

CIPFA Conference
Managing Local Transport
Infrastructure Assets
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Why Asset Management matters to Highway Authorities

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Topics Covered

- **Drivers and benefits for Asset Management**
- **Background to the development of Asset Management**
- **CIPFA Code**
- **Next Steps**

Challenges facing UK Highway Authorities

- **Estimated cuts in public spending 25-30% up to 2014/15**
- **30-40% cuts predicted in capital funding**
- **0% increase in Council tax**
- **The need to continue to deliver efficiencies**

Challenges facing UK Highway Authorities

- **Worst winter in 30 years caused extensive damage to UK road network**
- **Increasing impact of climate change**
 - **Severe weather events**
- **Increased accountability – insurance claims**
- **Increased public expectation**
- **Estimated backlog £9.5 billion**

Drivers for Asset Management Context

- LAs in England are responsible for 182,000 miles of maintainable highway
- Gross replacement cost estimated £300 billion
- LTP capital maintenance = c £800m (10/11)
- Overall spend estimated close to £5 billion
- 154 Local Highway Authorities
- MORI poll put road and pavement repairs second in a list of things which need most improving in your local area

What is Asset Management?

- **It is knowledge of what consumes resources to preserve (or enhance?) an asset**
 - **Determined by levels of service**
- **A definition might be:-**
 - **A tool to allow strategic long-term decisions to best use scarce resources to maintain the transport asset to meet the needs of our customers**

Benefits of an Asset Management Approach

- Reduce life-cycle costs
- Ability to predict consequences of funding decisions
- Prioritise work programmes to maximise return on investment
- Reducing the amount of unplanned reactive maintenance

Benefits of an Asset Management Approach

- **Decreased financial, operational and legal risks**
- **Understanding and adjusting trade offs between capital and revenue spend**
- **Help drive down cost**
- **Define levels of service and the ability to track performance against these**

Benefits of an Asset Management Approach

- **Informing better procurement and funding (PFI, Prudential borrowing, Invest to save)**
- **Support the ability to benchmark**
- **Ability to discharge statutory valuations and financial reporting responsibilities**

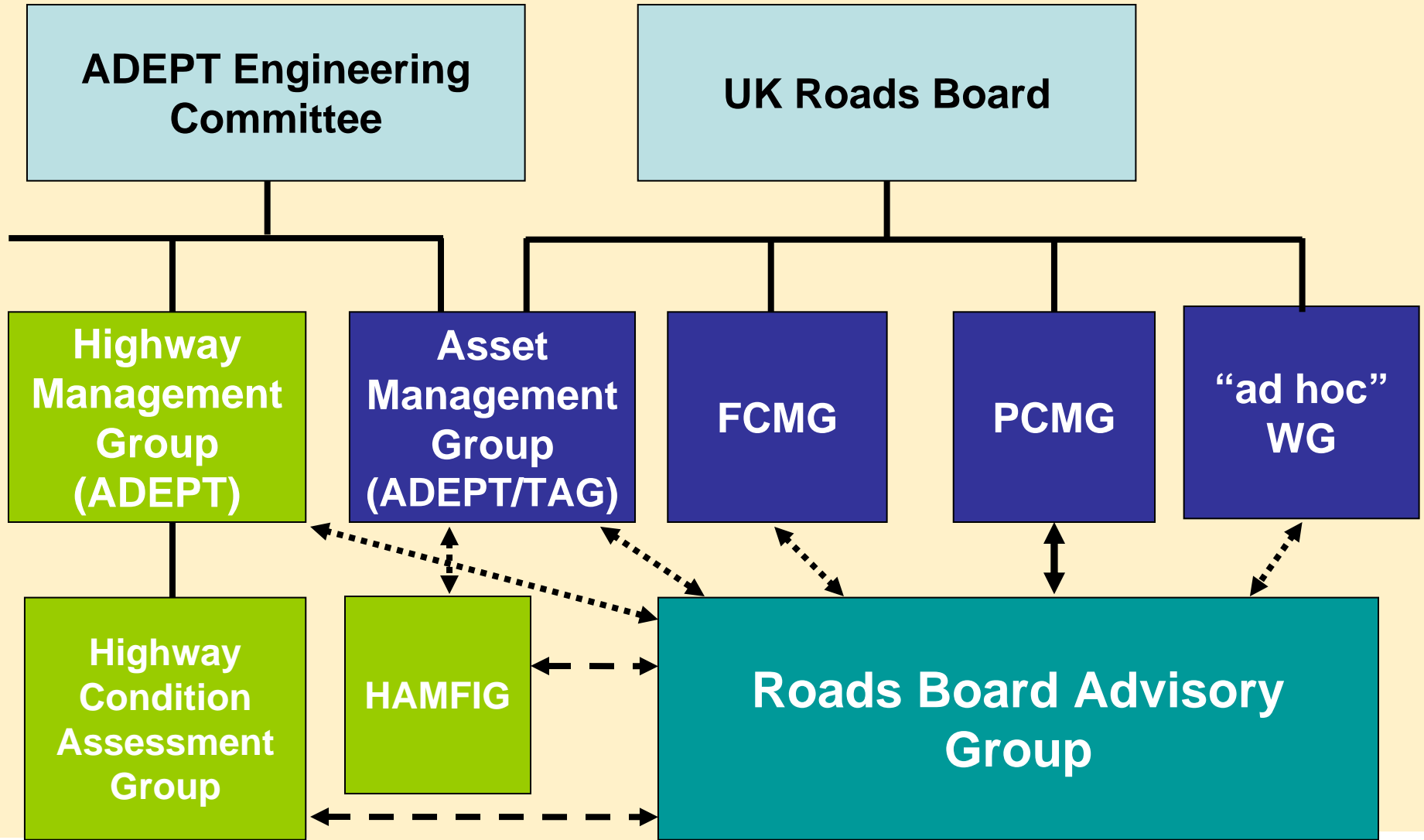
Development of Transport Asset Management in the UK

The first local highway authority Asset Management Plan in the UK

Hertfordshire's Highway Asset Management Plan 2001-2004

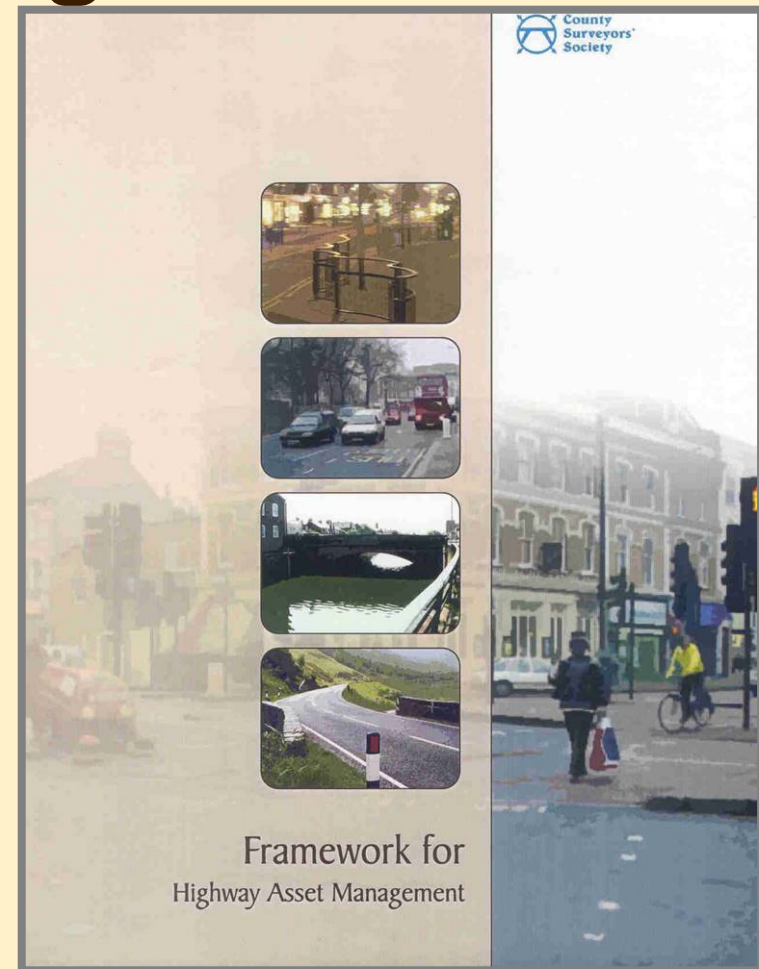


Relationship between ADEPT and UKRB

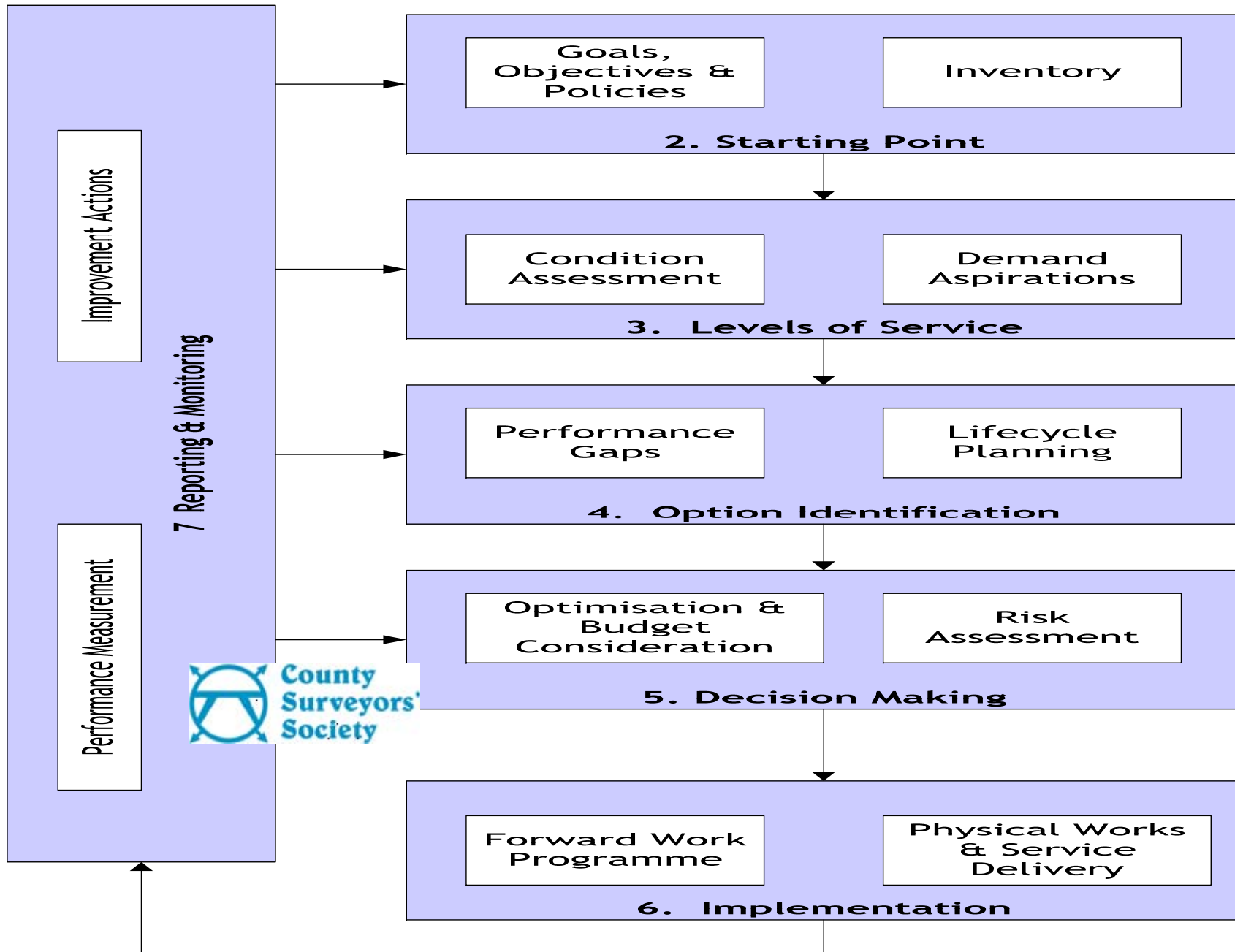


The Framework for Highway Asset Management

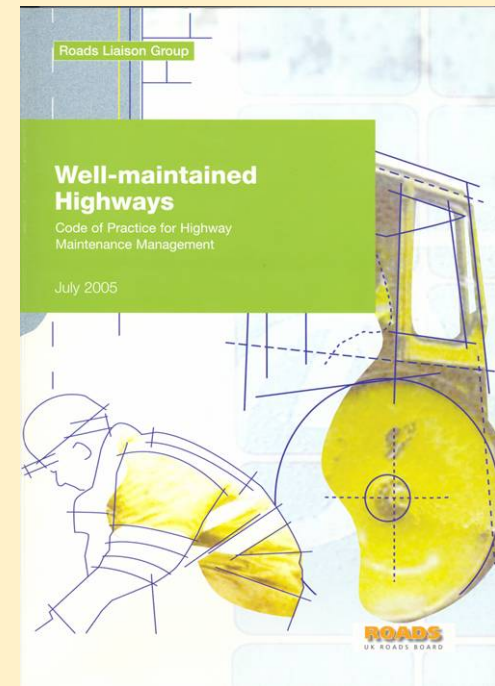
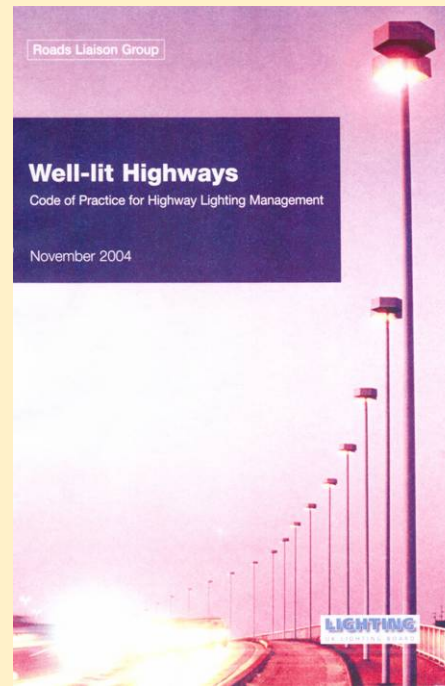
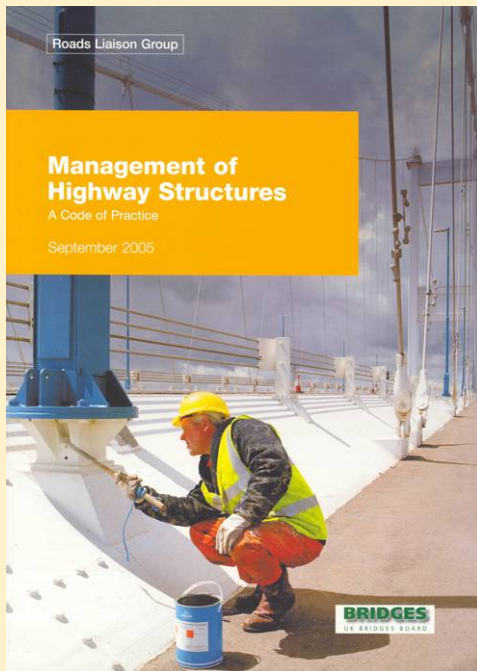
- **CSS/TAG developed the AMP Framework**
- **Supported the CIPFA study – co-sponsored by DfT and Treasury**
- **Working with the outcomes of the study**
- **Published June 2004**



Framework



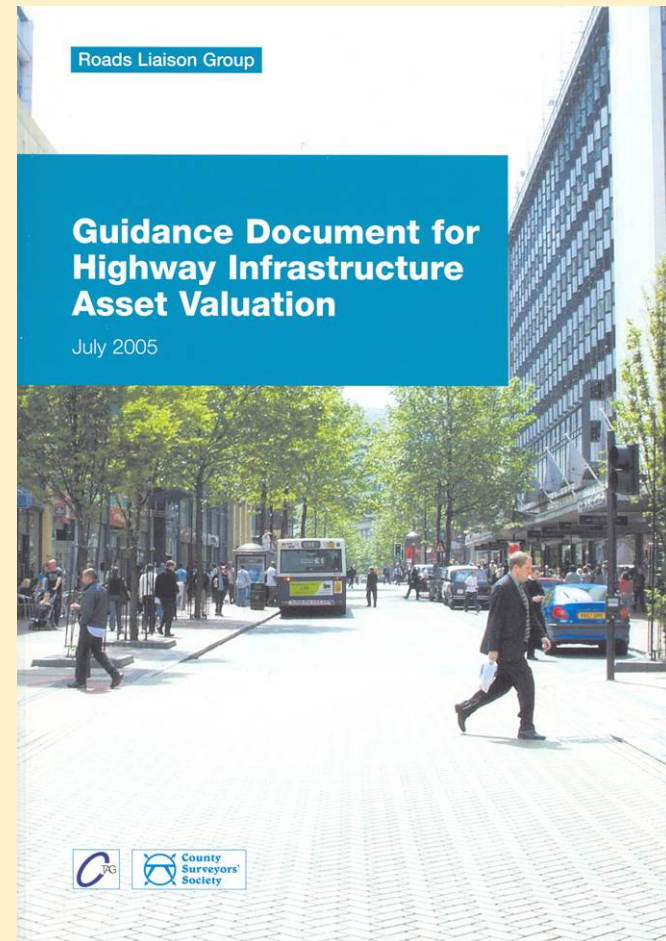
Codes for Asset Management Plans



- Compare against national standards (agree departures)
- Use to determine or recommend service levels
- Understand performance against comparison groups

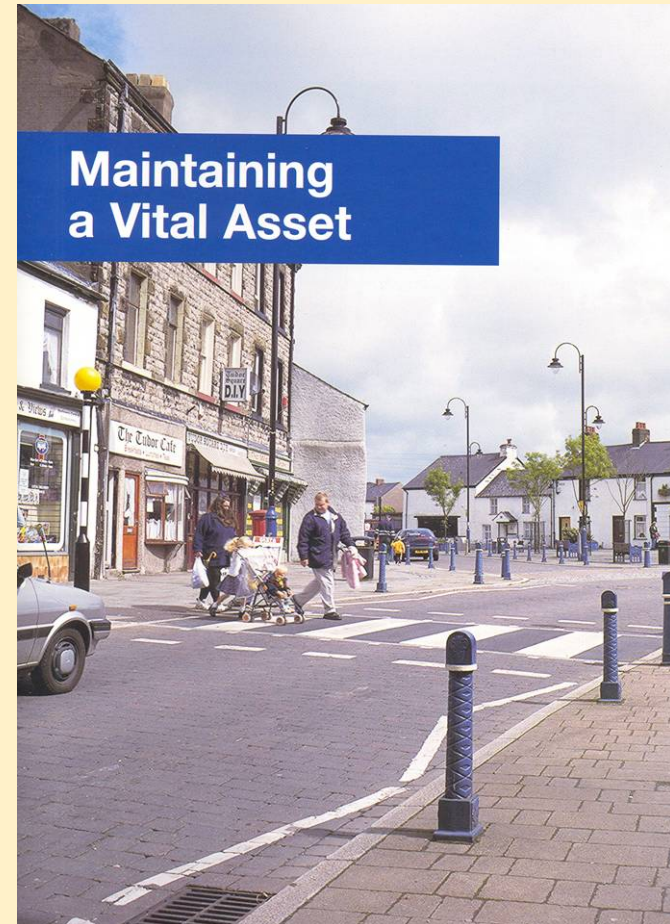
Asset Valuation

- **Published July 2005**
- **Now superseded by the CIPFA project work**



A Vital Asset

- Network is the most valuable asset
- Largest
- Used daily by everyone
- Important to the economy
- Used by utilities
- Published at end 2005



CIPFA Review 2007

- **Co sponsored by DfT and Treasury**
 - **To establish what might be involved in implementing an AMP approach to accounting, managing and financing local authority transport assets**
 - **Consider how to use AMP based information**

Outcomes of CIPFA Review on Asset Management

- Support good financial management locally
- Provide good information to support policy development and resource allocations
- Provide financial accounts complying with relevant International Financial Regulations (IFRS) requirements, and
- Deliver consistent high quality information for Whole of Government Accounts (WGA) and National Accounts purposes
- And lessons from other assets

CIPFA Review

- **Benefits of Asset Management**
 - Establish levels of service and monitor
 - Track condition over time
 - Clarify impact of funding strategies
 - Establish efficiencies from long-term strategies
 - Improved decision making
 - Consistency = better benchmarking
- **Improved value for money maybe 5%?**
 - Not cashable – making inroads into backlog

Government Response to CIPFA Review

- **Endorses the report's conclusions on AM**
- **Supports accounting change and proposed timetable/approach**
- **Asks CIPFA to prepare a new finance guidance and set up a project implementation steering group**
- **Encourages individual LAs to play their part**

As a result of CIPFA DfT made an extra £32m available for Local Authority Asset Management in 2009/10

- £24 million invested with authorities to improve on their databases and associated tasks**
- £8 million to a selection of authorities to carry out some innovative work and advise others**
- Case studies now available on the HELG website**

Why Value Highway Assets?

- **Placing a monetary value on highway assets emphasises their importance and hence the need for their maintenance**
- **To report in an Authority's Balance Sheet**
- **To meet the requirements of Whole of Government Accounts**
- **Asset Value represents the “capital employed” by an Authority in delivering its transport services to the public**

Why Value Highway Assets? (cont'd)

- **Depreciation in Asset Value represents the cost of use of the assets in delivering public services**
- **Asset Value can serve as an important indicator of stewardship of public assets and finances**
- **Asset Value can provide a robust business case for investment in the preservation and enhancement of highway assets**

Why New Financial Guidance?

- **Demand from practitioners in light of experience so far and opportunity to take account of lessons learnt**
- **Some changes needed to make guidance IFRS compliant**
- **Also want the same set of numbers to serve all the objectives set out in the CIPFA review remit**

New Guidance will Support

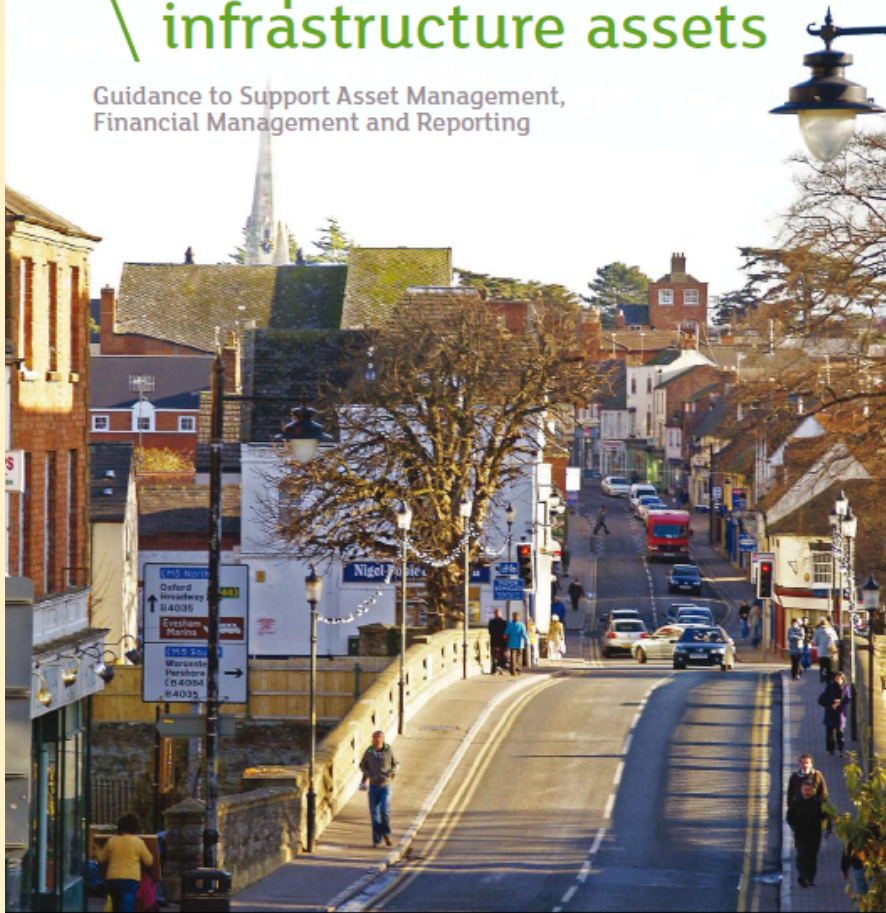
- **Detailed management of the assets – with life cycle planning and whole life cost optimisation**
- **Financial management**
- **Long-term financial planning and budgeting**
- **Resource allocation and policy development**
- **Transparent, informative financial reporting that is IFRS compliant and supports WGA**
- **It's not just “valuations” guidance**

CIPFA The Chartered Institute of
Public Finance & Accountancy

Code of Practice on

transport infrastructure assets

Guidance to Support Asset Management,
Financial Management and Reporting



ADEPT
ASSOCIATION OF DIRECTORS OF ENVIRONMENT, ECONOMY, PLANNING
AND TRANSPORT

ROADS
UK ROADS BOARD

Proposed Accounting Change

A “prepare and decide” approach recommended

- **2010/11 Dry run. Information in main financial statements still on historic cost basis but new current cost based information in Notes to the Accounts**
- **In light of dry run, decision to be taken on whether to change accounts for 2011/12 or have a second dry run year**

HAMFIG

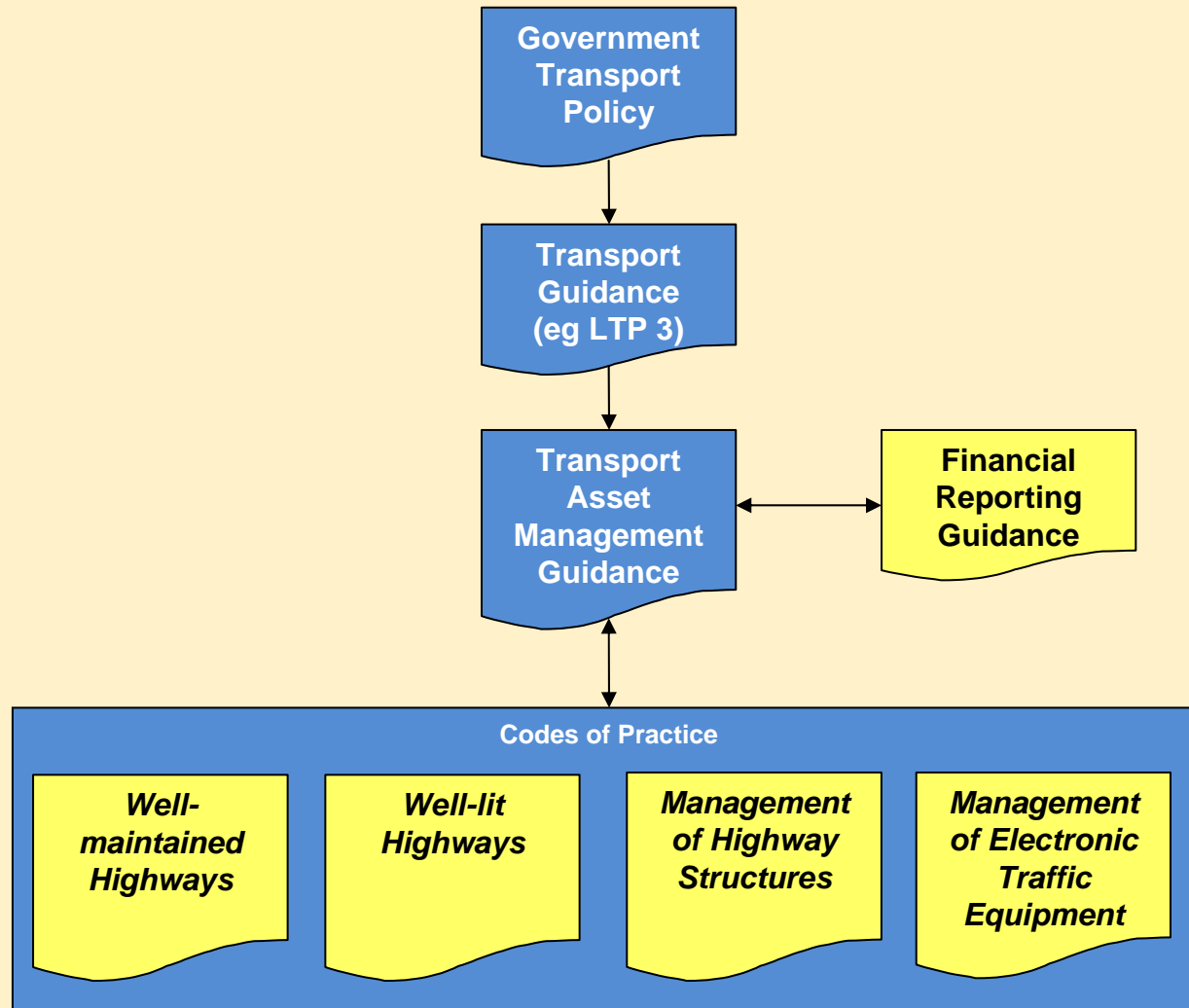
Highway Asset Management
Financial Information Group

- **Membership – CIPFA, DfT, English LHAs, SCOTS and Welsh**
- **Gross and Depreciated Asset Values through Component Depreciation**
- **Quick start guidance**
 - **Getting started**
 - **Risk assessment**
 - **Levels of service**
 - **Life cycle planning**

www.leics.gov.uk/amp

Next Steps

Guidance Hierarchy



Ongoing and Future Support for the Implementation of LA Asset Management and Accounting Changes through HAMFIG

- Local authority readiness
- Consistency of carriageway depreciation calculators
- Structures planning tool kit
- Ongoing technical support

Implementing Recommendations of the Review of UKPMS Core Functionalities

- **Rationalising deterioration modelling and condition projection**
- **Implementing whole life costing and life cycle analysis**
- **Developing scenario modelling and investment optimisation**

Audit Commission National Study – will consider the use of Asset Management in Strategic Planning

What works in road maintenance?

July 2010

English councils are responsible for 98 per cent of the road network, and face the prospect of delivering road maintenance services with less resource.

Roads are by far the biggest capital asset for councils, and they contribute to economic and social wellbeing.

Spending on road maintenance in England has risen by 39 per cent in real terms since 1997. Despite this, concerns remain about the condition of local roads.



 audit
commission

DfT – Highway Maintenance Efficiency Strategy

- **Bid for seed Funding for efficiencies in highway maintenance from CSR**
- **Asset Management identified as one of the potential work streams**
- **Business case required by 13th August**

Summary

- **Asset Management is absolutely critical to ensuring we can deliver an efficient and effective highway maintenance service**
- **Enormous progress has been made over the last decade**
- **The CIPFA Code is an essential document to enable LAs to make that next step in further refining their Asset Management regime and having the ability to comply with the Government requirements for including highway infrastructure in the WGA**

Thank you
Any questions?