1. Welcome and introductions

PH provided a recap of the recommendations of the first meeting. These were:

- Recommend that the indicative maintenance block allocations for 2013/14 and 2014/15 are confirmed.
- Recommend that work is undertaken to assess the appropriateness and feasibility of moving to a new formula for allocating highways maintenance from 2015/16 based on an asset-value approach.

2. Emerging issues and formula design

PH described the work that had been undertaken since the last meeting to establish the feasibility of an asset-value approach. It was explained that readiness for the Whole of Government Accounts was a crucial factor.

MB and JH provided an update on the WGA and future milestones. It was emphasised that local authorities are required to provide full information on their highway asset for the 2012-13. It was ascertained that if asset-value based formula were to be implemented from 2015/16, then this would require data from the 2012-13 WGA.

The discussion turned to the issue of local authority readiness to provide WGA data. CAS expected all local authorities to have provided Gross Replacement Cost (GRC) data by 2012-13. There were concerns, however, about the availability Depreciated Replacement Cost (DRC) data for some asset types by this time.
The Group agreed that if an asset value-based approach were to be pursued, it may be appropriate to phase in the requirement, perhaps using GRC in the early years and, as data becomes more available, using annual depreciation.

The Group discussed the different types of highway asset data collected through WGA. It was questioned whether non-depreciable assets should feature in any new formula, because their inclusion could distort funding distribution. It was decided that more work should be undertaken to test this.

There was discussion around what a new formula might look like. It was explained that three types of data could be used: GRC, DRC or annual depreciation. In terms of annual depreciation, it was identified that a number of datasets would be needed to ascertain this, including: asset inventory data, road length data, a generic cost sets, generic lifecycle plans and any appropriate regional weighting factors.

There was concern that many of these datasets are not currently collected or readily available and, as such, would require considerable additional work and alterations to data collection methods, before it could be implemented. There was concern that this could create additional burdens and over-complicate the formula by introducing too many assumptions.

There was also discussion about the need to communicate the importance of asset management and WGA reporting. It was explained that this is something that is due to be discussed at February’s PISG.

The Group agreed that some initial testing of WGA data should be undertaken to improve understanding around the suitability of WGA data and highlight potential distributional impacts.

The Group identified the following actions

- **Undertake high level testing of WGA 2010-11 data and circulate to the Group**

- **Investigate the role of non-depreciable assets on the highway asset as a whole (i.e. what impact would there be if they are excluded from any future formula)**

- **Investigate what changes would be required to the ‘L Pack’ if a formula based on annual depreciation was pursued**

3. Date of next meeting

To be confirmed.
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<td>Investigate what changes would be required to the ‘L Pack’ if annual depreciation approach were pursued</td>
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