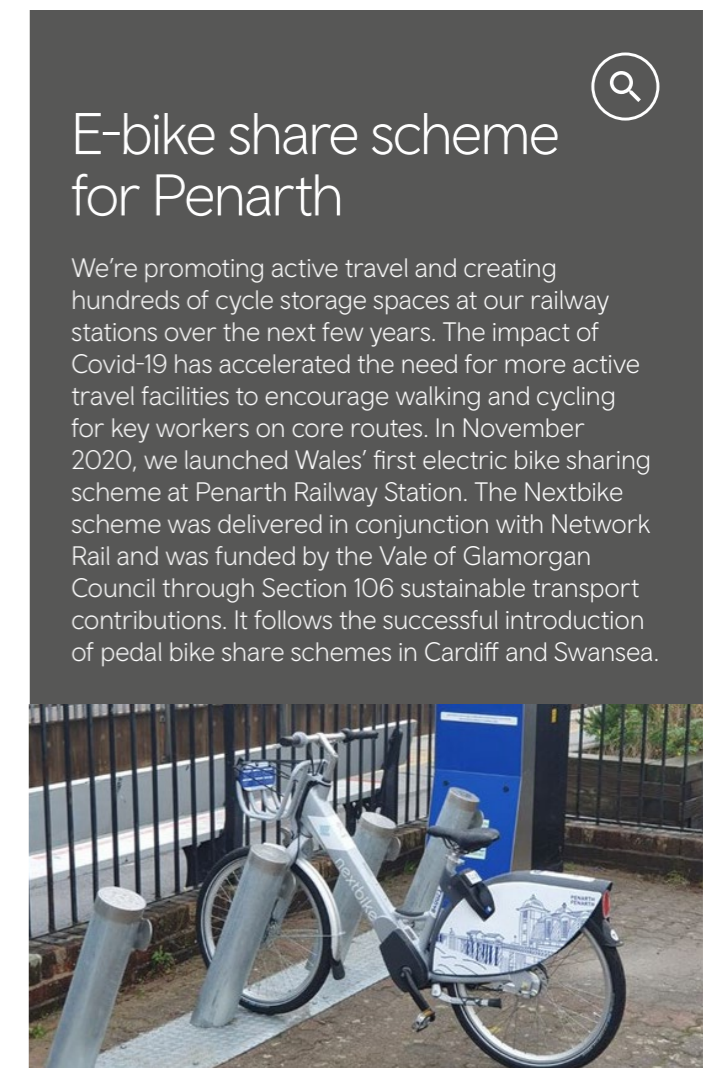
We also collaborated with bus operators as part of our 'Travel Safer' campaign to help share travel advice aimed to help keep passengers safe throughout the pandemic.

Transforming the Core Valleys Lines

The Core Valleys Lines network was transferred from Network Rail to Transport for Wales on 28 March 2020 as a key step in building the next phase of the South Wales Metro.

Covid-19 has resulted in a 10-month delay across all work packages. Costs have therefore increased accordingly since first calculated in March 2020. Throughout the last six months, the construction sector has been through various iterations of guidance published by the Construction Leadership Council to understand the changes required to work safely during this global pandemic.

We've worked collaboratively with our delivery partners to identify new methods of working, learning from others or indeed creating best practice to try to find mitigations to limit the cost and programme impacts on our transformation programme.



Introducing Transport for Wales Rail

Rail passenger numbers have reduced significantly due to Covid-19, but our services still remain critically important for people across Wales and the borders.

An 'Emergency Measures Agreement' was approved by the Welsh Government in June 2020 to help Keolis Amey Wales Cymru Limited as the operator of Transport for Wales Rail Services to cope with the ongoing financial effects of Covid-19. It followed an initial short-term agreement worth £140 million which was confirmed in March 2020, taking the total support to change to £176 million (including revenue support and other Covid-19 related costs).

Following continued emergency funding as a result of the significant reduction in passenger numbers, the Welsh Government took the Wales and the borders franchise back into public ownership on 7 February 2021.

Transport for Wales Rail Limited now has responsibility for the safe and reliable delivery of rail services for the people and communities of Wales and the borders. It operates under its own licence and approvals, regulated by the independent Office for Rail and Road (ORR) in its role as regulator for the UK rail industry.

As our infrastructure manager, Amey Keolis Infrastructure Limited took over responsibility for the management and transformation of the Core Valleys Lines (CVL) on 28 March 2020 as part of the development of the next phase of the South Wales Metro. Our infrastructure manager has since been reconstituted as Amey Infrastructure Wales Limited.

The majority of the Wales and Borders infrastructure is still owned and managed by Network Rail and responsibilities have not been devolved to the Welsh Government. However, Section 30 of the Railways Act 1993 means that we have had to establish an Infrastructure Manager of Last Resort (IMLR). This is to enable service continuity in case of the future failure of Amey Infrastructure Wales Limited as the Infrastructure Manager.

<p>1,600+ planned mobilisation tasks</p>	<p>Transfer of around 2,600 colleagues</p>	<p>Transferring access rights for 248 stations 3 train depots and 6 leased buildings</p>	<p>300+ contracts</p>	<p>Obtaining 4 licences from the ORR</p>
<p>60+ mobilisation teams</p>	<p>Transfer of 18 fleet leases equating to 317 trains</p>	<p>Transfer of 113 technology systems and services</p>	<p>150+ legal agreements</p>	<p>Engagement with key stakeholders including Network Rail, RSSB, Rail and Safety Standards, Rail Delivery Group, DfT, Trades Unions, the Welsh Government and Keolis Amey</p>

Transport for Wales Group

Our growing remit and responsibilities mean that the Transport for Wales Group has evolved to include two new companies; Transport for Wales Rail Limited and TfW Innovation Services Limited.

Transport for Wales Rail Limited

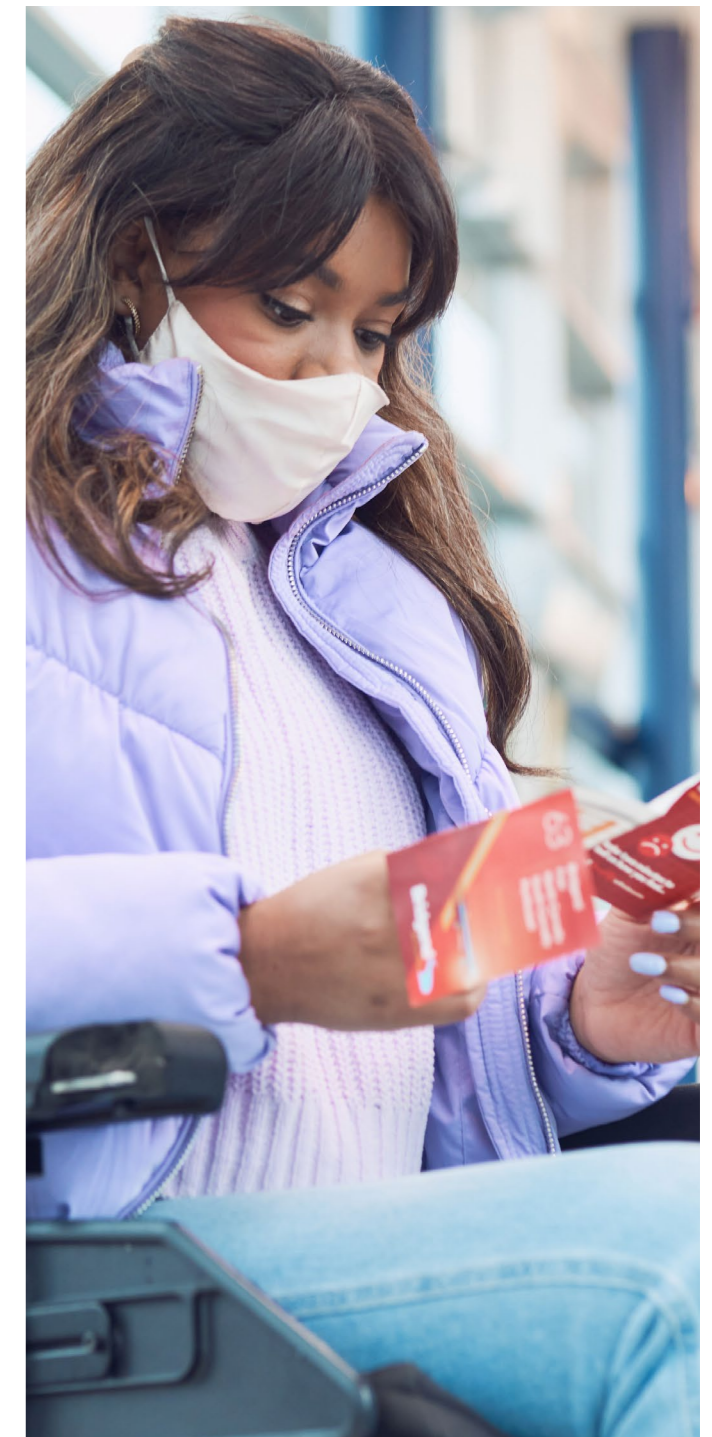
The Welsh Ministers have a duty under section 30 of the Railways Act 1993 to secure the continuity of the provision of passenger rail services in circumstances where a franchise agreement terminates and no further franchise agreement is entered into (the 'Section 30 Duty').

We established Transport for Wales Rail Limited (originally named Wales Operator of Last Resort) as a wholly owned subsidiary of Transport for Wales for the purposes of operating passenger rail services so that the Welsh Ministers could discharge their Section 30 Duty. This publicly owned railway operator continues to operate under the Transport for Wales brand on a not-for-profit basis.

TfW Innovation Services Limited

TfW Innovation Services Limited is a joint venture between TfW, Keolis and Amey. As a subsidiary of Transport for Wales, its remit is to be a catalyst for change and driver behind innovation, enabling the delivery of an integrated transport system for Wales and the Borders.

The joint venture allows us to continue to draw on the international experience and expertise of Keolis and Amey; helping us to deliver important commitments including the ongoing integration of light and heavy rail as part of building the next phase of the South Wales Metro.



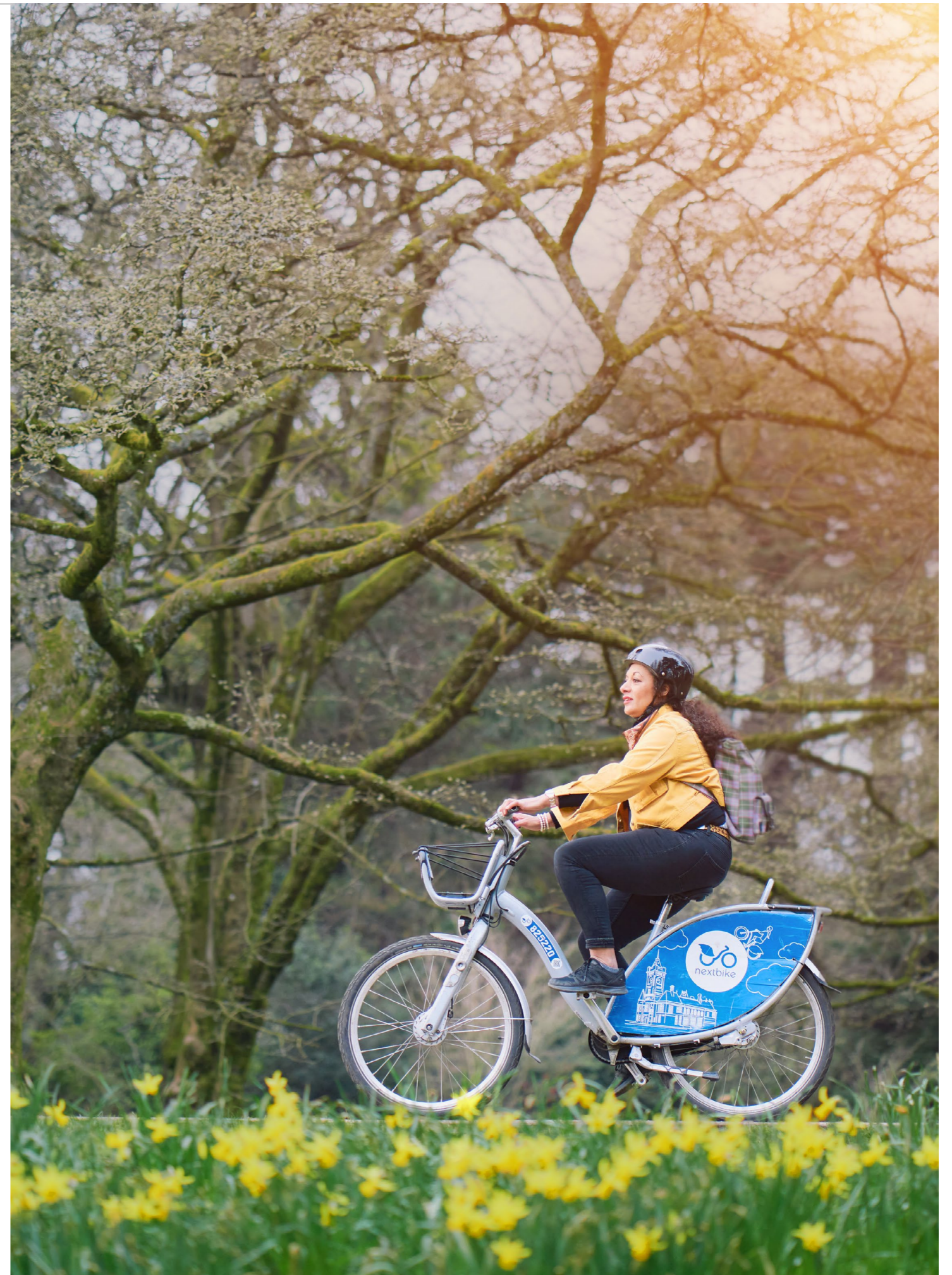
Deputy Minister for Climate Change

Lee Waters MS



“Together with TfW as our trusted delivery partner, we’re passionate about delivering a world-class transport network that will make a difference to people, communities and businesses across Wales.

“As a Government, we have set out our mission for a more prosperous, equal and greener economy. Better public transport underpins this; offering real benefits for people, improving access to employment, opening up new opportunities and closer integration of education, health and other services. A better, more integrated public transport network is a key driver of how we will rebuild Wales’s post-Covid-19 economy, so that we can help every person in Wales to realise their potential.”



A report from our executive director of finance and governance

Heather Clash



The effects of the Covid-19 pandemic are unprecedented, causing significant harm to health, public services and society.

As an organisation, Covid-19 has tested our resilience and agility as we've responded to the disruption that has impacted our people, customers, communities and services. The result is that we have changed beyond all recognition in the last 12 months and now form the TfW Group following the transfer of the Wales and Borders rail franchise (and related assets and liabilities) into our subsidiary Transport for Wales Rail Limited in February 2021. These are therefore our first set of consolidated financial statements.

We continue to collaborate with our customers, communities and stakeholders to provide our services and remain committed to building an organisation and partnerships capable of delivering our purpose. Indeed, we've welcomed new team members during the last year and celebrated the launch of our new Apprenticeship Academy and Graduate Development Scheme.

I can report that our gender pay gap figures show a drop of 8.3% from 41.5% over the last year (as of 31 March 2021). There is still much more to do in this space, but I'm pleased we are making progress. This is as a result of some roles being regraded following the introduction of our new pay and performance process plus the transfer of cleaning colleagues from the private sector in January 2021.

2020/21 has been an extraordinary year for everyone but our capable and passionate team have remained committed to providing sustainable transport services that keep Wales moving. You can find out more about the work that we've done during the year in this Annual Report.

"2020/21 has been an extraordinary year for everyone but our capable and passionate team have remained committed."

Performance in the year

The table below sets out our final outturn position. This reflects expenditure split by grant-funding. Our spend was in line with our final remit and other authorised spend, which was varied during the year as part of the response to Covid-19.

The note below excludes passenger revenue and other Train Operating Company (TOC) income as this only

became part of the TfW Group on 7 February 2021, and so we have only shown the net grant funding paid to the Train Operating Company.

The final remit was aligned to TfW spend as a result of response to Covid-19.

	Remit	Outturn			Variance vs remit/budget
		Total expenditure	Less third party funded	Total Welsh Government grant*	
Revenue expenditure	£403m	£408m	(£5m)	£403m	-
Capital expenditure	£235m	£235m	-	£235m	-
Total	£638m	£643m	(£5m)	£638m	-

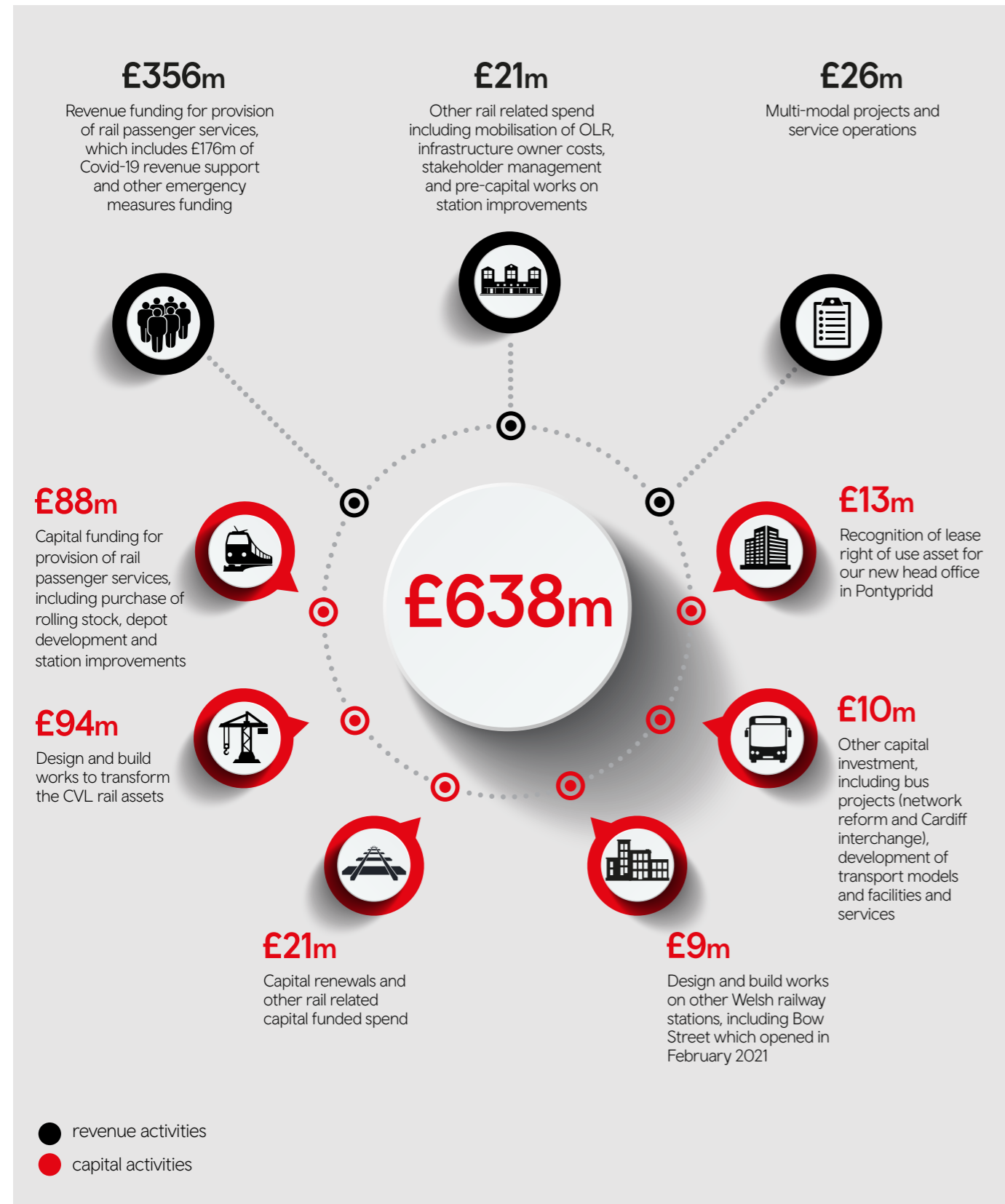
* The total Welsh Government grant outturn is made up of the following elements:

	Outturn			
	Rail Services grant funding	Other Welsh Government remit grant funding	Welsh Government non-grant funded activity	Total Welsh Government funding
Operational revenue grant funded expenditure	£356m	£42m	£5m	£403m
Capital grant funded expenditure	£88m	£144m	-	£232m
Annually Managed Expenditure	-	£3m	-	£3m
Total	£444m	£189m	£5m	£638m

The rail services grant funding received relates to payments made under the grant agreement to operate the Wales and Borders rail franchise, which is administered by Transport for Wales on behalf of the Welsh Government. This agreement was between Welsh Ministers and Keolis Amey Wales Cymru until 7 February 2021, and between Welsh Ministers and Transport for Wales Rail Limited after that date.

Non-grant-funded activity represents other deliverables which are invoiced to the Welsh Government as a supply of a service or activity.

How we spent our Welsh Government funding



Our financial statements

The consolidated income statement shows a surplus for the year of £348,000 (2020: £28,000) and total expenses for the year of £121.6 million. This is our first group income statement including subsidiaries, and therefore the comparison with 2020 costs of £33.5m is not like-for-like. The difference is mainly made up of the rail services provision within Transport for Wales Rail Limited from 7 February 2021, as well as the impact of our response to Covid-19 to support rail services and the full year costs for the CVL acquired in March 2020.

We also facilitated payments of £305.8 million of revenue grant payments and £323.0 million of capital grant payments. This was under the grant agreement between the Welsh Ministers and Keolis Amey Wales Cymru Limited, operators of Transport for Wales Rail Services (excluded from the above expenditure) until the end of the grant agreement on 7 February 2021. Following this, these payments were made to our subsidiary Transport for Wales Rail Limited, which is consolidated in these accounts and so grant receipts are shown gross.

At the end of the year, the capital assets we hold were valued at £3.1 billion. We incurred £171.3 million of grant-funded capital additions during the year, as well as £2.1 million of capital grant-funded expenditure in relation to enhancements to third-party-owned assets which do not meet the criteria for capitalisation on our balance sheet. This is included within administrative expenses in the income statement.

We assess the worth of the CVL rail network through a valuation process, which is set out in note 8 to the accounts on page 118. This year was the first year of valuation after the asset purchase last financial year, in order to align our accounting policy with the Welsh Government. The valuation is based on a modern equivalent depreciated replacement cost, and the value has as a result increased by £2.1 billion compared with the previous cost based figure plus capital additions and depreciation during the year.

CVL rail network valuation

Land and earthworks	£1,298m
Buildings and structures	£959m
Track and signalling	£341m
Total	£2,598m

“This is our first group income statement including subsidiaries, and therefore the comparison with 2020 costs is not like-for-like.”

Most of our property, plant and equipment assets are rail infrastructure-related but we also hold £169.4 million of other in-use capital assets. These include property, rolling stock, plant and machinery, leases, IT and software and data licences. We have £271.4m of assets under construction as at March 2021, which includes the programme of works being carried out to support the development of the South Wales Metro, and capital costs in relation to the induction of new fleet.

£145.1 million of non-current assets were acquired by the group from the previous Train Operating Company on 7 February 2021 as part of the OLR mobilisation - this includes £111.6m of rolling stock lease right of use assets which were recognised under IFRS 16 at the acquisition date along with with a corresponding lease liability.

There is a further £123.7 million of current assets, mostly trade receivables.

Our liabilities

As of 31 March, we held £181.3 million of current, short-term liabilities, mainly accrued trade payables. Invoiced trade payables are relatively low (£24.7 million) as we aim to pay all suppliers promptly.

We have non-current, long-term liabilities of £914.6 million, of which the majority relate to deferred capital grant balances to be released against the assets. The remainder includes defined benefit pension liabilities, leases and related dilapidations provisions.

How we're creating a safe, sustainable, resilient and effective transport network

We're making travelling easier, transforming our transport network into one that's fit for the future and one that can be relied on. Whether travelling by train, bus, bike or walking, our customers can expect safe, more efficient services and better connections. We're delivering this by making the most of technology and sustainability.

Core Valleys Lines

As part of building the South Wales Metro, the (CVL) transferred from Network Rail to TfW on 28th March 2020. These railway lines connect the communities of Treherbert, Aberdare, Merthyr Tydfil, Coryton, Rhymney and Cwmbargoed with Cardiff city centre.

Amey Infrastructure Wales (previously Amey Keolis Infrastructure) became the regulated Infrastructure Manager. As the Infrastructure Owner, TfW is now responsible for administering the infrastructure management contract and managing all asset renewals including track, structures, signaling, stations, earthworks and off-track responsibilities like fencing and drainage.

The transfer of the CVL coincided with the arrival of Covid-19, the first national lockdown and Storm Dennis, the effects of which included significant flooding and landslips. We've also dealt with various legacy issues and the renegotiation of contractual terms relating to the delivery of renewals. The collective impact of these issues means that the delivery programme has been affected.

Our work programme

- ✓ Installing overhead line equipment to power our new electrically powered tram-trains
- ✓ Electrifying over 170km of track
- ✓ Installing state-of-the-art signalling
- ✓ Building at least five new stations in and around Cardiff
- ✓ Modifying bridges, level crossings and signalling equipment
- ✓ Managing vegetation

Progress in 2020/21

- ✓ Responding to Construction Leadership Council guidance to understand the changes required to work safely during the global pandemic. We've worked with Amey Infrastructure Wales and our delivery partners to find new ways of working, learning from others and creating best practice to identify mitigations to limit the cost and programme impacts on the CVL programme.
 - ✓ Managing the delay to the signalling commissioning as a result of Covid-19. Resequencing has commenced but it requires significant integration with the National Programme of Works across the Rail Industry due to the inter-related diversionary routes for Passenger and Freight Services as well as the limited pool of specialist engineering resource.
 - ✓ Continuing to build our new £100 million depot and Metro Control Centre in Taff's Well, Rhondda Cynon Taff. Using the latest Traffic Management System, combining operations and infrastructure control with driver and passenger information, it will be home to our new Metro tram-trains as well as 400 train crew, 35 maintenance staff and 52 Metro Control Centre staff.
 - ✓ Working with Balfour Beatty to complete work on the Aberdare line in October 2020; lowering nearly 200 metres of railway track at Old Colliery between Cwmbach and Fernhill stations and increasing the clearance from the track to the overbridge.
 - ✓ Completing a successful three-week blockade north of Radyr in January 2021 to carry out essential engineering works including re-railing and installing over four miles of track, excavating over 700 trial holes, replacing 46 sleepers, installing 42 metres of track drainage and over 2,600 metres of cable containment system. We also cleared nearly 60,000 square metres of low-level vegetation.
 - ✓ Running virtual supply chain platform events that provide our potential supply chain with information on the opportunities to work with TfW's delivery partners and how businesses can tender for work.
- All opportunities are also available on [Sell2Wales](#) and support can be accessed through [Business Wales](#).



"Our work programme includes installing overhead line equipment and state-of-the-art signalling, electrifying track and building at least five new railway stations."

Metro begins

Metro will be a bus, rail and active travel network that transforms people's lives and reduces the environmental impact of our transport network with a modern, sustainable turn-up-and-go service. We're working collaboratively with communities and their representatives so that each local network meets the needs and priorities of the local communities it will serve, while delivering the objectives set out in the Well-being of Future Generations (Wales) Act 2015 and the Wales Transport Strategy.

We published an update on our programme of works in March 2021 which focusses on the three Metro schemes that we're currently working on in Wales and the borders:

North Wales Metro

We're currently working on the initial phases of the North Wales Metro, putting the foundations in place for transformative rail and bus services and active travel. This will make it easier and faster to travel across North Wales with improved bus, rail, cycling and walking connections.

Metro will play a vital part in developing the region's wider economy as well as a more sustainable future for tourism in North Wales. Our work includes:

- ✓ introducing fully rebuilt Metro trains from late 2021 on the Borderlands line, providing a faster service and more capacity
- ✓ planning for the introduction of brand-new trains with an improved on-board experience from late 2022
- ✓ developing plans to improve our railway stations, making it easier to change between rail and bus at Wrexham General and between the North Wales Coast and Borderlands services at Shotton
- ✓ supporting plans to improve public transport to, from and within Deeside Industrial Park and the wider Deeside Enterprise Zone.

"Metro will be a bus, rail and active travel network that transforms people's lives with a modern, sustainable turn-up-and-go service."

South Wales Metro

We're investing three quarters of a billion pounds to upgrade and electrify the railway lines to Aberdare, Coryton, Merthyr Tydfil, Rhymney and Treherbert to enable more and faster services. A number of South Wales Metro projects have been part-funded by the European Regional Development Fund through the Welsh Government.

Building the South Wales Metro is an ambitious project as we create an integrated public transport network that will make it easier for people to travel around the Cardiff Capital Region. Progress in 2020/21 includes:

- ✓ continuing the construction of our new £100 million depot and Metro Control Centre at Taff's Well
- ✓ starting work on the electrification of around 170km of track and upgrading all signalling
- ✓ working with the UK Government, Welsh Government, Network Rail and Cardiff Council to develop and implement plans to enhance Cardiff Central Railway Station
- ✓ preparing for the introduction of brand new trains across the network by 2023
- ✓ working with the Cardiff Capital Region and its local authorities on plans for further Metro expansion following the transformation of the CVL.



Swansea Bay and West Wales Metro

The Swansea Bay and West Wales Metro is in the early stages of development. We're currently undertaking studies with the Welsh Government and the region's local authorities to develop plans for this ambitious scheme.

Our projects will provide greater integration of transport; focussing on using rail, bus, cycling and walking to create a transport network that works together to support those who live and work in the region as well as visitors. These plans will boost the local economy by providing better access to job, business and leisure opportunities. We're working towards:

- ✓ introducing new trains on services throughout the Swansea Bay area from 2022 with increased capacity on services to West Wales and between South West Wales and Manchester
- ✓ improving our long-distance service between Swansea and Manchester from 2024 with new trains that include a first-class service
- ✓ developing more substantive plans for dedicated local commuter rail services across Llanelli, Swansea and Neath making better use of Swansea District Line, as well as faster services to Carmarthen and West Wales from Cardiff.

"These plans will boost the local economy by providing better access to job, business and leisure opportunities."

What Metro means for you

- ✓ Quicker journeys
- ✓ Integrated travel options (train, bus, walking and cycling)
- ✓ Greater capacity
- ✓ More frequent services
- ✓ More reliable services
- ✓ More accessible services
- ✓ More affordable travel
- ✓ Environmentally friendly services

Reducing bus emissions

- ✓ Providing detailed technical help and assistance to Gwynedd Council to enable them to procure and design two new electric bus services linking Caernarfon to Porthmadog to Blaenau Ffestiniog to Llanwrst to Llandudno. These will be introduced in autumn 2021 as part of the Welsh Government-funded TrawsCymru network.
- ✓ Supporting Gwynedd Council with the design and planning of their first dedicated electric bus depot at Blaenau Ffestiniog.
- ✓ Undertaking technical work to prepare for the conversion of the key TrawsCymru T1 which links Aberystwyth to Lampeter to Carmarthen from a diesel to fully electric operation in 2022. This included a detailed assessment of vehicle requirements given the topography and service requirements for the route and an assessment of the optimum depot locations.
- ✓ Completing a high-level assessment of the benefits and operational requirements of converting all services on the Welsh Government-funded TrawsCymru network to low emission and ultra-low emission fuels over the next five year period.

Free water bottle refills

Our Station Improvement Programme includes the installation of water refill points at railway stations with a potable water supply for customers and colleagues alongside our commitment to rainwater harvesting and energy efficient lighting. Covid-19 means that the programme has been delayed but the first water refill point is due to be completed at Llandudno Town railway station in April 2021.

Transport interchanges

Cardiff Interchange

Cardiff Interchange is part of the wider Cardiff Central masterplan; creating Metro Central, a multi-modal transport hub that allows easy use and better connections with all modes of public transport with a 'turn-up-and-go' service in the heart of Cardiff City Centre. Developers Rightacres are constructing the interchange building adjacent to Cardiff Central Railway Station. The Welsh Government will then transfer the lease for the new Cardiff Interchange to TfW for fit-out and ongoing operational management of the ground floor. This is expected in 2023.

Porth Interchange

We're supporting Rhondda Cynon Taf County Borough Council and their partners Capita with the delivery of the new Porth Interchange; facilitating engagement with railway processes and procedures to enable a smooth delivery and entry into service. The scheme includes the decommissioning of the current station and replacement with a large interchange incorporating both bus and rail. TfW will operate the interchange once it is commissioned in 2022.

Caerphilly Interchange

We've been working with Caerphilly County Borough Council and the Design Commission for Wales to deliver a six-month RIBA Stage 1 feasibility study for a new Caerphilly interchange building. The emerging concept will transform customer experience with a distinctive and vibrant integrated hub that is safe, sustainable, affordable and accessible. We'll be scoping and delivering the next stages of the RIBA Stage 2 concept design in 2021.

Wrexham Interchange

We're working with the Wrexham Gateway Partnership to coordinate various transport projects that form part of the Wrexham Gateway project. This will include helping to facilitate a movement strategy as part of the masterplan for Wrexham General railway station.

Sustainable development

- ✓ Appointment of 20 colleagues as sustainable development champions to help deliver our duty under the Well-Being and Future Generations Act (Wales) 2015 and ensure that we're embedding sustainability in all we do.
- ✓ Establishing a Sustainable Development Advisory Panel made up of subject matter experts from organisations including the Centre for Sustainability, Natural Resources Wales, Living Streets, Sustrans, Wales Co-operative Centre, Welsh Centre for International Affairs, Public Health Wales, Platform, Dotiau, CELSA UK, Severn Wye Energy Agency and Tymor Hir.
- ✓ The award of £100,000 from the National Lottery Heritage Fund in November 2020 for our 'Green Routes Biodiversity' project. The funding will be used to enhance local biodiversity at and near our railway stations throughout 2021. This includes collaborating with community partners to install green walls, green roofs, planters, hanging baskets, trees, water butts, beehives, bird houses, bat boxes, bug hotels, hedgehog houses, and ladybird houses.

"Our sustainable development champions are helping to deliver our duty under the Well-being of Future Generations Act (Wales) 2015."

Our commitment to environmental sustainability

Llys Cadwyn has achieved BREEAM 'Excellent' and benefits from a large solar array and water harvesting system. There are EV charging points and plenty of bike storage for colleagues. By working with WRAP and Rype Office to source recycled and locally sourced furniture as well as reusing our own furniture, the project has saved 92,784 kgs of carbon and 32,141 kgs of furniture. We also saved 2,500 kgs of carbon by using recycled paint for the office interior. We're proud that Merthyr Institute for the Blind made some of our furniture by hand and workers were all paid the Real Living Wage to do so.



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

Our customers are at that heart of everything we do, and we’re continuously improving our understanding of their needs to provide customer-centric services. Our people and services will make our customers feel appreciated, cared-for and valued and we’ll empower our people to make the right decisions for our customers.

Customer voice

Our team is working hard to nurture engagement, ensure representation and champion inclusivity. We’ve continued to work closely with key stakeholders and partners throughout 2020/21 with highlights having included:

- ✓ establishing and hosting TfW’s Advisory Panel with representatives from the Equality and Human Rights Commission, Children and Young People Commission, Sustrans, Stonewall Cymru, Cytûn, Community Transport Association and the Confederation of Passenger Transport
- ✓ leading 15 Regional Stakeholder Forums (representing North Wales, Mid and West Wales, South East Wales and the borders) and hosting the inaugural Sustainable Development Advisory Group as part of our advisory architecture
- ✓ working closely with our Accessibility and Inclusion Panel; engaging with various external organisations to ensure that we’re listening, collaborating and implementing the necessary improvements for an inclusive transport network.

“Our focus is on making sure that our customers can connect with us seamlessly and easily to consistently get what they need from us.”

Keeping customers informed

We’re continuously developing our customer proposition and progressing our strategy for high quality customer engagement, insights and communication. Our focus is on making sure that our customers can connect with us seamlessly and easily to consistently get what they need from us, when and where they need us. Our work in 2020/21 included:

- ✓ development of a dedicated customer relationship management (CRM) system as our CRM solution meaning that we now ‘own’ and manage our customer data. We also have the ability to manage responses to elected representatives more effectively
- ✓ development of a customer portal for the Welsh Concessionary Travel scheme for bus, along with a dedicated customer service function.

Customer contact

We’ve been working on the implementation of a more streamlined service for our customers with one location for transport enquiries in Wales including journey advice, bookings and all aspects of correspondence. This includes:

- ✓ working more closely with PTI Cymru, building on their capability of their bilingual transport contact centre in Penrhyndeudraeth, North Wales to create a multi-modal contact centre for Wales that meets our customers’ needs
- ✓ developing plans to bring together all our customer communication services, improving our operational delivery and resulting in an improved customer experience.



Creating community hubs

We're working with communities and local groups across Wales so that railway station can be accessed and used. We've invested over £100,000 at Llandudno railway station to host 'Creating Enterprise' – a not-for-profit organisation that focuses on helping local people into employment initiatives. Creating Enterprise will also host the Conwy Valley Community Rail Partnership, extending their reach to Anglesey and accessing more communities in Wales.



Railway station improvements

Our Station Improvement Programme is transforming railway stations across the Wales and Borders rail network. Deep cleaning of all railway stations was completed in 2020 with new shelters and improved seating, additional cycle storage space, better signage and CCTV coverage being introduced over the next few years. Key achievements in 2020/21 include:

- ✓ supporting our Social Commercial Development Plan, the aim of which is to bring disused station spaces back to life for community or commercial benefit. Swansea was the first to benefit from this work and further projects are underway at Llandudno, Llandudno Junction, Abergele and Pensarn, Abergavenny, Tywyn and Bangor
- ✓ creating 40 new car parking spaces and four motorcycle parking spaces at four stations including Bynea, Garth, Penrhynedraeth and Clunderwen. This is part of our commitment to providing additional parking across Wales. New safety bollards have also been installed along with information boards and relining to make parking clearer for customers
- ✓ working with Sustrans Cymru and local authorities to create and upgrade cycle storage spaces at stations. The first scheme has been completed in Llanelli with 16 brand-new cycle hoops installed and followed by a revamp in Abergavenny, replacing five old bike cages with 20 new ones
- ✓ announcing a partnership with Network Rail and Abergavenny-based Alun Griffiths Limited to deliver major improvements to Swansea station. The work includes rebuilding and lengthening platform 4, accommodate longer trains to arrive and depart, the full rebranding and refresh of the station and improved ticket-buying facilities
- ✓ modernising Bridgend railway station with the installation of new customer information screens and general improvements including the re-painting of the footbridge as well as the redecoration and refurbishment of the waiting room plus new benches on both platforms. A new cycle shelter with extra hoops, additional recycling bins, renewed station signage and new LED lighting have all helped to create a safer and more welcoming environment
- ✓ beginning major improvements at Wrexham General station including a newly refurbished and extended waiting room, new changing room facilities, toilet refurbishments, additional cycle parking and more recycling facilities
- ✓ ongoing refurbishment of 13 stations between Wrexham Central and Upton with deep cleaning, the rebranding of shelters and station furniture, the relining of car park bays, repainting and renewing stair edgings, and cutting back of overgrown vegetation
- ✓ redecoration work at Cardiff Central by Pontyclun-based Trio Building Contractors with the repainting of fences, building doors and window frames, lampposts, signage, barriers and handrails. We're using the existing heritage colours of the Great Western Railway to reflect Cardiff Central's listed building status and its historic status as part of Brunel's iconic route from Wales to London.

“Deep cleaning of all railway stations was completed in 2020 with new shelters and improved seating, additional cycle storage space, better signage and CCTV coverage being introduced over the next few years.”

Investment in our fleet

We're committed to providing more space, additional seats and improved accessibility with new, revamped, rebranded and refurbished trains. Our continued investment in our rail fleet during 2020/21 included:

- ✓ design and build of 35 Stadler Flirt trains and 36 Stadler tram-trains known as Citylinks as well as 77 DMUs by CAF in Newport with the first Class 197 Civity train from CAF due to enter testing shortly – three new simulators are also now ready for delivery
- ✓ acquisition of four Class Mark IVs that are expected to enter service in late 2022, in addition to the three Mark IV trains already in driver training for start of service in Summer 2021
- ✓ introduction of two Class 769s bringing extra capacity on the Rhymney line with another seven due to enter service in 2021
- ✓ acceptance into the fleet and start of testing of four hybrid Class 230s ready to enter service on the Wrexham – Bidston line in Autumn 2021
- ✓ ongoing refurbishment of our 22 Class 153s to ensure they're fully accessible and people with reduced mobility (PRM)-compliant for customers on our Heart of Wales, West Wales, Conwy Valley, City Line and Cardiff Bay routes
- ✓ completion of accessibility works to make our 36 Class 150s fully PRM-compliant including accessible toilets and passenger information screens and the start of a rebranding and refurbishment programme
- ✓ continued rebranding and refurbishment of our 24 Class 158s and 27 Class 175s that operate long-distance services across our network
- ✓ removal of 15 class 142 pacers from service in December 2020 with one being relocated to the Llanelli and Mynydd Mawr Railway.

Our catering service

Covid-19 meant that on-board rail catering was paused during the year with the majority of our catering team having been furloughed. However, we've spent the time planning to reintroduce services as lockdown restrictions allow including a new fine dining experience. We'll be implementing different operating procedures in line with Covid-19 Guidance from the Welsh Government. This includes accepting electronic payment only.

We've also been busy developing new services. A team of seven chefs and 14 premier hosts will offer an on-board restaurant on six services a day between Holyhead and Cardiff for Business Class passengers. With 41 covers, breakfast, lunch and dinner will be available Monday to Friday for those who want to enjoy a fine dining experience.

Our cleaning services

January 2021 saw 91 members of the Axis cleaning team transfer to TfW and the recruitment of two new cleaning managers as we continue to develop the best experience for our customers and keep them safe on board our services. The mobilisation project included one-to-one consultations with all those affected, setting-up payroll, conducting site audits and the identification of IT and cleaning equipment requirements.

Responsible for delivering a 24/7 operation, the team provides cleaning services on-board our trains, in offices, mess rooms and train depots. Their hard work throughout 2020/21 has been critical in keeping our passengers as well as colleagues safe throughout the pandemic.

Buses on demand

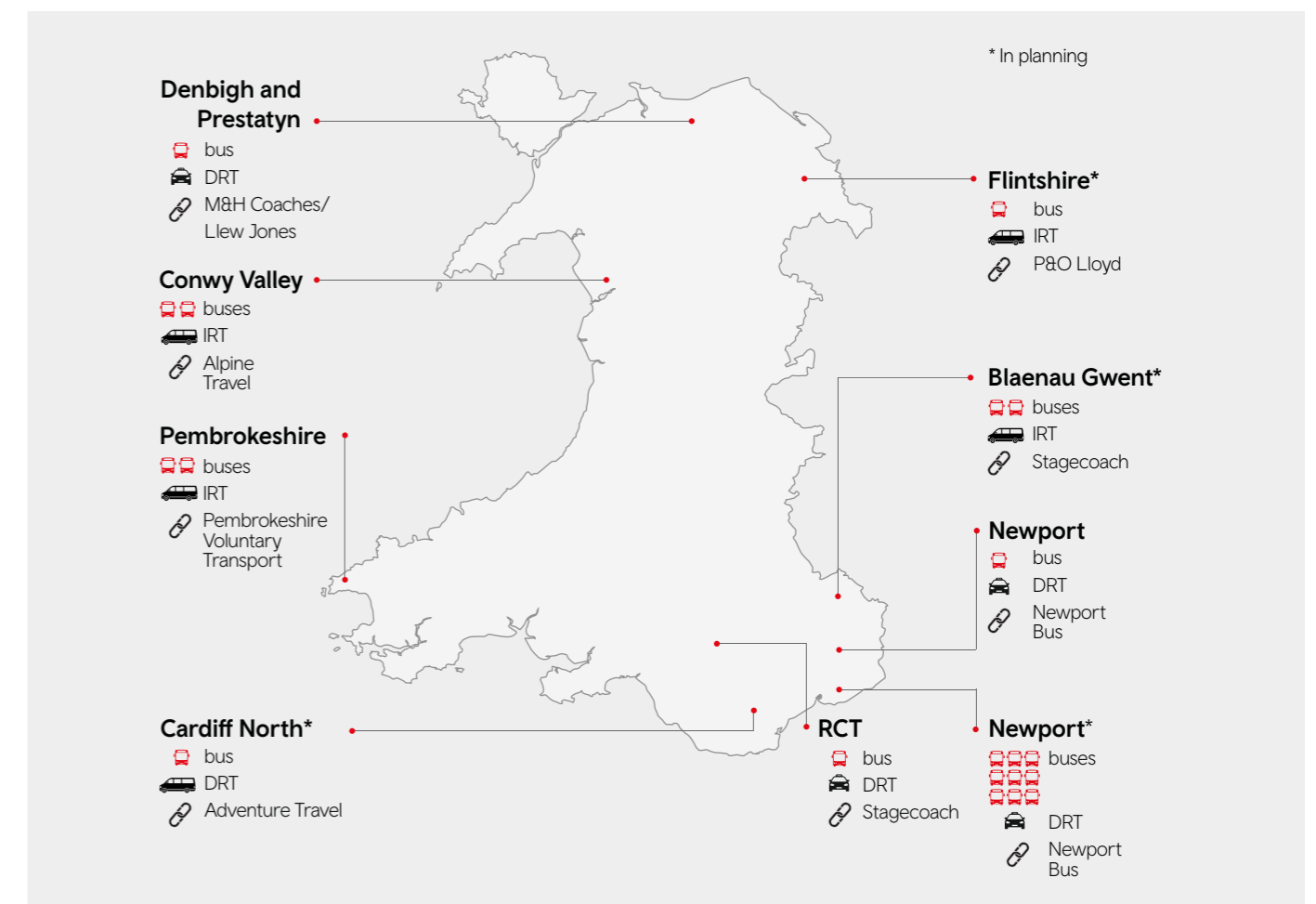
Demand and integrated responsive transport services are proving popular with customers who've tried fflecsi this year; a pilot bus service that provides more personalised and convenient travel. Piloted initially in Pembrokeshire and the Conwy Valley, fflecsi has now also been launched in Newport, Cardiff North, Rhondda, Denbigh and Prestatyn. Over 32,000 journeys have been completed since the launch in May 2020 with a pilot in Blaenau Gwent due to commence shortly. Delivered in partnership with local authorities and bus operators, the benefits of fflecsi include:

- ✓ demand responsive transport that picks you up and drops you off anywhere within the fflecsi area
- ✓ managed demand to ensure passengers can socially distance on every journey
- ✓ travel within areas rather than by fixed routes with seats that are pre-bookable by app, phone or website

- ✓ smaller buses allowing for greater flexibility and accessibility with a corner-to-corner service and door-to-door service for disabled people
- ✓ integrated responsive transport that is semi-scheduled, leaving at one location and/or arriving at the chosen destination at set times including connections with other public transport
- ✓ future potential to incorporate ultra-low emission vehicles and integrated journey planning and booking.

“Hard work throughout 2020/21 has been critical in keeping our passengers and colleagues safe throughout the pandemic.”

fflecsi



How we're delivering trusted expert advice through leading, innovating and collaborating

We're continuously developing our capability to be a trusted adviser and deliver the Welsh Government's vision for transport in Wales. We're doing this by collaborating with our customers, partners and stakeholders and by being a leader in the sector. We aim to be respected for our well-informed and reliable advice.

Llwybr Newydd Wales Transport Strategy 2021

The Wales Transport Strategy 2021 will shape Wales' transport network over the next 20 years. We worked with the Welsh Government over eight months to support the development of the strategy ahead of its launch in March 2021. The collaborative process included:

- ✓ over 80 consultation events with key stakeholders from local authorities, user groups and the private and third sectors to better understand the impact of transport on people's lives
- ✓ data gathering and analysis to ensure alignment with the Well-being of Future Generations (Wales) Act 2015 and the Active Travel Act 2013 along with new transport policy initiatives including bus reform and electrification
- ✓ publication of an initial consultation draft, supported by TfW's Data and Trends report and an Integrated Sustainability Appraisal scoping report. Responses from around 400 people and organisations were incorporated in the final strategy and detailed background report – Mobility in Wales
- ✓ production and distribution of the final strategy prior to starting work on the new National Transport Delivery Plan which will set out spending priorities over the next five years, in parallel with Regional Transport Plans prepared by the new Corporate Joint Committees.

We'll now advise on Welsh Transport Appraisal Guidance (WelTAG) and the new evaluation framework which will help ensure everyone focusses on delivery.



Core vision of an accessible, sustainable and efficient transport network

3 priorities

Reducing the need to travel, delivering more sustainable transport services and infrastructure and driving behaviour change

4 long-term ambitions

Good for people and communities, good for the environment, good for places and the economy and good for culture and the Welsh language

9 mini-plans

Cover active travel, bus, rail, roads, streets and parking, taxis and private hire vehicles, the third sector, freight and logistics, ports and maritime and aviation

Expert advice and project management

- ✓ We've established strategy boards and governance in each Metro region; taking the lead on steering groups, working groups, stakeholder consultation, multi-project and programme interfacing, briefings, planning and development of the programme, cross-Metro working group contributions and strategic development.
- ✓ We've supported the South East Wales Transport Commission (SEWTC) with project management, technical advice, analytical services, cost estimation services and framework consultancy support resulting in the Commission's publication of 'Emerging Conclusions' in July 2020 and 'Final Recommendations' in November 2020.
- ✓ We've established the 'Burns Development Unit' to develop, progress and monitor all 58 SEWTC recommendations - some of these will be developed through our planned South Wales Main Line programme which will complement our Metro programmes across south Wales.
- ✓ We've been commissioned by the Welsh Government to begin developing the Cardiff Central Enhancements Programme Full Business Case; working with all funders including Cardiff Capital Region, Department for Transport and Transport for Wales Rail Limited to identify possible interventions and undertake feasibility studies.
- ✓ We're continuing to support the Welsh Government with Project Engineers and Specialist Advisors to help deliver its Network Management Projects, Border Controls Project and policy support for Llwybr Newydd.
- ✓ We've been asked by the Welsh Government to deliver eight 20mph pilots as a result of the report published in July 2020 recommending a potential reduction in the default speed limit on restricted roads to 20mph in Wales.
- ✓ We're working with Network Rail to deliver rail infrastructure enhancements to enable the increased frequency of services through Wrexham General Railway Station and reduce north-to-south journey time; enhancing capacity to support the December 2022 timetable changes and meet future aspirations.

Transport modelling and analysis

- ✓ Two brand-new regional transport models for North Wales and South West and Mid Wales, have been completed. They complement the existing South East Wales Transport Model and provide sophisticated forecasting and scenario testing capabilities, helping us to plan appropriately and to support evidenced-based decision-making. The models also allow stakeholders to understand the effects of potential transport interventions and policies on rail, bus and car demand. It is possible to adjust the inputs to replicate post Covid-19-related changes to overall travel demand, such as increased working from home.
- ✓ Our Analytical Unit, with in-house transport modelling knowledge, advises organisations on how to use or access the regional models. The team has expanded to support project managers working on Geographical Information Systems, multi-modal transport modelling, demand forecasting, economic appraisal and transport data analysis. This has led to cost and timescale efficiencies, as well as improving the quality and consistency of the evidence base underpinning transport decision-making.
- ✓ Our plans to update the South East Wales Transport Model, using new and updated mobile phone and survey data, were put on hold due to the impact of Covid-19 on transport patterns. We now expect to commence this work in 2022.

"The team has expanded to support project managers working on Geographical Information Systems, multi-modal transport modelling, demand forecasting, economic appraisal and transport data analysis."



Transport planning

- ✓ We've recruited two transport planners, who are working closely with our Analytical Unit, supply chain and the Welsh Government to assess options and progress a range of transport schemes. This includes work on WelTAG studies and the preparation of business cases.
- ✓ We've appointed strategic development programme managers to work with the Welsh Government as well as our partners and stakeholders to take forward option assessment and business case development for the North Wales Metro, Swansea Bay and West Wales Metro, and future phases of the South Wales Metro.
- ✓ Our two Consultancy Panels supporting business case development have been established, giving us access to a wide range of experts who can support our in-house teams. This includes transport scheme appraisal and impact assessments, monitoring and evaluation, environmental assessments, and statutory planning processes.

Achieving net-zero

With a remit from the Welsh Government to achieve net-zero for operations and services by 2030, we're working hard to minimise our greenhouse gas emissions in line with the principles and goals set out in the Welsh Government's policy 'Prosperity for All: A Low Carbon Wales.' Our carbon emissions have reduced by approximately 27% in 2020/21 as a result of a reduction in services and operations during the pandemic. Our work in 2020/21 has also included:

- ✓ the recruitment of a Programme Manager for Decarbonisation who's focussing on decarbonising services (bus, taxi and EV) alongside two Project Managers – we expect to publish strategies in late 2021 as part of our second low carbon delivery plan
- ✓ changing all of our energy to 100% renewable with 50% generated in Wales via the Renewable Energy Guarantees Origin (REGO) Certification Scheme. We've developed plans to buy solar directly from Network Rail at some of the major Welsh railway stations and have started work on an LED lighting project
- ✓ planning for the delivery of over 20 rapid EV charging points in rural Wales in 2021

- ✓ using solar energy to power equipment on the transformation works in South East Wales, including solar-powered lighting and CCTV
- ✓ working closely with the Vale of Glamorgan Council and NextBike to enable the roll out of Electric Bikes in Penarth in November 2020
- ✓ working with SPECIFIC at Swansea University to trial a flexible solar panel system that could be fitted to shelter roofs to power lighting and information displays
- ✓ collaborating with the Welsh Government, Welsh Government Energy Service, Riding Sunbeams and other stakeholders to consider the application of trackside renewables on the CVL based on a feasibility study conducted in 2019/20
- ✓ mapping our natural assets for use in carbon offset, including the woodland site we're planting at Llanwern
- ✓ establishing a Decarbonisation Working Group and setting up a Decarbonisation Metro Group
- ✓ taking part in 'The Train Stations Air Quality Monitoring Programme'; a project with RSSB that's funded by the Department for Transport to better understand air pollution across the rail network.

"We're working hard to minimise our greenhouse gas emissions in line with the principles and goals set out in the Welsh Government's policy 'Prosperity for All: A Low Carbon Wales.' Our carbon emissions have reduced by approximately 27% in 2020/21 as a result of a reduction in services and operations during the pandemic."

How we're building an organisation and partnerships capable of delivering our purpose

Our strong organisational culture, capable and passionate team and close working partnerships are fundamental to our success. Safety and well-being is at the core of all we do and we're developing our people's knowledge and skills to achieve these goals. We've become an accredited Living Wage employer and aim to embed this through-out our supply chain.

Our business plan

We've agreed our 2021/22 business plan. It describes how we'll develop over the next 12 months and deliver for our customers. It was developed in response to a remit letter issued by the Welsh Government in April 2021 and sets out the work we'll undertake in the next 12 months, to achieve our strategic objectives and corporate priorities.

Measuring our performance as a publicly owned company delivering key services is essential to being held to account by our customers, our stakeholders, taxpayers and the Welsh Government. We also need to measure our performance to drive continuous improvement in delivering our services.

Given the recent changes we've gone through and in recognition of our wider remit, we're reviewing our key performance indicators with the Welsh Government to ensure they reflect our strategic, financial, and operational priorities.

However, we've agreed with the Welsh Government a suite of key performance indicators measuring operational rail performance.

We'll regularly publish performance against our key performance indicators and summarise our overall performance in our Annual Report and Financial Statements.

Rail operations performance indicators	
Service provision	Cancellations and skip-stops Passenger Time Lost On time to 3%
Customer	Customer satisfaction Cleanliness
Effectiveness	Total passengers carried Fare income by financial year Passenger kilometre
Cost efficiency	Carbon per passenger kilometre Emissions per passenger kilometre Cost per passenger kilometre
Safety	Non-workforce accidents Workforce accidents
Strategic deliverables	Strategic milestones achieved

During 2020/21, we've also been updating our Board with a scorecard that measures customer and passenger injuries, rail services provision, carbon and NO₂ emissions. Unfortunately, we haven't been able to provide data on customer satisfaction and loyalty due to Covid-19.

Our commitment to community rail

Our new Community Rail Strategy was published in 2020. It sets out how we're working collaboratively with our community rail partners to encourage communities across Wales and the borders to identify and leverage social, cultural, economic and environmental benefits.

We're supporting communities to get the most from their railways by promoting social inclusion, sustainable and accessible travel and, where possible, bringing stations back to life. Our work in 2020/21 includes:

- ✓ beginning our work with the Welsh Government's loneliness and social isolation team, including the Red Cross, to deliver the confident traveller agenda. Familiarisation and accessibility trips will be organised to encourage lonely and vulnerable people to use the railway
- ✓ collaborating with CRPs to develop a network of recreational walks from stations and supporting CRP's with their work with local communities as they fund the installation of defibrillators at railway stations across North Wales.
- ✓ integrating our own team to ensure a 'one team', 'one voice' approach to community rail throughout TfW
- ✓ introducing South West Wales Connected as the new Community Rail Partnership (CRP) in South West Wales. As a community interest company hosted by 4theRegion, the new Partnership has already been approved for accreditation
- ✓ Conwy Valley CRP recruiting a new Community Rail Officer and moved the host organisation to Creating Enterprise, a social enterprise based at Llandudno Railway Station along with securing accreditation from the DfT and the Welsh Government with agreement to extend their reach to Anglesey
- ✓ planning for a new CRP in the Cardiff Valleys. Welcome to our Woods has agreed to be the hosting organisation and 10 organisations have already agreed to join the partnership
- ✓ CRPs using some of their annual funding to support local groups through a Covid-19 resilience or bounce-back fund. Working with CVCs to administer these, we've provided match funding from our CR Challenge Fund
- ✓ developing a 'Wales on Rails' scenic days out website in collaboration with the CRPs, Great Little Trains of Wales, Visit Wales and Traws Cymru
- ✓ collaborating with Network Rail and British Transport Police to develop up-to-date rail safety material for use by all relevant partners

Bringing railway stations back to life

- ✓ Delivery of Phase 1 of the Social and Commercial Development Programme bringing seven stations with disused space back to life including Abergavenny, Barry, Bangor, Abergele and Pensarn, Tywyn, Llandudno and Llandudno Junction. Six of the seven stations have community/local organisations taking the space. Railway Heritage provided grant funding of £280,000 to help with the cost of refurbishment
- ✓ We're planning Phase 2 of the Social and Commercial Development Programme and have identified Llanelli, Wem, Flint, Haverfordwest, Colwyn Bay, Llandrindod, Hereford and Tenby as potential sites for development
- ✓ We're progressing plans to upgrade Milford Haven Railway Station using shipping containers, an industry first in Wales.

"We're supporting communities to get the most from their railways by promoting social inclusion, sustainable and accessible travel."

Our brand

Transport for Wales is a forward-thinking, bilingual brand and we're focussed on our customers' needs.

Our aim is to encourage the people of Wales and the borders to make better travel choices by building their confidence, inspiring their trust and doing all we can to ensure they believe in us and that we're doing the right thing for them.

Our brand development work in 2020/21 includes:

- ✓ launching our 'Metro – our opportunity' campaign to communicate the Welsh Government's vision for Metro
- ✓ beginning the development of our new integrated website for all customers and stakeholders
- ✓ implementing our brand identity on a range of key infrastructure projects including Taff's Well depot and our new information control centre (ICC)
- ✓ developing and installing bilingual branded signage and wayfinding at our railway stations including those facing disruption as a result of the Core Valleys Lines' transformation work
- ✓ designing and implementing the interior and exterior branding for our new fleet of trains
- ✓ developing our refreshed catering proposition in collaboration with our experienced catering teams
- ✓ developing and launching our fflecsi service brand, website and app.

Welsh language and culture

We're supporting the Welsh Government's 2050 strategy; focussing on increasing the use of Welsh and the number of Welsh speakers.

With the transfer of Transport for Wales Rail Services to TfW, we're reviewing the requirements for a new Welsh Language Policy that we'll publish in 2021. Our work in this area is being overseen by Alun Bowen as an independent Board member.

Our new policy will set out our commitment to the Welsh language and the rights of both the public, our customers and colleagues, supporting the principle that *people in Wales, should be able to live their lives through the medium of the Welsh language, if they choose to do so.*

It will also outline our commitments to supporting Welsh culture and how our services and activities promote and facilitate the use of the Welsh language and culture across Wales.

Accompanying our Welsh Language Policy is a set of guidelines that will define how we'll comply with the Policy and the Welsh Language Standards. This includes all aspects of customer communication, meetings, events, presentations, interaction with the media, written materials, training, recruitment, and branding.

We're also continuing to work closely with the Welsh Language Commissioner on our Welsh language implementation roadmap.

Recruitment

- ✓ We've developed our own in-house recruitment team and associated policies, systems and procedures, reducing our dependency on external providers and lowering the cost-per-hire
- ✓ We welcomed over 100 new starters and facilitated 24 internal role changes during the year
- ✓ We launched the Women in the Forces positive action campaign resulting in the recruitment of our first female engineer
- ✓ We've partnered with an organisation promoting the recruitment of those with disabilities and offered our first upskilling placement to someone with a disability
- ✓ We're developing a relationship with the KickStart programme to offer disability placement opportunities in 2021/2022
- ✓ We've developed a structured programme for apprentices undertaking an apprenticeship in project management and are now expanding this for all apprenticeships. This will help apprentices navigate towards their career goals
- ✓ We procured a premium recruitment account with LinkedIn, resulting in 66 influenced-hires and a premium account with Indeed, the UK's largest job board, resulting in over 60,000 job advert clicks and over 650,000 impressions.



Transport Diversity Working Group

We were asked by the Welsh Government to Chair the new Transport Diversity Working Group with the task of undertaking a review of how the railway industry in Wales can better reflect the communities it serves. We're engaging with Trades Unions, the Welsh Government, Network Rail and other key stakeholders including Cardiff Bus to encourage more part-time working, the introduction of more flexible contracts and to think about how we recruit, retain and invest in colleagues across the network. We're also looking at barriers that exist within the transport sector that may influence career choices so that we can create a more diverse and inclusive workforce.

Apprenticeships

- ✓ We've recruited an additional three Civil Engineering degree apprentices through the Welsh Apprenticeship Alliance and two of our first apprentices have passed their apprenticeship qualification in 2021 and are now continuing their careers with TfW
- ✓ We launched our Apprenticeship Academy in February 2021 as part of National Apprenticeship Week. 'Ffynnu' (Thrive) brings an additional layer of knowledge and skills to all our apprenticeship programmes with monthly masterclasses and activities that are linked to our values and the goals of the Well-being of Future Generations (Wales) Act 2015.

Graduate scheme

- ✓ We worked closely with partners and universities to launch our new Graduate Development Scheme that attracted over 870 applications
- ✓ Five graduates are expected to join our team in September 2021 to work in civil engineering, finance, transport planning and risk. The two-year programme includes mentoring and the potential to secure professional status. This has also been extended to include internal graduates
- ✓ We've introduced a graduate training scheme that is registered with the Institution of Civil Engineers.

Reward and recognition

- ✓ We've continued to support the Real Living Wage with all colleagues now being paid at least the real living wage because we believe that a hard day's work deserves a fair day's pay
- ✓ We introduced a new employee benefits portal in September 2020. This includes Cycle 2 Work, green scheme car lease and discounts across retail and health and fitness
- ✓ We implemented an employee recognition scheme to recognise excellent employee behaviour and achievement in line with our values.

"Our strong organisational culture, capable and passionate team and close working partnerships are fundamental to our success."

Gender pay gap

Our median gender pay gap as of 31 March 2020 was 41.5%. This has reduced by 8.3% over the past year.

In April 2020, we introduced our new performance related pay system to ensure that the only future differences in pay are based on contribution and performance. Objectives were set for all colleagues and the first round of annual performance reviews took place, based on performance against objectives up to 31 March 2021.

In line with our obligations of the public sector equality duty, we've written and published our Strategic Equality Plan. The purpose of this is to document the steps we need to take to fulfil our specific duties and it outlines the equality objectives and the parallels that can be drawn from them with regards to the Welsh Government Equality Plan and the Well-being of Future Generations Act (Wales) 2015.

Following the publication of our equality objectives and a period of employee engagement in relation to equality, diversity and inclusion a working group was formed in July 2020. The purpose of our Equality, Diversity and Inclusion Working Group is to enable colleagues from TfW to meet in one space to work collaboratively, share best practice and jointly work on innovations that will have a positive impact for all, including suppliers and subcontractors.

We partnered with specialists, Delsion, who have supported us on our strategic journey, to carry out reviews of our HR policies, champion training and deliver a gap analysis on our recruitment process. We've also published our flexibility and diversity statements that demonstrate to both applicants and colleagues that we're committed to supporting flexible working and diversity across the company.

Through the Military Recruitment initiative, we've appointed women into typically male-dominated roles, helping us to increase female representation across all departments and disciplines.

We've also partnered with leading gender equality charity, Chwarae Teg which will provide us with a host of support and resources as we work towards achieving equality across TfW.

Bonus pay

None of our employees are awarded bonus payments unless they have a bonus entitlement that is protected by TUPE. All on-board catering services were paused due to the Covid-19 pandemic so on-board customer hosts were furloughed. They were later temporarily redeployed into customer facing roles at stations and concourses, meaning they were unable to earn commission on sales made. Therefore, the only bonus payments made were to eligible former Network Rail colleagues who TUPE'd to TfW during the CVL transfer, all of whom are male. This means that we are unable to calculate the bonus pay gap for this period. No females were paid a bonus and 7.5% of males were paid a bonus.

Moving forward

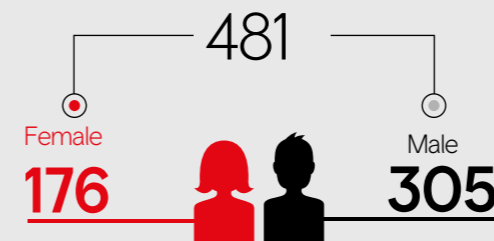
The existence of our Equality, Diversity and Inclusivity Working Group will ensure the continued progress and promotion of our equality objectives within the organisation.

A Women's Leadership Development Programme, inspired by Chwarae Teg's Step to Non-Exec initiative, has been approved by the TfW Board. Our partnership with Delsion will also enable us to be supported with equality, diversity and inclusion over the next 12 months.

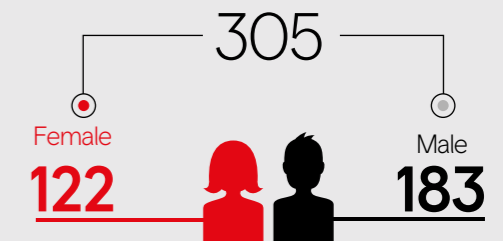
We're taking part in the Chwarae Teg LeadHerShip programme which will demonstrate the work that we're doing as a sector to encourage women to join us. We're also working with Chwarae Teg to become recognised and accredited for the work we're doing to deliver gender equality by achieving the FairPlay Employer accreditation.

"We've appointed women into typically male-dominated roles, helping us to increase female representation across all departments and disciplines."

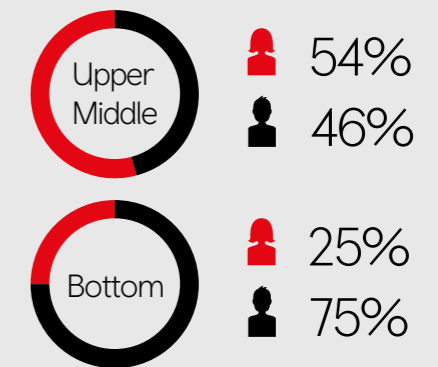
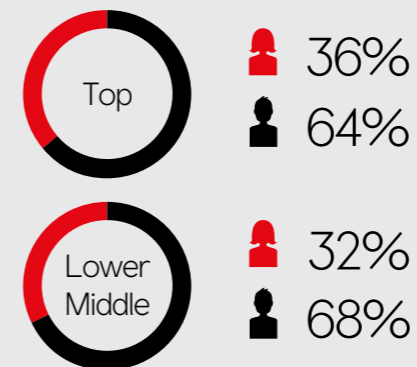
Headcount March 2021



Headcount March 2020



Quartiles



Mean 2021 (including catering, cleaning and CVL colleagues)



2020



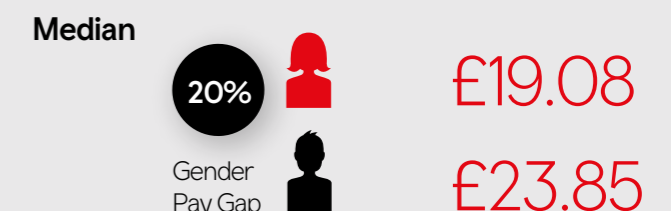
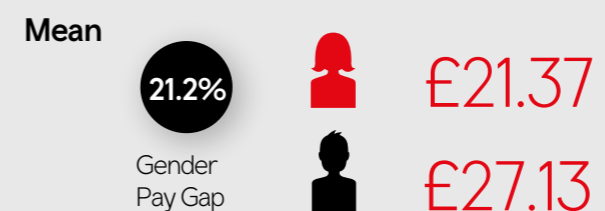
Median 2021 (including catering, cleaning and CVL colleagues)



2020



Gender pay gap figures as at 31 March 2021, excluding Catering, Cleaning and CVL colleagues:



These figures are not consolidated and only represent TfW.

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 Wales and Borders rail service and the need to ensure we're satisfied that, for example, risks such as safety, customer and environmental are managed appropriately.

The Covid-19 pandemic has caused a significant impact to the economy and society as a whole. That impact has been felt within TfW, leading to a number of significant changes in the way we operate and deliver services for the people of Wales and the border regions. Our work in the development and delivery of bus networks has grown in particular, as we have played a key role in supporting the Welsh Government and local authorities in designing and delivering short and long term solutions for services in Wales and the borders.

The way we deliver rail services in Wales and the borders has also changed significantly over the last year, with the transition of railway operations into the Transport for Wales Group. While the majority of risks we have inherited were already known, the closer integration of risks and risk management processes into TfW will enable the organisation to better understand and potentially mitigate them.

The range of risks which TfW manages has grown in the year in line with our growing remit and responsibilities.

Formal risk identification and management processes ensure 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. Our Board is responsible for ensuring we maintain a sound risk management and internal control system.

The rapid expansion in both our responsibilities and the number of people involved in the TfW Group means it's appropriate to review the whole approach to risk management, to ensure that a consistent approach is applied throughout TfW and that embedding risk within everything that we do is ingrained in every member of staff. It will take some time to reach this position and the scale of the challenge should not be underestimated. Accordingly, while our strategy and approach to risk is clear, a huge task faces us in ensuring a consistent, appropriate and modern approach to risk throughout the organisation.

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 we face.

“The transition of railway services into the Transport for Wales Group has resulted in a major change to the risk landscape.”

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 Group, our overall approach to risk management is underpinned by the need to safeguard public money by providing value for taxpayers' money through the economically, effective and efficient use of the resources given to us.

Our management systems are designed 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.

“Effective risk management is an essential element of TfW's strategy and operations.”

Risk management roles and responsibilities

All employees within TfW are required to adhere to our risk management policies and procedures. Our risk management policies and procedures are also applicable to all appointed consultants and secondees.

The Chief Executive, as Accounting Officer is responsible for ensuring that an 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 are being managed, their maturity and the mitigating steps being taken to reduce or remove them.

Risks are managed on a groupwide basis, while recognising that specific companies have specific responsibilities.

Our Board reviews risk 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 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.

Covid-19 IMPACT

This tells you how we've responded to Covid-19 and the work that we're doing as we emerge from the pandemic to prepare for any future impact.

Risk Name	Risk Description	Mitigating Actions	Progress	Speed at which risk could impact
Covid-19 returns, possibly with a variant which might be a challenge to a largely vaccinated population.	There is a risk that the Covid-19 infection rate may increase across 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. ✓ We continue to monitor and adapt to the national situation. 	<p>The organisation has continued to adapt to the wider societal situation, adapting our services to meet passenger and government needs.</p> <p>Our workforce continues to work well remotely with the majority of operations continuing without disruption. Arrangements are in place to support our employees and ensure that their welfare and other needs are prioritised.</p>	Less than three months
Emerging liabilities arising from the transfer of the rail service to TfW.	Risk that cost liabilities may emerge within TfW Rail, which were not foreseen at the time of the transfer.	<ul style="list-style-type: none"> ✓ Work is ongoing to identify and assess liabilities which may emerge through the transfer of the rail service to Transport for Wales Rail Ltd. 	Work is progressing well to ensure that the risks/liabilities TfW has acquired are fully understood and complete. A comprehensive assessment is expected to be complete in the first quarter of 2021-22.	Less than three months
Failure to develop in order to meet policy requirements.	Risk that TfW fails to adequately develop in order to meet the policy objectives and needs of Welsh Government.	<ul style="list-style-type: none"> ✓ The Senior Leadership Team maintain responsibility for the growth and the capability of the organisation. Regular reviews take place on the organisational design to ensure adequate resourcing. Work is ongoing to ensure that clarity of Welsh Government needs is obtained early, so that resources can be identified. 	<p>Regular dialogue has been held with Welsh Government to understand future needs and requirements, with regular discussion at senior team level around meeting these requirements.</p> <p>The Transport for Wales board continues to hold regular discussion with the Chief Executive on our development and challenges to ensure the appropriate deployment of resource.</p>	Less than one year
Engagement in public transport.	Risk that key partners, including regulatory authorities and industry, fail to engage with TfW on key transport development initiatives.	<ul style="list-style-type: none"> ✓ Regulatory authority relationships are maintained across the organisation at multiple levels in order to ensure maintained engagement. Industry relationships are maintained within the bus remit by the bus team and through the rail operations and services teams for rail. 	<p>The senior leadership team routinely manage relationships with a series of key stakeholders in authority and industry.</p> <p>This is particularly the case in the case of bus operations, where significant time investment has been made to develop engagement.</p>	Less than three months
The consequences of future UK trade deals may have a negative impact on TfW procurement and supply chain.	Future trade deals will be negotiated by the UK government, which may have negative consequences for products TfW procure from outside the UK.	<ul style="list-style-type: none"> ✓ Following agreement being reached by the UK Government with EU, a new trading relationship has been reached. Work continues to understand the implications of this agreement and any changes necessary which may impact upon TfW. 	Over the last year the supply chain function have continued to monitor and plan for a UK exit from the EU, which subsequently took place in December 2020. We continue to monitor the impacts of new trade deals upon our supply chain and consider alternative arrangements where necessary.	Less than one year



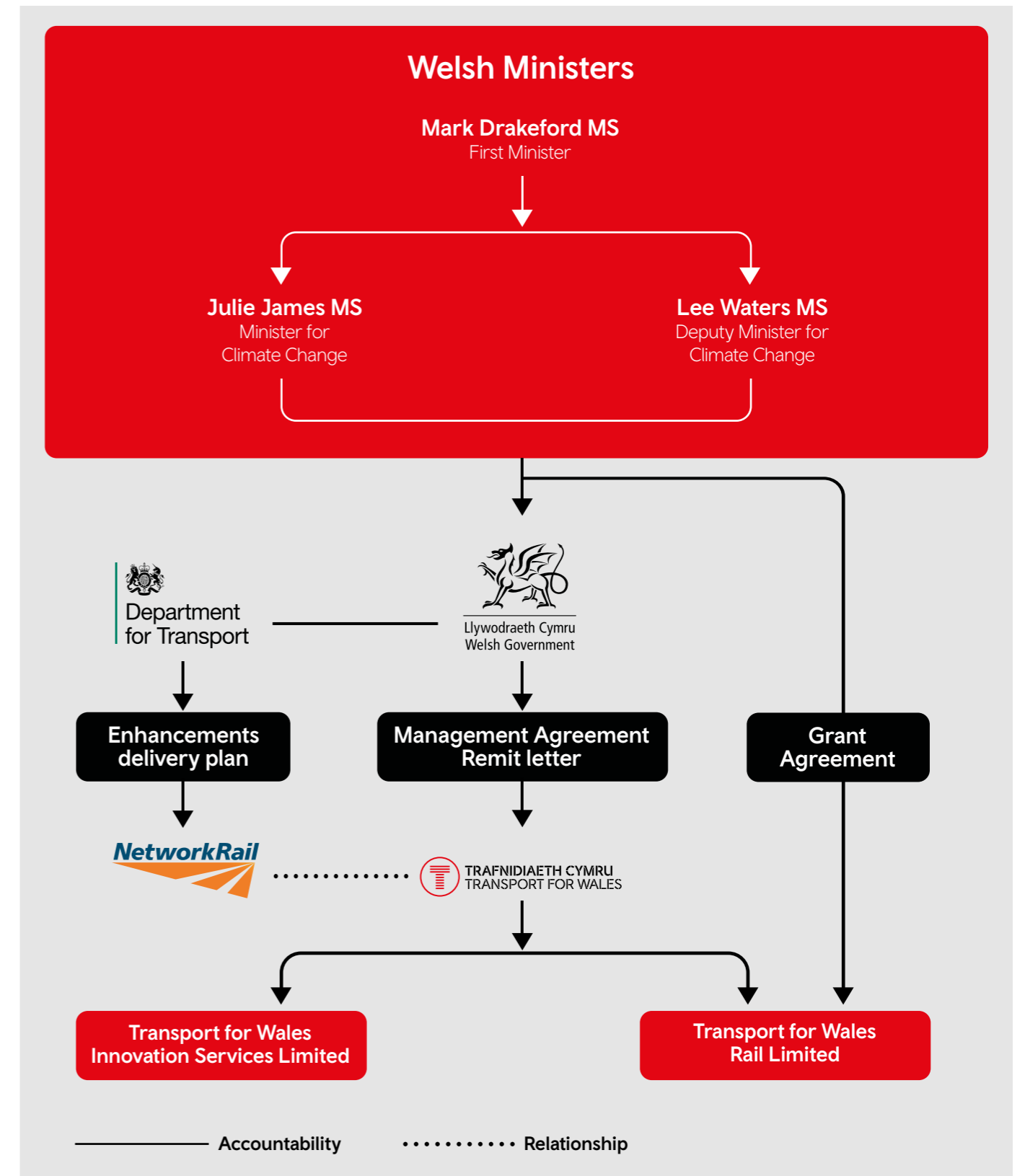
Governance

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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 we achieve our strategy and the strategic objectives set out in the Welsh Government's remit letter.

Non-Executive Directors	Board committees
<ul style="list-style-type: none"> Scott Waddington Chair Sarah Howells Chair, Communications and Customer Committee Alison Noon-Jones Chair, People and Remuneration Committees Nicola Kemmery Chair, Health, Safety and Well-being Committee Alun Bowen Chair, Audit and Risk Committee Vernon Everitt Chair, Major Change Projects Committee 	<p>We have six sub-committees. Each committee is chaired by an independent Board member. They include:</p> <ul style="list-style-type: none"> Audit and Risk Customer and Communications Health, Safety and Well-being Major Change Projects People Remuneration
Executive Directors	
<ul style="list-style-type: none"> James Price Chief Executive Heather Clash Executive Director of Finance and Governance 	





Scott Waddington Chair

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

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

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

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



Sarah Howells Non-Executive Director

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

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



Alison Noon-Jones Non-Executive Director

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

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

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

Alison has a degree in modern languages from Swansea University, is a Fellow of the CIPD and is a qualified Executive Coach and Mentor.



Nicola Kemmery Non-Executive Director

With extensive experience gained over 28 years, Nicola is the Head of Health and Safety at Dŵr 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 Dŵr Cymru's health, safety and improvement strategy. She implemented this new approach to help the organisation retain and extend its OHSAS 18001 accreditation and subsequently obtain ISO45001 status. She leads a team of health and safety professionals providing a range of advisory and governance functions supporting over 3,500 employees and their contract partners.

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

Nicola was an elected Council Member of the Institution of Occupational Safety and Health for six years and has been an active member of the Water UK Occupational Health and Safety Group for 21 years.



Alun Bowen
Non-Executive Director

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

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

Former Chair of Business in the Community in Wales, Alun was a member of the Audit Committee of the Institute of Chartered Accountants in England and Wales and a council member of The Prince's Trust Cymru. Alun now also chairs the Audit Committee of Severstal, Russia's largest fully integrated steel company.



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 joined TfW as a non-executive Director in September 2019.

He's 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.



James Price
Chief Executive

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

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

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

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



Heather Clash
Executive Director, Finance and Governance

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

Heather specialises in the financial management and control of portfolios of outsourced contracts and corporate functions within large corporate organisations. Before joining 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.

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

Board committees and reports from their chairs

Audit and Risk Committee

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

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 ended 31 March 2021, and I comment below on the progress that has been made. Inevitably, there have also been a number of new challenges that have arisen and I comment on these later.



Alun Bowen
Chair, Audit and Risk Committee

Initiative

Oversee management's plans for enhancing TfW's defences against a possible cybersecurity attack	Draft an Audit and Assurance Policy and consult with TfW's shareholder and stakeholders	Support management's plans to enhance TfW's risk management framework, particularly in light of the acquisition of the Core Valleys Lines	Oversee management's plans for reviewing the valuation of the Core Valleys Lines' assets	Support the continuing development of the internal audit function

Comment

<p>“ Huge progress has been made strengthening TfW's cybersecurity defences during the year and the situation was satisfactory, by the time that TfW took over responsibility for providing the rail service. Attention is now being focussed on ensuring that the same standards of security are present in TfW's expanded operations</p>	<p>“ The Committee, with the approval of the Board, will start consulting on its draft audit and assurance policy on 1 September 2021</p>	<p>“ This work commenced, however, as the year progressed it became increasingly apparent that it was likely that TfW would become responsible for rail operations and accordingly this required a different approach to enhancing the risk management framework. This is commented on further below</p>	<p>“ A new valuation has been incorporated in TfW's financial statements and the Audit and Risk Committee's involvement is commented on below</p>	<p>“ The model used for the internal audit function has stood up well to the increasingly complexity of TfW's operations and this complexity has increased again and accordingly the model will continue to be under review</p>
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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
TfW and Keolis Amey Wales Cymru The termination of the contract between TfW and Keolis Amey Wales Cymru which resulted in TfW taking responsibility for operating the rail service with effect from 7 February 2021.	The committee reviewed the termination arrangements agreed with Keolis Amey Wales Cymru and discussed with management the basis on which the assets and liabilities were included in the financial statements and how any new and continuing obligations had been accounted for.	The committee was satisfied that the arrangements involved in terminating the contract with Keolis Amey Wales Cymru and the accounting for the assets and liabilities acquired is appropriate.
Core Valleys Lines Management implemented its plans to review the accounting policy for the valuation of the Core Valley Lines' assets to be in accordance with the accounting policy of Welsh Government. This involved valuing the assets using the Depreciated Replacement Cost method.	Management engaged Atkins, a quantity surveying consulting firm, to assist and advise it in preparing a valuation of TfW's CVL assets in accordance with the Depreciated Replacement Cost method. Network Rail provided much of the information required. However, where there was limited information available from Network Rail, Atkins used its rail industry experience to provide appropriate information. The committee, as well as its discussions with management, had the opportunity to discuss directly with Atkins its views on the valuation and the basis on which it advised management and assisted them in preparing the valuation.	The committee, through its discussions with management and Atkins was satisfied with the valuation process. It was also satisfied that there was an appropriate process to update the valuation on a regular basis, given the significant enhancements of the assets that are taking place through the CVL transformation process.
Covid-19 The Covid-19 pandemic and the related economic effects required a regular review of TfW's going concern assumption.	Throughout the year and at the year-end the committee reviewed management's analysis of the financial issues arising out of the changes in economic activity during the various lockdowns and fire-breaks; the related cash flow implications; and the outcome of discussions with the Welsh Government and the evidence of the support being provided.	The committee was satisfied that management has considered the events and conditions that could give rise to material uncertainties and agrees 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.

Area of focus	Work undertaken	Conclusion/action taken
Resilience Statement The 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 in particular the decision process for determining the stress scenarios selected to establish TfW's resilience.	As there is currently no guidance for preparing a Resilience Statement and no precedents, 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 the White Paper issued by HM Government in March 2021.
Climate change disclosures The disclosures set out in the Transport Decarbonisation Statement are appropriate and consistent with the requirements of the TCFD.	The Committee discussed with management the disclosures made in the Annual Report having read and considered the reports issued by the TCFD.	The Committee was satisfied that the disclosures on climate change made in this 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. A final draft of the Annual Report was reviewed by both the Board and the Committee.	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 the audit carried out by its external auditor KPMG. In assessing quality and effectiveness the Committee looks to the audit team's objectivity, professional scepticism, independence and its relationship with management.

TfW's draft Audit and Assurance Policy will set out the committee's view on the scope and the assurance required from its external auditor in the future. It will also set-out the Committee's timetable and requirements of its external auditor, which will form the basis of the tender that will be finalised in early 2022.

In addition to the annual evaluation of the external 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 KPMG its view of the judgements taken by management in preparing the financial statements and where these judgement might lie in an acceptable range from conservative to aggressive.

Rees Batley from KPMG has been the Senior Statutory Auditor for the last two years and we communicate regularly, separately from management. 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; confirmation of its continuing independence; and its considerations, such as regulatory or legal issues which might affect TfW's financial statements. 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 2021 were £80,000 (2020: £50,000). Non-audit fees, all of which were approved in accordance with TfW's published non-audit fee policy were £15,000 (2020: £36,000).

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 Head of Internal Audit 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 2021 was satisfactorily completed with a particular focus on standard and non-standard procurement, European funding claims, Brexit planning, finance, GDPR insurance, catering and payroll.

The internal audit function has an ambitious programme for the year ending 31 March 2022, which has been reviewed and approved by the Committee, however, the internal audit function and the Committee recognise that acquiring the responsibility for operating and providing the rail service is a significant enlargement of the coverage that will be required. Accordingly, the approved plan is recognised by everyone as being a dynamic plan. Certain areas will stabilise quicker than others and hence will be taken into account in the plan. Also, there will need to be flexibility so that internal audit resource can, if necessary, be made available in relation to areas where a particular focus might be needed as issues are identified.

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 and ensures that TfW can achieve its strategic goals and meet its KPIs.

During the year the quality of the information provided to the committee and the Board continued to be enhanced and progress was made toward implementing a risk management support system to facilitate oversight of risk. However, moving from providing contract oversight over the rail operator to actually being responsible and accountable for the service is a huge change for TfW. It will take time to embed properly a revised risk management framework, requiring a change in culture in the enlarged organisation.

Management has developed its thinking about a plans for a more clearly defined "three lines of defence" risk model and as part of this Leyton Powell, who is a new member of TfW's senior leadership team, having previously been employed in the rail franchise, effectively becomes Chief Risk Officer role, with a reporting line to the CEO and me.

"Achieving our strategic goals and meeting KPIs requires effective risk management."

Welsh language oversight

The Committee has been given oversight responsibility on behalf of the Board to ensure that TfW embraces the Welsh language and meets its Welsh language obligations. TfW is in regular dialogue with the Welsh Language Commissioner, through colleagues in the Welsh Government, and it's refreshing to see that the Welsh Language Commissioner is realistic in recognising that the use of better technology will be the best way to provide an equal service in Welsh and English. This is particularly relevant to "orange tickets", over which TfW has no control and which will be discontinued in the next few years. Having said that the Welsh Language Commissioner will be keen to ensure TfW meets the commitments it has made toward full implementation of the matters agreed between him and the Welsh Government and the committee regularly challenges management on its progress in meeting these commitments.

Looking ahead

The Committee has the following initiatives on its agenda for the year ending 31 March 2022, as well as its regular business:

Initiative



Agreeing and implementing the Audit and Assurance Policy after consultation with TfW's owner stakeholders



Support management's plans to enhance TfW's risk management framework, particularly in light of TfW's new responsibilities in connection with providing the rail service



Support the continuing development of the internal audit function



Oversee the external audit tender process that will take place in Autumn 2021

Comment



The Committee launched its consultation on its draft Audit and Assurance Policy at the time of issuing this report and anticipates finalising the consultation in Autumn 2021



The enhanced risk function, under Leyton Powell's leadership will need to have a common approach across the enlarged TfW organisation and an embedded approach to all forms of risk. The Committee does not underestimate the cultural change required in implementing such an approach which is likely to challenge the "way things have been done in the past"



The nature of internal audit will need to be regularly assessed and supported to ensure that it can provide the service that TfW requires



In accordance with TfW's draft Audit and Assurance Policy an external audit tender will take place in 2021. The Committee will be solely responsible for making a recommendation to the Board for the firm that will be the external auditor of TfW for the year ending 31 March 2022

Customer and Communications Committee

The Customer and Communications Committee oversees TfW's customer strategy and delivery plans. The Committee also reviews TfW's non-financial operational performance metrics along with customer and stakeholder feedback.

A key focus of the Committee is ensuring customers are placed at the heart everything we do and to ensure there is a clear plan in place to achieve the transformation that our customers expect.



Sarah Howells
Chair

2020/21 Highlights

- ✓ Reviewing and monitoring of passenger feedback with regards to travelling safely throughout the Covid-19 pandemic and launch of the 'travel safer' campaign. We ensured key learning points were identified and suitable actions then taken
- ✓ Developing a comprehensive integrated campaign to help us recover demand for public transport in Wales
- ✓ Monitoring the demand-responsive travel "fflecsi" pilot, delivering ongoing improvements and ensuring high levels of service were offered
- ✓ Scrutiny of operational performance metrics, ensuring that suitable improvement initiatives are implemented where relevant
- ✓ Monitoring the delivery of a number of digital improvement initiatives such as the rail capacity checker and reservation booking tool
- ✓ Monitoring the Metro transformation performance paying particular attention to community engagement and rail replacement service performance. Where improvements were identified we ensured action was taken
- ✓ Launch of our Advisory Panel and focus on strengthening our wider community engagement.

2021/22 Priorities

- Continuing our focus on ensuring passengers feel safe when traveling as we move out of the Covid-19 pandemic and beyond
- Reviewing and monitoring station investment programmes to ensure they enhance the experience for customers
- Monitoring the development and delivery of next generation ticketing pilots across Wales
- Reviewing and monitoring the development of multi-modal fares and ticket products. This will include a fares review, developing multi-modal ticketing pilots and a review of multi modal fares
- Monitoring the development of our customer contact system and associated technology to better provide information and support to our customers in Wales and the border regions
- Ensuring our demand-responsive transport "fflecsi" services are further developed along with ensuring innovative technology improvements are delivered for customers who use the service
- Scrutinising operational performance along with monitoring the ongoing Metro rail replacement services.

Health, Safety and Well-being Committee

Ensuring employees, contractors and customers remain safe and healthy is a key focus of the health, safety and well-being policy.

Our Health, Safety and Well-being Committee acts as both a governance and enabling body to ensure that health, safety and well-being strategies are in place and are being implemented effectively. The Committee meets quarterly.



Nicola Kemmery
Chair

2020/21 Highlights

- ✓ Effective management of the new health and safety risks arising from Covid-19. There has been a specific focus on preventing anti-social behaviour and ensuring a safe travel experience for customers and employees
- ✓ Seeing continual improvements in health and safety performance. Where there have been incidents, either within TfW or the wider rail industry, key learning points have been identified and suitable improvement actions taken
- ✓ Ensuring the safe transfer of additional teams and functions with support for new employees including catering and cleaning
- ✓ Observing the effective implementation of a range of health, safety and well-being improvement initiatives including:
 - safety culture and effective embedding of the 'Life Saving Principles'
 - crime, trespass, antisocial behaviour and assaults
 - level crossing risk management, with particular focus on the changes posed by work on the CVL
 - fatigue management and Signals Passed at Danger (SPADs)
 - winter preparedness and vegetation management
 - occupational health and well-being including new arrangements for home-working
 - support for employees to maintain good mental health and well-being.

2021/22 Priorities

- Continuing to monitor health and safety performance through the organisation and ensuring that we are effectively monitoring the performance of our contractors
- Fostering a culture of continuous improvement and ensuring that teams are identifying opportunities for further improvements to manage risks and prevent injuries and ill health
- Reviewing the findings from employee safety culture surveys and ensuring that effective employee engagement is in place for all functions
- Monitoring the arrangements in place to safely increase our services and ensuring that suitable plans are in place to safely utilise the new office and depot facilities
- Supporting visible health and safety leadership, including Director and senior manager safety tours, staff health and safety briefings and the sharing of learning
- Ensuring the business has effective processes in place to manage health, safety and well-being as the organisation develops and takes on additional functions and responsibilities
- Learning from the participation in external groups and networks as employees take a more active role in engaging externally and driving rail health and safety standards.

Major Change Projects Committee

The Major Change Projects Committee is responsible for ensuring rigorous focus by the executive on safety in all aspects of project design and delivery.

The Committee monitors project delivery on behalf of the TfW board; understanding and challenging the controls put in place by the executive for effective delivery and risk management of major capital and other projects.



Vernon Everitt
Chair

2020/21 Highlights

- ✓ Examining the design and roll out of effective systems and controls governing the end-to-end project lifecycle
- ✓ Establishing how executive management allocate clear accountabilities and manage, report and escalate changes in the risk profile of projects
- ✓ Challenging management to ensure the independence of the Project Management Office from project delivery
- ✓ Regularly reviewing progress on Core Valleys Lines transformation, major developments affecting bus services and certain other projects
- ✓ Initial high level review of the executive's approach to effective asset maintenance and renewals.

2021/22 Priorities

- Continued focus on safe design and delivery
- Monitoring how effectively systems and controls for the end-to-end project lifecycle and risk management are being implemented by the executive
- Monitoring the development and maturity of the Project Management Office
- Monitoring progress on specific project delivery – including CVL Transformation and bus projects – and ensure the impact, if any, of the pandemic on delivery dates and costs is fully assessed
- Understanding how plans for delivery, including the maintenance and renewals programme, will provide greater resilience to climate change and extreme weather events.

People Committee

The People Committee is diligently focused on issues that support our key priority – keeping our people safe, connected and based on feedback, highly engaged.



Alison Noon-Jones
Chair

Our work in 2020/21

Our people team has been agile and proactive in mobilising staff quickly and seamlessly from the outset of the Covid-19 pandemic and establishing dynamic principles and new ways of working that have supported business continuity and, though disrupted, efficient customer service.

We've grown on the back of large-scale transformation to the national workforce profile. Our increasingly diverse population now includes cleaning staff and other support workers, who we've been delighted to welcome to the organisation.

Our people strategy is underpinned by a vision of excellent employment practice. We treat employees with dignity, fairness and respect while being simultaneously focussed on the needs of the business.

A thorough and ongoing review of our policies and processes during the year has ensured that, despite virtual application of all on-boarding operations, new employees and transferees have experienced a comprehensive and supported welcome to the TfW Group.

We recognise that changes to the physical working environment have also had an immense impact on the psychological needs and mental well-being of our staff. This has been proactively addressed and will continue as part of our employer's duty of care.

What does this mean for the future?

Employee and customer safety will always remain at the core of everything we do. We will continue to take bold but cautionary steps. Keen to resume 'normal' customer service at the earliest opportunity, it is imperative that we continue to protect our people and to work within our adapted environment while wider environmental confidence is instilled. Our increased flexibility and proactive support for work-life balance enhances our commitment to dynamic and modern-day practices that reinforce our social value.

Our focus on attracting, developing and retaining talent is stronger than ever and the work on developing our sector skills, though slightly delayed due to the Covid-19 pandemic, will pick up and continue as planned.

We're committed to empowering and enabling our people to grow personally and in so doing, develop the wider business. We'll continue to energise talent development through internal secondments, rotations and varied mobilisation of employees across the business securing enriched opportunities and skills development.

Employee feedback is important. More formal methods of capturing our employee voice, including a structured employee engagement survey, will, through baseline metrics help us to continually develop our offering and commitment to TfW being a great place to work.

2020/21 Highlights

- ✓ Keeping our employees safe and connected
- ✓ Becoming a model reference for other public sector employers in Wales on matters related to leading our people through a pandemic
- ✓ Mobilisation of all staff and continued meaningful work and personal development
- ✓ Continued focus on diversity and inclusion
- ✓ Transformation as a national employer through building bespoke people solutions including our innovative performance-related pay model which ensures that we stay competitive and attractive while aligned to public sector principles
- ✓ Collaboration with recognised Trades Unions to deliver transparent and harmonious employee relations within an environment of mutual respect and including employee representation at Board meetings
- ✓ Delivery of an impressive and credible end-to-end graduate development programme
- ✓ Launch of a highly acclaimed apprenticeship academy supported by The Future Generations Commissioner for Wales.

2021/22 Priorities

- Continue our journey to high performance through creative and bold talent development
- Establish a rhythm of personal learning through secondment and other internal mobility opportunities
- Share learning and experience through proactive mentoring and coaching
- Increase our sector skills development through our active engagement with our supply chain and with the Welsh skills sector
- Promote all aspects of diversity and inclusion as we fly the flag for Women in Transport, Wales
- Encourage "Employee Voice" through a formal survey process to ensure continuous development and support for employees
- Define an enhanced process of reward and recognition respecting loyalty and contribution of our people as our most valuable asset
- Plan for progressive development of our workforce through effective succession planning and strategic exposure.

Remuneration Committee

Chaired by Alison Noon-Jones, the Remuneration Committee is responsible for setting and monitoring the principles and parameters of our remuneration policy, agreeing and recommending to the Board an overall remuneration policy and philosophy that is aligned with business strategy, objectives, values and long-term interests.

The Remuneration Committee met twice during the year to discharge its functions as set out in the terms of reference.

Corporate governance statement

TfW is committed to the highest standards of governance, accountability and transparency which are vitally important to the success of all aspects of the TfW group.

As TfW's Chief Executive and Accounting Officer, I am personally responsible for the overall management and governance of the TfW group of companies which now includes two subsidiaries – Transport for Wales Rail Limited and TfW Innovation Services Limited. This Governance Statement outlines how I have discharged my responsibility to manage and control TfW's resources during the year.

TfW is governed by:

- the Minister for Climate Change's overall responsibility for the company;
- the Welsh Government Permanent Secretary's responsibility, both to the Minister for Climate Change and directly to Senedd Cymru, as the Principal Accounting Officer for the TfW's expenditure and management;
- my responsibility as TfW's Accounting Officer;
- TfW's Board, 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; and
- the company boards of TfW's subsidiary companies, Transport for Wales Rail Limited and TfW Innovation Services Limited.

TfW's system of governance also includes the executive leadership team.

Our governance framework is underpinned by our Articles of Association and a Management Agreement between Transport for Wales and the Welsh Ministers. For Transport for Wales, good corporate governance is about ensuring that the TfW group of companies is aligned with Welsh Ministers' objectives for the company as set out in these two documents. In response to our growing remit and responsibilities, our Articles of Association and Management Agreement are currently under review and will be reissued during the first quarter of 2021-22.

Our Board

Our 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.

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

A nominated Trade Unions observer joins the Board for part of the strategic session to represent the seven trade unions as recognised by TfW. The observer is elected by a process overseen by the Wales TUC and although is not a full member of the Board and does not have voting rights, is able to take part in discussions.

Our Directors have signed a Conflicts of Interest statement and complete a quarterly declaration of interest return. Declared interests are available at on [TfW's website](#). Declarations of interest are also made at the start of each meeting.

All Directors are expected to act in accordance with the seven principles of public life and have each signed the terms of TfW's Corporate Governance Framework which includes the Cabinet Office's Code of conduct for board members of public bodies. TfW is not required to comply with the UK Corporate Governance Code 2018 but has chosen to voluntarily comply with its principles. During 2021-22, we will be carrying out a detailed review relating to the extent of TfW's compliance with the provisions of the UK Corporate Governance Code 2018.

Our Board met eleven times during the year. The minutes of all Board meetings are published at www.tfw.wales/board-minutes

The following table shows directors' attendance at Board and sub-committee meetings for the year ending 31 March 2021:

Director	Board	Audit and Risk	Customer and Communications	Health, Safety and Well-being	Major Change Projects	People	Remuneration
Alun Bowen	10/11	4/4			2/3		
Heather Clash	11/11	4/4			3/3		
Vernon Everitt	11/11			1/4	3/3		
Sarah Howells	11/11	4/4	5/5				
Nicola Kemmery	11/11			4/4		1/3	2/2
Alison Noon-Jones	11/11		0/5			3/3	2/2
James Price	11/11		4/5		3/3		
Scott Waddington	11/11						1/2

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

The full biographies of all Board members can be found at www.tfw.wales/about/team

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.

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 six Board sub-committees which operate to assist the Board in fulfilling its overall duties and responsibilities. The six sub-committees are:

<p>Audit and Risk To provide oversight of TfW's risk management system, internal control, financial and non-financial reporting and its Welsh language responsibilities.</p>	<p>Remuneration To set the principles and parameters of remuneration policy for TfW and oversee remuneration policy and outcomes.</p>	<p>People 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.</p>
<p>Customer and Communications Assist the Board in reviewing, monitoring and providing direction on topics related to customers in pursuit of delivering on the 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.</p>	<p>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.</p>	<p>Major Change Projects To assist the Board to review and scrutinise major projects and recommend decisions associated with those major projects within the TfW portfolio. The Committee's main focus is on projects and programmes related to the development and delivery of TfW's capital infrastructure investment programme.</p>

Each committee is chaired by a Non-Executive Director and meets at least quarterly. Each of the Board sub-committees has delegated authority from the Board to carry out the duties defined in its terms of reference.

The full terms of reference of each committee are published on our website at www.tfw.wales/board-minutes

The Chair of each sub-committee 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 Climate Change. The Minister remits TfW by setting objectives, priorities and operational and capital budgets, which form the basis of TfW's business and corporate plan.

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

Our senior leadership team

Our senior leadership team, comprising of myself as Chief Executive Officer, seven executive directors, three directors and Transport for Wales Rail Limited's Managing Director, 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.

To provide a better focus and in recognition of our growing remit, from 1 April 2021, our senior leadership team meetings will comprise the following, each on a four-weekly basis:

- **Executive** – governs and provides the strategic direction of the organisation; the final point of approval/escalation prior to the TfW Board. Provided delegated authority to the other three Executive Committees.
- **Corporate services** – governs the corporate functions of the organisation.
- **Network development** – governs the development of projects and activities which develop the infrastructure and over all experience of Welsh transport users.
- **Rail integration** – governs the rail activities of the whole organisation. Accountable for the on-going development/delivery of rail, supported by the wider TfW organisation.

Transport for Wales Rail Limited Board

The Transport for Wales Rail Limited Board is responsible for all obligations set out in the Operator of Last Resort Grant Agreement relating to the Wales and Borders rail franchise. As TfW's Accounting Officer, I chair the Board which enables me to hold to account TfW Rail Limited's Managing Director. In turn, the TfW Board holds me to account for TfW Rail Limited's performance. Other members of the TfW Rail Board include a TfW Board member/Executive Director, a TfW Executive Director with responsibility for transport operations and one non-executive Director who chairs the TfW Rail Limited Safety committee.

TfW Innovation Services Limited Board

The Transport for Wales Innovation Services Limited Board oversees the joint venture in place between TfW, Keolis and Amey. The Board oversees the company's remit to be the catalyst for change and driver behind the innovation and for the wider TfW group, enabling the delivery of an integrated transport system for Wales and the Borders.

The Board is chaired by a TfW Executive Director and also comprises of three other TfW Executive Directors, a Director from Amey and a Director from Keolis.

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 delegations 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 Board and covers both corporate decision-making and spending authorities. The Board reviewed the schedule of delegations reserved for the Board in December 2020. These will be reviewed again in May and November 2021 to account of our changing remit.

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 assurance and advice to the Board.

Fraud, bribery and whistleblowing

TfW takes a 'zero tolerance' approach where fraud or bribery is concerned. TfW has in place an Anti-Fraud, Corruption and Anti-Bribery policy and procedure and a Whistleblowing policy and procedure. Any suspected cases of fraud or corruption are fully investigated, and disciplinary and/or legal action is taken where appropriate in line with our policy. In 2020-21, 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 in TfW. There were no concerns raised through our whistleblowing procedure during the year. We have also established a whistleblowing panel and nominated officers.

Openness and transparency

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

In 2020-21, TfW received 83 requests for information and met the statutory deadlines for nearly all requests. TfW was not subject to any reviews in 2020-21 by the Information Commissioner.

Risk management

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

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

Assurance

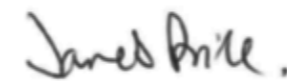
TfW's prime source of assurance comes from identifying how well its objectives are being met and risks managed. As well as TfW's internal audit arrangements, assurance is also obtained through monthly reports to the Board, Board sub-committees, the executive leadership team, risk registers and other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

TfW is also subject to external reviews. During the year, I gave evidence to the Senedd's Economy, Infrastructure and Skills Committee and the UK Parliament's Welsh Affairs 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 2021-22 in March 2021.

The internal audits we carried out this year covered a variety of topics including Brexit arrangements, budget setting and forecasting, payroll, contract and supplier management, customer invoicing, catering process, Dynamics security, European funding, data protection and GDPR, safety monitoring, CVL governance, project life cycles, governance of the rail futures programme, risk management, self-insurance and the implementation of the Welsh language standards. 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 2020-21 there were no significant weaknesses in TfW's governance framework and systems of internal control. TfW's governance framework and systems of internal control supported the achievement of TfW's policies, aims and objectives, facilitated effective exercise of the Company's functions and safeguarded public funds and assets for which I, as the Accounting Officer, am personally responsible.



James Price

Chief Executive and Accounting Officer

This Annual report was approved by the Board of Directors on 29 June 2021. 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.

Resilience statement

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

Background

We're mainly funded from the public purse by remit grant and other funding for services delivered to the Welsh Government. This remit grant includes the grant subsidy for rail passenger services for the Wales and borders franchise. We previously administered this subsidy as pass through revenue to Keolis Amey, but since February 2021, it is provided to our subsidiary company, Transport for Wales Rail Limited.

The Welsh Government issues TfW with a remit letter, which includes the budget allocated to carry out specific activities for that financial year. In the year ended 31 March 2021, the Welsh Government issued additional remit letters (as well as other direct instructions) as a result of changing circumstances mainly due to the Covid-19 pandemic.

However, many of the activities that we're involved with require a long-term view, such as planning for infrastructure projects, greater integration of Wales' transport system, the regeneration of the Core Valleys Lines, the development of the North East Wales and South Wales Metros and achieving a lower-carbon future.

We've been developing a five-year corporate plan until 31 March 2026, which sets out our objectives for that period and our estimate of the capital and revenue requirements to fulfil the plan. This corporate plan, however, will require substantial revision to take into account us becoming the provider of Wales and borders rail services, as opposed to overseeing the previous franchise arrangement. Post the Senedd election in May 2021, the Welsh Government will understandably review its policies for transport in Wales and ultimately agreement of our five-year plan.

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

Short-term resilience

The directors have determined "short-term" for the purpose of this Resilience Statement as the twelve months after the signature of the financial statements i.e. 30 June 2022. This coincides with the period of the directors' assessment that TfW is a going concern for the purpose of preparing our financial statements.

During the year ended 31 March 2021, the funding support provided by the Welsh Government has demonstrated its willingness to provide financial support at times of extreme stress. The Welsh Government has also written to our directors confirming its commitment to funding TfW and its subsidiaries for a period of at least twelve months from the date of signing our financial statements.

Medium-term resilience

As commented in last year's Annual report, prior to the onset of the health and economic effects of the Covid-19 pandemic, the directors had established two stress scenarios for the period to 31 March 2025. The first scenario based on the economic stress used by the Prudential Regulation Authority has already become significantly out-of-date. The other, which involved invoking and implementing "Operator of Last Resort", happened in February 2021.

The business plan presented to the Welsh Government in March 2021 included a number of scenarios, with the principal variable being the rail passenger revenue forecast. Given the continuing uncertainty in relation to the number of passengers that will be allowed and, as importantly, choose to travel on public transport, forecasting passenger revenue remains a significant challenge.

Accordingly, the Audit and Risk Committee, in view of the uncertainty, has not included any scenarios in this Annual Report, but will start consulting with its owner and stakeholders on possible scenarios to be included in the next Annual Report, in its draft Audit and Assurance Policy which will be issued for consultation on 1 September 2021.

Longer-term resilience

In the period post 2026, as well as the longer-term effects of the coronavirus pandemic, we're likely to face several further challenges, which will affect our 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 (some of which are set out in the Wales Transport Strategy released in March 2021).

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



Section 172 statement

Engagement and decision making

S172(1) reporting

Our Directors are bound by their duties and are fully aware of their responsibilities to promote the success of the company in accordance with section 172 of the Companies Act 2006. The way these duties have been discharged, particularly their duty to promote the success of the company for the benefit of its customers, staff and sole member, forms a core theme of this report.

Our Section 172 statement sets out how the Directors have, in performing their duties over the course of the year, had regard to the matters set out in Section 172(1) (a) to (f) of the Companies Act 2006. We have also integrated our reporting on how our stakeholders have been considered in terms of our business model and governance throughout this report: Board activities, see pages 56 to 65; our response to the Covid-19 pandemic, see pages 12 and 13; and throughout the Strategic Report on pages 6 to 47.

The Directors acknowledge that every decision they make will not necessarily result in a positive outcome for all of our stakeholders. By considering the company's strategic priorities and having processes in place for decision-making, they do, however, aim to make sure that their decisions are consistent.

Our approach

Our Board is responsible for leading stakeholder engagement, ensuring that we fulfil our obligations to those impacted by our work. We believe that listening to our stakeholders is more essential now than it has ever been as we recover from Covid-19 and the challenging task of balancing the needs and expectations of all our stakeholders.

In summer 2020, we established our Advisory Panel which meets on a quarterly basis. The panel includes representatives of customers, government, industry, and persons of protected characteristics.

The Advisory Panel aims to provide feedback, scrutiny and advice to TfW on a wide range of topics and issues, ensuring that we are listening, liaising and receiving a steer directly from the user groups and communities across our Wales and Borders network.

We have also established four regional stakeholder forums, covering North Wales, Wales and the borders, South East Wales and Mid and West Wales. Each forum has regional representation comprising of local authorities, business and tourism partners, education bodies, regional transport authority partners and transport watchdogs. The regional forums are chaired by the stakeholder manager for each region, supported by our community engagement officers. The forums include interactive sessions and follow-up of survey material to ensure we are capturing input to all public transport changes, from our rail timetable to our plans for tackling anti-social behaviour across the public transport network.

While the Board had made key strategic decisions, these are within the confines of our delegated authority from the Welsh Government and our annual remit letter. Many of our key strategic decisions were either approved by the Welsh Government or required ministerial approval and were therefore subject to TfW and the Welsh Government/Welsh Ministers decision making processes. Both TfW and the Welsh Government/Welsh Ministers have a statutory duty under the Well-being of Future Generations (Wales) Act 2015 to consider how they can best meet the needs of future generations and take account of the long-term.

In this section we have grouped our stakeholders into five key categories and provided an overview of their interests and the ways in which the Board acted with regard to these groups when taking its key strategic decisions.

"We believe that listening to our stakeholders is more essential now than it has ever been as we recover from Covid-19."



Stakeholder groups

1. The Welsh Ministers/Welsh Government

Engagement with the Welsh Ministers, through the Welsh Government, is an ongoing process. At a strategic level, the steering board meets monthly and includes representation from our Chair, our Chief Executive, senior Welsh Government officials and a Welsh Government non-executive Director.

The Steering Board has a remit to 'facilitate strategic discussions about TfW's future remit and direction and provide oversight of TfW'. Strategically important decisions are also taken at the Welsh Government's Operational Board, a monthly meeting established for the Welsh Government to obtain assurance from TfW's performance in delivering our remit. Examples of long-term planning include the continuing transformation of the Core Valley Lines (CVL) and development of proposals for the South Wales, North Wales, and South West Wales Metros, as well as responding to the recommendations of the South East Wales Transport Commission.

How the Board is kept informed

Through the Chair, the Board receives an update at each meeting on discussions and decisions made at the previous Steering Board meeting. This may include items escalated from the Board to the Welsh Government. The Board also receives a monthly update from our Chief Executive which will include details of Welsh Government discussions and decisions.

2. Customers

Ensuring our customers are at the heart of every decision is crucial to our Board's strategy. Our focus over the last year has been keeping our customers safe during the pandemic and promoting measures to minimise the risk of spreading Covid-19.

We've focussed on providing up-to-date messaging at all our locations and online through our website and social media channels on how to travel safely within the restrictions placed up on us and our customers during the pandemic through our 'travel safer' campaign.

We've also thought long and hard about how to keep our customers safe and informed for when our rail operations return to normal. We've worked with partners such as Transport Focus to consider the views of customers and have engaged our advisory groups throughout to build on the insight we've received through multiple customer surveys.

How the Board is kept informed

Every Board meeting starts with a 'customer moment' (along with a 'safety moment') to ensure that our customers remain the centre of all discussions and decisions. The Board takes very seriously its responsibilities around customer safety, customer satisfaction, customer communications, and particularly over the last year, how to encourage customers back to using our services. The Board receives regular reports on customer satisfaction, service quality and updates from the work of the Customer and Communications Committee.

3. Our employees

Our employees are central to our success, so properly incorporating their views into Board decision-making is essential. Our employees have been encouraged to provide feedback, suggestions and concerns through our fortnightly all-company calls. We also have a employees representative on the people committee and a Trades Unions observer on our Board.

We have also developed a 'TellUs' inbox where colleagues can email ideas, feedback, recommendations, and bespoke surveys to allow us to gain insight on, for example, well-being and working at home. We also actively encourage our employees to get involved in forums on equality, diversity and inclusion and employees well-being.

How the Board is kept informed

Our Board members are invited to join our all-company calls, which they frequently do, where employees will ask questions and provide feedback on a variety of issues affecting TfW. The Board receive regular briefings from the Executive to allow it to assess the organisation's behaviour and culture, along with updates on the company's people strategy.

The Chief Executive and the Executive also provide regular Board updates on important matters affecting our employees, including issues around pensions, major change projects affecting employees, graduate and apprentice schemes and other important people initiatives. Following each people committee meeting, the committee chair provides the Board with a summary of discussions and decisions.

4. Communities

Developing and preserving the links we have established with the communities we serve is an important factor in the Board's discussions. Our support of community rail across the network has seen us expand the reach of partnerships so that an increasing number of communities neighbouring our rail network have access to a Community Rail Partnership (CRP).

We have recently set up a new partnership in South West Wales and are about to deliver a new partnership in the Cardiff and Valleys region. Quarterly meetings are set up with all partnership officers to share TfW activities and how each CRP is progressing with their annual activity plans. It is also a meeting where best practice is shared across the partnerships. Our community rail team also attends each CRP's regular meetings to understand where TfW can support the partnerships in delivering their activity plans.

Our Advisory Panel has provided a space for us to share a range of projects and updates with an independently chaired panel. We have established and hosted our Advisory Panel with representatives from the Equality and Human Rights Commission, Children and Young People Commission, Sustrans, Stonewall Cymru, Cytûn, Community Transport Association and the Confederation of Passenger Transport. These groups have provided guidance, support and advice to our long term aims and objectives but have also shaped our response to the pandemic.

How the Board is kept informed

Through the Chief Executive's report, the Board receives regular updates on our interaction with communities where they might be impacted by our capital works or programmes or affected by changes in our services. Our Chair and Chief Executive have also attended our Advisory Panel meetings.

"Over the last year, we focused on improving our supply chain; an essential element of our strategy and one that can only be driven forwards through continuing close engagement with our suppliers."

5. Suppliers

Our long-term supplier partnerships are vitally important to delivering our services and projects. Over the last year, we focused on improving our supply chain; an essential element of our strategy and one that can only be driven forwards through continuing close engagement with our suppliers. This has been done through various strategic and tactical approaches.

We've implemented regular digital supply chain platform events to ensure TfW and our delivery partners are accessible with our supply chain addressing topical issues and our pipeline of opportunities. We've also partnered with the Supply Chain Sustainability School to raise awareness and help upskill our supply chain in all aspects of sustainability and ethical practices.

"This partnership will ensure our supply chain has free access to training and development learning."

In line with our equality, diversity and inclusion objectives, we have implemented a Fairness Inclusion and Respect (FIR) programme, whereby we have trained 56 FIR Ambassadors across our business and our supply chain to promote an inclusive culture. Finally, we have identified potential collaborative relationships that contribute to our strategic objectives and develop formal collaborative relationships in line with ISO44001:2017 such as Craidd Alliance made up of TfW, Amey Infrastructure Wales, Balfour Beatty, Siemens and Alun Griffiths.

How the Board is kept informed

The Executive receives a regular report on supply chain risks and where necessary, these will be escalated to the Board, either through consideration of a specific report or where applicable, through consideration of our risk register. During the last year, the Board paid particular attention to the risks on our supply chain of Covid-19 and Brexit. The Board were also made aware of issues in our supply chain that required management as part of the transfer of rail operations.

Transport decarbonisation statement

In 2018 transport was responsible for 17% of Welsh greenhouse gas emissions – 62% from private car use, 19% from light goods vehicles, 16% from bus and heavy goods vehicles and 1% from rail.

The UK Climate Change Committee has proposed a carbon reduction pathway for surface transport that means that emissions need to be roughly halved between 2020 and 2030.

We'll support the delivery of a significant reduction in greenhouse gas emissions from transport by developing low-carbon services and infrastructure and through modal shift. This is in line with the UK Climate Change Committee recommendations and our commitments on net-zero by 2030.

Governance

Our Board recognises climate change as a material matter for the business, particularly in light of the declaration of a climate emergency by the Welsh Government in April 2019 and the Welsh Government's ambition to reduce CO₂e to net-zero by 2050.

We carefully examine the issues we face in rising to the challenge of reducing our CO₂e emissions and making the most of the opportunities that a low-carbon future involves.

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

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

Strategy

We're currently reviewing our Low Carbon Impact Strategy in response to an update to our remit from the Welsh Government. Our new Low Carbon Impact Strategy will be

published in late 2021 and will set out in detail our strategy and targets to reach net zero by 2030.

The majority of our CO₂e emissions are from diesel fuel used to provide the passenger train service. The remainder of the carbon footprint is from operations and activities related to stations, depots and offices.

Each year we produce an organisational carbon footprint based on a calculator from The Carbon Trust which calculates our Scope 1, 2 and 3 emissions. Scope 1 covers direct CO₂e emissions from sources owned by TfW. Scope 2 covers indirect emissions from the generation of electricity purchased by TfW. Scope 3 includes all other indirect emissions that occur in TfW's value chain, such as emissions from employee travel and commuting to work and emissions used in producing goods and services used by TfW.

We're recruiting two new roles to help deliver this strategy: a Climate Risk and Resilience Lead; and a Climate Adaptation Officer.

Risk management

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

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

Climate adaptation and resilience

We work closely with Network Rail which own the majority of the rail assets in Wales. They have undertaken Climate Change Risk Assessments on the railway and a new Adaptation Report will be published this year.

A key enabler for building the next phase of the South Wales Metro, TfW took over ownership of the Core Valleys

Lines (CVL) in March 2020, with Amey Infrastructure Wales (AIW) acting as our delivery partners. Their role involves complying to Network Rail's standards, which includes the development of extreme weather plans (NR/L3/CIV/190) for the management of assets during extreme weather.

The Route Weather Resilience Plan 2019-2024 can be found here [Weather Climate Report Wales](#)

As part of the asset management duties, we've created a Strategic Asset Management Plan (SAMP) which highlights the strategic vision of the management of the assets, including drainage, structures and earthworks. The SAMP has key vision states for the assets and also highlights key activities associated with the improvement of asset knowledge and resilience. In addition, in line with ISO 55001, AIW produces Asset Management Plans, which have a line of sight with TfW's SAMP and highlight key activities including adverse weather events and the establishment of trial sites.

An extensive mapping exercise has been undertaken on the open source geographic information system QGIS to map CVL assets and their interface with known flooding sites, as derived from Natural Resources Wales flooding data for fluvial and pluvial flooding.

Discussions are currently taking place between TfW and other organisations including Natural Resources Wales and Dŵr Cymru Welsh Water about collaborative working and setting up a Memorandum of Understanding to enhance understanding of assets and promote a joint approach to understanding and implementing resilience.

Response to Stonehaven

In response to the Stonehaven derailment of August 2020, Network Rail has published a report highlighting the resilience of rail infrastructure which can be found here. The report identifies key activities which include a long term plan to improve resilience to climate change.

With ownership of the CVL, TfW and our delivery partners, have created a Stonehaven action plan, to identify high risk assets and to implement monitoring and maintenance as an interim measure following Stonehaven. Key activities include inspection of identified high risk soil cuttings, visual inspections of drainage assets, management of adverse weather events and setting a strategic vision through exploring technology which can aid in understanding earthworks and drainage.

A collaborative working group has been set up between TfW and AIW to explore options of remote monitoring and aerial technology to assist with the management of the assets. In addition, early discussions are currently taking place between

TfW and Cardiff University to understand drainage conditions, river flooding and the microclimates of the CVL, with the aim to understand the risk posed by climate change.

Sustainable Urban Drainage Systems

We have installed Sustainable Urban Drainage Systems (SUDs) to prevent flooding at Bow Street Station (new build) in Ceredigion. A large area of the car park has permeable paving; water flows from the paving through to a green space that has been planted with trees. In line with planning requirements, we're installing SUDs at planned projects such as Deeside, which is currently at design phase.

Tree planting

We're planting a woodland in Llanwern, Newport. Woodlands are an important asset for adaptation, for example, to improve air quality, protect soils, buffer water courses, mitigate flood risk, provide habitat, and provide cooler environments. We've planted four hectares to date.

Vegetation management

We're undertaking management of lineside vegetation across the CVL to reduce the impact of Autumn (and increasingly other seasons) on our services because fallen leaves, and dying trees can fall across tracks and on to trains. This severely affects the services we provide.

Metrics and targets

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

- **direct CO₂e emissions scope 1:** from activities relating to our operations and activities such as train fuel, refrigeration and air conditioning
- **indirect (owned) CO₂e emissions scope 2:** indirect emissions such as the generation of purchased energy, from a utility provider
- **indirect (not-owned) CO₂e emission scope 3:** includes emissions from waste, water, commuting and procurement.

We have the following targets:

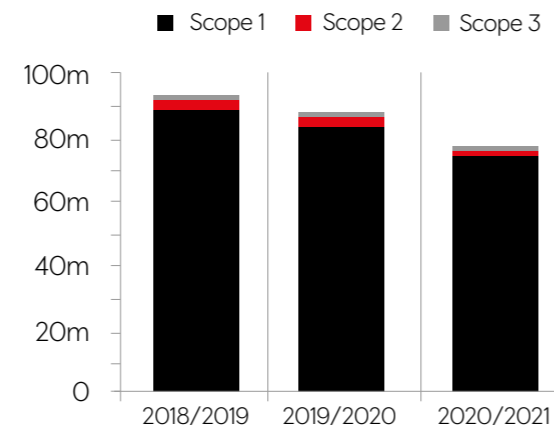
- scope 1 emissions (Traction) CVL – 100% reduction by the end of 2023
- scope 1 emissions (Traction) WCB – 30% reduction by the end of 2023
- scope 2 emissions – 100% reduction by the end of 2023.

Progress on targets

Our carbon footprint has reduced from 87,423 tonnes of CO₂e in 2018/19 to 82,630 tonnes of CO₂e in 2019/20, a reduction of 5.48%. This was through an increase in lower emission rolling stock and the reduction in the number of older, more polluting rolling stock and the better management of utilities through smart metering.

The reduction between 2019/20 and 2020/21 of 4.85% to 78,715 tonnes of CO₂e has been in the main attributable to the impacts of the Covid-19 pandemic. However, we have continued to improve our energy use, facilities management and introduced newer rolling stock.

Annual emissions by scope



Risks and opportunities

Risk	Opportunity
Short-term (1-2 years)	Short-term (1-2 years)
Change in travelling behaviour due to Covid-19 pandemic could affect opportunities for modal shift.	TfW has increased responsibilities for EVs, zero tailpipe emission buses and taxis and active travel that could reduce the footprint of the people of Wales if successful.
Medium-term (2-5 years)	Medium-term (2-5 years)
An increase in the incidence of extreme weather-related incidents arising from climate change.	Better public transport services and increased access to EV charging could lead to a significant modal shift.
Delay in the completion of the South East Wales Metro could impact our carbon reduction targets.	The completion of the South East Wales Metro could further significantly increase the extent of a modal shift. TfW sees increasing opportunities, in collaboration with partners, to develop its own renewables, such as thin film solar and trackside renewables and also reduce its energy consumption through, for example, the increased use of LED lighting, thus reducing TfW's reliance on the national grid and accordingly making TfW more resilient to adverse weather events.
Longer-term (over 5 years)	Longer-term (over 5 years)
An increase in the incidence of flooding arising from climate change.	The completion of the North Wales Metro and South West Wales Metro could further increase the extent of a modal shift.
Permanent flooding of track caused by sea level rise.	



Remuneration report

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

Single total figure of remuneration

Director	Salary 2020-21	Salary 2019-20	Pension benefits 2020-21	Pension benefits 2019-20	Total 2020-21	Total 2019-20
James Price Chief Executive Officer (seconded from Welsh Government)	160-165	155-160	70-75	60-65	235-240	220-225
Heather Clash Executive Director of Finance	125-130	120-125	10-15	5-10	135-140	130-135
Scott Waddington Non-Executive Director - Chair*	35-40	25-30	-	-	35-40	25-30
Sarah Howells Non-Executive Director	5-10	5-10	-	-	5-10	5-10
Nicola Kemmery Non-Executive Director	5-10	5-10	-	-	5-10	5-10
Alison Noon-Jones Non-Executive Director	5-10	5-10	-	-	5-10	5-10
Alun Bowen Non-Executive Director	5-10	0-5	-	-	5-10	0-5
Vernon Everitt Non-Executive Director from September 2019	5-10	0-5	-	-	5-10	0-5

* Non-Executive Director appointed and remunerated by Welsh Government

Pension Details

Director	Accrued defined benefit pension at pension age as at 31/03/21 £000	Real increase in pension and related lump sum at pension age £000	CETV at 31/03/21 £000	CETV at 31/03/20 £000	Real increase in CETV £000	Contribution to defined contribution scheme £000
James Price Chief Executive Officer (seconded from the Welsh Government)	65-70	2.5-5	931	855	38	-
Heather Clash Executive Director of Finance	-	-	-	-	-	10-15

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 the TfW employer pension scheme.

Cash Equivalent Transfer Values

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

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

Real increase in 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 2020-21 was £160-165,000 (2019-20: £155-160,000). This was 6.4 times (2019-20: 5.3 times) the median remuneration of TfW employees, which was £25,350 (2019-20: £29,879). The year on year increase in the multiple can be attributed to the in-house transfer of the cleaning service for the Wales and Borders franchise from February 2021 onwards. 91 cleaning 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 2021. This represents TfW employees only as Transport for Wales Rail Limited has a separate pay and grading structure.

Pay Band	Annual basic salary (Min)	Annual basic salary (target)	Annual basic salary (Max)	No. employees at 31 March 2021
Executive Director Pay Band 2 (including executive board members)	£117,200	£146,500	£175,800	6
Executive Director Pay Band 1 (including executive board members)	£96,800	£121,000	£150,600	7
1	£70,000	£87,500	£105,000	21
2	£50,400	£63,000	£75,600	54
3	£37,200	£46,500	£55,800	83
4	£28,400	£35,500	£42,600	63
5	£22,000	£27,500	£33,000	46
6	£16,800	£21,000	£25,200	201

Directors' report

Our Directors present their report for the year ended 31 March 2021.

Directors

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

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

There have been no appointments or resignations in 2020-21

Financial instruments

Liquidity and cash flow risk

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

The Group has entered into a fuel price hedge from February 2021 until March 2023. This hedge mitigates exposure to the fluctuations in the price of fuel that would otherwise import uncertainty to the financial performance of the business.

Credit risk

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

Proposed dividend

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

Employees

Information on diversity and inclusion is detailed on pages 36 to 40 and in the people committee report on pages 64 and 65. Further information on employee engagement is included within the s172 statement on page 74.

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

Information on how we engage with our suppliers, customers and other stakeholders is included in our s172 statement on page 74. We aim to pay all our suppliers as soon as the spend is approved and comply with the Government's Prompt Payment Code.

Energy and carbon reporting

Information on our energy consumption and actions is included in the Transport Decarbonisation statement on page 78.

Political contributions

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

Whistleblowing procedures

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

Disclosure of information to auditor

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

Auditor

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

By order of the Board

James Price
Director/Chief Executive

3 Llys Cadwyn, Pontypridd, CF37 4TH
29 June 2021

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

Our Directors are responsible for preparing our annual report and the group and parent company financial statements in accordance with applicable law and regulations.

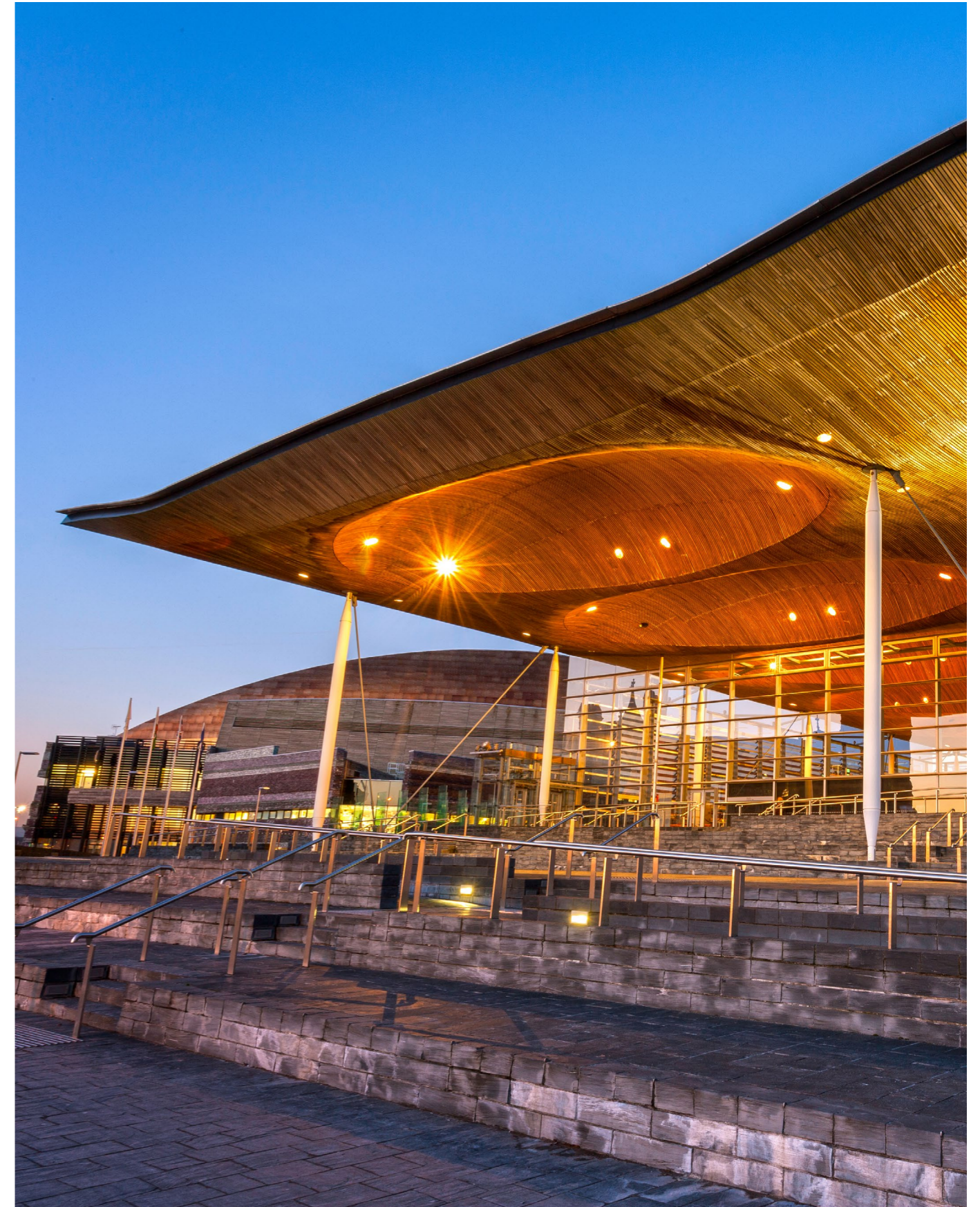
Company law requires our Directors to prepare Group and parent company financial statements for each financial year. Under that law they have elected to prepare the group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act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

Under company law 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 Group and parent company and of the group's profit or loss for that period. In preparing each of the Group and parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- for the parent company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or parent 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 the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Our Directors are responsible for the maintenance and integrity of the corporate and financial information published on our [website](#). Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.





Financial statements

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99	Consolidated statement of cash flows	100	Company statement of financial position	101	Company statement of changes in equity	102	Notes

Independent auditor's report

Opinion

We have audited the financial statements of Transport for Wales ("the company") for the year ended 31 March 2021 which comprise the Consolidated Income Statement, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows, Company statements of Financial Position, Company Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2021 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006
- the parent company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

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

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

We considered whether this risk could plausibly affect the liquidity in the going concern period by comparing severe, but plausible, downside scenarios that could arise from this risk against the level of available financial resources indicated by the Group's financial forecasts.

We assessed the completeness of the going concern disclosure.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the group or the company's ability to continue as a going concern for the going concern period.
- we found the going concern disclosure in note 1 to be acceptable.

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

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

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

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

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

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that Group and component management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as valuation of assets. On this audit we do not believe there is a fraud risk related to revenue recognition because of the nature of the revenue being pass-through income from Welsh Government.

We did not identify any additional fraud risks.

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

We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included journal entries made to accounts related to our significant risks and other unexpected account combinations.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

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

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

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

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

Whilst the Group is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance alone could have a material effect on amounts or disclosures in the financial statements

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

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

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

Strategic report and directors' report

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 88, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

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

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

Chartered Accountants
3 Assembly Square
Britannia Quay
Cardiff Bay
CF10 4AX

30 June 2021

Consolidated income statement

for the year ended 31 March 2021

	Note	2021 £000	2020 £000
Revenue			
Operating costs	2	121,654 (121,559)	33,474 (33,455)
Operating surplus		95	19
Financial expenses	6	(270)	(7)
Interest receivable	6	10	-
Net financing expense		(260)	(7)
Surplus before tax		(165)	12
Taxation	7	513	16
Surplus for the year		348	28
Statement of other comprehensive income			
<i>Items that will not be reclassified to profit or loss:</i>			
Revaluation of property, plant and equipment	8	2,078,772	-
Remeasurements of defined benefit liability/asset	18	(60)	-
Effective portion of changes in fair value of cash flow hedges	19	973	-
Tax on other comprehensive income	7	(178)	-
Other comprehensive income for the year, net of income tax		2,079,507	-
Total comprehensive income for the year		2,079,855	28

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

All operations are continuing operations.

The notes on pages 102 to 138 form an integral part of these financial statements.

Consolidated statement of financial position

at 31 March 2021

	Note	2021 £000	2020 £000
Non-current assets			
Property, plant and equipment	8	3,039,096	608,428
Intangible assets	9	13,700	2,173
		3,052,796	610,601
Current assets			
Inventories	11	4,826	74
Trade and other receivables	12	99,892	35,930
Cash and cash equivalents	13	18,942	16,672
		123,660	52,676
Total assets		3,176,456	663,277
Current liabilities			
Trade and other payables	14	148,698	51,676
Lease liabilities	20	32,409	125
Provisions	15	209	-
		181,316	51,801
Non-current liabilities			
Lease liabilities	20	87,741	-
Deferred capital government grants	17	822,975	610,453
Employee benefits	18	1,206	342
Provisions	15	2,682	-
		914,604	610,795
Total liabilities		1,095,920	662,596
Net assets		2,080,536	681
Equity			
Retained surplus		975	681
Revaluation reserve		2,078,772	-
Hedging reserve		789	-
Total equity		2,080,536	681

These financial statements were approved by the Board of Directors on 29 June 2021 and were signed on its behalf by:

J R Price
Director
Company registered number: 9476013

Consolidated statement of changes in equity

at 31 March 2021

	Retained surplus £000	Revaluation Reserve £000	Hedging Reserve £000	Total equity £000
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
Balance at 1 April 2020	681	-	-	681
Total comprehensive income for the period				
Surplus	348	-	-	348
Other comprehensive income				
Revaluation of property, plant and equipment	-	2,078,772	-	2,078,772
Remeasurements of defined benefit liability/asset	(60)	-	-	(60)
Effective portion of changes in fair value of cash flow hedges	-	-	973	973
Tax on other comprehensive income	6	-	(184)	(178)
Total comprehensive income for the period	294	2,078,772	789	2,079,855
Balance at 31 March 2021	975	2,078,772	789	2,080,536

All equity is attributable to the equity holder of Transport for Wales (there is no equity attributable to non-controlling interests).

Consolidated statement of cash flows

for the year ended 31 March 2021

	Note	2021 £000	2020 £000
Cash flows from operating activities			
Surplus for the year		348	28
<i>Adjustments for:</i>	8 & 9		
Depreciation, amortisation and impairment	17	19,828	358
Release of deferred government grants		(13,106)	(215)
Financial expense	7	260	7
Taxation		(513)	(16)
		6,817	162
(Increase)/decrease in inventory	11	(101)	(74)
(Increase)/decrease in trade and other receivables	12	(85,942)	(2,056)
Increase/(decrease) in trade and other payables	14	74,977	4,896
Increase/(decrease) in provisions and employee benefits	15	944	-
Tax Paid	7	4	-
Net cash from operating activities		(3,301)	2,928
Cash flows from investing activities			
Acquisition of property, plant and equipment*	8	(148,170)	(73,111)
Acquisition of business (net of cash)	23	695	-
Acquisition of intangibles	9	(7,809)	(2,173)
Capital spend on third party assets	17	(2,075)	(1,991)
Proceeds from the receipt of capital government grants*	12,17	168,147	77,042
Net cash from investing activities		10,788	(233)
Cash flows from financing activities			
Payment of lease liabilities	20	(5,217)	(170)
Net cash from financing activities		(5,217)	(170)
Net increase in cash and cash equivalents		2,270	2,525
Cash and cash equivalents at 1 April	13	16,672	14,147
Cash and cash equivalents at 31 March	13	18,942	16,672

* The acquisition of the Core Valleys Lines from Network Rail during 2019/20 was funded by a nil-cash mechanism – see note 8 & 17. This has been excluded from both acquisitions and grant proceeds in the comparative information.

Company statement of financial position

at 31 March 2021

	Note	2021 £000	2020 £000
Non-current assets			
Property, plant and equipment	8	2,809,163	608,428
Intangible assets	9	3,982	2,173
		2,813,145	610,601
Current assets			
Inventories	11	15	74
Trade and other receivables	12	86,812	35,930
Cash and cash equivalents	13	11,001	16,672
		97,828	52,676
Total assets		2,910,973	663,277
Current liabilities			
Trade and other payables	14	93,420	51,676
Lease liabilities	20	-	125
Provisions	15	209	-
		93,629	51,801
Non-current liabilities			
Lease liabilities	20	13,451	-
Deferred capital government grants	17	721,363	610,453
Employee benefits	18	424	342
Provisions	15	2,682	-
		737,920	610,795
Total liabilities		831,549	662,596
Net assets		2,079,424	681
Equity			
Share capital		-	-
Retained surplus		652	681
Revaluation reserve		2,078,772	-
Total equity		2,079,424	681

These financial statements were approved by the Board of Directors on 29 June 2021 and were signed on its behalf by:

J R Price
 Director
 Company registered number: 9476013

Company statement of changes in equity

	Retained surplus £000	Revaluation Reserve £000	Total equity £000
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
Balance at 1 April 2020			
Balance at 1 April 2020	681	-	681
Total comprehensive income for the period			
Surplus	-	-	-
Other comprehensive income			
Revaluation of property, plant and equipment	-	2,078,772	2,078,772
Remeasurements of defined benefit liability/asset	(29)	-	29
Total comprehensive income for the period	(29)	2,078,772	2,078,743
Balance at 31 March 2021	652	2,078,772	2,079,424

Notes

Forming part of the financial statements

1 Accounting policies

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

Basis of preparation

The consolidated financial statements for Transport for Wales and its subsidiaries (together "the group" or "TfW") have been prepared and approved by the directors in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

The parent company financial statements have been prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101").

Under section s408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

In preparing the parent company financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Cash Flow Statement and related notes
- Certain disclosures regarding revenue
- Disclosures in respect of transactions with wholly owned subsidiaries
- Disclosures in respect of capital management

As the consolidated financial statements include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 3 *Business Combinations* in respect of business combinations undertaken by the Company; and
- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*.

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

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

Change in accounting policy

This is the first set of consolidated financial statements, following the incorporation of two subsidiaries which have started to trade during the year.

In these financial statements, TfW has adopted a different valuation basis for the CVL rail network asset for the first time; this has been treated as a first-time valuation as at 31 March 2021 with no comparative restatement in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

A small number of newly adopted IFRS or amendments to IFRS have been adopted in these financial statements for the first time, none of which have a material impact.

Basis of consolidation

Subsidiaries are all entities over which the group has control. The group:

- Consolidates subsidiaries from the date on which control passes to the group and deconsolidates from the date control ceases;
- Changes the accounting policies of subsidiaries, where necessary, to ensure consistency with the policies adopted by the group;
- Eliminates intercompany transactions and balances in the group results.

Going concern

The Company's directors have at the time of approving the financial statements, a reasonable expectation that TfW 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.

The Welsh Government issues TfW with a remit letter, which includes the budget allocated to carry out specific activities for that financial year. TfW has received a remit letter for the financial year ending 31 March 2022 outlining what Welsh Government require TfW to deliver during that year. This will be underpinned by a funding remit letter and further funding instructions for 2021/22 later in the year (the 2022/23 remit and funding letters are expected to be received in the first half of 2022). In addition, the Welsh Government has provided a letter of support setting out its intention to continue to provide funding (including continuing funding for Transport for Wales Rail Limited) for at least 12 months from the signing date of these accounts. This support would be expected to continue even in a downside scenario (see the [Resilience Statement](#) for further considerations).

As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

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

Critical accounting judgements

The key judgements TfW makes in applying its accounting policies are set out below:

Accounting treatment of funding from the Welsh Government

TfW receives resource and capital funding from the Welsh Government. An assessment has been made as to whether this funding should be treated as a government grant, capital contribution or revenue. The conclusion reached is that if 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 but with no specific provision of services to the Welsh Government, the funding has been treated as a government grant. Activities which provide a direct provision of services to the Welsh Government have been treated as revenue under IFRS 15 and invoiced accordingly.

In relation to the grant received that was paid 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 until 7 February 2021, 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. From 7 February 2021 onwards, this was replaced by a new agreement between the Welsh Ministers and TfWRL, under the Operator of Last Resort arrangements ("the OLR Agreement"). As such, payments since 7 February 2021 are shown gross in the consolidated financial statements.

Judgements in relation to the CVL rail network valuation

There are a number of judgements in relation to the CVL rail network, in particular in relation to the depreciation period (see depreciation policy), and the assumptions used to arrive at the estimates for remaining useful lives, land compensation costs and risk. Further detail on these assumptions and their sensitivity is set out in note 8.

Key sources of estimation uncertainty

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

The main estimate impacting on the current financial year is the valuation of the CVL rail network asset, which is discussed in further detail in the Property, Plant and Equipment accounting policy, and in the sensitivity disclosures in note 8.

Revenue

TfW has five income categories:

- Government grants
- Other projects with the Welsh Government
- Franchise subsidy income
- Passenger revenue
- Other revenue

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.

- *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).

- *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 projects with the Welsh Government

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

Our policy is to recognise this revenue over time as relevant IFRS 15 criteria are met, in particular that the contracts are for the provision of services, Welsh Government receives and consumes the benefits provided simultaneously as they are performed and it 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 on the basis of costs incurred.

Franchise subsidy income

Franchise subsidy income represents amounts due to Transport for Wales Rail Limited from the Welsh Government under the OLR grant agreement (from 7 February 2021 onwards) to subsidise the operating loss of the company (after passenger and other revenue), as well as funding certain capital asset spend.

This is released to the income statement aligned to the relevant spend (or asset depreciation in respect of capital funding).

Passenger revenue

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

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

Other revenue

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

Contract costs

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

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

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. They are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial Assets

Financial assets are classified into one of three primary categories according to the business model for managing the financial asset and the contractual cash flow characteristics of the financial asset:

- Financial assets at amortised cost are non-derivative financial assets held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Financial assets at amortised cost are subsequently measured using the effective interest method (if interest bearing) or at nominal value and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.
- Financial assets at fair value through profit and loss (FVTPL) include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the income statement within finance costs. Transaction costs arising on initial recognition are expensed in the income statement.
- Fair value through other comprehensive income – the Group does not have any financial assets held at fair value through other comprehensive income.

Financial liabilities

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

Derivatives and hedging activities

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

The Group designates certain derivatives as cash flow hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in fuel prices.

At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the hedging reserve. Any ineffective portion of the hedge is recognised immediately in the income statement.

When the forecast transaction subsequently results in the recognition of a non-financial item (including a non-financial item that becomes a firm commitment for which fair value hedge accounting is applied), the associated cumulative gain or loss is removed from the hedging reserve and is included in the initial carrying amount of the non-financial asset or liability.

For all other hedged forecast transactions, the associated cumulative gain or loss is reclassified to the income statement in the same period or periods during which the hedged expected future cash flows affects profit or loss.

When the hedging instrument is sold, expires, is terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

Credit-impaired financial assets

At each reporting date, the Group 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. A loss allowance is recognised for expected losses at an amount equal to lifetime expected credit losses.

Property, plant and equipment

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

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

Rail Network

On 28 March 2020, TfW 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.

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

Other TfW-owned rail-related property assets which are part of the Network Rail-owned route and not part of CVL are presented separately in land and buildings (e.g. Bow Street Station car park).

The asset was initially recognised at cost but has been revalued at its fair value this year to align with the Welsh Government's accounting policies.

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

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

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

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

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

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

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

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

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

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

Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives for assets held at cost are as follows:

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

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

- Earthworks 98 years
- Structures 60 years
- Signalling and power 27 years
- Operational property 32 years
- Track 18 years
- Telecoms 9 years

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

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

Business combinations

All business combinations are accounted for by applying the acquisition method. Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as the fair value of the consideration transferred; less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Intangible assets and goodwill

Recognition

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and accumulated impairment losses.

Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives of software and intellectual property licences is 5-10 years.

Research and development

Expenditure on research activities is recognised in the income statement as an expense as incurred.

Inventories

Inventory is valued at the lower of cost and net realisable value. Cost comprises purchase price paid for the inventory. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

Impairment of non-financial assets

The carrying amounts of the Group'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.

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.

Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Group 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 Group has two defined benefit pension plans:

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

The Group's net obligation in respect of each 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 deficit disclosed for the RPS represents 60 percent of the full deficit of the relevant section of the RPS, in accordance with trustee guidelines which detail how the scheme surpluses and shortfalls are shared between employer and scheme members. Only the net deficit or net surplus that the group is obligated to fund over the life of the contract is recognised.

Transport for Wales Rail Limited's section liability is adjusted by a franchise adjustment, which reflects the amount of deficit that the group does not expect to fund over the life of the contract. The net deficit, after adjusting for member share and the franchise adjustment, represents the present value of the obligation of the group as at that date. This treatment gives rise to a reimbursement asset which represents the right to receive the Welsh Government subsidy funding to fund the past liability – this is disclosed separately within the Group's assets.

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

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

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

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, that can be reliably measured, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

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

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Leases

As a lessee

The Group 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 Group'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 Group 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 Group'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 Group 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 Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

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

Lease acquired in a business combination

For leases acquired in a business combination, the Group measures the acquired lease liability at the present value of the remaining lease payments, as if the acquired lease were a new lease at the acquisition date. The right-of-use asset is measured at acquisition at the same amount as the lease liability, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Track, depot and station access charges

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

Adopted IFRS not yet applied

A number of Adopted IFRSs have been issued but have not been applied by the Group in these consolidated financial statements as their effective dates will apply to future financial statements. Their adoption is not expected to have a material effect on the financial statements.

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.

	2021 £000	2020 £000
Major products/service lines		
Core Welsh Government revenue grant	41,884	28,368
Capital Welsh Government grant release in line with depreciation and impairment	12,078	215
Capital Welsh Government grant release in relation to spend on third party assets	2,075	1,991
Other Welsh Government consultancy projects	4,626	2,176
Franchise receipts	50,340	-
Passenger receipts	2,852	-
Other income	7,799	724
Total	121,654	33,474
Timing of transfer of goods or services		
Grant income accounted under IAS 20	104,867	30,574
Products and services transferred at a point in time	8,056	655
Products and services transferred over time	6,542	2,222
Rental income accounted for under IFRS 16	2,189	23
Total	121,654	33,474

During the year, TfW also received resource grant funding in relation to rail services revenue grant payments and capital grant funding in relation to rail services capital grant payments. Up until 7 February 2021, these monies were passed directly onto our third-party 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 was acting as an agent only in this arrangement, and as such the payments and income were netted within Expenditure in the consolidated income statement. From 7 February 2021, these monies are being passed on to our subsidiary, Transport for Wales Rail Limited, and as such, the payments and income since that date are being shown gross within the consolidated income statement.

The total grant funding relating to the grant agreement up to 7 February 2021 that has been netted in expenditure is detailed below:

	2021 £000	2020 £000
Transport for Wales Rail Services revenue grant funding	305,844	172,769
Transport for Wales Rail Services capital grant funding	32,952	13,877
Total	338,796	186,646

Contract balances

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

	Note	Group		Company	
		2021 £000	2020 £000	2021 £000	2020 £000
Receivables	12	32,004	2,468	28,137	2,468
Contract assets (accrued income)	12	14,468	667	5,690	667
Contract liabilities (deferred income)	14	(15,447)	(751)	(4,515)	(751)
		31,025	2,384	29,312	2,384

The contract assets relate to TfW's rights to consideration for work completed but not billed at the reporting date on services provided to the Welsh Government and third-party customers (accrued income). The contract assets are transferred to receivables when the rights become unconditional. All contract assets are expected to be invoiced during 2021/22.

The contract liabilities relate to advance consideration received from customers for services. The balance at the end of the year will be recognised as revenue when the performance obligations are performed which is expected to be during 2021/22.

Assets recognised from costs to fulfil contracts

TfW recognises the costs incurred in fulfilling third party contracts with customers as an asset if these costs are expected to be recoverable. As at the statement of financial position date this asset amounted to £1,202,000 (2020: £279,000).

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

	2021 £000	2020 £000
Audit of these financial statements	80	50
Taxation compliance services	5	5
Other taxation services	10	31
Total	95	86

4 Employee numbers and costs

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

	Number of employees	
	2021	2020
Central services and rail procurement, mobilisation and contract management	111	105
Consultancy services	21	10
Rail operations	2,794	25
Total	2,926	140

The aggregate payroll costs of these persons were as follows:

	2021 £000	2020 £000
Wages and salaries	31,521	6,486
Social security costs	3,124	719
Contributions to defined contribution plans	927	500
Current service cost	1,411	-
Total	36,983	7,705

5 Directors' remuneration

	2021 £000	2020 £000
Directors' remuneration through payroll	171	151
Company contributions to money purchase pension plans	10	10
Total	181	161

In addition to the above, TfW paid the Welsh Government £277,000 (2020: £271,000) in relation to the services of directors seconded from the Welsh Government.

Retirement benefits are accruing to one director under a money purchase scheme (2020: one).

6 Finance income and expense

Finance income

	2021 £000	2020 £000
Bank Interest Receivable	(10)	-
Total tax expense/(credit)	(10)	-

Bank interest receivable within TfW is fully repayable to the Welsh Government and is used to reduce remit grant draw down requirements.

Finance expense

	2021 £000	2020 £000
Interest expense on lease liabilities	241	7
Unwind of discount on provisions	22	-
Net interest on net defined benefit pension plan liability	7	-
Total finance expense	270	7

7 Taxation

Recognised in the income statement

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

	2021 £000	2020 £000
<i>Current tax expense</i>		
Current year	14	2
Adjustments for prior years	-	(18)
Total current tax expense/(credit)	14	(16)
<i>Deferred tax expense</i>		
Origination and reversal of temporary differences	(527)	-
Total deferred tax expense	(527)	-
Total tax expense/(credit)	(513)	(16)

Recognised in the other comprehensive income

	2021 £000	2020 £000
Retained surplus	6	-
Hedging reserve	(184)	-
Total tax expense/(credit)	(178)	-

The current UK tax rate that has been used for the year is 19% (2020: 19%).

Reconciliation of effective tax rate

	2021 £000	2020 £000
Surplus for the year	348	28
Total tax expense / (credit)	(513)	(16)
Surplus excluding tax	(165)	12
Tax using the current UK corporation tax rate	106	2
Expenses not deductible	(624)	-
Over provided in prior years	5	(18)
Total tax expense/(credit)	(513)	(16)

8 Property, plant and equipment

Group

	Rail network & other rail infrastructure £000	Property leases & leasehold improvement £000	Plant & equipment, fixtures & fittings £000	Rolling stock £000	Assets under construction £000	Total £000
Cost						
Balance at 1 April 2019	-	621	865	-	30,648	32,134
Transfers	5,036	-	-	-	(5,036)	-
Additions	515,822	37	1,865	-	59,212	576,936
Balance at 31 March 2020	520,858	658	2,730	-	84,824	609,070
Balance at 1 April 2020	520,858	658	2,730	-	84,824	609,070
Additions	16,398	17,993	2,510	14,315	120,665	171,881
Transfers between categories	2,135	-	(2,135)	-	-	-
Transfer out of assets under construction	1,738	3,600	-	-	(5,338)	-
Additions acquired through business combination	-	1,623	9,178	117,750	77,608	206,159
Disposals	-	-	-	-	(6,316)	(6,316)
Revaluations	2,067,142	-	-	-	-	2,067,142
Balance at 31 March 2021	2,608,271	23,874	12,283	132,065	271,443	3,047,936
Depreciation						
Balance at 1 April 2019	-	232	52	-	-	284
Depreciation charge	-	218	140	-	-	358
Balance at 31 March 2020	-	450	192	-	-	642
Balance at 1 April 2020	-	450	192	-	-	642
Depreciation charge	11,573	832	637	6,786	-	19,828
Transfers	57	-	(57)	-	-	-
Revaluations	(11,630)	-	-	-	-	(11,630)
Balance at 31 March 2021	-	1,282	772	6,786	-	8,840
Net book value						
At 1 April 2019	-	389	813	-	30,648	31,850
At 31 March and 1 April 2020	520,858	208	2,538	-	84,824	608,428
At 31 March 2021	2,608,271	22,592	11,511	125,279	271,443	3,039,096

Company

	Rail network & other rail infrastructure £000	Property leases & leasehold improvement £000	Plant & equipment, fixtures & fittings £000	Assets under construction £000	Total £000
Cost					
Balance at 1 April 2019	-	621	865	30,648	32,134
Transfers	5,036	-	-	(5,036)	-
Additions	515,822	37	1,865	59,212	576,936
Balance at 31 March 2020	520,858	658	2,730	84,824	609,070
Balance at 1 April 2020	520,858	658	2,730	84,824	609,070
Additions	16,398	17,921	1,248	98,995	134,562
Transfers between categories	2,135	-	(2,135)	-	-
Transfer out of assets under construction	1,738	3,600	-	(5,338)	-
Revaluations	2,067,142	-	-	-	2,067,142
Balance at 31 March 2021	2,608,271	22,179	1,843	178,481	2,810,774
Depreciation					
Balance at 1 April 2019	-	232	52	-	284
Depreciation charge	-	218	140	-	358
Balance at 31 March 2020	-	450	192	-	642
Balance at 1 April 2020	-	450	192	-	642
Depreciation charge	11,573	787	239	-	12,599
Transfers	57	-	(57)	-	-
Revaluations	(11,630)	-	-	-	(11,630)
Balance at 31 March 2021	-	1,237	374	-	1,611
Net book value					
At 1 April 2019	-	389	813	30,648	31,850
At 31 March and 1 April 2020	520,858	208	2,538	84,824	608,428
At 31 March 2021	2,608,271	20,942	1,469	178,481	2,809,163

Property, plant and equipment under construction

Assets under the course of construction comprise the programme of capital works being carried out by TfW to support development and renewal of the South Wales Metro, in addition to development works being carried out at Llanwern, and design works relating to the new Cardiff bus interchange. The intended ownership of the Llanwern is split between TfW and Network Rail. For these projects, TfW is only capitalising spend in relation to land which it intends to own. The wider group balance also includes capital costs in relation to introduction of new fleet, refurbishment of existing fleet, the Station Improvement Programme and new or upgraded retained and IT equipment.

Notes (continued)

CVL revaluation

The CVL network fair value is based on Depreciated Replacement Cost (DRC), because it is a specialised asset used to deliver a service to the public. The valuation of the CVL network was carried out as at 31 March 2021 by TfW, with support from Atkins Limited (professional valuers) using data provided by TfW.

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

The key assumptions within the valuation are considered to be:

- *Remaining asset lives of the network components* – the valuation applies an adjustment to the gross replacement cost to reflect the estimated level of accumulated depreciation based on management’s judgement of the condition of the existing network components. Different methodologies are applied to each component using the data available at the time of preparing the estimates. For some components, there is only a limited amount of data available to TfW since acquisition, thus requiring the use of judgement and estimation, and resulting in a degree of estimation uncertainty. As TfW increases the level of data on the components, this assumption will be reviewed and adjusted as appropriate.
- *Land compensation adjustment* – a 72% uplift is applied to the land market value to reflect the estimated cost of Compulsory Purchase Orders and potential compensation payments to adjacent landowners. As TfW does not purchase large parcels of land, this estimate reflects the experience of Welsh Government and is also used for trunk road network valuations. The 72% figure was last revised in 2010 and it is anticipated that it will be reviewed in detail before the 2021/22 year-end. Given there have been no changes in legislation or practice since 2010, management considers that 72% is still an appropriate figure to use, but there is a degree of estimation uncertainty.
- *Risk factor* – after allowing for known costs in constructing assets, there remain unknown and localised costs that are captured using a risk factor of 38%. This is arrived at using a build up of the various types of risk that can arise (for example technology, weather, physical access, skills & resource availability, supply chain) weighted based on their level of applicability to a project to construct a modern equivalent CVL network (which is assumed to be at a stage where asset requirement is known but detailed design development is ongoing). Given that the project is conceptual in nature and highly complex, and a full qualitative cost risk analysis has not yet been completed, this risk factor is inherently judgemental and thus has a degree of estimation uncertainty.

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

- Scenario 1 shows the impact of increasing or decreasing the remaining asset lives of the components of the modern equivalent railway network by 10%.
- Scenario 2 shows the impact if the land compensation adjustment (normally 72%) were to increase or decrease by 10%; i.e. a compensation adjustment of 62% or 82% respectively.
- Scenario 3 shows the impact of an adjustment to the risk factor applied to the overall DRC valuations, currently 38%, by an increase or decrease of 10%, effectively showing risk factors of 48% and 28%.

Type	Depreciated Replacement cost (-)	Depreciated Replacement cost	Depreciated Replacement cost (+)
	£m	£m	£m
Base value	-	2,598	-
Scenario 1	(189)	-	189
Scenario 2	(41)	-	41
Scenario 3	(137)	-	137

Lease right-of-use assets

At 31 March 2021, property, plant and equipment includes lease right-of-use assets recognised under IFRS 16 as follows:

	Land and buildings £000	Rolling stock £000	Total £000
Group	13,009	106,537	119,546
Company	13,009	-	13,009

Reconciliation to group statement of cash flows

	2021 £000	2020 £000
Tangible additions (note 8)	171,881	576,936
Nil-cash grant for CVL	-	(469,800)
Movement in capital creditors	(7,670)	(33,649)
Recognition of defined benefit pension scheme as part of CVL acquisition	-	(342)
Recognition of dilapidations provision	(2,660)	-
Capitalised lease right-of-use assets	(13,381)	(34)
Payments to acquire capital assets per statement of cash flows	148,170	73,111

9 Intangible assets

Group

	Software and IP Licences £000	Assets under construction £000	Total £000
Cost			
Balance at 1 April 2019	-	-	-
Additions	-	2,173	2,173
Balance at 31 March 2020	-	2,173	2,173
Balance at 1 April 2020	-	2,173	2,173
Additions	10,000	1,809	11,809
Balance at 31 March 2021	10,000	3,982	13,982
Amortisation and impairment			
Balance at 1 April 2019	-	-	-
Balance at 31 March 2020	-	-	-
Balance at 1 April 2020	-	-	-
Amortisation for the year	282	-	282
Balance at 31 March 2021	282	-	282
Net book value			
At 1 April 2019	-	-	-
At 31 March and 1 April 2020	-	2,173	2,173
At 31 March 2021	9,718	3,982	13,700

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, data model development relating to bus reform projects and a range of intellectual properties licences in relation to rail and other public transport delivery. The wider group balance also includes the licences for access to software and other intellectual property related to public transport service and infrastructure delivery.

Company

	Assets under construction £000	Total £000
Cost		
Balance at 1 April 2019	-	-
Additions	2,173	2,173
Balance at 31 March 2020	2,173	2,173
Balance at 1 April 2020	2,173	2,173
Additions	1,809	1,809
Balance at 31 March 2021	3,982	3,982
Amortisation and impairment		
Balance at 1 April 2019 and 31 March 2020	-	-
Balance at 31 March 2020	-	-
Balance at 1 April 2020	-	-
Amortisation for the year	-	-
Balance at 31 March 2021	-	-
Net book value		
At 1 April 2019	-	-
At 31 March and 1 April 2020	2,173	2,173
At 31 March 2021	3,982	3,982

10 Investments

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

- Transport for Wales Rail Limited. This company was incorporated on 26 May 2020 with an investment of £1.
- Wales Infrastructure Manager of Last Resort Limited. This company was incorporated on 18 September 2019 with an investment of £1. The company is current dormant.

The Company is also a 51% shareholder in TfW Innovation Services Limited, which was incorporated on 15 December 2020 with an investment of £105.

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

11 Inventories

	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
Raw materials and consumables	4,811	-	-	-
Finished goods – catering retail stock	15	74	15	74
	4,826	74	15	74

12 Trade and other receivables

	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
Trade receivables	6,255	787	2,272	787
Receivables due from parent and other group companies	214	1,681	25,866	1,681
Contract assets (accrued income)	14,017	667	5,690	667
Accrued income – core revenue grant	-	342	-	342
Accrued funding – core capital grant	22,449	31,898	22,449	31,898
Other receivables	50,667	289	26,729	289
Prepayments	5,317	266	3,806	266
Derivative financial instruments (note 19)	973	-	-	-
	99,892	35,930	86,812	35,930

13 Cash and cash equivalents

	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
Cash and cash equivalents per statement of financial position	18,942	16,672	11,001	16,672
Cash and cash equivalents per statement of cash flows	18,942	16,672	11,001	16,672

14 Trade and other payables

	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
Trade payables	32,683	2,403	16,136	2,403
Other trade payables	2,373	431	933	431
Accrued expenses	79,894	47,562	58,685	47,562
Deferred income – core revenue grant	12,702	-	12,702	-
Deferred income – third party	15,447	751	4,515	751
Social security and other taxation	3,784	529	449	529
Deferred tax (note 16)	1,815	-	-	-
	148,698	51,676	93,420	51,676

15 Provisions

	Group and Company		
	CVL self-insurance £000	Dilapidations £000	Total £000
Opening balance	-	-	-
Increase in provisions	209	2,660	2,869
Unwind of discount on provisions	-	22	22
Closing balance	209	2,682	2,891

Expected timing of cash flows

	Group and Company		
	CVL self-insurance £000	Dilapidations £000	Total £000
Less than one year	209	-	209
Later than five years	-	2,682	2,682
Closing balance	209	2,682	2,891

16 Deferred tax – Group

The deferred tax liability is made up of the balances below:

	£000 Balance at 1 April 2020	£000 Acquired under business combination	£000 Movement in other comprehensive income	£000 Movement in income statement	£000 Balance at 31 March 2021
Non-current assets					
Property, plant and equipment	-	13,533	-	5,526	19,059
Current assets					
Fuel hedge	-	-	184	-	184
Non-current liabilities					
Deferred capital grants	-	(11,369)	-	(6,057)	(17,426)
Pension liabilities	-	-	(6)	4	(2)
	-	2,164	178	(527)	1,815

17 Capital government grants deferred

	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
Balance at 1 April	610,453	33,919	610,453	33,919
Acquired under business combination	59,838	-	-	-
Additions allocated against assets - cash	173,379	108,940	125,063	108,940
Additions - non-cash funding for CVL acquisition	-	469,800	-	469,800
Release in line with asset depreciation / impairment	(18,620)	(215)	(12,078)	(215)
Release – third party asset spend	(2,075)	(1,991)	(2,075)	(1,991)
Balance at 31 March	822,975	610,453	721,363	610,453

The nil-cash funding line in 2019/20 relates to the acquisition of the 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 Department of Transport to Welsh Government.

18 Employee benefits

Defined contribution pension schemes

The total expense relating to defined contributions plan is as follows:

	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
Total expense	927	500	927	500

Defined benefit pension schemes

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

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

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

	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
TfW Section	424	342	424	342
Transport for Wales Rail Limited Section	782	-	-	-
	1,206	342	424	342

TfW Section
Movement in net defined benefit liability/asset

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability (asset)	
	2021 £000	2020 £000	2021 £000	2020 £000	2021 £000	2020 £000
Balance at 1 April	2,294	-	(1,724)	-	570	-
Included in profit or loss						
Current service cost	148	-	-	-	148	-
Administration costs	-	-	35	-	35	-
Past service cost	-	-	-	-	-	-
Interest cost/(income)	46	-	(34)	-	12	-
Included in OCI						
Remeasurements loss/(gain):						
Actuarial loss (gain) arising from						
- Changes in demographic assumptions	(73)	-	-	-	(73)	-
- Change in financial assumptions	479	-	-	-	479	-
- Experience adjustment	338	-	-	-	338	-
Return on plan assets excluding interest income	-	-	(709)	-	(709)	-
Other						
Contributions paid by the employer	-	-	(65)	-	(65)	-
Contributions paid by the employee	-	-	(28)	-	(28)	-
Pension scheme assumed on acquisition of CVL assets	-	2,294	-	(1,724)	-	570
Benefits paid	(309)	-	309	-	-	-
Scheme deficit	2,923	2,294	(2,216)	(1,724)	707	570
Adjustment for the members share of assets/liabilities					(283)	(228)
Balance at 31 March					424	342

Plan assets

	2021 £000	2020 £000
Growth assets	1,984	1,552
Bonds	217	172
Other assets	15	-
Total	2,216	1,724

Actuarial assumptions

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

	2021	2020
Discount rate at 31 March	2.05%	2.15%
Price inflation	3.2%	2.5%
Future salary increases	3.2%	2.5%
Future pension increases	2.8%	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:

	2021	2020
Current pensioner aged 65	20.1	21.6
Future retiree upon reaching 65	21.4	22.9

Sensitivity analysis

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

	2021 £000	2020 £000
Discount rate decrease	170	124
Discount rate increase	(157)	(117)
Price inflation decrease	(156)	(117)
Price inflation increase	168	124
Future salary increase	65	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 2021 would have increased by £137,000.

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 £68,000 in employer contributions to its defined benefit plans in 2021/22. The weighted average duration of the defined benefit obligation at the end of the reporting period is 22 years.

Transport for Wales Rail Limited section

There are no prior year comparatives for this section as the Transport for Wales Rail Limited section was only established on 7 February 2021 under the OLR Arrangement.

Movement in net defined benefit liability/asset

	Defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
	2021 £000	2021 £000	2021 £000
Balance acquired as part of business combination on 7 February 2021	845,379	(448,500)	396,879
Included in profit or loss			
Current service cost	4,417	-	4,417
Franchise adjustment to service cost	(3,191)	-	(3,191)
Administration expenses	-	74	74
Past service cost	-	-	-
Interest cost/(income)	1,225	(652)	573
Interest on franchise adjustment	(573)	-	(573)
Included in OCI			
Remeasurements loss/(gain):			
Actuarial loss (gain) arising from	(1,641)	-	(1,641)
- Changes in demographic Assumptions	(30,269)	-	(30,269)
- Change in financial assumptions	6,597	-	6,579
- Experience adjustment	-	-	-
Return on plan assets excluding interest income	-	2,102	2,102
Other			
Contributions paid by the employer	-	(1,323)	(1,323)
Contributions paid by the employee	902	(902)	-
Benefits paid	(2,153)	2,153	-
Scheme deficit	820,693	(447,048)	373,645
Adjustment for the members share of assets/liabilities			(149,459)
Rail franchise adjustment			(223,404)
Balance at 31 March			782

Plan assets

	2021 £000
Equity	440,614
Infrastructure	1,703
Other assets	4,731
Total	447,048

Actuarial assumptions

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

	2021
Discount rate at 31 March	2.05%
Price inflation	2.8%
Future salary increases	3.45%
Future pension increases	2.8%

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:

	2021
Current pensioner aged 65	20.1
Future retiree upon reaching 65	21.4

Sensitivity analysis

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

	2021 £000
Discount rate decrease	222,275
Discount rate increase	(161,688)
Price inflation decrease	(158,258)
Price inflation increase	212,306
Future salary increase (+0.5%)	34,933

In valuing the liabilities of the pension fund, mortality assumptions have been made as indicated above. If life expectancy had been changed to assume that all members of the fund lived for one year longer, the gross value of the reported liabilities prior to member and franchise adjustments at 31 March 2021 would have increased by £31,000.

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

Funding

The Company expects to pay £9,996,000 in employer contributions to its defined benefit plans in 2021/22. The weighted average duration of the defined benefit obligation at the end of the reporting period is 22 years.

19 Financial instruments

Fair values of financial instruments

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

Credit risk

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

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

	2021 £000	2020 £000
Group	6,469	2,468
Company	28,137	2,468

There were no receivables past due at either reporting date.

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

Liquidity risk

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

Fuel price risk

Fuel price hedging has been entered into with the intention to reduce price fluctuations attributable to fuel sources. The risk being hedged is changing fuel prices and the hedging instruments being used are fuel swaps.

	2021 £000 Other Comprehensive Income	2020 £000 Receivables
Change in market value of cash flow hedges	973	973

The inefficiencies of cash flow hedges of the energy price derivatives recognised in the Income Statement are £nil (2020: £nil).

20 Leases

20 (a) Leases as a lessor

Operating leases

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

The lease expires in February 2028 (following an amendment to the term as part of the Operator of Last Resort transition). During the year £2,189,000 was recognised as rental income by the Company, all in relation to this lease.

The Group also has leases with a number of companies in respect of station concessions. These have been classed as operating leases. During the year, £23,000 was recognised of rental income in respect of these leases.

20 (b) Leases as a lessee

The Company holds one unsecured property lease on its head office in Pontypridd, which commenced in October 2020 and ends in 2035.

The wider group also holds a number of rolling stock leases averaging six years in length, which were novated from Keolis Amey Operations on 7 February 2021 as part of the Operator of Last Resort transition.

The discount rate applied to these assets is the government borrowing rate (1.27% for leases commencing during 2020 and 0.91% for leases commencing or novating during 2021).

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

Right-of-use assets

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

Group

	Land and buildings £000	Rolling stock £000	Total £000
Balance at 1 April 2020	149	-	149
Additions to right-of-use assets	13,381	-	13,381
Acquired on Business Combination	6,692	104,929	111,621
Depreciation charge for the year	(450)	(5006)	(5,456)
Balance at 31 March 2021	19,772	99,923	119,695

Company

	Land and buildings £000	Rolling stock £000	Total £000
Balance at 1 April 2020	149	-	149
Additions to right-of-use assets	13,381	-	13,381
Depreciation charge for the year	(372)	-	(372)
Balance at 31 March 2021	13,158	-	13,158

Amounts recognised in profit or loss

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

	2021 £000	2020 £000
Interest expense on lease liabilities	241	7
Expenses relating to short-term leases (excluding short-term leases of low-value assets)	98	14
Expenses relating to leases of low-value assets	25	7
	364	28

At 31 March 2021, the Group was committed to short term and low value leases with a total gross commitment of £176,000 (2020: £4,000) and has agreements to lease with the leases not yet commenced totalling £58,521,000 (2020: £18,113,000) of which £49,479,000 relates to future rolling stock leases and £9,043,000 relates to vehicles. At 31 March 2021, the Company was committed to short term and low value leases with a total gross commitment of £39,000 (2020: £4,000) and had no agreements (2020: no agreements) to lease with the leases not yet commenced.

Lease liabilities

	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
Current portion of lease liabilities	32,409	125	-	125
Non-current portion of lease liabilities	87,741	-	13,451	-
	120,150	125	13,451	125

21 Capital commitments

During the year ended 31 March 2021, the Group entered into contracts to purchase property, plant and equipment for £334,270,000 (2020: £151,000,000). During the year ended 31 March 2021, the Company entered into contracts to purchase property, plant and equipment for £233,786,000 (2020: £151,000,000). These commitments are expected to be settled in the following financial year.

22 Related parties

Identity of related parties with which TfW has transacted

During the year, TfW received revenue grant cash payments from the Welsh Government of £410,977,000 (2020: £199,589,000), which included passthrough grant under the Rail Services Grant Agreement of £356,050,000 (2020: £172,769,000). TfW also received cash capital grant funding of £222,589,000 (2020: £80,919,000), which included pass through under the Rail Services Grant Agreement of £88,078,000 (2020: £13,877,000). In 2020 TfW also received non-cash grant in relation to the acquisition of the CVL of £469,800,000 – see note 15. Included within deferred income is a creditor from the Welsh Government relating to resource grant costs incurred but funding not yet received as at 31 March 2021 of £12,702,000 (2020: debtor of £342,000) and a debtor for capital grant costs incurred but funding not yet received of £22,449,000 (2020: £31,898,000).

In addition, TfW recognised income from the Welsh Government relating to non-grant funded consultancy projects of £4,550,000 (2020: £2,176,000). At 31 March 2021, TfW was owed £214,000 (2020: £1,681,000) 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 £4,468,000 (2020: £635,000).

TfW made purchases from the Welsh Government totalling £434,000 (2020: £500,000) 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 Enil due to the Welsh Government (2020: £472,000).

In February 2021, the parent Company incorporated a new subsidiary, TfW Innovation Services Limited, which has a minority interest shareholder, and as such, related party disclosures for the parent company are required in accordance with FRS 101. During the period from February 2021, there has been no trade between the two companies, and there is a debtor due from TfW Innovation Services Limited to TfW at 31 March 2021 of £7,200,000.

Transactions with key management personnel

Key management personnel is deemed to include company statutory directors (whose remuneration is disclosed in note 4) and other members of the executive team. The compensation of key management personnel is as follows:

	2021 £000	2020 £000
Key management emoluments including social security costs	1,250	1,074
Company contributions to money purchase pension plans	85	75
Payments to third parties in respect of secondees	277	354
	1,612	1,503

23 Acquisition of business

Acquisitions in the current period

On 7 February 2021, TFWRL acquired the unincorporated business of Keolis Amey Operations Limited. Keolis Amey paid TFWRL £1,466,000 as consideration for the acquisition, representing the net liabilities at the transfer date. The business's principal activity is the operation of passenger rail services on the Wales and Borders network. In the two months to 31 March 2021 the business contributed revenue of £55,955,000 and net profit of £1,070,000 to the revenue and net profit for the year.

This business combination arose due to the invoking of the Operator of Last Resort arrangements for the Wales and Borders rail franchise and brought the franchise into public ownership. If the acquisition had occurred on 1 April 2021, turnover would have been an estimated £437,006,000, including £285,000,000 rail subsidy payments from the Welsh Government. Group retained surplus would have been nil (except for immaterial timing differences in relation to IFRS 16 and deferred tax movements). In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 April 2020.

Effect of acquisition

The acquisition had the following effect on the Company's assets and liabilities.

	Recognised values on acquisition £000
Acquiree's net assets at the acquisition date:	
Property, plant and equipment	33,493
Recognition of rolling stock lease right-of-use assets under IFRS 16	111,621
Stocks	4,651
Trade and other debtors	23,552
Cash	150
Trade and other creditors	(61,148)
Recognition of rolling stock lease liability under IFRS 16	(111,621)
Deferred tax liabilities	(2,164)
Net identifiable assets and liabilities	(1,466)
Total cash consideration relating to business combination	(1,466)
Goodwill on acquisition	-

The accounting entries for the acquisition are provisional pending finalisation of the fair value of property, plant and equipment balances. This exercise will be concluded during the 12 month measurement period following the acquisition date.

24 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>.



