

FULL COUNCIL

Report title	<i>Mortgage Interest Rate 2018/19</i>
Executive Member*	<i>Cllr N Walker, Executive Member for Finance & Governance</i>
Chief Executive or Director	<i>James Bromiley - Strategic Director of Finance, Governance & Support</i>
Date	<i>5th September 2018</i>
Purpose of the report	<i>To set the Local Average Interest Rate for the six months commencing 1st October 2018.</i>
Summary of the report	<i>As the External Long Term Borrowing Rate plus Administration on cost of 3.916% is higher than the Standard National Rate of 3.13%, it will be the rate used for existing mortgages for the period 1st October 2018 to 31st March 2019.</i>
Decision(s) asked for	<p><i>That Council approves:</i></p> <ul style="list-style-type: none"> <i>a) That the Local Average Interest rate for the period 1st October 2018 – 31st March 2019 be set at 3.916%</i> <i>b) That this rate be used for all Housing Mortgages for this period.</i>
Impact of decision(s)	<i>The interest rate applied to any outstanding mortgages will decrease by 0.19% from 4.106% to 3.916% for the six months commencing 1st October 2018.</i>

What is the purpose of this report?

1. To set the local average interest rate for the six months commencing 1st October 2018.

Why is this report necessary?

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. This should be reviewed every 6 months.

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.

External Long Term Borrowing Rate 3.666%

3.916%

This is a decrease of 0.19% from the interest rate used in the last period.

What decision(s) are being asked for?

3. For the Council to approve that as the Local Average Rate of 3.916% is higher than the Standard National Rate of 3.13%, it should be the rate used for existing mortgages for the period 1st October 2018 to 31st March 2019.

Why is this being recommended?

4. The recommendations are supported to comply with the Housing Act 1985, Section 438.

Other potential decisions and why these have not been recommended

5. There are no other options as this is a statutory requirement.

Impact(s) of recommended decision(s)

Legal

6. There are no legal implications in this report.

Financial

7. There are no significant effects of the change in the interest rate. Interest from Private and former Council House mortgages is estimated at approximately £90 for 2018-19. An interest rate of 3.916% was incorporated into the calculations.

The Mayor's Vision for Middlesbrough

8. Not applicable.

Policy Framework

9. Not applicable.

Wards

10. There are no ward implications in this report.

Equality and Diversity

Risk

11. An Option Appraisal/Risk Assessment is not required as the recommendations are based on statutory requirements.

Actions to be taken to implement the decision(s)

12. Mortgage interest rates will be recalculated using the new rate and may result in a change in individual mortgage repayments.

Appendices

13. There are no appendices for this report.

Background papers

14. The following background papers were used in the preparation of this report:

- (a) Housing Act 1985, Section 438 and Schedule 16