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Chair - Transport for Wales
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30 April 2019

Dear Scott

REMIT LETTER 1 APRIL 2019 TO 31 MARCH 2020

This Remit Letter sets out the operational remit for Transport for Wales (TfW) from 1 April 2019 to 31 March 2020 (the "Period") and the cumulative level of funding available from the Welsh Government to support the achievement of that remit.

The 2018/19 financial period represented an important phase in the growth of TfW as it develops momentum in creating a step-change in the way we deliver transport services and infrastructure across Wales. The remit for the 2019/20 financial period will ensure the Company continues to deliver a core component of the Welsh Government's programme for government.

The Welsh Government priorities for TfW are set in the context of Taking Wales Forward 2016-2021, Prosperity for All; the national strategy, the Economic Action Plan, and the Well-being of Future Generations (Wales) Act 2015. Additionally, the First Minister has committed to empowering TfW to deliver a public transport system that aims to give everyone easier access to bus, train and active travel for everyday journeys.

TfW has an important role in driving integration across the entire transport network by putting the passenger at the heart of everything it does. The Welsh Ministers' aspiration for TfW is to exploit the opportunity it has as their transport integrator and to allow the Company to take on a wider range of transport functions. As a registered company under the Companies Act 2006, TfW has a clear, legal identity within a robust and well-established framework allowing it to make independent operational decisions. However, as a wholly-owned subsidiary of the Welsh Ministers, TfW is part of the public sector in Wales and must act in the public interest.

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

TfW must evidence its commitment to openness and transparency. The Company should continue to make information available on its website. TfW should also proactively seek opportunities to interact with Local Authorities, Assembly Members, the public and the media with the aim of ensuring that stakeholders and the public are aware that TfW is responsible for all operational decisions related to delivery of the Company's Corporate and Operational Plans.

Corporate & Operational Plans

A five year Corporate Plan 2019/20 to 2023/24 should be published in late 2019, detailing the associated well-being objectives. This should set out how TfW will apply this policy and legislative framework and in so doing provide a compelling and empowering vision for its staff and stakeholders that promotes TfW brand values and how it puts the passenger at the heart of everything it does.

The plan should demonstrate how TfW will be innovative and ambitious in its delivery setting a new standard for the way we plan and invest in transport services and infrastructure.

In addition, the Corporate Plan will need to clearly articulate how TfW will directly contribute towards increased collaborative working with the Welsh Government's new regional teams, Local Authorities, the emerging regional transport authorities and partners to create an integrated public transport network and that these networks will be increasingly directly owned or operated by TfW.

The Company's activities should be clearly aligned to the key themes within Prosperity for All, the Economic Action Plan and the Government's objectives within the Well-being of Future Generations Act, and measured in a way that provides a direct line of sight between strategy and impact, demonstrating value for money and a quantifiable return on investment.

TfW should evidence how it will work with the key partners, such as the Development Bank of Wales and the Design Commission Wales to identify opportunities to collaborate and embed practices in the coming year, particularly where additional value can be optimised.

By investing in the development of current staff and new recruits, as well as offering career paths and opportunities for growth and skills development, TfW is uniquely placed to develop and sustain a professional transport skills base supporting the economy and employment of Wales. TfW must increasingly bring functions in-house to maximise on this opportunity.

TfW should embed the Economic Contract framework as a means to deliver public investment with a social purpose and abide by its principles of inclusive growth, fair work, health and skills in the workplace and the management of carbon footprints. This should include how procurement and contractual agreements would be amended to enable TfW to do this.

Furthermore, TfW should seek to generate a commercial return by exploiting assets that are not fully utilised directly by the Company to create additional social value and/or improve the effectiveness of the supply chain (particularly in Wales).

Any asset can be considered e.g. land, buildings and the intellectual property of TfW as an expert transport delivery body through charging third parties for its expert services. Where the Company does provide services to others the Welsh Government expects these would

generally be on a cost recovery basis. This is because the majority of TfW's income is from public funds and it is important to ensure its services are priced fairly and in the public interest. It is envisaged that any additional efficiencies generated by TfW beyond those anticipated in the Company's Corporate and Operational Plans would have to be returned to the Welsh Government.

The Corporate and Operational Plans will therefore need to evidence the Company's internal structure and capability to facilitate the delivery of this remit with consideration for any potential future remit to meet programme for government commitments.

Brexit

The Operational Plan should consider the impact of Brexit on TfW's activities. It is important for TfW to regularly review and report to the Welsh Government its risk analysis of the impact of Brexit on its business and supply chain. It is also important during this period that TfW actively and regularly engages with the Welsh Government to ensure that policy development and associated communications activity reflects feedback from your stakeholders.

Brand, Marketing and Communications

The Welsh Government's aim is to create an integrated transport network of which Wales is proud. It is important that TfW maximises its efforts in raising brand awareness and improving perception with passengers, the general public, its stakeholders and supply chain. With this in mind, TfW should carry out an annual review exercise that clearly indicates continuous improvements in brand awareness. This should also include addressing any perceptions about the services the Company delivers.

The Corporate Plan should clearly articulate how TfW will develop the Transport for Wales brand as a strong customer-focused brand that passengers and stakeholder across Wales recognise and understand its values.

Furthermore, the Corporate Plan should provide information on how marketing and communications activity will promote the Transport for Wales brand values and support delivery of the Company's Operational Plans and the Welsh Government key themes at a strategic and tactical level.

Pan Wales Presence

A Location Strategy for the Company should be published by autumn 2019. The Welsh Government will be looking to TfW to demonstrate how the Company intends to make a step-change in its physical presence across the whole of Wales, improving passenger stakeholder awareness of the Transport for Wales brand.

The Economic Action Plan established the Regional Economic Development Model, establishing three regional units. TfW should consider in its Location Strategy how it will align to the operation of the regional structure. The Company should also consider how its Location Strategy will impact on delivering transport services and infrastructure for passengers throughout the 22 local authority areas in Wales.

Decarbonisation and Air Quality

TfW should set out its contribution to reducing both CO₂ and other emissions from transport in Wales within the context of the Environment (Wales) Act 2016 which requires Welsh

Government to reduce emissions of greenhouse gases and the Welsh Government's commitment to improving air quality.

Wales and Borders rail service and the South Wales Metro

The Welsh Ministers has identified TfW as their agent with respect to the Grant Agreement between the Welsh Ministers and the Operator and Deliver Partner (ODP) for the Wales and Borders rail services and the delivery of the South Wales Metro. TfW is therefore empowered in respect of all matters within the ODP Grant Agreement and is authorised by the Welsh Ministers to exercise all the functions, rights and powers of the Welsh Ministers as set out in the ODP Grant Agreement. TfW will continue act as the Welsh Ministers agent for the ODP Grant Agreement ensuring the delivery of a consistently high-quality and reliable train services for all passenger across Wales and the Borders.

TfW should set out its plan, as soon as possible, to implement the provision for an Operator of Last Resort capable of providing rail services.

Rail Services

On an ongoing basis TfW should consider opportunities to invest in rail services, including how additional social value would be secured for the public transport system (or across the wider Welsh Government policy areas) as a result of such investment. Where such opportunities are identified and are outside of the Operational Plan, a business justification case should be submitted for consideration by the Welsh Government within appropriate timescales depending on the scale and complexity of the opportunity.

CVL Asset Transfer

TfW is supporting the Welsh Government in the process to transfer the Core Valleys Lines (CVL) asset, including providing project management support, producing the business case for the asset transport and any required subject expertise.

It is expected that the CVL asset will transfer to TfW on 20 September 2019. TfW should therefore develop its capacity to take control of the asset to deliver business as usual post transfer. This must include the setting up of a robust governance regime for ensuring compliance with statutory duties for the safe operation of the asset and regulatory requirements of the Office of Rail and Road (ORR).

In advance of the CVL asset transfer TfW should set out a plan to implement the provision for an Infrastructure Manager of Last Resort capable of providing Infrastructure Management services on the CVL.

Rail Infrastructure

TfW should on an ongoing basis, consider short, medium and longer term strategic opportunities to invest in rail infrastructure to generate additional financial and/or social value. Where opportunities are identified and are outside of the Operational Plan, a business justification case should be submitted to the Welsh Government for consideration.

TfW will support the Welsh Government to deliver rail infrastructure investments identified in the National Transport Finance Plan by assuming responsibility for the on-going and day-to-day management of rail infrastructure projects and programmes.

Electric Vehicle Charging Infrastructure at Rail Stations

TfW should design and undertake a procurement process to award a concession for the delivery and financing of electric vehicle charging infrastructure at rail stations in Wales. Working with partners, TfW should seek to identify the most suitable stations for the location of the infrastructure taking into account the car parking facilities available, potential use by private motor cars, taxi, bus/coach and light commercial vehicles ($\leq 3.5t$). Additionally, the Company should identify the most suitable mix of charging technology for each identified railway station car park based on current and potential use by private motor car (rail users and potential nearby residents who could use the station for overnight charging) taxi and bus/coach.

Bus services review

TfW should continue to support the Welsh Government on the bus services review by providing professional and advisory capacity. In particular, TfW will collaborate with operators and local authorities to maintain a coherent programme to improve bus services in Wales including the delivery of pilot schemes to support the benefits of the proposed reform.

Concessionary Travel Permits replacement programme

Subject to the Welsh Ministers entering into an Agency Agreement with Local Authorities across Wales, TfW will provide technical expertise and support to lead the programme of the renewal of the Concessionary Travel Permits and associated systems on behalf of the Welsh Government and 22 Local Authorities, by 31 December 2019.

Next Generation Ticketing and Integrated Responsive Transport

To support the creation of a truly integrated transport network TfW should seek to develop multi-operator ticket and demand responsive transport solutions.

Development of Transport Interchanges

TfW should support the Welsh Government in its work with local partners to develop regeneration plans and transit orientated development in the areas around rail stations. TfW should consider how rail services and infrastructure investment can enhance and integrate transport links to support the consolidation of public sector activities in the vicinity of rail stations, the creation of new affordable and commercial housing, the regeneration of town centres, maximise cultural and tourism opportunities, and the development of commercial offices and to a very limited extent retail space.

TfW should work with the Welsh Government to explore and optimise the use of a range of mechanisms to capture the value increase which results in investment in transport infrastructure and services.

Active Travel

The Company should provide technical expertise and support on a range of active travel matters; including the review of the Active Travel Design Guidance, appraisal of grant applications and technical queries regarding the design of schemes, and support the WelTAG process from an active travel perspective for schemes promoted by the Welsh Government and TfW.

Furthermore, TfW should support pan-Wales activities aimed at improving the implementation of the Active Travel Act, in particular those relating to training, communication & awareness raising, and consultation & engagement, as well as widening availability of public bike share, through providing expertise and supporting procurement of a Wales level services.

TfW's Operational Plan should consider the Company's internal capacity and capability to allow TfW to take on a future role in the management and potential delivery, in partnership with Local Authorities, of Active Travel investment schemes.

Transport Planning and Traffic Modelling

TfW will work with local partners, including Local Authorities and regional transport authorities to ensure planning is of a high quality and is aligned with the needs of the future economy. It should further develop its Analytical Unit within the Company that is capable of undertaking transport modelling and analytical assurance, monitoring and analysing data, providing advice on survey and analysis techniques and preparing and presenting information to assist policy development within the Welsh Government and our partners.

TfW will work with the Welsh Government to develop the establishment of a transport research centre, identifying requirements outputs, and specifications and assist with its procurement.

Expert Advice and Project Management

The Welsh Government will continue to rely on TfW to provide on-going professional advisory and consultancy capacity, including the development of the case for investment in the transport network. It is expected that the balance between the use of TfW employees and external consultants across these services will continue to be re-balanced with the aim of developing TfW's internal knowledge, understanding, capability, and intelligence. TfW must develop the internal capacity and capability to work closely with the Welsh Government to develop individual business cases, feasibility studies and to support the WeITAG process.

Furthermore, the Welsh Government will require TfW to provide project management in connection with specific transport projects.

Cumulative Financial Allocation

The cumulative funds available to the Company for the delivery of this remit are set out below:

	Limit
Cumulative Revenue Funding	£174,310,000
Cumulative Capital Funding	£119,421,000

The funding will be paid to TfW as a grant monthly in advance based on the Company's quarterly claim. Advance payments made to the Company will be off-set against the cumulative funding limits during the monthly grant draw-down process. A reconciliation of the Company's defrayed expenditure will be undertaken periodically during the Period.

The Cumulative Revenue Funding Limit and Cumulative Capital Funding Limit are inclusive of any VAT liability that TfW will incur but is unable to recover.

It is the Company's responsibility to ensure that expenditure is managed in line with the Articles of Association and the Management Agreement and relevant guidance. In particular, the Company cannot vire between the Cumulative Revenue Funding Limit and the Cumulative Capital Funding Limit without prior consent from the Welsh Government.

TfW is also required to seek approval from the Welsh Government to vire between the cost heading breakdowns in TfW's final Operational Plan. I expect the Company to adhere to these expenditure limits and to report any projected changes to the profiles of each cost heading as soon as possible through the TfW Operational Board.

Performance Monitoring

The arrangements for monitoring the Company's progress against the Remit Letter and the Operational Plan will, in addition to the arrangements set out in the Management Agreement, be via the fortnightly Operational Board and in the form of meetings between the Welsh Government and you as Company Chair.

I would be grateful if you could acknowledge receipt of this letter and confirm that you are content with the details provided.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ken', with a long, sweeping horizontal stroke above it.

Ken Skates AC/AM

Gweinidog yr Economi a Thrafnidiaeth
Minister for Economy and Transport