November 2007

LASAAC GUIDANCE RE INTEREST ON RESERVES

CLARIFICATION OF LASAAC GUIDANCE NOTE 2 :
"STATEMENT ON THE CALCULATION AND ALLOCATION OF LOANS FUND INTEREST AND EXPENSES"

At its meeting on 12 November 2007 LASAAC agreed (item 51/07) to clarify the application of LASAAC Guidance Note 2. In particular it was agreed that interest allocated to any reserve should not be accounted for as a direct movement on that reserve.

Interest on reserves should be accounted for in the Income & Expenditure Account. Assuming that reserves will always receive interest as income (i.e. they would not normally be charged an interest cost) the interest credit should be included in the 'Interest and Investment Income' line in the Income & Expenditure Account.

As a consequence the Statement Of Movement on the General Fund Balance will show a figure in 'Transfer to/from the General Fund Balance' which therefore includes any interest earned by the relevant reserve. Clearly where the General Fund balance has earned interest from the Loans Fund (or been charged interest by the Loans Fund) this should not be reversed out in the Statement Of Movement on the General Fund Balance.

This guidance applies for the 2007/08 financial year and subsequent years.