

MIDDLESBROUGH COUNCIL

AGENDA ITEM 7

COUNCIL

6th September 2017

Mortgage Interest Rate 2017/18

Strategic Director of Finance, Governance & Support – James Bromiley

PURPOSE OF THE REPORT

- 1 To set the Local Average Interest Rate for the six months commencing 1st October 2017.

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 October 2017 to 31st March 2018 as follows:-

External Long Term Borrowing Rate	4.424%
Administration On cost	<u>0.250%</u>
	<u>4.674%</u>

There is a decrease of 0.001% 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 4.674% 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 in order to comply with the Housing Act 1985 Section 438.

FINANCIAL CONSIDERATIONS

- 6 There are no significant effects of the change in the interest rate. Interest from Private and former Council House Mortgages is estimated at approximately £200 for 2017-18. An interest rate of 4.674% was incorporated into the calculations.

RECOMMENDATIONS

- 7 It is recommended:
- a) That the Local Average Interest Rate for the period 1st October 2017 to 31st March 2018 be set at 4.674%.
 - b) That this rate be used for all Housing Mortgages for this period.

BACKGROUND PAPERS

- 8 There are no background papers supporting this report.

AUTHOR: Richard Cross
TEL NO: (01642) 729558