



**Disclosure of Low Emission Zones (LEZ) cost
and revenues within the financial
statements**

August 2024

Low Emission Zones (LEZ) - Scotland

Accounting and Financial Reporting Disclosures:

Purpose of guidance

LASAAC has issued this guidance to set out proper accounting practice for disclosing information on Low Emission Zone (LEZ) schemes with effect from 2023/24.

For the 2023/24 financial year, this guidance is voluntary for councils to implement recognising the stage at which councils will have already progressed their financial reporting for 2023/24.

LASAAC is minded to make this guidance mandatory from 2024/25 and will issue an update on this in time for the preparation of the 2024/25 financial statements.

General Background:

1. LEZ schemes are relevant to the cities of Edinburgh, Glasgow, Aberdeen, and Dundee. City of Glasgow Council started to charge residents from 1 June 2023. Edinburgh, Aberdeen, and Dundee will start charging from 1 June 2024.

Statutory requirements

The Transport (Scotland) Act 2019 - extract

28 Accounts

- (1) *The Scottish Ministers may by regulations make provision for or about the keeping of accounts by local authorities in connection with their functions under this Part.*
- (2) *Regulations under subsection (1) may, in particular—*
 - (a) *specify the form of the accounts,*
 - (b) *require the publication of a statement of account, and specify the manner in which it must be published,*
 - (c) *make provision about what may, or must, be done jointly where a low emission zone scheme is made jointly.*

The Low Emission Zones (Scotland) Regulations 2021 were issued under the Act and came into force on 31 May 2021 to provide for the creation and operation of an LEZ scheme.

In Part 5, Regulation 21 requires local authorities to keep accounts regarding the operation of schemes. A local authority operating a scheme is required to:

- keep proper accounts as required by proper accounting practices showing the costs of proposing, making, and operating the scheme and how the gross and net revenue of the scheme is calculated
- prepare a statement of account as is required by proper accounting practices and publish it in both the annual accounts of the authority and the annual report on the operation and effectiveness of the scheme required by section 29 of the 2019 Act.

A specific requirement was added to the Code of Practice on Local Authority Accounting in the UK 23/24 at paragraph 3.4.5.4 for local authorities in Scotland to produce statements of account required under Regulation 21.

Disclosures within Local Authority Accounts:

The regulations and the accounting code require a statement of account for the LEZ scheme to be included in the relevant local authority's annual accounts. LASAAC has considered this requirement and considers that a proportionate approach is for the statement of accounts to take the form of a disclosure note to the financial statements.

The statement of accounts is required to disclose the revenue generated by the LEZ scheme. For those local authorities that did not commence charging until 1 June 2024, there is not expected to be any revenue to disclose in the 2023/24 financial statements. However, authorities should disclose an explanation of why that is the case.

The statement of accounts is required to disclose the costs of making and operating the scheme. It is also required to disclose costs incurred in proposing the scheme. Although for most councils there may not be any revenue until 2024/25, set up costs incurred between 1 April 2023 and 31 March 2024 require to be disclosed in the 2023/24 financial statements. In addition, any such costs incurred before 1 April 2023 should be disclosed in a prior year comparative column in the 2023/24 financial statements.

As this is a statutory requirement, the normal discretion to not make the disclosure on the grounds of the amounts not being material is not available. Consequently, amounts require to be disclosed regardless of whether they are considered material.

Contents and Principles for disclosure:

The disclosure narrative should support a clear understanding of the income generated and costs associated with running the scheme. Optionally, it may refer to the environmental impact that the scheme is having. This would be optional in the LEZ disclosure as this information would be more suitably contained within any disclosures on sustainability and climate reporting generally.

The disclosure note should provide information on the supporting legislative requirements for the scheme in overview form, including what revenues are raised and how they are utilised by the authority.

A summary statement of account should include, but not be limited to, for the current and prior year:

LEZ summary statement of account	£	£
Revenue from fines and charges	_____	_____
Costs to administer the LEZ	_____	_____
Net Surplus/(Deficit)	_____	_____

Disclosures within annual report

The Regulations also require the statement of account to be included in a separate annual report on the operation and effectiveness of the scheme required by section 29 of the 2019 Act.

Local authorities should include disclosures in the section 29 annual report that are identical to those disclosed in the note to the financial statements.

Audit of the statement of account

Auditors will audit the statement of account disclosed in the financial statements as part of the overall audit of those financial statements. There are no separate audit arrangements. The disclosure will therefore be covered by the audit opinion on each local authority's financial statements. As it is a statutory disclosure, any misstatement or omission would be considered material.

Councils should demonstrate to their auditors that the disclosure of the statement of accounts in the section 29 annual report is identical to the disclosure in the notes to the financial statements.