



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

North and Mid Wales Trunk Road Agency

1.00 pm, Tuesday, 15th September, 2015,

Committee Room 2, Council Offices, Cae Penarlâg, Dolgellau,
Gwynedd. LL40 2YB

Agenda

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|---|----------------|
| 1. APOLOGIES | |
| 2. ELECTION OF CHAIRMAN | |
| 3. ELECTION OF VICE CHAIR | |
| 4. DECLARATION OF PERSONAL INTEREST | |
| 5. MINUTES OF THE PREVIOUS MEETING AND MATTERS ARISING | (Pages 1 - 4) |
| 6. JOINT COMMITTEE REPORT | (Pages 5 - 13) |
| 7. UPDATE ON MINISTER'S STATEMENT | |
| i) Minister's Decision Letter 11/8/15 | |
| ii) Feedback from Meeting with WG 27/8/15 | |
| 8. NMWTRA SUBMISSION TO WG 31/4/15 | (Page 14) |
| i) NMWTRA Model change overview | |
| ii) Assessment of staffing implications | |
| iii) Delivery Plan and Programme | |
| 9. SERVICE DELIVERY AGREEMENT 2016 | |
| i) Intelligence based maintenance | |
| ii) WGMA 2015 additional requirements | |
| 10. AOB | |
| 11. DATE OF NEXT MEETING | |

NORTH & MID WALES TRUNK ROAD AGENT SPECIAL JOINT COMMITTEE 29-01-15

**Held at 1.30pm, Thursday, 29 January 2015
in NMWTRA Office, Cae Penarlag, Dolgellau**

Present - Councillor Gareth Roberts (Gwynedd) (Chairman),

Councillors Bob Dutton (Wrexham), David Bithell (Wrexham), Wynne Jones (Powys)

Also Present – Dilwyn Williams (Chief Executive, Gwynedd), Steve Jones (Head of Service, Flintshire), Paul Arnold (Head of Service, Ceredigion), Nigel Brinn, Head of Highways, Transport and Recycling (Powys), Darren Williams (Head of Service, Wrexham), Dave Cooil (Head of Agency, NMWTRA), Ian Hughes (Business and Quality Manager, NMWTRA), Lynda Humphreys (Administrator, NMWTRA),

Apologies: - Cllr John Wyn Jones (Gwynedd), Geraint Edwards (Head of Service, Conwy), Councillors Mike Priestley (Conwy), John Powell (Powys), Bernie Attridge (Flintshire), Neil Rogers (Wrexham), Steve Parker (Head of Service, Denbighshire), Paul Griffiths (Powys), Councillor Alun Williams (Ceredigion) (Vice-Chairman), Councillors David Smith (Denbighshire), Richard Dew (Anglesey), Gwyn Morris Jones (Head of Service, Gwynedd), Huw Morgan (Strategic Director, Ceredigion), Dewi Williams (Head of Service, Isle of Anglesey)

1. WG Review / Minister's Statement Update

NMWTRA Background papers were circulated prior to the meeting:

- i. Statement by Minister for Economy, Science and Transport 11th November 2014*
- ii. Review of trunk road arrangements in Wales (letter dated 22/12/14)*
- iii. Framework for Dialogue session on efficiency savings (letter dated 9/1/15)*
- iv. Paper 1 Agency Review, WG change requirements*
- v. Paper 2 PA Consultancy rates – Benchmarking review Summary*

An update was given by Dave Cooil, Head of Agency to inform Joint Committee members of WG change requirements and to establish a programme for implementation along with NMWTRA's benchmarking review of consultancy charge-out rates and actions required to address WG audit recommendations.

The Head of Agency confirmed that both papers and cost reduction proposals had been discussed with all Heads of Service on 21/1/15 and following acceptance of those proposals by the Joint Committee Members on 29/1/15 they would then be presented to WG as part of the formal dialogue process described in background paper No. iii) above. The first session will take place on 4/2/15. DC will update all Partner Authorities of the outcome of the dialogue session(s).

- i. Paper 1 - Agency Review, WG change requirements*

DRC presented the first paper and questions were raised by Members.

Cllr Bob Dutton enquired whether the Agency was able to deliver on the proposals being undertaken and whether external consultant support was required. DRC reported that in order to meet the very tight timeframe for submission of proposals that the Agency were currently utilising its own staff in preparing business cases and all supporting documentation to WG Auditors and that the posts were being temporarily backfilled for the time being to ensure day to day operations are maintained with funding approved by WG .

DRC reported that assistance will be required on cost information from PA's in the benchmarking exercise and confirmed that the figures will be updated when the Agency completes its benchmarking exercise.

Cost savings profile raised by Cllr Wynne Jones. DRC explained that most of the savings will not be provided until 2016 pending the Minister's decision in July but that any savings that can be achieved in the intervening period would be implemented and would be recognised by WG.

Internalisation/In-house services was raised by Cllr Bithell, this was identified as an avenue where PA's could undertake more work with directly employed staff in-house based on a PA collaboration model approach which would benefit both the Agency and PA's and hopefully satisfy WG.

DRC was very supportive of this approach and agreed that this was very encouraging and work would be kept within our public sector resources as far as possible and this would improve capability and capacity of PA works units.

Dilwyn Williams reiterated the importance to Members to pursue a collaborative model to benefit both County and Trunk Roads. It is important that the proposals being made in DRC's paper were intended to reduce costs in order to protect the bigger picture. The financial impact which might arise were the Minister to decide on a private sector solution, would have a severe effect on the income of PA's and that there could be significant staff implications . However unpalatable the proposals were to individual authorities, the alternative could prove to be significantly worse. DRC confirmed a current turnover of approximately £21m across PA's on Trunk Road Maintenance Manual (TRMM) activities. DOW requested that an additional Paper on indicative cost reductions to individual PA's be circulated to indicate the financial impact and to assist with future budget planning.

The summary of proposed cost reduction measures was discussed. Reference was made to £1.87m potential efficiency savings on TRMM activities based on an initial assessment. DRC explained that the report would be adapted and subject to committee approval, the proposals will be tabled at the first dialogue session with WG on 4/2/15 for scrutiny and challenged by the WG assessment panel. It was noted that the proposals may or may not be accepted by WG.

DRC reported that WG are anticipating 20% cost saving with savings between £3 and £4m. Further cost savings in addition to those identified within the current report will be investigated by NMWTRA and this will include development of an intelligence based maintenance regime which would consider changes such as a move to a targeted second cycle of gully cleansing as opposed to a blanket approach.

The income from SOR – Challenging and breakdown of SOR Rates was raised by SJ (Flintshire). It was asked whether these had been challenged in previous years. DRC explained that this had been undertaken in earlier benchmarking exercises but that the level of information in unit rates at that time had made this very difficult. This is the first year that a fully open book approach had been undertaken and that the level of information now

available had significantly improved NMWTRA's ability to accurately benchmark costs and clearly identify and justify where costs varied for valid reasons e.g. night time working.

ii. Paper 2 - PA Consultancy rates – Benchmarking review Summary

DRC presented the 2nd paper and questions were raised by Members.

DRC explained that the WG audit of December 2013 had identified that consultancy work awarded on an as of right basis and on a time charge basis did not represent value for money. NMWTRA have been developing changes to its consultancy commissioning model to address the findings of the audit report.

DRC explained that NMWTRA had undertaken a benchmarking exercise between its in-house PA consultancies and its private sector Framework Consultants each time it renewed its Consultancy Framework contract. This exercise has been repeated following award of its current Framework Contract in November 2014. PA consultants have tracked staff charge out rates following previous benchmarking exercises and the latest benchmarking now requires a further adjustment in salary multiplier from 2.1 to 1.9 to maintain parity with Framework charge out rates. WG have recognised that just matching charge out rates did not ensure value for money as productivity rates was also a key component in the cost of consultancy commissions.

DRC explained that the basis of the new commissioning model was that for low value work with fee values up to £50k, that two preferred consultants would be utilised with one being the in-house consultants procured through the Wales Partner Authority Consultancy (WPAC) collaborative vehicle. Excess work that WPAC were unable to undertake would be awarded to the Framework preferred consultant. To ensure both preferred consultants were providing comparable VFM market testing of 10% of this workload would be undertaken. This approach would ensure that the overheads associated with commissioning low value work were kept to a minimum whilst ensuring VFM is being achieved. For higher value work with fee values in excess of £50k all commissions would be market tested between WPAC and the Framework Consultants.

This is considered to provide a very robust model in terms of demonstrating VFM to WG whilst ensuring as much work was retained on an as of right basis for PA consultancies subject to them operating at market rates. This should be a sustainable model.

Currently all commissions are issued to the WPAC Board on a collaborative basis which includes representatives from Powys, Denbighshire, Conwy, Gwynedd and Ceredigion.

Cllr Bob Dutton enquired whether the Agency had direct contact with the Minister for Local Government. DRC responded that NMWTRA came under the Minister for Economy, Science and Transport and had no direct contact with the Minister for Local Government.

Cllr Wynne Jones enquired how much savings would there be on Lot 1 and Lot 2. DRC explained that savings would be provided from a combination of reduction in salary multiplier and the adoption of a fixed fee model with market testing. This is expected to be in the order of £740k. It was also explained that most projects delivered by in-house consultants fell within the less than £50k fee level.

Nigel Brinn stated that we need to get the Fixed Fee right at the very beginning. DRC agreed and confirmed that a resourced programme would be used to determine fixed fees and that all project risk other than productivity would be held by NMWTRA. If project risks occurred then additional fees would be established through NEC change control processes.

DRC asked whether it would be possible to revisit the collaborative opportunities identified within the Weir report. It was agreed that NMWTRA should facilitate a meeting between NE PA's to revisit and explore collaborative opportunities. Nigel Brinn asked that he be made aware of any collaborative opportunities.

DOW stated that one of the key issues is that all PA's stand together as this was a collaborative venture of 7 authorities. As the meeting was not quorate no formal decision could be taken but it was clear from the views of those present that the proposed course of action was necessary in order to protect all authorities' interests. It was agreed that minutes would be circulated to those present and absent from the Meeting for with a request that any contrary view be conveyed to him.

Councillor Gareth Roberts conveyed his thanks on behalf of the Joint Committee for the information and advice provided by the Officers involved.

The meeting commenced at 1.40pm and ended at 2.45pm.



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

Joint Committee Report

28th September 2015



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

Contents	Page
1. Introduction	3
2. Work Allocation to Local Authority SPUs	3
3. Partnership Arrangements	3
4. Meeting WG Requirements	4
5. Performance	4
6. Continuous Improvement	4
7. Disputes regarding Services	4

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 showing draft final payments for 2014-15 (subject to agreeing final claims). Projected revenue expenditure for 2015-16 is expected to be similar to 2014-15. However, capital funding levels are lower than previous years. This is impacting on Partner Authority Consultancy workload as well as the Agent's private sector supply chain.

Partner	Core Costs £000	Routine/ Reactive Maintenance £000	Consultancy / Structures £000	Framework and other External Payments £000	Total £000
Ceredigion	265	1,889	646	-	2,800
Conwy	130	3,155	1,695	-	4,980
Denbighshire	146	1,284	808	-	2,238
Flintshire	42	2,528	-	-	2,570
Gwynedd	434	2,791	3,648	-	6,873
Powys	855	6,361	1,185	-	8,401
Wrexham	25	1,243	-	-	1,268
NMWTRA	3,337	-	-	14,738	18,075
Grand Total	5,234	19,251	7,982	14,738	47,205

3 Partnership Arrangements

- 3.1 Despite uncertainty over the future of Trunk Road management arrangements in Wales pending the WG review process good partnership arrangements have continued to be maintained with no issues regarding ongoing service delivery.
- 3.2 Meetings with Chief Officers are continuing in order to provide updates on the review process and outcomes and to discuss service delivery, share best practice and addressing any issues arising.
- 3.3 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 are satisfied. No issues regarding service delivery have been raised by WG in the reporting period.

4.2 Agency Steering Group

A further Steering Group meeting was held on 7th August 2015. The main focus of discussion was the then awaited Ministers Decision.

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 and the report is awaited.

4 Performance

5.1 PA Works Units

Generally there are no issues with Works Unit performance. Benchmarking is ongoing and levels of harmonisation of works costs are improving.

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.

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 December 2014 to date has been in identifying cost reduction measures as part of the WG review of Trunk Road Management and to meet the Ministerial Challenge presented in the November Written statement. This culminated in a NMWTRA submission to WG on April 31st 2015. A detailed update on the Minister's decision and response will be provided as a separate Agenda item.

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 SPUs. 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

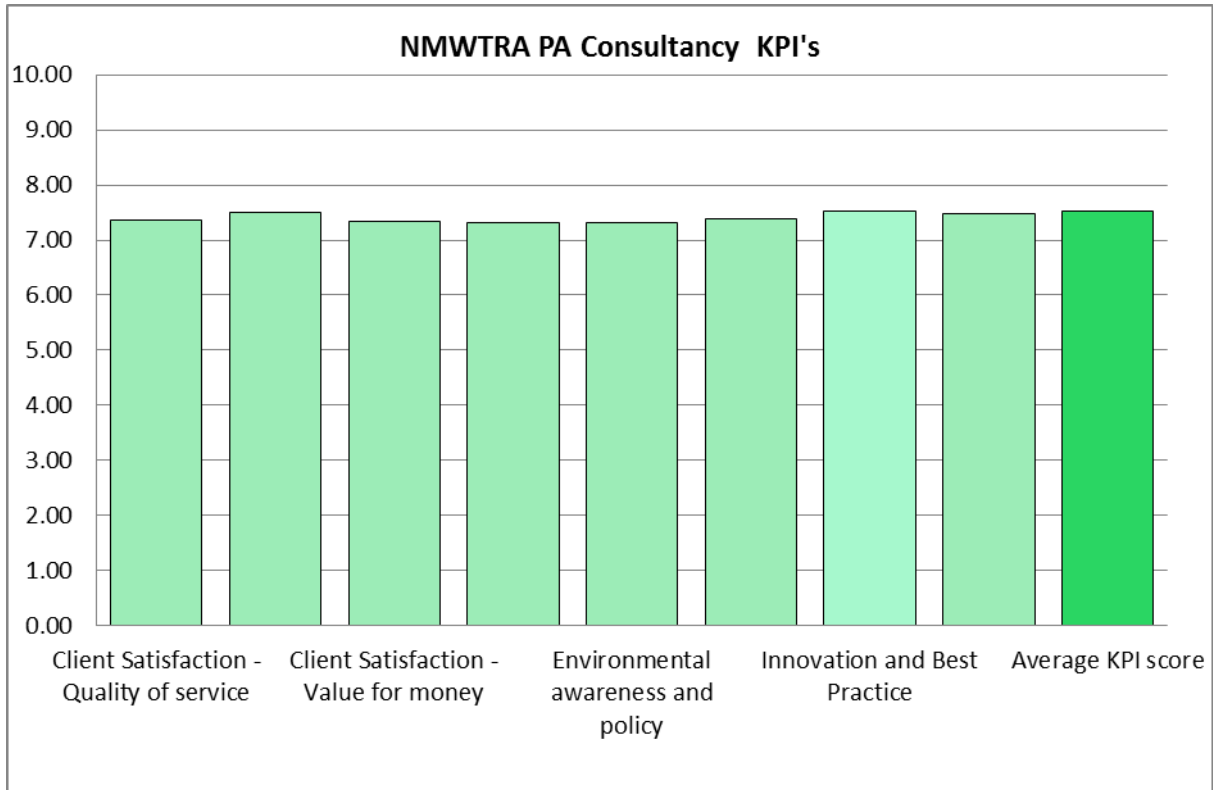
Partnership Risk Register

NMWTRA Partnership Risk Register 2015/16 - Reviewed by AMT September 2015.

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 Schedule implemented.	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.	1	3	3
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

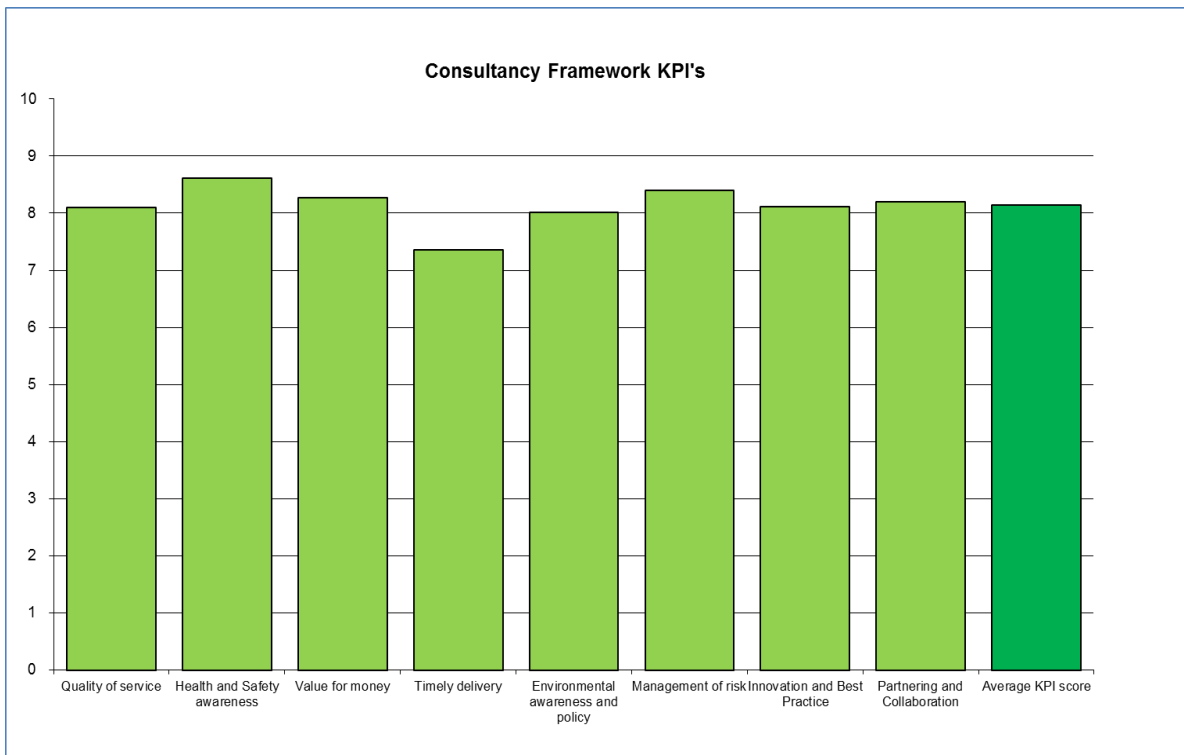
APPENDIX B

Performance Charts



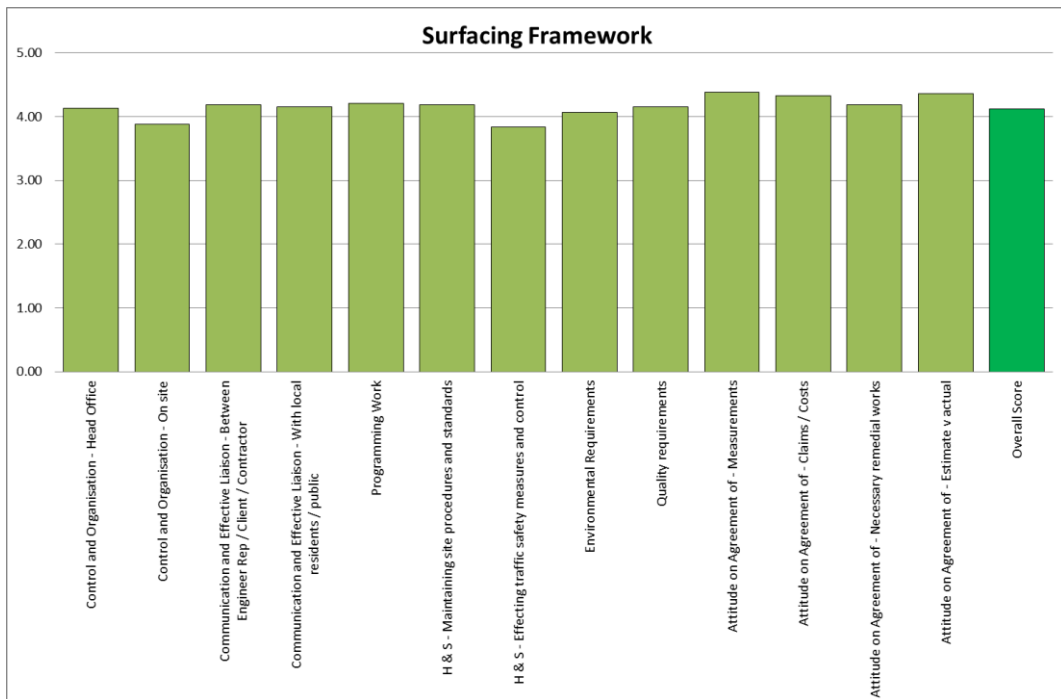
Based on 95 completed KPIs

Chart 1



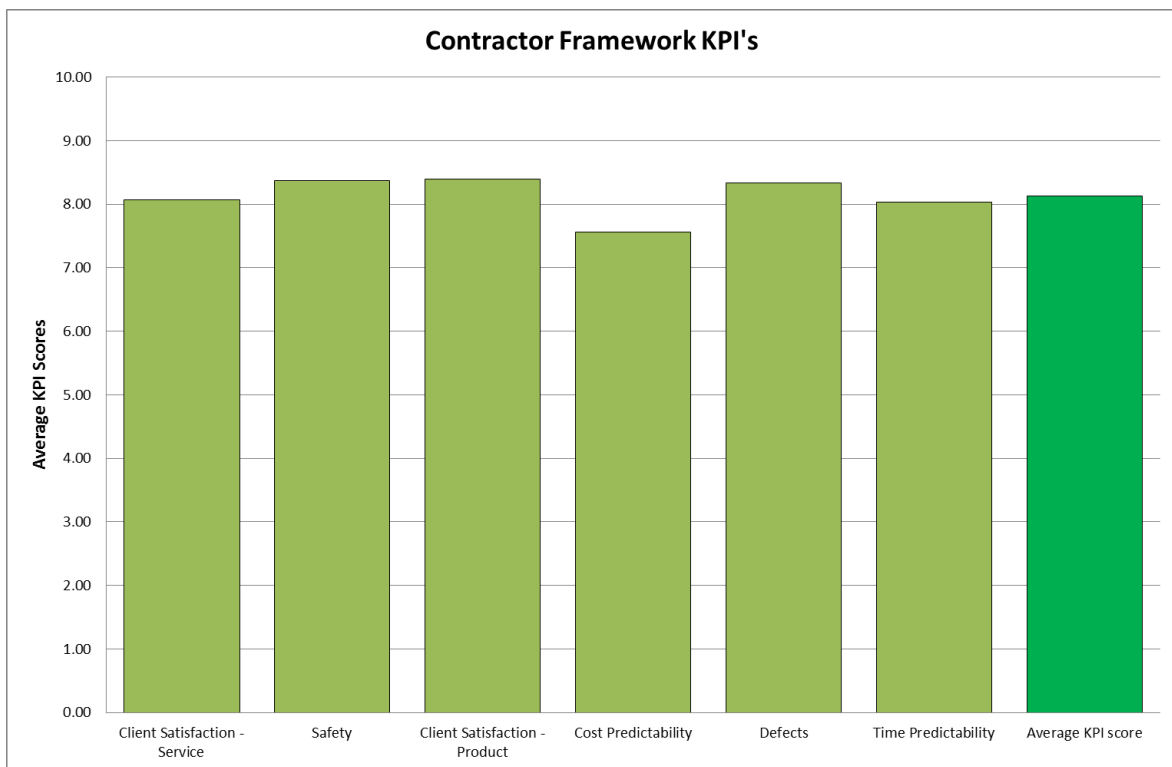
Based on 29 completed KPIs

Chart 2



Based on 57 completed KPIs

Chart 3



Based on 14 completed KPIs

Chart 4

NMWTRA PROPOSED SAVINGS PROFILE 2014/15 - 2018/19										
Business Case	Savings Category	Brief Description	Implications to PA's	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).	Staff transfer implications - discussions ongoing with PA Heads of Service.							
BC05 - Inspections	Delivery Model Change	Internalisation and rationalisation of the delivery of Safety, Detailed and Specialist Inspections into the TRMU.	Staff transfer implications - discussions ongoing with PA Heads of Service.							
BC06 - Area Custodian	Delivery Model Change	Internalisation of the maintenance client function into the TRMU.	Staff transfer implications - discussions ongoing with PA Heads of Service.							
BC07 - Consultancy	Revised Procurement model	Reduction in Multiplier from 2.1 to 1.9 to reflect market conditions.	Align PA fees with market rates							
BC10 - Reactive Maintenance	Efficiency Savings	Improved approach to category defect repairs	Provision of improved value for money to WG.							
BC12 - Winter Maintenance	Schedule of Rates	Establishing a uniform and equitable methodology for sharing winter maintenance fixed costs between Trunk and County roads.	Harmonisation of payment to PA's							
BC14 - Emergency Response	Delivery Model Change	Introduction of network wide Emergency Response Unit (ERU) arrangements for dual and single carriageways.	Extend guaranteed out of hours emergency response provision through creation of ERU's							
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.	Harmonisation and reduction in fee to PA Works Units							
BC18 - Street works	Delivery Model Change	Internalisation and rationalisation of the delivery of Technical Administration functions into the Trunk Road management Unit (TRMU).	Staff transfer implications - discussions ongoing with PA Heads of Service.							
BC19 - Intelligence led Risk Based Maintenance	Efficiency Savings	Implementing a risk based approach to maintenance as agreed with WG.	Savings to be achieved against WGTRMM 2015 baseline costs. Potential for change in work types and increase in work volumes to PA works units. WG to finalise WGTRMM prior to Agent establishing full effect on PA works units. Anticipated that net affect on workload will be unchanged or slightly increased.							
BC20 - Intelligence led Risk Based Inspection	Efficiency Savings	Implementing a risk based approach to maintenance as agreed with WG.	None - as inspection role now with TRMU (see BC05)							