

TERMS OF REFERENCE

Background

Transport Asset Management Plans (AMPs) and the underlying records and systems to support them are already in place or being developed by local authorities. As well as their local role, these plans may be used by central government in policy development and to inform resource allocation. However a small initial study by HM Treasury in 2005 suggested linking local authorities accounting and financial management information to the AMPs would enhance information for a wide range of users.

Objectives

To evaluate the issues associated with implementing an asset management plan-based approach to accounting, managing and financing local authority transport infrastructure assets, including the best way to use such information to:

- Support good financial management locally;
- Provide good information to support policy development and resource allocations;
- Produce financial accounts complying with relevant IFRS requirements; and
- Deliver consistent high quality information for consolidation into WGA.

For the avoidance of doubt, it is not the intention that this work would deal with the issue of depreciation hitting the 'bottom line' of local authority accounts.

Approach

A two stage approach will be adopted, comprising fieldwork and production of a draft report, followed by consultation and production of the final report. The final report will include recommendations on implementation and the content and timing of any further work in this or other areas.

The fieldwork will comprise documentation of the information required to meet the above objectives and the extent to which current mechanisms deliver these through review of:

- Types of infrastructure assets encompassed (in particular, but not only the roads network);
- Local and National asset management and financial management requirements;
- Requirements to support policy development and effective resource allocation in England, Scotland, Wales and Northern Ireland;
- County Surveyors Society — Technical Advisory Group work including in particular the Guidance Document for Highway Infrastructure Asset Valuation published by the Roads Liaison Group in July 2005;
- Results from the Transport AMPs study to be undertaken by Atkins;
- Existing LA SORP and central government FReM (renewals accounting) requirements against what is permitted under IFRS
- Experience in local authority housing, other industries (Water, Rail etc), and in the Highways Agency and Devolved Administrations, including the interaction of the policy and regulatory environments with accounting practices;

- International accounting practices and the interactions between these and the policy and regulatory requirements (Canadian Institute of Chartered Accountants paper, NZ, Australia, France, etc) e.g. consider benefits of current value / historic cost, renewals vs. depreciation;
- National Accounts requirements (Eurostat and ONS); and
- Possible lessons for other types of assets.

Outputs

- Draft report for consultation summarising findings and draft recommendations for the way forward (including implementation and the content and timing of any further work in this or other areas);
- Consultation process and review of draft recommendations; and
- Final report.

Governance / stakeholders

Project Steering Group (PSG) with representatives of relevant stakeholder groups — to meet five times in the period to the end of June 2007 during the development of the draft report, and again in October 2007 to consider the results of the consultation and the final report, under the auspices of the CIPFA Public Finance Management Board. Updates will also be provided to the CIPFA/LASAAC Joint Committee as the project progresses.

Timetable

The draft report will be produced in early July 2007, with the final report produced by November 2007*, following consultation with relevant stakeholders in the intervening period.

Recommendations on the timetable for implementation and any further work in this or other areas will be developed in the light of the results of the main fieldwork and the outcome of the consultation on the draft report.

* Subsequently extended in the light of consultation responses and changes to timetables for implementing IFRS and WGA publication (see paragraph 7.12).