

Foreword

The *Code of Practice on Transport Infrastructure Assets* has been updated and has been retitled the *Code of Practice on the Highways Network Asset* (the Highways Code).

CIPFA/LASAAC's decision to require local authorities to value their Highways Network Asset in accordance with the Highways Code from 2016/17 will lead to some of the biggest changes to local authority financial statements since the introduction of IFRS. The *Code of Practice on Local Authority Accounting in the United Kingdom 2016/17* (the Accounting Code) provisions require local authorities to measure the Highways Network Asset as an item of property, plant and equipment, except where appropriate interpretations and, where necessary, adaptations have been included to take into account the complex nature of the Highways Network Asset, the interconnected nature of its various components, the difficulties in measuring an asset where substantial components are replaced in each reporting period and thus the information available to local authority accounts preparers.

The update to the Highways Code incorporated CIPFA/LASAAC's decisions and strengthened the links to the Accounting Code. Although there are some important presentational changes, the update to the Highways Code made no substantive changes to its underlying principles and measurement requirements.

These Guidance Notes have also been updated to reflect the changes made to the Accounting Code.

A fundamental principle of the Highways Code is that the same information should be used for asset management, financial management and financial reporting. Therefore the data used as the basis for valuation calculations, including depreciation, is likely to be held in asset management systems rather than in corporate asset registers, as is typically the case for other assets.

These Guidance Notes aim to:

- a) provide finance teams with the details of the valuation approach taken by engineers and the systems and processes involved (and how it links with the accounting requirements) in measuring the Highways Network Asset's value
- b) give engineers details of the information required by accountants.

These Guidance Notes are predominantly aimed at the 206 UK highway authorities as it is not anticipated that district councils will have a Highways Network Asset.

CIPFA would like to thank all of those who have contributed to the production of these Guidance Notes, and in particular, members of PISG and HAMFIG, who are listed in the Acknowledgements.

The Local Authority Accounting Panel (LAAP) has also published *Accounting for the Highways Network Asset* which complements this guidance. These two publications will assist local authorities to prepare for successful implementation of the new approach to accounting for the Highways Network Asset in their 2016/17 financial statements. We would welcome any feedback for future editions – contact mandy.bretherton@cipfa.org.



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