

Highways Network Asset Briefing Number 2

Briefing from the Standards and Financial Reporting Team

March 2016

This is the second briefing covering issues relating to the change in measurement requirement for the local authority Highway Network Asset (HNA). This briefing will cover the update to the *Code of Practice on Transport Infrastructure Assets*, which will now be known as the *Code of Practice on the Highways Network Asset* (the HNA Code), the definition of the HNA, reporting requirements for 2015/16 and the central assurance process.

HNA Code Update

Following the CIPFA/LASAAC decisions on the *Code of Practice on Local Authority Accounting in the United Kingdom 2016/17* (the Accounting Code) covered in the first of these [Briefings](#), the HNA Code will also be updated. It is important to note that it is **not** intended to change the principles or measurement processes within the HNA Code. The changes are intended to:

- reflect the CIPFA/LASAAC decisions
- clarify any ambiguities raised in the implementation process
- provide more robust links to the Accounting Code.

The update of the HNA Code will also see certain paragraphs in bold. These will form part of 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 will be in standard type and shall also be regarded as part of the HNA Code insofar as they assist with interpreting the HNA Code. This mirrors the long standing approach in the Prudential Code.

The HNA Code will be the subject of [consultation](#) during March 2016. Given there are no changes to the principles, the consultation will be short and will close on Wednesday 6 April 2016.

Definition of the HNA

The update to the HNA Code will reinforce the decisions made by CIPFA/LASAAC in relation to the Accounting Code. This includes the following definition of the HNA:

***Highways Network Asset** is 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. The interconnected network is made up of carriageways, footways and cycleways and the structures, street lighting and other assets that are directly associated with them.*

An authority's network needs to cover all the roads, and the components associated with them, that are included in the register kept in accordance with Section 36 of the [Highways](#)

[Act 1980](#) (England and Wales) or the list in accordance with Section 1 of the [Roads \(Scotland\) Act 1984](#). It may be that some authorities have a network which includes some components of the HNA, however, if this network does not include roads included on the authorities' register or list, then the network will not meet the definition of the HNA. Similarly, for a highways authority, roads not included on their register or list will not be part of their HNA.

CIPFA/LASAAC has commented "for single purpose authorities that only provide highways functions or services, this might represent a simple network which exists for a single purpose, ie to secure the effective and safe management of the traffic using the network and which is maintained from this one objective. For these single purpose authorities it would be more useful for the users of their financial statements for them to measure this asset at DRC". CIPFA/LASAAC will therefore recommend to LAAP that application guidance to this effect be provided.

2015/16 Reporting Requirements

The reporting requirements for the 2015/16 financial statements to disclose information relating to new standards issued but not yet adopted by the Accounting Code are stipulated in Appendix C of the Accounting Code. The requirements to restate opening balances at 1 April 2015 and preceding year information in the 2016/17 financial statements in relation to the HNA have now been removed under an exceptional adaptation to IAS 1 Presentation of Financial Statements.

As there are now no reporting requirements for the 2015/16 year in 2016/17, the reporting requirements for the 2015/16 financial statements have been removed from Appendix C in the [Update](#) to the 2015/16 Accounting Code.

A local authority may find it useful to include a commentary in its Narrative Report that there will be a change in accounting policy for 2016/17 and describe the nature of the changes of that accounting policy.

These reporting requirements are also the subject of a [Technical Enquiry Service FAQ](#).

Central Assurance

CIPFA recognises the benefits and efficiencies of a central assurance process for the supporting materials and has drafted a specification and approached the Department for Transport for funding to commission such a process. It is intended that the process will provide a timely foundation for Section 151 officers of local authorities to enable them to demonstrate that the valuation estimates are reasonable.

Available Resources

Highways Asset Management Finance Information Group (HAMFIG) supporting materials

There are a range of supporting materials developed by HAMFIG to help authorities comply with the requirements of the Transport Code. The 2015/16 Toolkits are now available on the CIPFA [website](#).

Code of Practice on Transport Infrastructure Assets: Guidance Notes

The [Code of Practice on Transport Infrastructure Assets: Guidance Notes](#) was published in May 2015, giving both engineers and accountants the practical details they need to value their HNA. These guidance notes will be updated to reflect the CIPFA/LASAAC decisions and updates to the HNA Code.

Accounting for the Highways Network Asset

A separate publication providing early guidance on the detailed accounting entries and other accounting guidance to implement and support the new measurement requirements is currently being finalised and will be available in 2016.

Further Briefings

Future briefings to support the implementation of the new measurement requirements for the HNA will complement other forms of communication, such as LAAP bulletins and Technical Enquiry Service FAQs. Future briefings are likely to include the following topics: asset management, Depreciated Replacement Cost, audit issues, including central assurance process, and any other areas where we feel a briefing would be beneficial. If you have any suggestions for future topics, please contact Mandy Bretherton (mandy.bretherton@cipfa.org).

Briefings will be published on the CIPFA Highways Network Asset section of the [website](#). Alerts to new briefings will be sent out through social media and the usual communication channels, such as the CIPFA networks and via Treasurers' Societies.



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