
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.
