

South Wales
Trunk Road
Agent

Managing and Improving
Motorways and Trunk Roads
through South Wales



Asiant
Cefnffyrdd
De Cymru

Rheoli a Gwella'r Traffyrdd
a'r Cefnffyrdd yn Ne
Cymru

National Assembly for Wales Public Account Committee Inquiry into Value for Money of Motorway and Trunk Road Investment

South Wales Trunk Road Agent Written Response

19th February 2015



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1. Introduction

- 1.1 Neath Port Talbot County Borough Council are appointed as Agents to the Welsh Government (WG) to act on their behalf in managing, improving and maintaining the strategic road network in South Wales on a day to day basis.
- 1.2 Neath Port Talbot operate under delegated authority from WG under the Highways Act 1980 and the required scope and service levels are as defined in the Welsh Government Management Agent Agreement (WGMA).
- 1.3 The role of Agent includes the following:-
 - Provision of technical advice
 - Operational management of the network including incident management and adverse weather planning
 - Inspection of all highway assets to determine asset condition and the identification of defects
 - Delivery of routine, cyclical and reactive maintenance
 - Design and deliver planned major maintenance renewal, upgrade and improvement works

2. Background

- 2.1 As a result of a review by WG in 2003, the decision was taken to rationalise the number of public sector Trunk Road Agents from 8 to 3 creating new Agents in North, Mid and South Wales. WG, through these new arrangements, placed greater emphasis on continuous service improvement, improved business management focus, increased competition and transparency in terms of service delivery whilst ensuring business continuity.
- 2.2 In 2010 a further external review of the service was undertaken; this included a benchmarking exercise to compare the total service costs across Wales with that of the private sector model in Scotland. The review findings confirmed that the public sector model operating in Wales were providing Value for Money in the context of the Welsh Economy, leading to the renewal of the Welsh Model. The decision was taken at that time to further rationalise the number of Trunk Road Agents across Wales from 3 to 2.
- 2.3 An extract from the renewal letter is as follows:-

“This is a very positive result for the unique public sector model that we have in Wales, which will now continue after its cost effectiveness was established in comparison with alternative private models as part of the review”.

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3. The extent to which the current approach to routine maintenance of the network via Trunk Road Agents provides value for money.

3.1 The South Wales Trunk Road Agent operating model agreed with WG in 2005 has been of an enabling organisation but with all delegated function delivered directly by the management unit in order to deliver improved control and consistency.

3.2 At the start of the Agreement with WG in 2006, SWTRA was tasked with ensuring surety of service to the Welsh Government for a two year period. At the end of this period, SWTRA was empowered to make changes to its procurement of works and supply chain in an effort to improve consistency and compliance across the South Wales region. Thereafter, with the Agreement of the WG, a period of driven improvement has been in place through which SWTRA has strived to provide continuous improvement and value for money to the WG.

3.3 Examples of this continuous improvement and value for money process include:-

3.4 Implementation of a robust and transparent Management Unit Structure for SWTRA. The cost of this Unit is recharged to the Welsh Government on a Direct Cost basis, with no surplus or profit generated. Annual returns to the WG give full details of the staff structure including salaries. New appointments to the structure can only take place with Welsh Government approval. Full details are provided in terms of Premises cost along with Operational Vehicle costs and Supplies and Services.

3.5 The nature of the agreement between the WG and the Agent is one that provides flexibility and agility and is such that the Welsh Government cannot be subjected to compensation events as a result of changes to the services or budgets that it requests of or provides to SWTRA. Due to the Agreement being with a Local Authority all charges to Welsh Government are net of VAT, which gives a 20% benefit on all works carried out.

3.6 The agile nature of SWTRA' procurement/delivery strategy means that its supply chain provides both resilience and flexibility which has enabled it to scale up and scale down, sometimes several times in the course of a financial year, in order to assist the Welsh Government with budget pressures or additional funding.

3.7 This flexibility and agility has enabled the Agent to balance the cost of individual schemes across budget programmes, thus ensuring that the Agent provides a service that is within the approved Budget Expenditure Lines provided by WG.

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- 3.8 SWTRA has met the requirements of the WG in engendering the Wales PLC agenda with a supply chain that consists of a Public Sector and Private Sector split, utilising for the optimum solution, the specialist skills and resources that both sectors provide.
- 3.9 Routine and Cyclical Maintenance is undertaken by the Public Sector providing the Welsh Government with the benefits of a shared basic infrastructure including Depots and Plant. This is especially of benefit in rural areas and allows for a timely response to emergencies on the Network and Winter Maintenance activities.
- 3.10 SWTRA has continued to drive continuous improvement through its Public Sector Supply Chain. In 2009 rationalisation was achieved by encouraging the Local Authorities to form three Regional Maintenance Partnerships, with the benefits of cross border working, improved consistency and a lower level of administration yielding both improved compliance and efficiency savings. In 2012 further efficiencies were achieved by another phase of rationalisation with the Partnership Agreements.
- 3.11 Capital Maintenance and Improvement Programmes are delivered via competitively procured Framework Construction contracts and Consultancy contracts with the Private Sector. Rationalisation of these contracts in 2010 led to a reduction in procurement costs and efficiencies of scale by merging the Structure and Highway contracts into one.
- 3.12 SWTRA has repeatedly proven its ability to be highly adaptive and respond to emerging WG initiatives throughout its Agreement period and has successfully delivered the following additional services to its portfolio of services:-
- Statutory Tunnel Manager Role 2006
 - New Roads and Streetworks Policy Advisor 2010
 - Traffic Officer Service 2010
 - South Wales Traffic Management Control Centre 2010
 - SWTRA area expansion to incorporate whole of Carmarthenshire CC and Pembrokeshire CC 2012
 - IRIS Implementation Project Management Support 2013
- 3.13 The implementation of the new Welsh Government Traffic Officer Service in 2010 involved the delivery of a new service including the recruitment and training of staff, the procurement of vehicles and equipment and the operational implementation of complex guidelines. SWTRA achieved this within agreed timescales and provides a service that is recharged at cost to the WG and that has been praised by a number of Stakeholders.

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- 3.14 A further example of delivering Value for Money was the transfer of the operation of the South Wales Traffic Management Control Room to the Agent. This provided SWTRA the opportunity on behalf of WG to integrate two operational services and to harmonise staffing, management systems and procedures. These changes enabled the improved service delivery of the emergency response and traffic management function and also yielded significant efficiency savings to the WG.
- 3.15 The drive for continuous improvement and value for money for the Welsh Government has led to several reorganisations of the Agent structure and the delivery of services to the Welsh Government throughout the Agreement period.
- 3.16 A number of service areas, including the Highway Inspection Service and Streetworks Management functions, were removed from the supply chain in order to be delivered in house by the Agent. This has led to a greater level of compliance and consistency as well as yielding efficiency savings in the cost of the service.
- 3.17 Throughout the Agreement period the Agent has been subject to scrutiny by external audit. This has included annual audits of its Financial claims to Welsh Government by the Wales Audit Office as well as compliance and performance audits by Welsh Government procured auditors, these being; Halcrow 2007, E C Harris 2008, Performance Audit Group 2011 and EC Harris 2013. In addition the Agent is subject to external audit of its Integrated Quality, Health & Safety and Environmental Management Systems. Throughout this process no financial qualifications or major non conformities have been raised by the audit teams.
- 3.18 The 2013 Audit raised some recommendations and these are currently being addressed in conjunction with the development of proposals for the on-going Ministerial Review.

4 How can the maintenance and improvement Functions delivered by the trunk road agent be improved, in the context of the on-going Welsh Government review of these Agents.

- 4.1 On the 11th November 2014 the Minister for Economy, Science and Transport announced a review into the management of Trunk Road maintenance in Wales. The Trunk Road Agents are currently in the process of preparing a submission to Welsh Government to indicate proposals for achieving the following ministerial objectives:-
- Drive and Capture Efficiency to deliver substantial savings
 - Agility – ability to scale up and down
 - Harmonisation in approach across Wales
 - Primacy for decision and expenditure with WG
 - Improvements in service delivery and value for money

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- 4.2 Neath Port Talbot CBC, as SWTRA, has and continues to be committed to the identification and delivery of service improvement proposals and are currently working in conjunction with its supply chain and WG to evaluate and submit proposals which can address the above stated objectives.
- 4.3 Examples currently under consideration and review include;
- 4.4 A full review of the Management Unit and the wider supply chain to identify potential efficiencies from delivering further functions in-house. Areas under consideration include the delivery of Inspections in relation to the WG assets of Structures, Lighting and Soft Estate.
- 4.5 Working with the Public Sector supply chain to identify improved methods of working in order to deliver efficiency savings in the areas of routine and cyclical maintenance.
- 4.6 Enhanced transparency is a key objective of the Ministerial Review and work is underway to provide a greater level of transparency in relation to Routine Maintenance costs. This work includes elements of bench marking costs both within our Public Sector supply chain and against available cross border data.
- 4.7 Proposals have been identified to pilot service level changes to the current WG maintenance standard in order to reduce costs whilst minimising risk to the Welsh Ministers. These pilots will be proposed in order to enable intelligence to be developed that will allow the WG to make a considered decision on its future maintenance standard with a full risk and reward analysis available.
- 4.8 In order to better harmonise the approach to Trunk Road maintenance across Wales, consideration is being given to develop All Wales contracts for service delivery. This approach could reduce procurement costs, improve benchmarking opportunities and identify national best practice for All Wales adoption.

5. Constraints/Opportunities

- 5.1 SWTRA prides itself on its ability to scale up if and when additional funds become available towards the latter part of the financial year within WG. The model has enabled significant investment to be made in the Trunk Road network during the latter part of recent financial years. Whilst SWTRA welcomes the opportunities to undertake additional works as finance becomes available other benefits could be achieved by supplementing this with early notification of an initial budget each year. The ability to progress works during the early part of the year and then to supplement with additional budget would assist with programming of works. This would

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smooth out the delivery profile and impact positively on congestion management and road space interventions.

- 5.2 WG is currently in the process of upgrading its Highway IT management systems. The Agent welcomes the opportunity that it has had to assist the WG with the development of these systems, and looks forward to the continuing process of implementation.
- 5.3 During the past six years, the level of Capital investment in Major Maintenance of the Trunk Road Asset has fallen. This is manifest in the increased level of Network requiring intervention (up from 8% to 13%). The impact of this is an increase in the number of unplanned repairs which can lead to inefficient use of resources, increase costs and the number of network interventions. Increased capital investment would allow for major planned maintenance to take place to arrest the decline in the overall asset condition enabling a more cost effective approach to maintenance. Consideration could also be given to utilising more durable materials in certain locations to increase the lifespan of the carriageway.

6 Conclusion

- 6.1 SWTRA believe that the current trunk road Agent model has proven through rigorous and robust audits that it is providing a good level of service delivery through its public and private supply chains.
- 6.2 Whilst acknowledging there is a need to continue to review the service provision, especially in times of challenging financial climate, SWTRA is committed to working closely with its supply chain and in the delivery of its own services, to strive to provide continuous improvement.
- 6.3 SWTRA would like to thank the Committee for the opportunity to provide this statement and welcomes any questions that the Committee may have in relation to it.

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