



Ein cyf/Our ref: MA/KS/1185/20

Scott Waddington
Chair - Transport for Wales

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12 May 2020

Dear Scott,

Interim remit letter for Transport for Wales – emergency arrangements

This Remit Letter sets out an interim operational remit for Transport for Wales (TfW) from 1 April 2020 to cover the immediate period, and reflects the emergency arrangements put in place by both the UK and Welsh Governments to deal with the current Covid-19 crisis. This remit will be reviewed at the end of this quarter and a separate remit letter will be issued shortly before 1 July 2020 setting out the requirements for the next stage of the response to COVID-19 and for the remainder of the financial year.

I would like to thank you and the Board for your leadership and the staff of Transport for Wales for the professionalism and dedication you have demonstrated in delivering your objectives last year and for the response to both the serious adverse weather of recent times and the current emergency facing the country.

The immediate situation facing us necessitates the issue of this interim remit letter, which directs TfW to address a number of immediate priorities relating to the operation of the transport network.

To support this I would like TfW to deliver the following priorities over the first quarter of this financial year and start planning the strategic objectives for the recovery period with Welsh Government officials, ready for a return to business as usual.

In considering the priorities set out below, I would also like TfW to set out its plans for responding to the COVID 19 emergency and how specifically it is addressing the opportunities to utilise flexibilities outlined by both the UK and Welsh Governments.

This remit letter is issued recognising that, 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 operational decisions. However, executive functions remain with the

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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.

Welsh Ministers, and TfW are required to deliver with a view to discharging those functions on behalf of the Welsh Ministers in accordance with this remit and all relevant legal obligations. 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.

Immediate Priorities

Rail

Wales and Borders Rail Service

The Welsh Ministers have asked TfW to discharge their functions with respect to the Grant Agreement between the Welsh Ministers and the Operator and Delivery Partner (ODP) for the Wales and Borders rail services and the delivery of the South Wales Metro.

TfW is therefore authorised by the Welsh Ministers to discharge all relevant functions, rights and powers of the Welsh Ministers in order to support the delivery of the ODP Grant Agreement. TfW shall continue to ensure the delivery of consistently high-quality and reliable train services by the ODP pursuant to the ODP Grant Agreement for all passenger across Wales and the Borders.

TfW will continue to work with the ODP to ensure rail services are available to allow for key workers to travel by rail to attend work thereby maintaining key services throughout this emergency period.

TfW shall also work with the Welsh Government to set out plans, by the end of May 2020 for the Welsh Ministers to either enter into an Emergency Measure Agreement with the ODP or for the Welsh Ministers as the Operator of Last Resort to provide or secure the provision of the rail services for which they are the franchising authority.

CVL Asset Transfer

The CVL asset transferred to TfW on 28 March 2020. TfW must therefore develop its capacity to take immediate control of rail assets and those assets that facilitate access to the rail network, and to manage the ODP to ensure the effective and efficient management of the infrastructure to deliver rail services throughout this interim period.

Strategic Objectives

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. For future remits, it is likely that the Welsh Government's priorities will be set within the context of a Wales Transport Strategy and Welsh Minister's in-year priorities.

Rail

Wales and Borders Rail Service

TfW shall continue to develop a plan to ensure that new rolling stock ordered under the Rail Services contract is available for use as early as practically possible after the end of the current emergency situation. The plan shall set out how issues of testing, gauging and driver training will be addressed immediately that the initial rolling stock units are available

from the manufacturer. The plan shall also set out any of the perverse incentives which are sometimes encountered in the rail industry, and how these will be overcome.

Core Valley Lines

As stated above the CVL asset transferred to TfW on 28th March. In addition to ensuring the immediate requirements as set out above TfW must also further develop its capacity and plans to deliver both business as usual services at the end of this emergency period, and the delivery of the Metro Transformation Project along the Core Valley Lines. As part of this TfW must ensure it maintains the newly created Wales Infrastructure Manager of Last Resort company, and set up robust governance processes for ensuring compliance with statutory duties for the safe operation of the asset and regulatory requirements of the Office of Rail and Road (ORR).

Expert Advice and Project Management

The Welsh Government will continue to rely on TfW to provide on-going professional advisory and consultancy capacity, including on matters relating to the bus network, strategic road network, the Welsh transport appraisal guidance (WelTAG), active travel and 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 shall 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 and feasibility studies.

FIT (Future Integrated Transport) Programme

Following the pause of the above programme to enable focus on the current emergency situation, we need to reconsider the activity schedule for the transfer of responsibility for delivery of various functions to TfW. Therefore, TfW should re-evaluate the programme time table and be in a position to propose a new schedule of activity enabling them to deliver for Welsh Ministers in the areas of bus, aviation and active travel. This should be ready for discussion at the appropriate time at the end of this emergency period.

Wales Transport Strategy

At the end of this emergency period it will be key that Wales has a recovery plan and this will form part of the development of the Wales Transport Strategy.

TfW will be required to support the development of the Wales Transport Strategy (WTS) including strategy evidence base and modelling, project management, integrated sustainability appraisal (including option testing), communications and stakeholder engagement and document production and graphics. The intention is that the WTS will be published in December 2020.

To be ready to support the work identified above, TfW shall further develop its Analytical Unit to ensure that it 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 Brand

TfW shall continue to maximise its efforts in raising brand awareness of TfW and improving perception with passengers, the general public, its stakeholders and supply chains. Tighter controls shall be exercised over brand management, and TfW shall leverage the brand as a mechanism for driving innovation across the business, from excellence in marketing and communications, quality across all areas of customer service, to bold and ambitious longer-term project ideas that embed the brand into the fabric of Welsh life.

The TfW Rail brand (under which the ODP currently delivers rail passenger services) shall be merged into the main TfW brand, with no separate brand identity.

Business Plan

TfW shall produce an interim operational/business plan setting out how it will achieve these objectives in the period up until June 2020 before the end of May. Whilst this will by necessity be short, TfW will also need to produce a financial forecast to cover the above activities over the same period as set out below.

In developing this business plan TfW shall set out clear business objectives taking into consideration the emergency measures along with performance indicators that can be monitored and reported regularly throughout the period. This monitoring will become critical to assess TfW's effectiveness in delivering the outcomes of the interim measures.

Within the business plan we also expect TfW to have consideration for Supporting Welsh Language and Culture and the Wellbeing of Future Generations.

TfW shall continue to develop the important role it plays in supporting Welsh language and culture, recognising the diversity of Wales' regions, the needs of communities, and the interests of different passenger groups.

The Welsh Government requires TfW, as a wholly owned government company, to work in line with the five ways of working set out in the Wellbeing of Future Generations (Wales) Act 2015.

You are required to report to Welsh Government how TfW is using the five ways of working, how it is contributing to achieving the seven wellbeing goals, and how its approach will progress year on year.

Funding

Confirmation of funding for the next 3 months of activity is set out below:

	Limit
Cumulative Revenue Funding	£60.9m
Cumulative Capital Funding	£70.5m
Additional Revenue Support for ODP	£40.2m

Please note that this indicative funding could decrease or increase according to several factors, including:

- a change in Government priorities or ministerial portfolios
- Budget fluctuations

During the period of this interim remit letter and to recognise the financial constraints that may be faced by the Welsh Government in dealing with the COVID 19, emergency expenditure on projects other than contractual commitments should be discussed and cleared with WG officials.

The funding being made available for this interim period is based on what you have indicated you require to operate in the current climate. Whilst this funding is being provided now it will be subject to reconciliation when the next remit letter issues and is being made available in the context of the overall annual budget that will be available to Transport for Wales, which is still to be determined. This funding should not be taken as acceptance of funding of any annual draft business plan/work programme discussed with Welsh Government to date.

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 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.

Funding will be provided in accordance with budgeting guidelines for public bodies and should utilised and reported on as such.

Whilst TfW is a company incorporated under the Companies Act and must produce its annual accounts in accordance with that, as a company wholly owned by Welsh Government it is also required to submit to WG adjusted accounts that conform to accounting requirements for Public bodies as set out by the Financial Reporting Manual (FReM). These adjusted accounts will be consolidated into the Welsh Government group accounts. The timing for submission of these are as set out in the Management Agreement.

Oversight Arrangements

Your sponsorship team will contact you shortly to arrange a meeting to discuss oversight and reporting arrangements for this interim period. Welsh Government operates a risk-based approach to oversight, and works collaboratively to identify the appropriate level of oversight and monitoring for the individual organisation.

This letter shall be considered in conjunction with the Framework document and annual funding confirmation letter.

I look forward to working with you in to address these significant challenges we face at this current time and to start looking forward and planning for the future.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Ken Skates', with a long horizontal flourish extending to the right.

Ken Skates AS/MS

Gweinidog yr Economi, Trafnidiaeth a Gogledd Cymru
Minister for Economy, Transport and North Wales