

7 CONSULTATION AND FOLLOW UP

Introduction

- 7.1 This Section reports on the outcome of the consultation exercise and the key issues raised. In some cases action has already been taken to progress or develop recommendations originally made in the draft report or to address issues raised in the consultation. These are also reported on in this Section.

Responses to the consultation

- 7.2 A consultation draft of this report was published in July 2007. The closing date for comments was 28 September, and although a number of responses were received after that date, these were still taken into account. In all, 63 responses were received.

- 7.3 These reflected a good coverage of stakeholder interests, as follows:

- 41 local authorities, 2 PTA/PTE bodies, 14 representative/professional bodies and working groups, 2 devolved administration executives, 3 audit bodies, and 1 personal response.
- In terms of national distribution, there were 7 respondents with a locus encompassing the UK or England and Wales jointly, plus 33 English, 13 Scottish and 9 Welsh bodies.

A list of respondents is included in Annex N, which also provides more detailed information about the content of responses. The rest of Section 7 considers some of the key issues raised by the consultation, including action taken to address some of the points raised and to progress some of the recommendations.

- 7.4 CIPFA has also discussed the draft report findings and recommendations with key stakeholder groups including HM Treasury and the Department for Transport, the UK Roads Liaison Group, UK Roads Board and the CSS/TAG Asset Management Working Group. As recorded below, action is already being taken to take forward some of our recommendations.

Support for transport asset management

- 7.5 Consultation responses showed strong support for the concept of transport asset management planning, and we are encouraged that the review has helped to raise awareness of the subject and of its potential benefits. While no respondents argued against transport asset management, some wanted more evidence of the costs and benefits that would be involved in implementing the approach.

Costs and benefits

- 7.6 Costs will vary depending on the scale and variety of assets held by individual authorities, the extent and quality of the information already held (which varies greatly between authorities), as well as the extent to which authorities reduce implementation costs by working together to develop and share methodologies and best practice, and undertake joint procurement. The benefits achieved will also vary, depending upon how successfully individual authorities exploit new and better information. In addition, asset management is being implemented progressively and authorities have not generally kept comprehensive records of costs and benefits.

7.7 All this makes its extremely difficult to provide firm figures. Nonetheless we have found one case study which quantifies the costs of implementing transport asset management in a single authority – Newcastle upon Tyne. Box 7.1 sets out the implementation costs alongside some of the early benefits achieved.

Box 7.1: Quantification of highways asset management costs and benefits in Newcastle upon Tyne

Newcastle upon Tyne City Council has a substantial highways network as well as a number of other types of transport infrastructure. Newcastle’s total set up costs for implementing highways asset management are:

	£K
Preparation of the HAMP	
External consultant fees	120
Internal staff costs	60
Data collection	
(video survey, software hand held computers, additional staff costs)	74
Anticipated costs to complete inventory collection/verification	
video survey	120
additional staff costs	6
Gully survey	1
Tree survey (inc purchase of meters)	47
Snow & Ice Plan review and reassessment of cleaning regime	
additional staff costs	6
additional operational costs for street sweepers and low pressure power washers	60
Total set up costs	£ 494K
Additional ongoing costs per annum	
data management	4
additional staff costs	10

Early benefits achieved include:

- a substantial reduction in the number and cost of dealing with insurance claims (down from 838 in 2003 to 299 in 2006). As a result Newcastle’s annual insurance premium reduced from £1.8m in 2004 to £1.2m in 2006.
- a reduction in reactive maintenance (from 16,000 defects in 2003/4 to 13,000 in 2006/7 releasing £200k for use elsewhere.
- an increase in the number of planned resurfacing schemes, slowing network deterioration, with the aim of reducing costs in the medium term as less full reconstruction is required.
- changes to procurement practices as a result of better network data delivering better value for money.

As well as completing the development and collection of inventory, which will include data capture from CAD drawings, Newcastle intend to review the development and outcomes from their asset management plan and will produce an annual progress report.

- 7.8 Newcastle's experience and the case studies from other authorities cited in Section 4 indicate that it is possible to gain substantial early wins from transport asset management if activity is targeted appropriately. 'Best buys' appear to include activity targeted at prioritising capital maintenance expenditure on a whole life cost basis instead of tackling 'worst first' and targeting activities/assets which give rise to successful insurance claims. However, there is also evidence, in particular in the UK from the water industry, that even when asset management is well established, well-managed further improvement in data and systems gives a high additional return.
- 7.9 Although we have been unable to find any quantification of their costs and benefits, indirect evidence of the beneficial impact of asset management is provided by the commitment to the approach in New Zealand and Australia. New Zealand has been pursuing infrastructure asset management for a number of years, with the process being driven by a change in accounting, and there is strong support from central and local government and from the audit bodies. A similar view of asset management prevails in Australia where the public sector guidance is actually produced by the Auditor General.

Changing the SORP

- 7.10 Although there were some important dissenters, the majority of respondents favoured an early change to the SORP as being the best way to achieve a robust, consistent framework for producing the financial information needed to support effective asset management and delivering it to a fixed timetable. From the minority against, the main argument advanced against an early change was that it would turn the process into an accounting exercise and thus detract from asset management. Paradoxically, this concern came from some parts of the finance community rather than from asset managers. Some of those who said 'no' to a change in the SORP saw it as a longer term possibility but felt that it should be implemented administratively first.
- 7.11 Some respondents also had concerns about proceeding in advance of decisions on changes to accounting for central government infrastructure. To address this concern the Project Steering Group decided to defer completion of this final report while the parallel work taking place on accounting for national roads was progressed. At its February 2008 meeting, the FRAB approved a depreciation-based approach for national roads that would be compatible with the one proposed in this report for local roads, so removing the risk of local government having to change its approach again. In particular, the national agencies will in future also be adopting a component based approach to accounting for their network assets.
- 7.12 Some respondents felt that the timetable for any change to infrastructure accounting needed to recognise that the move to International Financial Reporting Standards (IFRS) for public sector accounts was creating other significant and difficult changes to local authority accounts. CIPFA intends that the move to IFRS should seek to identify and pursue opportunities for simplifying aspects of local authority accounting. Nonetheless we accept that the move to IFRS creates significant challenges and that this needs to be taken into account in setting a timetable for a change to the SORP. Since the draft report was published for consultation, CIPFA/LASAAC has decided that the move to IFRS in local government should be completed in 2010/11. In addition the Government has recently reviewed the timetable for implementing IFRS in central government and the NHS and the 2008 Budget included an announcement that implementation would move back from 2008/09 to 2009/10. This will now also be the first year of WGA publication.

- 7.13 Overall, the consultation responses provide strong support for a change to an AMP based accounting approach in the SORP, but suggest that a slower timetable is desirable. This is reflected in the final recommendations in Section 8.
- 7.14 A slower timetable for implementing a change to the SORP would also have implications for the proposed interim approach proposed for providing local roads information for Whole of Government Accounts. Work to explore the interim approach has also been started, and to date two meetings have been held, under CIPFA chairmanship, involving HM Treasury, Department for Transport, Communities and Local Government, the National Audit Office, Audit Commission and some local government practitioners (from MSIG, the South East Group and SCOTS). These meetings have also informed the recommendation on providing information for WGA in Section 8.

Further Guidance, Development Work and Training

- 7.15 The recommendations for further guidance and development work received strong support. There was a clear view, even among those who had concerns about a SORP change, that this should be progressed urgently to support the development of asset management, whatever view is taken about the larger funding for and timing of any SORP change.
- 7.16 Some of the responses raised detailed questions and concerns about how the further work would fit in with the work that authorities themselves are already doing in the national groups in Scotland and Wales and the various English regional groups. In England, a number of responses referred in particular to the work being done by the Midlands Service Improvement Group, which was seen as being a further potential building block that would be as or even more important than the SECE project. MSIG are further forward than most groups in starting to tackle depreciation and have the advantage of having had significant professional finance input to their work. A presentation on their work was made to the January meeting of the CSS/TAG Asset Management Working Group and was then circulated to other national/regional groups for comment. Representatives of MSIG and the South East Group subsequently met to share experience and look at the possibility of some joint working. Representatives from Scotland, Wales, some other English groups and CIPFA also attended. The Group intends to hold further meetings with a view to developing some joint approaches.
- 7.17 Consultees were also strongly supportive of the proposed further work by CSS/TAG, including the production of 'Quickstart' guidance. CIPFA are pleased to report that CSS/TAG are taking forward this recommendation and other actions to support the further development of financial information in the Asset Management Working Group's work plan for 2008/9.
- 7.18 The consultation responses also reinforced the need, identified in the draft report, for more training and education for those involved in implementation to give them confidence in the process. This should be addressed by central and local government and the professional bodies.

Funding issues

- 7.19 Not surprisingly, consultation responses showed very strong support for the view expressed in the draft report that any change to the SORP (or other formal requirement to implement asset management to a fixed timetable) can only be achieved if up-front funding is made available. A number of responses make the point that the proposed £15m would only be a contribution and pressed for more

funding, but others recognised that it was only intended as 'pump-priming' and that funding to develop AMPs further would have to come from efficiency gains. Some responses have questioned the basis of the £15m figure but no-one suggested an alternative methodology.

- 7.20 In England, Ministers have already responded to the draft CIPFA report by announcing in January 2008 that £15m would be made available to authorities to support the development of transport asset management. We warmly welcome this move, both as a significant boost to implementation and as further evidence of the importance that the Government attaches to transport asset management. However, an announcement is yet to be made about when and how this funding will be made available. And it is only for England. This still leaves the question of funding in Scotland and Wales, though authorities there already have national projects in place to take forward asset management. Funding will also be needed across Great Britain to support training and the production of further central guidance.
- 7.21 Consultees also raised a lot of detailed points and issues arising from experiences so far in taking forward asset management and valuation. These do not affect the substance of the report recommendations but will provide a valuable checklist of issues that will need to be addressed in developing the further guidance.

Local Transport Infrastructure not covered by the SORP

- 7.22 The consultation draft sought views on this but made no specific recommendation. Not all respondents commented on this question – for instance Welsh respondents did not comment because it is not an issue in Wales. Among consultees who did respond, most felt that there was a clear case for applying the AMP based approach to all local transport infrastructure, and the rest felt that the issue should at least be investigated further although not necessarily with a view to changing accounting arrangements. As a result, a recommendation for further work is now made in Section 8.

Other (Non-Transport) Local Authority Operational Assets

- 7.23 The draft report raised somewhat tentatively the question of whether the idea of expending an AMP based approach to other assets should be investigated further. However, the issue attracted a surprisingly strong response. 80% of respondents were in favour of this being looked at, and of these many went further and said that there was a strong case for putting all local authority assets onto a comparable basis.
- 7.24 Elsewhere too there is evidence of growing interest in taking a more comprehensive and consistent approach to management of local authority assets. For example, COSLA has recently decided that action to follow up on an Improvement Service report on property asset management will be extended to include infrastructure assets and IT. CLG has recently published a new Asset Management Framework Document which covers infrastructure as well as property assets.
- 7.25 In the light of the responses to the consultation, a specific recommendation is made in Section 8.