Annex A

27 Duty to make revenue provision

(1) During the financial year beginning on 1st April 2004 and every subsequent financial year, a local authority—

(a) shall charge to a revenue account a minimum amount ("minimum revenue provision") for that financial year in respect of the financing of all capital expenditure, subject to paragraphs (3) and (4), incurred by the local authority in that year or any financial year prior to that year; and

(b) may charge to a revenue account any amount in addition to the minimum revenue provision, in respect of the financing of any capital expenditure incurred by the local authority in that year or any financial year prior to that year.

(2) During the financial year beginning on 1st April 2004 and every subsequent financial year, a parish council or charter trustees may charge to a revenue account any amount in respect of the financing of capital expenditure incurred by the parish council or the charter trustees, as the case may be, in that year.

(3) Where a local authority acquires a capital asset during a financial year, the authority may delay the financing of any capital expenditure in respect of that asset, in accordance with proper practices, until the later of;

a. the following financial year; or
b. the financial year in which the asset first becomes operational.

(4) A local authority may choose not to charge minimum revenue provision, during a financial year, in respect of the financing of a loan given by that authority to any person, where;

a. the loan is treated as capital expenditure in accordance with regulation 25(1)(b);
b. the loan is not a commercial loan; and
c. the local authority has not incurred any expected or actual loss in respect of that loan, recognised under proper practices, during that financial year.

(5) In this regulation—

"a commercial loan" is a loan given by a local authority, towards expenditure which would, if incurred by the authority, be an investment for commercial purposes; and

"an investment for commercial purposes" is an investment made wholly or primarily in order to generate financial return.

[28 Determination of minimum revenue provision]

(1) [A local authority shall determine for the current financial year an amount of minimum revenue provision which it considers to be prudent.]

(2) Where a local authority incurs loss, or expects to incur loss, during a financial year in relation to a loan given by that authority to any person, the local authority must, subject to paragraph (3), charge to a revenue account a sum equal to the amount of that loss, as recognised under proper practices, in that financial year.

(3) Where the authority has charged minimum revenue provision in respect of the financing of that loan in that year or any financial year prior to that year, notwithstanding regulation 27(4), the authority may reduce the amount determined in accordance with paragraph (2) by the amount of minimum revenue provision charged in respect of the financing of that loan in that year or any financial year prior to that year.

(4) Subject to paragraphs (5) and (6), a local authority must not reduce its determination of what would otherwise be a prudent amount by the value of any capital receipts used or to be used by the authority in accordance with regulation 23 in the financial year to which the determination relates.

(5) Where paragraph (7)(a) applies, the authority may reduce its determination of what would otherwise be a prudent amount, in respect of the financing of that loan, by an amount up to the amount of the capital receipts received in respect of that loan during that financial year.

(6) Where paragraph (7)(b) applies, the authority may reduce its determination of what would otherwise be a prudent amount, in respect of the financing of the capital asset to which the lease arrangement relates, by an amount up to the amount of the capital receipts received under that arrangement during that financial year.

(7) This paragraph applies where;

a. a local authority;
   I. has incurred expenditure through the giving of a loan which is treated as being capital expenditure under regulation 25(1)(b);
   II. has received loan repayments in respect of that loan during that financial year, which are treated as capital receipts in accordance with regulation 7(2); and
   III. has charged minimum revenue provision in respect of the financing of that loan, notwithstanding regulation 27(4); or

b. a local authority;
   i. has received sums during that financial year under an arrangement which is treated, in accordance with proper practices, as a finance lease; and
   ii. those sums are not prevented from being treated as capital receipts by regulation 11.