

# North Tyneside Council Report to Audit Committee Date: 25 November 2015

## ITEM 8

Title: Transport  
Infrastructure Assets

---

**Report from Service:** Finance

**Report Author:** Janice Gillespie, Head of Finance (Tel: 643 5701)

**Wards affected:** All

---

### PART 1

#### 1.1 Executive Summary:

1.1.1 The purpose of this report is to update the Audit Committee, following the initial report to the 27 May 2015 meeting, on progress associated with introducing the accounting changes required by CIPFA (the Chartered Institute of Public Finance & Accountancy) for the measurement and recording of transport infrastructure assets. The Authority is required to adopt the CIPFA Code of Practice on Transport Infrastructure Assets (the Transport Code) for the 2016/17 accounts.

1.1.2 The Transport Code moves the valuation basis for transport infrastructure assets from depreciated historic cost (DHC) to depreciated replacement cost (DRC). This change in accounting policy will require restatement of the balance sheet for the assets at 1 April 2015 and 31 March 2016.

#### 1.2 Recommendation(s):

1.2.1 It is recommended that the:

- (a) Audit Committee note the progress made in working towards implementing the Transport Code.

#### 1.3 Forward plan:

1.3.1 This report is included within the annual workplan for the Audit Committee.

#### 1.4 Council plan and policy framework:

1.4.1 Although not specifically referenced within the 2014/18 Our North Tyneside Plan, the maintenance of the highway network is complementary to the following priorities:

- 1 C We will improve accessibility in the borough and support accessibility by walking and cycling; and
- 2 A We will carry out a programme of road and pavement repairs.

## 1.5 Information:

- 1.5.1 CIPFA have recently published the Guidance Notes to accompany the Transport Code. The aim of the Guidance Notes is to provide details for both finance and engineering staff in terms of valuation methods and processes and the financial requirements of the new Code. Finance staff are reviewing the Guidance Notes to ascertain the financial reporting requirements for each category of Transport Infrastructure Asset.
- 1.5.2 A project plan has been developed to ensure that the introduction of the new accounting requirements are completed successfully and on time for implementation in the 2016/17 accounts. The table below sets out the main milestones:

Task	Due Date	Comments
Identify key staff	November 2015	Complete
Impact assessment	December 2015	On-course
Identify asset data requirements & systems changes (if applicable)	December 2015	On-course
Implement required changes to asset data & systems	January 2016	
Undertake "dry run" based on 2014/15 data	March 2016	
Review & implement any changes identified from the "dry run"	April 2016	
Restate 1 April 2015 balance sheet	May 2016	
Produce disclosures for 2015/16 accounts	June 2016	
Submit 2015/16 Whole of Government Accounts (WGA)	June 2016	
Restate 2015/16 accounts	January 2017	
Identify & implement any procedure or data omissions	February 2017	
Produce 2016/17 accounts	May 2017	
Submit 2016/17 WGA	June 2017	

- 1.5.3 Finance are reviewing the data held in the asset register to determine how this will be used to inform the new accounting requirements and a comparison to the highways return in the WGA is taking place. At 31 March 2015 the value of the transport infrastructure assets in the Annual Financial Report was £112 million. At 31 March 2015 the value of the transport infrastructure assets in the WGA return was £1.99 billion. This was done using DRC and shows the difference between the two valuation methodologies and the impact that this will have on the balance sheet.
- 1.5.4 Mazars, the Authority's external auditors, will be kept up-to-date with the implementation of the new accounting requirements to ensure that they are fully informed of any assumptions and judgements made, e.g. materiality levels, treatment of impairment etc.

## 1.6 Decision options:

The options available are:

- (a) To accept the recommendations made in section 1.2.1; or
- (b) To reject the recommendations made within this report.

## **1.7 Reasons for recommended option:**

The introduction of the Transport Code is a change in accounting policy and as such will require full retrospective restatement in accordance with the requirements of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and IAS 1 Presentation of Financial Statements as adopted by the Accounting Code of Practice. If the requirements of the Transport Code are not adopted this could lead to the external auditor qualifying the accounts of the Authority.

## **1.8 Appendices:**

There are no Appendices to this report.

## **1.9 Contact officers:**

Janice Gillespie – Head of Finance - Tel: 643 5701

Peter Weir – Senior Accountant – Tel: 643 8066

## **1.10 Background information:**

The following background papers have been used in the compilation of this report and are available for inspection at the offices of the author:

- (a) Code of Practice on Transport Infrastructure Assets (CIPFA)
- (b) Code of Practice on Transport Infrastructure Assets Guidance Notes (CIPFA)
- (c) Local Authority Accounting Panel Bulletin 100 Project Plan for Implementation of the Measurement Requirements for Transport Infrastructure Assets by 2016/17 (CIPFA)
- (d) Code of Practice on Local Authority Accounting 2015/16 (CIPFA)

## **PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING**

### **2.1 Finance and other resources**

There are no financial implications as a result of the recommendations within this report.

### **2.2 Legal**

The Authority has a duty to implement the changes to the measurement basis for transport infrastructure assets as they form part of the statutory reporting requirements associated with the Annual Financial Report.

### **2.3 Consultation/community engagement**

Internal consultation has taken place with relevant finance staff and officers from Technical & Regulatory Services. There are no community engagement implications arising from this report.

### **2.4 Human rights**

There are no Human Rights issues as a result of the recommendations in this report.

## **2.5 Equalities and diversity**

There are no Equalities and Diversity issues as a result of the recommendations in this report.

## **2.6 Risk management**

The introduction of the new accounting arrangements will be managed by regular reporting to Audit Committee on progress and the maintenance of a risk log.

## **2.7 Crime and disorder**

There are no crime and disorder implications as a result of the recommendations in this report.

## **2.8 Environment and sustainability**

There are no environment and sustainability implications as a result of the recommendations in this report.