

Agenda – Climate Change, Environment, and Infrastructure Committee

Meeting Venue:

Committee room 4 Tŷ Hywel
and video Conference via Zoom

Meeting date: 15 November 2023

Meeting time: 09.30

For further information contact:

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Committee Clerk

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Private pre-meeting (09.15–09.30)

Public meeting (09.30–11.10)

1 Introductions, apologies, substitutions, and declarations of interest

(09.30)

2 Evidence session on rail delivery and performance

(09.30–10.15)

(Pages 1 – 30)

David Beer, Senior Manager Wales, Transport Focus

Peter Kingsbury, Chair, Rail Future Wales

Jools Townsend, Chief Executive Officer, Community Rail Network

Attached Documents:

Research brief – Rail performance and delivery

Paper – Transport Focus

Paper – Rail Future Wales

Paper – Community Rail Network

Break (10.15–10.25)



3 Evidence session on rail delivery and performance

(10.25–11.10)

David Beer, Senior Manager Wales, Transport Focus

Peter Kingsbury, Chair, Rail Future Wales

Jools Townsend, Chief Executive Officer, Community Rail Network

4 Papers to note (11.10)

4.1 Interim Environmental Governance Measures in Wales

(Pages 31 – 36)

Attached Documents:

Response from the Minister for Climate Change to the Chair in relation to the Committee's report on the operation of the interim environmental protection measures

Response from the interim environmental protection assessor for Wales to the Chair in relation to the Committee's report on the operation of the interim environmental protection measures

4.2 Resources and waste common framework

(Page 37)

Attached Documents:

Letter from the Minister for Climate Change to the Chair in relation to the Resources and Waste Common Framework

4.3 Water quality and sewage discharges

(Pages 38 – 49)

Attached Documents:

Letter from Ofwat to the Chair in relation to performance related executive pay

4.4 The Environment (Air Quality and Soundscapes) (Wales) Bill

(Page 50)

Attached Documents:

Letter from the Deputy Minister for Climate Change to the Chair in relation to the Environment (Air Quality and Soundscapes) (Wales) Bill

- 5 Motion under Standing Order 17.42 (vi) and (ix) to resolve to exclude the public from the remainder of today's meeting (11.10)**

Private meeting (11.10–12.00)

- 6 Consideration of evidence received under items 2 and 3**
- 7 Infrastructure (Wales) Bill – Consideration of the Committee's Stage 1 draft Report**

(Page 51)

Attached Documents:

Draft report – The Infrastructure (Wales) Bill: Stage 1 report

- 8 Ways of working**

Document is Restricted

Senedd Climate Change, Environment and Infrastructure Committee

Rail delivery, infrastructure and performance in Wales

Transport Focus evidence outline based on our extensive research

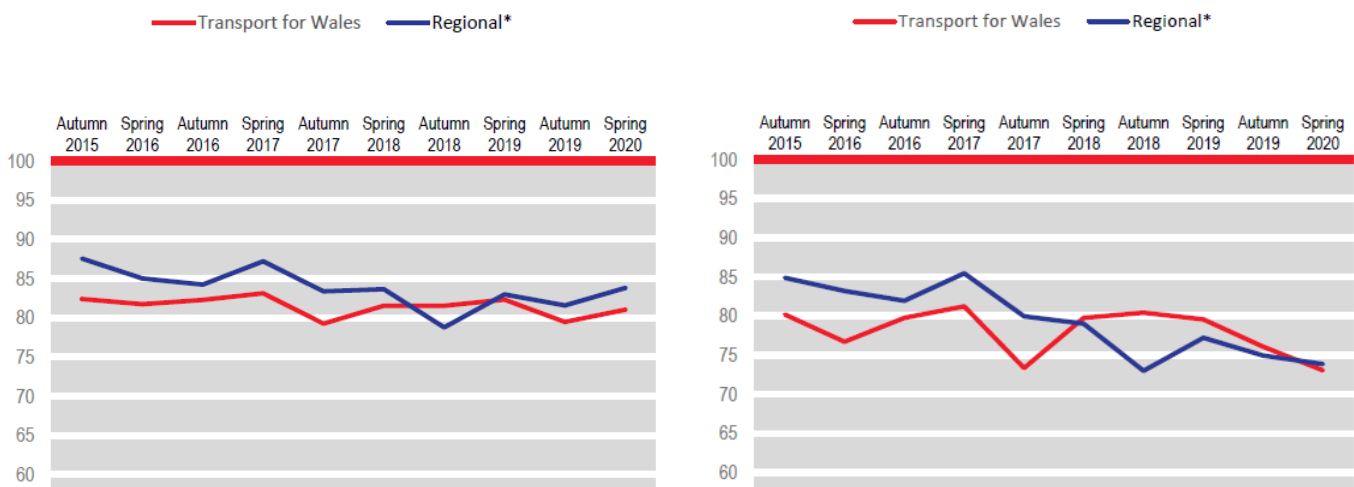
1. Delivery of the rail franchise and metro

Our research¹ shows what matters most to passengers is a punctual and reliable railway that delivers on the timetable's promise at an acceptable price.

Our National Rail Passenger Survey² benchmarked satisfaction up to 2020:

- Overall satisfaction with Transport for Wales (TfW) fairly static at around 80 per cent
- Satisfaction with punctuality/reliability less stable prior to 2018, with downturn more recently.

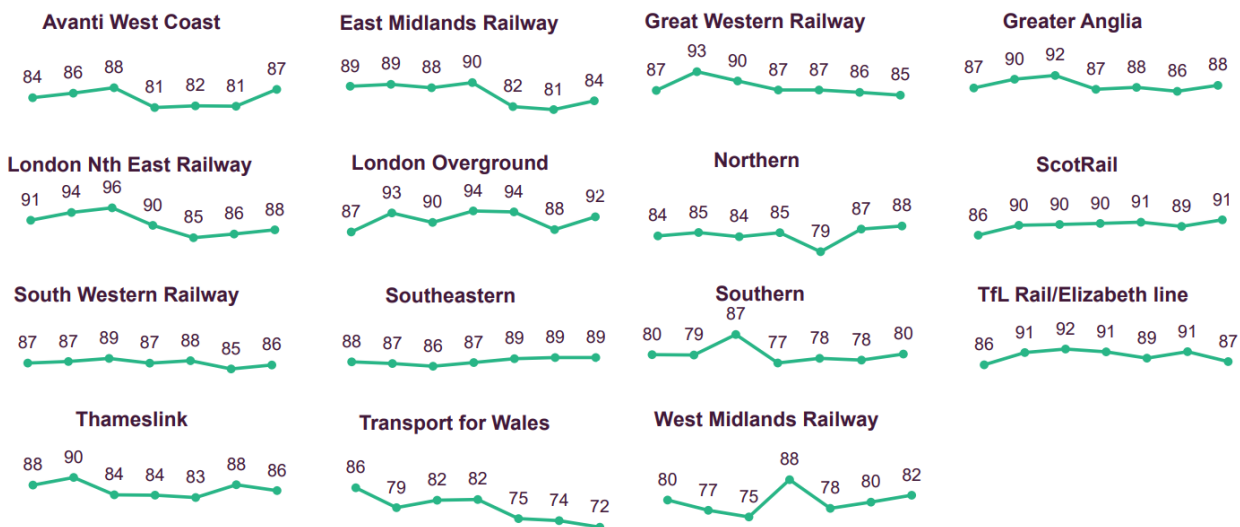
Overall journey satisfaction (left) and punctuality/reliability (right) (aut 2015 to spr 2020)



More recently our rail user survey³ has been tracking satisfaction over time and comparing train operators. This has shown a downturn in overall satisfaction with TfW.

Overall satisfaction across 12 three-month waves (Oct 2021 to Aug 2023)

6 Oct 2021-9 Jan 2022, 10 Jan-3 Apr 2022, 8 Apr-26 June 2022, 1 July-18 Sept 2022 and 23 Sept-11 Dec 2022, 16 Dec 2022-19 Mar 2023, 24 Mar to 20 Aug 2023



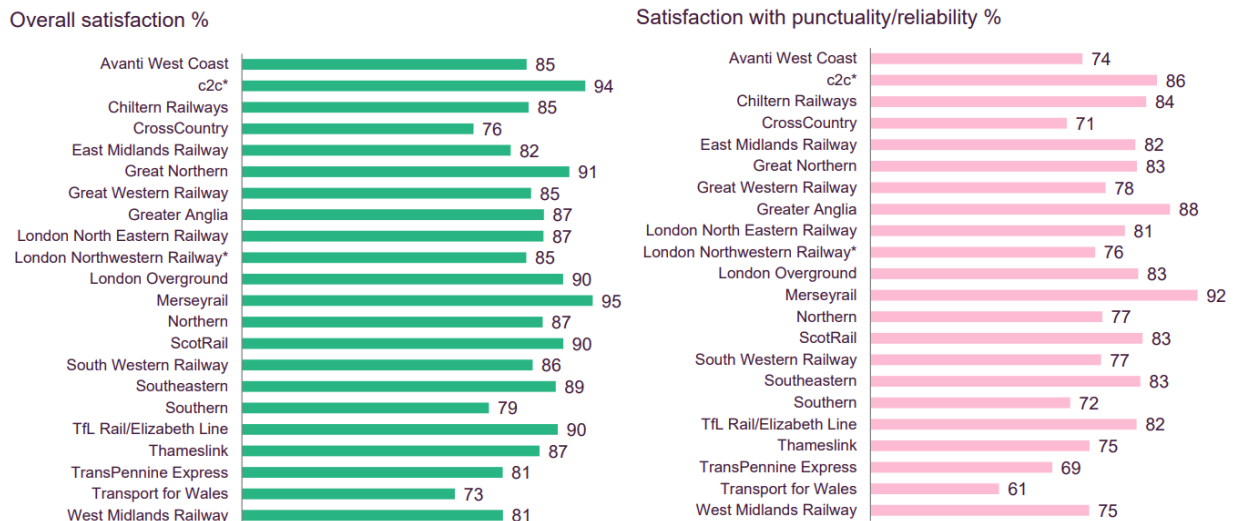
¹ Britain's railway: what matters to passengers, Transport Focus. Dec 2022

² National Rail Passenger Survey: spring 2020, Transport Focus. Jul 2020

³ Rail User Survey: train operator results, Transport Focus. Sep 2023

A number of issues have taken their toll on punctuality and reliability of trains during 2023. Passenger experience reflects this, with latest ratings for TfW at the bottom for overall satisfaction and punctuality/reliability.

Overall journey satisfaction and punctuality/reliability (Dec 2022 to Aug 2023)



2. Rail infrastructure priorities – UK and Welsh Government

We have been working with Network Rail Wales to challenge and inform plans for Control Period 7 (2024-29) from both a passenger and stakeholder perspective.

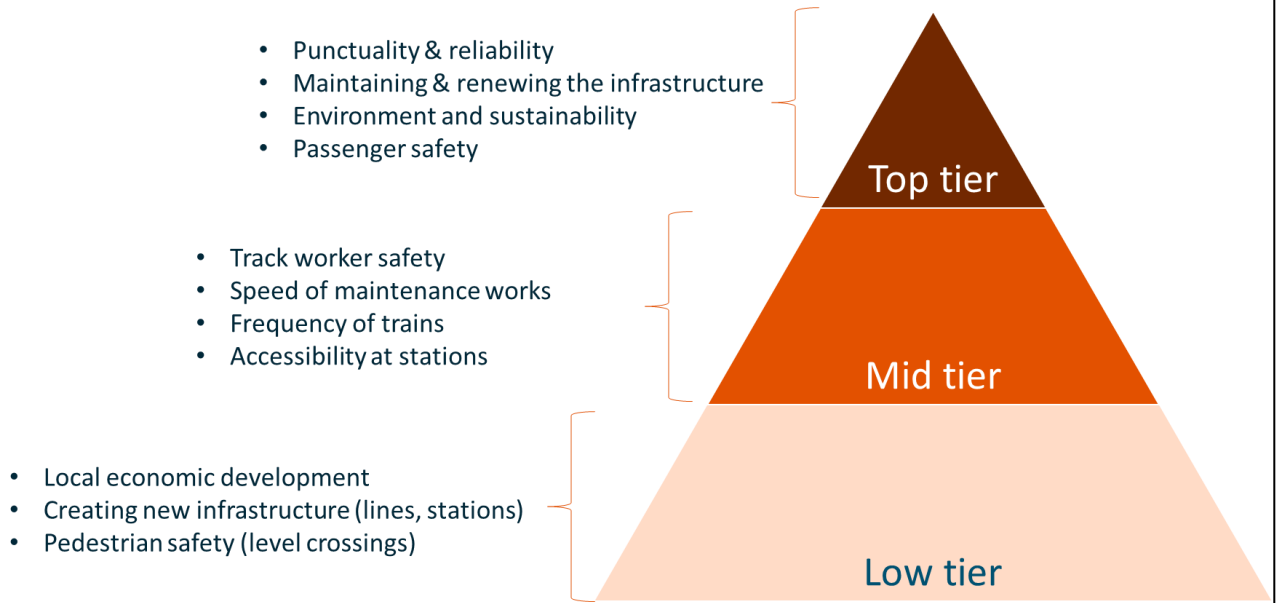
Key points emerging from UK Government’s railways high level output specification:

- Punctuality and reliability cited as being of the highest priority for rail passengers and freight customers, with steps to minimise the impact of disruption
- Support for rail recovery, need for continued modernisation and significant efficiency improvements, including greater cost efficiency
- Maintaining safety, with suicide and trespass prevention highlighted as priorities
- Inclusion and accessibility as a core element of CP7 planning
- Strong support for rail freight growth
- Infrastructure to be as resilient as reasonably possible to the effects of climate change and extreme weather
- Continued progress towards a low emissions railway and pursuing decarbonisation objectives, optimising social value and biodiversity
- Supporting growth, levelling up and deployment of technology.

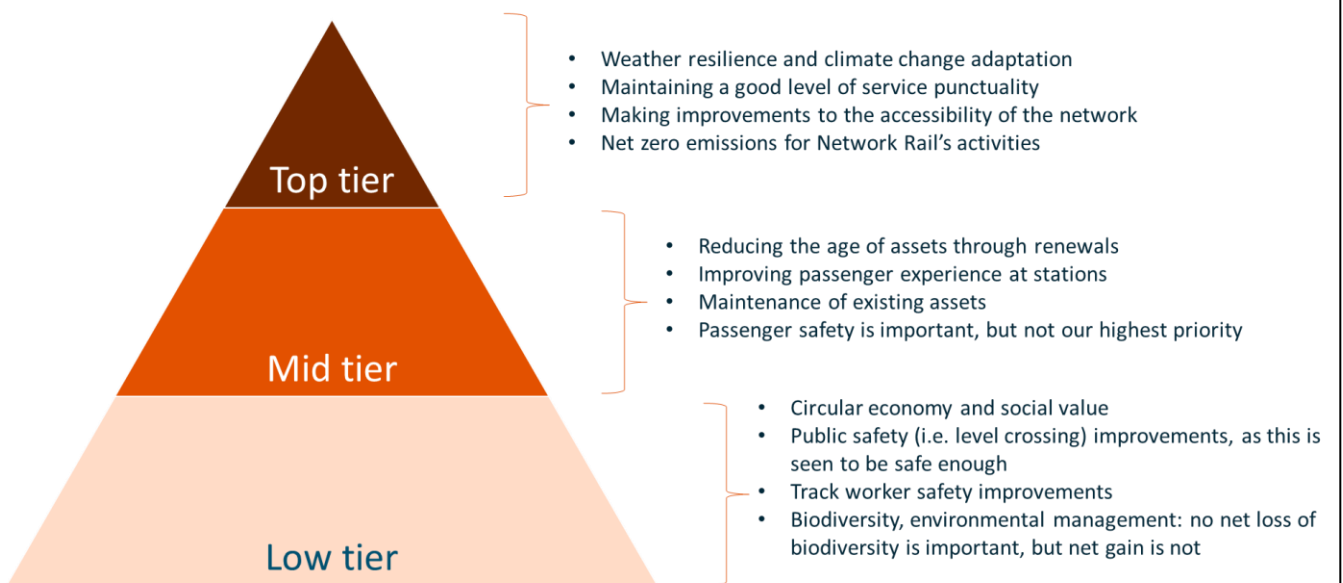
Putting passengers at the heart of planning is vital. Transport Focus worked with Network Rail’s Wales and Western region to research priorities⁴ with passengers and stakeholders to feed into the business plan for Control Period 7. The following illustrations show these priorities with relative importance.

⁴ [Network Rail Wales & Western: passenger research for 2024-29 business plan](#), Transport Focus. Mar 2023

Passenger priorities



Stakeholder priorities



3. Transport for Wales rail performance and passenger impact

Disruption to services has been causing some pain for passengers over the past twelve months. Issues with existing fleet and delays to new trains reduced capacity and also caused short-notice cancellations. Valleys transformation also caused extensive impact for residents.

Performance concerns were first raised at the Transport Focus board meeting in November 2022. We followed this with a formal letter in April 2023⁵, calling on TfW to:

- restore service performance and reliability as a priority
- improve information provision via a range of channels, not just digital, with honest and transparent communications when things do not go to plan
- monitor and improve the experience of replacement services
- have a greater focus on complaint handling quality.

We are working closely with TfW to help them focus on actions for improvement, monitoring and feeding back journey experience reports and challenging senior leaders to ensure the voice of transport users is being heard. We use our position at key meetings to keep performance on the agenda – TfW advisory panel (which Transport Focus chairs) also Network Rail route supervisory board and Welsh Government transport performance board and regular contact with rail user groups.

We recognise a number of actions showing green shoots of improvement:

- introduction of new fleet in the Valleys, North Wales and Marches lines
- punctuality improvements on the Valleys lines
- reductions in the turnaround time for delay repay payments, monitoring and publishing the information
- Significant efforts going into challenging ticketless travel & fraud, which is also serving to reduce antisocial behaviour on the network.

Transport Focus supports Transport for Wales colleagues with various initiatives, particularly in providing input from our extensive research, to give further depth to understanding passenger experience and priorities.

Ffocws ar drafnidiaeth Cymru | Transport Focus Wales

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Uwch Reolwr Cymru | Senior Manager Wales

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Michelle Roles

Rheolwr Rhanddeiliaid Cymru | Stakeholder Manager Wales

[Redacted contact information for Michelle Roles]

⁵ [Transport for Wales performance letter](#), Transport Focus, Apr 2023

RAILFUTURE WALES SUBMISSION TO SENEDD CLIMATE, ENVIRONMENT AND INFRASTRUCTURE COMMITTEE

1 Delivery of the rail franchise and metro:

The Welsh Government had no experience of rail delivery when it started the process to procure an operator for the new franchise starting in 2018.

It adopted an innovative process (compared to DFT) when selecting the winning bid.

The requirement for operators to pair up with an infrastructure provider to deliver the SE Wales Metro was a good idea. This led to more innovation in the design of the electrification scheme with a potentially lower cost.

Covid arrived just over one year into the operation of the new franchise and threw everything off course: the TOC withdrew and Welsh Govt took over responsibility for passenger services (TfW Rail). Sensibly, it retained the infrastructure partner to deliver the metro electrification.

Delivery since the formation of TfW Rail is covered in section 3 below.

2 Rail infrastructure priorities – UK and Welsh Government's

UK Government's priorities have recently greatly changed as a result of the increased costs of High Speed 2 line. and cancellation of phase of this project.

It now wishes to spread the infrastructure upgrades over a large geographical area. This includes North Wales. If the second phase of HS2 is to not be built, Railfuture Wales welcomes the electrification of the North Wales main line but is wary that this scheme might not be delivered, partly because it has not been fully costed and the allocated sum of £1bn may be insufficient.

The Welsh Government's rail infrastructure priorities have focussed on creation of the SE Wales metro. Electrification of these routes will deliver a significant decarbonisation gain and possibly the greatest gain compared to the alternative options for electrification of Welsh rail requiring a similar level of investment. The metro project is also likely to provide the largest opportunity for increasing passenger numbers. However, the passenger growth on the metro will be less than anticipated when the franchise was created as a result of more people working from home.

3 TfW rail performance and passenger impact

TfW Rail's performance since the majority of passengers returned to rail post Covid has been poor in terms of cancellations and punctuality. This is borne out by an examination of the performance statistics of all GB rail operators.: TfW Rail has been in the bottom half of the table with regard to these two measures for the first half of 2023, the latest period for which data is published

However, TfW Rail has done more to restore services suspended since Covid than many operators in England and is now providing services which have not been operated in recent times, eg Ebbw Vale to Newport.

The poor quality of timetable related performance appears in part due to weaknesses in managing locomotives and rolling stock. The introduction of new trains has been slower than expected (although this has no doubt also reflected manufacturer problems). Seasoned rail managers know that new trains rarely work properly 'out of the box', and delays to their introduction into service are almost inevitable. TfW Rail's managers seem to have been over-optimistic in this respect. Issues have also arisen with the maintenance of existing trains where TfW has taken over maintenance responsibility.

It is difficult to know the impact on passenger numbers and perceptions of the above issues. However, as the majority of passenger in Wales are travelling for 'leisure' purposes, it is likely the deterrent effect of poor performance experience on a journey will be greater than where journeys are work related as 'leisure' journeys are more likely and able to switch to alternative modes.

Community Rail Network – evidence to Welsh Government’s Climate Change, Environment, and Infrastructure Committee

Introduction and about us

Community Rail Network is a not-for-profit organisation working across Britain to support, champion and represent community rail: a growing, thriving grassroots movement that works to engage communities with their railways, and ensure local people benefit from railways and stations.

This growing movement now includes 75 community rail partnerships (CRPs) and c. 1,200 station friends’ groups and other local groups, spread across Britain. These are community-based and -led groups and organisations, working closely with the rail industry, to:

- Enhance the railways’ contribution to local sustainable development and community wellbeing, including by maximising access to and use of the railways;
- Ensure the community has a voice and plays a part in the development and improvement of our railways, so this meets community needs and aspirations and delivers maximum benefit;
- Communicate the development and importance of our railways to communities, enhancing understanding and pride, and promoting rail as a key part of sustainable, healthy travel.

There are currently five community rail partnerships across Wales & Borders. Further development is underway, including a new partnership for the Valleys region, supported by ourselves and Transport for Wales (TfW). There are also more than 140 station groups across Wales & Borders, meaning more than 50% of the network is 'adopted' by local volunteers, with plans in progress between ourselves and TfW to further extend and strengthen this part of the movement.

This growth and development in community rail reflects the commitment to facilitate the emergence of new community rail partnerships in the Wales and Borders rail services agreement and aligns with wider Welsh Government policy priorities to enable sustainable, inclusive travel and recognising the role of communities and the third sector in this.

Community Rail Network receives annual funding from TfW to support and lead development of community rail in Wales, and we’re additionally funded by the Department for Transport (DfT) and a range of other rail and government partners. We are also the lead delivery partner for the DfT’s Community Rail Development Strategy, which is adopted by the Welsh Government. ¹

Find out more about our work, and our members, at communityrail.org.uk.

Our comments and insights on the Committee’s key themes

Theme 1: Metro schemes and franchise commitments

1.1 The major investment in the Metro schemes, and the improved services this will hopefully lead to, is welcomed. We are very pleased to be helping a new CRP to get set up in the Valleys area, which has been in a process of ongoing development over recent years to ensure it is well rooted

¹ Under this strategy we help CRPs and station groups to develop, grow, and deliver impact under four pillars: sustainable and healthy travel; providing a voice for communities; local economic development; and diversity and inclusion. See <https://www.gov.uk/government/publications/community-rail-development-strategy>

in local communities and well positioned to help those communities derive greater value from the enhanced local network.

- 1.2 However, progression of the Metro schemes has resulted in disruption to existing routes, with some lines, e.g. Treherbert, closed for up to 12 months. This has resulted in some public negativity and a loss of confidence in rail in the affected areas, which will need to be rebuilt. We know community rail can support this process, given its place within communities, its ability to bring together local people and partners, to align with local values, and create pride and positivity. The movement has a solid track record in promoting and widening use of rail as a sustainable, healthy, inclusive, and sociable form of travel that enhances opportunity and mobility: a raft of qualitative evidence shows its success, and passenger data shows consistently stronger passenger growth on lines with CRPs over a ten year-period pre-pandemic, and stronger recovery of patronage post-pandemic.^{2 3} We look forward to continuing to closely support the new Valleys CRP, and stepping up our support and leadership of station adoption in Wales, to enable community rail to play the fullest possible role in building and rebuilding positivity, pride, confidence, and propensity to use rail and public transport generally across the Valleys.
- 1.3 We note in the National Transport Delivery Plan 2022 - 2027 (NTDP) that the Metro areas are to act as development sites for projects and activities to encourage modal shift and integrated journey planning. Again, this is an area where community rail can make a crucial and unique impact, which could be significantly enhanced in Wales with our support, as the community rail movement expands and drawing on the growing wealth of good practice elsewhere. Our report on community rail and modal shift⁴ highlights an array of activity improving integration with buses, active travel, community transport and shared mobility, and promoting green end-to-end journeys. 'Connected Stations',⁵ our resource on community-led station travel planning, sets out in more detail how community-led, empowering initiatives to improve modal integration can take shape, and contains numerous examples of this. These include schemes where community rail has acted as a conduit in bringing different modes together to create more attractive, coherent, and affordable end-to-end journeys (e.g. multi-modal ticketing), as well as physical infrastructure improvements (e.g. foot path improvements and bus/rail interchange), and sometimes projects plugging the gaps, led by local needs (e.g. new bus services to local attractions that meet passengers off the train). In our experience, taking a participatory and empowering approach to such schemes increases the likelihood that projects securing local support and awareness, as they are community-owned and led, and aligning closely with local needs and aspirations. Supporting these types of initiatives and sharing good practice is a key part of our role at Community Rail Network, and an area of work we have been stepping up. We would be pleased to provide strategic advice to TfW on this topic, as well as supporting delivery on the ground.

² <https://communityrail.org.uk/wp-content/uploads/2019/10/ACoRP-Value-of-Community-Rail-2019-final-for-web-141019.pdf>

³ <https://communityrail.org.uk/community-rail-supporting-rail-passenger-numbers-to-bounce-back/>

⁴ <https://communityrail.org.uk/wp-content/uploads/2023/06/Community-rail-encouraging-and-enabling-modal-shift.pdf>

⁵ <https://communityrail.org.uk/wp-content/uploads/2023/06/Connected-stations-a-guide-to-community-led-station-travel-planning.pdf>

Theme 2: Rail infrastructure priorities

Stations

- 2.1 The role of community rail in enhancing stations is recognised in the Welsh Government's National Transport Delivery Plan (NTDP) 2022 to 2027, and helped by our support and expertise, community rail partnerships and station friends' groups have spearheaded, run, or played a part in many station-based initiatives across Wales & Borders. These have included projects with community partners such as social enterprises, community interest companies, arts organisations, repair cafes, foodbanks, and local money advisory services. Examples of good practice include: a community enterprise hub at Llandudno Station, which offers training and support for local people seeking to access employment opportunities; an active travel/bike hub at Newtown Station; and a community garden and artwork at Swansea Station.
- 2.2 We welcome TfW's efforts to ensure meaningful community engagement is used to shape plans and designs for new stations, and would welcome an increasing role for ourselves on advising on this at a strategic level, as well as our members supporting and spearheading delivery on the ground. Our experience within community rail indicates that strong local partnerships and a community-led approach is key to integrating stations into their communities and surroundings, creating a strong sense of ownership, and bolstering their use and usefulness. This should typically involve working with local authorities, businesses, and community groups, drawing on local ideas and involvement, and putting the community and its identity centre-stage. Where there is a community rail partnership, they can be facilitated and supported to lead this convening and local engagement, so it is by the community and not just for the community. This ethos was central to South West Wales Connected CRP's work in coordinating 'shared vision' meetings for stations in their area, bringing interested parties together to co-create priorities and action plans for stations and their surrounding communities, businesses, and organisations.
- 2.3 Another common aspect of community-led station projects that bring the station into the heart of communities and local economies is work to improve modal integration, to facilitate low-carbon and healthy end-to-end journeys (see section 1.3 above). We are stepping up our support with members in this area, including the provision of dedicated funding for such projects via our integrated sustainable transport in community rail fund. Further development of this activity in Wales & Borders would support the principle in the Welsh Government Policy Priorities for Wales and Borders Rail Services agreement, that opportunities to improve integration with other modes should be maximised. It also supports two of the main priorities set out in Llywybr Newydd: the Wales transport strategy 2021,⁶ to facilitate modal shift away from private car use to more sustainable transport modes, and to encourage people to change their travel behaviours to use low-carbon, sustainable transport.
- 2.4 In community rail we have hundreds of examples of communities working with the rail industry to breathe new life into stations and their surrounding areas. These include projects to restore and make use of disused rooms, buildings, or spaces. It also includes activities to simply help communities make greater use of their stations, bringing people together through activities such as community gardening in outside spaces, arts and heritage projects displaying local works,

⁶ <https://www.gov.wales/llwybr-newydd-wales-transport-strategy-2021-html#65094>

community events and celebrations, and station-based volunteering.^{7 8} While some activities may not be applicable at new stations (e.g. taking advantage of disused space), station adoption and its broad aim to ensure communities get the most from their local station, is certainly relevant, and emphasises how community-driven activities can create an improved relationship with the railway and enable the community to derive greater benefit from rail assets. Such benefits include making stations more welcoming and inclusive, improving access and connectivity, increasing footfall, reducing anti-social behaviour, and delivering wider social and environmental value. Despite these benefits, the processes involved in developing community-led station projects can be fraught and drawn out, with even fairly small, low-cost, and obvious improvements sometimes falling by the wayside, wasting local efforts and enthusiasm. As such, we are working with partners including GBRTT, Network Rail, and DfT to advise on common challenges and blockers to such projects to ensure opportunities are not missed, and we would be happy to feed in further to TfW on this topic at a strategic level.

2.5 The NTDP also commits support towards expanding the number of station adopters in Wales & Borders. We are working closely with TfW to facilitate this, encouraging an approach that embraces the multi-faceted benefits of station adoption, beyond just basic reporting and station upkeep/maintenance. Station adoption enhances the health and wellbeing of volunteers, improves the sustainability, development, and cohesion of wider communities, and promotes the railway and how it serves its passengers.⁹ We would encourage rail industry and government partners to proactively encourage and support community rail and station adoption activity, and to have the scope, flexibility, and mindset to be open to new approaches from the community, and enable communities to lead the way on such projects, to maximise value and impact.¹⁰ We support more than 300 station group members in England via expert advice, training, funding, and guidance on how they can take an outcomes-based approach to demonstrate social value and make their activities as impactful, inclusive, and successful as possible.¹¹ We are aiming to work with TfW to be more involved with station adoption groups across Wales & Borders, engaging a greater number of people in this strand of the community rail movement.

2.6 The development expansion of the station adoption movement in Wales could result in significantly enhanced impact in regard to biodiversity, as has already been demonstrated via TfW's 'green routes' project.¹² Community rail in England is playing an increasing role in enhancing environmental sustainability via biodiversity, nature-friendly gardening, and wildlife projects, developing stations as green spaces offering multiple benefits to communities and ecosystems.¹³ There is scope for us to share this good practice with new and existing station groups in Wales, pending our greater involvement with this part of the Welsh movement. We have supported many station groups in activities including nurturing wildlife habitats, developing

⁷ <https://communityrail.org.uk/wp-content/uploads/2023/06/Community-stations-innovative-community-uses-for-railway-stations-and-land.pdf>

⁸ <https://communityrail.org.uk/wp-content/uploads/2023/06/Station-adoption-a-guide-for-the-local-community.pdf>

⁹ <https://communityrail.org.uk/wp-content/uploads/2023/06/The-value-of-community-rail.pdf>

¹⁰ <https://communityrail.org.uk/wp-content/uploads/2023/06/Community-stations-innovative-community-uses-for-railway-stations-and-land.pdf>

¹¹ <https://communityrail.org.uk/wp-content/uploads/2023/06/Station-adoption-and-community-projects-using-an-outcomes-based-approach.pdf>

¹² <https://tfw.wales/about-us/sustainable-development/projects/green-routes>

¹³ <https://communityrail.org.uk/wp-content/uploads/2023/06/Community-rail-and-biodiversity.pdf>

green spaces, encouraging sustainable communities, and using nature projects as a way of engaging young people and marginalised groups. This could be an area of growth if station adoption can be developed and progressed.

Electrification

- 3.1 We support any proposed electrification of railways where it's viable, including the North Wales main line, as this allows for more rail journeys to be made by more sustainable means. Faster journey times may also allow for more frequent services, and therefore capacity improvements.
- 3.2 CRPs in Wales and Borders are supportive of a progressive electrification programme, highlighting the benefits in terms of enhancing sustainable travel and modernising the network. This is not only for the North Wales main line, but for routes elsewhere across the region, particularly as Wales & Borders will seemingly not now feel any direct benefits from HS2. However, the Conwy Valley and North West Wales Coast CRP are clear that any potential electrification of the North West Wales main line would need to be accompanied by rolling stock investment for the full benefits to be realised. This is based on the still-new class 197 diesel units being seen as the staple on the route for the foreseeable future. This CRP also raises capacity as an issue that may not be resolved solely by electrification, describing insufficient capacity as a major issue on through services into North Wales serving destinations such as Llandudno, Bangor, and Holyhead.

Accessibility

- 4.1 Accessibility is highlighted as an infrastructure priority in the NTDP, and is also a theme running throughout Llwybr Newydd. The latter has the aim of an equitable and accessible transport system where barriers to sustainable mobility are removed, including physical, attitudinal, and environmental. This is another area where, with our support, community rail partnerships and groups across Britain are playing a leading role in supporting and enabling accessible and inclusive journeys and stations, and we believe more could be achieved in Wales.¹⁴
- 4.2 With regards to stations, our recent report on community rail and inclusive and accessible travel¹⁵ shows how community rail partnerships and groups are: making stations physically accessible to those with a disability or impairment; creating more inclusive and welcoming environments that encourage social interactions; and coordinating inclusive volunteering. Examples include enhancing station facilities to widen rail access and assist those with non-visible disabilities, e.g. adapted signage/timetables, and accessible station displays that promote a sense of welcome and inclusivity, e.g. BSL artwork. Such projects make stations places a community can feel proud of and have a sense of ownership towards, which in turn may widen access to rail travel by encouraging people to see rail as a part of their lives.
- 4.3 Community rail is also making a profound, crucial difference to people's lives by enabling accessible, inclusive journeys and preventing isolation, opening up rail travel to those with a wide range of physical and non-visible disabilities and other support needs. Community rail

¹⁴ ibid

¹⁵<https://communityrail.org.uk/wp-content/uploads/2023/09/Inclusive-and-accessible-travel.pdf>

partnerships and groups are increasing travel confidence and supporting rail journeys, and in some cases repeated rail use, for people living with dementia, autism, and mental health conditions, promoting independence, and broadening social mobility. There are some excellent examples of this across Wales & Borders, including Conwy Valley and North West Wales Coast CRP's Walking for Wellbeing project,¹⁶ which supports those with mental health issues, and South West Wales Connected CRP's 'Joy of the Journey' project, which promotes rail confidence to help tackle social isolation. The more we can work with TfW to empower the community rail partnerships to engage and be led by local needs, as well as sharing good practice across the movement, the more we will see impactful, often life-changing initiatives in this area.

- 4.4 Community rail's local knowledge, and relationships with other community groups, is vital in making these initiatives a success, with our evidence indicating that impact is enhanced when projects are built on genuine involvement and shaped by those with lived experience. Community rail can help to facilitate creative, holistic approaches that bring people together, providing a voice to and empowering marginalised groups. Therefore the community rail movement can offer valuable insights in this area of infrastructure and policy development, and should be called upon appropriately to offer their contacts and expertise. Again, while our members can deliver work and bring their insights and contributions at a local level, we as community rail's umbrella body can offer expertise at a more strategic level, and we would be pleased to strengthen our role working with TfW in this regard.

TfW rail performance

- 5.1 To increase rail patronage, we need to widen its use among parts of the population that seldom or never use rail at present. Community rail experience shows that for many people rail is another world: something unfamiliar, that wouldn't enter day-to-day considerations, and which may be a daunting prospect. To help to overcome this, the kind of localised engagement, relationship building, and dialogue typified by community rail is crucial, e.g. try the train trips, railway confidence building, awareness-raising activities of the enjoyment and benefits of rail travel. However, even to maintain current passenger levels, basic expectations of rail performance such as reliability also need to be met. Without this, it becomes harder for community rail to play its crucial role, and for the railway to increase its modal share.
- 5.2 On the Heart of Wales Line, the CRP describes performance and quality of service on the line in recent years as 'poor.' They state that trains have been cancelled for a multitude of different reasons, including staff shortages, rolling stock issues, infrastructure failures and delays in previous trains. Given the line's low frequency timetable, they feel it can suffer from a lack of priority when such issues arise. The CRP is hopeful that the introduction of Active Travel carriages in 2024 will alleviate some of the rolling stock issues as trains will always have two powered cars, making breakdowns less prevalent. However, they feel further work around predicting staff shortages would be helpful, and for the line to be given a higher priority when shortages occur.

¹⁶ <https://communityrail.org.uk/case-studies/walking-for-wellbeing-conwy-valley-and-north-west-wales-coast-crp/>

- 5.3 On the Conwy Valley and North West Wales Coast lines, the CRP states that while there have been performance issues, there have been improvements in recent times. However, there is still an ongoing issue with capacity on the North Wales Coast main line, related to services terminating at Chester, with passengers transferring onto already full onward services into North Wales.
- 5.4 South West Wales Connected CRP said there were mixed feelings across the South West Wales region regarding travel/trains and issues on the line. Some people were delighted with the service they had received and the ease of travel, while others had experienced delays/cancellations which could lead to very negative comments. The CRP said the impact on rail confidence and negativity towards the railway could be minimised via improved travel options in the event of delays/cancellations, and more effective communication when such situations occur.
- 5.5 3 Counties Connected CRP said many people within their local communities have a lack of confidence in rail travel due to reliability issues, and work is especially needed to improve integrated transport to redress this, e.g. closer alignment between rail/bus timetables. Issues around reliability were also raised with regards to services on the Cambrian Line, with capacity also a major problem.

Passenger impact(s)

- 6.1 From our experience, we know that when community rail partnerships and groups are not confident in being able to promote reliable and regular services on the lines they cover, this can lead to decreased motivation and morale, and a feeling that they need to scale back some types of activities. This especially relates to activities overtly promoting rail use, due to worries about negative perceptions, wasted efforts, and potentially putting themselves in the firing line.
- 6.2 Some CRPs across Wales & Borders have said that poor performance has led to negativity on social media, particularly around certain lines/services, with significant performance issues since the pandemic. The Heart of Wales Line CRP said they found it difficult to promote anything related to the train service on their social media channels as it tends to be met with negative comments. Such worries have been echoed by South West Wales Connected, who said that consistently poor service could erode public trust in the railways and affect the reputation of the CRP itself, meaning people would be less likely to view its wider activities, efforts and impacts in a positive manner and have trust in its campaigns and messaging.
- 6.3 A type of activity particularly affected by poor and unreliable rail services (and which has a keen bearing on Welsh transport policy priorities) is community rail's promotion rail as a form of sustainable travel, and a genuine alternative to the private car. We know that promoting rail use, in conjunction with other forms of public transport, active, and shared travel, is key to decarbonising transport and tackling the climate emergency, and across the community rail movement activities to promote rail and break down barriers have ramped up considerably over the years.¹⁷ But in Wales & Borders, despite the strong political commitments, there are signs that the CRPs don't always have the confidence in the service they are promoting to play their

¹⁷ <https://communityrail.org.uk/wp-content/uploads/2023/06/Community-rail-encouraging-and-enabling-modal-shift.pdf>

role fully. This is a wasted opportunity, given the cost effectiveness of community rail, and its unique and trusted position within communities enabling it to carry out impactful, empowering engagement that aligns perfectly with evidence on how behaviour change can take shape.¹⁸ We would be pleased to feed in further to TfW how the CRPs can be enabled to play this role more strongly, both by listening to their views and concerns as a voice for communities, and supporting them to deliver locally led modal shift campaigns and projects.

6.4 CRPs with infrequent services, such as the Heart of Wales Line, have said that it is problematic to try to plan activities promoting sustainable travel as just one train cancellation could leave a group stranded and reliant on alternative arrangements, such as rail replacement bus services. This is a particular issue on this line, which has the potential to be a show-stopper centrepiece of the Welsh network, bringing tourists from far and wide. As is the case with other iconic lines in Britain such as Settle-Carlisle and the West Highland Line, it could be an attraction in its own right and a gateway to stunning landscapes and hidden gems across a large swathe of the country. The CRP has existing activities and aspirations that could bolster this, such as the Heart of Wales Line Trail,¹⁹ but the impact of this work is greatly diminished if the service cannot be relied upon.

6.5 More than one CRP said that in the event of train delays/cancellations, the reliability and effective communication of alternative travel arrangements had proved an issue, with examples of people being left stuck on a remote rural platform for several hours, and one CRP having to arrange lifts to and from different stations so people could take part in a rail trail walk. This issue is compounded, particularly in rural areas, by a lack of integrated transport options and connectivity, e.g. rail to bus links and safe active travel routes.

Opportunities for community rail to make an impact

7.1 Despite performance issues, CRPs in Wales & Borders remain resolute in their belief that community rail can connect communities with their local lines and stations and amplify their voices in developing rail services that fit their wants and needs. The diverse nature of their activities means they support communities in a broad range of ways, helping to fulfil the seven key goals of The Well-being of Future Generations Act, such as increased community cohesion, improved health and wellbeing, and a more equitable society.

7.2 Although poor levels of confidence and negative public perceptions are affecting some lines, some CRPs did say that their lines had a 'special place' in the hearts of the communities they serve, and as such, that confidence in the railway could be regenerated, building on that affection. Community rail has a vital role to play in doing this, while delivering effective community development work and bolstering socio-economic development. Community Rail Network's evidence of community rail delivering impact in diverse localities across Britain shows

¹⁸ https://www.gov.uk/government/publications/switching-to-sustainable-transport-a-rapid-evidence-assessment?utm_medium=email&utm_campaign=govuk-notifications&utm_source=3f96f245-b190-45d3-8365-8cdcc780597a&utm_content=daily

¹⁹ <https://communityrail.org.uk/case-studies/heart-of-wales-line-trail-heart-of-wales-line-development-company/>

how much can be achieved, often with life-changing impacts for individuals and regenerative effects for their localities.²⁰

7.3 A key theme among CRPs across Wales & Borders is a commitment to promoting and supporting sustainable tourism and leisure travel by rail. Community rail is brilliantly positioned to play a critical part in this, with its ability to draw on local knowledge, stories, and histories, to get people excited about using rail and offer up itineraries, trails, and inter-modal opportunities. We were delighted to see the 'Wales on Rails' project highlighted in the NTDP as an example of what can be delivered in partnership with the third sector to encourage and enable sustainable travel across Wales & Borders. This collaboration between various CRPs and heritage railways, also promoting other forms of public transport, is an excellent example of what can be done to promote sustainable days out and whole holiday itineraries.²¹ However, again if services cannot be relied upon to meet these itineraries, especially where inter-modal/service interchange is needed in more remote areas, these opportunities break down, and community rail partnerships and groups risk losing trust and damaging the positive reputations they need to be effective.

7.4 This issue was also mentioned to us by CRPs in relation to their work with people who face additional barriers to rail travel, e.g. people with physical or non-visible disabilities, or those affected by loneliness and/or health and wellbeing issues. Again, such schemes can be undermined by poor and inconsistent rail services as participants, particularly those low in travel confidence, can easily be put off by a negative rail experience.

7.5 Finally, the CRPs fed into us that, as a publicly owned network, they felt there was an opportunity to develop a service that is clearly and evidently run for the people of Wales. They feel it is imperative that people are listened to in terms of what they want from their rail services, and, given community rail's role to provide a voice for communities on rail, they have a key part to play. Some CRPs said that for this to happen more effectively, they would benefit from easier, more effective ways to engage with and feed into decision and policy makers. They also said those decision makers needed to focus on high-quality service provision regardless of political or administrative boundaries, ensuring communities and their needs come first. Community Rail Network is working hard to facilitate this type of dialogue and engagement, e.g. by coordinating quarterly meetings between the CRPs and TfW and generally in the support and advice we provide encouraging a collaborative approach between the CRPs, TfW and other rail partners, with community rail and the communities treated as partners in rail's development. We would be happy to explore how our existing activities and partnership working with TfW can be further built on, to ensure the CRPs are fully empowered as independent, knowledgeable, and valuable partners, with their insights drawn on continuously at local, operational, and strategic levels.

²⁰ <https://communityrail.org.uk/wp-content/uploads/2023/06/The-value-of-community-rail.pdf>

²¹ <https://communityrail.org.uk/case-studies/wales-on-rails-tourism-project-great-little-trains-of-wales-and-the-community-rail-partnerships-in-wales-borders/>

Julie James AS/MS
Y Gweinidog Newid Hinsawdd
Minister for Climate Change

Ein cyf/Our ref: MA/JJ/2793/23

Llŷr Gruffydd MS
Chair,
Climate Change, Environment and Infrastructure Committee
Welsh Parliament
Cardiff Bay
Cardiff
CF99 1SN

6 November 2023

Dear Llŷr,

Thank you for your letter of 21 September enclosing a copy of the Climate Change, Environment, and Infrastructure Committee's: *Report on operation of interim environmental protection measures 2022-23*.

I would like to thank the Committee for its work on this important matter. I have thoroughly considered the Committee's report and its recommendations and enclose a detailed response.

Yours sincerely,



Julie James AS/MS
Y Gweinidog Newid Hinsawdd
Minister for Climate Change

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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.

Annex A

Written Response by the Welsh Government to the report of the Climate Change, Environment and Infrastructure Committee entitled 'Report on operation of interim environmental protection measures 2022-23'.

Recommendation 1

The Minister should report back to the Committee on:

- the findings of the resource review, including when additional resources will be made available; and
- steps that have been taken to date to appoint a Deputy IEPAW. This should include an indicative timetable for the remaining stages of the appointment process.

Response: Accept

I wrote to the Committee on 8 June 2023 to update on the findings of the review conducted to assess the resourcing requirements of the IEPAW.

As noted in my letter, the Welsh Government agreed to take the following steps to ensure the IEPAW has the resources she needs to carry out this work:

- *The appointment of a Deputy IEPAW,*
- *The recruitment of designated staff to provide secretariat support to the IEPAW, and*
- *Further money to be made available to the IEPAW to secure additional drafting support and expertise, including through a call-off contract.*

Progress to date:

- *The designated staff have been appointed and are providing focused secretariat support to the IEPAW*
- *Additional funding has been allocated for the IEPAW's work so that extra drafting capacity and specialist and legal support can be commissioned, including through a call-off contract.*
- *The advertisement for the post of Deputy IEPAW went live on 23 October 2023. It is my intention to fill this post as soon as possible but the time frame is dependent on the applications received.*

Financial Implications - These costs are from existing programme budgets. The existing budget for the IEPAW has been increased by £75,000 to appoint the Deputy IEPAW and for extra drafting capacity and specialist and legal support.

Recommendation 2

The IEPAW should establish a formal process to monitor the impact of its recommendations on Welsh Government decisions and environmental outcomes. This will allow the IEPAW to assess its impact.

Response: This is a matter for the IEPAW but I will discuss this recommendation with the IEPAW at our next regular meeting.

Recommendation 3

The Minister should:

- provide details of the proposed options for monitoring and evaluating the effectiveness of interim measures;
- clarify when an evaluation of the interim measures will be undertaken; and
- explain how the findings of the evaluation will be used to inform the design and development of a permanent environmental governance body for Wales.

The Welsh Government is bringing forward legislation to establish an environmental governance body for Wales and to introduce targets to protect and restore biodiversity. The learning from the impact and effectiveness of the IEPAW and the interim measures is informing our legislative proposals for an environmental governance body and will also inform the implementation project to establish the body.

Response: Accept

Financial Implications - These have not yet been quantified.

Recommendation 4

The Minister should clarify whether she intends to seek to reappoint the IEPAW when her current appointment comes to an end in February 2024. If this is not the Minister's intention, she should explain how she will ensure "there will be no gap between [the IEPAW's] role and any permanent [environmental governance] arrangements".

Response: Accept

Discussions are ongoing between the IEPAW and my officials concerning the position beyond February 2024. I will write to inform the Committee with the outcome.

Financial Implications - The IEPAW fees for 2024/25 will be drawn from existing programme budgets.

Recommendation 5

The Welsh Government should commit:

- to publishing its response to the forthcoming White Paper on a Bill to establish an environmental governance body and introduce statutory biodiversity targets within six months of the consultation's end;
- to bringing forward the Bill in year four of the Legislative Programme; and
- to ensuring the new environmental governance body is fully operational before the end of the Sixth Senedd.

Response: Accept in principle

The First Minister announced the Welsh Government's Legislative Programme on 27 June 2023. As part of this, he reaffirmed the Government's intention to bring forward legislation during this Senedd term to establish an environmental governance body for Wales and to introduce a statutory duty and targets to protect and restore biodiversity. He confirmed the Government would bring forward a White Paper on Environmental Governance and Biodiversity Targets by January 2024.

The Welsh Government will publish its response to the White Paper consultation as soon as practical, but the time frame will be influenced by the volume and complexity of the representations. The timing of the Body's establishment will depend on the precise timing of the Bill's passage through the Senedd. It is Welsh Government's intention that the Body should be established swiftly but further detailed implementation planning is required.

Financial Implications - None. Any additional costs will be drawn from existing programme budgets.

Recommendation 6

The Minister should commit to establishing an interim / shadow environmental governance body at the earliest opportunity.

Response: Accept, in principle

The Welsh Government has committed to bring forward legislation to establish an environmental governance body for Wales. Once the White Paper response is finalised, I will progress the arrangements for developing the operational arrangements for the new body.

The IEPAW provides interim environmental governance arrangements.

Financial Implications – Not yet quantified. Costs in addition to the IEPAW will be established through the development of the Regulatory Impact Assessment for the proposed Bill and any additional costs will be drawn from existing programme budgets.

Recommendation 7

The Minister should engage the OEP and ESS in discussion to understand the lessons learned from the establishment of their respective bodies. The outcome should be reflected in the forthcoming White Paper for the Bill.

Response: Accept

In addition to closely monitoring developments at the OEP and ESS, my officials continue to liaise with those of the OEP and ESS, as well as with counterparts in DEFRA and the Scottish Government. This information will assist in developing the Welsh body.

Financial Implications - None. Any additional costs will be drawn from existing programme budgets.

IEPAW

Interim Environmental Protection Assessor Wales

Llŷr Gruffydd MS
Chair, Climate Change, Environment and Infrastructure Committee
Senedd Cymru
Cardiff Bay
CF99 1SN
Senedd.Climate@senedd.wales

30th October 2023

Dear Llŷr,

Thank you for your letter dated 21st September 2023 enclosing a copy of the Climate Change, Environment and Infrastructure Committee's report on the operation of the interim environmental protection measures.

I would like to thank the Committee for the work they have undertaken in this area and for inviting me to participate in the evidence session on 21st June 2023. I believe that the Committee's recommendations provide an important package of improvements to ensure that the IEPAW can deliver its functions effectively until a permanent environmental oversight body is in place.

Although the majority of the recommendations in the report are aimed at the Welsh Government, there is one recommendation that is specifically directed at me. This relates to the establishment of formal processes to monitor the impact of the IEPAW's recommendations on environmental outcomes, allowing the IEPAW to assess the impact of the role. I fully agree with the Committee's helpful recommendations in this area and will outline below the actions that I intend to take in response.

I have undertaken a review of current IEPAW processes and activities to determine the extent to which these might meet the requirements of the Committee's recommendations. As a result, I have identified the following actions that are currently undertaken which I believe contribute towards monitoring impact:

- 1) Delivery of an annual briefing to the CCEI and the opportunity for Committee members to directly question the Interim Assessor on her work and to highlight areas that require consideration.
- 2) Delivery of online Stakeholder briefings on a quarterly basis and the opportunity for the public to directly question the Interim Assessor on her work.

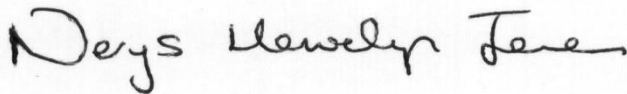
- 3) Publication of a quarterly newsletter detailing IEPAW activities.
- 4) A quarterly review is undertaken by the IEPAW of all submissions to the IEPAW since its establishment, identifying substantive changes affecting initial scoping of the submissions and re-consideration in line with the published prioritisation principles.
- 5) Ongoing reviews of Senedd activity relevant to IEPAW activities.

In light of the comments of the CCEI, I am also looking to introduce a more formal monitoring process, which is capable of being implemented in the short term, which will consider the impact of reports published by the IEPAW and their implementation. Furthermore, I will include in next Annual Report a specific section which reviews and considers impact.

With regards to the CCEI's other recommendations, these have my full support.

As stated during the evidence session, my work as IEPAW to date has developed via an iterative process and approach and I am keen to ensure that the work of the role is transparent and accessible to all who have an interest in environmental protection and have concerns that they want to raise for consideration.

Kindest regards,

A handwritten signature in black ink that reads "Nerys Llewelyn Jones". The signature is written in a cursive style with a clear, legible font.

Dr Nerys Llewelyn Jones
Interim Environmental Protection Assessor for Wales

Julie James AS/MS
Y Gweinidog Newid Hinsawdd
Minister for Climate Change

Ein cyf/Our ref MA/JJ/2490/23

Llŷr Gruffydd MS
Chair
Climate Change, Environment and Infrastructure Committee
Welsh Parliament
Cardiff Bay
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6 November 2023

Dear Llŷr,

The following statutory instruments will shortly be laid before the Senedd and fall under the scope of the Resources and Waste Common Framework:

- The Waste Separation Requirements (Wales) Regulations 2023
- The Prohibition on the Incineration, or the Deposit in Landfill, of Specified Waste (Wales) Regulations 2023
- The Prohibition on Disposal of Food Waste to Sewer (Civil Sanctions) (Wales) Order 2023.

Yours sincerely,



Julie James AS/MS
Y Gweinidog Newid Hinsawdd
Minister for Climate Change

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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.

Centre City Tower, 7 Hill Street, Birmingham B5 4UA
11 Westferry Circus, Canary Wharf, London E14 4HD

By email

Llyr Gruffydd MS
Chair of the Climate Change, Environment, and Infrastructure Committee
Welsh Parliament
Cardiff Bay
Cardiff
CF99 1SN

08 November 2023

Dear Mr Gruffydd,

I am writing to inform you about a [report](#) published by Ofwat today, setting out our assessment of 2022-23 performance related executive pay, as part of our effort to drive up standards of governance in the water industry.

Six companies set out in their annual reports that their CEO and, in some cases other executive directors, decided to waive their entitlement to PRP payments for that year. Five other companies set out that shareholders rather than customers would fund all or part of PRP payments for 2022-23. We do acknowledge Dŵr Cymru for the leading edge 80% alignment of their bonus to delivery for customers and the environment.

Today we've published our assessment of how performance related pay (PRP) awarded to water company executives during 2022-23 was aligned to delivery for customers and the environment, and overall company performance. The report looks at the 16 largest companies in England and Wales and is the latest step we have taken as we crack down on inappropriate pay outs in the sector. We have introduced a performance related pay recovery mechanism, in relation to 2023-24 pay onwards, to ensure that shareholders, not customers, will pay for water company executive bonuses where they do not meet expectations. The report highlights progress made in this last year before our new mechanism applies, and outlines further steps which companies should take before remuneration committees make pay decisions for 2023-24 onwards.

Our assessment revealed that improvement is needed across all companies:

- Companies need to do more to explain how the targets they have used for the measures which determine PRP decisions are stretching.
- Companies need to go further in explaining how overall performance has been taken into account when making PRP decisions.
- PRP frameworks at most companies meet our current expectations regarding alignment to delivery for customers and the environment. Our assessment of 2022-23 PRP

decisions has revealed a small number of companies where this is not the case but the companies concerned have committed to changes from next year.

In the report, we are clear that it is important stakeholders are able to see the standards to which executive directors are being held in relation to performance related pay, and how remuneration committees have taken account of the overall performance of the company. If they do not do this, it will be difficult for us to conclude that a company has met our expectations in future years.

More details about the report are [here](#).

Ahead of Ofwat's evidence session tomorrow, I wanted to draw this update to your attention, and I look forward to answering further questions about it then. We'd be grateful if you could share this update with the wider committee.

Yours sincerely,

David Black
Chief Executive, Ofwat

November 2023

Protecting customer interests on performance-related executive pay: 2022-23 assessment

About this document

In June 2023 we published the [final guidance](#) for our performance related executive pay (PRP) recovery mechanism. This mechanism allows us to intervene to ensure customers are protected and do not fund executive directors' PRP where a company does not meet the expectations we have set out.

As noted in our [consultation response](#) document, these provisions will apply from the 2023-24 reporting year onwards. This report sets out our assessment for 2022-23 to help companies and other stakeholders better understand our approach and to help companies improve their alignment to our guidance from 2023-24 onwards.

In future years, the financial adjustments which we identify need to be made as a result of this mechanism will be implemented through the cost reconciliation mechanism. Details of this can be found in our [Reconciliation Rulebook](#).

Introduction

Performance related executive pay (PRP) should be aligned to the delivery of stretching performance for customers and the environment and reflect overall performance. This link is key to ensuring that executive directors are properly incentivised to deliver the right outcomes for customers and the environment.

This report sets out our assessment of companies' 2022-23 PRP decisions against the expectations set out in our guidance. These include that:

- the criteria for awarding both the short- and long- term elements of PRP in the year should demonstrate a substantial link to stretching delivery for customers and the environment;
- PRP decisions for the year should be based on stretching targets; and
- PRP decisions for the year should take into account overall performance delivered for customers, communities and the environment, including factors which are wider than the individual metrics used as part of PRP arrangements.

In line with our guidance, we also considered how discretion has been exercised in appropriate cases, through mechanisms such as deferral, malus, and clawback.

This report considers the 16 largest companies in England and Wales. One company (Hafren Dyfrdwy) did not provide sufficient information on the remuneration of its executives for us to be able to assess its PRP decisions against our guidance. As such, we have not included it in this report. We will engage directly with the company with respect to its 2022-23 reporting.

In the context of increased scrutiny and stakeholder pressure surrounding PRP, in 2022-23, six companies set out in their annual reports that their CEO and, in some cases other executive directors, decided to waive their entitlement to PRP payments for that year. Five other companies set out that shareholders rather than customers would fund all or part of PRP payments for 2022-23.

Key messages

Companies need to do more to explain how the targets they have used for the measures which determine PRP decisions are stretching.

Our analysis revealed that improvement is needed across all companies. In some cases, bonus targets were set below the level of the performance commitment levels set at PR19 final determinations with no explanation as to why this was appropriate. In a small number of other cases no target was stated at all for particular metrics.

It is important that stakeholders are able to see the standards to which executive directors are being held in relation to PRP and therefore companies should ensure that targets are provided for each metric used.

No company provided a metric-by-metric explanation setting out why each target was used and how it was stretching. If a company does not explain this in future years, it will be difficult for them to demonstrate that our expectations regarding stretching targets are being met.

Companies need to go further in explaining how overall performance has been taken into account when making PRP decisions.

Six companies set out in their annual reports that their CEO and, in some cases other executive directors, have decided to waive their entitlement to PRP payments for 2022-23. Five other companies set out that shareholders rather than customers would fund all or part of PRP payments for 2022-23.

We welcome this acknowledgement of the expectations we have put in place and of the need for company remuneration committees, executive directors and investors to demonstrate accountability for customer and environmental outcomes overall.

While these are welcome steps in terms of moving PRP decisions in the right direction, we are clear that remuneration committees, executives and investors should continue to reflect on our and other stakeholders' concerns ahead of decisions for 2023-24.

PRP frameworks at most companies meet our current expectations regarding alignment to delivery for customers and the environment.

Well-designed pay policies should create incentives that are aligned with the outcomes stakeholders expect to be delivered. We identified 60% alignment to delivery for customers and the environment as good practice among the companies we regulate at PR19 and most companies currently meet or exceed this level, with some exceeding 80%.

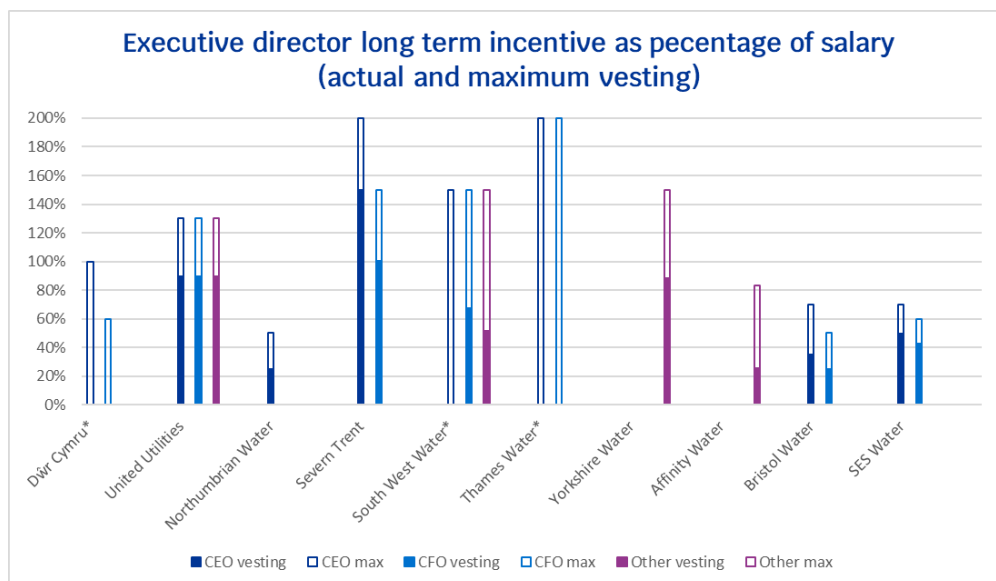
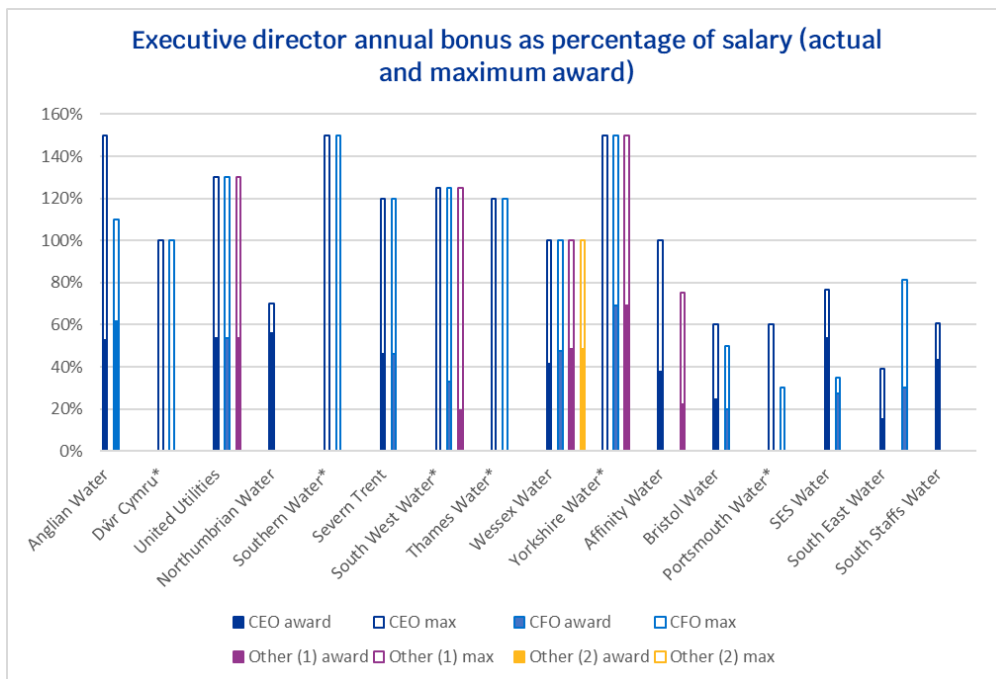
As set out at PR19, and in subsequent guidance, this alignment is equally important for long-term incentive plans (where these are used) as it is for annual bonuses.

Our assessment of 2022-23 PRP decisions has revealed a small number of companies where the structure of pay awards does not meet our expectations in this respect, although all have committed to changes.

Overview of 2022-23 PRP decisions

The charts below set out an overview of pay outcomes across the sector, detailing the actual award and the maximum award possible, as a percentage of salary. This has been calculated for both the short- and, where applicable, long-term elements of performance related pay for 2022-23. The outcomes shown below are for all measures – both those aligned to delivery for customers and the environment, and other measures.

Company names with an asterisk are those at which one or more of the executive directors have decided to forgo PRP payments for 2022-23. The outcomes are shown after the application of discretion by the remuneration committee, where applicable.



Our expectations

Alignment to delivery for customers and the environment

We expect the criteria for awarding both the short- and long- term elements of PRP in the year to demonstrate a substantial link to delivery for customers and the environment. Where this is not the case going forward, we will intervene to ensure that customers do not pay for executive bonuses.

Each company uses a basket of weighted metrics to determine both the short- and, where applicable, long-term elements of PRP. We assessed each metric used to calculate awards in 2022-23 to determine whether a substantial proportion of metrics, by weighting, was related to delivery for customers and/or the environment. Examples of specific measures which we consider relate to delivery for customers and/or the environment include those which cover customer service, water quality or pollution incidents. Financial measures may be considered as relating to delivery for customers where the achievement of targets will benefit customers. However, where financial measures are solely for the benefit of investors, these will not be considered as relating to delivery for customers.

Most companies achieved a 50% alignment of metrics to delivery for customers and the environment for calculating the award of the short-term element of PRP (generally referred to as annual bonuses), which we regard as a minimum expectation. We note that two (Portsmouth Water and South West Water) did not. In the case of the longer-term element of PRP (often in the form of a long-term incentive plan), again the outcomes of two companies for 2022-23 (Severn Trent and South West Water) did not meet our expectations.

In these cases, most of the company's metrics related to financial measures, which did not directly benefit customers, or measures which related to personal outcomes for individual directors. We identified 60% alignment to delivery for customers and the environment as good practice among the companies we regulate at PR19 and most companies meet or exceed this level. Four companies (Dŵr Cymru, Bristol Water, Thames Water and Southern Water) met or exceeded 80% alignment to delivery for customers and the environment in their 2022-23 annual bonus awards which we welcome, and we would like to see more companies aspire to a higher weighting.

We expect those companies where there was not a substantial alignment of metrics in 2022-23 to address this issue. We are aware that all the above companies have already made or are committed to making changes for 2023-24 and we will consider whether their amended approach for 2023-24 meets our expectations based on next year's annual reporting.

Stretching targets

We expect the targets applied to performance related executive pay metrics to be stretching so that executive directors are not rewarded for meeting targets which could be construed as reflecting poor performance, save in exceptional circumstances (such as to provide appropriate incentives where companies are in turnaround).

We set out the reporting requirements which each company must follow when explaining its executive PRP arrangements and outcomes in Regulatory Accounting Guideline 3 ([Guideline for the format and disclosures for the annual performance report](#)) including an explanation of how targets used are stretching.

While it is for each remuneration committee to determine which metrics are most appropriate, we expect each company to provide a clear explanation of how the targets used are stretching. We looked at the target for each metric used to make 2022-23 PRP decisions to assess if we could find evidence of this.

Often companies provided only high-level statements about the targets used and in a small number of cases no target was stated at all for particular metrics. In cases where a company used targets which were set as part of its final determination for the 2019 price review, we considered these as being stretching. However, in some cases companies used the same measures as those used at its final determination, but with less stretching targets and without explaining why those targets should nevertheless be considered stretching. In many other cases, companies used measures different to those used at its final determination, again without providing any explanation of why the targets were used and how they could be considered stretching.

It is important that stakeholders are able to see the standards to which executive directors are being held in relation to PRP and therefore each company should ensure that targets are provided for each metric used and that they demonstrate why they are stretching. Where this is not the case going forward, it will be difficult for us to conclude that stretching targets are being used and therefore that our expectations are being met.

Taking into account overall performance

We expect that in addition to reflecting performance against individual metrics, PRP decisions also reflect overall performance delivered for customers and the environment.

PRP metrics may not capture all elements of a company's performance and so it is relevant for companies and remuneration committees to consider overall performance (or

performance in the round) when making PRP decisions. We have been clear that we attach importance to the ability of remuneration committees to override any formulaic outcomes and exercise appropriate discretion. We set out factors in our final guidance which, when taken together or individually, may provide an indication of company overall performance.

We looked at pay outcomes to determine to what extent, if any, remuneration committees had taken into account overall performance of the company when making final PRP decisions for 2022-23.

We saw a very small number of examples of remuneration committees using their discretion to reduce payouts against individual metrics (Anglian Water and Thames Water)¹. We welcome these interventions as evidence that remuneration committees are using their discretion to override formulaic outcomes where these may not appear justified in the circumstances. However, we note that these interventions were generally made to reflect specific issues, rather than reducing total PRP to take account of the overall performance of the company.

Around half of companies stated in their annual reporting that the PRP decisions for the year fairly reflected the overall performance of the company for the year. However, in many cases it was not clear if and how the remuneration committee had considered overall performance of the company when determining the need to use discretion in relation to PRP decisions. Even where high level statements were provided that overall performance had been considered, there was generally little detail on the factors which remuneration committees had considered.

In future years' reporting, each company should provide greater detail on how its remuneration committee has considered overall performance in making PRP decisions. The reporting requirements set out in Regulatory Accounting Guideline 3 are clear that each company should explain how PRP decisions are justified in the context of overall performance. The requirements also set out that each company should explain what factors its remuneration committee has taken into account in reaching its decisions on overall performance in this context.

If a company does not demonstrate how it has taken account of overall performance in future years, it will be difficult for us to conclude that a company has met our expectations.

¹ We also note in this context that directors at United Utilities waived part of their annual bonus for 2022-23 and that "noting the effect of the voluntary waivers, the [remuneration] committee has not applied any discretion in respect of annual bonus outcomes for 2022-23".

Next steps

We will engage with all companies to address the issues highlighted in this report and to raise any other areas of improvement for future years.

We will review companies' 2023-24 annual reporting to assess their PRP decisions against our expectations and will report on our findings. As we explained in our [consultation response](#) document, where a company falls short we will consider the need to calculate a provisional adjustment using our 'performance related executive pay recovery mechanism' to ensure that customers do not pay where PRP decisions do not meet our expectations.

We are assessing the remuneration policies which companies have included in their PR24 business plans and which will apply from 2025-26 onwards. We are considering whether those policies meet the expectations set out in our final methodology, including on the alignment of the PRP framework to delivery for customers and the environment, the use of stretching targets and consideration of overall performance. Our view of these plans will also form part of our quality and ambition assessment of companies' business plans.

**Ofwat (The Water Services Regulation Authority)
is a non-ministerial government department.
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OGL

Agenda Item 4.4

Lee Waters AS/MS
Y Dirprwy Weinidog Newid Hinsawdd
Deputy Minister for Climate Change



Llywodraeth Cymru
Welsh Government

Our ref - MA/LW/2867/23

Chair
Climate Change, Environment and Infrastructure Committee
Welsh Parliament
Cardiff
CF99 1SN

9 November 2023

Dear Llyr,

During Stage 2 proceedings, I committed to provide information on support for residents with non-compliant appliances in smoke control areas. This letter provides this information.

In smoke control areas, there is no automatic requirement for households to upgrade their appliance, so people will be able to comply with the smoke control legislation without needing an expensive upgrade. However, there are limitations on what types of solid fuels they can use in these older appliances. There are also options available to local authorities when creating and enforcing a smoke control area. They can choose to make exclusions when creating a smoke control order, such as a type of fireplace or building. I will make clear in guidance that before issuing any fines, I expect local authorities to offer advice and support to help households to comply with smoke control legislation.

There is support available to those who need it the most. The draft [Heat Strategy for Wales](#), which is currently open for consultation, aims to support homeowners with advice and support for the transition to low carbon heat. The new iteration of the Warm Homes Programme will continue to fund measures to support eligible households. Other funding to support the cost of replacing fossil fuel heating systems is available to households in England and Wales via the [Boiler Upgrade Scheme](#).

Please note this letter has been copied to the Chairs of the Finance Committee and the Legislation, Justice and Constitution Committee.

Yours sincerely

Lee Waters AS/MS
Deputy Minister for Climate Change

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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.

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