8 Valuation

The Chartered Institute of Public Finance and Accountancy (CiPFA) published the Code of Practice on Highway Network Assets 2016 (replacing the Code of Practice on Transport Infrastructure Assets 2013), as a guidance document to support asset management, financial management and reporting. This Code is based on the principle that "*the same data should serve the needs of asset management, financial management, budgeting and financial reporting".* We have used the HNA Code to value our Highway Asset.

The key drivers for asset valuation are:

- To emphasise the need to preserve the highway infrastructure by placing a monetary value on highway infrastructure assets.
- To demonstrate asset stewardship by monitoring the asset value over time.
- To support Whole of Government Accounts and promote greater accountability, transparency and improved stewardship of public finances.
- To support highway asset management.

Financial Reporting

The Government requires local authorities to submit accounts on an annual basis. Previously, this has required submission of historic costs – what was spent in the last accounting period – for maintenance of the highway network. New regulations will require the reporting of assets on a Gross / Depreciated Replacement Cost basis.

There are three key valuation figures:

• *Gross Replacement Cost (GRC)*	Cost of replacing the asset (with a modern equivalent asset)
• *Annual Depreciation (AD)*	Cost of all capital treatments required to restore full service to the asset spread over the number of years considered in the lifecycle
• *Depreciated Replacement Cost (DRC)*	Gross Replacement Cost – total Depreciation (Represents the net current value of the asset.)

The Network Manager has been working with the Strategic Finance team to ensure that when the new accounting regulations come in to force, the value of the Highway Network Asset can be added easily to the County Council accounts. There will be a significant impact on the accounts, as the value of the network is in the order of 10 times larger than the whole of the rest of the Council's account.

Calculating Gross Replacement Cost and Depreciated Replacement Cost

The valuation is undertaken on an annual basis, using toolkits provided by CiPFA and the Highways Asset Management Financial Information Group (HAMFIG). For this, each of the core assets has been assigned a unit rate; these are based on replacement costs using centrally provided information, or locally generated rates. Rates for carriageways and structures have been provided centrally to ensure consistency nationally. Other rates have been generated from our local contract costs.

Sources of unit rates/values are shown in the table below.

Asset Type	Source of unit rate/value
Carriageways	*CIPFA*
Footways and cycle tracks	*Local rates*
Structures	*CIPFA*
Highway Lighting	*Local rates*
Street Furniture	*Local rates*
Traffic management systems	*Local Rates*
Drainage	*Local Rates*
Ancillary Assets	*Local Rates*

Based on these unit rates, the 2016 values for Gloucestershire's highway assets (which are broken down in to more detail in Appendix 3) are summarised below:

Group	Gross Replacement Cost (GRC £)	Depreciated Replacement Cost (DRC £)
Carriageways	4,907,148,524	4,902,942,000*
Footways and cycle tracks	648,290,000	515,400,160
Structures	558,268,376	375,129,818
Highway lighting	69,876,840	30,526,500
Street furniture	37,188,211	13,300,000
Traffic management systems (TMS)	37,090,661	9,270,700
Drainage	245,456,476	*
Ancillary assets	16,486,000	Not included
Total	**6,519,805,088**	**5,836,569,178**

*DRC for Drainage is included in Carriageway figure