

# THE NEW CIPFA CODE AND THE WORK OF HAMFIG



# How is the new Code being prepared?

- CIPFA wanted to work closely with practitioners, draw on their experience in developing/implementing existing guidance.
- HAMFIG (Highways Asset Management Financial Information Group) brings together representatives from some English regions and the Scottish and Welsh national projects, plus DfT and CIPFA.



# New Code 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 “valuation” guidance!



# Proposed timetable for the Code

- Issue draft for formal consultation in October.
- Consultation to mid-December. Want maximum stakeholder engagement –through workshops, conferences etc.
- Publish final Code next February.



# Informal consultation

Notes to come shortly on:

- Calculating GRC
- Proposed approaches to financial info on each main asset group
- Proposal to produce GRC new build rates centrally to address shortage of scheme data
- Proposed approach to land valuation



# Developing the methodology

- IFRS requires that significant components of assets with different lives should be identified and treated separately.
- Assets being broken down to level that supports good asset management and forward budgeting, ie identify the key replacements and other capital treatments needed to maintain.
- Also need to distinguish between finite and indefinite life components. Complex assets such as carriageways have both.

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# For finite life components

- Annual spending need/depreciation to be based on cost of replacing the component plus any interim capital expenditure needed to allow it to achieve its life.



# For “indefinite” life components

- Annual spending need/depreciation to be based on the cost of any capital treatments needed to maintain the component to the required standard over the life cycle.
- If a component does not normally require any treatment to maintain its life indefinitely, no depreciation applies to that component.
- Assumptions must be reviewed annually and adjusted as necessary.

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# Applying the principles to highways assets –

- Detailed methodologies will vary between asset types – and authorities will need to build up to them as data and systems improve.
- Code will therefore provide both developed approaches and some shorter term ones, especially for carriageways.
- But the following model sets out the principles for a developed approach for all asset types.



# Asset management requirements

Good asset management needs:-

- good financial info;
- good inventory data;
- good info on condition/deterioration;
- to be life cycle plan based;
- to be whole life cost based.

New approach to financial info/depreciation seeks to join these up.



# The basic long term model

For each component/group the starting point is a life cycle plan which includes:

- The expected life of the asset, or for indefinite life assets the life of the treatment cycle; and
- The timing, nature and cost of all the treatments needed to maintain the (current specified) service potential over its life.

The plan should be designed to optimise value over the cycle.

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# Model also needs

- Condition data/deterioration modelling to monitor assumptions and outcomes, particularly asset/treatment live assumptions;
- Cost info, based as far as possible on authorities **own** data;

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# Calculating annual spending need/depreciation

- for each asset/component this is calculated by dividing the cost of all the treatments/replacements in its plan by the number of years in the expected life cycle. These figures are then aggregated to produce total annual spending need/depreciation.

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# To sum up

- New approach is a bit more complicated than the existing CSS/TAG guidance.
- That was primarily designed to provide better info for financial reporting; provided some useful info about spending needs but didn't support detailed AM.
- New approach is designed first and foremost as a tool to support good asset management, financial planning and budgeting. But it should also satisfy accounting requirements.

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# Whole of Government Accounts

- 2008/9 - Pre-WGA voluntary data collection exercise this autumn – GRC only. Further details to follow.
- From 2009/10, HMT propose to implement a stepped programme of voluntary and mandatory data collection, leading to a full dry run (audited) in 2011/12 and formal reporting of highways assets on a DRC basis from 2012/13. Full details of proposals in autumn.



# Where can I find out more?

- For HAMFIG papers, workshop presentations, LA data and informal consultation material – [www.leics.gov.uk/amp](http://www.leics.gov.uk/amp)
- For CIPFA report, Implementation SG papers, and, in October, the draft Code – [www.cipfa.org.uk/pt/infrastructure](http://www.cipfa.org.uk/pt/infrastructure)

