

Written Response by the Welsh Government to the EIS Committee report into the State of the Roads in Wales

Detailed Responses to the report's recommendations are set out below:

Recommendation 1

The Committee recommends that:

The Welsh Government should evaluate whether mobile apps like Boston's Street Bump could be used to improve the quality of real time data available for Wales' road network.

Response: Accept

Mobile apps are increasingly becoming the norm and this would be another useful tool to assist maintenance planning. It is recognised industry wide that current surveys lack a real-time effective approach. Welsh Government are currently implementing a Geographical Information System (GIS) based network for access by their Agents to highlight condition issues and inform planned maintenance decision making.

Financial Implications: No additional funding required beyond that already identified in the current budget.

Recommendation 2

The Committee recommends that:

Highway Asset Management Plans (for local authorities and trunk road agencies) should be published and collected in a single place to ensure that there is transparency and public accountability around the process.

Response: Accept - for Welsh Government motorway and Trunk Road Network only for the time being

Welsh Government are currently finalising the Asset management Policy and Strategy based on current best practice (ISO 55001:2014). Asset management plans would be generated using individual asset management systems which would be different for each local authority. Summarised output reports could be produced in a common format and stored centrally. Welsh Government will discuss the best way to compare asset performance with local authorities following completion of the strategy and policy.

Financial Implications: No additional funding required beyond that already identified in the current budget.

Recommendation 3

The Committee recommends that:

Welsh Government should consider how best it could incentivise local authorities to invest in maintenance. If additional funding on the scale of £50m a year is not possible, this could involve a match-funding approach whereby the Welsh Government tops up additional spending by local authorities.

Response: Reject

It is a matter for local authorities to decide on how they allocate the Revenue Support Grant for maintenance and unhypothecated capital grant for refurbishment or new provision. Additional £32.5m of specific grants have been allocated in 17/18 to highway authorities to improve the condition of the road network and a further £60m is being made available over a period of three years to assist the authorities to further improve the condition of their assets.

Financial Implications: No implication beyond the existing budget that has been set aside.

Recommendation 4

The Committee recommends that:

If Welsh Government can provide five-year funding to Transport for Wales then it can – and should – do the same for local authorities.

Response: Reject

The draft budget 2019-20 published in October, is the third budget of the Fifth Assembly and falls within the final year of the UK Government's current Spending Review settlement, which set the Welsh Government's revenue budget for the period 2016-17 to 2019-20 and the capital budget until 2020-21.

The UK Government has said it will carry out a new Spending Review in 2019. We do not know yet the timing of the Spending Review, the period for which it will set budgets and what impact this will have on the Welsh Government's budget in the future.

We recognise, and are sympathetic to, the calls from our public sector partners and businesses for budgeting over a longer period whenever possible in order to support forward financial planning. Our ambition to publish plans for longer than 12 months must however be balanced with our ability to provide realistic and sensible planning assumptions. The continuing fiscal uncertainty; the impact of the UK Government's austerity policy and the considerable uncertainty surrounding the shape and nature of the negotiations for the future deal with the EU, mean we have taken the decision to publish revenue plans for 2019-20 only, with capital plans for the next two years – 2019-20 and 2020-21 (the period for which we have a firm settlement).

While the funding provided to local government through the Welsh Government unhypothecated settlement is an important component for local government budget setting, it is not the only source. Local authorities receive funding from a number of other sources including grants from other bodies, council tax and income from fees and charges. Local authorities must take account of all the sources of funding available to them alongside their proposals for service delivery in preparing their short and medium term financial plans. Such plans inevitably need to reflect a range of scenarios for income and expenditure and fluctuations in service demand and provision.

To support financial planning in future years, the Chief Economist's report, published alongside the draft Budget 2019-20, provides an analysis of the medium-term fiscal projections, which will help to inform scenarios for future spending in Wales.

As we consider future Welsh Government budgets, we will continue to work with local government to provide the available indicative information to inform their forward financial planning. Our aim is always to provide a longer run of budgets whenever possible.

Financial Implications: None

Recommendation 5

The Committee recommends that:

The Welsh Government should bring together a stakeholder group similar to the Highways England Pavements Efficiency Group to advise on the most effective materials and processes.

Response: Accept

Work commenced in 2017 by Welsh Government Pavement specialists in improving materials and processes used for highway maintenance on the Strategic Network. Trial works have been conducted with positive results to date. Liaison with various practitioners throughout the UK including Transport Scotland and Highways England and also local contractors has resulted in a new specification for road surfacing suitable to meet the challenge of durability, sustainability and environmental effects of climate change. Welsh Government Pavement specialists currently attend UK Technical Project Board and various national working groups for highway maintenance disciplines.

Financial Implications: No additional funding required beyond that already identified in the current budget.

Recommendation 6

The Committee recommends that:

Welsh Government and local government should ensure that priority and funding is given to cost-effective long-term planned maintenance in order to reduce more costly short-term fixes.

Response: Accept

Welsh Government is investing more money in preventative methods of maintenance, which will help arrest deterioration of road surfaces before major interventions are required. In line with promotion of more durable surfacing, planned maintenance is now strongly influenced by longer term planning and a 5 year maintenance plan is currently under development. Welsh Government is utilising deterioration modelling capabilities which are used to project maintenance funding requirements.

Financial Implications: No additional funding required beyond that already identified in the current budget

Recommendation 7

The Committee recommends that:

Where geology or the laws of physics prevent full adherence to the standards laid down for active travel routes, then any decision to amend proposals should be taken in full collaboration with users.

Response: Accept

Active Travel routes are identified through Local Authority consultation process. If the constraints are limited to localised restrictions it is likely the route would be approved as the overall benefit to the users would outweigh any minor restrictions. However if the constraints were such that they jeopardised the route, Welsh Government would engage with stakeholders; Sustrans and the LA Cycling Officers to seek alternatives.

Financial Implications: Where the Welsh Government provides funding it would ensure the appraisal process would take into account value for money and affordability.

Recommendation 8

The Committee recommends that:

Future iterations of the Welsh Government's National Transport Finance Plan should include clearer indications of priorities and timescales, including details of where timescales have changes and why, the stage of development the project has reached and available funding. The National Infrastructure Commission for

Wales should recommend priorities.

Response: Reject

The National Transport Finance Plan (NTFP) looks at a relatively short budget planning time horizon of 5 years. It is not the role of the National Infrastructure Commission to prioritise investments in Transport within the NTFP timeframe. The National Infrastructure Commission for Wales has a clear remit to look at a planning horizon of 5-30 years. Current format to the National Transport Finance Plan does set out the projects / interventions and timeline. Updates of the NTFP also reports on progress. Welsh Government will however review whether greater clarity can be given as to the stages of development.

Financial Implications: None

Recommendation 9

The Committee recommends that:

The Mutual Investment Model should be used when no other funding model is viable, and only where projects are of the £200m+ scale. Where it is used, projects should be evaluated using clear criteria, and the lead authority should draw on procurement and delivery expertise developed in previous MIM schemes.

Response: Accept

The government has made clear that the Mutual Investment Model (MIM) will only be used when other forms of capital have been exhausted.

Our capital budgets have been cut by 10% since 2010-11 as a result of the UK Government's austerity programme, which means we have had to find alternative sources of funding to meet our ambitious infrastructure plans. However, we have been clear that we will always use the cheapest sources of capital first to fund our investments in public infrastructure.

Conventional capital will always be used first to fund public infrastructure. Next, capital obtained through the European funds will be deployed. Then, new capital borrowing powers, which includes the issuing of government bonds, will be used. The draft Budget 2019-20 indicates the government will use all the capital borrowing available to us over the next budget period.

Where the amount of capital raised is still insufficient to cover investment needs, the borrowing powers of other bodies in Wales, including those of local authorities and housing associations, will be considered for use.

In situations where there remain major investment needs, which are unfunded, the government has devised the MIM.

The MIM will only be used to finance projects or programmes with a sufficient capital scale that will both attract the interest of funders and constitute value for money for the taxpayer. While such projects or programmes are likely to be of the scale proposed in the recommendation above, this might not universally be the case.

The government has adopted standardised contracts and procurement processes and has mandated the use of the internationally- accredited Five Case Model to undertake investment appraisal. In addition, project assurance will not only on government Gateway reviews but will also involve the use of a home-grown assurance product: Commercial Approval Point (CAP) checks. Processes have been established to ensure that lessons learned from CAPs are reflected in the form of recommendations and updated guidance for project teams.

Financial Implications: There are no additional financial implications.

Recommendation 10

The Committee recommends that:

Welsh Government should ensure that a centre of Mutual Investment Model expertise develops which will provide support and guidance for public authorities to implement complex procurement processes (like MIM) and ensure value for money.

Response: Accept (in principle)

The government acknowledges that having the capability to develop and deliver MIM schemes is crucial to ensuring value for money over the life of such projects and programmes.

Work is underway to consolidate the skills and experience currently available to departments – and to grow that capability – in a MIM programme office. The development work is being undertaken under the auspices of the officials' MIM scrutiny group, with a view to a clear way forward being agreed by the spring of 2019.

Financial Implications: The further development of MIM expertise will have financial implications, primarily in terms of staff costs. These costs will need to be incorporated into future budgets at the appropriate time.

Recommendation 11

The Committee recommends that:

The Welsh Government should commission an independent review of recent Welsh Post Opening Project Evaluations to assess whether new Welsh roads have delivered against the estimated economic benefits that were projected when the

schemes were agreed.

Response: Accept

The WeITAG toolkit already contains the need to identify the benefits when making the investment decision, during construction and post construction. Once sufficient Impact Reports are available, Welsh Government will commission a review of the benefits of investing in the road network.

Financial Implications: The Commission will be funded through existing budget.

Recommendation 12

The Committee recommends that:

The forthcoming Wales Transport Strategy should set a clear priority for maintaining the existing road network, mainstreaming and upgrading active travel infrastructure, and prioritising access, in preference to building new roads.

Response: Reject

The Wales Transport Strategy sets out the policy framework. Whilst it will develop policies in the areas identified in the recommendation, it is the National Transport Finance Plan that sets out the investment programme.

Financial Implications: None

Recommendation 13

The Committee recommends that:

Welsh Government should ensure that support is available to ensure that the new WeITAG guidance is widely understood, and implemented both by public bodies, and contractors working on their behalf.

Response: Accept

Welsh Government is already working with the Future Generation's office to develop a programme of support sessions to ensure the toolkit is understood and where necessary, is refined.

Financial Implications: No additional funding required beyond that already identified in the current budget.

Recommendation 14

The Committee recommends that:

The Committee is keen to ensure that every new road project should be subject to challenge to ensure the Well-being of Future Generations Act has been rigorously applied in the scheme. If the WeITAG guidance is being followed, this should happen at all stages. The Welsh Government should audit a small selection of projects to assess the extent to which is this happening, and report back to the Committee in 12 months' time.

Response: Accept

WeITAG 2017 contains best practice for the development, appraisal and evaluation of proposed transport interventions in Wales. It has been developed by the Welsh Government to ensure that public funds are invested in a way that ensures they maximise contribution to the well-being of Wales, as set out in the Well-being of Future Generations (Wales) Act 2015 and to deliver the Act's vision of the Wales we want.

The Welsh Government will report back to the committee in 12 months time on progress made against new road schemes which have been developed since WeITAG 2017 came into force.

Financial Implications: No additional funding required beyond that already identified in the current budget.