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Committee inquiry – State of Roads in Wales

I have noted the Economy, Infrastructure and Skills (EIS) Committee's plans to undertake an inquiry into the 'State of Roads in Wales'. Wales Audit Office staff and I supported the work of the Public Accounts Committee (PAC) in the fourth Assembly as part of its inquiry into the 'Value for Money of Motorway and Trunk Road Investment'. I am aware that National Assembly research staff involved in that inquiry will be supporting the EIS Committee's work and are well versed in the issues raised which built on my January 2011 report on Major Transport Projects.

The scope of the EIS Committee's inquiry provides an opportunity to follow up many of the issues covered by the PAC's work. For example, the PAC recommended that as part of an ongoing external review of the trunk road agents, the Welsh Government should consider the advantages and disadvantages of establishing a single trunk road agent. The Welsh Government has since explained to the PAC that a trunk road agency review considered that the two agent model (North and South Wales) was the optimum arrangement. However, this was subject to the delivery of £14 million of potential cost savings that had been identified over the 2016-17 and 2017-18 financial years. As at December 2017, we understood that the savings realised in 2016-17 were being independently audited by external consultants, with the trunk road agencies reporting that they were on target to deliver the overall level of savings expected.

I have not undertaken any detailed audit work of my own following up on the issues raised by my 2011 report or the later PAC inquiry. However, I have considered in recent years issues raised in correspondence about a number of road projects. As you are aware, such examples include the increasing costs and extended timetable for completion of the A465 Section 2 and I note that the Committee's press release about the inquiry referred to this project. Similarly, the press release mentioned the A487 Caernarfon to Bontnewydd Bypass. I considered correspondence about the early development of that project in 2014.

In the case of the A465 Section 2, Wales Audit Office staff have completed some preliminary audit enquiries on my behalf to understand better the history of the project and the issues that have affected the costs and timetable. That work has included a recent site visit. At this stage, I have made no firm decision regarding any public reporting on this matter and the form that might take, which may yet require further audit work to examine the history of the project in more detail and I will also look to take account of the views of the PAC. However, I am mindful that the Welsh Government's review of the project is ongoing and that it is working with the contractor (Costain) using mechanisms in the project agreement to resolve the issues in dispute.

Nevertheless, I note the Committee's interest in the Early Contractor Involvement (ECI) approach. While each project will be different, it will be important for the Welsh Government to reflect on any lessons learnt from the application of the ECI approach to the A465 Section 2 given the cost and timetable issues that have arisen. At the time of my 2011 report, the Welsh Government had moved towards ECI as its preferred approach for contracts worth more than £18 million. However, there were still relatively few examples at the time of completed projects in Wales that had applied this approach. There was also mixed evidence from England where a Highways Agency review had concluded that ECI had helped to deliver projects more quickly, with fewer changes to the specification during construction and a higher quality of workmanship. But the evidence in terms of project costs was less conclusive.

Since 2011, and following work undertaken in response to a PAC recommendation, a Welsh Government review in 2015 concluded that there are benefits to early engagement of the supply chain and that lower value contracts could also benefit from early engagement with contractors. The Welsh Government indicated to the PAC that guidance would be amended to emphasise that ECI should be considered for construction contracts independent of value.

Finally, the Committee intends to consider the opportunities offered by the Mutual Investment Model (MIM). The PAC is planning to take evidence later in the summer term on the 21st century schools programme, and I am expecting that it will explore the application of MIM to Band B of the programme. While the policy areas are clearly different, there are likely to be some common themes that the two Committees will be exploring in a similar timeframe. There may be merit in further dialogue about possible lines of enquiry between the respective clerking

teams/researchers and the Wales Audit Office staff who will be supporting the PAC's work.



HUW VAUGHAN THOMAS
AUDITOR GENERAL FOR WALES

cc: Mr Nick Ramsay AM, Chair, Public Accounts Committee