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STATUTORY INSTRUMENTS

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**2007 No. 573**

**The Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2007**

**Revenue provision**

**3.—(1)** For regulation 28 of the Principal Regulations (calculation of minimum revenue provision)(1), substitute—

**“Calculation of minimum revenue provision**

**28.—(1)** Subject to paragraphs (3) and (9) and to regulation 29, where a local authority’s preceding CFR, taking into account any reductions made in accordance with paragraphs (4) and (8), is an amount greater than nil, the minimum revenue provision calculated by the authority for the current financial year shall be four per cent of that amount.

(2) Where a local authority’s preceding CFR, taking into account any reductions made in accordance with paragraphs (4) and (8), is nil or a negative amount, its minimum revenue provision for the current financial year shall be nil.

(3) Where the amount calculated by the local authority as its minimum revenue provision for the current financial year, taking into account any reductions made in accordance with paragraph (9) and regulation 29, is nil or a negative amount, the minimum revenue provision for the current financial year shall be nil.

(4) The local authority shall treat its preceding CFR as reduced, for the purposes of calculating the amount of its minimum revenue provision for the current financial year, by—

- (a) where the amount of its housing CFR on 31st March 2004 is greater than nil, that amount; and
- (b) where the amount of its housing CFR on 31st March of the preceding financial year is greater than the amount of its housing CFR on 31st March 2004, the amount of the difference.

(5) Where the local authority—

- (a) incurred capital expenditure (“the relevant expenditure”) on an asset (“the relevant asset”), which was not capital expenditure on housing assets;
- (b) incurred the relevant expenditure in a financial year beginning on or after 1st April 2006 but before the current financial year; and
- (c) financed the relevant expenditure by borrowing or credit arrangements,

and either paragraph (6) or paragraph (7) applies, then paragraph (8) shall apply.

(6) This paragraph applies where the local authority charged to a revenue account, for the preceding financial year, an amount in respect of the financing of the relevant expenditure which—

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(1) Regulation 28 was amended by [S.I. 2004/3055](#) and [2006/521](#).

- (a) was in addition to the minimum revenue provision for the preceding financial year; and
- (b) was equal to the amount which the authority was required by proper practices to charge to its income and expenditure account in the preceding financial year in respect of amortisation, depreciation and impairment of the relevant asset.

(7) This paragraph applies where the local authority—

- (a) did not charge to a revenue account, for the preceding financial year, an amount in respect of the financing of the relevant expenditure in addition to the minimum revenue provision for the preceding financial year; and
- (b) was not required by proper practices to charge an amount to its income and expenditure account in the preceding financial year in respect of amortisation, depreciation or impairment of the relevant asset.

(8) Where this paragraph applies, the local authority may treat its preceding CFR as reduced, for the purposes of calculating the amount of its minimum revenue provision for the current financial year, by the amount by which its capital financing requirement increased in the preceding financial year by virtue of the relevant expenditure on the relevant asset.

(9) Where four per cent of the local authority's non-housing CFR on 31st March 2004 is greater than the amount specified in paragraph (10), the authority may reduce the minimum revenue provision for the current financial year by the amount of the difference.

(10) The amount specified for the purposes of paragraph (9) is the amount of the minimum revenue provision that the local authority would have been required to make for the financial year beginning on 1st April 2004 in accordance with Part IV of, and Schedule 3 to, the Local Government and Housing Act 1989<sup>(2)</sup> if that Part and that Schedule had not been repealed by the Local Government Act 2003<sup>(3)</sup>.

(11) In this regulation—

“capital financing requirement” has the same meaning as in the “Prudential Code for Capital Finance in Local Authorities” published by CIPFA<sup>(4)</sup>;

“current financial year” means any financial year for which the local authority is determining the amount of its minimum revenue provision;

“housing assets” means any land, houses or other property to which subsection (1) of section 74 of the Local Government and Housing Act 1989 (duty to keep Housing Revenue Account)<sup>(5)</sup> for the time being applies;

“housing CFR” means that part, if any, of the capital financing requirement which is in respect of borrowing or credit arrangements used to finance capital expenditure on housing assets;

“non-housing CFR” means that part of the capital financing requirement which is not housing CFR;

“preceding CFR” means capital financing requirement at the end of the preceding financial year; and

“preceding financial year” means the financial year immediately preceding the current financial year.”.

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(2) 1989 c. 42. Section 63 of, and Part IV of Schedule 3 to, the Local Government and Housing Act 1989 and Part XII of the Local Authorities (Capital Finance) Regulations 1997 (S.I. 1997/319, as amended by S.I. 1998/371, 1998/1937, 2000/1773, 2001/723 and 2002/2299) contained provisions about minimum revenue provision.

(3) 2003 c. 26. Part IV of, and Schedule 3 to, the Local Government and Housing Act 1989 were repealed on or before 1st April 2004 by virtue of section 127 of, and paragraph 29 of Schedule 7 and Schedule 8 to, the Local Government Act 2003 (see S.I. 2003/2938 (C. 107)) and S.I. 1997/319 was consequently revoked.

(4) This code of practice was published in London in 2003. ISBN 0 85299 989 5.

(5) Section 74 was amended by section 222 of, and paragraph 24(2) of Schedule 18 to, the Housing Act 1996 (c. 52).

(2) Where, in accordance with regulation 28 of the Principal Regulations as substituted by paragraph (1), the amount of a local authority's minimum revenue provision for a financial year is greater than the amount that would be the minimum revenue provision for that financial year if that substitution had not been made, the authority's minimum revenue provision for that financial year shall be the lesser of those amounts.

(3) For the purposes of the interpretation of any determination made before 30th March 2007 under section 87 (determinations and directions) of, and item 8 of Part I and item 8 of Part II of Schedule 4 (the keeping of the Housing Revenue Account – credits and debits to the account) to, the Local Government and Housing Act 1989, regulation 28 of the Principal Regulations shall have effect as if the substitution made by paragraph (1) had not been made.