

Client Side

Vital move promises fiscal progress

Further important progress has been made towards resolving the stalemate that is preventing sufficient funding for UK highway maintenance.

Highway engineers take heart – a very significant review has been carried out that should halt and reverse falling road maintenance budgets. At the very least, the report ought to direct more Government funds towards helping local highway authorities build fully valued asset inventories. The custodians of the majority of Britain's roads should then be able to get on with developing proper Transport Asset Management Systems (TAMPS).

Only by getting that far can local authorities ensure sound financial management and stewardship of their networks – says the report – and give real evidence of needs for more maintenance funding. But engineering departments need changes to the accounting treatment of transport infrastructure and for that accountants need from engineers “good quality, consistent information that is capable of withstanding audit scrutiny”.

The Review of Accounting, Management & Finance Mechanisms has been conducted by the Chartered Institute of Public Finance & Accountancy (CIPFA) for the Treasury and Department for Transport. CIPFA's report is currently out for consultation ahead of submittal in November and invites comment on any aspects, but in particular, views on proposed changes to accounting practice.

In essence, highway assets will be accounted to their true capital value and cost of maintenance. Full depreciation accounting is beyond the scope of CIPFA's work, but the changes will demonstrate a ‘revenue gap’ and need for more maintenance funding.

This all comes from Government concerns about slow progress on formulating fully operational TAMPS. Plus there is the need for better asset value information to support the move to Whole of Government Accounts (WGA), which is timed for 2008/09.

Good news for local highway authorities: the review states that the need for valued assets is driven by both maintenance planning needs and accounting requirements. Accountants and engineers will be singing from the same sheet and the stalemate will be broken. The report estimates £15M of additional Government funding will get valuation data ready across Britain for 2009/10. For the interim and WGA, the CIPFA report proposes simplified valuations based on national unit costs and authorities' existing condition information.

Naturally, the Government's initiative and CIPFA's work has been welcomed by the UK Roads Board, which has been instrumental in helping CIPFA gather information for its report. Where the Roads Board has been advancing knowledge and technology for TAMPS from an engineer's perspective, CIPFA is now closing the gap for accounting.

“We now have a very good handle on highway condition monitoring and knowledge of how to describe the case for sustained funding,” says the current Chair of the Roads Board, Leicestershire's Director of Highways, Transportation & Waste Management Matthew Lugg. “Like it or not, highways are authorities' biggest asset and must be maintained and for that asset valuation is key.

“The CIPFA report has great implications for funding. Most importantly it states the need for upfront investment. TAMPS produce scope for a lot of efficiency, but they need good inventory data and that needs Government pump funding and changes to accountancy rules. We have also needed local authority treasurers on side,” Lugg says.

Positive developments on condition monitoring come from the Roads Board's progression with SCANNER. Audits are showing good correlation between operators

and machines – of which there are now seven – and healthy competition is developing between them.

“There is important highway deterioration and backlog work still to come from use of the SCANNER data and debate is under way on development of a national condition index,” Lugg adds. “But for now, the work of CIPFA is further support for sustaining capital allocations for maintenance. A lot of authorities have suffered further reductions this financial year and it is a shame CIPFA's report comes too late for the Government's 2007 Spending Review, but influence on Government spending is now non anecdotal.”

To access the draft CIPFA report for consultation, click on ‘technical’ at www.cipfa.org.uk/pt/



Asset valuation is important for local authority accountants and engineers and needs additional Government support says CIPFA

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