



**Asiant Cefnffyrdd Gogledd a Chanolbarth Cymru**  
**North & Mid Wales Trunk Road Agent**

# **Joint Committee Report**

**16<sup>th</sup> May 2016**



Yn gweithio ar ran  
**Llywodraeth Cymru**  
Working on behalf of the  
**Welsh Government**

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## **1 Introduction**

- 1.1 This report provides information on the topics which come under the particular terms of reference of the Joint Committee.

## **2 Work Allocation to Local Authority Service Provider Units**

- 2.1 Work continues to be allocated to all Partner Authorities across the main functional areas of the Agency for Consultancy Services, Works and Technical Administration in accordance with the Agency protocols. See Table 1 below.
- 2.2 Forecast turnover for 2015/16 is lower than 2014/15 levels largely due to an exceptionally mild winter. In line with the open book approach for payments to Partner Authorities (PA), NMWTRA are currently reviewing fee levels to ensure PA identified management and overhead costs are recovered. Any necessary adjustments will be included in the year-end final account as a reconciliation payment. Projected revenue expenditure for 2016-17 excluding winter maintenance and reactive maintenance (CAT1) fluctuations is expected to be similar to 2015-16. However, following implementation of the intelligence based maintenance regime business case, the makeup of the works activities will change. NMWTRA will continue to monitor turnover and review the fee recovery on an annual basis.
- 2.3 It is expected that improved structures routine maintenance and safety barrier re-tensioning budgets and introduction of programmed sign cleaning will offset reduced spending on gully cleansing and grass cutting. Funding levels are being confirmed by WG and current indications are that overall Revenue funding will be in the region of £66.5m with Capital funding set at £28.65m. Whilst capital funding is lower than previous years it will not be as low as initially thought due to WG Network management Division (NMD) having been successful in securing improved funding levels across Wales in the order of an additional £16m.
- 2.4 Capital expenditure level is particularly important to Partner Authority Consultancy workload as well as the Agent's private sector supply chain. NMWTRA are pressing WG for early confirmation of scheme briefs and funding in order to provide as much continuity in work streams as possible.

**2014/15 Outturn Expenditure Forecast**

<b>Partner</b>	<b>Core Costs £000</b>	<b>Routine/ Reactive Maintenance £000</b>	<b>Consultancy / Structures £000</b>	<b>Framework and other External Payments £000</b>	<b>Total £000</b>
Ceredigion	265	1,903	646		2,814
Conwy	111	3,181	1,695		4,987
Denbighshire	146	1,482	808		2,436
Flintshire	42	2,298			2,340
Gwynedd	434	2,811	3,647		6,892
Powys	833	6,436	1,178		8,447
Wrexham	25	1,447			1,472
NMWTRA	3,273			14,584	17,857
<b>Grand Total</b>	<b>5,129</b>	<b>19,558</b>	<b>7,974</b>	<b>14,584</b>	<b>47,245</b>

**2015/16 Projected Outturn as at 27/4/16**

<b>Partner</b>	<b>Core Costs £000</b>	<b>Routine/ Reactive Maintenance £000</b>	<b>Consultancy / Structures £000</b>	<b>Framework and other External Payments £000</b>	<b>Total £000</b>
Ceredigion	76	1,702	475		2,253
Conwy	50	2,838	844		3,732
Denbighshire	83	1,133	691		1,907
Flintshire	12	2,322	0		2,334
Gwynedd	386	3,092	3,084		6,562
Powys	309	5,658	1,648		7,615
Wrexham	25	1,253	138		1,416
NMWTRA	3,970	-	-	15,655	19,625
<b>Grand Total</b>	<b>4,911</b>	<b>17,998</b>	<b>6,880</b>	<b>15,655</b>	<b>45,444</b>

**Table 1 Summary of Partner Authority Budget & Expenditure****3 Partnership Arrangements**

- 3.1 Following completion of the Agency review process and acceptance of the submitted business cases NMWTRA have been progressing with the implementation of the business cases and are generally on programme. An updated programme is included in Appendix C.

3.2 The implementation process has involved significant changes to the Agency model, working arrangements and staffing structures with both PA’s and NMWTRA. Good levels of cooperation have generally been experienced and NMWTRA recognises that the changes have raised a number of issues and concerns within PA’s regarding the ongoing benefits of providing services. NMWTRA have provided reassurances that PA’s will not be permitted to make a loss subject to providing efficient services but that levels of operating margin will not be as significant as in previous years. This is necessary in order to meet the Ministers challenge.

3.3 The staffing arrangements regarding implementation of the new Agency model have been addressed in a two stage process as follows:

- Stage 1 – It was recognised that internalisation of core functions into the Agency from Partner Authorities may have put certain jobs at risk if they were wholly or partly reliant on Trunk Road workload to support them. In order to protect these jobs, at Stage 1 these staff were either included within a TUPE process or included within prior consideration groups and given opportunity to apply for posts with NMWTRA ahead of any open recruitment process taking place.
- Stage 2- Following completion of the TUPE and prior consideration processes there were some residual posts that were unfilled together with some substantive posts that were either unfilled or filled on a temporary basis due to a WG embargo on recruitment. The embargo has now been lifted and Stage 2 involved an open recruitment process to fill these remaining posts.

3.4 Overall the recruitment process has gone well with only a very limited number of posts now unfilled and subject to further advertisement. The NMWTRA total staffing numbers taking account of Full Time Equivalent staff embedded within PA’s has reduced by approximately 19 following completion of the model change. Given that less staff have transferred than posts that were available it is considered by NMWTRA that the model change has not caused any loss of employment which was a key objective identified in January 2015 report to the committee. A summary of staff transfer and recruitment outcomes is provided in Table 2 Below.

Partner Authority	TUPE	Prior Consideration	Open Advert
Conwy			2
Ceredigion	1	3	1
Denbighshire		2	
Gwynedd		12	
Powys	4	3	3
Wrexham			1
NMWTRA and other			9
<b>Total</b>	<b>5</b>	<b>20</b>	<b>16</b>
<b>Total staff recruitment/transfer</b>	<b>41</b>		

**Table 2 Summary of Staff Transfer**

### 3.5 **Revised Service Delivery Agreement Implementation**

In order to meet WG requirements for a harmonised/common Service Delivery Agreement and to enable advantage to be taken of developing technology and improved working practices NMWTRA and SWTRA have developed necessary amendments to their respective SDA's. A revised SDA has subsequently been implemented from April 2016. The SDA provides improved clarity in the implementation of the TRMM and should aid with a more consistent approach in service delivery across PA's. NMWTRA are working with PA's through a series of workshops to ensure smooth implementation and address any issues or concerns that have been raised. A summary of the amendments are as follows:

- **Welsh Government Trunk Road Maintenance Manual**

Welsh Government implemented a major revision to this manual in 2015 and continues to improve the documentation in consultation with both Trunk Road Agents. An updated document is expected in 2016. The document includes changes that will provide cost savings in maintenance and inspection costs.

- **Service Delivery Agreement**

The Service Delivery Agreement for Works comprises a series of specification documents for works and services procured from the Partner Authorities in an industry standard format. It incorporates and implements the requirements of the current Welsh Government Trunk Road Maintenance Manual and the NMWTRA business cases approved by the Minister.

The documents have been developed in conjunction with SWTRA as an update of previous documents and now provide a consistent specification for trunk road works across Wales. The specification also includes some improvements in working practices and use of technology. The payment mechanism for Partner Authorities reflects the Schedule of Rates and Resourced Programme approaches agreed by the Welsh Government's auditors.

The Service Delivery Agreement for Works was introduced to Partner Authorities in January through a series of presentation workshops. Since then, Partner Authorities have been providing cost estimates for the works and services to be implemented in 2016/17. NMWTRA will work closely with the Partner Authorities, SWTRA and Welsh Government to continuously improve the specification.

3.6 Meetings with Chief Officers are continuing in order to assist with implementation of business cases and address any issues that arise.

3.7 The Partnership Risk Register has been reviewed and updated to identify risks to the NMWTRA Partnership and to demonstrate on-going actions being implemented in order to manage and mitigate risks wherever possible. The Partnership Risk Register is attached as Appendix A.

## **4 Satisfying WG Requirements with regard to the Agency Agreement**

4.1 The TRMU is responsible for ensuring that WG requirements as specified in the Agency Agreement (WGMAA) are satisfied. No issues regarding delivery of WGMAA requirements have been raised by WG in the reporting period.

### **4.2 Agency Steering Group**

Further Steering Group meetings were held on 6th November 2015 and 14<sup>th</sup> April 2016. The main focus of discussions was the progress of the business case implementation and forecast cost savings. NMWTRA budgets are now being set against the revised baseline costs for full compliance with the requirements of the Welsh Government Trunk Road Maintenance Manual (WGTRMM) less the forecast savings.

### **4.3 Quality Management Systems (QMS)**

An external Audit of the NMWTRA Quality Management System (QMS) was undertaken by BSI at the beginning of September 2015. The report identified 3 minor non conformities which have been dealt with. The next BSI audit will be held in September 2016. An Investors in People (IIP) review is also scheduled to take place in June 2016.

## **5 Performance**

### **5.1 PA Works Units**

Generally there are no issues with Works Unit performance. Benchmarking has been repeated and levels of harmonisation of works costs are continuing to improve.

### **5.2 PA Consultancies**

The performance indicators shown in Appendix B, Chart 1 demonstrate that generally the PA Consultancies are continuing to provide a good level of service. Although issues have arisen on some individual schemes and are being addressed by NMWTRA and relevant PA consultancies.

### **5.3 Private Sector Frameworks**

The performance indicators shown in Appendix B Chart 2, 3 and 4 for the private sector framework arrangements show a consistent level of good service delivery.

## **6 Continuous Improvement**

6.1 The main focus of NMWTRA in the period April 2015 to date has been to implement cost reduction measures associated with the submitted business cases following the WG review of Trunk Road Management and to meet the Ministerial Challenge presented in the November 2014 Written statement. NMWTRA are currently on track to achieve the forecast savings and WG officers have provided assurances that subject to achieving those savings the current public sector led model is considered to be sustainable in the long term.

**7 Disputes under Clause 9.6 of the Partnership Agreement**

- 7.1 Clause 9.6 of the Partnership Agreement sets out an escalation process for the resolution of disputes which may arise between the TRMU and PA's. Such disputes may be referred to the Joint Committee for determination if they remain unresolved.
- 7.2 There are currently no issues which have been escalated under this process for the Joint Committee's consideration.



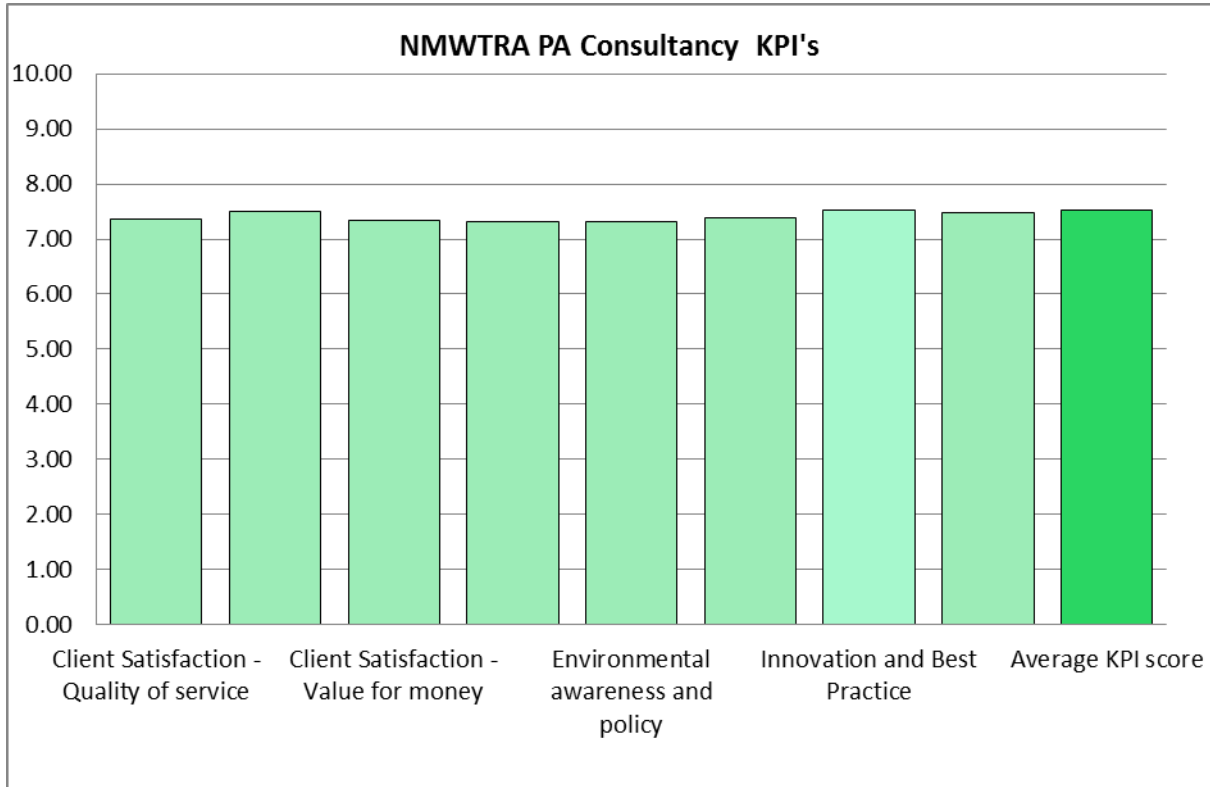
## **APPENDIX A**

### **NMWTRA Partnership Risk Register 2016/17 - Reviewed by AMT April 2016**

No	RISK	Probability	Impact	Risk Score: Prob x Impact	EFFECT OF RISK	RISK OWNER	RISK ACTION	MITIGATION TO DATE	Probability	Impact	Risk score following mitigation Prob x Impact
2P	Failure to meet WG service delivery requirements.	4	4	16	1. Dependent upon the nature and extent of failure, potential WG actions are: a) Agency to implement corrective action plan b) Change of service provider for underperforming service areas c) Termination of Agency.	Lead and Partners	1. Maintain performance within required WG target levels.	1. Regular monitoring of performance by TRMU and WG. 2. Agency/WG Steering Group identifies and addresses potential problems. 3. Maintain compliance with Quality Management Systems. 4. Joint Committee scrutiny role. 5. Audit regime implemented. 6. Revised SOR implemented and confirmed as preferred procurement model by WG. 7. Robust inter PA and private sector benchmarking. 8. Fixed-fee commissioning implemented for consultancy services with appropriate market testing. 9. Satisfactory performance confirmed by external WG auditors.	1	3	3
3P	Failure to meet WG Financial management requirements.	4	4	16	1. Failure to meet WG budgetary requirements 2. Potential significant reputational damage to Agency and PA's which could threaten the future of the Agency. 3. Inability to optimise budgets 4. Detrimental effect on PA cashflow	Lead and Partners	1. Maintain performance within required WG target levels.	1. Commitment Accounting system established by TRMU 2. New SOR implemented combined with monthly invoicing. 3. Surety of cost in Schedule of Rates and priced briefs. 4. Audit regime implemented. 5. Implemented fixed-fee commissioning basis for consultancy services with payment on milestone completion. 6. Revised Technical Administration Service Provider	1	4	4
4P	Termination of Agency by WG as a result of political decision.	3	5	15	1. Termination of Partnership. 2. Potential significant loss of income. 3. Potential significant staffing implications. 4. Potential significant loss to local economy.	Lead and Partners	1. Sustain performance and reputation of Agency and PA provision. 2. Continuous improvement to demonstrate value for money. 3. Harmonisation of Schedule of Rates and delivery processes. 4. Adoption of best practice methods of working to improve efficiency of operations. 5. Deliver NMWTRA April submission cost reduction business cases. 6. Deliver WG stretched target cost savings.	1. Major WG review completed.. 2. NMWTRA April 2015 submission and business cases accepted by WG.	2	5	10
6P	One PA withdraws from Partnership	2	3	6	Threat to service provision on Trunk Road network within the affected county.	Lead and Partners	1. Revised Partnership Agreement would be needed. 2. Would need to review extent of service provision by the departing PA. 3. Would need to reallocate work to other PAs or Private Sector supply chain. 4. TRMU would need to maintain continuity of service	1. Partnership Agreement Clause 12 covers this risk - revised Partnership Agreement can be agreed by the remaining Authorities. 2. Partnership Agreement Clause 6 covers cross border working. 3. Private Sector supply arrangements in place via Frameworks if needed.	2	3	6
7P	Significant dispute between Lead and Partners	2	2	4	Threat to service delivery	Lead and Partners	1. Follow escalation process	1. Partnership Agreement Clause 9 defines escalation process.	1	2	2
9P	Local Government Reform in Wales.	4	4	16	Significant change to supply chain structure and size and associated change processes may disrupt future service delivery	Lead and Partners	1. Revised Partnership Agreement would be needed. 2. Review extent of service provision by new Local Authorities. 3. TRMU would need to maintain continuity of service	1 Revised NMWTRA model is compatible with proposed new LA arrangements.	4	2	8
10P	Failure to make savings projected by Business Cases	3	5	15	1. Failure to meet Ministers savings requirements 2. Termination of WGMA and alternative procurement arrangements established	Lead and Partners	1. Implement change management processes 2. Establish new Agency Model 3. Establish new operating procedures	1. Engagement with Partner Authorities 2. Completion of TUPE / prior consideration group staff transfers 3. Substantial completion of open staff recruitment 4. All Business Cases on programme.	4	2	8

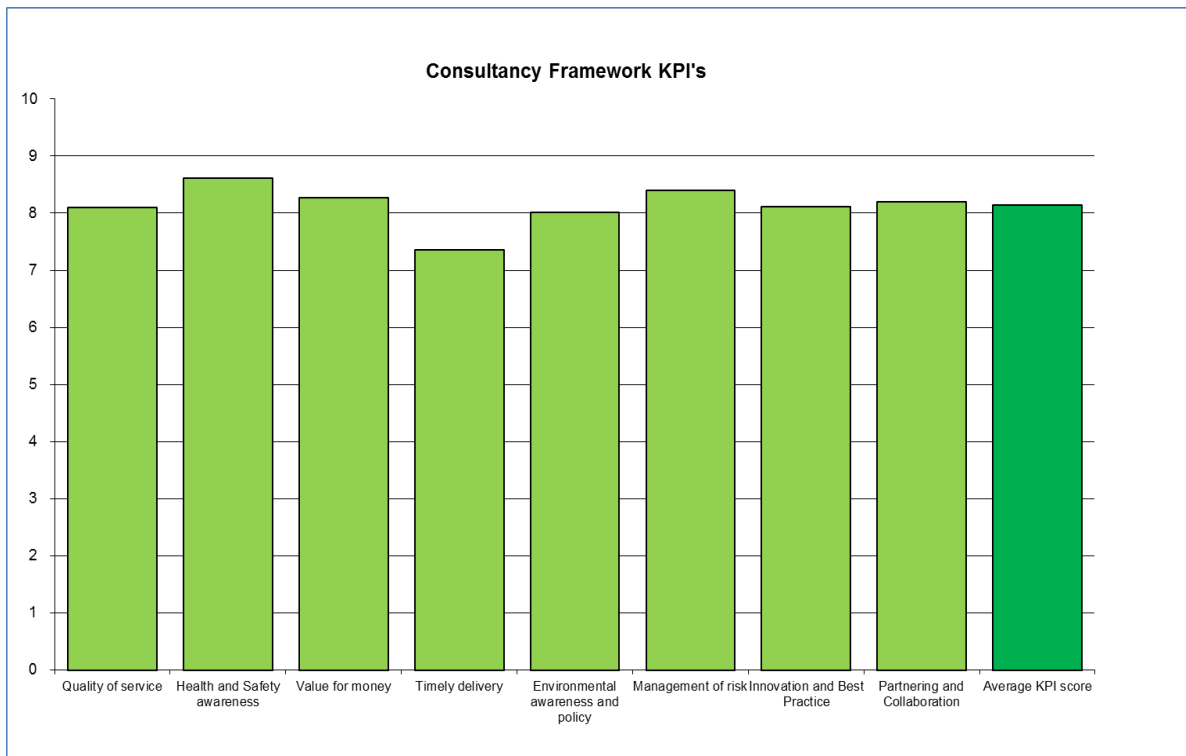
## **APPENDIX B**

### **Performance Charts**



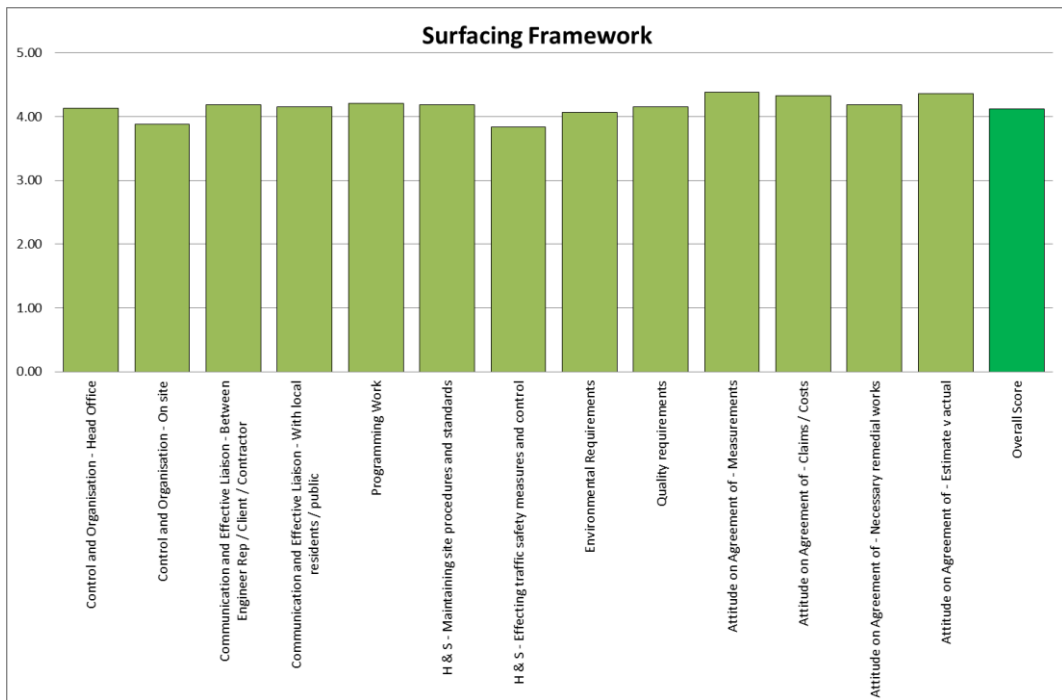
*Based on 95 completed KPIs*

Chart 1



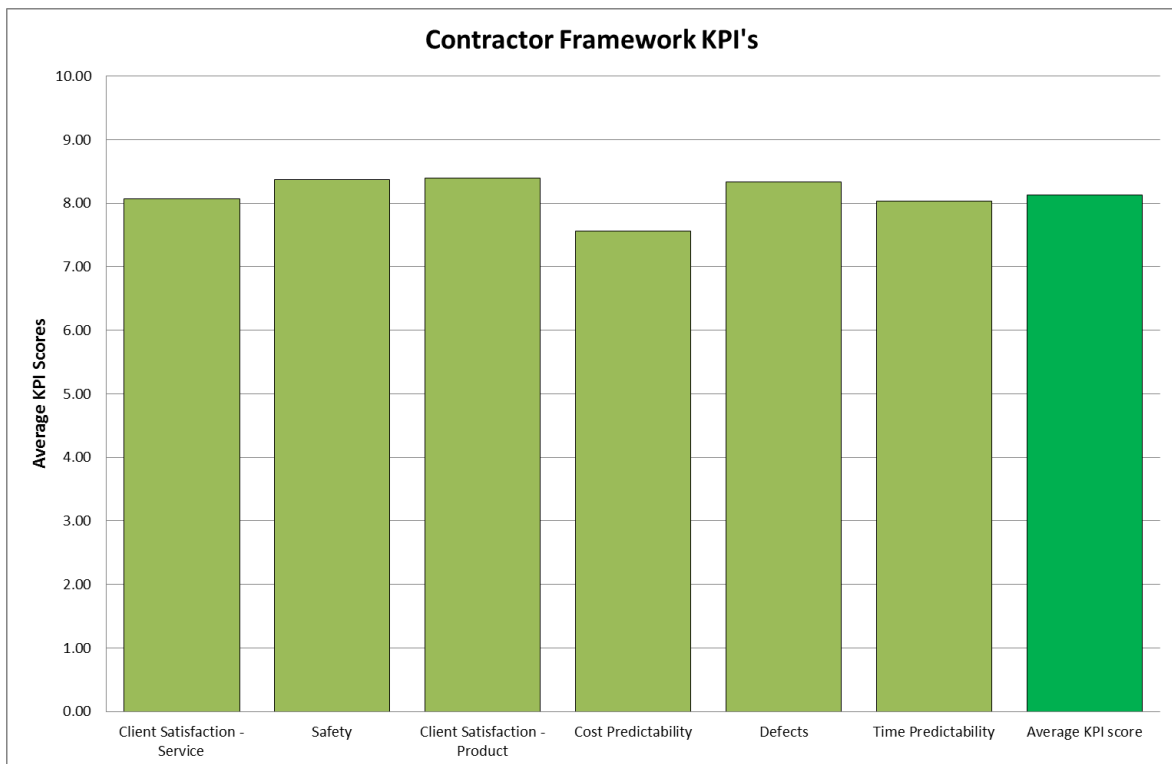
*Based on 29 completed KPIs*

Chart 2



*Based on 57 completed KPIs*

Chart 3



*Based on 14 completed KPIs*

Chart 4

## **APPENDIX C**

### **Business case implementation programme**

NMWTRA PROPOSED SAVINGS PROFILE 2014/15 - 2018/19										
Business Case	Savings Category	Brief Description	Progress against programme	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	
				DELIVERY TIMESCALE						
BC04 - Technical Admin	Delivery Model Change	Internalisation and rationalisation of the delivery of Technical Administration functions into the Trunk Road Management Unit (TRMU).	Functions internalised 1/4/16 Staffing arrangements completed 1/4/16							
BC05 - Inspections	Delivery Model Change	Internalisation and rationalisation of the delivery of Safety, Detailed and Specialist Inspections into the TRMU.	Functions internalised 1/4/16 Staffing arrangements completed 1/4/16							
BC06 - Area Custodian	Delivery Model Change	Internalisation of the maintenance client function into the TRMU.	Functions internalised 1/4/16 Staffing arrangements completed 1/4/16							
BC07 - Consultancy	Revised Procurement model	Reduction in Multiplier from 2.1 to 1.9 to reflect market conditions.	Revised model implemented 1/4/15							
BC10 - Reactive Maintenance	Efficiency Savings	Improved approach to category defect repairs	To be delivered over 2016/17							
BC12 - Winter Maintenance	Schedule of Rates	Establishing a uniform and equitable methodology for sharing winter maintenance fixed costs between Trunk and County roads.	Completed 2014/15							
BC14 - Emergency Response	Delivery Model Change	Introduction of network wide Emergency Response Unit (ERU) arrangements for dual and single carriageways.	Substantially delivered 2014/15 ahead of programme with further revisions to address electrical assets in 2016/17							
BC15 - Schedule of Rates	Schedule of Rates	Development of new SOR system which established a transparent methodology for identifying and sharing fixed cost overheads between Trunk and County i.e. overheads and risks were accounted for separately from unit rates and annual cyclical activities.	Completed 2014/15 with on-going review and refinement.							
BC18 - Street works	Delivery Model Change	Internalisation and rationalisation of the delivery of Technical Administration functions into the Trunk Road management Unit (TRMU).	Functions internalised 1/4/16 Staffing arrangements completed 1/4/16							
BC19 - Intelligence led Risk Based Maintenance	Efficiency Savings	Implementing a risk based approach to maintenance as agreed with WG.	To be delivered over 2016/17							
BC20 - Intelligence led Risk Based Inspection	Efficiency Savings	Implementing a risk based approach to maintenance as agreed with WG.	To be delivered over 2016/17 and 2017/18							