

Code of Practice on the Highways Network Asset

Consultation

March 2016

CIPFA, the Chartered Institute of Public Finance and Accountancy, is the professional body for people in public finance. Our 14,000 members work throughout the public services, in national audit agencies, in major accountancy firms, and in other bodies where public money needs to be effectively and efficiently managed.

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Introduction

The CIPFA/LASAAC Local Authority Accounting Code Board (CIPFA/LASAAC) *Code of Practice on Local Authority Accounting in the United Kingdom 2016/17* ('the Accounting Code') includes the move to measuring the local authority Highways Network Asset at Depreciated Replacement Cost (DRC) instead of historical cost from 1 April 2016.

Following this decision the Code of Practice on Transport Infrastructure Assets has also been updated and is now subject to consultation. The title of which will change to become the Code of Practice on the Highways Network Asset (HNA Code).

It is important to note that proposed changes are **not** intended to change the principles or measurement processes within the HNA Code. The changes are intended to do the following:

- Reflect the CIPFA/LASAAC decisions
- Clarify any ambiguities raised in the implementation process
- Provide more robust links to the Accounting Code

Key Changes

The key changes proposed within the HNA Code are as follows.

CIPFA/LASAAC Changes

Following recommendations from the Project Implementation Steering Group (PISG), CIPFA/LASAAC has decided that a local authority's highways network shall be defined as a single asset. In order to provide clarity and be more easily understood by the users of the financial statements it will be referred to as the Highways Network Asset and is defined as a network and grouping of interconnected, inalienable components, expenditure on which is only recoverable by continued use of the asset created, ie there is no prospect of sale or alternative use. CIPFA/LASAAC has confirmed that this definition also means that it is not anticipated that District Councils will have such an asset.

CIPFA/LASAAC also confirmed that the cost of a replacement component is to be used as a proxy for the carrying amount of the component being replaced. Where a local authority has more detailed information on the gross replacement cost or accumulated depreciation it may use it. It may also assume that the asset has reached the end of its useful life and/or has been fully utilised. This assumption can be rebutted if the authority has evidence that there is a measurable value remaining for the component.

CIPFA/LASAAC also confirmed that accumulated depreciation and impairment will not be written out on revaluation.

The draft HNA Code has also been amended to provide consistency in relation to the use of the words asset and component.

Transitional Reporting Requirements

The Accounting Code confirms that there will be no requirement to restate the 2015/16 information in the financial statements.

Layout of the Code

The HNA Code has been amended such that paragraphs in bold form the HNA Code and provide the principles to be applied in order to meet the financial reporting requirements of the Accounting Code. The explanatory statements are in standard type and shall be regarded as part of the HNA Code insofar as they assist in interpreting the HNA Code. This has been done ensure that the key elements of the HNA Code are highlighted and the appropriate links made with the Accounting Code. This mirrors the long standing approach in the Prudential Code.

Aspirational Approach

There are a number of instances in the HNA Code where references are made to aspirational approaches for areas such as carriageways. Clearly at the time the HNA Code was first published local authorities were less advanced in the asset management planning than they are now. It was decided at the time to add reference to the aspirational approach in order to highlight the potential direction of travel. Given that it is now nearly six years since the HNA Code was first published this has been amended to refer to a “more developed” approach. The current approach and the more developed approach both meet the requirements of the Accounting Code.

The Consultation Process

Responses to this Invitation to Comment will be regarded as on the public record and may be published on the CIPFA website unless confidentiality is specifically requested on the response form. If you require your response to be treated as confidential please indicate this clearly on the response itself.

Responses to this consultation should be made in the attached word document and returned to mandy.bretherton@cipfa.org by Wednesday April 6th.

Consultation Questions

Q1.	Is the relationship between the Code of Practice on Local Authority Accounting and the HNA Code sufficiently clear?	Yes / No
Q1a.	If no, which areas do you think should be strengthened?	
Q2.	Are the definitions in the HNA Code sufficiently clear?	Yes / No
Q2a.	If no, which definitions or requirements do you feel should be clarified?	

Q3.	Are there any bold paragraphs which you do not believe should be bold?	Yes / No
Q3a.	If yes, please detail which paragraphs and why you think they should not be bold.	
Q4.	Are there any paragraphs which you believe should be bold but aren't?	Yes / No
Q4a.	If yes, please detail which paragraphs and why you think they should be bold.	
Q5.	Are there any further areas of the HNA Code where you consider that the requirements are not sufficiently clear?	Yes / No
Q5a.	If yes, please provide the details.	