

MIDDLESBROUGH COUNCIL

COUNCIL

16<sup>TH</sup> September 2015

Mortgage Interest Rate 2015/16

Executive Director for Commercial & Corporate Services – Tony Parkinson

PURPOSE OF THE REPORT

- 1 To set the Local Average Interest Rate for the six months commencing 1<sup>st</sup> October 2015.

BACKGROUND

- 2 Under the Housing Act 1985, the rate of interest for mortgages (arranged since 3<sup>rd</sup> October 1980) should be the higher of the Standard National Rate and the Local Average Rate. For consistency, the same rate is used for pre 3<sup>rd</sup> October 1980 Mortgages.

**Standard National Rate**

The Standard National Rate is set by the Secretary of State based on Building Society Rates. The current rate is 3.13% and has stood since 1<sup>st</sup> April 2009.

**The Local Average Rate**

This is the estimated long term borrowing rate, plus 0.25% for administration. The rate must be set six monthly, and is due to be fixed for the period 1<sup>st</sup> October 2015 to 31<sup>st</sup> March 2016 as follows:-

External Long Term Borrowing Rate	4.905%
Administration On cost	<u>0.250%</u>
	<u>5.155%</u>

There is no change from the interest rate used in the last period.

- 3 There are no ward implications in this report.

PROPOSALS

- 4 As the Local Average Rate of 5.155% is higher than the Standard National Rate of 3.13%, it is proposed that this should be the rate used for existing mortgages.

5 The proposal is supported to comply with the Housing Act 1985 Section 438.

## **FINANCIAL CONSIDERATIONS**

6 There is no change to the interest rate. Interest from Private and former Council House Mortgages is estimated at approximately £1,500 for 2015-16. An interest rate of 5.155% was incorporated into the calculations.

## **RECOMMENDATIONS**

7 It is recommended:

- a) That the Local Average Interest Rate for the period 1<sup>st</sup> October 2015 to 31<sup>st</sup> March 2016 be set at 5.155%.
- b) Specify that this rate be used for all Housing Mortgages for this period.

## **BACKGROUND PAPERS**

8 There are no background papers supporting this report.

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