

North Tyneside Council Report to Audit Committee Date: 21 September 2016

ITEM 5

Title: Highways Network
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 Highways Network Assets. The Authority is required to adopt the CIPFA Code of Practice on Highways Network Assets (HNA) for the 2016/17 accounts.

1.1.2 The HNA Code moves the valuation basis for such 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 HNA 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 2016/19 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 updated the guidance on accounting for Highways Network Assets (HNA). Three documents have been issued by CIPFA: (i) Code of Practice on the HNA; (ii) Code of Practice on the HNA - Guidance Notes; and (iii) Accounting for the HNA. The principles governing the HNA Code have not changed significantly with the guidance notes clarifying issues raised by practitioners. Officers are currently reviewing the CIPFA guidance to ensure that the accounting changes are introduced in line with the updated documents.
- 1.5.2 Following the closure of the Authority's 2015/16 accounts work is progressing to split out the HNA (carriageways, footways & cycletracks, bridges, street lighting, street furniture, traffic management systems and land) from the Infrastructure Assets held under the Property, Plant & Equipment (PPE) line on the balance sheet. Although the HNA Code does not require restatement of preceding year information for the change in accounting policy this work is required to transfer the new HNA asset from the existing PPE category to the new class of asset. Any Infrastructure Assets not included in the new HNA classifications will continue to be reported on a DHC basis, for example reclamation schemes.
- 1.5.3 The project is going to plan with work continuing on the introduction of the accounting changes. The table below summarises 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
Submit 2015/16 Whole of Government Accounts (WGA)	August 2016	Complete
Implement required changes to asset data & systems	December 2016	On-going
Prepare the opening HNA balances notes	January 2017	
Identify & implement any procedure or data omissions	February 2017	
Produce 2016/17 accounts	May 2017	
Submit 2016/17 WGA	June 2017	

- 1.5.4 Joint working with the highways engineers continues to take place with the latest meeting discussing progress on carriageways and bridges. Carriageway information is relatively up-to-date, however it is recognised that bridges requires additional input to gather the required information. This work is on-going and at this stage is not viewed as a major obstacle in progressing towards reporting the HNA on a DRC basis in the balance sheet.
- 1.5.5 A request has been submitted to the Authority's Street Lighting PFI contractor SSE (Scottish and Southern Electric Contracting) to gather the inventory as at 31 March 2016 together with asset lives and replacement rates. This information will form the basis of reporting street lights on a DRC valuation in the balance sheet.
- 1.5.6 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.

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 HNA 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 Highways Network Assets (CIPFA)
- (b) Code of Practice on Highways Network Assets Guidance Notes (CIPFA)
- (c) Accounting for the HNA (CIPFA)
- (d) Local Authority Accounting Panel Bulletin 100 Project Plan for Implementation of the Measurement Requirements for Transport Infrastructure Assets by 2016/17 (CIPFA)
- (e) Code of Practice on Local Authority Accounting 2016/17 (CIPFA)
- (f) Highways Network Asset Briefing Numbers 1 & 2 (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 the HNA 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.