

MORTGAGES INTEREST RATE CHANGES

Summary and Recommendations

Purpose of statement: Under Section 438 of the Housing Act 1985 the Council is required to declare the Local Average Rate of Interest on its mortgages at six monthly intervals.

Recommendation(s):

I hereby announce that, the interest rate charged for Oxford City Council mortgages to 3.51% as determined by the Housing Act 1985, Section 438 and Schedule 16 to take effect from 1st May 2017. This is the higher rate between the Standard National Rate (SNR) and Local Average Rate and remains unchanged from last year.

That the appropriate mortgage rate be applied to take effect from the period detailed, above, and for the respective mortgagors to be informed of the reduction in the rate accordingly.

Background

1.1 Local Authority mortgages are charged interest in accordance with Section 438 of the Housing Act 1985. This must be the higher of:

- The Standard National Rate of interest as set by the Secretary of State after taking into account rates charged by building societies in United Kingdom and any movement in those rates.
- The applicable local average rate, based on the Authority's own borrowing costs.

1.2 The Secretary of State took into account decreases in mortgage interest rates announced by the building societies and decreased the Standard National Rate to 3.13% from April 2009, it has remained unchanged since.

1.3 Under the Local Authority Mortgage Interest Rates Determination 1993, Local authorities are authorised to add 0.25% to the local average rate for administrative costs. The Secretary of State made the 1993 determination under powers conferred by paragraph 4 of Schedule 16 of the 1985 Housing Act.

1.4 The Standard National Rate of interest has been set at 3.13%. The applicable Local Average Rate of Interest has been calculated at 3.51% (inclusive of administrative costs). Therefore regulation requires the Council's mortgage interest rate to be set at 3.51%.

1.5 Local Authorities are required to review and declare the Local Average Rate of Interest every six months, they are also required to recalculate the Local Average Rate of Interest when there are changes to their borrowing costs. This could occur due to debt restructuring, debt repayment or when new loans are taken out. There has been no change to the debt portfolio, since April 2012.

Interest Rate Changes

2.1 The table, below, illustrates the variation in the interest rate for the respective period.

Period of Time	Standard National Rate (%)	Applicable Local Average Rate (%)
2017/18	3.13	3.51

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Background papers: (Available for public inspection)
Housing Act 1985
Communities & Local Government Website

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