

## Highways Network Asset Briefing Number 4

# Briefing from the Standards and Financial Reporting Faculty

**January 2017**

### Introduction

This is the fourth briefing covering issues relating to the change in measurement requirements for the local authority Highways Network Asset.

On 14 November 2016 CIPFA/LASAAC issued its [Update from the CIPFA/LASAAC Local Authority Code Board on the Measurement of the Highways Network Asset](#).

The briefing covers the postponement of the introduction of the new measurement requirements for the Highways Network Asset until the 2017/18 financial statements (subject to the full confirmation of that decision at the March 2017 meeting of CIPFA/LASAAC). It also deals with the approach to implementation in 2017/18.

### Reporting requirements in 2016/17 and 2017/18

As indicated in the update the measurement requirements for the 2016/17 year have been postponed until the 2017/18 year but see the update link above for details of application in 2017/18. The Update to the 2016/17 Code includes the relevant provisions to remove the measurement requirements for the Highways Network Asset from the 2016/17 Code.

#### **Update to the 2016/17 Code**

The [Update to the 2016/17 Code](#) removes the previous implementation provisions for the new measurement requirements from the 2016/17 Code. References to the Highways Network Asset will no longer apply for the 2016/17 year. This will mean that the infrastructure class of assets for 2016/17 will continue to be accounted for as in previous years ie at depreciated historical cost (and it will include the components of the Highways Network Asset). **There are therefore no reporting provisions relating to the Highways Network Asset for the 2016/17 financial year.**

#### **Reporting Requirements in 2017/18**

As indicated in the Update from CIPFA/LASAAC, it will review its decision on implementation at its meeting in March 2017 with a view to implementation in 2017/18. In making its decision in March 2017 CIPFA/LASAAC will be looking to ensure that central gross replacement cost rates and central assurance processes will be delivered in a timely manner to allow successful implementation. The announcement will be made following its March meeting on the CIPFA/LASAAC webpages and communicated via Treasurers' Societies, CIPFA Networks and social media. Note that the 2017/18 Code makes it clear that the provisions to bring forward the new measurement requirements will *only* be confirmed by an announcement from CIPFA/LASAAC following its meeting in March.

Subject to the decision in March 2017 CIPFA/LASAAC has decided that the approach to adoption of the new measurement requirements in the 2017/18 Code will be on the same basis as planned for 2016/17 ie not requiring restatement of preceding year information.

## CIPFA Publications which Refer to the Adoption of the Highways Network Asset Measurement Requirements in the 2016/17 Financial Year

The *Code of Practice on the Highways Network Asset* (Highways Code), the *Code of Practice on the Highways Network Asset: Guidance Notes* (Highways Code Guidance Notes) and *Accounting for the Highways Network Asset* issued in August 2016, all refer to implementation from 2016/17. These references will no longer apply following the issue of the Update to the 2016/17 Code. However, the requirements included in the Highways Code and its associated guidance remain relevant for implementation in 2017/18 and subject to the decision made by CIPFA/LASAAC in March 2017 references to the new measurement requirements applying on 1 April 2016 should instead refer to 1 April 2017 and references to the 2016/17 year should instead refer to the 2017/18 financial year.

The Highways Code and the Highways Code Guidance Notes will, however, be the relevant publications to use for the completion of the Whole of Government Accounts returns in relation to the Highways Network Asset for 2016/17. *Accounting for the Highways Network Asset* is also likely to provide useful guidance to support the completion of WGA information.

Appendix 1 to this Briefing provides a list of the CIPFA publications which refer to the adoption of the Highways Network Asset measurement requirements in 2016/17 and provides details of how the guidance should now be used.

## Preparations for Implementation in the 2017/18 Year

The postponement of the measurement requirements for the Highways Network Asset to the 2017/18 year will provide highways authorities with the opportunity to review and reassess their implementation project plans. CIPFA, CIPFA/LASAAC and the Project Implementation Steering Group are concerned that the momentum and substantial progress made by local authorities for implementation of the new measurement requirements is maintained.

The postponement will enable highways authorities to consider any areas of difficulty and improvement. Appendix 2 to this Briefing provides recommendations to update the project plan for implementation in 2017/18. As with other references in this Briefing this will be subject to the decision to be made by CIPFA/LASAAC at its March 2017 meeting.

## Further Briefings

Future briefings to support the implementation of the new measurement requirements for the Highways Network Asset 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, audit issues, an update on the 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](mailto: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.

## Appendix 1

### CIPFA Publications which Refer to the Adoption of the Highways Network Asset Measurement Requirements in the 2016/17 Financial Year

Publication Title		Comments on Application*
		<p><b>*Note the comments in this column assume that implementation of the new measurement requirements will take place in the 2017/18 year. However, the 2017/18 Code is clear that this will <i>only</i> be confirmed in an announcement by CIPFA/LASAAC following its decisions at its March 2017 meeting.</b></p>
1	<i>Code of Practice on the Highways Network Asset</i> , CIPFA, August 2016	<p>The provisions of this publication will apply to local authority financial statements from 1 April 2017. This publication will need to be used for 2016/17 for Whole of Government Accounts returns.</p> <ul style="list-style-type: none"> <li>References in the Foreword and paragraph 3.2.1 to 2016/17 should be read as 2017/18. Note the penultimate sentence in paragraph 3.2.1 will no longer apply.</li> <li>References in paragraphs 1.2 and 3.11.3 to 1 April 2016 should be read as 1 April 2017.</li> </ul>
2	<i>Code of Practice on the Highways Network Asset: Guidance Notes</i> , CIPFA, August 2016	<p>The provisions of this publication will apply to local authority financial statements from 1 April 2017. This publication will provide guidance for 2016/17 for Whole of Government Accounts returns.</p> <ul style="list-style-type: none"> <li>References in the Foreword to 2016/17 should be read as 2017/18.</li> <li>References in paragraphs 1.1.5, 1.4.1, 2.2.1, 3.2.2, 3.2.3, 5.2.2, 13.1.2 and 13.5.1 to 1 April 2016 should be read as 1 April 2017. The last sentence of paragraph 1.1.5 and the second sentence of paragraph 3.2.3 no longer apply.</li> <li>References to 2016/17 in paragraphs 1.4.1 2.2.3, 5.2.2, 13.2.3 should be read as 2017/18.</li> <li>The example in section 13.17 should be read as for the following year.</li> <li>Paragraph 1.4.2 no longer applies for the reporting requirements in 2016/17 and 2017/18 – see the Update to the 2016/17 Code and guidance provided in this Briefing.</li> <li>Paragraph 1.4.4 – project implementation is covered in this Bulletin.</li> </ul>
3	<i>Accounting for the Highways Network Asset</i> , CIPFA, August	<p>The provisions of this publication will apply to local authority financial statements from 1 April 2017.</p>

Publication Title		Comments on Application*
	2016	<p>This publication includes transitional reporting arrangements for the 2016/17 year, however, these reporting arrangements should be read as for the following year. This publication is likely to provide useful guidance for 2016/17 for Whole of Government Accounts returns.</p> <ul style="list-style-type: none"> <li>• References to 2016/17 in paragraphs 2, 3, 9, 11, 13 and 21 should be read as 2017/18.</li> <li>• References to 1 April 2016 in paragraphs 3, 38, 100, 102 and 103 should be read as 1 April 2017.</li> <li>• The footnote at paragraph 12 no longer applies.</li> <li>• The whole of Chapter Four including the examples should all be read as for the following year.</li> </ul>
4	<i>Code of Practice on Local Authority Accounting in the United Kingdom: Guidance Notes For Practitioners – 2016/17 Accounts</i> , CIPFA, December 2016 (Code Guidance Notes)	<p>Module 4 includes a Section P (the Highways Network Asset) which reflects the requirements of Section 4.11 of the 2016/17 Code as it had been planned to apply for the 2016/17 year. The Appendix to Module 3 Example Financial Statements and Notes to the Accounts for Local Authorities 2016 includes the example disclosure requirements. These sections <b>will no longer apply</b> to local authority financial statements following the issue of the Update to the 2016/17 Code. However, they were retained in the Code Guidance Notes so that local authorities can understand the full reporting implications for application of the provisional new measurement requirements in the 2017/18 year.</p> <p>As these provisions have been retained in Module P, all the changes as a result of the move to measuring the Highways Network Asset have been retained throughout these Guidance Notes. However, it is stressed that any reference to the Highways Network Asset <b>will not apply</b> in the 2016/17 year.</p>
5	<i>Code of Practice on Local Authority Accounting in the United Kingdom: Disclosure</i>	The line items in the disclosure questions BS 3c), GBS 2c) and NFS 37 to NFS 39 (for England, Scotland and Wales) relating to the 2016/17

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	<p><b>*Note the comments in this column assume that implementation of the new measurement requirements will take place in the 2017/18 year. However, the 2017/18 Code is clear that this will <i>only</i> be confirmed in an announcement by CIPFA/LASAAC following its decisions at its March 2017 meeting.</b></p>
<p><i>Checklist for 2016/17 Accounts</i>, CIPFA, December 2016</p>	<p>reporting requirements for the Highways Network Asset will not apply in the 2016/17 year.</p>
<p>6 <i>An Introductory Guide to Local Government Finance, 2016 Edition</i>, CIPFA, August 2016</p>	<p>Page 29 of the publication refers to the new measurement requirements being introduced from 2016/17. This will not apply in the 2016/17 year.</p>
<p>7 <i>The Guide to Local Government Finance, 2016 Edition</i>, CIPFA, December 2016</p>	<p>Page 39 of the publication refers to the new measurement requirements that would take effect from 1 April 2016. This should be read as 1 April 2017.</p>
<p>8 <i>Local Authority Capital Accounting: A Reference Manual for Practitioners (2016 Edition)</i>, CIPFA, December 2016</p>	<p>This publication includes guidance on the arrangements for accounting for the Highways Network Asset and Section 2 includes an asset story specifically on the Highways Network Asset. This guidance will not apply until implementation of the new measurement requirements in 2017/18.</p>
<p>9 <i>Technical Information Note: 16 (01) – The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) – Informal Commentary on the Amendments to the 2016/17 Code following Consultation</i>, CIPFA/LASAAC, April 2016</p>	<p>Paragraphs 10 to 14 of this publication will not apply until 2017/18.</p>
<p>10 <i>Understanding Local Authority Financial Statements</i>, CIPFA, 2016</p>	<p>This publication includes the Highways Network Asset; this will not apply until the 2017/18 financial year.</p>

## Appendix 2

### Project Plan – Issues for Implementation in 2017/18

Task		Commentary	Dates
1	Identification of the Highways Network Asset	It is likely that a local authority will have already established whether it has a Highways Network Asset. In order to effectively measure the asset it will need to ensure that it has identified all the relevant components of the asset and therefore a review of an authority's inventory is likely to be a useful early task. In order to do this it will need to identify any Highways Network Asset components including carriageways (on its list or register, if it has one), footways, structures, street lighting, street furniture, traffic management systems and highways land. If the local authority is a highways authority it is expected that it will have a Highways Network Asset.	February 2017 and continuous assessment
2	Materiality assessments – local authority	The Highways Network Asset is expected to be material for a local highways authority. However, materiality will continue to be of relevance throughout the planning and measurement processes influencing the degree of precision that needs to be applied to the accuracy of data collected and the design of the systems for collecting it in order to secure materially correct figures for the financial statements. Materiality will also impact on consideration and the component parts of the Highways Network Asset.	Continuous assessment
3	Review of Highways Network Asset data	The data sets for the Highways Network Asset are a vital part of the measurement process. It is likely that authorities will already have reviewed their data sets. It is recommended that these reviews are revisited and reassessed for key, material missing areas ie for completeness and prioritisation of any substantial omissions and opportunities for improvement. The review should also consider how this information is maintained, updated and used. Key data sets will include: <ul style="list-style-type: none"> <li>• <b>inventory</b> <ul style="list-style-type: none"> <li>○ <b>carriageways</b> – lengths and widths</li> <li>○ <b>footways and cycletracks</b> – lengths and widths</li> <li>○ <b>structures</b> – inventory</li> </ul> </li> </ul>	February 2017 and continuous assessment

Task		Commentary	Dates
		<p>requirements include: lengths, widths, headrooms, number of spans, obstacles crossed, and material types</p> <ul style="list-style-type: none"> <li>○ <b>street lighting, traffic management systems and street furniture</b> – number of units</li> <li>○ <b>land</b> – verge widths (in addition to the highway area calculated from the carriageway, footway and cycletrack lengths and widths)</li> <li>● <b>local data</b> <ul style="list-style-type: none"> <li>○ renewal rates/replacement unit rates</li> <li>○ condition information</li> <li>○ age information/useful life</li> <li>○ deterioration initiation</li> <li>○ treatment types and cost</li> <li>○ detailed local information on structures.</li> </ul> </li> </ul>	
4	Complete or review the systems audits	<p>LAAP Bulletin 100 <i>Project Plan for Implementation of the Measurement Requirements for Transport Infrastructure Assets by 2016/17</i> originally recommended that a local authority should review the systems it uses to record and manage information and measure the components in relation to its Highways Network Asset and whether the outputs of these systems provide information in accordance with the specifications in the <i>Code of Practice on Transport Infrastructure Assets</i>. The authority should consider its original systems review and consider any augmentations it may need to make against the requirements of the Highways Code. It will be important that this process is clearly documented and evidenced as a part of the assurances that an authority will need for implementation in 2017/18.</p> <p>The documentation of the systems used will need to consider the controls and processes in place, procedure manuals, data input controls, and quality assurance and controls.</p> <p>It should be noted that an authority is likely to have different systems for</p>	March 2017 and continuous assessment

Task		Commentary	Dates
		managing the different components which make up the Highways Network Asset. It will be important that the interfaces and reconciliations between the relevant systems and an authority's financial systems are also considered.	
5	Gap analysis	It is likely that most authorities will have produced their gap analysis identifying areas where information or systems need to be improved. It is recommended that an authority revisits its gap analysis and considers omissions and areas of improvements in order to meet the timings for implementation in 2017/18.	March 2017 and continuous assessment
6	<b>Implementation decision</b>	<b>Decision by CIPFA/LASAAC on implementation in 2017/18 – refer to CIPFA website.</b>	<b>March 2017</b>
7	Whole of Government Accounts Returns 2016/17	Local authorities will have to provide information on the Highways Network Asset for the Whole of Government Accounts. In Scotland LASAAC is encouraging authorities to undertake a 'dry run' approach for 2016/17 data. As this information will be required for 2016/17 WGA returns CIPFA would also recommend that local highways authorities use this process as a 'dry run' and use this to augment their project plans for implementation.	June 2017
8	Key tasks for implementation in 2017/18 <b>(NB subject to task 6)</b>	<ol style="list-style-type: none"> <li>1) Produce draft accounting policies for the Highways Network Asset.</li> <li>2) Identify any critical judgements that will need to be made in relation to the Highways Network Asset.</li> <li>3) Identify historical cost opening balance for the Highways Network Asset.</li> <li>4) Estimate the opening adjustment for the current value for the Highways Network Asset at 1 April 2017.</li> <li>5) Ensure information is in place to measure the Highways Network Asset at depreciated replacement cost (see tasks 1–7 above).</li> <li>6) Communicate with stakeholders in relation to the impact of the new requirements on the financial statements.</li> <li>7) Identify any training needs.</li> </ol>	July – September 2017

Task		Commentary	Dates
9	Review key elements of the authority's project plan	Review systems audit and data requirements. Feedback into task 8.	September 2017 – January 2018
10	Discuss key issues with external auditors	It is recommended that the project plan includes a regular review timetable discussing the major elements of the implementation of the project plan with the auditors including: <ul style="list-style-type: none"> <li>• any issues or difficulties encountered</li> <li>• evidencing or documentation of systems issues</li> <li>• draft accounting policies</li> <li>• areas of critical judgement</li> <li>• areas of estimation uncertainty</li> <li>• issues arising on dry runs</li> <li>• internal assurance processes.</li> </ul>	Regular meetings – ongoing assessment
11	Produce measurement of the Highways Network Asset for the Financial Statements	Information included in the Financial Statements.	31 March 2018



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