REPORT TO THE FINAL ACCOUNTS AND AUDIT COMMITTEE	Report No. 10
Date of Meeting	**9 March 2009**
Title of Report	**Accounting Policies**
Link to Corporate Priorities	
Public Report	Yes

Summary of Report

This report seeks approval for Accounting Policies adopted for the financial year 2008/09.

The Committee is also requested to recommend that the Executive delegate to the Section 151 Officer the power to make accounting policies subject to any financial implication arising from a change of policy being considered first by the Committee.

Officer Recommendations

That the policies set out in the Annexe to this report are approved for the financial year 2008/09.

Other than those implications agreed with the relevant Officers and referred to below, there are no other implications associated with this report.

Financial Implications	Legal Implications	Community & Environmental Implications	Human Resources Implications	Equality & Diversity Implications
Yes	None	None	None	None

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1. Introduction

1.1 The Statement of Recommended Accounting Practice (SORP) for local authorities requires each local authority to adopt accounting policies that set principles for recording financial transactions within the Council's accounts.

1.2 The SORP is, in effect, a legal requirement as it is recognised in Government legislation as "Proper accounting practice".

1.3 The SORP requires that polices are set within UK accounting standards but otherwise they may reflect matters appropriate to an authority's circumstances.

1.4 The policies proposed for North Wiltshire are based upon guidance issued by the Chartered Institute of Public Finance and Accountancy and take account of local circumstances.

1.5 It is also a requirement that accounting policies are reviewed each year, and the opportunity has been taken therefore to prepare a new policy statement despite the fact that 2008/09 will be the final year that a separate set of final accounts will be prepared for North Wiltshire DC. This is attached as an Annexe. The new policy statement does not propose significant changes to existing policies, but the format has been significantly revised to provide greater clarity.

2. Contents of the Policy Statement

2.1 The SORP requires that the following information is included in a policy statement.

- Any departures from fundamental accounting principles
- Accounting conventions adopted. For example, historic cost for assessment of community asset values.
- Estimation techniques. Any changes to previous accounting policies.

2.2 The disclosed policies are those which are fundamental to the understanding of the Statement of Accounts. The matters covered in the proposed policy statement have a significant impact on the way the accounts are prepared and are those commonly adopted by other local authorities.

2.3 There are no departures from fundamental accounting principles in the North Wiltshire accounts.

2.4 The following changes have been made to accounting policies adopted last year:

- o The percentage of outstanding debt for both council tax and non-domestic rates which are to be set aside as a provision for bad debt has been revised.

- o The de minimis threshold for capital assets has risen from £1,000 to £10,000.

- o The de minimis threshold for accruals has increased from £250 to £500.

3 Policies

3.1 The statement includes policies on all the keys accounting matters that affect the figures and disclosures in the statements.

3.2 Under the heading “Accruals” the policies set out the approach to the main heads of expenditure and income to ensure all costs and income are taken into account that relate to the twelve month period between 1st April 2008 and 31st March 2009. It is important to ensure the accounts “present fairly” what the Council has spent in the year on the various services it provides. There is no requirement for the accounts to be accurate to the last £1. It is worth noting, for example, that the materiality threshold for North Wiltshire DC in 2007/08 was £1.1million. Some estimation is acceptable so long as the outcome does not distort the statements for each service.

3.3 Support and departmental service overheads have to be apportioned across services to reflect the true cost of services. It is a requirement that such charges are “transparent”, in other words they provide sufficient information for users to take a view about their acceptability. The resulting ‘Total Cost’ for the services then needs to be categorised within the Council’s Income and Expenditure Account according to the Best Value Accounting Code of Practice (BVACOP), which this Council seeks to comply with.

3.4 Last year, the Council’s external auditors recommended that we review our approach to disclosing intangible assets. Having done so, it is clear that there is some merit in making changes to the existing accounting treatment. It has therefore been agreed that the acquisition of intangible assets will be included in the 2008/09 accounts. However, prior year adjustments have been omitted in order to maintain consistency with previous years’ policies.

3.5 The Council’s approach to has changed over the years and is now consistent with the advice given in the SORP, with the possible exception of intangible assets. The value of each of these assets is reviewed every three years, in-line with proper practice. However, it is worth noting that the Council’s external auditors have asked for Monkton Park offices to be re-valued, even though these were valued in 2007/08.

3.6 Finally, while there have been few changes in the 2008 SORP, which provides the framework for the 2008/09 accounts, there will be significant changes in the 2009 SORP. Next year’s SORP will introduce International Financial Reporting Standards (IFRS) into local government accounting. While the implementation of the reporting mechanisms for IFRS is the responsibility of the new Wiltshire Council, it should be noted that the 2008/09 accounts will need to be re-cast in order to provide comparable opening balances when the 2009/10 accounts are produced.

4. Delegated Powers

4.1 The power to determine appropriate policies involves technical rather than policy judgements although accounting policies can have important financial implications. Examples are the fixing of depreciation periods on the property revaluation reserve and interest rates used for interest earnings on balances held.

4.2 It is requested that the power to make and approve accounting policies be delegated to the Section 151 Officer with a requirement that any proposed new policies that have financial implications be reported to the Final Accounts and Audit Committee for approval.

5. Background Information

5.1. The policies have been reviewed taking account of the comments of the external auditor in his report on the accounts for 2007/08. The review has also considered the policies adopted by other local authorities to help determine the appropriate policies for North Wiltshire taking account of local circumstances.

6. Implications

6.1. Adoption of the policies set out will set the scene for the production of the Council's accounts for 2008/09.

7. Risk Analysis

7.1. The Council cannot complete its accounts satisfactorily for audit and publication without approved accounting policies.

Appendices:	• **Statement of Accounting Policies**
Background Documents Used in the Preparation of this Report:	• Statement of Recommended Practice for local authority accounting. • External auditors report 2007/08 accounts • Accounting policies 2007/08. • Statements of account from various other local authorities.

Previous Decisions Connected with this Report

Report	**Committee & Date**	**Minute Reference**

Appendix

Summary of Proposed Accounting Policies

Introduction

The accounts have been prepared in accordance with the 'Chartered Institute of Public Finance and Accountancy' Code of Practice on Local Authority Accounting in the United Kingdom 2008 – A Statement of Recommended Practice (SORP). The Code is a statement of "proper accounting practice" with which local authorities in England and Wales must comply in preparing financial statements in accordance with sections 41 and 42 of the Local Government and Housing Act 1989 and section 21 of the Local Government Act 2003.

The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets. The accounting policies and estimation techniques applied have been selected and exercised having regard to the accounting principles and policies set out in FRS 18 (Accounting Policies) relating to:

- The quantitative characteristics of financial information:
  relevance, (ii) reliability, (iii) comparability and (iv) understandability.

- Pervasive accounting concepts:
  accruals, (ii) going concern, (iii) primacy of legislative requirements.

Debtors and Creditors

The accounts of the Council are maintained on an accruals basis. That is, sums due to or from the Council for the appropriate financial year are included in the accounts whether or not the cash has actually been received or paid in that year.

In particular:

- Fees, charges and rents due from customers are accounted for as income at the date the council provides the relevant goods or services.

- Supplies are recorded as expenditure when they are consumed

- Interest receivable in investments is accounted for in the year to which it relates, rather than when it is actually received

The main exception to this is the Cash Flow Statement, which is based upon cash movements. Other exceptions to this principle are electricity and similar quarterly payments which are charged in the revenue accounts at the date of meter reading rather than being apportioned between financial years. Similarly annual services paid by a single payment are debited or credited based on the renewal date. The effect of these exceptions is not considered material.

Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is included in the accounts. A "de minimis" figure of **£500** has been set for all amounts to be accrued.

Provisions and Reserves

Provisions are established for any definite liability but where the timing or cost is unknown. Provisions are charged to the appropriate service revenue account in the year that the authority becomes aware of the obligation. Provisions for doubtful debts are shown in the Balance Sheet as a reduction to debtors rather than under this heading.

Money prudently held as a general sum against future needs is classed as a reserve and payments to it do not count as service expenditure. Money held in reserve is transferred back to revenue to meet needs as they arise.

The Council sets aside amounts as reserves for future policy purposes or to cover contingencies. There are two types of revenue reserves:

- A General Fund Balance maintained for general rather than specific, future expenditure, which is held in order to be prudent and the only intended use of this balance would be in the case of unexpected expenditure, income loss or budget overspend;

- Earmarked Reserves, which are maintained for specific purposes that do not fall within the definition of provisions. The expenditure, or income, charged to these reserves is included in the Income and Expenditure Account, with a contribution to or from reserves included in the Statement of Movement on the General Fund Balance.

Part IV of the Local Government and Housing Act 1989, dealing with the control of local authority capital expenditure and finance, requires local authorities to provide for credit liabilities arising from capital commitments, including the redemption of loan debt. A minimum annual provision has to be made from the revenue account to cover this cost, unless particular conditions are met.

Pensions

The pension scheme offered by the Authority is a Defined Benefit Scheme and is administered by Wiltshire Council. The Financial Statements have been compiled in accordance with the standard set down by the Accounting Bodies (FRS 17 'Retirement Benefits'). FRS 17 requires that an organisation should account for retirement benefits when it is committed to give them, even if the actual giving will be many years in the future.

Costs have been determined on the basis of contribution rates that are set to meet 100% of the liabilities of the Pension Fund, in accordance with relevant Government regulations. As a result, the County Council does not comply with the accounting requirements of UK GAAP in accounting for pension costs, and the liabilities included within the balance sheet are understated in respect of pension costs. However, in accordance with standard accounting practice, the additional costs that it would then have been necessary to provide for in the accounts for the period, using UK GAAP, are disclosed by way of a note to the accounts.

The liabilities on the pension scheme attributable to the council are included in the balance sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc. and projections of projected earnings of current employees.

Liabilities are discounted to their value at current prices, using a discount rate to be determined by the actuaries, which is based on the indicative rate of return on high quality corporate bonds (iboxx Sterling Corporates Index, AA over 15 years)

Assets are valued as follows:
- Quoted securities – mid-market value
- Unquoted securities – professional estimate
- Unitised securities – average of bid and offer rates
- Property – market value

The net pensions liability is analysed into:

- Current service cost – the increase resulting from service earned this year and charged to the relevant service
- Past service cost – the increase resulting from current year decisions but relates to service earned in previous years and charged to Non Distributed Costs
- Interest cost – the expected increase as it moves one year closer to being paid and charged to Net Operating Expenditure
- Expected return on assets – the annual investment return on assets, based on an average of the expected long-term return and credited to Net Operating Expenditure
- Gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or the accrual of benefits of employees and charged or credited to Non Distributed Costs
- Actuarial gains and losses – changes that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuary has updated his assumptions and are charged or credited to the Statement of Total Recognised Gains and Losses
- Contributions paid into the fund – cash paid as employers contributions to the fund

A complete set of accounts and details of its nature, investment performance and actuarial position are reported separately in the Wiltshire Pension Fund Annual Report.

VAT

Only irrecoverable VAT is included in revenue or capital expenditure.

Cost of Support Services

Support Services are units that mainly provide services that support the general working of the Council rather than providing direct services to the public. Support service and departmental overhead costs have been fully recharged to operational units providing direct services. Charges are based upon time allocations, floor areas and actual usage.

- Apportionable central overheads include all those central support service costs such as finance, internal audit, human resources, IT, Legal etc. Their costs are therefore included within the operational service costs.

- Non-distributed costs are excluded from apportionable overheads. Instead, they are treated as a separate category comprising:
    - Past service (pension) costs
    - Settlements (pension cost)
    - Curtailments (pension cost)
    - The cost associated with any unused shares of IT facilities
    - The costs of shares of other long-term unused but unrealisable assets.

The Corporate and Democratic Core is identified as a separate service, in accordance with CIPFA recommendations. This relates to costs that arise from the operation of the Council as a multifunctional authority, which are not directly attributable to any one service.

Fixed Assets and Depreciation

Tangible Fixed Assets are defined as expenditure on the acquisition of, or enhancement to, the value of tangible assets that yield benefits to the Council for more than one year. Non-operational assets are those fixed assets held by the Council but not directly occupied, used or consumed in the delivery of services. Within this category, the Council includes commercial and investment properties and assets in the course of development. Investment properties are defined as an interest in land and/or buildings, which are held for their investment potential.

Intangible fixed assets are defined by FRS10 as "non-financial assets that do not have physical substance but are identifiable and are controlled by the entity through custody or legal rights." The SORP requires intangible fixed assets to be amortised to the revenue account over their economic lives. For most Local Authorities there are three main classes of intangible assets:

- Purchased software licences
- Licences, Trademarks and artistic originals
- Patents

All expenditure on the creation, or enhancement, of fixed assets is subject to a lower threshold level of £10,000, and is capitalised on an accruals basis.

All of the Council's major tangible assets are included and have been properly valued by a professional valuer as detailed below. Fixed assets were originally valued on 1 April 1994 and since then have been re-valued on a **three year** rolling programme. Property asset values in the accounts reflect revaluation as at 31st March 2009.

Assets have been valued on the following bases:

Operational Assets:

- *Land and Buildings* – the lower of net current replacement cost or net realisable value in existing use

- *Vehicles, Plant, Furniture and Equipment* - the lower of net current replacement cost or net realisable value in existing use

- *Infrastructure and community assets* – historic cost

Non operational assets:

- *Investment Properties* – the lower of net current replacement cost or net realisable value in existing use

Depreciation is provided for on all assets with a determinable finite life, by allocating the value of the asset in the balance sheet over the periods expected to benefit from their use. In these accounts, depreciation is calculated on a straight-line value over the life of the asset. All assets, with the exception of land, have been depreciated in these accounts.

Depreciation & Amortisation has been applied in these accounts on the following basis:

- Other Land and Buildings. Garages and Buildings are depreciated on a straight line basis over the useful life of the asset (50 years). Land is not depreciated.
- Vehicles, Plant etc. These are depreciated on a straight line basis over 5 years.
- Community Assets, Assets Under Construction and Non Operational Assets. These are not depreciated.
- Intangible Assets are amortised on a straight line basis over 5 years.

Impairment

Assets that have reduced in value because of a change in condition such as general dilapidation, or an unusual event such as a fire, will be shown to have suffered an impairment loss in the balance sheet. This is charged to the Income and Expenditure Account. It may be reversed in a subsequent year when the asset has been restored.

Disposals

Gains and losses on the disposal of fixed assets are recognised in the Income and Expenditure Accounts. This is a change from the policy applicable last year following a change to the Statement of Recommended Practice

Capital Programme

New capital projects are treated as work in progress until they are formally handed over to the service as completed and ready for use. At completion the new asset is recorded in the Council's asset register unless no value has been added.

Leasing/Rental of Land and Buildings

All property leases are of short duration and do not give rise to the creation of a capital asset under accounting standards. Lease/rental costs are charged to the revenue budget in the year to which they relate.

Capital Charges

Depreciation charges are made to all service revenue accounts and central support service accounts with respect to asset usage except for freehold land and assets under construction.

Details of the Valuer Used

North Wiltshire District Council uses Gerald Harford of Humberts, King's Head House, 35 Market Place, Chippenham.

Capital Receipts

Income received above £10,000 from disposal of a fixed asset is called a capital receipt. It is held in the **capital receipts unapplied** account until either used to buy new assets or repay debt. The General Fund or the Housing Revenue Account, as appropriate, receives interest on the balance. Legislation requires a percentage of capital receipts to be set aside against outstanding debt unless the Council is debt-free. This appears in the balance sheet within the Capital Adjustment Account.

A proportion of receipts relating to housing disposals is payable to the government as part of the pooling scheme. All receipts that are not used to finance capital expenditure shall be used to offset the funding shortfall in the Wiltshire Pension Fund, as agreed with the Department for Communities and Local Government.

Where capital grants and contributions are received these are written down (credited) to the Income and Expenditure Account in the year. A corresponding charge is made through the Statement of Movement on the General Fund Balance to ensure that there is no impact on the level of Council Tax.

Charging Revenue for Capital Development

Part IV of the Local Government and Housing Act 1989, dealing with the control of local authority capital expenditure and finance, requires local authorities to provide for credit liabilities arising from capital commitments, including the redemption of loan debt. The law requires that where a Council borrows to fund capital development, as measured by its Capital Financing Requirement, it should charge to its revenue account a minimum level of principal repayment that equals 4% of unfinanced expenditure. This charge is called the 'Minimum Revenue Provision'. Generally, the Council does not borrow to fund capital expenditure and therefore, under normal circumstances, the Council does not need to make a minimum revenue provision.

Deferred Charges

The accounting treatment of what were formally known as deferred charges has now changed. Deferred Charges were capital payments that do not create fixed assets for the council, such as improvement grants for houses in private ownership or miscellaneous capital grants to third parties. These are now treated as **Revenue Expenditure Funded from Capital under Statute**.

Leasing

While North Wiltshire generally does not finance acquisitions through leasing arrangements, and acquisitions through operating leases would be charged to the Revenue Account on a straight-line basis over the term of the lease. Any assets acquired on a finance lease would be included as fixed assets on the balance sheet along with the outstanding future liability. The liability is written down in accordance with SSAP21 and the associated guidance issued.

Operating Leases are those leases in which the lessor retains most of the risks and rewards of ownership of the asset. The assets acquired through operating leases do not appear in the Council's balance sheet, as the Council does not own them. The leasing payments are charged directly to the service having use of the asset.

Property lease rentals are charged directly to service revenue accounts.

Investments

The introduction of the 2007 SORP saw a change in the accounting treatment of investments, which was dependant on their classification. The investments held by North Wiltshire are classified as financial assets and may be recognised as either ‘loans and receivables’ or ‘fair value through profit and loss’.

- Loans and receivables – investments that have fixed or determinable payments but are not quoted in an active market. These are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure account are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

- Fair value through profit or loss – forward contracts to purchase investments carried at fair value based on the trade date. At the settlement date the delivery will be treated as loans and receivables and any difference between its fair value and the consideration paid is the gain or loss on the forward contract. If the forward contract is still open at the balance sheet date it will be included as an asset or liability and any gain or loss taken to the Income and Expenditure Account.

Stocks and Work in Progress

Stocks are generally valued at the **lower of cost or net realisable value** in accordance with the Code of Practice and Statement of Standard Accounting Practice 9 (SSAP 9). An average or standard cost is applied to calculate the cost.

Work in progress, where the actual or estimated valuation of a job exceeds, £5,000, is taken into the accounts at cost. Adjustments are made for attributable profits less any foreseeable losses and any payments received or receivable.

Grants and Contributions

All revenue grants have been credited to the accounts for the period to which they relate in accordance with SSAP4. They are matched in the service revenue accounts with the expenditure to which they relate.

SSAP 4 also requires that grants in respect of capital expenditure be credited to the revenue account over the useful life of the assets financed by those grants. Grants used to finance depreciable tangible assets since 1 April 1994 have been treated in accordance with SSAP 4.

Capital grants applied to finance capital expenditure that will be incurred wholly or partly in the future will be treated as receipts in advance and held as government grants unapplied. They are then credited to the Government Grants Deferred account once the asset has been completed and is in use by the service. Amounts are released from this account to offset any depreciation on assets.

Where the capital grant cannot be directly attributed to a specific asset, the grant is written off in full to the Service Revenue Account, in the year of receipt.

Internal Interest

Surplus monies arising from capital and revenue transactions may be utilised in lieu of borrowing from external sources. Memorandum interest on the average level of this internal borrowing is calculated by using the Bank of England Average Base Rate to enable average borrowing to be calculated for the year.

Where we hold funds involving third parties, interest is credited to the relevant fund at a rate based on the average seven-day rate at which the Council would normally borrow money.

Bad Debt Provision

The Council makes a provision for those debts it anticipates may be difficult or impossible to collect. The provision is assessed following an examination of all debts outstanding taking account of the nature and age of the debt and any arrangements for recovery.

The current policy on assessing bad debt provision has historically delivered a provision which far exceeds the Council's actual write-off requirements. Therefore, in order to make prudent provision, while bringing levels more in line with expected write offs, both the housing benefit and council tax provision calculations have been amended as follows:

Housing Benefit: 50% for 2008/09, 75% for 2007/08, 90% for 2006/07, 100% for previous years
Council Tax: 7% for 2008/09, 15% for 2007/08, 20% for 2006/07, 50% for 2005/06, 100% for previous years.

A provision will be made for Sundry Debtor debts based upon a thorough review of all outstanding debts, on the basis of:

- 100% for any debt outstanding for more than one year
- 50% for all debts outstanding for more than six months but less than one year if there is no clear information relating to recovery,
- 5% for all other debts, reflecting the likelihood that some debts will not be collected.

No provision should be made for Government Grant debtors or any debt where legal action indicates repayment will be forthcoming or any debt in a Council owned ‘businesses’. Debts owed by Council businesses are not considered debts but inter-departmental transactions.

Contingent Liabilities

No provision is made in the accounts for contingent assets or contingent liabilities where it is not practicable to estimate the amount involved or if there is considerable uncertainty over the possible outcome. However, where the amounts are likely to be material, the nature of the contingency is disclosed in a note to the accounts.

Post Balance Sheet Events

Post Balance Sheet Events are defined as those events that occur between the balance sheet date and the date on which the accounts are approved by the authority (by the end of June). There are two different types of event. Adjusting events are those that provide additional evidence of conditions existing at the balance sheet date. Non-adjusting are those events that concern conditions that did not exist at the balance sheet date.

Prior Year Adjustments

Exceptional items are included in the cost of the service to which they relate unless they are so material that fairer representation of the accounts is given by separate disclosure.

Extraordinary items are included on the face of the consolidated revenue account.

Prior year adjustments occur where a change in the financial statements or an accounting policy affects the amounts included in the statements. If this occurs, then the comparative figures for prior years will be restated on a similar basis. Where it is not possible to restate the prior year then a note to this effect, together with any information that may help comparison, will be included.

These items are also disclosed in a note to the consolidated revenue account.

Going Concern

This Council along with Wiltshire County Council and the three other district councils are to be abolished on 31 March 2009 and all their duties and responsibilities transferred to a new unitary authority, which will come into being on 1 April 2009. The financial statements have been compiled on a going concern basis as all functions will transfer at that date and it will be for the new authority to decide on any changes to services.

Group Accounts

The Council does not have material interests in subsidiary or associated companies or joint ventures.

Commercial Properties

The Council's commercial property estate has been classified as a trading undertaking rather than an economic development activity.

Non-Compliance with Code of Practice

For operational reasons, the accounts do not fully comply with the Code of Practice on minor points. The main non-compliance is in relation to debtors and creditors. Whilst the accounts are maintained on an accruals basis i.e. all sums due to or from the Council are included whether or not the cash has actually been received or paid in the year, exceptions are made for quarterly utilities payments based on meter reading dates. Salaries and wages appear on a cash basis. Since these policies are applied consistently year on year, they have no material effect on any one year's accounts.

Excess Charge Payments

Amounts owed on car parking excess charges are not part of the main accounting system. They are not consolidated into the accounts. The effect of this is not material.

Foreign Currency Translation

Income and expenditure arising from transactions denominated in a foreign currency is translated into £ sterling at the exchange rate in operation on the date on which the transaction occurred.

Any profit or loss arising on currency transactions will be reflected in the balance sheet, either as a realised or unrealised profit or loss.

Financial Instruments

The accounts comply with FRS 25, 26 and 29 which require the disclosure of the Council's financial instruments, including trade creditors and borrowings, as well as bank deposits, trade debtors and investments. The risks associated with these instruments are outlined in the notes to the accounts.

PFI Contracts

The Council has entered into a long-term contract for the provision and management of Monkton Park Offices. This contract is for a period of 25 years. As part of the contract the Council transferred ownership of three offices to the contractor at a value of £1.05m. This has been treated as a long-term debtor in the accounts that will be amortised over the 25 year life of the contract.

The new offices are treated as an asset of the Council. This is offset by the money owed to the contractor under the 25 year agreement. It appears as a long term creditor in the Council's balance sheet.

Endowment and Trust Funds

North Wiltshire District Council does not administer any such funds.

Contingent Liabilities

North Wiltshire DC has accounted for its contingent liabilities as a note to the accounts, in accordance with FRS 12.

Investment in Icelandic Banks

North Wiltshire DC has investments with Icelandic Banks. These will be treated in accordance with LAAP 78.