

1. Introduction

1.1 Gwynedd Council was appointed as North and Mid Wales Trunk Road Agent (NMWTRA) by Welsh Government (WG) in April 2012. NMWTRA are responsible for delivering the requirements of the Welsh Government Managing Agent Agreement (WGMA) and the requirements of the Highways Act including the statutory 'duty to maintain' under delegated authority from WG.

1.2 The role of the Agent includes the following functions:

- Inspection of highway assets to determine asset condition and identify safety hazards;
- Identify maintenance renewal and improvement requirements for all highway assets and submit appropriate bids to WG to assist with funding decisions;
- Determine feasibility and undertake detailed design for major maintenance renewal, upgrade and minor improvement schemes;
- Undertake routine and reactive maintenance on the Trunk Road network including correcting safety defects and responding to emergency incidents within defined timescales;
- Provision of advice to WG on operational matters, requests for service from the public and elected members;
- Operate the WG Traffic Officer Service and network Control Room functions;
- Statutory Tunnels Manager;
- Departmental Representative for A55 Design Build Finance Operate Contract
- To manage a budget allocation from WG of approximately £50m.

2. Background

2.1 Trunk Road management arrangements in Wales were reviewed by WG between 2002 and 2005 and the number of Agents rationalised from eight to what was considered to be an optimum of three in 2005/6 with the formation of the North, Mid and South Wales Trunk Road Agencies.

2.2 Between 2007 and 2013 a number of successful external audits commissioned by WG have been undertaken by Halcrow 2007, EC Harris 2008, Performance Audit Group 2011 and 2012 and EC Harris in 2013. The EC Harris Audit in 2008 included a benchmarking exercise across Wales and with similar services provided by the private sector in Scotland. The successful review confirmed that the public sector model operating in Wales in the context of the Welsh economy was providing Value for Money and the Agency arrangements were renewed in 2012. The WG letter of appointment commented as follows: *"This is a very positive result for the unique public sector delivery 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"*

2.3 NMWTRA have continued with a comprehensive process of continuous improvements since 2012 and this has included further enhancement to governance measures for the operation of the Agent's supply chains. NMWTRA also operates within an accredited Quality Management System (QMS).

2.4 NMWTRA was audited by WG external auditors EC Harris in December 2013 and the principal findings of the audit were that:

- *“There was a general agreement within the WG officials interviewed that the Agent was undertaking their work in a professional manner and that there were no issues with performance.”*
- *“... the audit team considered that the current service provided by the Agent was conducted in a very professional and open manner”.*

There were a number of recommendations for improvement within the audit report and NMWTRA have implemented measures that address those recommendations including:

- Major revision to its Schedule of Rates (SOR) to provide full transparency of costs.
- Changes to the consultancy commissioning model including use of fixed fee and market testing with the private sector.

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 NMWTRA operating model agreed with WG in 2005 and reaffirmed in 2012 is based on a sound public sector ethos with provision of services utilising local resources sourced from both public and private sector suppliers. NMWTRA operates as an ‘arms-length’ autonomous unit ensuring probity and governance in managing WG interests whilst ensuring effective management of the partnership arrangements on an impartial basis. The cost of the Trunk Road Management Unit (TRMU) is recharged at cost to WG with no surplus or profit generated by the Lead Authority. A significant aspect of delegation through the WGMA to a Lead Authority and the formal partnership arrangements with the LA Service Providers is that it allows WG to benefit from VAT recovery equating to 20% of the value of works and services undertaken.
- 3.2 NMWTRA’s overall procurement strategy ensures that opportunity for local, Welsh based Small and Medium Enterprise (SME) suppliers is maximised. NMWTRA is continuously improving levels of transparency and benchmarking, combined with competition, to ensure that services are provided at market rates.
- 3.3 The NMWTRA model operates on the basis of integrated services procured through its Partner Authorities (PA) ensuring the benefits of significantly improved economies of scale and cost sharing opportunities are maximised and shared between PA’s and WG. Transparency ensures costs are apportioned on an appropriate basis. The model enables WG to make use of a significant number of highway depots and major plant items distributed across North and Mid-Wales enabling optimal operations to be achieved particularly for winter maintenance and emergency response. The Trunk Road element alone would not be sufficient to support this arrangement. This is an exemplar model of the collaboration between Local and Central Government.
- 3.4 Within the integrated service a significant level of plant and labour resources are available through formal mutual aid arrangements to deal with exceptional events resulting from severe adverse weather or major road traffic collisions. WG benefit from these significant resources on a shared cost basis but during major events have access to resources significantly over and above those covered by its level of contribution.
- 3.5 Core services including routine and reactive maintenance are procured through Partner Local Authorities utilising a combination of in-house resources and PA sourced SME private sector suppliers. Approximately 50 to 60% of this core service expenditure is procured from private sector suppliers through competitive processes. Performance of

the supply chain is monitored and assessed in accordance with WGMA requirements. Major Maintenance and other “capital” works are undertaken by the Agency’s private sector Contractor and Surfacing Framework supply chain. Design and other consultancy work are undertaken by a combination of public sector and private sector supply chains.

- 3.6 The above model ensures that the labour resources associated with an integrated winter maintenance service can be retained on a cost effective basis by deploying those resources, supplemented by SME private sector resources on non-winter maintenance related maintenance functions. The overall efficiencies of this model are shared between WG and PA’s.
- 3.7 Managing within budget is a key aspect of the NMWTRA model and variance between final approved allocation and out-turn expenditure is consistently achieved to within +/- 1% on overall budget allocation.
- 3.8 NMWTRA operates in partnership with WG adopting common public sector values and a collaborative culture which avoids costly non-productive aspects found in many more contractual arrangements.
- 3.9 NMWTRA has proved to be highly adaptive to WG changing requirements regarding the scope of services required and have successfully added the following services to their Agent role:
- Statutory Tunnel Manager role 2006;
 - Tunnel Incident Support Service in 2008;
 - Traffic Officer Service in 2009;
 - North Wales Traffic Management Centre Control Room 2010;
 - Merge with Mid Wales Trunk Road Agency (MWTRA) in 2012;
 - Development control advice 2012;
 - Move to IRIS in 2012.
- 3.10 Had the above changes been implemented through a private sector / risk transfer model, there would have been significant contractual, cost and delivery implications.

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 those Agents.*

- 4.1 In response to the Ministers Statement of the 11th November 2013 the Trunk Road Agents are currently preparing submissions to WG to demonstrate proposals for meeting the following Ministerial objectives:
- Drive and deliver substantial cost savings in Management, Maintenance and Inspection functions;
 - Improve agility to meet changing WG needs;
 - Harmonisation in approach across Wales.
- 4.2 NMWTRA have identified changes to the Agent delivery model that will achieve savings to WG based on internalising most core functions within the Agent including revisions to how works are commissioned and changing the inspection function delivery to a more regionalised basis. This will require restructuring of the Agency in conjunction with the restructuring required following transfer of the Agent planning function into WG in April 2014.

4.3 Challenges facing NMWTRA and constraints on delivery include:

- Fluctuation in budget allocations with funding opportunities regularly arising in quarter four that can place significant pressure on NMWTRA's supply chain and road space availability;
- Working within Trunk Road embargo periods creates challenging programming arrangements;
- Urgent scheme implementation requirements caused for example by asset failure.
- WG are currently implementing significant change by internalisation of the Planning function and integration of their IT systems.

4.4 In order to meet these challenges NMWTRA has established a highly agile supply chain enabling the above delivery requirements to be met consistently by being able to scale up or down to meet in year and annual budget priorities. The benefits of a public sector core capability with vested knowledge in the network avoids a 'cold start' and delay to project delivery and the extended resources available within its private sector frameworks enables a rapid response to changing WG requirements to be met in a cost effective manner.

4.5 NMWTRA is now adopting a delivery strategy that enables it to address the above challenges by focussing on scheme preparation during quarters 1 and 2 with construction phases programmed for autumn/ winter delivery. Earlier notification of late funding opportunities would assist Trunk Road Agents in maximising value for money in delivery of network improvements.

4.6 Currently a range of disparate asset management tools are utilised to assess and prioritise funding decisions. A more formal asset management approach would assist in improving long term asset management and associated whole life costs. This is being progressed in part using the Integrated Roads Information System (IRIS) being developed by consultants WDM on behalf of WG. Once fully implemented this system should assist WG in improved funding decisions across all asset types. Both Trunk Road Agents are working closely with WG and their contractor to ensure successful delivery of this important initiative. Early delivery of IRIS would improve the effectiveness of both WG and Agent delivery.

4.7 Reduced investment in programmed maintenance increases the extent of reactive maintenance necessary to maintain operational safety of the network. The balance between programmed and reactive maintenance must be optimised within available funding due to the high costs and disruption associated with a reactive approach. There is also scope for improving levels of preventative maintenance treatments to increase the operational life of assets.

4.8 The nature of the Trunk Road network in Wales varies significantly between motorway/dual carriageways and rural single carriageways. Single carriageways also vary from heavily wooded sections to high mountain passes and coastal sections. Much of the network has been developed from historical routes with long sections that have never been designed or engineered to current standards. This presents a range of operational and maintenance challenges.

4.9 The Welsh Government Trunk Road Maintenance Manual (WGTRMM) determines standards for maintenance across Wales but does not take into account specific sections of network type. There is potential for a more cost effective approach to maintaining the network by adopting an operational intelligence and risk based approach as opposed to a

blanket, potentially inefficient approach. NMWTRA's operational experience and knowledge of the network would enable it to develop appropriate local variations to WGTRMM across a number of asset types to achieve a more cost effective maintenance regime whilst managing WG risk to an acceptable level.

- 4.10 Through benchmarking NMWTRA are identifying areas of best practice within its supply chain with opportunities to transfer these practices across its suppliers generating associated cost efficiencies. NMWTRA is also undertaking a LEAN management assessment of its delivery in order to drive further cost efficiencies.
- 4.11 Both Trunk Road Agents have historically worked together collaboratively and will build on this platform to further improve levels of harmonisation across Wales. Initiatives being developed include preparation of a common Service Level Agreement and Schedule of Rates methodology.

5.0 Concluding comments

- 5.1 The current Trunk Road Agent model has proven, through repeated review processes that it is providing good levels of value for money through its public and private sector supply chains operating within robust governance and performance management regimes. The operation of an integrated service model provides significant economies of scale and an ability to optimise service delivery to the benefit of WG and Local Authorities. The established supply chain creates significant opportunities for Welsh based SME's to undertake Trunk Road works engaged directly by the Agent through frameworks or as part of the extended supply chain provided by Local Authorities. This significantly benefits both the local and national Welsh economies and assists in creating and maintaining quality local employment opportunities.
- 5.2 There is however, always scope for further improvements to the model and both Agents are working hard to achieve this in order to meet the challenges presented by the Minister and ensure value for money continues to be provided.

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