

Report of:	James Bromiley - Strategic Director of Finance, Governance & Support
AGENDA ITEM 11	
Submitted to:	Council – 15 March 2019
Subject:	Mortgage Interest Rate 2019/20

Summary

Proposed decision(s)
<p>That Council approves:</p> <ul style="list-style-type: none"> a) That the Local Average Interest rate for the period 1st April 2019 - 30th September 2019 be set at 3.966% b) That this rate be used for all Housing Mortgages for this period.

Report for:	Key decision:	Confidential:	Can be called-in:
Decision	No	No	No

Contribution to delivery of the 2018-22 Strategic Plan		
Business Imperatives	Physical Regeneration	Social Regeneration
Not applicable	Not applicable	Not applicable

Ward(s) affected
Not applicable

What is the purpose of this report?

To set the local average interest rate for the six months commencing 1st April 2019.

Why is this report necessary?

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 3.716%

3.966%

This is an increase of 0.05% from the interest rate used in the last period.

What decision(s) are being asked for?

For the Council to approve that as the Local Average Rate of 3.966% is higher than the Standard National Rate of 3.13%, it should be the rate used for existing mortgages for the period 1st April 2019 to 30th September 2019.

Why is this being recommended?

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

Other potential decisions and why these have not been recommended

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

Impact(s) of recommended decision(s)

Legal

There are no legal implications in this report.

Financial

There are no significant effects of the change in the interest rate. Interest from Private and former Council House mortgages is estimated at approximately £60 for 2018-19. An interest rate of 3.966% was incorporated into the calculations.

The Mayor's Vision for Middlesbrough

Not applicable.

Policy Framework

Not applicable.

Wards

There are no ward implications in this report.

Equality and Diversity

Not applicable

Risk

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)

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

Appendices

There are no appendices for this report.

Background papers

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

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