

Agenda – Economy, Infrastructure and Skills Committee

Meeting Venue:

Committee Room 1 – Senedd

Meeting date: 13 March 2019

Meeting time: 09.15

For further information contact:

Gareth Price

Committee Clerk

0300 200 6565

SeneddEIS@assembly.wales

Private pre-meeting

(09.15–09.30)

1 Introductions, apologies, substitutions and declarations of interest

2 The Future Development of Transport for Wales: Unions

(09.30–10.10)

(Pages 1 – 42)

Daniel Maney, Negotiations Executive, Prospect

Mick Whelan, General Secretary, Associated Society of Locomotive Engineers and Firemen

Shavanah Taj, National Officer, Wales and South West, Public and Commercial Services Union

Attached Documents:

EIS(5)–08–19(P1) Research Briefing

EIS(5)–08–19(P2) Evidence from Prospect

EIS(5)–08–19(P3) Evidence from ASLEF

EIS(5)–08–19(P4) Evidence from PCS



Break

(10.10–10.25)

3 The Future Development of Transport for Wales: Transport for Wales

(10.25–11.25)

(Pages 43 – 62)

James Price, Chief Executive, Transport for Wales

Attached Documents:

EIS(5)–08–19(P5) TfW Business Plan 2018–19

Break

(11.25–11.30)

4 The Future Development of Transport for Wales: Minister for Economy and Transport

(11.30–12.30)

(Pages 63 – 68)

Ken Skates AM, Minister for Economy and Transport

Simon Jones, Director, Economic Infrastructure

Jenny Lewis, Deputy Director, Economic Infrastructure Management Division

Attached Documents:

EIS(5)–08–19(P6) Evidence from the Minister for Economy and Transport

Private de-brief

(12.30–12.35)

Document is Restricted

Evidence from Prospect

Introduction

Prospect is the 8th largest union in the UK and we represents over 142,000 working people across the UK. We focus on professionals, managers, technical experts and craftspeople working in a huge range of industries. We cover both public and private sector employers of which over 7000 are based in Wales. We are one of three recognised trade unions for Welsh Government and other devolved public bodies in Wales.

We have many members currently working for Transport for Wales and are currently one of the recognised trade unions there.

The union holds progressive views, is not affiliated to any political party and aims for a co-operative approach with employers. To find out more about the union you may wish to visit the website - www.prospect.org.uk

Terms of Reference:

The Committee would like to hear views on the governance and future development of TfW, including:

- Whether the current governance, structure and funding of Transport for Wales are effective and transparent.
- What action should be taken to develop these aspects of the organisation? And what other governance models and good practice are available?
- The future role of Transport for Wales in delivering transport policy. What additional responsibilities should it take on and how should these integrate with the role of the Welsh Government, local government and emerging regional transport authorities?

The focus of Prospect's response to this consultation is on governance.

Prospect does not believe that the current governance arrangements of Transport for Wales are as effective and transparent as they could be, there is no clarity about the governance of TfW. The employment practices, terms and conditions within TfW are impossible to identify and we are unsure as to how TfW fits with 'One Wales Public Service'.

This is a particular concern for a body that “ key to delivering the Welsh Government’s key themes as set out in Prosperity for All: The National Strategy” and “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.” (TfW Website – About)

TfW states that they are; “committed to good employment practices through our supply chain to ensure that all workers, at every stage are treated fairly and equally, as outlined in our Modern Slavery Statement. We encourage all our suppliers to follow The Code of Practice on Ethical Employment in Supply Chains.

We’re an advocate for the National Living Wage, a voluntary hourly rate that is set by the Living Wage Foundation based on the cost of living. Our adoption of The Living Wage rate is to do our part in creating a prosperous, equal and responsible Wales.” (TfW Website – Our Approach)

While this is commendable, Prospect feels that more can be done to improve the quality of governance and make it consistent with the principles of making Wales a fair work nation and help deliver good working outcomes for all. We would like to draw attention to the following principles which should be incorporated into the TfW governance structure.

Good Work – The Taylor Review of Modern Working Practices – identifies that the best way to achieve better work is through “responsible corporate governance, good management and strong employment relations within the organisation” This is why it is important that companies are seen to take good work seriously and are open about their practices and that all workers are able to be engaged and heard.

TfW is owned by Welsh Government, with the latter signed up to an industrial relations approach based on partnership with its recognised Trade Unions. It has been stated that those in TfW will not be civil servants, although the most senior staff in TfW appear to have the unique dispensation to retain their civil servant status as they are on secondment. Yet lower grades, if transferred will be compelled to lose that status and the associated employee benefits.

Concerns have been raised that it appears TfW is staffed by external consultants, paid a multiple of civil servants’ salaries while civil servants provide them with the background information and policy lines to support their work; with reports often coming back to the people who held the data in the first place. To whom are they accountable?

Transport members within WG are increasingly concerned that a ‘tupe’ transfer could be forced upon them without reassurance that basic good working practices, policies and processes that are tested, proven and exist within WG will be transferred.

The process to date has provided staff with no confidence that TfW will be a good employer, will align with WG Policy and Public-Sector values as opposed to a WDA type quango.

In 2012 a revised partnership agreement for public services in Wales entitled Partnership and Managing Change was agreed between the Welsh Government (WG), Wales TUC Cymru, Welsh Local Government Association (WLGA) NHS Wales and other stakeholders associated with the Workforce Partnership Council (WPC) The Agreement develops the concept of Social Partnership in Wales, with trust and shared understanding representing the cornerstone of such social partnerships. The agreement set out a shared vision by the stakeholders for public services in Wales and made a commitment to a set of principles relevant to managing change in public services.

This agreement takes account of developments at the Public Service Workforce Partnership Council including Working together for Wales – A Strategic Framework for the Public Service Workforce in Wales and the importance of sector groups (including the devolved civil service group) to the work of the WPC.

The Partnership Agreement informs the way that business is conducted between management and the Trade Union Side (TUS). This was previously carried via Whitley Council arrangements, known since 2009 as the Partnership Forum. This is in addition to any informal working arrangements that may also be in place.

The WG management and TUS (which consists of the three Trade Unions formally recognised by WG; Prospect, PCS and the FDA) are committed to effective partnership working and agree that a shared vision for improving delivery of public services in Wales and the lives of the people who work within the government can be best achieved by this approach.

Mutual Objectives

The WG & TUS are committed to effective industrial relations, through a social partnership approach, working at all levels within WG, both structurally and geographically. This includes a commitment to:

- The continued success of WG
- Developing and maintaining WG as an exemplar employer
- Working with trade union members and management to ensure there are no barriers to delivering Ministerial priorities.
- All members of staff being supported to deliver an effective service for the people of Wales.
- A mutual understanding of the context in which we are all working and a shared commitment to resolve the key challenges that this creates for management and unions.

Prospect is unaware of a similar agreement within TfW and despite recent discussions with the organisation remains unconvinced of its commitment to establishing one. This is disappointing in the context of the Taylor Review. What is particularly difficult to understand, however, is the inconsistency between WG's

commitment to partnership and TfW's reluctance to it. Why this has not been mandated by WG (the owners) from the outset is unfathomable.

In its report [ALL ABOARD - Making worker representation on company boards a reality](#), the TUC sets out the case for worker representation on boards - how it works in practice in other European economies - and how it could be put into practice in the UK.

The case for worker representation on boards

Prospect believes that the case for work place representation on boards is a strong one, for the following reasons:

- Enhancing the quality of board decision-making
- Workers have an interest in the long-term success of their company; their participation would encourage boards to take a long-term approach to decision making.
- Worker board representation would bring people with a very different range of backgrounds and skills into the boardroom, which would help challenge 'groupthink'.
- Workers would bring the perspective of an ordinary worker to bear on boardroom discussions and decisions; evidence from countries with worker board representation shows that this is particularly valued by other board members.
- Workforce relationships are central to company success, and worker board representation would help boards to manage these key stakeholder relationships more effectively.

The importance of a voice

Workers' interests are affected by the priorities and decisions of company boards and it is therefore a matter of social justice that they should be represented within those discussions.

Representation in practice

Evidence from Europe

- Worker board representation is in place across most of Europe; the UK is one of a minority of European countries with no rights for workers' voice within corporate governance.
- In 19 out of 28 EU Member States plus Norway (i.e., 19 out of 29 European countries), there is some provision for workers' representation on company boards, and in 13 of these countries the rights are extensive in that they apply across much of the private sector.
- There is no one model of workers' board representation across Europe, and the way in which it operates varies from country to country.
- Research shows that where worker board representation is in place, the contribution of worker representatives is valued by other board members.
- Countries with strong workers' participation rights perform better on a whole range of factors, including R&D expenditure and employment rates, while also achieving lower rates of poverty and inequality.

UK precedents

FirstGroup plc has had an employee director since the company's inception in 1989. A FirstGroup spokesperson said:

"We are proud of our long history in bringing the voice of our workforce into the boardroom through our Employee Directors. In our experience, the perspectives and input of Employee Directors aids decision making and demonstrates the company's desire to hear from our workforce. It complements the strong and positive relationship we have with trade unions, rather than being a substitute for normal industrial relations. Directors and workers alike find Employee Directors invaluable in providing a closer link between the depot and the boardroom."

There are other areas in which unions and workers are well-practiced in carrying out a representative role which has parallels with board representation, including collective bargaining, health and safety representatives, Trade Union Member Nominated Trustees, Green Workplace Representatives and European Works Council representatives.

A particularly relevant case study - in the context of this consultation and our response - is the Transport for London Governance structure.

TfL is a statutory body created by the Greater London Authority (GLA) Act 1999. This Act gives the Mayor of London a general duty to develop and apply policies to

promote and encourage safe, integrated, efficient and economic transport facilities and services to, from and within London.

The GLA Act (Schedule 10) sets out how the Board may establish committees and how it may delegate certain functions to either those committees or to an officer(s) of TfL.

The delegations are set out in the Scheme of Delegation which is included in the standing orders. That document, along with the TfL committees and panels document setting out the terms of reference and the membership for the committees and advisory panels, are on the standing orders page in Publications & reports.

TfL's code of corporate governance provides further details of their governance arrangements, particularly around risk management and standards of conduct. They are committed to acting in accordance with the Nolan Principles of public life, namely: selflessness, integrity, objectivity, accountability, openness, honesty and leadership <https://www.gov.uk/government/publications/the-7-principles-of-public-life>. Prospect feels that it would be beneficial to have TfW explicitly state their commitment to these principles.

The actual board is currently made up of seven women and five men and the Mayor and Deputy Mayor for Transport. In addition a further board member, to represent workers, is nominated by the TUC.

The previous TfL Board included 13 men and four women, with no BAME representative. By contrast, the Mayor's new Board is 57 per cent female, 29 per cent BAME and 13 per cent with a disability – with the final position to fill. So it is worth noting that while the current board is representative of a way that we would approve of, in TfW, it is not mandated, so we would want a representative structure such as this enshrined as mandatory in the constitution of TfW.

A public notice of the date, time and venue for meetings for TfL board meetings is published on the TfL website as well as at their head office and the meeting venue. The meetings are held in public unless information that is exempt from publication needs to be discussed.

All papers (unless exempt from publication or accepted by the relevant Chair as an urgent item) are published five clear working days before each meeting.

Board meetings are also recorded and webcast live. You can access the live stream or recordings on the GLA website.

Pan Wales focus

TfL is obviously focused on the London and the surrounding area, Prospect believes that a firm commitment from TfW to commit to delivering a high standard of service across Wales as a whole would be most welcome. We would also wish to see a fully integrated public transport system in place across the whole of

Wales, which provides affordable, sustainable and convenient transport services for all the people of Wales.

Whether TfW should have additional responsibilities - and indeed retain its existing responsibilities - should depend on the key objectives the Welsh Ministers decide to set for transport. A comprehensive and transparent analysis of the options for achieving those objectives in the most efficient way, we understand, was never undertaken in respect of TfW's existing responsibilities.

On the basis of the evidence provided, Prospect believes that governance transparency and accountability can be improved at TfW by:

1. TfW committing itself to the Good Work principles set out in the Taylor Review, particularly those concerning corporate governance and strong employment relations.
2. Implementing a partnership agreement - consistent with that which exists within the body that owns TfW - that commits all parties to constructive industrial relations and treats TfW in line with the principle of One Public Service Wales.
3. Having a worker representative on the board, as is the case in TfL.

In terms of general governance, Prospect is squarely behind the principle of devolution and would welcome as much of transport funding, decision making and setting fares, being delegated to TfW via the Welsh Government as much as possible. It is surely beneficial for the people of Wales to be in control of the transport infrastructure they use on a daily basis. We would be as supportive as possible of transport policy in Wales being fully devolved to the people of Wales.

A useful example is that which is currently in place in Scotland under Transport Scotland. In that organisation they have eight separate Transport Scotland directorates:

- Aviation, Maritime, Freight and Canals
- Bus, Accessibility and Active Travel
- Finance and Corporate Services
- Low Carbon Economy
- Major Infrastructure Projects
- Rail
- Roads
- Transport Strategy and Analysis

Each section has its own separate director and organisation but all operate under a single senior management team (which meets and publishes its minutes every month) and are all part of an integrated transport strategy. In addition they also publish monthly reports showing all items of expenditure over £25000.

As more transport policy is devolved to Wales, Prospect feels a similar system of governance would be beneficial. However we must ensure that the structure of TfW does not become top heavy, without the expertise to deliver the range and quality of work demanded from those who are currently civil servants. From the wide range of job adverts currently appearing for TfW, it appears the organisation is growing exponentially, albeit without any apparent workforce plan, or analysis of what roles currently could be transferred from WG.

Other Issues

The sense of many of our members is that the development of TfW as a centre of excellence is a very positive step forward. However, that vision has not been clearly set out despite ample opportunity. This has significantly delayed the development of a business case and the subsequent transfer of functions. The only logical explanation of why WG has struggled so much with developing the business case is that the transfer of functions is being considered for reasons that will not stand up to scrutiny.

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The models being suggested as examples of how TfW could manage highways, for example, include TfL, TfGM and Mersey Travel. None of the models referenced include the separation of policy and delivery that is being considered for the WG / TfW transfer of functions. The implications of this, including the crucial detail of how Welsh Ministers can be protected in their duty as Highway Authority if they do not have competent staff within WG do not appear to have been considered. No evidence has been presented on how scenarios might play out and there is a risk that roles will be duplicated in TfW and WG if this detailed thinking is not undertaken before any transfer of functions happens.

Wales is too small to have a myriad of transport plans and projects. We support Public Service Transport and a One Wales Public Service. Transport for Wales is a not for profit company, wholly owned by the Welsh Government. Transport for Wales 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 want TfW to be fully integrated into the Public Sector, to not only

look and feel like an excellent example of a Public Service but to deliver on the principles and values. As a new organisation this should be a shining example, it currently feels like a missed opportunity.

For Transport for Wales as a new organisation to be seen as a success, not only amongst its staff but as importantly by the people of Wales it must adhere to the principles of openness, transparency, integrity and honesty.

With the experience of rail passengers with the previous franchise holder TfW must regain the confidence of the Welsh travelling public.

Evidence from Associated Society of Locomotive Engineers and Firemen (ASLEF)

1. The Associated Society of Locomotive Engineers and Firemen (ASLEF) is the UK's largest train driver's union representing approximately 20,000 members in train operating companies and freight companies as well as London Underground and light rail systems. The union has just over 600 members in Wales.
2. ASLEF has responded to previous consultations and calls for evidence regarding the development of Transport for Wales, as well as the Welsh Government consultation on the Design of the Wales and borders rail service in May 2017.
3. ASLEF believes that during the development of Transport for Wales and implementation of the Wales and borders rail service contract, the Welsh Government has taken into account the views of a wide range of stakeholders including trade unions. We are glad to have the opportunity to input into this inquiry into the future of Transport for Wales.
4. While the inquiry also looks at the governance and structure of the organisation, we will mostly focus on the role of Transport for Wales in delivering transport policy.
5. ASLEF's view is that Transport for Wales as Wales' national body for transport should take a holistic view of transport policy and work to ensure that safe, efficient and sustainable transport is prioritised in every part of the country.
6. The Welsh Government's stated well-being objectives include plans to 'Drive sustainable growth and combat climate change', 'Build healthier communities and better environments' and 'Deliver modern and connected infrastructure'. All of these objectives support the imperative to develop an integrated vision for transport in Wales. With the management contract for rail services now awarded and in place, the union believes that Transport for Wales should now focus on integrating the wider transport system.
7. To ensure that the use of rail continues to increase in Wales, alongside more frequent services and new rolling stock, all stations must be fully connected to their communities and provide easy access to onward travel whether this be by buses, safe walking routes or sufficient cycle storage and access. Rail travel must be accessible or the travelling public will be discouraged from using the rail service.
8. ASLEF welcomes the implementation of the management contract for rail services, while maintaining its disappointment that a fully public model of

ownership was rejected. The union also acknowledges Transport for Wales' willingness to work with a range of stakeholders including trade unions in the development of the contract. The union wants to make sure that, as Transport for Wales moves into the future, rail services are not seen as 'completed' and are not forgotten or de-prioritised in any future decision making.

9. Additionally, ASLEF objects to any proposals for the future development of transport policy in Wales which would put rail freight at a disadvantage or undermine rail freight's access to the network. Rail freight, having declined every year since 2006-07, is beginning to show signs of growth across the UK and it is important that this growth is fully supported by effective transport policy. In 2018-19 Q2, total freight moved was 4.4 billion net tonne kilometres, an increase of 2% on 2017-18 Q2. The total number of freight train movements in 2017-18 was 215,826, a decrease of 3.5% from the previous year.
10. Road congestion is estimated to cost businesses £17 billion a year and the Department for Transport has calculated the cost of congestion to be 99 pence per lorry mile on the most congested roads. As part of any future transport planning, the union believes that all efforts should be made to increase the use of rail to transport both passengers and freight, as the effects of relying on road transport are not just economically but environmentally damaging. Rail freight produces 76% less CO2 emissions than the equivalent HGV journey. The ORR also states that rail is 20 times safer than road, another reason to support rail as a priority in future planning.
11. As ASLEF has previously outlined, the creation of a not-for-profit Transport for Wales is welcomed and a management contract for rail services is a more progressive option than a franchise which keeps revenue. The union remains disappointed that genuine public ownership of the franchise has been rejected but nevertheless looks forward to continuing to work closely with Transport for Wales to ensure that both the railway in Wales and the country's wider transport systems provide a quality, integrated service where people are put before profit.

Evidence from the Public and Commercial Services Union (PCS)

Introduction

The Public and Commercial Services Union (PCS) is one of the largest trade unions in the UK, with about 200,000 members. We are organised throughout the civil service and government agencies, making us the UK's largest civil service trade union. We also organise widely in the private sector, usually in areas that have been privatised.

We are a democratic organisation, run by our members, for our members. We campaign for fair pay and conditions, decent pensions for all and equality in the workplace and beyond. We are one of three recognised trade unions for Welsh Government and other devolved public bodies in Wales.

We have many members currently working for Transport for Wales and are currently one of the recognised trade unions there.

The union holds views not affiliated to any political party and, in Wales, has a partnership approach with employers. To find out more about the union you may wish to visit the website - www.pcs.org.uk/about-pcs

Terms of Reference:

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- What action should be taken to develop these aspects of the organisation? And what other governance models and good practice are available?
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The focus of PCS's response to this consultation mainly focuses on governance but does encompass all the above.

PCS does not believe that the current governance arrangements of Transport for Wales are as effective and transparent as they could be, there is no clarity about the governance of TfW. The employment practices, terms and conditions within TfW are impossible to identify and we are unsure as to how TfW fits with 'One Wales Public Service'.

This is a particular concern for a body that is “key to delivering the Welsh Government’s key themes as set out in Prosperity for All: The National Strategy” and “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.” (TfW Website – About)

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However, whether TfW should have additional responsibilities, and indeed retain its existing responsibilities, should depend on the key outcomes the Welsh Ministers decide to set for transport. A comprehensive and transparent analysis of the options for achieving those outcomes in the most efficient way, we understand, was never undertaken in respect of TfW's existing responsibilities.

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Mutual Objectives

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- The continued success of WG
- Developing and maintaining WG as an exemplar employer
- Working with trade union members and management to ensure there are no barriers to delivering Ministerial priorities.
- All members of staff being supported to deliver an effective service for the people of Wales.
- A mutual understanding of the context in which we are all working and a shared commitment to resolve the key challenges that this creates for management and unions. PCS is unaware of a similar agreement within TfW and despite discussions with the organisation remains unconvinced of its commitment to establishing one. This is disappointing in the context of the Taylor Review. What is particularly difficult to understand, however, is the inconsistency between WG's commitment to partnership and TfW's reluctance to it. Why this has not been mandated by WG (the owners) from the outset is unfathomable.

In its report [ALL ABOARD - Making worker representation on company boards a reality](#), the TUC sets out the case for worker representation on boards, how it works in practice in other European economies, and how it could be put into practice in the UK.

The case for worker representation on boards

- Enhancing the quality of board decision-making
- Workers have an interest in the long-term success of their company; their participation would encourage boards to take a long-term approach to decision-making.
- Worker board representation would bring people with a very different range of backgrounds and skills into the boardroom, which would help challenge 'groupthink'.
- Workers would bring the perspective of an ordinary worker to bear on boardroom discussions and decisions; evidence from countries with worker board representation shows that this is particularly valued by other board members.
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Representation in practice

Evidence from Europe

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- In 19 out of 28 EU Member States plus Norway (i.e., 19 out of 29 European countries) there is some provision for workers' representation on company boards, and in 13 of these countries the rights are extensive in that they apply across much of the private sector.
- There is no one model of workers' board representation across Europe, and the way in which it operates varies from country to country.
- Research shows that where worker board representation is in place, the contribution of worker representatives is valued by other board members.
- Countries with strong workers' participation rights perform better on a whole range of factors, including R&D expenditure and employment rates, while also achieving lower rates of poverty and inequality.

UK precedents

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A particularly relevant case study - in the context of this consultation and our response - is the Transport for London Governance structure.

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The actual board is currently made up of seven women and five men and the Mayor and Deputy Mayor for Transport, **with a further member to represent workers which is nominated by the TUC.**

The previous TfL Board included 13 men and four women, with no BAME representative. By contrast, the Mayor's new Board is 57 per cent female, 29 per cent BAME and 13 per cent with a disability - with the final position to fill. So, it is worth noting that while the current board is representative of a way that we would approve of in TFW it is not mandated, so we would want a representative structure such as this enshrined as obligatory in the constitution of TFW if possible.

A public notice of the date, time and venue for all TfL Board meetings is published on this website as well as at their head office and the meeting venue. The meetings are held in public unless information that is exempt from publication needs to be discussed.

All papers (unless exempt from publication or accepted by the relevant Chair as an urgent item) are published five clear working days before each meeting.

Board meetings are also recorded, and webcast live. You can access the live stream or recordings on the GLA website.

Pan Wales focus

TfL is obviously focused on the London and the surrounding area, PCS believes that a firm commitment from TfW to commit to delivering a high standard of service across Wales as a whole, would be most welcome. We would also wish to see a fully integrated public transport system in place across the entirety of Wales which provides affordable sustainable and convenient transport services for all the people of Wales.

Whether TfW should have additional responsibilities - and indeed retain its existing responsibilities - should depend on the key objectives the Welsh Ministers decide to set for transport. A comprehensive and transparent analysis of the options for achieving those objectives in the most efficient way, we understand, was never undertaken in respect of TfW's existing responsibilities.

On the basis of the evidence provided, PCS believes that governance transparency and accountability can be improved at TfW by:

1. TfW committing itself to the Good Work principles set out in the Taylor Review, particularly those concerning corporate governance and strong employment relations.
2. Implementing a partnership agreement - consistent with that which exists within the body that owns TfW - that commits all parties to constructive industrial relations.
3. Having a worker representative on the board, as is the case in TfL.

In terms of general governance, PCS is squarely behind the principle of devolution and would welcome as much of transport funding, decision making and fare decisions being delegated to the Welsh Government as possible. It is surely beneficial for the people of Wales to be in control of the transport infrastructure they use on a daily basis. We would be as supportive as possible of transport policy in Wales being fully devolved to the people of Wales.

A useful example, currently in place in Scotland under Transport Scotland, is that in that organisation they have eight separate Transport Scotland directorates:

- Aviation, Maritime, Freight and Canals
- Bus, Accessibility and Active Travel
- Finance and Corporate Services
- Low Carbon Economy
- Major Infrastructure Projects
- Rail

- Roads
- Transport Strategy and Analysis

Each section has its own separate director and organisation but all operate under a single senior management team (which meets and publishes its minutes every month) and are all part of an integrated transport strategy.

As more transport policy is devolved to Wales, Prospect feels a similar system of governance would be beneficial. However, we must ensure that the structure of TfW does not become too heavy, without the expertise to deliver the range and quality of work demanded from those who are currently civil servants. From the wide range of job adverts currently appearing for TfW, it appears the organisation is growing exponentially, albeit without any apparent workforce plan, or analysis of what roles currently could be transferred from WG.

The future role of Transport for Wales

We had been led to believe that TfW would not be developing policy, which would continue to be a responsibility of the Welsh Government through Transport Policy, Planning and Partnerships Division (TPP&P). Are staff in TPP&P also now destined to be transferred to TfW? Unless and until TfW can demonstrate that it is able to manage its current responsibilities effectively, it should not be permitted to take on any further responsibilities.

The sense of many of our members is that the development of TfW as a centre of excellence is a very positive step forward. However, that vision has not been clearly set out despite ample opportunity. This has significantly delayed the development of a business case and the subsequent transfer of functions. The only logical explanation of why WG has struggled so much with developing the business case is that the transfer of functions is being considered for reasons that will not stand up to scrutiny.

The models being suggested as examples of how TfW could manage highways, for example, include TfL, TfGM and Mersey Travel. None of the models referenced include the separation of policy and delivery that is being considered for the WG / TfW transfer of functions. The implications of this, including the crucial detail of how Welsh Ministers can be protected in their duty as Highway Authority if they do not have competent staff within WG do not appear to have been considered. No evidence has been presented on how scenarios might play out and there is a risk that roles will be duplicated in TfW and WG if this detailed thinking is not undertaken before any transfer of functions happens.

For Transport for Wales as a new organisation to be seen as a success, not only amongst its staff but as importantly by the people of Wales, it must adhere to the principles of openness, transparency, integrity and honesty.

With the experience of rail passengers with the previous franchise holder TfW must regain the confidence of the Welsh travelling public.

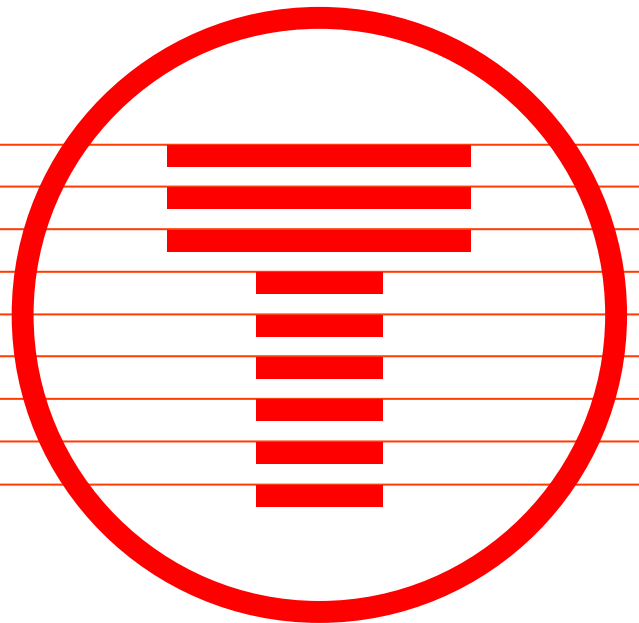
In addition, at what point does TfW, in effect become the JTA for Wales, with regional delivery organisations representing local authorities implementing specific projects at a regional/local level? How do we contain a high level strategic organisation and ensure it is cost effective, when there is no clear plan or 'road map' for future delivery and therefore no scrutiny?

Wales is too small to have a myriad of transport plans and projects. We support Public Service Transport and a One Wales Public Service. Transport for Wales is a not for profit company, wholly owned by the Welsh Government. Transport for Wales 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 want TfW to be fully integrated into the Public Sector, to not only look and feel like an excellent example of a Public Service but to deliver on the principles and values. As a new organisation this should be a shining example, it currently feels like a missed opportunity.



Business Plan

1 October 2018 - 31 March 2019





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1. Introduction and summary

- 1.1 This business plan describes how we will develop Transport for Wales for the period covered by the Welsh Government's remit letter, from 1 October 2018 to 31 March 2019.
- 1.2 The core objective for Transport for Wales for this period, as set out in the Welsh Government's remit letter, is to build a united, connected and sustainable Wales, aligned with the well-being objectives, being ambitious, seeking to engage and connected in its delivery approach as well as the delivery outcomes we will support.
- 1.3 This document provides an overview of our strategic objectives, how we are organised and our supporting activities.



2. Our purpose, vision and values

Our purpose

- 2.1 Transport for Wales exists to **Keep Wales Moving** safely by delivering customer-focused services, expert advice and infrastructure investment.

Context

- 2.2 A better, more integrated public transport system is a key driver in the delivery of the Welsh Government's national strategy: Prosperity for All. Transport connects people and communities, underpins sustainable development and enables economic growth. Better public transport services will result in real benefits for people, including better access to employment opportunities and better integration of services, such as education and health with the public transport system.
- 2.3 Transport for Wales is a not-for-profit company, wholly owned by the Welsh Government. Across Wales and its borders, we collaborate with other transport providers, partners and stakeholders to deliver a safe, accessible, reliable, affordable and low carbon integrated transport system.
- 2.4 Transport for Wales does not set policy, nor do we exercise any statutory functions ourselves. Rather, we are the Welsh Government's expert adviser and advocate for transport-related matters. We provide technical advice to allow the Welsh Government to develop policy. Everything we do is discharged within the Welsh Government's policy framework.

Our vision

- 2.5 Our aim is to create a transport network of which Wales is proud.

Our values

- 2.6 We will create trust with our stakeholders, customers and staff founded on:
- Being **Safe**: Health, Safety and Well-being.
 - Being the Best: **High performance**. Pace.
 - **Being Positive**: The right Attitude: Can Do, Will Do.
 - Being **Connected**. Enterprising. Networked.
 - Being **Fair**: Treating people well. Integrity. Equality.
 - Creating **Shared Success**: Passion for the best deal.



3. Strategic context

3.1 There are several strategic objectives that we seek to achieve over the next five-to-ten years in support of our vision and aligned with our purpose. Our annual reports will provide progress updates over that period:

- **Improved customer services:** We will develop a common customer service ethos across transport services in Wales and its borders focused on the needs of people, involving communities and business to deliver safe, reliable, affordable and low carbon transport.
- **Fully integrated:** We will focus on continually improving integration between different modes of transport. Integration requires reliable information provision, simplified ticketing and joined-up services where interchange takes place, as well as thought-through and, wherever possible, co-located services, for example, bus and railway stations located together.
- **Reinvesting in transport:** As a not-for-profit company wholly owned by the Welsh Government, we will ensure that any surplus from our operations is re-invested in transport services and infrastructure for the benefit of customers - building on the Welsh Government's commitment that the transport network in Wales will be increasingly directly owned or operated by Transport for Wales.
- **Ensuring we serve all of Wales effectively:** We will ensure that we maximise our understanding of local and regional needs across Wales for the benefit of current and future transport users. Our Development Director for North Wales will take up post in early 2019 to lead our North Wales Business Unit. We are also progressing with the establishment of our new headquarters with key partners at Pontypridd.
- **Developing skills sustainably:** The success of Transport for Wales relies upon the development of skills for delivery of services and infrastructure. We will look at ways to procure infrastructure and services that lead to even greater local and regional benefits. We will work with SMEs and larger organisations in an alliancing approach to maximise direct value for money through efficient and effective delivery, as well as wider sustainable economic benefits.
- **Connecting communities:** Our approach to many of our objectives will underpin our aim to ensure communities are properly connected. Beyond transport links,



the focus on regeneration and placemaking opportunities to support sustainable growth and our commitment to the Welsh language will support this objective.

- **Transport modelling, land-use planning:** We will establish an evidence-based approach to support decision-making associated with infrastructure investment. We will support the Welsh Government by working to ensure opportunities to maximise the amount of residential, business and leisure space within walking distance of public transport and to improve connectivity and increase transport's contribution towards the lowering of carbon footprints are fully understood.
- **Environment/Carbon:** We will deliver on the Welsh Government's policy by decarbonising our transport networks and improving the air quality of the communities they serve, seeking to prevent the associated negative impact on health.
- **Playing our part in Prosperity for All: The Economic Action Plan:** In addition to the objectives detailed above which support Prosperity for All, we will work with the Welsh Government to maximise the benefit of the commitment to a long-term (five-year) programme of transport capital funding to deliver projects in the most efficient and effective way whilst maximising the public sector's considerable purchasing power.

3.2 We are already rapidly growing to meet the above challenges and to take on further responsibilities in supporting the Welsh Government's commitment that, wherever an acceptable business case can be made, current supply arrangements will be consolidated into Transport for Wales.

Summary of legal and policy context

The context in which Transport for Wales operates can be broadly summarised into three key areas:

3.3 **Legal and statutory duties:** These legal and statutory duties include those which apply to any company or organisation and place direct responsibilities on Transport for Wales, its directors and employees and include, but are not limited to:

- Company law (for example, the Companies Act).



- Employment law (including the Equality Act, Employment Rights Act, TUPE Regulations, National Minimum Wage Act, Pensions Act, Working Time Regulations).
- Health, safety and welfare legislation.
- Environmental legislation (including the Environment (Wales) Act).
- Data protection legislation (for example, the Data Protection Act and Freedom of Information Act).
- Relevant EU law (for example, the EU Railway Packages, Regulation 1370).

In addition, as Transport for Wales is exercising public functions there are further public law duties and responsibilities requirements with which Transport for Wales must comply. These include, but are not limited to:

- Procurement legislation (for example, Public Contracts Regulations and the Modern Slavery Act).
- Relevant EU law (for example, the EU Railway Packages, Regulation 1370).
- Nolan principles (7 principles of public life).
- Welsh Government's Policy Statement (December 2017) on Accessible and Inclusive Public Transport Objectives.
- Managing Welsh Public Money.

3.4 **Assisting Welsh Ministers to meet certain contractual commitments and Statutory Duties:** These commitments include, but are not limited to:

- Wales and Borders Agreements (a series of agreements between the Welsh Government and the Department for Transport concerning operation of the new rail service).
- The Rail Services for the Future document, published by Transport for Wales in September 2017, stated that: "we are committed to meeting the requirements of the Welsh Language Standards by providing better Welsh language services." These commitments have been carried forward into this business plan.
- The Well-being of Future Generations Act - duty to act in accordance with the sustainable development principle.
- The Active Travel (Wales) Act – Welsh Ministers must exercise their functions under this Act in a manner designed to promote active travel journeys, and secure new active travel routes and related facilities and improvements in existing active travel routes and related facilities. Transport for Wales has said



that it will “improve integration with active travel routes making it easier for people to walk or cycle to and from stations.”

- The duties of Welsh Ministers under the Transfer of Functions Order, Agency Agreements and the ODP Grant Agreement.

3.5 Obligations set out in the Welsh Government’s remit letter and the Management Agreement between the Welsh Government and Transport for Wales: There are a series of further non-statutory requirements which are set out in the Welsh Government’s remit letters and the Management Agreement between the Welsh Government and Transport for Wales, which include:

- Code of Practice on Ethical Employment in Supply Chains (Transport for Wales is a signatory to this Code, which includes annual anti-slavery statement, ethical employment policy statement, written policy on whistle-blowing)
- Welsh Ministers’ Policy Framework
- Welsh Government Policy Documents:
 - Taking Wales Forward 2016-21.
 - Prosperity for All: The National Strategy.
 - Prosperity for All: The Economic Action Plan.
 - WelTAG 2017.

3.6 For 2018-19, Welsh Government remit letters have covered the following periods:

- April to June 2018.
- July to September 2018.
- October 2018 to March 2019.



4. Governance

- 4.1 Transport for Wales' key governance arrangements to support delivery of our objectives and this business plan are detailed below. They comprise Transport for Wales' Board and its committees and the Executive team.
- 4.2 The Board is responsible for providing strong governance and strategic vision, including:
- Establishing vision, purpose and values.
 - Setting strategy and structure.
 - Promoting high standards of public finance, upholding the principles of regularity, propriety and value for money.
 - Delegating to management – including holding management to account against delegations – governance and delivery.
 - Exercising accountability to the Welsh Government as sole guarantor member and being responsible to relevant stakeholders, supporting and providing constructive challenge to the Executive team.
 - Holding to account the Executive team on delivery of the business plan and the key deliverables of the business, i.e. safety, service, costs etc.
 - Helping the Executive team by offering advice and mentoring to develop the business strategy and continue to improve business performance.
 - Ensuring that adequate resources are available and that senior-level succession is well planned.
- 4.3 Transport for Wales' Executive team comprises the Chief Executive and all Executive Directors.
- 4.4 The Executive team is responsible for:
- Running the company – including Finance, HR, Health and Safety, and Legal matters within the agreed governance framework.
 - Performance and delivery of projects.
 - Performance and delivery of day-to-day business e.g. rail services.

Relationship with the Welsh Government

- 4.5 The structures and governance arrangements for Transport for Wales and its relationship with the Welsh Government have been developed in accordance with the guidance on managing relationships with external partners found in Chapter 7



of Managing Welsh Public Money and Annexes 7.1 – 7.4. UK Government Cabinet Office guidance on establishing public bodies has also been considered.

- 4.6 The structures and governance mean that Transport for Wales has a clear, legal identity within a robust and well-established framework, putting it at a clear distance from the Welsh Government and allowing it to make independent operational decisions.
- 4.7 The Welsh Government still controls the overall goals and performance of Transport for Wales at a strategic level, making sure that Transport for Wales is behaving efficiently and continues to act in the public interest.
- 4.8 Transport for Wales' current company structure also offers significant flexibility in case there is any need to modify these elements in the future. The model is also more familiar to the commercial organisations with which Transport for Wales will need to work closely.
- 4.9 Transport for Wales is publicly funded. However, it is envisaged that we could generate relatively low levels of additional income from external sources. Where we provide additional services to others, the Welsh Government expects these would generally be on a cost recovery basis.

Relationship principles between the Welsh Government and Transport for Wales

- 4.10 Transport for Wales will be treated as a trusted delivery partner and the conduct of business between the Welsh Government and Transport for Wales will take due account of our role and functions and our plans as the primary delivery body for the Welsh Government's transport policy. Transport for Wales will be encouraged to contribute to the workings and the management of the Welsh Government's sponsor and client teams.

Social partnership

- 4.11 Trade unions are an important part of building our organisation and with that in mind, Transport for Wales has chosen to recognise all relevant unions within the sectors to ensure, as we grow, our ability to work effectively in social partnership.

Transport for Wales is a fair and inclusive employer and we are keen to take forward a progressive appointment of having a nominated representative of the unions on



our Board of Directors, and we are seeking to appoint a Trade Union Representative.

Transport for Wales recognises and works collaboratively with the following Trade Unions:

- ASLEF.
- FDA.
- PCS.
- Prospect.
- RMT.
- TSSA.
- Unite.



5. Overview of performance for 2017-18

- 5.1 Our 2017-18 business plan identified several core outputs that Transport for Wales' advisory and consultancy services would support.
- 5.2 Procurement of the Operator and Development Partner (ODP) continued. Responses to our Invitation to Submit Final Tenders (ITSFT) were received in December 2017. The contract was awarded on 4 June 2018.
- 5.3 The OJEU notice for the appointment of Infrastructure Delivery Partners (IDP) to our Sustainable Transport Infrastructure Delivery (STriDe) Framework was issued in January 2018.
- 5.4 A set of commercial principles associated with the asset transfer of the Core Valley Lines were agreed with Network Rail prior to the issue of the Invitation to Submit Final Tenders in September 2017.
- 5.5 The Transfer of Powers process was progressed with the Department for Transport, with two Agency Agreements underpinning the procurement process. A third Agency Agreement, Agency Agreement 3 was agreed before ODP contract award. The Transfer Function Order completed parliamentary process by June 2018.
- 5.6 Transport for Wales' team was expanded to recognise the management requirements for mobilisation towards the rail service commencement in October 2018. New projects were set up for Rail Service Continuity and Rail Service Improvements to focus efforts on taking this forward.



6. Summary of strategic objectives and operational plan

6.1 The table below shows Transport for Wales' core strategic objectives as set out in the Welsh Government's remit letter and the supporting operational plan for the period of this business plan (October 2018 to March 2019). It sets out activities completed between 1 October 2018 to 4 December 2018 when the Welsh Government issued its remit letter and plans up to 31 March 2019. Our strategic objectives have been aligned to Transport for Wales' three core themes:

- Customer-focused services.
- Expert advice.
- Infrastructure investment.

Theme	Core activity	Operational plan (1 October 2018 – 31 March 2019)
Customer-focused services	Support the Welsh Government to finalise the closure of the existing Wales and Borders franchise.	<p>Leading the delivery of the mobilisation of the Wales and Borders franchise and securing the licence to operate within the timeframe for the rail franchise operator to commence operations on 14 October 2018.</p> <p>Transferring any outstanding ATW-led projects across to Transport for Wales Rail Services, such as CET project and Chester-Liverpool timetable changes with the introduction of 769 fleet.</p> <p>Concluding all commercial and regulatory contractual agreements to enable the franchise operator to operate, including closing out remaining commercial agreements.</p> <p>Finalising the new rolling stock contracts and associated agreements.</p> <p>Supporting the Department for Transport which is leading the closure of the ATW 'books'.</p>



Theme	Core activity	Operational plan (2018-2019)
Customer-focused services	Manage the Operator and Development Partner (ODP).	<p>Setting up an expert team to effectively manage the Wales and Borders franchise.</p> <p>Establishing a robust governance framework working to business as usual.</p> <p>Maintaining new contractual and change control processes for any agreed changes to committed obligations, service improvement plans and/or milestones.</p>

Theme	Core activity	Operational plan (2018-2019)
Customer-focused services	Continue to develop the Transport for Wales brand as a strong customer-focused brand that passengers and stakeholder across Wales recognise and understand its values.	<p>Establishing an effective integrated team to ensure that positive messages and important customer information is shared across all channels under a clear 'one team' brand.</p> <p>Growing awareness of Transport for Wales' brand amongst consumers; ensuring that customers and potential customers recognise the change in operator and continue to travel on Transport for Wales' services.</p> <p>Working collaboratively with stakeholders and establishing new networks to ensure that community and customer voices are heard as Transport for Wales develops the detail of its delivery plans.</p> <p>Delivering campaigns to raise awareness of the development plans to reassure that we are on course in delivering our 15-year transformation programme.</p>



Theme	Core activity	Operational plan (2018-2019)
Infrastructure investment	Further develop the STRiDe framework alliance and engagement events with SMEs.	<p>Stakeholder events run by Transport for Wales and Transport for Wales Rail Services will inform potential suppliers of imminent pipeline opportunities for the Core Valley Lines transformation programme.</p> <p>Working with Business Wales to upskill SMEs, aiming to put them in a better position to bid for STRiDe framework opportunities.</p>

Theme	Core activity	Operational plan (2018-2019)
Infrastructure investment	<p>Deliver rail infrastructure projects including, but not limited to:</p> <ul style="list-style-type: none"> ▪ Projects to support the delivery of the South Wales and North East Wales metros. ▪ Bow Street station. ▪ Llanwern Station and Major Events Stabling Line. <p>Provide project management in connection with transport projects.</p>	<p>Achieving Milestone 2 (concept design) on the Core Valley Lines Transformation project.</p> <p>Achieving Milestone 3 by end of February 2019.</p> <p>Undertaking design work on the Llanwern, Bow Street, Cardiff Interchange and Deeside infrastructure projects.</p> <p>Taking Shotton and Deeside, Wrexham General and Ebbw Vale through 'development of scheme' stage.</p>



Theme	Core activity	Operational plan (2018-2019)
Expert advice	Further develop the Analytical Unit within the company, based on the South East Wales Transport Model to support local, regional and national transport planning.	<p>Appointing Transport for Wales' Strategic Transport Analysis Manager in November 2018.</p> <p>Developing Transport for Wales' Analytical Unit business plan.</p> <p>Taking control of the South East Wales Transport Model (SEWTM) Management Group and commissioning the first tranche of maintenance / upgrade activities for the model.</p> <p>Issuing Regional transport modelling OJEU Prior Information Notice (PIN) for remaining two regional models, leading to a market engagement process.</p> <p>Engaging with South West Wales regional planners and South West Wales local authorities regarding the scope for the South West and Mid Wales Transport Model.</p> <p>Engaging with North Wales regional planners and local authorities on the scope of the North Wales Transport Model.</p>

Theme	Core activity	Operational plan (2018-2019)
Expert advice	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	<p>Appointing Transport for Wales' Active Travel Lead in November 2018.</p> <p>Surveying local authorities as part of an analysis to understand their current approach to active travel delivery and to ascertain where they believe support may be required in the development and delivery of active travel proposals.</p> <p>Advising on the expansion of the NextBike scheme in Cardiff, the potential for active travel in Transport for Wales schemes at Bow Street,</p>



	Welsh Government and Transport for Wales.	<p>Cardiff Central interchange and other local authority proposals.</p> <p>Advising to assist the review of the Active Travel Design Guidance and undertaking a range of other activities such as expansion of the cycle hire scheme, assessing local authority grant applications through the Active Travel Fund (ATF) and Safe Routes in Communities Programme.</p> <p>Assisting Sustrans with the review of the Active Travel Act Delivery Guidance.</p>
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Theme	Core activity	Operational plan (2018-2019)
Expert advice	Provide professional advisory and consultancy capacity in support of the bus services review.	Supporting and advising on business cases to further develop the Strategic Outline Case around developing a national bus network, an integrated, responsive travel solution and ticketing and back office.

Theme	Core activity	Operational plan (2018-2019)
Expert advice	Provide professional advisory and consultancy capacity and develop the case for investment in the transport network through 'Programme Strategic Outline Cases' including individual business cases and feasibility studies where required.	<p>Working closely with our consultancy supply chain to develop business cases and undertake feasibility studies.</p> <p>The Analytical Unit now has the capability to act as a more intelligent client when it comes to helping to specify, scope and review the business cases undertaken. Continuing to develop and enhance this capability as we expand the Analytical Unit, with the next step being to work collaboratively with our consultants in preparing business cases.</p>



7. Core assumptions

7.1 A two-year budget has been developed reflecting Transport for Wales' strategic objectives and operational plan and aligned with the programme structure.

The budget has made the following key assumptions:

- Rail Operations commencement 14 October 2018
- Transfer of CVL asset 2019-20 financial year
- Move to new offices in Pontypridd 2020-21 financial year

Additional Requirements and projects will be subject to further remit changes (which are not reflected in the budget) and further approvals, as appropriate, by purchase order.

Profile of expenditure is subject to further review with the ODP and IDPs.

7.2 To deliver Transport for Wales' strategic objectives, expansion of the team is planned over the next two years both on the delivery side and supporting functions.



8. Cash flow and funding

	Outturn	Plan
Resource Expenditure (£'000s)	2018-19	2019-20
Rail Services	97,871	
Central Services	2,915	
New Services *	2,513	
Resource Expenditure	103,299	
Resource Expenditure Non-Cash	88	

* Including additional projects remitted during 2018-19 however excludes separately recovered projects

	Outturn	Plan
Capital Expenditure (£'000s)	2018-19	2019-20
Rail Infrastructure	54,851	
Corporate Infrastructure	276	
New Services	1,751	
Capital Expenditure	56,878	

- 8.1 Rail Services includes the cost of the Commercial, Communications and Customer Services, Safety and Sustainability directorates and an allocation of Central Services (Corporate Services and Finance).
- 8.2 The resource non-cash budget relates to depreciation on fixed assets.
- 8.3 Within the capital budgets, Rail Infrastructure relates to the delivery of the South East Wales Metro infrastructure interventions; including capital spend for the Core Valley Lines and the Llanwern Station and Stabling project. The Corporate Infrastructure budget relates to the accommodation costs.
- 8.4 New services include the cost of:
- Establishing and utilising the Analytical Unit.
 - Establishing a North Wales Business Unit.
 - Providing network management advice.



- Consultancy projects engaged by the Welsh Government to deliver, excluding any invoiced projects to either the Welsh Government or third parties.
- Development of the North Wales Metro and non-Metro infrastructure interventions, such as the Bow Street Station project.

Evidence from the Minister for Economy and Transport**Purpose**

1. The purpose of this paper is to provide written evidence to the Economy, Infrastructure and Skills Committee's inquiry into the future development of Transport for Wales.

Background

2. Transport for Wales (TfW) was established under the Companies Act 2006 and is fully accountable to the Welsh Ministers, as a wholly owned subsidiary company limited by guarantee.
3. TfW operates pursuant to the powers and functions provided in Section 1 of the Welsh Development Agency Act 1975 together with Section 60 (1) (a) of the Government of Wales Act 2006. These powers are powers of the Welsh Ministers to do anything they consider appropriate to achieve the promotion or improvement of the economic well-being of Wales. In addition, Section 71 of the Government of Wales Act 2006 states that the Welsh Ministers may form a company (such as an arm's length company) to provide services for them, where that is calculated to facilitate, or is conducive or incidental to, the exercise of any of their functions.
4. The scope of operation of TfW is limited to the activities which the Welsh Ministers may lawfully carry out. It is not possible therefore for TfW to discharge functions which are outside the Welsh Ministers' powers and the Welsh Ministers cannot delegate their functions to TfW.
5. TfW was therefore set up to discharge certain transport functions on behalf of the Welsh Ministers, to:
 - act in a professional advisory and consultancy capacity in connection with transport projects in Wales by providing support and expertise to the Welsh Government;
 - provide compliance with the Welsh Government's requirements for projects in respect of the statutory and administrative stages of preparation, engineering standards, construction, propriety and financial and contractual control by providing support and expertise to the Welsh Government; and
 - provide project management services in connection with transport projects in Wales by providing support and expertise to the Welsh Government.
6. The Company was remitted, in the first instance, to design and undertake the procurement process for the Operator and Development Partner (ODP) for the Wales and Border rail service and the South Wales Metro, and to develop options for the North Wales Metro.
7. On award of the contract, TfW's remit was extended to include the management of the rail services contract, management of the delivery of the South Wales Metro and the development of the North East Wales metro. Section 25 of the Railways

ECONOMY, INFRASTRUCTURE AND SKILLS COMMITTEE**Written evidence for inquiry into the future development of Transport for Wales**

Act 1993 currently prevents “public sector operators” from running franchises, which limits the Welsh Government and TfW from directly delivering rail services.

8. TfW has an important role in driving integration across the entire transport network and encouraging modal shift. The Welsh Ministers’ aspiration for TfW is for it to exploit the opportunities it has as our transport integrator, and this will require it to take on a much wider range of transport functions.

Current governance, structure and funding of TfW

9. 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.
10. As a wholly owned subsidiary company of the Welsh Ministers the Welsh Government controls the overall goals and performance of TfW at a strategic level, making sure that the Company is behaving efficiently and continues to act in the public interest.
11. Accountability to the Welsh Government is secured by a series of strategic levers. These are listed in the table below. Some elements, such as the Articles of Association, are required by law; others help to guide the interaction between TfW and the Welsh Government:

Articles of Association	Company constitution as required by company law, setting responsibilities of the directors, the Welsh Ministers rights (as sole Guarantor Member) and other administrative matters.
Management Agreement	Agreement between the Welsh Government and TfW setting the broad framework within which TfW operates and details the terms and conditions under which the Welsh Ministers provide funding to the Company.
Statutory Guidance and Standards	Covers key aspects of how the TfW should deal with specific issues or legal requirements, such as environmental standards and planning.
Remit Letter	Sets out the Welsh Government’s capital and revenue funding and TfW’s expected performance and key deliverables for the period covered by the remit letter.

12. The Management Agreement and Remit Letters are available at the Transport for Wales pages of the Welsh Government’s website: <https://beta.gov.wales/transport-wales>

TfW Company Board

13. TfW is governed by a board of directors, who are entirely responsible for all aspects of management. The board itself is constituted in line with best practice in corporate governance.
14. The Companies Act 2006 places duties on all company directors, requiring them to act in the interests of the company and to ensure the company maintains full and accurate accounting records.
15. The TfW directors are legally required to abide by the company's articles of association. This ensures that the directors remain accountable to the Welsh Ministers as the sole Guarantor Member.
16. As a Company Act company TfW has an independent board of directors. Two of these (including the Chair) are appointed by Welsh Ministers, with the remainder appointed by the company (albeit with Ministerial consent).
17. The Chair of TfW is responsible for leadership of the board and ensuring its effectiveness in all aspects of its role. The Chair is the link between the TfW Board and the Welsh Government, and is responsible for setting the Board's agenda.
18. The role of the Board is to:
 - provide effective leadership; defining and developing strategic direction and setting challenging objectives;
 - promote high standards of public finance, upholding the principles of regularity, propriety and value for money;
 - ensure that the TfW's activities are conducted efficiently and effectively; and
 - monitor performance to ensure that the TfW fully meets its aims, objectives and performance targets.

Accountabilities and Responsibilities

19. TfW is led by a Chief Executive Officer (CEO) supported by a senior team. The CEO and Finance Director are registered at Companies House as Executive Directors of the Company Board.
20. The Permanent Secretary to the Welsh Government, as the Principal Accounting Officer (PAO), and the Director General ESNR as Additional Accounting Officer (AAO), are accountable to the National Assembly for Wales for the appropriate stewardship of the public money used to fund TfW.
21. The AAO must be assured that the funds that TfW requests from the Welsh Government to deliver their remitted activity is reasonable and that the Company has the necessary governance arrangement and internal controls in place to

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manage the funding. The AAO is responsible for ensuring arrangements are in place within Welsh Government to:

- monitor TfW's activities and its financial position through regular meetings and returns;
- address any significant issues within TfW, making such interventions as are judged necessary;
- periodically carry out an assessment of the risks both to the department and TfW's objectives and activities;
- inform TfW of relevant government policy in a timely manner; and
- bring to the attention of TfW's full board any concerns about the activities of TfW requiring explanations and assurances that remedial action will be taken.

22. The AAO has designated the CEO of TfW as the Company's Accounting Officer (AO). Upon receipt of public funds, the CEO, as TfW's Accounting Officer, is personally responsible to the Welsh Ministers and the National Assembly for Wales for the proper stewardship of the public funds for which he or she has charge; for the day-to-day operations and management of TfW; and for ensuring compliance with the requirements of 'Managing Welsh Public Money.

23. As an Executive Director of TfW, the CEO is bound by the legal responsibilities set out for company directors in the Companies Act 2006, including the overriding responsibility to act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of the Welsh Ministers which, includes responsibility for:

- regularity and propriety;
- ensuring a sound system of internal control;
- safeguarding the resources and assets of the Company;
- protecting the Company from the risk of fraud;
- ensuring the collection of, and bringing to account of, all income and receipts of any kind for which you are responsible.

24. In addition to these responsibilities, as Accounting Officer, the CEO must:

- ensure TfW conforms with the requirements of the Management Agreement;
- ensure, in the consideration of policy proposals relating to the expenditure or income for which they have responsibility, all relevant financial considerations, including feasibility and sustainability, are taken into account, the value for money of the proposal is assessed in accordance with the principles set out in the Treasury guidance "The Green Book: *Appraisal and Evaluation in Central Government*"; and full regard is taken to any issues of propriety and regularity;
- ensure their management of opportunities and risk achieves the right balance commensurate with the business of TfW and the risk appetite they and the TfW Company Board are prepared to bear.

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25. Overall, the governance framework ensures that the Welsh Government retains sufficient power to protect the public interest and hold TfW to account, without the need to intervene directly in the daily activities of the Company, allowing the Company Board to provide direction and decision-making.

The ambition for the development of TfW

26. The Welsh Government's vision is for a world-class and sustainable integrated transport system in Wales – one that can drive forward our economy and our communities to greater prosperity.

27. TfW is an expert delivery body, separate to the Welsh Government, with a clear, specialised dedication to a single goal: to support the delivery of a transformational integrated transport system in Wales.

28. The Welsh Government's ambitions for TfW, set out in the Economic Action Plan (EAP), is that TfW will work with the new regional teams, the emerging regional transport authorities and partners to create an integrated public transport network, covering the rail and bus networks, and that these networks will be increasingly directly owned or operated by Transport for Wales.

29. EAP further commits that for the first time, the Welsh Government will establish a five-year programme of transport capital funding through Transport for Wales, for both maintenance and new projects.

Delivery model for an integrated transport system in Wales

30. There are a number of different delivery models across the UK including; Transport for London, Transport Scotland, MerseyTravel and Transport for Greater Manchester. How these organisations operate – their constitution, structure, legislative framework and funding – vary and are as a direct result of the legislative framework that they operate within, but they all have a consistent and clear remit; to coordinate the transport system across their respective regions.

31. The current governance framework does not require any legislation to implement, compared to alternative models that require setting TfW up as a statutory authority (where the body's board structure and high-level governance would need to be defined in law).

32. Given the Welsh Government's aspiration for TfW to take on a much wider range of transport functions the current company structure offers significant flexibility to modify these elements in the future. The model is also more familiar to the commercial organisations with which TfW will need to work closely.

The process for the development of TfW

33. Developing TfW's functions to support the delivery of the Welsh Government's vision will mean transferring responsibility for the day-to-day management of elements of Wales' transport network to TfW, some of which are currently delivered

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directly by the Welsh Government. The Welsh Government is currently examining the delivery options of the transport functions currently delivered by the Welsh Government through a Business Case. The Business Case will identify possible delivery models and this work is ongoing.

34. This process is not about privatisation, nor is it about out-sourcing. As a wholly owned subsidiary of the Welsh Ministers, TfW is part of the public sector in Wales, therefore both risk and opportunity is retained in the public sector, but within a specialised dedicated delivery organisation.

Relationship between TfW and Joint Transport Authorities

35. The White Paper on proposals to legislate for reforming the planning and delivery of local bus services and licencing taxis and private hire vehicles, which was launched in December 2018, will provide a platform to ensure consistency and coordination of public transport planning and delivery. The White Paper notes the intention to use existing powers under the Transport (Wales) Act 2006 to establish Joint Transport Authorities.
36. Two models are proposed in the consultation paper, these being, a national Joint Transport Authority with regional delivery boards or national and regional bodies that deal with strategic and operational activities, respectively.
37. The intention is to develop the further White Paper that sets out greater clarity on the proposed Joint Transport Authority proposal.
38. Whilst the introduction of the Public Transport (Wales) Bill to the Assembly is programmed in February 2020, the work undertaken by TfW to improve bus services across Wales provides an opportunity to build a partnership approach to the delivery of services with local authorities in tandem with developing a new legislative framework. Such an arrangement could inform the best delivery model that would be described in the White Paper to be published in Autumn 2019.