

AN INTERIM APPROACH TO PROVIDING TRANSPORT INFRASTRUCTURE INFORMATION FOR WGA PURPOSES

Since the central government agencies' valuations are primarily in respect of motorways and trunk roads, we initially considered whether an initial approach to providing transport infrastructure information for WGA purposes might be to include only A and B classification local roads for WGA. However, the data from the various national and regional groups show A and B roads to represent only about 30% of the total roads GRC value. This approach would, therefore, leave out approximately 70% of the local roads value from WGA, and has therefore been rejected.

Instead, in the absence of detailed highway inventory and condition data, we believe that a high level DRC valuation for WGA purposes could be produced in a way that uses mostly existing data from local authorities, and is based on determining valuations for the road pavement and underlying land which, experience suggests, together comprise the overwhelming majority of the highway infrastructure asset value.

This interim approach involves applying nationally specified unit costs and assumptions in respect of road widths, footways, lighting and other components which together make up the local highway network. All highways authorities would need to provide information about road lengths and condition data for carriageways, both of which are already submitted annually.

The nationally specified figures would be produced by taking information from those authorities who are already collecting inventory data and developing valuations and using these to construct average rates. Although the position on valuation varies enormously between authorities, particularly in England, with some having done little or nothing, a reasonable number are pursuing valuation and making sufficient progress to be able to contribute data.

The approach is described below.

ROADS — GROSS REPLACEMENT COST

To calculate the GRC, four pieces of information are required:

- Road lengths;
- Road types;
- Road widths; and
- Unit construction costs.

All English highways authorities have reasonably accurate data on the types and lengths of their roads. This data has been collected in the past for Best Value Performance Indicator purposes and is held on authorities' Pavement Management Systems (PMS).

Road widths can however vary significantly and many authorities have limited data. One solution to this problem would be to derive average road widths from an analysis of the data from those authorities who have already collected good information (or will have done so during 2008/09 and 2009/10). An alternative approach would be to adopt the current standard design widths for new roads, following the principle of the modern equivalent asset. However, there are issues about applying this approach to unclassified roads, and even if standard widths are assumed, there is then a problem about how to depreciate them to reflect the difference between the design standard and the actual width. The treatment of road widths also has an impact on the calculation of land values. Overall, based on work to date we conclude that the first approach is simpler and more likely to produce realistic valuations.

There exists a growing body of data among local authorities in respect of unit costs for new highway construction. As more information becomes available, this data can be used to determine national average unit costs that could then be applied centrally together with the data above to determine the national gross replacement cost of the local road network.

ROADS — DEPRECIATED REPLACEMENT COST

Determining the depreciated replacement cost of the network requires information on the condition of the roads. For the purposes of calculating and reporting on Best Value Performance Indicators (BVPIs) highways authorities have to undertake condition surveys of their road networks. Further detail is provided in the box below. Authorities thus have a considerable amount of data on the condition of their roads and update a substantial proportion of this each year. This data could be used as a starting point to calculate the restoration costs of their road networks.

Condition data obtained currently for the purposes of Roads Performance Indicators

England

In England, there are three Best Value Performance Indicators (BVPIs) that address the condition of local roads:

BV 223 (formerly BV96) — Condition of principal roads in England

This indicator measures the percentage of each authority's principal road network (i.e. its A class roads) that are at or above a specified condition. It is calculated from data derived from SCANNER surveys. Authorities were required to undertake SCANNER surveys of 50% of their principal road network in 2006/07 (50% of the roads in both directions or 100% of the roads in one direction only), with the other 50% measured for 2007/8.

BV 224a (formerly BV97a) — Condition of Non Principal classified roads in England

This indicator applies to an authority's B and C class roads. The survey requirements were for SCANNER surveys in 2006/07 of 100% of the B roads in one direction only, with the opposite direction to be 100% surveyed in 2007/08. For C class roads, a SCANNER survey of 50% of the roads in one direction was required for 2006/07, with the remaining 50% to be surveyed in one direction only in 2007/08.

BV 224b (formerly BV97b) — Condition of unclassified roads in England

This indicator applies to an authority's unclassified roads. Commencing in 2002/03 authorities are required to survey visually (using CVI or DVI) 25% of their unclassified road network each year, thereby obtaining full coverage over a four year period.

Scotland

In Scotland, Statutory Performance Indicator (SPI) RL 1 measures an authority's overall road network, and is similar to the BVPIs above in aggregate. The condition data is obtained via the Scottish Road Maintenance Condition Survey (SRMCS) which is undertaken on behalf of authorities each year by the Society of Chief Officers of Transportation in Scotland (SCOTS). It aims to survey each year, in one direction only, 100% of A roads, 50% of B and C roads and 10% of unclassified roads. The classified roads are surveyed using SCANNER (the survey uses the term Roads Assessment Vehicle).

Wales

In Wales, THS/010a and b (formerly THS/001a and b) measure the condition of authorities' A roads and other classified roads (i.e. B & C) respectively. From this year surveys have been extended to cover all roads and performance indicators are being amended to reflect the wider network.

Land

The footprint of the land under the road pavement can be determined from the road area calculations above, and an allowance made – again based on data from those authorities who have it – for footways and other land within the highways boundary.

Auditability

The approach set out above would use a substantial amount of national data and standard assumptions instead of actual local data, and would therefore produce values that were subject to a significant degree of uncertainty. This would need to be appropriately disclosed in the WGA notes and commentary, and might even need to be referred to in the audit opinion. A judgement will need to be made as to whether this approach could deliver sufficiently robust data to be used in the main WGA statements, or instead it could only be used in the notes and/or management commentary. A decision on this may depend on the degree of progress that can be made over the next 12 months to develop local asset management information and to put financial information onto a more robust and consistent basis. However, the announcement in the 2008 Budget that the first year of published WGA will now be 2009/10 means that there should be more and better data to draw on.

This is only an interim approach to obtaining WGA figures and would need to be refined over time as more local data and valuations were available, as part of an overall move to the adoption of new AMP-based accounting policies in local authorities' own accounts that we have recommended in Section 8.