

Highways Network Asset: Current Value in the Annual Accounts

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CIPFA-LASAAC Update

- Implementation of HNA Current Value in 2016/17 annual accounts **deferred**:
 - Gross Replacement Cost rates not available
 - Central assurance process
 - UK level
 - Scotland level
 - Authority level
 - Readiness of inventory and measurement data for audit

CIPFA-LASAAC Update

“CIPFA/LASAAC will review this position at its meeting in **March 2017** with **a view to implementation in 2017/18**. In making its decision in March CIPFA/LASAAC will be looking to ensure that **central GRC rates** and **central assurance processes** will be delivered in a timely manner to allow successful implementation”

The initial objective?

- CIPFA report for UK Government
 - information being used as part of 'good practice' for road network Asset Management Planning should be used to provide current value information in the financial statements

Local Authority Transport Infrastructure Assets: Review Of Accounting, Management And Finance Mechanisms' [Final Report, CIPFA, June 2008]

Whole of Government Accounts

WGA currently requests unaudited additional information to estimate the difference between historic cost and current value

Qualification arising from disagreement relating to inconsistent application of accounting policies

“The Treasury’s estimate of the understatement of assets due to the difference in valuation between historic cost and depreciated replacement cost for local authority assets could be at least £244 billion”

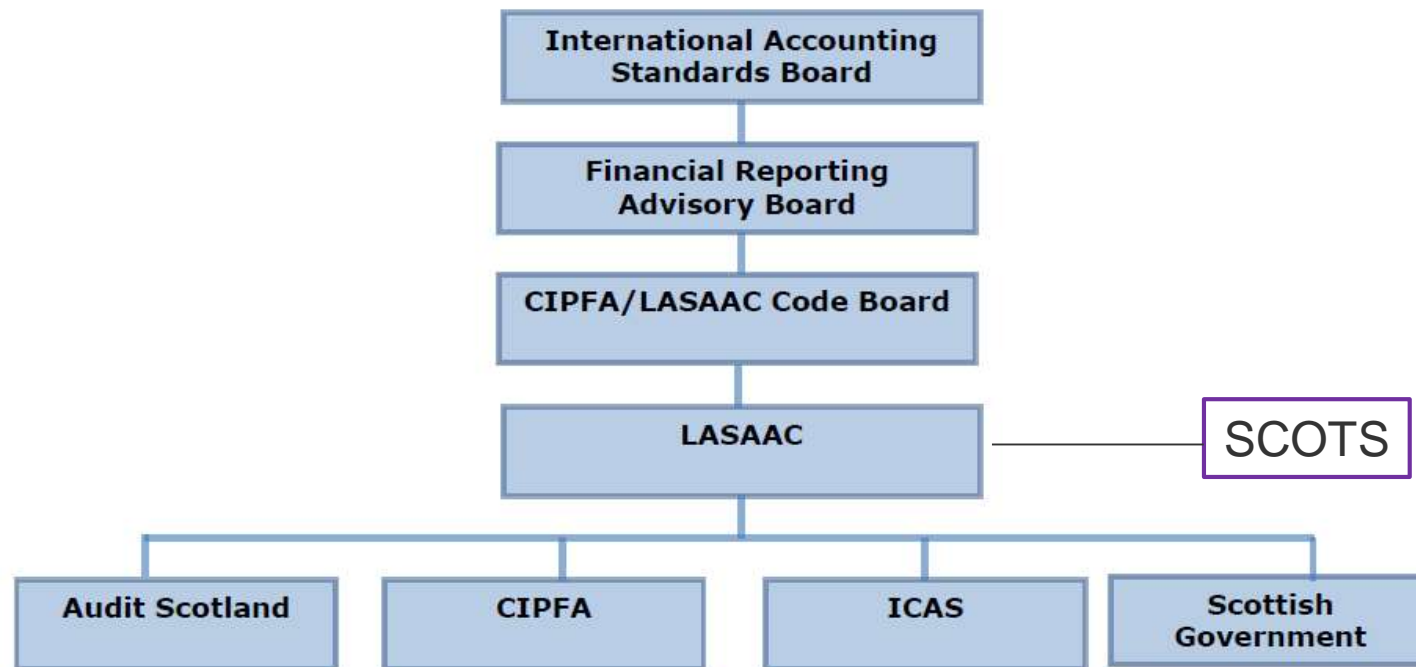
Whole of Government Accounts 2014-15 (HMT).

Net Book value of Infrastructure in WGA 14/15 =
£337.4bn

Totals assets = £1,455.3bn



LASAAC ROLE IN THE DEVELOPMENT OF THE UK CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING



LASAAC Funders



The Scottish Government

LASAAC Working Group

Road Gazetteer
Information /
List of Roads

Carriageway
dimensions
measurement

National
contract for
condition
assessment

GRC rates &
regional factors

Land rates &
adjustments

Determination
of GRC

MEA
assumptions eg
kerbing for old
roads

Asset Life
Assumptions
(Tini, Ttul)

SCOTS Toolkit

Historic Cost
records
(depreciation
etc)

Impairment
review (timing)

CFO / C E
responsibilities

Working papers

Process Notes

Finance Directors Considerations?

- 'True & fair' view
 - Avoiding audit qualification
 - Consistency (or otherwise) of external auditors
 - NB – desire to avoid 'blanket' audit qualification doesn't mean no qualifications at all
 - Local verification / assurance / evidence

- Cost Implications
 - Financial environment!
 - Limited staff time, external costs, audit fees

Going Forwards?

17/18 Implementation:

Contingent – if it proceeds focus on authority level inputs

Dry run for 16/17

WGA – needed anyway

Evidence Collation for 16/17

- Write up the process?
- Document and record relevant evidence?

Sensitivity Analysis / Valuation Risks?

- Identify key areas of uncertainty / estimate?
- Rank in order of impact on the overall valuation?
 - Compare with other authorities?

Cost Implications?

- Prepare cost / benefit analysis of addressing high impact uncertainty or risk areas?

Any Questions?

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