

COUNCIL

30th March 2016

Mortgage Interest Rate 2016/17

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 1st April 2016.

BACKGROUND

- 2 Under the Housing Act 1985, the rate of interest for mortgages (arranged since 3rd 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 3rd 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 1st 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 1st April 2016 to 30th September 2016 as follows:-

External Long Term Borrowing Rate	5.016%
Administration On cost	<u>0.250%</u>
	<u>5.266%</u>

There is an increase 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 5.266% 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 an increase in the interest rate compared to that reported in September 2015. Interest from Private and former Council House Mortgages is estimated at approximately £500 for 2016-17. An interest rate of 5.266% was incorporated into the calculations.

RECOMMENDATIONS

- 7 It is recommended:
- a) That the Local Average Interest Rate for the period 1st April 2016 to 30th September 2016 be set at 5.266%.
 - 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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