

## AMS (HIGHWAYS) MODULE K – ASSET VALUATION

**What...** Asset valuation calculates the value of all the highway assets class that Lewisham owns. The value of Lewisham highway assets in 2013/14 was at £436 million, making this the most valuable single asset in the Council's portfolio.

**Why...** Lewisham calculates asset valuation primarily for WGA annual reporting purposes. However, the valuation process is also used internally for the following purposes to:

- Provide an indication of the annual change in condition of the assets in monetary terms – this illustrates improving or deteriorating condition in layman's terms.
- Calculate the annual depreciation of the assets, which represent the annual consumption of service benefits and provide a measure of what on average needs to be spent year-on-year to maintain the assets in a steady-state.
- Produce transparent information for stakeholders, on the authority's management of its highway assets.

It is likely that the WGA asset valuation will replace historic valuation on the Councils balance sheet in the near future.

**Who...** The responsibilities for the 'Asset Valuation' module lie with:

Statutory Duty	<b>Commercial &amp; Investment Delivery Manager/ Asset Strategy &amp; Technical Support Manager/SGM-Operational Asset Management Asset Manager</b>
Overall reporting	<b>Asset Manager</b>
Updating & reporting module	<b>Asset Compliance Manager</b>

**How...** Lewisham has adopted asset valuation. From 2014/15 reporting period this will be in line with the HM Treasury's Data Collection Tool (2014) and the CIPFA Transport Infrastructure Code, as required for WGA through the IFRS. This code entitled, *Transport Infrastructure Assets: Guidance to Support Asset Management, Financial Management and Reporting (2010)*, provides the methodology for asset valuation, whilst further supporting documentation issued by CIPFA provide tools to complete the valuation process.

**Reporting...** The valuation process used by Lewisham is calculated using the DRC method in line with the Code. This provides the current cost of replacing an asset with its modern equivalent, less deductions for all physical deterioration and impairment. The DRC calculation requires the GRC,

which is based on the cost of constructing an equivalent new asset. The difference between the GRC and DRC represents the cost of restoring the asset from its present condition to 'as new'. Lewisham presents this valuation process, the calculations, and assumptions annually in a valuation report. This is important for the Council as it forms the basis of audit.

Table K1 shows Lewisham's highway asset valuation figures for 2013/14, whilst Figure K2 and Figure K3 present the GRC and DRC asset valuation charts.

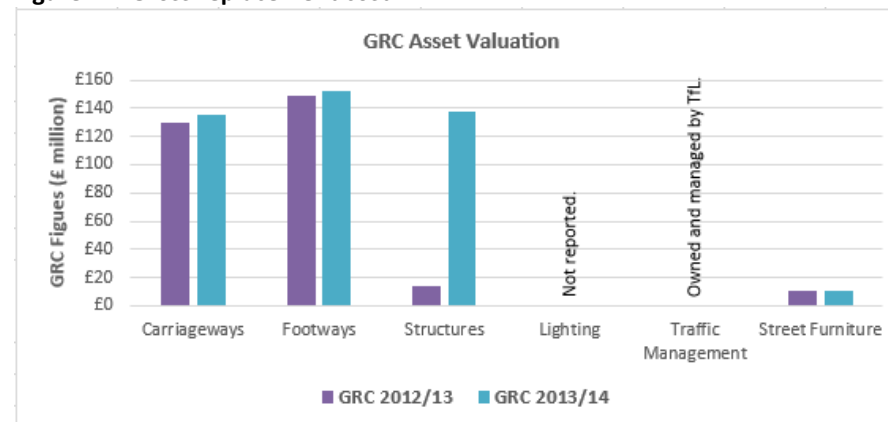
**Success Measures...** Beyond the WGA requirements, Lewisham will utilise valuation as one of a basket of measures, to track the condition of the highway assets. Knowing the change in value year-on-year will help Lewisham better understand how effective the planned maintenance regimes are at maintaining the condition and service potential of the assets. With this knowledge, Lewisham will be placed in a better position to present cost estimates for different levels of service, and to better understand the impact on the end user for those service levels. This will, in turn, build a robust business case to access funding to

ensure the highway network is fit for purpose and maintained as efficiently as possible.

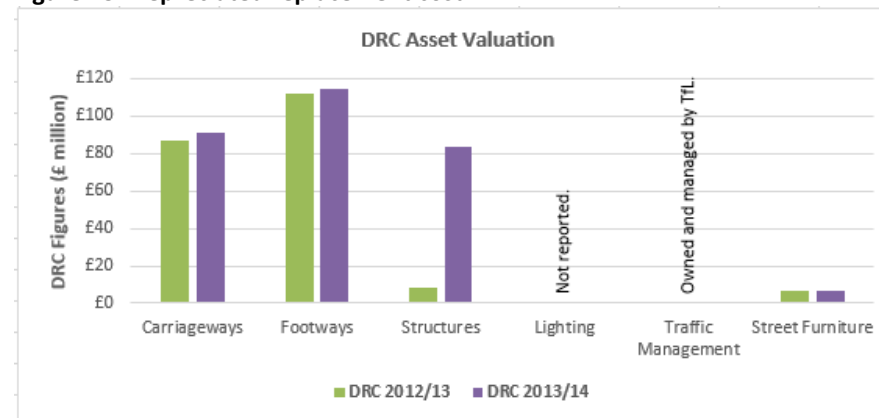
**Table K1: Asset valuation report figures for 2013/14.**

Asset Group	GRC (£'000)	DRC (£'000)	Depreciation	
			(£'000)	%
Carriageways	£135,499	£90,784	£44,715	33%
Footways	£152,156	114,117	£38,039	25%
Highway Structures	£137,700	£83,700	£54,000	39%
Street Lighting	Not reported.			
Traffic Management	Owned and managed by TfL.			
Street Furniture	£10,517	£7,046	£3,471	33%
Highway Land Area (m <sup>2</sup> )	Not reported.			
Gross Replacement Cost (GRC)	<b>£ 436 million</b>			
Depreciated Replacement Cost (DRC)	<b>£ 296 million</b>			
Depreciation	<b>32%</b>		<b>-£ 140 million</b>	

**Figure K2: Gross replacement cost.**



**Figure K3: Depreciated replacement cost.**



**Further Information:**

Code of Practice on Transport Infrastructure Assets, Dec 2013.

Whole of Government Accounts Guidance, HM Treasury.

