

Annual report

2021/22



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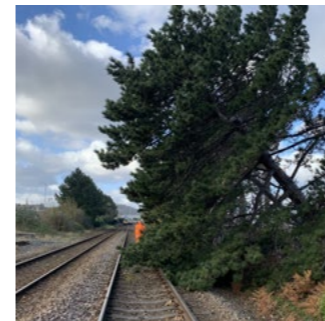
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Our aim is to make transport in Wales truly sustainable and fit for future generations.

2021/22 at a glance



117
New jobs created



Our Group median gender pay gap reduced to

32.8%

£49 million
Active Travel grants to local authorities



April - May

First of the new Class 197 trains come off the production line.

Launch of our new partnership with Stonewall Cymru.

June - July

End of an era as our last Pacers leave service.

Launch of a new pilot T10 TrawsCymru bus service from Bangor to Corwen.

August - September

Deal signed with Colas Rail UK to purchase Pullman Rail Limited.

Five start-ups pitch their business ideas as part of Lab by Transport for Wales.

October - November

Overhead line equipment installed between Merthyr Tydfil and Pontypridd.

Launch of our new NVQ Level 3 in train driver operations.

December - January

The first Class 231 FLIRT trains arrive in Wales from Switzerland.

Refurbishment of Class 175 long-distance trains completes.

February - March

Work starts on installing life-saving defibrillators across our network.

Preparation for the launch of 'The Real Social Network', Wales' first multimodal public transport campaign.

£697 million
Financial spend for the year

Chair's statement

Scott Waddington



“We need more people walking, cycling or using public transport. This is why our focus on modal shift is more important than ever before.”

The past year has again been one of challenge and change for Transport for Wales. We've continued to work with partners to deliver services through the pandemic in a way that has allowed our customers to travel as safely and reliably as possible, prioritising the well-being of customers and colleagues. We've also continued with our ambitious plans for the Welsh transport network in both developing plans for future schemes and in continuing with our construction programmes including the South Wales Metro.

As we emerge from the pandemic, our central goal remains the same; changing the way people travel throughout Wales, by providing a transport network of which the people of Wales can be proud and will use ever more sustainably. This is fundamental to us playing our part in addressing the climate emergency. We're driving a modal shift away from the private car and towards public transport and active travel, helping to decarbonise Wales.

The need to reduce carbon emissions means that we all need to change the way we travel. We need more people walking, cycling or using public transport. This is why our focus on modal shift is more important than ever before. Changing travel behaviour on the scale we need will only be achieved by creating a low-carbon, joined-up network, where integrated ticketing and reliable public transport services make it the easiest option for people making journeys across Wales. Alongside changing travel behaviour, we'll need to change some of our operations too and we're committed to decarbonising our network. We're supporting the Welsh Government's 2050 net-zero targets and the target for the public sector in Wales to be collectively net zero by 2030.

Our latest customer figures indicate that people are now returning to use public transport very quickly. Some travel patterns are already changing but Wales needs to see long-lasting, sustainable change. While recovering the use of services remains a priority for us as a business, we have to go further in achieving our ambitious modal shift targets as a nation. This requires continued investment in the growth of our public transport provision with low-carbon services and infrastructure that helps to improve the social, economic, environmental and cultural well-being of Wales. Our achievements this year with the integration of TrawsCymru, acquisition of PTI Cymru, investment in a multi-modal ticketing system and introduction of fflecsi are all big steps forward in achieving this goal.

Coronavirus means that the last two years have been a difficult time for everyone, and myself and the Board are proud of how our team has risen to the challenge. I'm proud that we've achieved so much in the last 12 months, the first full year of being responsible for the delivery of rail services across Wales and the borders.

Across all of our operations we continue to strive to improve the quality of our services, placing customer experience and integration at the heart of our offer, ensuring we see a change in behaviour to more sustainable travel across Wales.

From the transformation of the Core Valley Lines to our work with the Welsh Government developing a national monitoring framework for active travel, we've continued to deliver for the people of Wales, removing barriers to give everyone access to sustainable transport. This includes help for colleagues and customers affected by the conflict in Ukraine, as well as introducing fflecsi pilots for rural communities to provide connectivity for communities without previous access to public transport.

As we look forward and play our part in helping to create a Wales that is even better to live in, both now and in the future, I want to thank our Board for their continued support and James Price as Chief Executive for his steadfast leadership. I'd also like to thank our partners right across Wales and the borders for continuing to work collaboratively with Transport for Wales to help us in delivering our shared objectives. Our customers remain at the heart of everything we do and I look forward to delivering on our commitments to make their experiences even better, building on the improvements we've already delivered this year.

I'm pleased with how we've navigated a period of significant uncertainty and challenge and feel positive about how we're approaching the challenges ahead while we deliver our ambitious vision for sustainable transport for the people of Wales and the borders.

Chief Executive's statement

James Price



“Despite the challenges, we’ve remained absolutely focused on the future and continue to work hard to deliver on our vision to transform the transport network across Wales and the borders.”

Making sustainable transport the easiest, most attractive and routine option for the people of Wales is our priority as Transport for Wales. We’re creating the right set of services and products for the future and increasing people’s willingness and ability to use them. This will help us deliver the ambitious targets Welsh Government have set out for modal shift and to give the people of Wales a transport network of which they can be proud.

While we’re emerging from the difficulties of the coronavirus pandemic and are making positive progress in terms of restoring customer confidence and demand, there remains the significant challenge of anticipating changing transport needs and trends. We’re really proud of how our team has continued to deal with the impact of the pandemic on themselves, each other, our partners and our customers. The pandemic has certainly brought its challenges but it has also brought opportunities as we work together collaboratively to forge new ways of working with greater efficiencies. I thank everyone for their hard work, determination and perseverance during some exceptionally difficult times. I also thank our partners for continuing to work with us to deliver our shared priorities.

Despite the challenges, we’ve remained absolutely focused on the future and continue to work hard to deliver on our vision to transform the transport network across Wales and the borders. We’ve taken on additional responsibilities that will help drive the integration of our transport system with the management of TrawsCymru, the fit of ‘Tap On – Tap Off’ card readers across the Welsh bus fleet,

the acquisition of PTI Cymru and the development of a national monitoring framework for active travel.

For rail and Metro, coronavirus has meant that we’ve had to revise some timescales for the introduction of new fleet and services but I’m pleased to report that real progress has been made in 2021/22. This includes extensive construction work on the Core Valley Lines, the introduction of additional trains and the refurbishment of our existing rail fleet. We’ve upgraded many of our railway stations and we’re preparing for the launch of ‘Pay-As-You-Go’ ticketing.

At the same time, Transport for Wales Rail has become part of our wider organisation. We were also pleased to acquire Pullman Rail Limited in August 2021 which has enabled us to take a more strategic view of our Canton facilities.

We want our bus network to be one of the best in Europe in terms of its reach, frequency and quality. We’ve been working closely with the Welsh Government, local authorities and bus operators to support the existing bus network and prepare for a new model for running buses in Wales following the launch of the Welsh Government’s consultation Bus White Paper, ‘One Network, One Timetable, One Ticket: Planning Buses as a Public Service’. A key part of this is developing relationships with local authorities and the bus sector, to ensure we remain driven by the priorities of communities across Wales.

We’re pleased at how fflecsi has continued to provide a positive option for bus users as we’ve continued to roll out pilots in new areas. We’re working hard to improve the availability and appeal of active travel infrastructure with the development of an integrated transport system that supports decarbonisation and encourages modal shift away from private motorised vehicles.

Our workload is significant as we adapt to our changing remit and balance the delivery of existing services with investment in the future. Embedding sustainability in all that we do, advising on policy, building resilience and influencing positive behaviour change while building an inclusive transport network that meets everyone’s needs will continue to challenge and test us for some time.

Of course, none of this would be possible without our people. The TfW family has grown considerably over the last year as we continue to attract, develop and retain passionate, skilled and diverse talent. We’re investing in apprenticeships for future generations; evolving our training and development programmes to address the long-term skills gap and future needs of the transport sector in Wales; and growing our partnerships with key third parties and external bodies to support young people in our communities into long term and sustainable careers.

Finally, I thank our Chair Scott Waddington, our Board, colleagues and our partners for their continued support.

Introducing Transport for Wales

We're creating an integrated transport network fit for the future, one that contributes to the long-term sustainability of Wales and of those communities connected to us, to help achieve the seven well-being goals of the Well-being of Future Generations (Wales) Act 2015.

Our vision

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

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

Our purpose

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

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

Our values

Fundamental to everything we do are our values.

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

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

Our role

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

TfW collaborates with other transport providers, partners, communities and key stakeholders. Together we deliver a safe, accessible, reliable, affordable an integrated transport network with a focus on sustainability.

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



Getting back on track

The ongoing coronavirus pandemic continued to have a direct impact on public transport in 2021/22. The combination of social distancing and staff sickness meant our services were affected throughout the year. Our investment programme has been revised due to the disruption caused to our supply chain, the impact on the delivery of infrastructure needed to operate new services and our ability to recruit and develop new colleagues.

Health and safety

Health, safety and well-being always comes first. These core values live and breathe through our people, processes and governance. Throughout the coronavirus pandemic, our health and safety and operations teams have worked with our safety representatives to create, review and revise risk assessments to manage the introduction and removal of specific measures. Key initiatives in 2021/22 have included:

- ✓ retraining and redeployment of our operational catering team to support additional cleaning on trains and at stations and using new antiviral products to increase cleaning on high touchpoint areas
- ✓ working with British Transport Police and our own security services to manage anti-social behaviour. This included joint initiatives with community police services and charities like the School of Hard Knocks and the Youth Offending Scheme to engage with young people and their families to help reduce incidents
- ✓ carrying out risk assessments and welfare checks to manage the impact of home working on colleagues' mental health. We also worked with occupational health providers to implement programmes to reduce stress and consider the effects of Long Covid on our colleagues
- ✓ using our Travel Safer programme to keep customers informed with regular announcements and communications helping to encourage safe travel
- ✓ maintaining social distancing measures, introducing hand sanitiser stations and the free distribution of over 10,000 face coverings to improve the safety of customers using our services
- ✓ rolling out phase 2 of our body-worn video cameras to deter poor customer behaviour.

Emergency rail timetables

The coronavirus pandemic has resulted in us having to deliver several new timetables at short notice and change working practices to protect the safety of customers and staff. The initial emergency timetable was implemented in March 2020 when there was only approximately 5% customer demand compared to pre-pandemic levels. Subsequent changes to the timetable in 2021/22 include:

- ✓ a return to 80% of services in May 2021 (compared with the 2019 timetable). Demand peaked at 65% in spring 2021 compared with pre-pandemic levels, with the majority of customers coming from the leisure market
- ✓ customer demand continued to recover in the autumn of 2021 as passenger numbers returned to around 80% of pre-pandemic levels. Over 1,000 station stops a week were added to our timetable in September 2021, bringing service provision up to 85%
- ✓ additional services were introduced in December 2021, continuing the growth to over 90% provision. This included the new hourly service between Cross Keys and Newport and later night services to support the return of the night-time economy
- ✓ the emergence of the Omicron variant of the coronavirus led to the introduction of a further emergency rail timetable on 22 December 2021. This was designed to help manage the impact of staff shortages on rail services by reducing the need for cancellations at short-notice
- ✓ the gradual reintroduction of services since February 2022 as passenger demand recovers. This included working with local authorities, Network Rail, Amey Infrastructure Wales and the British Transport Police to deliver enhanced services for the Six Nations Championship.

Introduction of new trains

The impact of coronavirus on our supply chain means that many of the original commitments that we made in 2018 to introduce new services will be delivered but some have been revised:

- ✓ Cardiff to Cheltenham: a consistent one train per hour to all stations will be delivered by December 2022 as originally planned
- ✓ Heart of Wales Line: one additional service per day to all stations will be delivered by December 2022 as originally planned
- ✓ Liverpool to Llandudno: new hourly service will now be delivered by December 2023
- ✓ extension to the current Manchester Airport to Llandudno service will now be delivered by December 2023
- ✓ Aberystwyth to Shrewsbury: a consistent one train per hour to all stations will now be delivered by May 2024
- ✓ an hourly service between Liverpool and Shrewsbury with the service extended to Cardiff every other hour will be delivered by December 2024.

“The Real Social Network is Wales’ first multimodal public transport campaign and promotes walking, cycling, bus and rail use as a sustainable way to travel.”

Transformation of the Core Valley Lines

Guidance from the Construction Leadership Council helped us to understand the changes required to work safely as a result of coronavirus. We've worked with Amey Infrastructure Wales and our infrastructure 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 of the pandemic on the CVL programme.

Changing behaviour

As we emerge from the coronavirus pandemic, our aim is to encourage a shift to sustainable transport. Our work will focus on insight and evidence based on behavioural sciences, highlighting the approaches and impact that behaviour change theory, models and practice can deliver.

We'll be encouraging people to change the way they travel in a range of ways including by improving their travelling experience, making sustainable transport more affordable and improving integrated journey planning. We've also started to use education, campaigns and marketing to transform the perception of walking, cycling and public transport.

During 2021/22 our team worked on the development of our new marketing campaign 'The Real Social Network'. It is Wales' first multimodal public transport campaign and promotes walking, cycling, bus and rail use as a sustainable way to travel. Images from the campaign are used throughout this annual report, showing how different modes of travel can be used to connect with friends and family and return to education and the workplace.



Our Group structure

Transport for Wales (TfW) is an organisation wholly owned by the Welsh Government. We're a not-for-profit organisation which 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. We own three subsidiary companies: Transport for Wales Rail Limited, TfW Innovation Services Limited and Pullman Rail Limited.

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

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

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

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



Transport for Wales Rail Limited

A Transport for Wales wholly owned company

Pullman Rail Limited

A Transport for Wales wholly owned company

Transport for Wales Innovation Services Limited

A Transport for Wales, Keolis and Amey joint venture



Our headquarters in Pontypridd



Deputy Minister for Climate Change

"The Welsh Government is passionate about delivering a world-class transport network that puts people and climate change at the heart of all its decisions. For more than 70 years, we've made it easier to travel by car and harder to travel by public transport. That has to change.

"Together with Transport for Wales, we're working hard to transform Wales' transport network and provide people with a real sustainable alternative to travel. This means providing a system that is easy to use, easy to access and well-connected so that we make it the right thing to do, the easy thing to do; enabling people to step out of their car and walk, cycle or use public transport instead.

"Transport for Wales is at the heart of this transformation which will help to make a real difference to people, communities and businesses across Wales as we continue to rebuild Wales' economy post-coronavirus."



Lee Waters MS

Executive Director of Finance and Governance's report

Heather Clash



Indeed, this has been the first full year with Transport for Wales Rail Limited under the ownership of Transport for Wales. This has given us the opportunity to bring our teams closer together, working more collaboratively. This has helped us make better use of our resources and more effectively manage some of our financial challenges resulting from the coronavirus pandemic. I'm pleased that we've worked so well together over the last 12 months, helping us deliver for our customers in a more efficient and effective way.

We're also collaborating closely with our specialist engineering colleagues at Pullman Rail Limited, having purchased the business from Colas Rail UK in August 2021. Pullman Rail continues to operate as a stand-alone business and we're working together to develop our Canton depot ready for the introduction of new trains and the launch of Metro.

The transformation of the Core Valley Lines (CVL) is now well-underway. Despite the challenges of the pandemic, and high rates of inflation, we have continued with our programme of capital works at pace. The European Union continues to provide part-funding for the CVL as with funding previously received from the Department for Transport and ongoing funding from the Welsh Government.

As ever, we take our responsibility for financial control and transparency very seriously in line with the Managing Welsh Public Money framework. The transparency and governance agenda aren't only important in the context of our rail remit, but also apply equally to our wider service delivery activities, such as the management of TrawsCymru and active travel grants following the transfer from the Welsh Government during the year.

From the creation of jobs to the expansion of our flexible on-demand services and support towards the investment in active travel, I'm proud of TfW and the role that we're playing in helping to make a difference to people, communities and businesses across Wales.

It's been another year of significant change for Transport for Wales as the coronavirus pandemic has continued to test our resilience and challenge our thinking. We've continued to deliver on our ambitious plans to transform the transport network, creating a sustainable network which will help the people of Wales respond to climate change.

We've responded to our challenges with agility and care, putting our customers and the needs of future generations at the heart of all decisions as we press on with building a transport network that is fit for the future. Our financial health and resilience is key in enabling us to deliver services for the people of Wales and the borders, and also in funding our ambitious plans to transform the transport network. As a non-profit organisation, the more successful we are, the more we can invest in improvements to help us all respond to the climate emergency.

Performance for the year

The table below sets out the results of the TfW Group for the year, with expenditure split by type of 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 the coronavirus pandemic.

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

	Welsh Government funding (remit and additional)	Outturn			
		Total expenditure (net of external revenue)	Less ERDF capital funding	Less external revenue	Total Welsh Government funded outturn*
Revenue budget expenditure	£346m	£469m	-	(£123m)	£346m
Capital budget expenditure	£351m	£359m	(£8m)	-	£351m

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

	Outturn				
	Rail Services grant funding	Bus and active travel grants to Local Authorities	Other Welsh Government remit grant funding	Welsh Government non-grant funded activity (invoiced based on set deliverables)	Total Welsh Government funding
Revenue grant funded expenditure	£281m	£3m	£56m	£6m	£346m
Capital grant funded expenditure	£55m	£49m	£247m	-	£351m
Total	£336m	£52m	£303m	£6m	£697m

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

The performance of the rail franchise is set below. Rail revenue has continued to be impacted by the coronavirus pandemic during the financial year with recovery starting towards the end of the financial year and into 2022/23. There were also additional operational costs due to the pandemic for parts of the year.

Rail franchise revenue subsidy	£000
Total revenue	£110,330
Staff costs	(£161,926)
Rolling stock charges	(£120,481)
Performance charges (net of income from Network Rail for planned delays)	(£6,466)
Infrastructure charges	(£63,556)
Other operating costs	(£29,961)
Total operating expenditure	(£382,390)
Interest, depreciation and amortisation	(£5,257)
Welsh Government revenue subsidy required	£281,219

Our financial statements

The consolidated income statement shows a **loss for the year** of £30m (2021: £4m surplus). TfW applies a revaluation policy to its rail network assets, which results in the annual depreciation for the rail network being significantly higher (2022: £44m) than the grant funding to acquire the rail network (2022: £14m) which is amortised through the income statement. This will therefore result in an ongoing annual loss in the income statement alone, which is offset through a transfer within the Statement of Changes in Equity from the revaluation reserve to retained surplus (2022: £30m).

In addition, the 2020/21 results have been revised to reflect fair value adjustments made during the re-measurement period to the assets and liabilities acquired as part of the transfer of the Wales and Borders rail franchise in February 2021.

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

Revenue subsidy	2021/22 £000	2020/21 £000
Surplus/(loss) before reserves transfer and rail franchise acquisition adjustments	(£29,732)	£348
Fair value adjustments to rail franchise acquired assets	-	£3,901
Reserves transfer	£29,622	-
Other OCI movements	£44	(£54)
Retained surplus/(loss) for the year	(£66)	£4,195

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

Total expenses for the year were £565 million. The comparison with 2021 costs of £118 million is not like-for-like due to changes in the Group. The difference is mainly made up of a full year of rail services provision compared with two rail periods (eight weeks) last year and the acquisition of Pullman Rail Limited in August 2021.

We also facilitated **direct grant payments** to local authorities of £3 million of revenue Traws Cymru bus grant payments and £49 million of active travel capital grant payments, following the transfer of the administration of these grants into TfW from Welsh Government in April 2021 (netted within the Statement of Comprehensive Income as TfW acts as administering agent, not grantor).

At the end of the year, the **capital assets** we hold were valued at £2.7 billion. We incurred £286 million of grant-funded capital additions during the year, as well as £6 million of capital grant-funded expenditure in relation to spend which does not meet the criteria for capitalisation on our balance sheet. This is included within administrative expenses in the income statement.

We assess the worth of the **CVL rail network** through a valuation process, which is set out in note 8 to the accounts. The valuation is based on a modern equivalent depreciated replacement cost, and the value as at March 2022 is £2,024 million, a decrease of £574 million compared with the previous cost based figure primarily due to revisions in useful lives as our detailed understanding of the asset base grows following the acquisition in March 2020 from Network Rail, as well as an updated estimate of land compensation costs following a detailed review of recent compensation costs paid by Welsh Government. This is a change in accounting estimate and does not affect our funding requirement or the acquisition value of the asset.

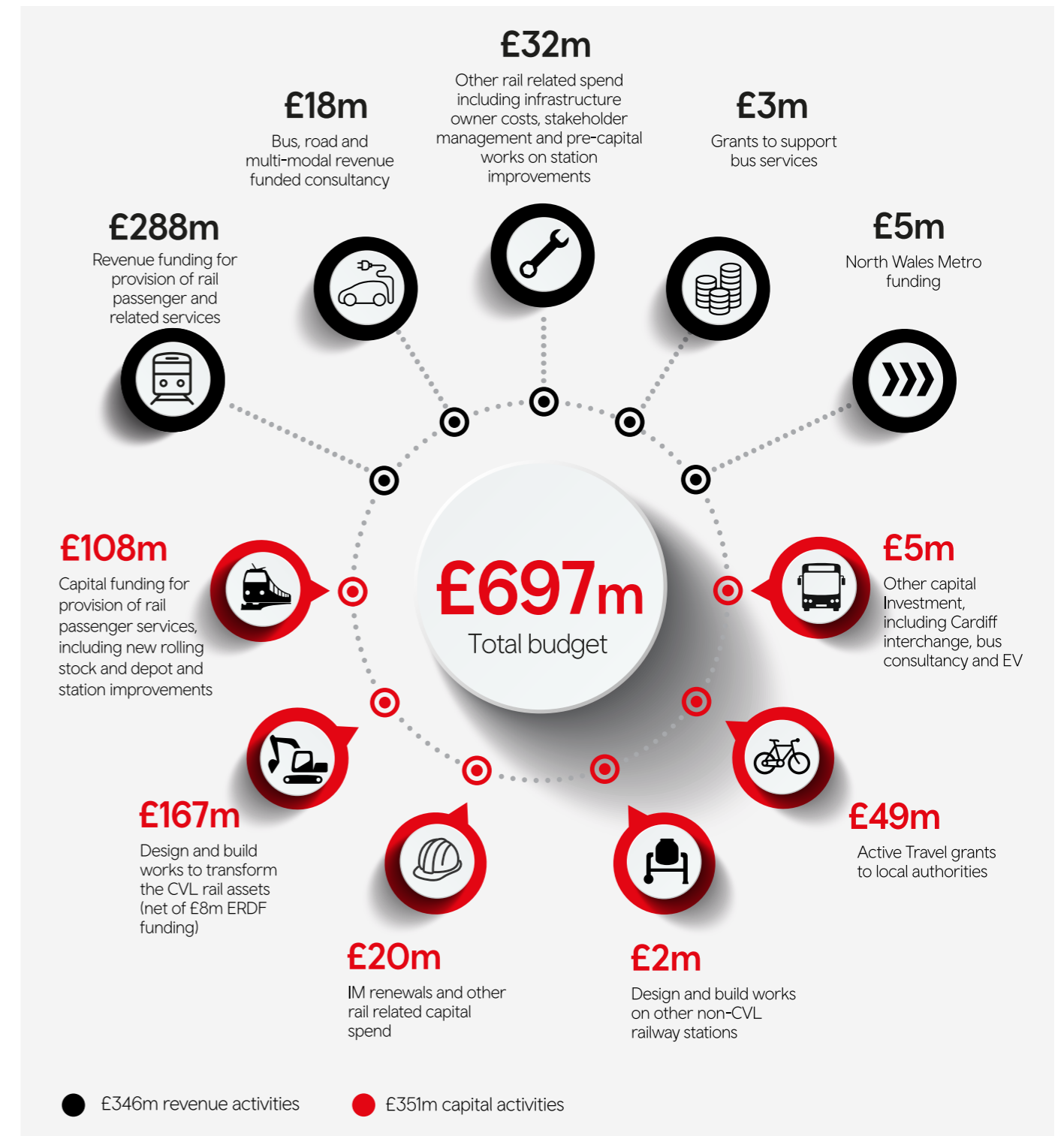
Most of our **property, plant and equipment** assets are rail infrastructure-related but we also hold £173 million of other in-use capital assets. These include property, rolling stock, plant and machinery, leases, IT and software and data licences. We have £474 million of assets under construction as at March 2022, 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.

The **acquisition of Pullman Rail Limited** in August 2021 resulted in the recognition of £2 million of intangible customer related assets and £4 million of goodwill – see note 23 of the accounts for further details.

We have £207 million of **current assets**, mostly trade receivables and £237 million of current, short-term liabilities, mainly accrued trade payables. Invoiced trade payables are relatively low (£35 million) as we aim to pay all suppliers promptly.

We have **non-current liabilities** of £1,147 million, of which the majority relate to deferred capital grant balances to be released against the assets. The remainder includes defined benefit pension liabilities, leases and related dilapidations provisions.

How we spent our Welsh Government funding

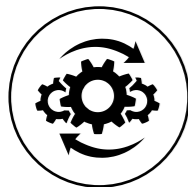




How we're creating a safe, sustainable, resilient and effective transport network

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

Our focus



Delivering and managing transport services across modes

Operating and maintaining the Wales and Borders rail service and increasing our provision and management of transport-related services across bus, aviation, active travel and the strategic road network.



Embedding sustainability in the provision of transport

Keeping sustainability at the forefront of all decisions, helping our passengers reduce their environmental impact by creating a sustainable transport network and using renewable energy sources for our operations to help reduce greenhouse gas emissions and minimise waste.



Building resilience in our transport network

Gaining better knowledge of our assets and infrastructure, harnessing technology and building capability to deal with future scenarios while ensuring health, safety and well-being is at the centre of everything we do.



Planning and delivering an integrated, end-to-end transport system

Making travel easier and improving connections between different modes of transport and different regions by providing high-quality, integrated and end-to-end transport infrastructure, information and services.



Core Valley Lines (CVL)

As the infrastructure owner of the CVL, we manage all asset renewals including track, structures, signalling, stations, earthworks and off-track responsibilities like fencing and drainage. Our work programme includes:

- ✓ installing overhead line equipment to power our new electrically powered tram-trains
- ✓ electrifying over 105 miles of track
- ✓ installing state-of-the-art signalling
- ✓ building at least two new stations in and around Cardiff
- ✓ modifying bridges, level crossings and signalling equipment
- ✓ managing vegetation.

Our work this year has included:

- ✓ managing the delay to the signalling commissioning as a result of coronavirus. 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 construction work on our new depot and the CVL integrated 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 house our new Metro tram-trains as well as 400 train crew, 35 maintenance staff and 52 Metro control centre staff
- ✓ together with our infrastructure delivery partners as the Craidd Alliance, we became the first rail alliance in the world to receive certification to ISO44001 – Collaborative Business Relationship Management Systems.



We're preparing for the introduction of brand-new electric tram-trains. Essential infrastructure works on the CVL this year mean we're another step forward in delivering the South Wales Metro.

Asset management

Our delivery partner Amey Infrastructure Wales Limited is the regulated infrastructure manager for the CVL railway network running from Cardiff to Treherbert, Aberdare, Merthyr Tydfil, Coryton, Rhymney and Cwmbargoed. Work in 2021/22 included:

- ✓ effectively dealing with the consequences of Storm Arwen, Storm Eunice and Storm Dennis; mitigating the effects of the storms by reducing train services and then carrying-out extensive clean-up operations across the CVL network
- ✓ continuing vegetation management works with special attention to areas of known dead, dying and diseased ash trees which have a risk of falling onto the line and consequently impacting services
- ✓ working closely with DB Cargo, Tata Steel, Breedon Cement and British Steel to manage the safety risks associated with bridge capacity issues by introducing weight restrictions. This included the urgent renewal of Adam Street Underline Bridge on the Cardiff to Cwm Bargoed route
- ✓ successfully delivering the de-shoaling works at Melingriffith Feeder in Cardiff with 151 tonnes of material removed from site, reducing the risk of flooding
- ✓ completing a review of the drainage assets on all earthworks. This data will be used to drive further studies, renewals and capacity enhancements to deliver mitigation work as we continue to monitor earthworks and drainage capacity following industry-wide lessons learnt from the Stonehaven derailment in August 2020
- ✓ reviewing all safety crossings across the CVL network to improve public safety. This included enhancing two level crossings at Ty Glas and Whitchurch to give users better visibility. Gates have also been made self-close with paths either side of the gates widened and crossing surfaces have been made non-slip and level for easier access for all
- ✓ trialing new technology with RoboK using an Artificial Intelligence (AI) enabled monitoring solution for an unpowered level crossing site
- ✓ introducing an online Geospatial Information System (GIS) to allow engineers to view metadata in a map-based, 2D model with combined data from external parties including Natural Resources Wales, the Coal Authority, the British Geological Society, local authorities and utilities companies
- ✓ acquiring and disposing of land to help local authorities to progress with schemes that improve their transport infrastructure.

100

miles of surveys carried out

7,896

yards of rail installed (4.48 miles)

32

culverts and structures inspected

1,000

trial holes excavated

4

successful heavy engineering blockades

3,948

yards of re-railing (2.24 miles)

59,564

square metres of low level de-vegetation completed



Refurbishment of our rail fleet

Our trains travel more than 13 million miles each year. We're continuing to refurbish our existing fleet so that we can provide more capacity and improved services that are accessible to all. Highlights of 2021/22 included:

- ✓ completion of all 'PRM' modifications on the existing fleet with the modification of the remaining Class 153s, meaning that all TfW trains now meet current accessibility requirements
- ✓ removal of the last 15 Pacers, which did not meet accessibility requirements, from service in May 2021. Many of these were given to community groups and local heritage railways
- ✓ finishing the refurbishment and rebranding programmes on the Class 175, 158 and 153 fleets. Over half of the Class 150 fleet on the CVL has now been refurbished and rebranded
- ✓ providing extra capacity and improved facilities for passengers on the Rhymney line with the introduction of the remaining Class 769s. This included delivery of a dedicated fuelling point at Rhymney
- ✓ introduction of the first Mark IVs into passenger service on the Holyhead to Cardiff route. Three services per week day in each direction are now being operated by these trains which offer a comfortable long-distance travelling environment, including first-class carriages and full catering facilities
- ✓ preparing for the five additional rakes of Mark IV coaching stock to enter service on South Wales to Manchester services from December 2022
- ✓ preparing for the introduction of the Class 230s on the Wrexham to Bidston route. This has included acceptance of all remaining trains from Vivarail, extensive testing on the Wrexham to Bidston route, enhancement of the maintenance facilities at Birkenhead and an intensive driver and conductor training programme.

"Our trains travel more than 13 million miles each year."

Investment in new trains

We're investing £800 million in new trains from the train manufacturers Stadler and CAF to bring in a new era of train travel for our customers. Progress in 2021/22 included:

- ✓ delivery of two FLIRT Class 231s for commissioning and type testing ahead of acceptance into service on the CVL. Their latest Stage V non-road emission standard compliant diesel engines will limit carbon monoxide, nitrogen oxides and hydrocarbons, thereby helping to reduce air pollution
- ✓ build of the first FLIRT Class 756 tri-mode with static testing and initial battery power running on the test track completed. Delivery is expected in November 2022 ahead of testing ready for introduction on the CVL in 2023
- ✓ production of the Class 398 CityLink, a bi-mode unit capable of operating on overhead electric or battery power. Testing has been completed in Valencia on the first units with the first three expected to be delivered to the UK in May 2022 for track type testing
- ✓ production of the Class 197 diesel units by CAF. The programme has been delayed but all parties are now working together to agree timescales for the delivery of the first unit. Proving runs have been undertaken on the majority of the routes in the north of the network and traincrew training has started on the units made available by CAF. Upgrades to the Cambrian line infrastructure and our depots in Chester and Machynlleth will be completed ahead of acceptance of the units.



Delivery of
**2 FLIRT
Class 231s**

Build of the first
**FLIRT
Class 756**

Testing of the
**Class 398
CityLink**

Production of
**Class 197s
by CAF**

Transport services

Our transport services team includes colleagues who work in cleaning, catering, service quality and the Cardiff Bus Interchange. We all share a commitment to delivering the very best customer service. Highlights of our work in 2021/22 included:

- ✓ reintroducing catering on trains in October 2021 with restaurant services operating on six services a day between Cardiff and Holyhead and at seat trolley catering on selected services. Our catering team had previously been redeployed to support additional touchpoint cleaning and stewarding in stations during the height of the pandemic
- ✓ the recruitment of additional chefs to accommodate the need for new restaurant services with three chefs now operating out of Holyhead. Customer feedback on our new menus has been excellent
- ✓ investment in our Newport-based operation to provide greater space. This will ensure that we can meet the increased demand created by the additional first-class services that have been introduced and also in readiness for the introduction of additional restaurant services operating between South Wales and Manchester from December 2022
- ✓ providing opportunities in collaboration with Cardiff and Vale College for catering students to work with TfW chefs and experience the on-board environment
- ✓ the introduction of a new generation of cleaning technology products made from naturally derived ingredients. We've reduced carbon emissions by choosing a supplier that uses sustainable technology and responsibly sourced packaging.

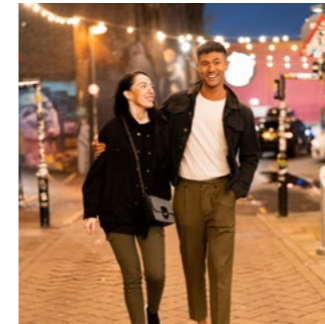
Railway station projects

With 248 railway stations across our network, we're investing in station improvements. 33 different projects have been completed in 2021/22.

Highlights included:

- ✓ upgrades to Cardiff Central such as improved waiting rooms and toilet facilities, the introduction of USB points and new signage. Customer information screens will also be renewed
- ✓ refurbishment of the railway stations at Swansea, Bridgend, Dovey Junction, Machynlleth and Wrexham General, with work due to start shortly at Chester, Flint and Runcorn East
- ✓ installation of a new CCTV system and customer information screens at Abergavenny railway station
- ✓ refurbished staff facilities at Newport and Manchester Piccadilly
- ✓ delivery of refurbished community spaces at Barry, Bangor, Llandudno and Abergele. The refurbishment will give tenants and communities a space to run activities and foster a sense of belonging to the railway
- ✓ the roll-out of water refill points at hub stations across Wales. Our first three water refill points have been installed at Machynlleth, Llandudno and Cardiff Central railway stations
- ✓ the start of a programme to install 200 defibrillators and cabinets across our network
- ✓ introducing stop car markers for our new CAF trains. 215 stations will be upgraded in total ahead of the introduction of the new fleet.

“We all share a commitment to delivering the very best customer service.”



3 new chefs based at Holyhead

248 railway stations across our network

33 railway station projects have been completed in 2021/22



Sustainable development

Our aim is to make transport in Wales truly sustainable and fit for future generations. The improvements that we're making will help Wales to meet its ambitious decarbonisation targets. The highlights of our work in 2021/22 included:

Green Routes

- ✓ Following a successful award of £100,000 from The National Lottery Heritage Fund via the Welsh Government's Local Places for Nature Scheme, we launched our #NATUR Green Routes project. We're delivering green features and biodiversity enhancements at 22 stations across Wales and in five community areas situated close to our railway stations. These biodiverse features include pollinator-friendly planters, wildlife boxes and green wall panels and roofs.
- ✓ Working with our five community partners (The Enbarr Foundation, Taff's Well Village Hall, Cambrian Village Trust, Bron Fair Allotments and Twyn Community Hub) we've supported the creation of green spaces and the introduction of planters, sensory gardens and wildlife boxes. We've also provided water butts and gardening tools to help volunteers to sustain and maintain these green spaces.
- ✓ We've completed our first Green Routes station at Caerphilly with the introduction of planters at the stations' entrance. Station adoption volunteers have taken the lead on pollinator-friendly planting and looking after the planters.
- ✓ We've worked collaboratively with the Cambrian Village Trust to support the community, creating green spaces and encouraging biodiversity in Clydach Vale <https://www.youtube.com/watch?v=xtEhdRQjTAK>

Social Value Wales Future Generations Award

- ✓ We were proud to win the Prosperous Wales, Well-being of Future Generations Award category at the Social Value Wales Conference in November 2021. This was for our office fit-out at our new office in Pontypridd.
- ✓ We worked with Rype Office and Merthyr Institute for the Blind to reuse and upcycle our old office furniture, source second-hand furniture and manufacture new 100% recycled furniture. Our office fit-out saved 92,000 kgs of carbon when compared to buying new office furniture.
- ✓ Merthyr Institute for the Blind provided employment for five people with disabilities on the Real Living Wage.



Cambrian Village Trust and their volunteers are partners in our Green Routes project

92,000 kgs
of carbon saved on
our office fit-out

22 stations are benefitting from biodiverse features including pollinator friendly planters and green wall panels

£100,000
National Lottery
funding awarded

Biodiversity Action Plan

- ✓ We launched our Biodiversity Action Plan in June 2021. It sets out principles to ensure we protect, enhance and champion wildlife, biodiversity and our ecosystems throughout all our work. This includes ambitious targets of a no net loss of biodiversity in our operations by 2024 and, where possible, a biodiversity net gain.

Green Dragon

- ✓ The Green Dragon Award is a Welsh Environmental Management System, transferable at Level 5 to ISO14001. We've achieved Level 3 Green Dragon certification for our head office, catering centres and cleaning centres. Our depots in Canton, Machynlleth and Holyhead all have Level 5 and our stations have Level 2.



We've been helping allotment holders to create a well-being area at BronFair allotments in Maesteg.

How we're developing a continuously improving experience, 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 better 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.

Our focus



Improving our customers' travel and transport experience

making travel easier by providing quality integrated transport services, which meet current and future needs.



Delivering affordable, attractive and accessible transport services

developing an inclusive transport network that meets everyone's needs.



Influencing positive change in customer behaviours and informing expectations

building awareness around the need for sustainable consumption of services and resources and encouraging people to be more responsible in their choices.



Creating an experience oriented around healthy living

creating an enjoyable, healthy and safe experience for our customers, be it day or night and under all weather conditions.



Being a respected, bilingual and customer-focused brand

being proud to be Welsh and earning trust and pride in our brand.



Delivering a high-quality and reliable service

The coronavirus pandemic has created significant challenges for society, changing the way we all live our lives and the way in which customers use our services. We've worked hard to maintain a consistent and reliable service while also continuing to build a transport network of which Wales can be proud. Our key achievements in 2021/22 included:

- ✓ We've worked closely with Carmarthenshire County Council to prepare for the delivery in autumn 2022 of a new T1 TrawsCymru service. We provided technical advice to enable them to purchase eight new electric battery powered buses for use on the route. We also advised on the creation of a new publicly owned depot.

Integration of TrawsCymru

- ✓ We took on the operational management of TrawsCymru in April 2021. We've since developed plans to take on the management from local authorities of TrawsCymru routes on behalf of the Welsh Government. A standard form of contract for use across all routes has been developed which will ensure a common approach and a better customer experience. We've undertaken passenger consultation for the initial T1 route and consulted bus operators. Branding for new buses has been developed which will form part of the TfW brand family.

TrawsCymru service transformation

- ✓ Two dedicated members of staff have been appointed to undertake the procurement of new services and zero-emission buses.
- ✓ We've delivered a TrawsCymru online grant portal so that local authorities can apply for TrawsCymru grants for existing contracts and make quarterly claims. This replaces previous email and paper applications. We've also developed a trial monitoring system using a range of data, including telematics.

Continuously developing our customer proposition

We remain committed to creating customer-centric services of which Wales can be proud and introducing new, simpler ways for our customers to travel on an integrated transport network. 2021/22 has seen us make access improvements to our network, invest in digital technology for ticketing and create partnerships with local retailers in the community. Our work included:

Pay-As-You-Go ticketing

- ✓ We're continuing to develop the Pay-As-You-Go ticketing proposition in Wales, with plans in place to introduce the scheme from 2022. We'll be conducting pilots in North and South East Wales, initially on separate bus and rail routes, before integrating them into a multi-modal ticketing system.
- ✓ We've been developing and testing our Pay-As-You-Go technology solutions, began working with rail and bus operators on their use and started developing a proposition for our customers. We've commissioned our key supply partners to work with us on development of the scheme and over the coming year will work to create and test it on the network. We expect to implement our first trials in Cardiff and Newport in late 2022.

Bus ticketing technology

- ✓ We're continuing to work with bus operators to fit 'tap on – tap off' card readers across the Welsh bus fleet. This investment will support the introduction of Pay-As-You-Go contactless credit or debit cards in the future, further enabling seamless travel across Wales.
- ✓ We're working with bus operators in North Wales to migrate the 1bws multi-bus operator day ticket that allows all day travel to 'tap on – tap off' technology. We expect to complete this work in 2022.

Local retailer ticketing partnership

- ✓ We've launched a new partnership with Payzone, which will enable shops and post offices to sell rail tickets. We're initially piloting this offer in the South East Wales Metro area with over 90 new locations. Depending upon the success of this trial, we plan to expand this service across Wales, providing access to over 700 Payzone outlets across the country.

Delivering high-quality customer engagement, insights and communication

The impact of the coronavirus pandemic on our services means that clear and consistent customer information is more important than ever. We're working hard to improve our engagement with customers. We've invested in our digital platforms and information and the creation of new communication materials. Highlights of 2021/22 included:

PTI Cymru

- ✓ We've prepared for the acquisition of PTI Cymru. The company is behind the well-known and highly regarded 'Traveline Cymru' brand which has provided bilingual online and phone passenger information to travellers across Wales and the borders. The acquisition will allow us to bring together the award-winning customer information service of Traveline with the operational delivery expertise of TfW.

Sgwrs

- ✓ We've launched 'Sgwrs', a new online community to give our customers the opportunity to help shape the transformation of travel in Wales. Community members take part in surveys, online discussions, and moderated online discussion forums on a range of transport-related topics to help keep us improving our services. 'Sgwrs' (which means 'chat' in English) will allow TfW to gather opinions and ideas for the future of travel including trains, buses and active travel.

Advisory panel

- ✓ Our independent Advisory Panel has been exploring multi-modal solutions to public transport and contributing to the newly established Welsh Government Transport Performance Board that has been set-up as a recommendation of [Llwybr Newydd: The Wales Transport Strategy](#).
- ✓ In December 2021, panel members visited our mock-up units to see first-hand the new rolling stock and the improvements they will bring to rail users.

Enabling smooth and seamless journeys across Wales

A key priority for TfW is the integration of the Welsh transport system. We've worked hard throughout 2021/22 to increase smooth and seamless journeys across Wales. This includes better transport integration at stations and interchanges, within and between different modes of transport and through the information and ticketing systems we use. Highlights included:

Bus interchanges

- ✓ We undertook a full audit of all bus stations in Wales during 2021/22 to establish a database of facilities. This data will form the basis of a consolidated inventory to allow us to develop key bus interchanges across Wales together with the creation of more attractive and customer-focused facilities.
- ✓ We completed a study of bus stops in the North Wales Metro area to align with revised bus networks — ensuring that we've got the right infrastructure and real-time passenger information available to operators and customers.
- ✓ We completed surveys of a range of potential sites for TrawsCymru bus depots that could be equipped with the infrastructure to operate zero emission electric and hydrogen buses. We've also started considering the infrastructure needed for the rest of the future bus network.

TrawsCymru rail integration

- ✓ In September 2021, we successfully launched an integrated ticketing service on the T1 TrawsCymru route (between Carmarthen and Aberystwyth) and created 'virtual stations' at Aberaeron and Lampeter. Our new website allows customers to complete journey planning and make ticket bookings from train to the T1 TrawsCymru.
- ✓ We'll continue to expand these services to other TrawsCymru routes and we aspire to enable integrated journeys across all routes by early 2023. We'll also be enhancing the service by introducing real-time information for the bus parts of the journey.

Integrated fares and ticketing

- ✓ We've continued creating simpler, more integrated fares and ticketing across Wales. We're working to develop ticketing solutions which make travel easier for everyone, removing complexity wherever possible.
- ✓ We've worked with bus operators in North Wales to introduce the 1bws multi-operator ticket, enabling travel across different operators using the same ticket. This is also our first step in enabling journeys across different modes of transport in North Wales. We plan to develop the technology, particularly within Metro regions of Wales.
- ✓ During 2022, we plan to launch our first trials of Pay-As-You-Go ticketing in South East Wales, enabling passengers to travel using their bank card and 'tap on – tap out' technology to travel across the region.

Fair fares

- ✓ We've continued to work closely with the Welsh Government to create a fair fare scheme across Wales. We're committed to creating an accessible and simple to use network with a high standard of service.

Concessionary Fares Scheme

- ✓ We're continuing to support the Welsh Government by providing data on concessionary card usage and delivering activities to support the scheme.
- ✓ We've established a new customer relationship management portal to enable easier online applications for concessionary cards and better support for scheme users. This change has been successfully introduced and allows for the majority of card applications to be checked and approved without further intervention.

"We're committed to creating an accessible and simple to use network with a high standard of service."



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.

Our focus



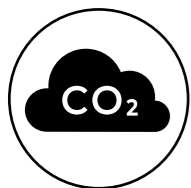
Data and insight

Using data and insight to support our decision-making; helping us to better understand the network we operate and support the Welsh Government with clear information as its expert adviser on transport.



Design and development

Working with the Welsh Government, local authorities and our partners to design and develop a transport network Wales can be proud of; supporting and delivering Llwybr Newydd: the Welsh Transport Strategy 2021 and the National Transport Delivery Plan.



Decarbonisation

Working with the Welsh Government, local authorities and national delivery bodies including Network Rail to deliver a decarbonised transport network in Wales.



Asset development

Developing our assets for the benefit of the people of Wales and the borders; providing space and opportunity to communities, as well as creating new income streams to fund further reinvestment in Wales' public transport network.





Active travel

Active travel means walking and cycling for everyday journeys. The [Active Travel \(Wales\) Act 2013](#) makes it a legal requirement for local authorities in Wales to map and plan suitable routes for active travel within certain localities, as specified by the Welsh Government.

In 2021/22, we've:

- ✓ worked with the Welsh Government to develop a national monitoring framework for active travel in support of their objective of increasing levels of walking and cycling
- ✓ continued to work on the recommendations of the Burns Delivery Unit with a focus on improving access to sustainable transport options between Newport and Cardiff. We've carried out consultations for Cardiff and Newport bus and cycle corridors and for improving access to the Severn Tunnel Junction railway station
- ✓ completed an initial study on opportunities to widen availability of cycle hire and e-scooters as part of our commitment to modal shift and decarbonisation
- ✓ developed new systems and processes to receive and administer grant funding claims for £49 million being delivered by local authorities through the Active Travel Fund Programme. This represents a significant increase on previous years and includes co-ordinating an additional bidding round for local authorities to access further active travel funding and establishing mechanisms for funding variations between local authority schemes
- ✓ provided support, advice and guidance to all Welsh local authorities on the design and development of their active travel programmes
- ✓ launched the National Active Travel Officers Group and the National Active Travel Advisory Forum, enabling our stakeholders to contribute to our work and help shape our plans
- ✓ worked on behalf of the Welsh Government to review and update the Active Travel Act Guidance. We've also provided guidance on minimum standards for the design and development of active travel infrastructure in Wales
- ✓ developed a checklist to ensure that active travel is embedded in the development of all TfW projects. This promotes the development of an integrated transport system to support the decarbonisation agenda and encourage modal shift from private cars
- ✓ developed active travel station network plans for Bridgend, Llanelli, Neath and Pontypridd. This work will encourage usage of sustainable modes of transport with an improved customer experience
- ✓ updated TfW's Travel Plan to help raise awareness of the active and sustainable travel options available for our own colleagues as part of our wider commitment to creating a healthier Wales.

"We're supporting the Welsh Government with their objective of increasing levels of walking and cycling."



£49 million Active Travel grants to local authorities



Bus

Our remit continues to evolve as we work with the Welsh Government to develop Bws Cymru, a five-year plan which looks at all aspects of improving bus service provision for passengers including infrastructure, road allocation, accessibility and integration with other public transport modes. Key achievements in 2021/22 included:

- ✓ the production of an Integrated Impact Assessment and Regulatory Impact Assessment for the Welsh Government, which will be a key document in support of the Bus Bill
- ✓ working in partnership with the Welsh Government, local authorities and the Welsh Local Government Association to evolve a revised operating model to be agreed with local authorities. It sets out responsibilities and accountabilities in relation to the future bus landscape and funding for bus support
- ✓ implementation of a new financial and operational data service to support payment and reconciliation, monitor operator compliance, prevent fraud and inform strategic decisions
- ✓ working with software providers Cityswift and bus operators to deliver a proof of concept that helps identify opportunities for better quality and more efficient networks. Using live on-board data from the six largest operators in Wales, this work will help the industry to better understand customer profiles and journeys as Wales emerges from the coronavirus pandemic
- ✓ collaborating with local authorities in North Wales to develop aspirational regional and local bus networks. This has included assessments to highlight where infrastructure and journey times can be improved
- ✓ introduction of 11 fflecsi pilots across Wales including Newport which has over 2,500 rides per week and supplements fixed line bus services in the city
- ✓ five new fflecsi routes have been introduced: Blaenau Gwent, Holywell, Newport expansion, Bwcabws and the seasonal O Ddrws I Ddwrs service on the Llyn Peninsula
- ✓ planning for the introduction of 40 hydrogen buses and associated infrastructure into the Swansea Bay area. This will be used as a pilot for the introduction of hydrogen buses across Wales
- ✓ producing a standard specification for Bus Rapid Transit (BRT) schemes in Wales. This is being used to produce a feasibility study for a BRT scheme between Newport and Cardiff, as part of South East Wales Metro
- ✓ installation of 1,800 tap-off readers on buses across Wales. This will provide the data about journey destinations to enable development of multi-operator ticketing proposals
- ✓ undertaking a study of bus stops in the North Wales Metro area to align with revised bus networks. This will ensure that we've got the right infrastructure, including real time passenger information, available to operators and customers
- ✓ working closely with the Welsh Government to develop their policy and plans for the introduction of zero-emission buses across the whole of the Welsh network.



1,800
tap-off readers installed
on buses across Wales



Connecting rural Wales

- ✓ We've been supporting the Welsh Government with the delivery of [Llwybr Newydd – the Wales Transport Strategy 2021](#). This strategy includes measures to improve the reliability, safety and frequency of public transport services in rural Wales. We've been defining the scope of this work and analysing the existing geographic reach of public transport in key areas.
- ✓ We're currently working with local authorities to develop pilot case studies that will provide the data for an all-Wales approach to connecting rural Wales.

“We've been analysing the existing geographic reach of public transport in key settlements with the longer-term aim of improving the reliability, safety and frequency of public transport services in rural Wales.”



Expert advice and project management

- ✓ We're supporting the Welsh Government with the preparation of the National Transport Delivery Plan. The plan brings together the transport programmes, projects and interventions across all transport sectors in Wales.
- ✓ Geoff Ogden, Director of Planning, Development and Advisory Services, has been appointed to the Roads Review Panel by the Welsh Government. The Panel has been established to advise on current roads projects and how we should consider roads projects in future. TfW has also been commissioned by the Welsh Government to provide expert project management and technical advice to the Panel.
- ✓ We've been assisting the Welsh Government with the delivery of eight trials as part of phase one of the Welsh 20mph Task Force Group Final Report. This is ahead of a full roll-out across Wales in 2023.
- ✓ We're working with the Welsh Government, Gwynedd Council and the local community to develop both short-term opportunities and longer-term sustainable solutions as alternatives to the Llanbedr Access Road Scheme. Initial work will be completed in 2022/23.
- ✓ In March 2022, we commenced development of an outline business case for phase one of Cardiff Crossrail. We've been working collaboratively with the Welsh Government and Cardiff Council to facilitate a development agreement to cover the corridor from Cardiff Central to Alexandra Head, via Pierhead Street and Porth Teigr. The agreement is not yet finalised but will include the proposed developments in the area along with funding mechanisms and responsibility for delivery. It has been part funded by the European Regional Development Fund.
- ✓ We've established a new programme focused on the South Wales mainline with the aim of developing rail service and infrastructure improvements to the route between West Wales, Cardiff and Bristol. It will strengthen regional connectivity and address congestion on the M4. A strategic timetabling study is now underway to understand the long-term planning needs.

A465 Heads of the Valleys trunk road

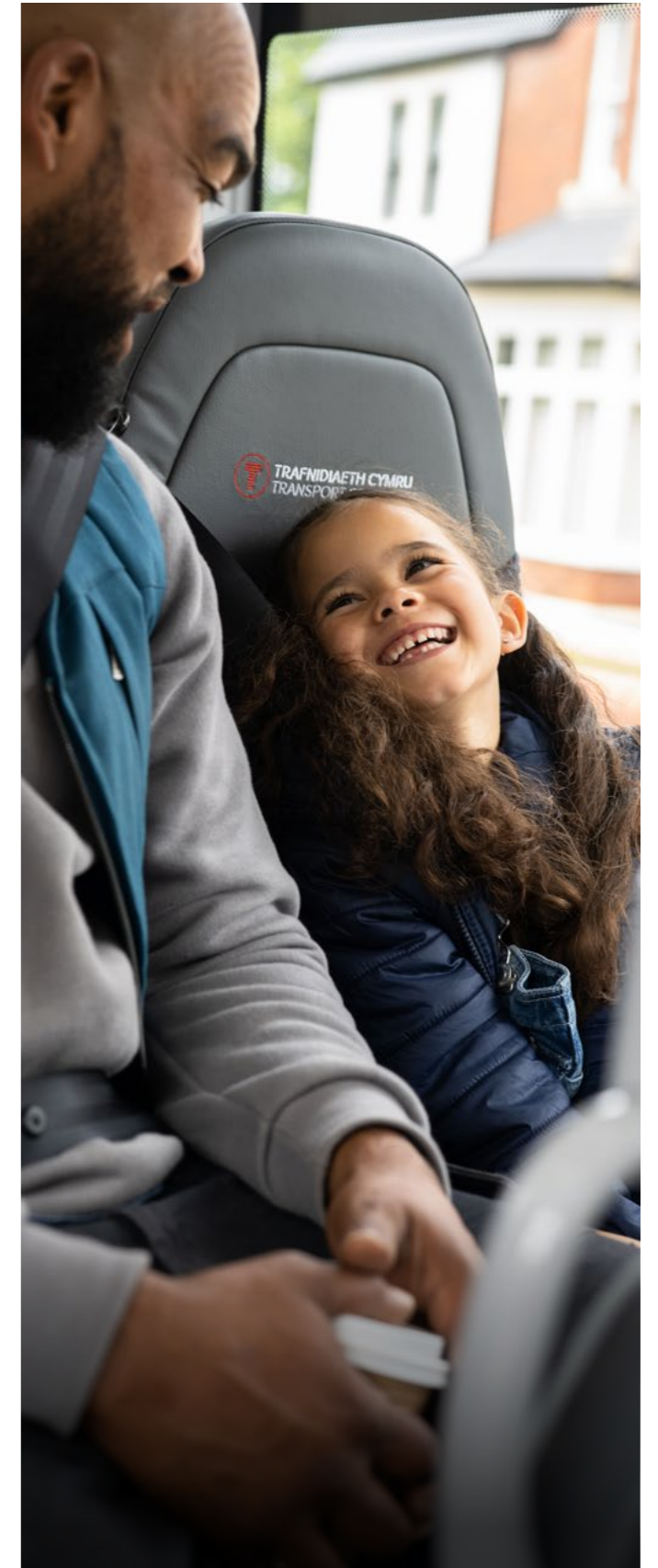
- ✓ As the agent and appointed authority certifier for the final sections of the improvements to the A465 Dowlais to Hirwaun project (Sections 5 and 6), we're working on behalf of the Welsh Government to monitor and certify the design, construction and maintenance of the project infrastructure.
- ✓ The dualling scheme, which has been underway since 2002, will support economic regeneration by improving access to key services, jobs and markets, support inward investment, improve traffic flow by introducing grade-separated junctions to eliminate delays at roundabouts and enhance road safety by providing opportunities for safer overtaking.
- ✓ New routes for cyclists and pedestrians with a further 12 miles of combined cycleways and footpaths will also be created.

“We're supporting the Welsh Government with the preparation of the National Transport Delivery Plan, bringing together the transport programmes, projects and interventions across all transport sectors in Wales.”

Analytical services

- ✓ We're developing our three regional multi-modal transport models for use in understanding the evidence base and assessing the potential impact of policy and infrastructure interventions.
- ✓ We've enhanced our in-house capabilities in Geographic Information System (GIS) mapping, transport modelling, data analysis and data presentation tools. This enables us to provide evidence-based advice to the Welsh Government.
- ✓ We've implemented a new GIS solution to serve the organisation as we expand. This will provide much greater access to mapping and spatial analysis capabilities across our teams.
- ✓ We've commenced early development work on the new National Travel Survey for Wales including drafting questions and procuring specialist advice on survey methodologies and sampling.
- ✓ We've been working with colleagues in the Welsh Government to produce a monitoring framework for the Wales Transport Strategy and a technical methodology report covering each monitoring indicator. Baseline work for each indicator is also nearing completion.
- ✓ We've been working with TfW Innovation Services to investigate new data sources, such as GPS, for understanding travel demands across Wales.

“We're developing three regional multimodal transport models and enhancing our in-house capabilities.”



Metro Central Programme

- ✓ We've continued our work on the Metro Central Programme to establish an integrated transport hub in the centre of Cardiff for bus, rail and sustainable travel services. This will provide better access to transport connections and more sustainable travel choices.
- ✓ We've completed a feasibility report on enhancements to Cardiff Central Railway Station. This has identified measures to alleviate crowding and congestion. It will also help to accommodate capacity for long-term passenger growth. The enhanced interchange will encourage a modal shift to public transport, improve air quality and help the transition to zero-carbon.

South Wales Metro

- ✓ We continue to work with stakeholders across the Cardiff Capital Region to develop and deliver Metro. This includes the production of various technical and business case studies across the region supporting significant future investment in sustainable transport.
- ✓ We've progressed the strategic work across the Metro Enhancement Framework (MEF) priority areas with studies covering the North West corridor (Cardiff to Talbot Green and Beddau); Chepstow to Newport and Eastern Valleys and Bridgend to Vale of Glamorgan.
- ✓ We've progressed studies for the Aberdare to Hirwaun and Central Rhymney Line park and ride and we've brought together the strategic case and technical studies in the Cardiff Bay area to progress the outline business case for Cardiff Central to Newport Road.
- ✓ We've developed a bus rapid transit specification for application to Metro options on the Cardiff to Newport A48 Corridor and North West corridor.

"Part-funded by the European Regional Development Fund through the Welsh Government, the South Wales Metro will be transformational, create opportunities for people and enable them to travel more sustainably."

North Wales Metro

- ✓ We're continuing with plans for our multi-million-pound North Wales Metro Programme; that will transform rail, bus and active travel services across North Wales. Development work has been undertaken on capacity, journey-times, improved interchange and access enhancements across the public transport network with an £18 million investment across 22 different workstreams.
- ✓ Welsh Transport Appraisal Guidance (WelTag) 2 reports have been delivered on the North Wales Mainline and Borderlands line as well as studies of new railway station options at Broughton and Greenfield. We've worked closely with operators to deliver a draft revised North Wales bus network plan to support North Wales Metro ambitions and improve integration with rail. We're piloting a new T10 service from Bangor to Corwen and introducing six fflecsi pilots across North Wales including the first all-electric fflecsi service in Ruthin.
- ✓ Development work to enhance key interchanges at Holyhead, Borderlands, Bangor Gateway and Wrexham Gateway has been completed. This looks at options for improved rail, bus and active travel integration with new or enhanced public transport hubs.
- ✓ We're considering options to improve and encourage better use of sustainable modes of travel by reducing car usage in and around the Snowdonia National Park. Our work to date includes advice on improving parking management, a review of the bus network interchanges and concept designs together with the Nant Gwynant scoping report.
- ✓ We've delivered 11 active travel station network plans to help create easier access to the North Wales Metro public transport system. We're working on more advanced active travel plans for Rhyl and Wrexham railway stations as part of Transforming Towns, a Welsh Government initiative to improve town centres.
- ✓ We're working with partners across the region to support funding bids and have supported Reopening Your Railways, Union Connectivity and Levelling-Up bids to maximise investment into North Wales Metro.



Swansea Bay and West Wales Metro

- ✓ We've developed a positive working relationship with the local authorities in South West Wales and established a developmental programme which will help to improve the public transport offer in the area.
- ✓ We undertook a public consultation between March and June 2021 for a large number of rail based improvements across the region. The consultation, which was hosted by Welsh Government, received significant interest. A report was published at the end of 2021 which presented the technical appraisals and development for the rail components.
- ✓ We're leading the development of the new railway station at St. Clears funded by Department for Transport's New Stations Fund.
- ✓ The next phase of rail development work commenced in early 2022. We're examining the options for station interchange improvements at Whitland, Carmarthen, Pembrey and Burry Port and Llanelli railway stations. We're also looking at how we can improve inter-urban connectivity by improving local rail services – Pembrey and Burry Port, Llanelli and all stations to Swansea on the South Wales Mainline; and secondly on the Swansea District line between Pontarddulais, Neath and Swansea.
- ✓ We've worked in close partnership with the Welsh Government and local authorities to develop widespread implementation of hydrogen fuel cell buses in the Swansea Bay and Pembrokeshire areas. The project will build key skills, understanding and experience in the use of hydrogen fuel cell technology and infrastructure.

"We continue to work with stakeholders across Wales to develop and deliver Metro."

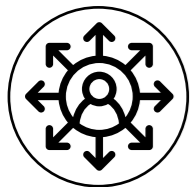




How we're building an organisation and partnerships capable of delivering our purpose

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

Our focus



Maximising organisation capability

Providing development solutions to fulfil future organisation and service delivery needs; ensuring individuals and teams are clear about roles, relationships, and professional responsibilities; evolving our skills development plans and recruiting highly talented people.



Employee experience

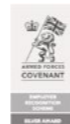
Building an inclusive, diverse, and respectful working culture; offering competitive and transparent benefits; enabling contribution and engagement so everyone can be their 'best selves.'



Culture

Focusing on authentic and adaptive leadership; being truly collaborative; promoting well-being and having a compelling employee value proposition.

Our awards and recognition



Community and stakeholder engagement

We're building strong and lasting relationships with our stakeholders. The priority for 2021/22 was the recovery from the coronavirus pandemic and support for broader public health priorities as we encouraged customers to return to public transport safely. Our work has included:

- ✓ building links with the third sector and collaborating with health boards, local authorities, educational establishments, businesses and charities to promote the benefits of public transport and inform the development of our transport network
- ✓ on-going management of our stakeholder forums with discussions having focussed on community safety, transport planning, railway stations and the impact of coronavirus on services
- ✓ delivery of a series of primary school activities centred around rail safety, supporting the "I am Rail Safe" campaign. We continue to work closely with Network Rail, the British Transport Police and the Samaritans to ensure our engagement aligns with the Operational Resilience Strategy
- ✓ development and distribution of 'Metro: A Guide for Communities' to approximately 50,000 homes. We also produced a web-based version, accessible alternative with enlarged text and spoken recording. The guide explains the upcoming transformation of the network and has been supported by community drop-ins, newsletters and stakeholder events
- ✓ support for local authorities to engage communities with active travel and help to get more people walking and cycling. This has included the delivery of 13 public engagement sessions across Anglesey, the introduction of regular quarterly meetings with active travel officers across Wales and the creation of an active travel advisory group to bring together key stakeholders from the third sector, public sector and private sector to advise on matters relating to walking, wheeling and cycling.

"The priority for 2021/22 was the recovery from the coronavirus pandemic and support for broader public health priorities as we encouraged customers to return to public transport safely."

Community rail

We're continuing to work with our community rail partners to encourage communities across Wales and the borders to get the most from their railways by promoting social inclusion, sustainable and accessible travel and bringing stations to life. Our work in 2021/22 included:

- ✓ supporting the Conwy Valley Community Rail Partnership (CRP) to extend from Llandudno Junction through to Holyhead on the North West Wales coast
- ✓ extending the current Chester Shrewsbury CRP to include the Crewe to Shrewsbury line. This CRP will be hosted by Groundwork North Wales and a new Community Rail Officer has been recruited to drive forward a revised activity plan
- ✓ working with the third sector, including the British Red Cross, to help vulnerable people who suffer from loneliness and social isolation to feel more confident using public transport. We've also collaborated with Conwy Valley CRP to develop a confidence to travel video. It will be used by the Department for Work and Pensions (DWP) for their long-term unemployed clients with mental health challenges before a wider roll-out in April 2022
- ✓ developing a network of recreational, well-being walks from our railway stations in conjunction with Ramblers Cymru and CRPs. Volunteers have accompanied us on walks and the Ordnance Survey team have helped capture data
- ✓ supporting CRPs with the introduction of 'walking for well-being' activities to address health and well-being. Our Conwy Valley CRP were awarded highly commended at the National Community Rail Awards for their collaboration with MIND. South-West Wales Connected CRP have been using cartoon characters for 'Ramble and Scramble' to promote their family-friendly walks
- ✓ celebrating the 20 year anniversary of station adoption by volunteers at Tal Y Cafn. 151 railway stations are currently adopted in Wales, bringing together communities and helping to create welcoming railway station environments
- ✓ collaborating with Incredible Edibles to develop community gardens at railway stations. Clearance work began in March 2022 at Llanelli and Abergele and Pensarn railway stations.

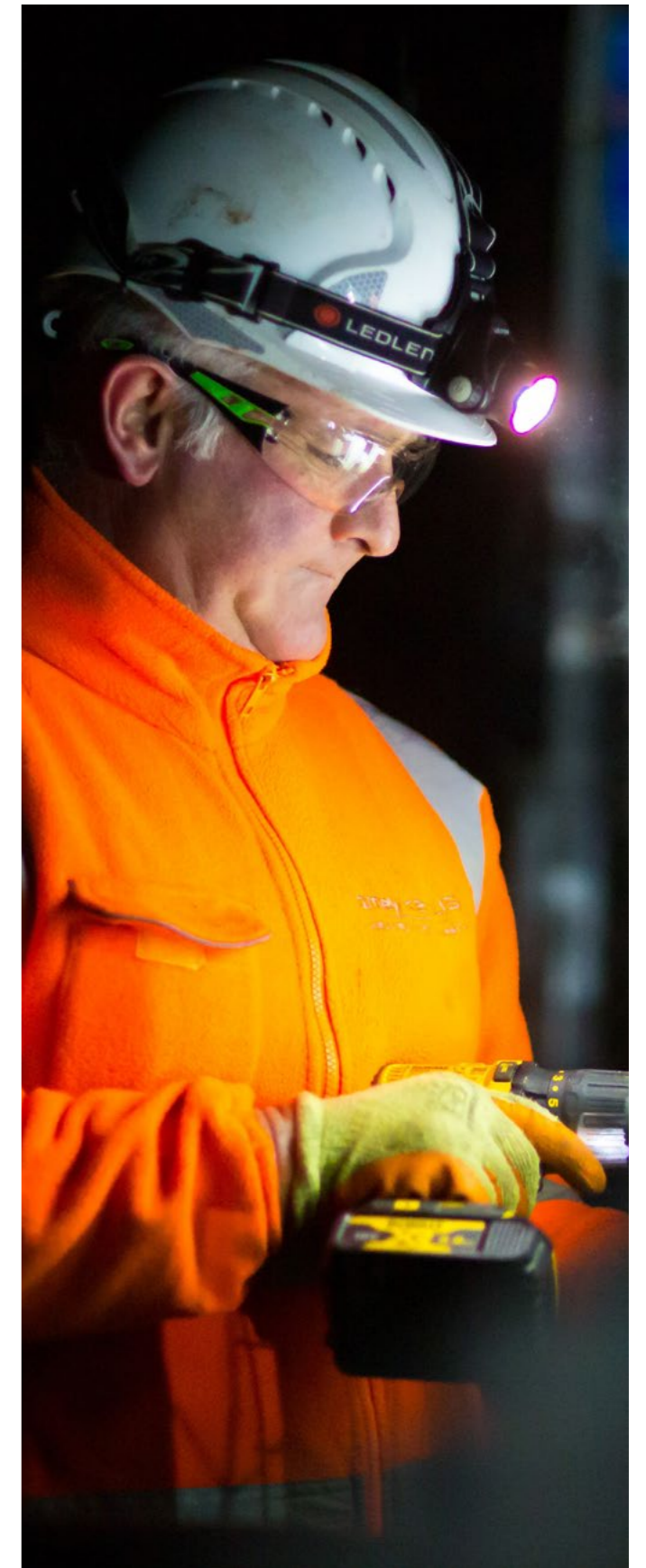
Charity

Our colleagues and customers selected three charities to feature on our trains. Brand liveries for Ty Gobaith Children's Hospice, Alzheimer's Society Cymru and the Royal National Lifeboat Institute have been applied to our Mark IV fleet of trains that deliver services between Holyhead and Cardiff.

Recruitment and skills

Our organisation continues to grow. This includes addressing immediate vacancy requirements while considering future skills gaps as an equal opportunities employer. 2021/22 has seen us:

- ✓ create 117 new jobs with headcount having grown from 481 on 1 April 2021 to 598 on 31 March 2022 (excluding Transport for Wales Rail). This included 170 new hires and 80 internal moves, 50 of which were promotions
- ✓ employ five IT assistants via Kickstart, the DWP scheme that provides funding to create new jobs for 16 to 24 year-olds on Universal Credit who are at risk of long-term unemployment. Several have now secured permanent roles with TFW
- ✓ launch a partnership with the Welsh Council for Deaf People, providing placements with wrap-around care for 16 hours a week over 16 weeks for those with hearing loss
- ✓ deliver our ex-offenders pathway programme, offering work experience and job opportunities to those transitioning from prison. Working with HM Prison Prescoed, we've offered positions to several ex-offenders to date and we're now exploring the introduction of a programme for female ex-offenders
- ✓ collaborate with Amey Infrastructure Wales, Siemens, Alun Griffiths and Balfour Beatty as part of Craidd Alliance, an industry partnership working together to close the skills-gap and establish employment pathways for under-represented groups.





Learning and development

Learning and development is key to our organisational success as it drives the behaviours, competencies and capabilities that our organisation needs to be successful. Over the last 12 months, our team has delivered:

- ✓ a new Train Driver NVQ Level 3 Qualification. As the first qualification of its kind in Wales, we've worked in partnership with Coleg Y Cymoedd, EAL and ASLEF as the national trade union for train drivers to create the framework. All new drivers are automatically enrolled on the programme
- ✓ a 12-month leadership development programme that supports the creation of one organisational culture with shared behaviours and values focusing on confidence, empowerment and influence. 96 colleagues have enrolled on 'Leading with...' to date. It is supported by a behavioural toolkit called 'Insights'
- ✓ a new learning management system called 'ilearn'. It is linked to existing systems and provides a central platform to share e-learning materials, documents and videos
- ✓ accessibility and inclusion training for 1,200 operational colleagues, helping us to continue supporting and meeting our customer's needs
- ✓ new training facilities in Cardiff with additional and new train simulators to meet the growing demand as we bring in new people and trains. Work is also underway on facilities in Chester.

Equality, diversity and inclusion

Equality, diversity and inclusion (EDI) underpins all that we do. 2021/22 has seen us establish our EDI team as part of our commitment to creating a fairer Wales and being truly reflective of the diversity of the Welsh population and the communities that we serve. We've achieved the silver FairPlay Employer Award from Chwarae Teg. Our key achievements include:

- ✓ establishing a pay and performance model that supports a reduction in the gender pay gap as we work towards pay parity
- ✓ securing the Disability Confident Leader Award Level 3 from the UK Government DWP Disability Confident employer scheme – this makes us one of only 57 organisations across Wales to achieve the status
- ✓ delivering a 12-month programme of EDI light-bite online sessions and nominating 70 Fairness Inclusion and Respect (FIR) ambassadors
- ✓ partnering with Race Equality Matters to launch the 'My Name Is' campaign as part of Black History Month in October 2021. The success of the campaign has led to other train operating companies supporting the campaign through our work with Rail Industry Unites and the Rail Delivery Group
- ✓ collaborating with the Welsh Government and PTI Cymru to launch Women in Transport in Wales in March 2022, helping to empower women to maximise their potential in the transport sector.

Early talent

Our Early Talent Programmes play a vital part in attracting future talent; enabling us to deliver our purpose and keep Wales moving for the benefit of future generations. Our work in 2021/22 included:

- ✓ the launch of our Graduate Scheme in September 2021. We welcomed six graduates across engineering, finance, risk and transport planning. 11 new graduates will join the 2022 cohort
- ✓ welcoming six new apprentices and introducing our first apprenticeship programme in finance
- ✓ celebrating the first anniversary of Academi Prentisiath, our Apprenticeship Academy. Aligned with the Well-being of Future Generations (Wales) Act 2015. The diverse development programme is focused on enriching the experience of our apprentices and supporting their future career development
- ✓ working in partnership with Young Rail Professionals to host the first cross-sector apprenticeship networking evening which saw apprentices, graduates and interns building their professional networks and facilitating the opportunity for graduates and apprentices to take part in the [Civil Engineering Contractors Association Wales Leadership Challenge](#)
- ✓ welcoming three new interns for a 20-week internship as part of our partnership with Cardiff University and the Business School. The programme gives students the opportunity to work on challenging and meaningful projects, whilst developing key knowledge, skills and behaviours.

Type of apprenticeship	Completed to date
Degree apprenticeships	5
Higher apprenticeship Level 5	2
Higher apprenticeship Level 4	19
Foundation apprenticeship Level 3	44
Foundation apprenticeship Level 2	6

Our apprenticeships

Engineering	Project management
Data	Leadership
Learning and development	Business administration
Customer services	Finance
Train driver	Social media and digital content

11 new graduates will join in 2022

Transport for Wales gender pay gap

Our median gender pay gap as of 31 March 2021 was 33.2%. This has reduced to 32.8% over the past year. This narrowing is a reflection of our commitment to reducing the gender pay gap.

The placement of men and women in the quartiles has changed. This can be partly attributed to the number of new hires in one of the lower salary bands accounting for 24.5% of total recruitment. Of those, 75% were women. The increase of women in the bottom quartile of 11 percentage points can be attributed to the fact that 53% of promotions and leavers combined in the bottom quartile from April 2021 were men, leaving more women in the bottom quartile. This explains why the percentage of women in the bottom quartile has increased.

In March 2022, the pay award for April 2021 was announced. This was a hybrid model of incremental and performance related increases. The impact of this model was positive in terms of gender pay gap reduction.

With regard to recruitment, we've continued to take positive action over the past year, with women making up 47.9% of total hires. Women accounted for 51.3% of the total internal promotions made in the year, compared to 32.1% in the previous year. It is also encouraging that the number of women promoted to band one and two roles has tripled compared with the previous year (from three in 2020/21 to ten this year).

We've continued our commitment to the Armed Forces Covenant, using this as a pathway to improve the gender pay gap and the representation of women in STEM positions. We've also established a relationship with a recruitment organisation specialising in the armed forces who will support talent attraction by providing us with CVs of women who have left or are leaving the forces.

Additionally, female STEM candidates who meet the essential criteria for one of our roles will be guaranteed an interview under our Guaranteed Interview Scheme, along with military veterans and disabled candidates. As part of our standard recruitment procedure, we aim to have a gender balance on all of our interview panels to ensure there is no bias within our decision making.



We're continuing work on our strategic equality plan. We've delivered EDI training for the HR department, senior leadership team and people managers. We've also developed a cohort of Fairness, Inclusion and Respect ambassadors. Together with our external EDI partner Delsion, we've completed a review of our policies to determine where improvements need to be made to ensure they are meeting the objectives of our strategic equality plan. Improvements identified will be implemented in 2022.

We've sponsored the Chwarae Teg LeadHerShip programme for a second year. LeadHerShip aims to ensure that women become better represented in decision-making roles and provides women with a platform so that their voices are heard and they are inspired to see themselves as future leaders. The programme helps promote our role as an employer to young women and will therefore aid recruitment in the longer-term.

We've also partnered with Chwarae Teg on their programme Step to Non-Exec which gives women the opportunity to join a board as a shadow non-executive director. The first successful external candidate has been appointed and has been paired with Alexia Course, our Transport Operations Director.

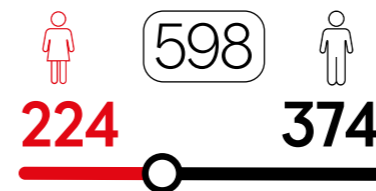
Moving forward

Working alongside TfW Rail Limited and PTI Cymru, we have reviewed the EDI working groups in order to create an EDI forum that aims to support internal and external activities. The structure offers a holistic approach, linking the group to the accessibility and inclusion panel, employee resource groups and the EDI forum working groups.

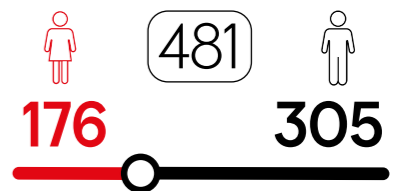
In collaboration with the Welsh Government and PTI Cymru, funding has been agreed for the Women in Transport Wales Hub. We hope that the Hub will provide a central point of support and professional development for women already working in transport and for those considering a career in the sector.

"The number of women promoted to band one and two roles has tripled compared to the previous year."

Headcount March 2022



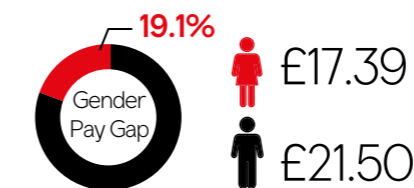
Headcount March 2021



Quartiles 2022



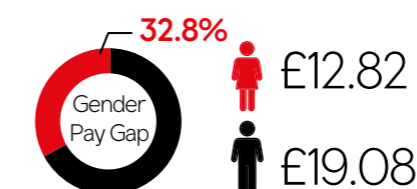
Mean 2022



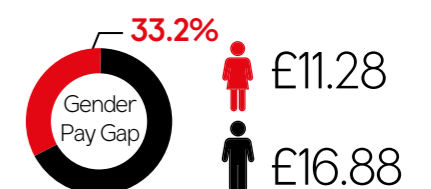
2021



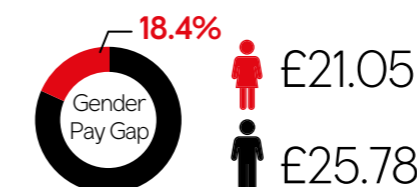
Median 2022



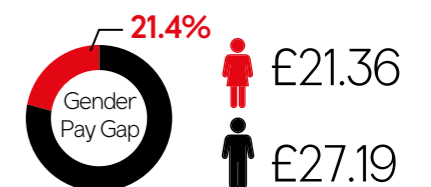
2021



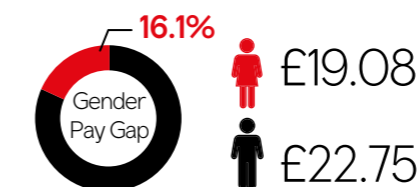
Mean 2022 (excluding catering, cleaning and CVL colleagues)



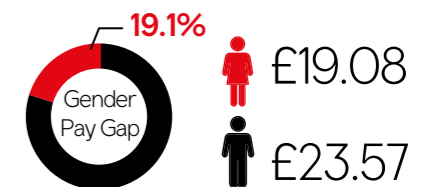
2021



Median 2022 (excluding catering, cleaning and CVL colleagues)



2021



An error with our gender pay gap data in our 2020/21 annual report means that the figures do differ slightly this year as we've now corrected the information.



Transport for Wales Rail Limited gender pay gap

The first gender pay report for Transport for Wales Rail Limited covers the period from 7 February 2021 to 5 April 2021. Data for the 2021/22 period will be made available later in 2022.

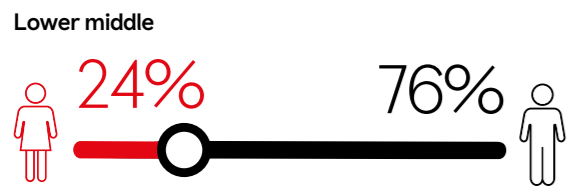
As of 5 April 2021, Transport for Wales Rail Limited employed 2,633 people. Of these, 19% were women and 81% were men. The mean hourly pay for men was £26.48. For women, it was £20.69. This represents a gender pay gap of 21.9%. The median hourly pay for men was £25.63. For women, it was £19.12. This represents a gender pay gap of 25.4%.

0.3% of men were paid a bonus. The bonus payments made during this reporting period were due to mistimed commission payments as no bonus payments were made.

2021 gender ratio split



2021 quartiles



Bonus pay

As all eligible colleagues were men and bonus payments were only made to one gender, it is not possible to calculate the mean and median bonus pay gaps.

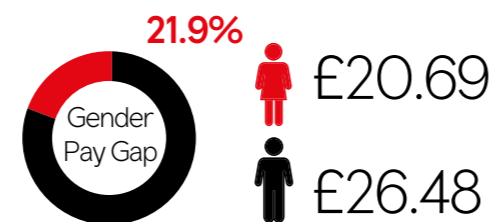
Reducing the gender pay gap

We're committed to being open and transparent in acknowledging the challenging position from which we're working to close our gender pay gap. This year has seen us focus on woman in leadership so that we can support and grow our current and future female leaders. This will help us address the lack of women in upper pay quartiles.

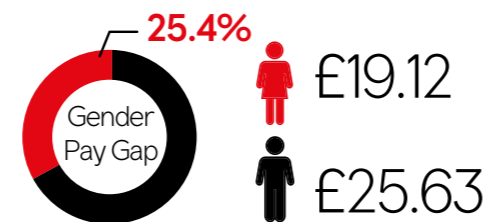
Programmes like the Welsh Women in Transport Hub, Women in Leadership and a Step to Non-Exec form part of a wider HR strategy which is currently being implemented across the whole of TfW. We anticipate that this will help to attract more women into transport and reduce the gender pay gap.

2021 mean

Mean gender pay gap in hourly pay



Median gender pay gap in hourly pay



Risk

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

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

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

The appointment of Leyton Powell as our Chief Risk Officer last year has strengthened our approach to risk. He coordinates the risk management team and systems and reports regularly to the Major Projects Committee and the Audit and Risk Committee.

2021/22 has seen the integration of rail risks into the TfW Group process and governance procedures. This has resulted in a full review of these risks and re-scoring, so that we present a standard risk score, descriptions, reporting and governance. This work is on-going with further improvements planned in the coming year through our risk management strategy. We've also completed a review of business risks following the acquisition of Pullman Rail Limited.

Risks associated with coronavirus

Coronavirus has obviously featured on our risk profile and has impacted the business directly through staff sickness and our own measures to protect vulnerable workers. It has also impacted our supply chain and the number of passengers. We've mitigated these losses by working closely with our operational and health and safety teams to ensure a consistent approach to risk management, thereby ensuring we're able to provide the highest standards of protection to our colleagues and customers.

We'll continue to monitor our risk management processes as we emerge from the coronavirus pandemic, ensuring we can provide a safe and secure transport system to welcome back an increasing number of customers.

Continuous improvement

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

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

“Based on the most recent audit and review, the Audit and Risk Committee is satisfied with the effectiveness of the risk management and internal control systems.”

Risk maturity tool
Foundations <ul style="list-style-type: none"> ✓ Risk culture ✓ Risk governance
Enablers <ul style="list-style-type: none"> ✓ Capacity and capability ✓ Methodologies and tools ✓ Data and information
Integration <ul style="list-style-type: none"> ✓ Strategy and business planning ✓ Projects ✓ Programmes and operational performance ✓ Reporting and communications

Our initial review shows that the current risk maturity level ranges from level two (repeatable) to level three (systematic). This demonstrates a healthy enterprise risk management system. However, opportunities to achieve a more embedded culture and systems and higher maturity levels are currently being developed through an improvement strategy. This has started with a review and revision of the business risk appetite statements, recognising the current and predicted organisational, political and socioeconomic changes.

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

Real world, real risks

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

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

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

“We can provide a safe and secure transport system to welcome back an increasing number of customers.”

Principal risks

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

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

Risk title	Risk description	Mitigation actions	Progress	Speed at which the risk could impact
Failure of the infrastructure management partner to operate.	<p>Failure of the infrastructure management partner to meet its authorisation to act as the Core Valley Lines Infrastructure Manager as agreed by the Office of Rail and Road (ORR) resulting in the loss of ability to manage and maintain the Core Valley Lines Infrastructure.</p> <p>Impact — ability to operate on the Core Valley Lines and a delay/disruption of transformation programme.</p>	<ul style="list-style-type: none"> ✓ Senior level governance and key performance monitoring. ✓ Regular monitoring of supply chain health to understand supplier health. ✓ Audits, inspections and assurance reviews. ✓ ORR feedback and engagement. ✓ Infrastructure of last resort process as business continuity plan. 	<ul style="list-style-type: none"> ✓ Clear governance and performance management in place and in use. ✓ Procurement health reports escalation process. ✓ TfW audit and assurance programmes linked to governance. ✓ Regular interactions with ORR. ✓ Business continuity management. 	Less than six months
Failure of Transport for Wales Rail Limited to operate.	<p>Failure of Transport for Wales Rail Limited to meet its authorisation to act as Train Operator as agreed by the ORR resulting in the loss of ability to operate services leading to a delay/disruption of transformation programme.</p>	<ul style="list-style-type: none"> ✓ Senior level governance and key performance monitoring. ✓ Integrated programmes, processes and systems. ✓ Audits, inspections and assurance reviews. ✓ ORR feedback and engagement. ✓ Board governance and business continuity plans. 	<ul style="list-style-type: none"> ✓ Clear governance and performance management in place and in use. ✓ TfW audit and assurance programmes linked to governance. ✓ Regular interactions with ORR. ✓ Business continuity management. 	Less than six months
Coronavirus recovery and future impacts.	<p>Recovery in the number of customers and revenue following the coronavirus pandemic.</p> <p>Risk that cases of the coronavirus pandemic may rise again in the UK, impacting the business through ill health of employees and customers, supply chain and return to strict measures.</p>	<ul style="list-style-type: none"> ✓ Safe removal of coronavirus measures, maintenance of others and communication of travel safer programme to enhance customer confidence. ✓ Maintenance of coronavirus measures such as increased ventilation, antiviral cleaning materials and the capacity checker. ✓ Established business continuity programmes, monitoring of government and industry data. 	<ul style="list-style-type: none"> ✓ Removal of some measures allows for return to normal operations for front-line staff and catering services. ✓ Communications on trains and stations, and via social media. ✓ Intelligence led revenue protection programmes. ✓ Monitoring the coronavirus pandemic cases through government, health services and local resilience forums. ✓ Established programmes for monitoring linked to business continuity planning. 	Less than three months
Delivery of the Core Valley Lines transformation.	<p>Risk that the CVL transformation programme is not delivered to time and budget and that the system is not properly integrated. Delays in the programme could potentially lead to the loss of ERDF funding.</p>	<ul style="list-style-type: none"> ✓ Robust programme and project management and management controls. ✓ Regular programme reviews Implementing improved governance and scrutiny. 	<ul style="list-style-type: none"> ✓ Regular programme reviews and re-baselining been undertaken. ✓ Maintenance and priority focus on ERDF milestones. ✓ Board sub-committee in place to monitor and support major projects. 	Less than three months
Extreme weather events.	<p>Continued risk of major disruption to the network caused by extreme weather events such as flooding, heavy snowfall and storm force winds.</p>	<ul style="list-style-type: none"> ✓ Joint seasonal disruption programmes and strategies. ✓ Monitor weather warnings and forecasting. ✓ Vegetation management and assessments for dead, dying and diseased trees. ✓ Review of flood sites and remediation programmes. ✓ Allowing season tickets to be used on other nearby lines and maintaining agreements with bus operators. 	<ul style="list-style-type: none"> ✓ Seasonal change and preparation meetings in place with Train Operations and Infrastructure Managers. ✓ Rail replacement services in contract. ✓ Development of the TfW climate resilience and adaptation plan. 	Less than three months

Our Board

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

Non-Executive Directors

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

Executive Directors

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

Board committees

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

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





Scott Waddington

Chair

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

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

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

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



Sarah Howells

Non-Executive Director

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

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

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

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



Alison Noon-Jones

Non-Executive Director

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

Alison is currently the Vice President, People and Culture for Leidos UK and Europe. She's responsible for leading a team of 25 HR professionals, providing HR services to support the \$500m business which includes 1,200 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 Logistics Commodities Service Transformation programme, an £8bn defence logistics programme for the Ministry of Defence.

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

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



Nicola Kemmery

Non-Executive Director

With extensive experience gained over 29 years, Nicola is the Health and Safety Director 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 22 years.



Alun Bowen
Non-Executive Director

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

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

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



Vernon Everitt
Non-Executive Director

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

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

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



James Price
Chief Executive

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

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

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

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



Heather Clash
Executive Director, Finance and Governance

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

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

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

Board committees and reports from their chairs

Audit and Risk Committee

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



Alun Bowen
Chair, Audit and Risk Committee

Highlights of 2021/22

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. The most material matter, as last year, has been the valuation of TfW's infrastructure assets, particularly in light of the continuing investment in the CVL.

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. The enhanced risk function has worked hard to implement the three lines of defence model in the larger organisation and there is now a common understanding, although there remains a lot of work to do.

The committee places great importance on the quality and effectiveness of the audit carried out by its external auditor KPMG. The committee looks to the audit team's objectivity, professional scepticism, independence and its relationship with management to assess quality and effectiveness. We meet regularly on a private basis to ensure that any issues are understood and communicated without management present.

Similarly, internal audit is a vital function in the three lines of defence model. I have met with the entire internal audit team during the year, so that they have a clear understanding of my and the committee's issues and expectations. They are doing an excellent job and our regular interaction will continue.

The Audit and Risk Committee published a draft audit and assurance policy for consultation in 2022. The finalised audit and assurance policy for the three years ending 31 March 2025 was published at the same time as this annual report and is available [here](#).

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. I have regular meetings with those responsible for the Welsh language within TfW to ensure matters are progressing as speedily as they can and that there is sufficient focus by all levels of management on Welsh language issues.

2022/23 priorities

The audit and assurance policy for the three years ending 31 March 2025 sets out a number of the audit and risk committee's plans for 2022/23.

In particular plans for oversight over:

- ✓ the external audit tender process which commenced in June 2022
- ✓ the continuing enhancement of the risk management and internal control processes at TfW
- ✓ a project on enhancing the internal controls in the financial and non-financial reporting, operational and compliance systems
- ✓ fraud risk
- ✓ internal audit's plans.

In addition, the committee will focus on ensuring that:

- ✓ the non-financial reporting processes within TfW continue to evolve and that the systems and process and the assurance over them move towards being the same standard as for financial information
- ✓ the opportunities for the Welsh language provided by continuing digitalisation are fully embraced
- ✓ TfW is fully transparent in communicating all aspects of financial and non-financial activity in a way that is readily accessible and understandable to all of our stakeholders.

Customer and Communications Committee

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

The committee ensures our customers are placed at the heart of everything we do and that there is a clear plan in place to achieve the service delivery and transformation that our customers expect.



Sarah Howells
Chair

Highlights of 2021/22

- ✓ Continuous review and monitoring of passenger feedback concerning safe travel throughout the coronavirus pandemic, ensuring key learning points were identified and suitable actions then taken to address any concerns.
- ✓ Monitoring of our demand responsive travel fflexi pilots, delivering ongoing improvements and ensuring high levels of service are provided.
- ✓ Scrutiny of operational performance metrics and ensuring that suitable improvement initiatives are implemented where relevant.
- ✓ Monitoring the delivery of digital improvement initiatives, such as the rail capacity checker and reservation booking tool.
- ✓ Continuous review of the Metro transformation performance, paying particular attention to community engagement and rail replacement service performance. Where the need for improvement has been identified, suitable action has been taken.
- ✓ Scrutiny of station investment programmes, ensuring they enhance the customer experience.
- ✓ Participating in the development and launch of 'The Real Social Network', TfW's first large-scale, multi-modal behaviour change marketing campaign.
- ✓ Support for the development and launch of TfW's new 'one domain' website and app, which includes a new retail capability.

Priorities for 2022/23

- Continued delivery of our ongoing 'travel safer' programme, maintaining focus on ensuring passengers feel safe when traveling by public transport as we move beyond the coronavirus pandemic.
- Monitoring and reviewing our multi-modal behaviour change campaign as well as our station investment programmes, ensuring customer feedback and safety drives prioritisation.
- Monitoring the development and delivery of next-generation ticketing pilots across Wales along with the development of multi-modal fares and ticket products. This will include a review of fares, development of multi-modal ticketing pilots and a review of multi modal fares.
- Development and monitoring of the customer contact programme, which aims to provide improved information and support to our customers in Wales and the border regions.
- Development of demand responsive transport fflexi services, providing innovative technology for customers who use the service.
- Continued scrutiny of operational performance and monitoring of on-going rail replacement services.

Health, Safety and Well-being Committee

The Health, Safety and Well-being Committee provides assurance to the TfW Board that its interests and accountabilities regarding health, safety and well-being are appropriately managed.

The committee ensures that robust measures are in place in relation to the activities of the company as they affect the general public (including passengers), direct and indirect employees, contractors and suppliers. The committee makes recommendations, creates challenge and reinforces positive activities to promote continuous improvement and shares best practice.



Nicola Kemmery
Chair

Highlights of 2021/22

- ✓ The committee has reviewed its role and remit and widened membership to ensure that we're effectively engaging with all aspects of TfW activities, including any new activities or acquisitions.
- ✓ We've closely monitored the on-going health and safety risks to employees and customers from coronavirus. There has been a continued focus on preventing anti-social behaviour and ensuring a safe travel experience for customers and employees.
- ✓ There has been continual improvement in health and safety risk management across TfW activities. Where there have been incidents, either within TfW or the wider rail industry, key learning points have been identified and suitable improvement actions taken.
- ✓ The committee has also observed effective implementation of a range of health, safety and well-being improvement initiatives including:
 - 'Visible Felt Leadership' tours to ensure senior management are actively engaging with front-line colleagues
 - external partnership working with British Transport Police and the School of Hard Knocks to tackle crime, trespass and antisocial behaviour
 - investigation of the causes of Signals Passed at Danger and subsequent interventions to prevent future incidents
 - increased engagement with contractors, particularly those working on CVL infrastructure improvements.

Priorities for 2022/23

- We'll continue to monitor health, safety and well-being performance across all TfW activities, ensuring that we're effectively monitoring the performance of our contractors and increasing the level of monitoring and assurance audits for key activities.
- We'll support visible health and safety leadership, including safety tours conducted by our senior leaders and staff health and safety briefings. We'll also encourage shared learning.
- We'll monitor the safe return to office working and the increase in use of our services following the removal of many coronavirus restrictions.
- We'll foster a culture of continuous improvement, ensuring that teams identify opportunities for further improvements to manage risks and prevent injuries and ill health.
- We'll ensure 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.

Major Projects Committee

The Major Projects Committee is responsible for ensuring a rigorous focus by the executive on major project safety, delivery, controls and risk management.

The committee takes regular reports on project delivery on behalf of the TfW's Board and monitors and challenges the risk mitigation and control environment put in place by the executive.



Vernon Everitt
Chair

People Committee

The People Committee assists the Board through its oversight of the company's people strategy. This includes the attraction, development and retention of talent and development of the overall business culture.

The committee ensures that the company's policies and practices are consistent with TfW values and support long-term sustainability.



Alison Noon-Jones
Chair

Highlights of 2021/22

- ✓ We've continued with our focus on safe project design and delivery and the recovery of projects from disruption caused by the coronavirus pandemic.
- ✓ We've emphasised the need to support the health, safety and well-being of everyone working on major projects and reinforced that safety should always remain the top priority.
- ✓ We've monitored the continuing roll out of systems and controls for managing the end-to-end project lifecycle and effective risk management implemented by the executive.
- ✓ We've monitored the development and further maturity of the project management office as a key mechanism for the effective management of major projects.
- ✓ We've taken regular reports of progress on specific project delivery (including CVL transformation, bus projects, renewals and station and rolling stock upgrades) to ensure that the impact, if any, of the coronavirus pandemic on cost and delivery has been fully assessed.
- ✓ We've continued to focus on how the maintenance and renewal programme can build greater resilience against climate change and major extreme weather events.

Priorities for 2022/23

- We'll continue to focus on the safe design and delivery of major projects, recovery from any disruption caused by coronavirus and the health, safety and well-being of everyone working on the projects.
- We'll monitor the effective delivery and risk management of major projects including CVL, the bus network, infrastructure, rolling stock upgrades and active travel.
- We'll monitor the effective implementation of the renewals programme to provide greater service resilience.
- We'll continue to monitor the maturity and effectiveness of the Project Management Office.

Highlights of 2021/22

- ✓ Maintaining excellent relationships and partnership with the core representative union bodies.
- ✓ Increasing and continuing our commitment to make TfW a diverse and inclusive workplace.
- ✓ Embedding new ways of attracting people from diverse backgrounds by presenting more inclusive job adverts and using social media appropriately to share and celebrate our news and successes.
- ✓ Focusing on our internal talent with over 65 promotions across the business while facilitating deep-dive talent reviews to enable succession planning.
- ✓ Supporting continuous learning through the design, pilot and delivery of the early stages of our 'Leading With...' programme.
- ✓ Continuing to deliver our action plans in support of closing our gender pay gap.
- ✓ Launching monthly well-being campaigns to promote and support well-being for all and the launch of People Boards for the senior leadership team.

Priorities for 2022/23

- Continue to align practices related to attraction, development and compensation policies that will support our cultural journey.
- Maintain focus on employee safety and well-being through supportive practices for a healthy work-life balance.
- Celebrate the diversity of our employee population and the differentiation they bring to TfW each day; facilitating the participation of more women in the transport sector across Wales and empowering our people to direct their learning and growth.
- Ensure the application of fair and consistent reward and recognition processes to retain our talent; monitoring market influences and trends to ensure competitiveness in our total reward proposition.
- Applaud innovation and individuality; continuing to use all appropriate communication channels to share and celebrate the success of our people, our partners.
- Maintain a culture of respect, collaboration and commitment to excellence.
- Create internal mobility options through robust management development.
- Support the development and shaping of our operations and organisational model including the full integration of PTI Cymru.
- Continue to provide high level HR business partnering focused on the transfer and effective delivery of the industrial relations strategy.

Remuneration Committee

The Remuneration Committee sets the company's remuneration policy to ensure fairness and consistency in both executive compensation and its wider approach to pay and benefits.



Alison Noon-Jones
Chair

Our core objective is to ensure the attraction, development and retention of high quality staff. The Remuneration Committee diligently reviews its own performance to ensure that it's operating at maximum effectiveness.

Highlights of 2021/22

- ✓ 100% retention of a high performing executive team.
- ✓ Appointment of additional and relevant business leadership skills that support the extended coverage of TfW's responsibilities within Transport for Wales Rail Ltd.
- ✓ Delivery of a satisfactory conclusion to internal changes and leadership responsibilities in support of strategic development and growth plans.
- ✓ Maintaining excellent relationships with the Welsh Government and other key stakeholders.

Priorities for 2022/23

- Increasing and continuing our commitment to make TfW a diverse and inclusive workplace.
- Supporting gender pay balance through our focus on increasing diverse senior talent to executive appointments.
- Creating internal executive development through stretch assignments.
- Supporting the development and shaping of our operations and organisational model including the full integration of PTI Cymru.
- Providing opportunity for executive development through wider external networking and speaker assignments.



Corporate governance statement

As TfW's Chief Executive and Accounting Officer, I am personally responsible for the overall management and governance of the TfW group of companies including its three subsidiaries – Transport for Wales Rail Limited, TfW Innovation Services Limited and Pullman Rail Limited.

This Governance Statement outlines how I have discharged my responsibility to manage and control TfW's resources during the year. TfW is committed to the highest standards of governance, accountability and transparency which are vitally important to the success of all aspects of the TfW group.

TfW is governed by:

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

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

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

TfW's Board

TfW's Board oversees all our 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
- 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 independent Non-Executive Directors scrutinise the performance of the executive in meeting agreed objectives. Members of TfW's executive team therefore regularly attend to present papers with recommendations and to provide up-to-date information.

A nominated Trade Unions observer joins the Board for part of the strategic session. The observer is elected by a process overseen by the Wales TUC and although 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 Declarations of Interest statement and complete a quarterly declarations of interest update. Declared interests are available on TfW's website. Declarations of interest are also made at the start of each meeting.

All Directors are expected to act in accordance with the seven principles of public life and have each signed the terms of TfW's Corporate Governance Framework which includes the Cabinet Office's Code of Conduct for Board Members of Public Bodies. TfW has chosen to comply with the Wales Corporate Governance Principles.

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

The following table shows directors' attendance at Board and sub-committee meetings for the year ending 31 March 2022:

Director	Board	Audit and Risk	Customer and Communications	Health, Safety and Well-being	Major Change Projects	People	Remuneration
Alun Bowen	8/11	4/4			6/7		
Heather Clash	11/11	4/4			6/7		
Vernon Everitt	11/11			3/5	7/7		
Sarah Howells	11/11	3/4	6/6				
Nicola Kemmery	10/11			5/5		3/5	2/2
Alison Noon-Jones	11/11		3/6			5/5	2/2
James Price	11/11		6/6		7/7		1/1
Scott Waddington	11/11						2/2

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 <https://trc.cymru/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.

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. Board membership currently has a gender split of four women and four men.

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:

- Audit and Risk - to provide assurance to the Board regarding risk management, internal control and financial reporting.
- Customer and Communications - to assist the Board in reviewing, monitoring and providing direction on topics related to customers in pursuit of delivering on 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.
- 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.
- Major Projects – to assist the Board to review and scrutinise major projects and recommend decisions associated with 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.

- People – to assist the Board in all issues relating to organisation structure and succession planning, compliance with policy, training and development, review and recommend compensation policy, executive compensation and benefit plan administration.
- Remuneration – to set the principles and parameters of remuneration policy for TfW and oversee remuneration policy and outcomes.

From June 2022, the Remuneration and People committees will be combined to also include remit for Board nominations. A People, Remuneration and Nominations Committee will be formed.

Each committee is chaired by a Non-Executive Director and meets at least quarterly. The Major Projects and Customer and Communications Committees meets bi-monthly. Each Board sub-committee has delegated authority from the Board to carry out the duties defined in its terms of reference. The Chair of each sub-committee updates the Board on 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.

The executive leadership team

Our executive leadership team comprises myself as Chief Executive Officer, and eight other members who are focussed upon TfW's day-to-day management including rail. The executive leadership team meets weekly to discuss and take decisions on 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 executive leadership team meetings comprised the following, each on a four-weekly basis:

- Executive Committee – 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 leadership 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 Ltd's Board

Transport for Wales Rail Ltd's 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 Transport for Wales Rail Ltd's Managing Director. In turn, the TfW Board holds me to account for Transport for Wales Rail Ltd's performance. Other members of the TfW Rail Board include TfW Rail's Managing Director and Chief Operating Officer, a TfW Board member/Executive Director, a TfW Executive Director with responsibility for transport operations and one independent Non-Executive Director who also chairs the Transport for Wales Rail Ltd's Safety Committee

TfW Innovation Services Ltd's Board

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

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

Pullman Rail Ltd

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

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

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

Framework of internal control

All bodies funded by public money in Wales are subject to internal and external controls to ensure compliance with frameworks from the Welsh Government such as Managing Welsh Public Money. 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. The Audit and Risk Committee monitors and evaluates the effectiveness of internal control systems with assurance obtained using the "three lines of defence" model.

Our schedule of delegations sets out where authority rests within the company for particular decisions made in the name of or on behalf of TfW and where the Board has delegated any such decision to the Executive or one of the Board's sub-committees. The schedule sets out matters reserved solely for the Board and covers both corporate decision-making and spending authorities. The Board reviewed the schedule of delegations reserved for the Board in June and December 2021. These will be reviewed again in June and December 2022.

Financial governance, management and control

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

Counter fraud, counter bribery and whistleblowing

TfW takes a 'zero tolerance' approach where fraud, bribery or corruption is concerned. TfW has an Anti-Fraud, Corruption and Anti-Bribery Policy and Procedure and a Whistleblowing Policy and Procedure. Any suspected cases of fraud or corruption are fully investigated, and disciplinary and/or legal action is taken where appropriate in line with our policy. In 2021-22, there were no reported cases of fraud, corruption or bribery in TfW.

All TfW staff are required to undertake Anti-Bribery and Money Laundering training. Our Whistleblowing Policy and Procedure is designed to ensure a culture of confidence and a safe environment should a concern be raised 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 2021-22, TfW received 169 requests for information and met the statutory deadlines for nearly all requests.

Risk Management

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

We use risk registers to 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

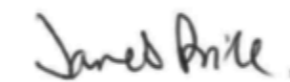
TfW's prime source of assurance comes from identifying how well its objectives are being met and risks managed. As well as TfW's internal audit arrangements, assurance is also obtained through monthly reports to the Board, Board sub-committees, the executive leadership team, risk registers and other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

TfW is also subject to external reviews. During the year, I gave evidence to the Senedd's Climate Change, Environment, and Infrastructure Committee.

Our internal audit activities continue to evolve and strengthen. The Audit and Risk Committee approved the internal audit plan for 2021-22 in April 2021. Following the addition of Transport for Wales Rail Ltd to the Group, the plan was extended and reviewed by the Audit and Risk Committee in June 2021 and an additional Internal Auditor was recruited to strengthen delivery.

During the year we have audited governance across the TfW group as well as cyber security, risk management, financial systems and payroll management. We have also audited specialist areas of grant management, community benefits, European funding claims, timetable governance and the management of compensation events at Transport for Wales Rail Ltd. 30 audits were undertaken during the year and these included recommendations for continuous improvements with the audit findings.

I am satisfied that for the financial year 2021-22 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 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 2022. 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 will require a long-term view.

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

The Welsh Government issues TfW with a remit letter, and a separate funding letter for the budget allocated to carry out specific activities for that financial year. Alongside this, the Welsh Government also issues other direct instructions over the course of the year for specific projects. As a result of changing circumstances mainly due to the coronavirus pandemic, for the year ending 31 March 2022, TfW's budget was confirmed by the Welsh Government outside the remit letter within a funding letter issued in August 2021.

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 CVL, the development of the North Wales and South Wales Metros and achieving a future with lower carbon emissions.

We've been developing a corporate plan until 31 March 2026, which will set out our objectives for that period and our estimate of the capital and revenue requirements to fulfil the plan. This plan will be agreed and published in the year ending 31 March 2023.

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

Short-term resilience

The directors have determined "short term" for the purpose of this resilience statement as the 12 months after the signature of the financial statements: 30 June 2023. This coincides with the period of the directors' assessment that TfW is a going concern for the purpose of preparing our financial statements.

During the year ending 31 March 2022, the funding support provided by the Welsh Government has demonstrated its willingness to provide financial support at times of extreme stress. The Welsh Government has also written to our directors confirming its commitment to fund TfW and its subsidiaries for a period of at least 12 months from the date of signing our financial statements.

Medium-term resilience

TfW's audit and assurance policy, after consultation with stakeholders, includes two potential scenarios to illustrate TfW's resilience:

- financial sensitivity to changes in transport passengers' behaviour
- financial sensitivity of potential delays in TfW's capital expenditure and regeneration programme.

The Audit and Risk Committee has chosen to illustrate the financial effect of the first scenario, by using a 10% rise or fall in rail passenger numbers. This sensitivity assumes that the mix and the average spend per passenger stays the same and management does not carry out any steps to discourage or encourage demand. Such a rise or fall, which also does not take into account potential overcrowding in peak time in the event of a rise in passenger numbers, would lead to a reduced or increased revenue funding requirement from the Welsh Government of some £16 million per annum.

In relation to the second scenario, which the Audit and Risk Committee has chosen to apply to the CVL, and ignoring any revenue implications, would primarily give rise to a loss of funding from European Regional Development Funds, as expenditure after the final date would not be eligible to receive those funds. A three-month delay to the CVL programme of works, with no activity in the period, and assuming no mitigating actions are taken by TfW management (an unlikely scenario) would result in a £40 million capital shortfall on the project.

Longer-term resilience

In the period post-2027, 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 challenges are set out in the separate section on climate change
- future potential changes to Welsh and UK transport policy.

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





Section 172 statement

Engagement and decision making

S172(1) reporting

Our directors are bound by their duty to promote the success of TfW in accordance with Section 172 of the Companies Act 2006. This statement outlines the way in which this duty has been discharged by our directors over the course of the past year for the benefit of our staff, customers, stakeholders and our owner, Welsh Government; meeting our obligations as set out in Section 172(1) (a) to (f) of the Companies Act 2006. We've also integrated our reporting across the content of this annual report to further demonstrate the ways in which we've kept our staff, customers, stakeholders and owner, Welsh Government at the heart of all decision making and key activity: see pages 4 to 61 for our full strategic report; pages 12 to 13 for the coronavirus pandemic-safe considerations; and pages 68 to 75 for Board and Board committee reports.

Our Directors acknowledge that not every decision they make results in a positive outcome for all stakeholders. Yet, by giving careful consideration to the company's strategic priorities and following robust decision-making processes, our directors aim to ensure that their decisions are trusted, fair and consistent.

Our approach

Our Board is responsible for leading stakeholder engagement, ensuring that we fulfil our obligations to those impacted by our work. Listening to our stakeholders is more essential now than it has ever been as we continue recovering from coronavirus and face the challenging task of balancing the needs and expectations of all our stakeholders as restrictions continue to ease and operational requirements change.

We're working hard to engage with a range of representative groups to ensure we receive the crucial input and feedback required to achieve a truly inclusive and accessible public transport network in Wales. Our advisory panel continues to meet on a quarterly basis and includes representatives from customer groups, government, industry and persons of protected characteristics. The panel provides feedback, scrutiny and advice to TfW on a wide range of topics and issues to demonstrate that we're listening and receiving a steer directly from the user groups and communities across our Wales and the borders network.

Our four regional stakeholder forums continue to meet, covering North Wales, Wales and the borders, South East Wales and Mid and West Wales. Each forum is comprised of local authorities, education bodies, regional transport authority partners, transport watchdogs, business and tourism partners. Each forum takes place quarterly and is chaired by the stakeholder manager for the region, supported by our community engagement officers. These interactive sessions are designed to ensure we capture local input and feedback relating to all public transport issues; from changes to our rail timetable to our plans for tackling anti-social behaviour across the network.

Plans have also been announced to establish the North Wales Transport Commission, led by Lord Terry Burns, Chair of the existing South East Wales Transport Commission. The North Wales Commission will use an evidence-based approach to make recommendations on how to improve transport links across the rural, urban, coastal and inland communities of North Wales by building a reliable, integrated transport system that will meet their needs now and in the future. TfW will support the work of the Commission, with members of our active travel team appointed as advisory members.

Key strategic decisions made by our Board are made within the confines of our delegated authority from the Welsh Government and appointed remit. Many of the key strategic decisions made this year were either approved by the Welsh Government or required ministerial approval. As such, they were subject to both 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 the following section, we've 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.



Stakeholder groups

1. The Welsh Ministers and Welsh Government

Engagement with the Welsh Ministers, through the Welsh Government, is an ongoing process. The Welsh Government Steering Board provides ongoing support and guidance at a strategic level, providing effective leadership and governance by facilitating strategic discussions about TfW's future remit and direction while also providing scrutiny and oversight. The steering Board meets monthly and is attended by the chair of TfW, TfW chief executive, senior Welsh Government officials and a Welsh Government non-executive Director.

Strategically important decisions are also taken at the Welsh Government's Operational Board, a monthly meeting established to provide assurance to the Welsh Government of TfW's performance in delivering our remit. TfW continues its long-term planning with the Welsh Government, with the transformation of the CVL and development of proposals for the South Wales, North Wales, and South West Wales Metros remaining a key focus, as well as responding to the recommendations of the South East Wales Transport Commission.

How the Board is kept informed

The Chair gives an update at each meeting of the TfW Board outlining discussions and decisions made at the previous Steering Board meeting. The Board also receives a monthly update from our Chief Executive which will include details of Welsh Government discussions and decisions.

2. Our customers

Keeping our customers at the heart of every decision we make is a crucial element of our Board's strategy. Over the last year, we've worked hard to keep our customers safe during at each stage of the pandemic, as restrictions have tightened at some points and eased again at others, promoting measures to minimise the risk of spreading coronavirus. We continue promoting our 'Travel Safer Campaign' and 'Capacity Checker' online, and ensure up-to-date messaging is provided at all our physical locations. Looking ahead, as passenger number increase in response to easing restrictions, we continue to develop our customer offering by regularly surveying customer and advisory groups. In turn, this valuable insight informs key activity to enhance customer experience.

How the Board is kept informed

Every Board meeting starts with a 'safety and customer 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 and speak at our all-company calls, which they frequently do. This is the perfect opportunity for Board members to engage directly with our people, answer questions and receive feedback on a variety of issues. The Board also receives regular updates from our Executive team concerning important matters affecting our people so that it may explore solutions, assess culture and behaviour, measure the success of people initiatives and delivery of our people strategy.

4. Our communities

The Board continues to monitor and value the connections we've established with the communities we serve. We continue to support the Community Rail Network to ensure that an increasing number of lineside communities across our network have access to a local Community Rail Partnership. The Community Rail Network seeks to ensure all lineside communities get the most from their railways by promoting social inclusion and sustainable travel, with each local partnership working to deliver an agreed activity plan. Each partnership meets quarterly to monitor progress against; and explore how TfW can better support the delivery of their annual activity plans.

We also continue to maintain our close working relationship with our independently chaired advisory panel, which meets on a quarterly basis. The panel is comprised of 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. The panel receives key activity updates from TfW and in turn, provides advice, guidance and support to aid our delivery of long-term aims and objectives.

How the Board is kept informed

The Board receives monthly updates by way of the Chief Executive's report, which is submitted for each meeting. The report details our ongoing engagement with the communities we serve and highlights where residents may be impacted by our programme of works or changes to our services. The Chair and Chief Executive of TfW have also attended our advisory panel meetings where they have received direct feedback from members.

"We continue to focus on improving our supply chain, an essential element of our procurement strategy."

5. Suppliers

Our long-term supplier partnerships are vitally important to delivering our services and projects. We continue to focus on improving our supply chain; an essential element of our procurement strategy and one that can only be driven forwards through continued close engagement with our suppliers. This has been done through various strategic and tactical approaches to ensure we continue to attract a wealth of organisations that share our values and commitment to our vision.

While the pandemic has prevented us from meeting directly with the market, we've continued to provide regular digital supply chain platform events, ensuring TfW and our delivery partners are accessible to the supply chain, addressing topical issues and promoting our pipeline of opportunities. Our partnership continues with the Supply Chain Sustainability School, raising awareness and assisting with upskilling our supply chain in all aspects of sustainability and ethical practices.

In line with our equality, diversity and inclusion objectives, we continue to promote our Fairness Inclusion and Respect programme, with trained ambassadors across our business and supply chain to promote an inclusive culture. TfW continues to serve as a member of the Craidd Alliance in partnership with Balfour Beatty, Siemens Mobility, Alun Griffiths Contractors Ltd and Amey Infrastructure Wales. The alliance was awarded ISO44001 accreditation in recognition of its approach to sharing its resources, experience and skills to benefit its suppliers, customers and partners. It is the world's first rail alliance to secure the accreditation.

How the Board is kept informed

The executive team 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. The Board continue to focus on risks pertaining to the impact of coronavirus, the UK's exit from the EU on our supply chain and the and the war in Ukraine.

Transport decarbonisation statement

The UK Climate Change Committee has proposed a carbon reduction pathway to achieve net zero in Wales. It proposes that emissions from land transport need to be roughly halved between 2020 and 2030.

We'll support the delivery of a significant reduction in greenhouse gas emissions from transport in Wales through the provision of low-carbon services and infrastructure and by enabling modal shift from cars to public transport, walking and cycling. This is in line with the UK Climate Change Committee recommendations and our commitment to the Welsh public sector target of net zero by 2030.

Governance

The TfW Board recognises climate change as a material matter for our 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 carbon emissions to net zero by 2050.

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

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

Strategy

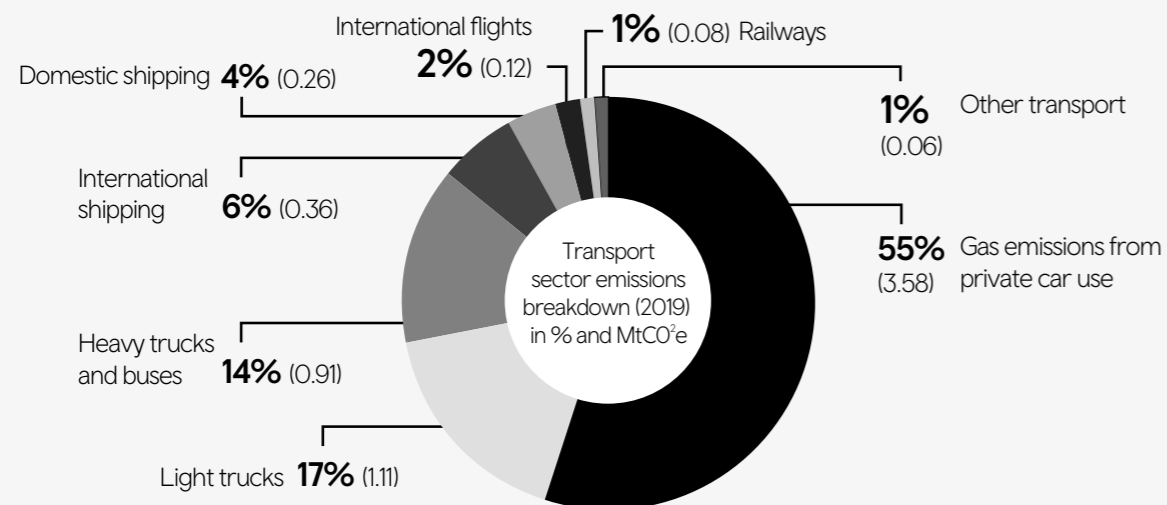
We're currently developing our 'net zero plan' which will be published later in 2022. It will set out in detail our strategy and targets to decarbonise emissions from our estate and activities in support of the Welsh public sector target of net zero by 2030.

We've also recently recruited a Climate Change Manager and have plans in place to recruit two new posts: a Carbon Reduction and Resilience Lead and an Adaptation Officer.

An analysis of our carbon footprint indicates that the majority of TfW's carbon emissions result from Scope 3 activities (largely construction). The primary emitting activity within Scope 1 is diesel fuel, used in passenger trains across Wales. The remainder of the carbon footprint is from operations and activities related to railway stations, depots and offices.

We produce an organisational carbon footprint every year. It is based on a calculator developed by The Carbon Trust which calculates our Scope 1, 2 and 3 emissions.

Transport sector emissions in Wales in 2019 (MtCO₂e)



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.

Our climate resilience and adaptation plan details how we will assess and manage climate risk across our networks and operations.

Climate adaptation and resilience

We work closely with Network Rail which owns the majority of the rail assets in Wales. It has undertaken climate change risk assessments on the railway and, in December, published a new adaptation report. It also has a route weather resilience plan for 2019-2024.

We took over ownership of the CVL in March 2020 with Amey Infrastructure Wales (AIW) acting as our delivery partners. AIW is responsible for complying with Network Rail's Standards, which includes the development of plans for the management of assets during extreme weather (NR/L3/CIV/190).

As part of our asset management duties, we have created a strategic asset management plan (SAMP). It highlights the strategic vision of the management of the assets, including drainage, structures and earthworks. The SAMP sets out a vision for the state of the assets and highlights key activities associated with our improvement of asset knowledge and resilience. In addition, in line with ISO 55001, AIW produces asset management plans, which are aligned with our 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 risk with known flooding sites using data from Natural Resources Wales for river and rainfall flooding.

Discussions are currently taking place between TfW and other organisations, such as Natural Resources Wales and Dwr Cymru Welsh Water, about collaborative working. This includes setting up a memorandum of understanding to enhance understanding of assets and promote a joint approach to understanding and implementing resilience.

This will set out the planned actions we'll deliver to ensure our network and operations are able to withstand the extreme weather events that Wales is likely to experience as the climate changes over the course of this century.

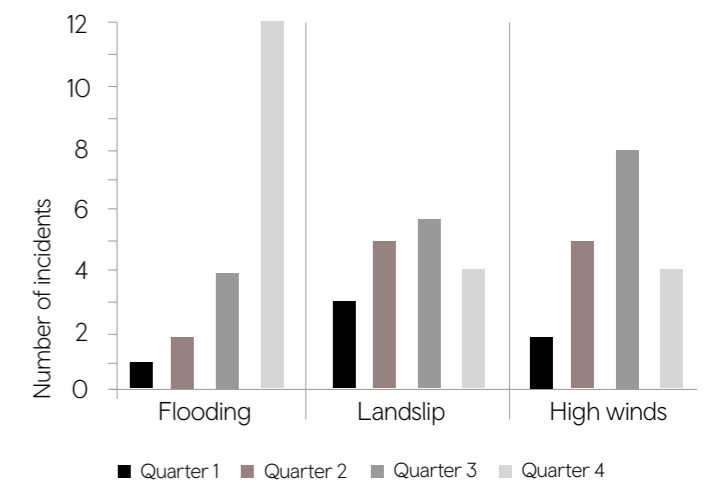
In line with best practice, the plan has been developed in accordance with the latest Met Office Hadley Centre UK climate change projections (UKCP18). The Climate Change Committee advises that TfW should "prepare for 2°C warming and assess the risks for 4°C". As such, we are using UKCP18 projections (for temperature and rainfall) that are broadly equivalent to a 2°C and 4°C warming scenario. However, due to uncertainties in ice sheet response to increasing temperatures, we are using a 4°C + warming scenario for sea-level rise. All projections are relevant to the Cardiff region (Cardiff Bay in relation to sea-level rise) and are against a 1981-2000 baseline.

A desk-top study of climate risk will be undertaken in accordance with the above projections for the CVL area. Further risk assessments will be undertaken in the field to ascertain risks that are likely to arise during the near term (2021-2040) and mid-long term (2040-2100) in areas of the network that are currently vulnerable to extreme weather events. We'll develop robust strategies to ensure the CVL network is climate-resilient during these time periods.

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 as leaves and dying trees can fall across tracks and on to trains. This severely affects the services we provide.

Total number of weather incidents by quarter (2021/22)



Metrics and targets

The principal metrics we use to assess and manage climate-related risks are:

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

Actions to reduce our emissions

- ✓ Our new train fleet, which will start to run on our network from 2022, will be more fuel efficient, and will run on a mix of diesel, battery and electric.
- ✓ 15,600 kWh of zero emission renewable electricity is generated by our solar panels each year. We directly use this energy and plan to double the panel area by end of 2022.
- ✓ Our Pontypridd headquarters uses a rainwater harvesting system that holds up to 45,000 litres, reducing our demand on water supplies and lowering our Scope 3 emissions.
- ✓ We're committed to taking a nature-first approach when building climate change resilience into our network. We'll look to use nature-based solutions in our climate change adaptation plan.

More information can be found in our [carbon emissions report](#).

Progress on targets

In 2022 we published our baseline emissions in line with the Welsh Government's Public Sector Net Zero Reporting Guidance.

Following this assessment of our emissions, our supply chain was shown to be the highest emitting activity. As we progress our transformation programme, our supply chain emissions will continue to be elevated.

However, while our supply chain emissions are currently high, the investment in the creation of an integrated, multi-modal sustainable transport system will provide a long-term reduction in emissions in Wales' transport sector. We'll continue to explore opportunities to reduce emissions from our supply chain, to ensure all of our emissions are properly accounted for and minimised as far as is reasonably practicable.

Following analysis of our supply chain emissions, the three highest emitting categories in 2021/22 were:

- construction (255,858 tCO₂e)
- railway transport (services) (209,686 tCO₂e)
- architectural and engineering services; technical testing and analysis services (24,454 tCO₂e)

"The creation of an integrated, multimodal sustainable transport system will provide a long-term reduction in emissions in Wales' transport sector."

Scope 1, 2 and 3 emissions

Emitting activity	2021/22 emissions tCO ₂ e
Scope 1 (direct emissions)	
Gas	584
Fuels	84,571
Scope 2 (indirect emissions from grid-supplied energy)	
Electricity	2,736
Scope 3 (other indirect emissions)	
Gas upstream losses	100
Fuel upstream losses	19,393
Waste and recycling	19
Water supply	12
Water treatment	21
Supply chain	196,879
Electricity upstream losses	1,018
Renewable energy generation	0
Business mileage	25
Business mileage upstream losses	7
Commuting mileage	144
Commuting mileage upstream losses	40
Land use emissions	
Net emissions from TfW land assets	-702
Total 2021/22 emissions	304,846

Under the Welsh Public Sector Net Zero Reporting Carbon Guide we prepared our 2020/21 corporate carbon emissions report and estimated our total footprint to be 242,756 tCO₂e (Revised May 2022)*.

An assessment of our corporate emissions indicates our total footprint for 2021/22 was 304,846 tCO₂e. This represents an overall increase of 26% compared to 2020/21, which equates to 62,090 tCO₂e. This is attributed to an increase in our service provision following the lifting of coronavirus restrictions, in addition to increased spend as we progress with the transformation of the CVL.

Scope 1 emissions have increased by 32%, which is largely a result of our increased services. Our electricity consumption has only increased slightly which has resulted in an increase in Scope 2 emissions of 3% compared to the previous year. Scope 3 emissions have risen by 23% which can be attributed to an increase in expenditure and inclusion of the assessment of business travel and commuting emissions - absent from last year's report due to there not being any underlying activity data. Our supply chain is still our primary emitting activity, accounting for 196,879 tCO₂e - an increase of 22% compared to 2020/21.

*Following reporting methodology changes, the 2020/21 carbon report was revised from the original report to WG in October 2021.

Risks and opportunities

Risk	Opportunity
Short-term (1-2 years)	Short-term (1-2 years)
Change in travel behaviour due to the coronavirus pandemic could affect opportunities for modal shift.	We'll have increased responsibilities for electric vehicles, zero tailpipe emission buses and taxis and active travel that could reduce the footprint of the people of Wales.
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 electric vehicle charging could lead to significant modal shift.
Delay in the completion of the South Wales Metro could impact our carbon reduction targets.	The completion of South Wales Metro could further significantly increase the extent of modal shift.
An increase in the incidence of flooding arising from climate change.	We see increasing opportunities, in collaboration with partners, to develop our own renewables, such as thin film solar and trackside renewables and also reduce our energy consumption through, for example, the increased use of LED lighting. These measures will reduce our reliance on the national grid and accordingly making us more resilient to adverse weather events.
	We'll deliver the actions identified in our Climate Resilience and Adaptation Plan.
Longer-term (over 5 years)	Longer-term (over 5 years)
Permanent flooding of track caused by sea-level rise.	The completion of North and South West Wales Metros could further significantly increase the extent of modal shift.



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 2021-22	Salary 2020-21	Pension benefits 2021-22	Pension benefits 2020-21	Total 2021-22	Total 2020-21
James Price Chief Executive Officer (seconded from Welsh Government)	160-165	160-165	30 - 35	70-75	190 - 195	235-240
Heather Clash Executive Director of Finance	130-135	125-130	10-15	10-15	140-145	135-140
Scott Waddington Non-Executive Director - Chair	30-35	35-40	-	-	30-35	35-40
Sarah Howells Non-Executive Director	20-25	5-10	-	-	20-25	5-10
Nicola Kemmery Non-Executive Director	20-25	5-10	-	-	20-25	5-10
Alison Noon-Jones Non-Executive Director	20-25	5-10	-	-	20-25	5-10
Alun Bowen Non-Executive Director	20-25	5-10	-	-	20-25	5-10
Vernon Everitt Non-Executive Director from September 2019	20-25	5-10	-	-	20-25	5-10

Pension Details

Director	Accrued defined benefit pension at pension age as at 31/03/22 £000	Real increase in pension and related lump sum at pension age £000	CETV at 31/03/22 £000	CETV at 31/03/21 £000	Real increase in CETV £000	Contribution to defined contribution scheme £000
James Price Chief Executive Officer (seconded from the Welsh Government)	70-75	0-2.5	993	931	6	-
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.

Fair Pay Disclosures

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

The banded remuneration of the highest paid director of TfW in the financial year 2021-22 was £160-165,000 (2020-21: £160-165,000). No employees received remuneration in excess of the highest paid director.

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

	2020-21		2021-22	
	Pay and benefits	Ratio	Pay and benefits	Ratio
25th Percentile	£32,848	5.0 times	£33,153	4.9 times
50th Percentile (Median)	£43,622	3.7 times	£43,231	3.8 times
75th Percentile	£55,825	2.9 times	£56,591	2.9 times

The 2020-21 disclosures have been restated from those reporting in the 2020-21 Annual Report to incorporate pay and benefits for employees across the whole TfW Group (i.e. Transport for Wales and Transport for Wales Rail Limited as at March 2021; Transport for Wales, Transport for Wales Rail Limited and Pullman Rail Limited as at March 2022). The year-on-year movement in the ratios is due to the change in composition of the Group (e.g. introduction of Pullman Rail).

Annual basic salaries for the Group ranged from £16,800 to £160-165,000 (2020-21: £15,756 to £160-£165,000).

The highest paid director's salary and allowances for 2021-22 is the same as that for 2020-21. The average change from the previous financial year in respect of salary and allowances for all Group employees (calculated by dividing total annualized salaries by the FTE number of employees) is 1.5%. This calculation excludes Pullman Rail Limited employees as Pullman Rail Limited was not part of the Group during 2020-21.

While salary increases within the TfW Group reflect the performance of individuals, there is a very limited amount of specific performance pay and bonuses above base salaries paid across the TfW Group to certain groups of employees (e.g. commission for front-line staff). The total performance related pay paid across the Group during the year ended 2021/22 was £151,443, which, when applied as an average across all employees in accordance with the FRM calculation requirements, has decreased by 64% compared to 2020/21. The reduction in average is primarily as result of reduced commission due to the coronavirus pandemic (conductor commission is paid twice annually six months in arrears, so the commission paid in 2020/21 related to the mostly pre-coronavirus pandemic period from October 2019 to March 2020). However, the vast majority of employees are not eligible for performance pay and as such this calculation has limited relevance to TfW Group.



Directors' report

Our Directors present their report for the year ended 31 March 2022.

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 2021-22.

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 48 to 57 and in the people committee report on page 73. Further information on employee engagement is included within the Section 172 statement on page 84.

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

Information on how we engage with our suppliers, customers and other stakeholders is included in our Section 172 statement on page 84. 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 **.

Political contributions

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

Whistleblowing procedures

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

Disclosure of information to auditor

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

Auditor

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

By order of the Board

James Price
Director/Chief Executive

3 Llys Cadwyn, Pontypridd, CF37 4TH
29 June 2022

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the group financial statements, state whether they have been prepared in accordance with 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 the parent company or to cease operations, or have no realistic alternative but to do so.

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

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



Financial statements

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Auditor's Report to the members of Transport for Wales

Opinion

We have audited the financial statements of Transport for Wales ("the company") for the year ended 31 March 2022 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 2022 and of the group's loss 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 these risks individually and collectively 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.

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 management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as valuation of assets. On this audit we did not identify a fraud risk related to revenue recognition due to the non-complex revenue recognition criteria, which limits the opportunity to fraudulently manipulate revenue.

We did not identify any additional fraud risks.

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

We performed procedures including:

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

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

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

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

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

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

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

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

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

Strategic report and directors' report

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 100, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

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

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

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

29 June 2022

Consolidated income statement

for the year ended 31 March 2022

	Note	2022 £000	2021 Revised £000
Revenue	2	537,365	121,654
Administrative expenses (2021 includes bargain purchase of £3,901,000 - see note 23)		(565,154)	(117,658)
Operating surplus being surplus before tax		(27,789)	3,996
Financial expenses	6	(1,289)	(270)
Interest receivable	6	13	10
Net financing income/(expense)		(1,276)	(260)
Surplus/(deficit) before tax		(29,065)	3,736
Taxation	7	(667)	513
Surplus/(deficit) for the year		(29,732)	4,249
Statement of other comprehensive income			
Items that will not be reclassified to profit or loss:			
Revaluation of property, plant and equipment	8	(549,624)	2,078,772
Remeasurements of defined benefit liability/asset	18	45	(60)
Effective portion of changes in fair value of cash flow hedges	19	6,171	973
Tax on other comprehensive income	7	(59)	(178)
Other comprehensive income for the year, net of income tax		(543,467)	2,079,507
Total comprehensive income for the year		(573,199)	(2,083,756)

The surplus for 2020-21 has been revised due to fair value adjustments during the measurement period following the TfW Rail acquisition - see Note 23.

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

The notes on pages 114 to 152 form an integral part of these financial statements.

Consolidated statement of financial position

at 31 March 2022

	Note	2022 £000	2021 Revised £000
Non-current assets			
Property, plant and equipment	8	2,681,987	3,037,097
Intangible assets	9	14,157	15,641
Goodwill	9	3,546	-
		2,699,690	3,052,738
Current assets			
Inventories	11	9,343	4,826
Trade and other receivables	12	133,732	99,389
Cash and cash equivalents	13	63,766	18,942
		206,841	123,157
Total assets		2,906,531	3,175,894
Current liabilities			
Trade and other payables	14	218,111	146,120
Lease liabilities	20	18,622	32,409
Provisions	15	673	209
		237,406	178,738
Non-current liabilities			
Lease liabilities	20	80,284	87,741
Deferred government grants	17	1,062,630	821,091
Employee benefits	18	1,140	1,206
Provisions	15	2,736	2,682
		1,146,790	912,720
Total liabilities		1,384,196	1,091,457
Net assets		1,522,335	2,084,437
Equity			
Share Capital		-	-
Retained surplus		4,810	4,876
Capital Contribution Reserve		11,097	-
Revaluation Reserve		1,499,526	2,078,772
Hedging Reserve		6,902	789
Total equity		1,522,335	2,084,437

The Group balances for 2021 have been revised due to fair value adjustments during the measurement period following the TfW Rail acquisition - see Note 23.

These financial statements were approved by the Board of Directors on 29 June 2022 and were signed on its behalf by:

J R Price
Director
Company registered number: 9476013

Consolidated statement of changes in equity

at 31 March 2022

	Retained Surplus £000	Capital Contribution Reserve	Revaluation Reserve £000	Hedging Reserve £000	Total equity £000
Balance at 1 April 2020	681	-	-	-	681
Total comprehensive income for the period					
Surplus (revised)	4,249	-	-	-	4,249
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	4,195	-	2,078,772	789	2,083,756
Balance at 31 March 2021	4,876	-	2,078,772	789	2,084,437
Balance at 1 April 2021	4,876	-	2,078,772	789	2,084,437
Total comprehensive income for the period					
Deficit	(29,732)	-	-	-	(29,732)
Other comprehensive income					
Revaluation of property, plant and equipment	-	-	(549,624)	-	(549,625)
Remeasurements of defined benefit liability/asset	45	-	-	-	45
Effective portion of changes in fair value of cash flow hedges	-	-	-	6,171	6,171
Tax on other comprehensive income	(1)	-	-	(58)	(59)
Total comprehensive income for the period	(29,688)	-	(549,624)	6,113	(573,199)
Capital Contribution from Owner	-	11,097	-	-	11,097
Transfer from Revaluation Reserve to Retained Surplus	29,622	-	(29,622)	-	-
Balance at 31 March 2022	4,810	11,097	1,499,526	6,902	1,522,335

The surplus for 2020-21 has been revised due to fair value adjustments during the measurement period following the TfW Rail acquisition - see Note 23.

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

Consolidated statement of cash flows

for the year ended 31 March 2022

	Note	2022 £000	2021 Revised £000
Cash flows from operating activities			
Surplus/(deficit) for the year		(29,732)	4,249
<i>Adjustments for:</i>			
Bargain purchase on acquisition	23	-	(3,901)
Depreciation, amortisation and impairment	8 & 9	112,950	19,828
Release of deferred government grants		(45,967)	(13,106)
Finance expense		1,202	260
Taxation	7	667	(513)
		39,119	6,817
(Increase)/decrease in inventory	11	(1,153)	(101)
(Increase)/decrease in trade and other receivables	12	(13,974)	(85,942)
Increase/(decrease) in trade and other payables	14	75,554	74,967
Increase/(decrease) in provisions and employee benefits	15	558	944
Interest received	6	13	10
Tax Paid	7	-	4
Net cash from operating activities		100,118	(3,301)
Cash flows from investing activities			
Acquisition of property, plant and equipment	8	(299,636)	(148,170)
Acquisition of business (net of cash)		(10,578)	695
Acquisition of intangibles		(2,842)	(7,809)
Capital spend on third party assets		-	(2,075)
Proceeds from the receipt of capital government grants	17	279,348	168,147
Net cash from investing activities		(33,708)	10,788
Cash flows from financing activities			
Repayment of loan (on acquisition of Pullman Rail Limited)		(6,000)	-
Receipt of loan from parent		6,900	-
Capital contribution from parent		11,097	-
Payment of lease liabilities		(33,583)	(5,217)
Net cash from financing activities		(21,586)	(5,217)
Net increase in cash and cash equivalents		44,824	2,270
Cash and cash equivalents at 1 April		18,942	16,672
Cash and cash equivalents at 31 March		63,766	18,942

Company statement of financial position

at 31 March 2022

	Note	2022 £000	2021 £000
Non-current assets			
Property, plant and equipment	8	2,435,576	2,809,163
Intangible assets	9	3,343	3,982
Investments	10	11,097	-
		2,450,016	2,813,145
Current assets			
Inventories	11	72	15
Trade and other receivables	12	137,135	86,812
Cash and cash equivalents	13	26,391	11,001
		163,598	97,828
Total assets		2,613,614	2,910,973
Current liabilities			
Trade and other payables	14	157,480	93,420
Lease liabilities	20	626	-
Provisions	15	673	209
		158,779	93,629
Non-current liabilities			
Lease liabilities	20	12,996	13,451
Deferred capital government grants	17	927,276	721,363
Employee benefits	18	504	424
Provisions	15	2,736	2,682
		943,512	737,920
Total liabilities		1,102,291	831,549
Net assets		1,511,323	2,079,424
Equity			
Share capital		-	-
Retained surplus		700	652
Capital Contribution Reserve		11,097	-
Revaluation reserve		1,499,526	2,078,772
Total equity		1,511,323	2,079,424

These financial statements were approved by the Board of Directors on 29 June 2022 and were signed on its behalf by:

J R Price

Director

Company registered number: 9476013

Company statement of changes in equity

at 31 March 2022

	Retained surplus £000	Capital Contribution Reserve	Revaluation Reserve £000	Total equity £000
Balance at 1 April 2020	653	-	-	653
Total comprehensive income for the period				
Surplus	28	-	-	28
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	(1)	-	2,078,772	2,078,771
Balance at 31 March 2021	652	-	2,078,772	2,079,424
Balance at 1 April 2021	652	-	2,078,772	2,079,424
Total comprehensive income for the period				
Deficit	(29,613)	-	-	(29,613)
Other comprehensive income				
Revaluation of property, plant and equipment	-	-	(549,624)	(549,624)
Remeasurements of defined benefit liability/asset	39	-	-	39
Total comprehensive income for the period	(29,574)	-	(549,624)	(579,198)
Capital Contribution from Owner	-	11,097	-	-
Transfer from Revaluation Reserve to Retained Surplus	29,622	-	(29,622)	-
Balance at 31 March 2022	700	11,097	1,499,526	1,511,323

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 Valley Lines (CVL) rail network asset and certain financial assets and liabilities (including derivatives) measured at fair value.

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

In accordance with IFRS 3 ‘Business Combinations’, the comparative financial information has been revised to reflect adjustments to the provisional fair value of assets and liabilities acquired from Keolis Amey on 7 February 2021 during the one year re-measurement period following acquisition. Note 23 sets out the impact of this.

Change in accounting policy

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 impact on comparatives reported in the prior period.

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 has issued TfW with a remit letter, which set out the priorities for TfW over the current term of government to 2026. TfW also receives an annual funding letter, the most recent of which covers the financial year ending 31 March 2023.

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 in relation to the valuation of the CVL rail network valuation.

There are a number of judgements relating 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 six income categories:

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

- Other government grants

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

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.

Rail maintenance revenue

Rail maintenance income represents revenue generated by Pullman Rail Limited from the provision of rolling stock repair and maintenance services to the rail industry. Revenue is recognised over time as the work performed does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance 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). The Company has elected to base the measurement of revenue on an input method on the basis of costs incurred on the basis that it is unable to reasonably measure the outcome of contracts in progress but expects to recover the costs incurred.

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 and property assets which do not form part of the CVL rail network are also revalued. Other categories of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Rail Network and other rail infrastructure

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

These railway infrastructure, stations, bridges and other assets are part of a specialised integrated network servicing a geographical area and therefore have been treated equivalently to the guidance under HMT's Government Financial Reporting Manual 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 included as other rail infrastructure and revalued separately to the CVL rail network.

The asset was initially recognised at cost but was revalued at its fair value on 31 March 2021 to align with the Welsh Government's accounting policies. This fair value has been refreshed this year to take account of updated information on asset useful lives and costs.

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 86 years
- Structures 22 years
- Signalling and Power 27 years
- Operational Property 20 years
- Track 18 years
- Telecoms 8 years

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

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

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.

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 RPS 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

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

The Group recognises a provision in the balance sheet when it 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.

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.

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

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

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

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

	2022 £000	2021 £000
Major products/service lines		
Core Welsh Government revenue grant	65,243	41,884
Capital Welsh Government grant release in line with depreciation and impairment	44,491	12,078
Core Welsh Government capital grant (expensed)	6,231	2,075
Other Welsh Government consultancy projects	6,038	4,626
Franchise subsidy	281,219	50,340
Passenger receipts	92,412	2,852
Rail maintenance revenue	11,478	-
Other income	30,253	7,799
Total	537,365	121,654
Timing of transfer of goods or services		
Grant income accounted under IAS 20	369,499	104,867
Products and services transferred at a point in time	144,918	8,056
Products and services transferred over time	19,928	6,542
Rental income accounted for under IFRS 16	3,021	2,189
Total	537,365	121,654

During the prior 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 have been 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:

	2022 £000	2021 £000
Transport for Wales Rail Services revenue grant funding	-	305,844
Transport for Wales Rail Services capital grant funding	-	32,952
Total	-	338,796

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	
		2022 £000	2021 £000	2022 £000	2021 £000
Receivables (trade and due from other group companies)	12	26,374	6,462	31,806	28,138
Contract assets (accrued income)	12	10,201	14,017	8,834	5,690
Contract liabilities (deferred income)	14	(16,728)	(15,447)	(9,961)	(4,515)
		19,847	31,025	30,679	29,313

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 2022/23.

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 2022/23.

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 £3,150,000 (2021: £1,202,000).

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

	2022 £000	2021 £000
Audit of these financial statements	71	80
Audit of subsidiary financial statements	217	-
Amounts receivable by the Company's auditor in respect of taxation compliance services	20	5
Other taxation services	-	10
Total	303	95

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	
	2022	2021
Central services and rail procurement, mobilisation and contract management	204	111
Rail Operations	2,777	2,684
Rail Maintenance	124	-
Consultancy services	46	21
Catering	96	104
Cleaning	85	6
Total	3,331	2,926

The aggregate payroll costs of these persons were as follows:

	2022 £000	2021 £000
Wages and salaries	156,849	31,521
Social security costs	15,335	3,124
Contributions to defined contribution plans	1,404	927
Current service cost	9,210	1,411
Total	182,798	36,983

5 Directors' remuneration

	2022 £000	2021 £000
TfW Directors remuneration through payroll	291	171
TfW Company contributions to money purchase pension plans	11	10
Total	302	181

In addition to the above, TfW paid the Welsh Government £277,000 (2021: £277,000) in relation to the services of directors seconded from the Welsh Government.

Retirement benefits are accruing to one director under a money purchase scheme (2021: one).

6 Finance income and expense

Finance income

	2022 £000	2021 £000
Bank interest receivable	13	10
Total finance income	13	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

	2022 £000	2021 £000
Interest on loan from parent company	183	-
Interest expense on lease liabilities	1,029	241
Unwind of discount on provisions	53	22
Net interest on net defined benefit pension plan liability	24	7
Total finance expense	1,289	270

7 Taxation

Recognised in the income statement

	2022 £000	2021 £000
Current tax expense		
Current year	77	14
Adjustments for prior years	37	-
Total current tax expense/(credit)	114	14
Deferred tax expense		
Origination and reversal of temporary differences	585	(527)
Adjustments in respect of prior periods	(32)	-
Total deferred tax expense	553	(527)
Total tax expense/(credit)	667	(513)

Recognised in the other comprehensive income

	2022 £000	2021 £000
Remeasurements of defined benefit liability/asset	1	6
Effective portion of changes in fair value of cash flow hedges	58	(184)
Total tax expense/(credit)	59	(178)

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

Reconciliation of effective tax rate

	2022 £000	2021 £000
Surplus/(deficit) for the year	(29,732)	4,249
Total tax expense/(credit)	667	(513)
Surplus/(deficit) excluding tax	(29,065)	3,736
Tax using the current UK corporation tax rate (19%)	(5,522)	710
Expenses not deductible	5,384	(1,228)
Change in tax rate for deferred tax calculation	845	-
Amounts (charged)/credited to Other Comprehensive Income	(58)	-
Movement in deferred tax not recognised	13	5
Adjustments in respect of previous periods	5	5
Tax charge/(credit) for the year	667	(513)

8 Property, plant and equipment

Group

	Rail network & other rail infrastructure £000	Other land, buildings & leasehold improvement £000	Plant & equipment, fixtures & fittings £000	Rolling stock £000	Assets under construction £000	Total £000
Cost						
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)	-	-	-
Transfers out of assets under construction	1,738	3,600	-	-	(5,338)	-
Additions through business combination	-	1,264	7,445	115,960	79,491	204,160
Disposals	-	-	-	-	(6,316)	(6,316)
Revaluations	2,067,142	-	-	-	-	2,067,142
Balance at 31 March 2021	2,608,271	23,515	10,550	130,275	273,326	3,045,937
Balance at 1 April 2021	2,608,271	23,515	10,550	130,275	273,326	3,045,937
Additions	20,381	50	792	11,132	261,878	294,233
Transfer out of assets under construction	-	534	14,367	45,324	(60,225)	-
Additions through business combination	-	8,487	2,075	-	-	10,562
Revaluations	(594,092)	-	-	-	-	(594,092)
Impairment losses	-	(14)	-	-	(522)	(536)
Balance at 31 March 2022	2,034,560	32,572	27,784	186,731	474,457	2,756,104
Depreciation and impairment						
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
Balance at 1 April 2021	-	1,282	772	6,786	-	8,840
Depreciation charge	44,790	2,227	3,032	58,332	-	108,381
Additions through business combination	-	75	1,289	-	-	1,364
Transfers	-	-	-	-	-	-
Revaluations	(44,468)	-	-	-	-	(44,468)
Balance at 31 March 2022	322	3,584	5,093	65,118	-	74,117
Net book value						
At 1 April 2020	520,858	208	2,538	-	84,824	608,428
At 31 March and 1 April 2021	2,608,271	22,233	9,778	123,489	273,326	3,037,097
At 31 March 2022	2,034,238	28,988	22,691	121,613	474,457	2,681,987

The Group balances for 2021 have been revised due to fair value adjustments during the measurement period following the TfW Rail acquisition - see Note 23.

Company

	Rail network & other rail infrastructure £000	Land, buildings & leasehold improvement £000	Plant & equipment, fixtures & fittings £000	Assets under construction £000	Total £000
Cost					
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)	-	-
Transfers 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
Balance at 1 April 2021	2,608,271	22,179	1,843	178,481	2,810,774
Additions	20,381	50	543	201,813	222,787
Revaluations	(594,092)	-	-	-	(594,092)
Balance at 31 March 2022	2,034,560	22,229	2,386	380,294	2,439,469
Depreciation and impairment					
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
Balance at 1 April 2021	-	1,237	374	-	1,611
Depreciation charge	44,790	1,435	525	-	46,750
Revaluations	(44,468)	-	-	-	(44,468)
Balance at 31 March 2022	322	2,672	899	-	3,893
Net book value					
At 1 April 2020	520,858	208	2,538	84,824	608,428
At 31 March and 1 April 2021	2,608,271	20,942	1,469	178,481	2,809,163
At 31 March 2022	2,034,238	19,557	1,487	380,294	2,435,576

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 the introduction of new fleet, refurbishment of existing fleet, the Station Improvement Programme and new or upgraded retained and IT equipment.

Notes (continued)

CVL valuation

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 2022 by TfW, with support from Atkins Limited (professional valuers) using data provided by TfW.

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

The key assumptions within the valuation are considered to be:

- Asset lives and remaining asset lives of the network components** – the valuation applies an adjustment to the gross replacement cost to reflect the estimated level of accumulated depreciation based on management’s judgement of the remaining useful lives of the existing network components as a proportion of the estimated useful lives of the components if new. Different methodologies are applied to each component using the data available at the time of preparing the estimates. For some components, there was only a limited amount of data available to TfW at acquisition, thus requiring the use of judgement and estimation, and resulting in a degree of estimation uncertainty. TfW is gathering data on the assets (e.g. asset condition) via on an ongoing basis via rolling inspection plans, and the assumptions are being adjusted where the increased data suggests this is appropriate.
- Land compensation adjustment** – a 45% uplift is applied to the land market value to reflect the estimated cost of Compulsory Purchase Orders and potential compensation payments to adjacent landowners. As TfW does not purchase large parcels of land, this estimate reflects the experience of Welsh Government and is also used for trunk road network valuations. This figure has been revised since the 72% figure used in last year’s valuation, following a detailed review of recent compensation costs paid by Welsh Government (the 72% figure was last revised in 2010). Management considers the 45% is a more 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 and resource availability, supply chain) weighted based on their level of applicability to a project to construct a modern equivalent CVL network (which is assumed to be at a stage where asset requirement is known but detailed design development is ongoing). Given that the project is conceptual in nature, and the scale of the build project, this risk factor is inherently judgemental and thus has a degree of estimation uncertainty.

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

- Scenario 1 shows the impact of increasing or decreasing the remaining asset lives of the components of the modern equivalent railway network by 10%.
- Scenario 2 shows the impact if the land compensation adjustment (normally 45%) were to increase or decrease by 10%; i.e. a compensation adjustment of 35% or 55% respectively.
- Scenario 3 shows the impact of an adjustment to the risk factor applied to the overall DRC valuations, currently 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	-	2,024	-
Scenario 1	(143)	-	143
Scenario 2	(41)	-	41
Scenario 3	(104)	-	104

Lease right-of-use assets

At 31 March 2022, property, plant and equipment includes lease right-of-use assets recognised under IFRS 16 as follows:

	Rolling stock £000	Other £000	Total £000
Group	79,331	507	98,758
Company	-	-	12,117

Reconciliation to Group statement of cash flows

	2022 £000	2021 £000
Tangible additions (note 8)	294,233	171,881
Movement in capital creditors	16,750	(7,670)
Recognition of dilapidations provision	-	(2,660)
Capitalised lease right-of-use assets	(11,347)	(13,381)
Payments to acquire capital assets per statement of cash flows	299,636	148,170

9 Intangible assets

Group

	Goodwill £000	Acquired intangibles £000	Data Models IP Licences £000	Software and IP Licences £000	Assets under construction £000	Total £000
Cost						
Balance at 1 April 2020	-	-	-	-	2,173	2,173
Additions	-	-	-	11,941	1,809	13,750
Balance at 31 March 2021	-	-	-	11,941	3,982	15,923
Balance at 1 April 2021	-	-	-	11,941	3,982	15,923
Additions	-	-	-	-	579	579
Arising from business combinations	3,546	2,367	-	-	-	5,913
Impairments	-	-	-	-	(695)	(695)
Transfers from AUC	-	-	3,137	-	(3,137)	-
Balance at 31 March 2022	3,546	2,367	3,137	11,941	729	21,720
Amortisation and impairment						
Balance at 1 April 2020	-	-	-	-	-	-
Amortisation for the year	-	-	-	282	-	282
Balance at 31 March 2021	-	-	-	282	-	282
Balance at 1 April 2021	-	-	-	282	-	282
Amortisation for the year	-	531	523	2,681	-	3,735
Balance at 31 March 2022	-	531	523	2,963	-	4,017
Net book value						
At 1 April 2020	-	-	-	-	2,173	2,173
At 31 March and 1 April 2021	-	-	-	11,659	3,982	15,641
At 31 March 2022	3,546	1,836	2,614	8,978	729	17,703

Company

	Data Models £000	Assets under construction £000	Total £000
Cost			
Balance at 1 April 2020	-	2,173	2,173
Additions	-	1,809	1,809
Balance at 31 March 2021	-	3,982	3,982
Balance at 1 April 2021	-	3,982	3,982
Additions	-	579	579
Impairments	-	(695)	(695)
Transfers from AUC	3,137	(3,137)	-
Balance at 31 March 2022	3,137	729	3,866
Amortisation and impairment			
Balance at 1 April 2020	-	-	-
Amortisation for the year	-	-	-
Balance at 31 March 2021	-	-	-
Balance at 1 April 2021	-	-	-
Amortisation for the year	523	-	523
Balance at 31 March 2022	523	-	523
Net book value			
At 1 April 2020	-	2,173	2,173
At 31 March and 1 April 2021	-	3,982	3,982
At 31 March 2022	2,614	729	3,343

In 2021 the Group has provisionally recognised goodwill and other customer related intangible assets resulting from the acquisition of 100% of the ordinary shares of Pullman Rail Limited from Colas Rail Limited on 8 August 2021 – see note 23 for further detail.

Other 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.

The £695,000 impairment relates to capital funded expenditure which, following review of the projects, does not meet the criteria for capitalisation on TfW's balance sheet and therefore has been derecognised. The expenditure still meets the criteria for capital grant funding and the spend still provides value to TfW.

10 Investments

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

- Transport for Wales Rail Limited. This company was incorporated on 26 May 2020 with an investment of £1.
- Pullman Rail Limited. This company was acquired on 8 August 2021 for a consideration of £11,097,000.
- Wales Infrastructure Manager of Last Resort Limited. This company was incorporated on 18 September 2019 with an investment of £1. The company is currently 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.

Company

	Investments in Subsidiaries £000
Cost and net book value	
Balance at 1 April 2020	-
Additions	-
Balance at 31 March 2021	-
Balance at 1 April 2021	-
Additions	11,097
At 31 March 2022	11,097

11 Inventories

	Group		Company	
	2022 £000	2021 £000	2022 £000	2021 £000
Raw materials and consumables	9,271	4,811	-	-
Finished goods	72	15	72	15
	9,343	4,826	72	15

12 Trade and other receivables

	Group		Company	
	2022 £000	2021 £000	2022 £000	2021 £000
Trade receivables	16,267	6,248	6,165	2,272
Receivables due from parent and other group companies	10,107	214	25,641	25,866
Contract assets (accrued income)	10,201	14,017	8,834	5,690
Accrued funding – core Welsh Government capital grant	58,499	22,449	58,499	22,449
Accrued funding – other government grants	3,105	-	3,105	-
Other receivables	21,853	50,667	16,715	26,729
Prepayments	6,555	4,820	18,176	3,806
Derivative financial instruments (note 19)	7,145	973	-	-
	133,732	99,389	137,135	86,812

The Group balances for 2021 have been revised due to fair value adjustments during the measurement period following the TfW Rail acquisition – see Note 23.

13 Cash and cash equivalents

	Group		Company	
	2022 £000	2021 £000	2022 £000	2021 £000
Cash and cash equivalents per statement of financial position	63,766	18,942	26,391	11,001
Cash and cash equivalents per statement of cash flows	63,766	18,942		

14 Trade and other payables

	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
Trade payables	35,441	32,682	12,191	16,136
Payables due to parent and other group companies	7,576	-	7,576	-
Other trade payables	3,902	2,451	1,481	933
Accrued expenses	129,420	77,237	110,350	58,685
Deferred income – core revenue grant	15,141	12,702	15,141	12,702
Deferred income – third party	16,728	15,447	9,961	4,515
Social security and other taxation	6,227	3,784	780	449
Deferred tax (note 16)	3,676	1,815	-	-
	218,111	146,120	157,480	93,420

The Group balances for 2021 have been revised due to fair value adjustments during the measurement period following the TfW Rail acquisition – see Note 23.

15 Provisions

	Group and Company		
	CVL self-insurance £000	Dilapidations £000	Total £000
Opening balance	209	2,682	2,891
Increase in provisions	616	-	616
Use of provision	(152)	-	(152)
Unwind of discount on provisions	-	54	54
Closing balance	673	2,736	3,409

Expected timing of cash flows

	Group and Company		
	CVL self-insurance £000	Dilapidations £000	Total £000
Less than one year	673	-	673
Later than five years	-	2,736	2,736
Closing balance	673	2,736	3,409

16 Deferred tax – Group

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

	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 £000
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

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

17 Capital government grants deferred

	Group		Company	
	2022 £000	2021 £000	2022 £000	2021 £000
Balance at 1 April	821,091	610,453	721,363	610,453
Acquired under business combination	-	57,954	-	-
Additions	286,030	171,304	222,671	122,988
Release in line with asset depreciation/impairment	(44,491)	(18,620)	(16,758)	(12,078)
Balance at 31 March	1,062,630	821,091	927,276	721,363

18 Employee benefits

Defined contribution pension schemes

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

	Group		Company	
	2022 £000	2021 £000	2022 £000	2021 £000
Total expense	1404	927	1404	927

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	
	2022 £000	2021 £000	2022 £000	2021 £000
TfW Section	504	424	504	424
Transport for Wales Rail Limited Section	636	782	-	-
	1,140	1206	504	424

TfW Section

Movement in net defined benefit liability/asset

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability/(asset)	
	2022 £000	2021 £000	2022 £000	2021 £000	2022 £000	2021 £000
Balance at 1 April	2,923	2,294	(2,216)	(1,724)	707	570
Included in profit or loss						
Service cost	318	148	-	-	318	148
Administration costs	-	-	44	35	44	35
Interest cost/(income)	60	46	(46)	(34)	14	12
Included in OCI						
Remeasurements loss/(gain):						
Actuarial loss (gain) arising from						
- Changes in demographic assumptions	(87)	(73)	-	-	(87)	(73)
- Change in financial assumptions	(6)	479	-	-	(6)	479
- Experience adjustment	(113)	338	-	-	(113)	338
Return on plan assets excluding interest income	-	-	117	(709)	117	(709)
Other						
Contributions paid by the employer	-	-	(108)	(65)	(108)	(65)
Contributions paid by the employee	-	-	(46)	(28)	(46)	(28)
Pension scheme assumed on acquisition of CVL assets	-	-	-	-	-	-
Benefits paid	(14)	(309)	14	309	-	-
Scheme deficit	3,081	2,923	(2,241)	(2,216)	840	707
Adjustment for the members share of assets/liabilities					(336)	(283)
Balance at 31 March					504	424

Plan assets

	2022 £000	2021 £000
Growth assets	2,045	1,984
Bonds	163	217
Other assets	33	15
Total	2,241	2,216

Actuarial assumptions

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

	2022	2021
Discount rate at 31 March	2.65%	2.05%
Price inflation	3.60%	3.20%
Future salary increases	3.60%	3.20%
Future pension increases	3.25%	2.80%

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:

	2022	2021
Man aged 65	20.0	20.1
Man currently aged 45	21.4	21.4
Woman currently aged 65	22.2	22.3
Woman retiree currently aged 45	23.9	23.9

Sensitivity analysis

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

	2022 £000	2021 £000
Discount rate decrease	182	170
Discount rate increase	(168)	(157)
Price inflation decrease	(159)	(156)
Price inflation increase	171	168
Future salary increase	61	65

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 2022 would have increased by £123,000 (2021: £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 £150,000 in employer contributions to its defined benefit plans in the year ending 31 March 2023. The weighted average duration of the defined benefit obligation at the end of the reporting period is 23 years.

Transport for Wales Rail Limited Section

Movement in net defined benefit liability/asset

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability/(asset)	
	2022 £000	2021 £000	2022 £000	2021 £000	2022 £000	2021 £000
Balance at 1 April	820,693	-	(447,048)	-	373,645	-
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	28,624	4,417	-	-	28,624	4,417
Franchise adjustment to service cost	(20,597)	(3,191)	-	-	(20,597)	(3,191)
Administration costs	-	-	964	74	964	74
Past service cost	-	-	-	-	-	-
Interest cost/(income)	10,016	1,225	-	(652)	10,016	573
Interest on franchise adjustment	(4,497)	(573)	(5,503)	-	(10,000)	(573)
Included in OCI						
Remeasurements loss/(gain):						
Actuarial loss (gain) arising from						
- Changes in demographic assumptions	(1,615)	(1,641)	-	-	(1,615)	(1,641)
- Change in financial assumptions	(51,376)	(30,269)	-	-	(51,376)	(30,269)
- Experience adjustment	33,268	6,597	-	-	33,268	6,597
Return on plan assets excluding interest income	-	-	(53,250)	2,102	(53,250)	2,102
Other						
Contributions paid by the employer	-	-	(9,148)	(1,323)	(9,148)	(1,323)
Contributions paid by the employee	6,031	902	(6,031)	(902)	-	-
Benefits paid	(12,950)	(2,153)	12,950	2,153	-	-
Scheme deficit	807,597	820,693	(507,066)	(447,048)	300,531	373,645
Adjustment for the members share of assets/liabilities					(120,213)	(149,459)
Rail franchise adjustment					(179,682)	(223,404)
Balance at 31 March					636	782

Plan assets

	2022 £000	2021 £000
Equity	504,302	440,614
Infrastructure	106	1,703
Other assets	2,658	4,731
Total	507,066	447,048

Actuarial assumptions

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

	2022	2021
Discount rate at 31 March	2.65%	2.05%
Price inflation	3.25%	2.80%
Future salary increases	3.60%	3.45%
Future pension increases	3.25%	2.80%

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:

	2022	2021
Male aged 65	20.1	20.2
Male currently aged 45	21.5	21.6
Female currently aged 65	22.6	22.7
Female retiree currently aged 45	24.2	24.3

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.

	2022 £000	2021 £000
Discount rate decrease	214,048	222,275
Discount rate increase	(156,423)	(161,688)
Price inflation decrease	(152,575)	(158,258)
Price inflation increase	200,504	212,306
Future salary increase (+0.5%)	33,694	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 2022 would have increased by £26,639,000 (2021: £30,858,000).

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 £9,501,000 in employer contributions to its defined benefit plans in 2022/23. The weighted average duration of the defined benefit obligation at the end of the reporting period is 23 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:

	2022 £000	2021 £000
Group	26,374	6,462
Company	31,806	28,138

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.

	2022		2021	
	Other Comprehensive Income £000	Receivables £000	Other Comprehensive Income £000	Receivables £000
Change in market value of cash flow hedges	6,171	7,145	973	973

The inefficiencies of cash flow hedges of the energy price derivatives recognised in the Income Statement are Enil (2021: Enil).

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 £2,219,000 (2021: £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 and fleet. These have been classed as operating leases. During the year, £802,000 (2021: £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 Company's subsidiary Transport for Wales Rail Limited also holds a number of rolling stock leases averaging six years in length.

The discount rate applied to these assets is the government borrowing rate for the relevant calendar year (1.27% for the Pontypridd lease commencing in 2020, 0.91% for rolling stock leases commencing or novating during 2021 and 0.95% for rolling stock leases commencing in 2022).

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

	2022				2021			
	Land and buildings £000	Rolling stock £000	Other	Total £000	Land and buildings £000	Rolling stock £000	Other	Total £000
Balance at 1 April	19,772	99,923	-	119,695	149	-	-	149
Additions to right-of-use assets	536	10,228	583	11,347	13,381	-	-	13,381
Additions through business combination	-	-	-	-	6,692	104,929	-	111,621
Depreciation charge for the year	(1,388)	(30,819)	(76)	(32,284)	(450)	(5,006)	-	(5,456)
Balance at 31 March	18,920	79,331	507	98,758	19,772	99,923	-	119,695

Company

	2022				2021			
	Land and buildings £000	Rolling stock £000	Other	Total £000	Land and buildings £000	Rolling stock £000	Other	Total £000
Balance at 1 April	13,009	-	-	13,009	149	-	-	149
Additions to right-of-use assets	-	-	-	-	13,381	-	-	13,381
Depreciation charge for the year	(892)	-	-	(892)	(521)	-	-	(521)
Balance at 31 March	12,117	-	-	12,117	13,009	-	-	13,009

Amounts recognised in profit or loss

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

	2022 £000	2021 £000
Interest expense on lease liabilities	1,029	241
Expenses relating to short-term leases (excluding short-term leases of low-value assets)	217	98
Expenses relating to leases of low-value assets	35	25
	1,281	364

At 31 March 2022, the Group was committed to short term and low value leases with a total gross commitment of £240,000 (2021: 176,000) and has agreements to lease with the leases not yet commenced totalling £591,520,000 (2021: £58,521,000) all of which relates to future rolling stock leases. At 31 March 2022, the Company was committed to short term and low value leases with a total gross commitment of £15,000 (2021: £39,000) and had no agreements (2021: no agreements) to lease with the leases not yet commenced.

Lease liabilities

	Group		Company	
	2022 £000	2021 £000	2022 £000	2021 £000
Current portion of lease liabilities	18,622	32,409	626	-
Non-current portion of lease liabilities	80,284	87,741	12,996	13,451
	98,906	120,150	13,622	13,451

21 Capital commitments

As at 31 March 2022, the Group has entered into contracts to purchase property, plant and equipment for £217,831,000 (2021: £334,270,000). At the same date, the capital commitments of Transport for Wales as a standalone company are £185,143,000 (2021: £233,786,000).

22 Related parties

Identity of related parties with which TfW has transacted

During the year, TfW and its subsidiary TfWRL received revenue grant and rail subsidy cash payments from the Welsh Government of £348,790,000 (2021: £410,977,000), as well as revenue grants to be paid to local authorities of £2,285,000 (2021: nil). TfW group also received cash capital grant and rail subsidy funding of £282,197,000 (2021: £222,589,000) as well as capital grants to be paid to local authorities of £19,287,060 (2021: nil). 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 2022 of £15,141,000 (2021: £12,702,000) and a debtor for capital grant costs incurred but funding not yet received of £58,499,000 (2021: £22,449,000).

In addition, TfW recognised income from the Welsh Government relating to non-grant funded consultancy projects of £6,038,000 (2021: £4,550,000). At 31 March 2022, TfW was owed £6,734,000 (2021: £214,000) invoiced to the Welsh Government in relation to these consultancy services provided which is included in trade debtors. TfW has also accrued income for project services provided to the Welsh Government but not yet invoiced of £2,014,000 (2021: £4,468,000).

TfW made purchases from the Welsh Government totalling £455,000 (2021: £434,000) 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 £455,000 due to the Welsh Government (2021: £nil).

The parent Company's subsidiary TfW Innovation Services Limited has a minority interest shareholder, and as such, related party disclosures for the parent company are required in accordance with FRS 101. During the year, TfW made purchases of £1,070,000 from TfW Innovation Services Limited (2021: £nil), and there is a trade debtors and accrued income due to TfW Innovation Services Limited from TfW at 31 March 2022 of £720,000 (2021:nil) as well as a working capital loan from TfW to TfW Innovation Services of £100,000 (2021: £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:

	2022 £000	2021 £000
Key management emoluments including social security costs	1,332	1,250
Company contributions to money purchase pension plans	83	85
Payments to third parties in respect of secondees	277	277
	1,692	1,612

23 Acquisition of business

Acquisitions in the current period

On 8 August 2021, TfW acquired 100% of the ordinary share capital of Pullman Rail Limited from Colas Rail Limited. TfW paid £11,097,000 as consideration for the acquisition. The business's principal activity is the refurbishment and maintenance of rail rolling stock and the acquisition enables both TfW and Pullman to build on an existing working partnership, and provide increased capacity and resilience at Canton depot (where Pullman Rail is based). In the eight months to 31 March 2022, Pullman Rail Limited contributed revenue of £11.5m and a loss before tax of £91,000 to the consolidated profit for the year (including one-off transition and integration costs of £339,000). If the acquisition had taken place on 1 April 2021, the contributed revenue would have been an estimated £19.7m and contributed profit before tax would have been an estimated £105,000. In determining these amounts, management has assumed that the fair provisional value adjustments that arose on the date of acquisition would have been the same if the acquisition occurred on 1 April 2021.

Effect of acquisition

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

	Recognised values on acquisition £000
Acquiree's net assets at the acquisition date:	
Property, plant and equipment	9,198
Intangible assets recognised on acquisition (customer relationships)	2,367
Stocks	3,387
Trade and other debtors	3,696
Cash	519
Trade and other creditors	(10,367)
Deferred tax liabilities	(1,249)
Net identifiable assets and liabilities	7,551
Total cash consideration relating to business combination	11,097
Goodwill on acquisition	3,546

Goodwill has been recognised in relation to the synergies that Pullman Rail Limited provides for the group, particularly in relation to increased capacity and resilience at Canton Depot to support the South Wales Metro scheme. Acquisition costs of £309,000 relating to legal and professional fees supporting the acquisition have been included in operating expenditure in the Consolidated Income Statement. The goodwill calculation is provisional and will be reviewed in the measurement period (the 12 months after acquisition) as necessary.

Acquisitions in the previous 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 back 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.

In the one year re-measurement period following the acquisition date, the group has reviewed the fair values of the assets and liabilities on consolidation and revised these as follows:

Effect of acquisition

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

	Reported on 31 March 2021 £000	Adjustments £000	Revised net assets £000
Acquiree's net assets at the acquisition date:			
Property, plant and equipment	33,493	(114)	33,379
Intangible Assets	-	1,940	1,940
Recognition of rolling stock lease right-of-use assets under IFRS 16	111,621	-	111,621
Stocks	4,651	-	4,651
Trade and other debtors	23,552	(505)	23,047
Cash	150	-	150
Trade and other creditors	(61,148)	2,580	(58,568)
Recognition of rolling stock lease liability under IFRS 16	(111,621)	-	(111,621)
Deferred tax liabilities	(2,164)	-	(2,164)
Net identifiable assets and liabilities	(1,466)	3,901	2,435
Total cash consideration relating to business combination	(1,466)	-	(1,466)
Goodwill on acquisition	-	-	(3,901)

The above fair value adjustments and bargain purchase in the Statement of Comprehensive have been recognised retrospectively in the comparative amounts for 2020-21 in accordance with IFRS 3, and as such, relevant comparatives have been revised.

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>.



