

North Tyneside Council Report to Audit Committee Date: 30 March 2016

ITEM 9

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 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).

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 recently announced that in order to differentiate between transport related infrastructure assets and other infrastructure assets on the balance sheet all highways

related assets (carriageways, footways & cycletracks, structures, street lighting, street furniture, traffic management systems and land) would be known as Highways Network Assets (HNA). HNA assets will therefore be shown on a DRC basis on the balance sheet with other Infrastructure Assets remaining on a DHC basis, for example infrastructure schemes, flood defence schemes.

- 1.5.2 Following feedback from a consultation exercise with stakeholders CIPFA issued a briefing note in December 2015 on the HNA. As the Transport Code involves a change in accounting policy a third balance sheet (1 April 2015) would normally need to be produced as such changes are applied retrospectively. However, CIPFA has confirmed in its briefing note that it will now only be necessary to restate the 31 March 2016 position for comparison purposes. This change in policy is welcome and means that the work required to introduce the accounting change is slightly less onerous in terms of data collection and analysis.
- 1.5.3 CIPFA intend to update the Code of Practice on Transport Infrastructure Assets and the associated Guidance Notes with an estimated publication date of July 2016. The updates will incorporate the above change; however the main principles governing the Transport Code will remain unchanged.
- 1.5.4 The project is going to plan with work continuing on the introduction of the accounting changes. For example, an exercise is currently underway to split the existing Infrastructure Assets balance sheet value into the 7 main categories required under the Transport Code and reclassify them as HNA. Any Infrastructure Assets not included in the new classifications will continue to be reported on a DHC basis, for example reclamation schemes will continue to be classified under Infrastructure Assets and valued at DHC. The table below sets out the main milestones:

Task	Due Date	Comments
Identify key staff	November 2015	Complete
Impact assessment	December 2015	Complete
Identify asset data requirements & systems changes (if applicable)	December 2015	Complete
Implement required changes to asset data & systems	March 2016	On-going
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	

- 1.5.5 To ensure completeness of systems joint working with the highways engineers is taking place to produce flowcharts to capture the processes and controls that are in place to produce accurate HNA data. In addition work is being undertaken to update local rates, for example the average carriageway surfacing renewal rate (£/m²), which feed into the calculation of the HNA DRC value.
- 1.5.6 A meeting has taken place with neighbouring North East Councils to discuss the requirements of the HNA. The meeting provided an opportunity to discuss progress and issues arising from implementing the Transport Code.

1.5.7 Mazars, the Authority's external auditors, are being 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:

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:

Cathy Davison – Principal Accountant - Tel: 643 5727
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)
- (e) Highways Network Asset Briefing Number 1 (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.