



## ARTICLE No 2A

### **CORPORATE OVERVIEW AND SCRUTINY COMMITTEE**

**MEMBERS UPDATE 2009/10**

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**Article of:** Council Secretary & Solicitor

**Issue 4** February 2010

**Relevant Portfolio Holder:** Councillor D. Westley

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**SUBJECT: HOUSING ACT 1985 – SECTION 438 ( I ) – SCHEDULE 16 LOCAL  
AUTHORITY INTEREST RATES.**

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#### **1.0 PURPOSE OF THE ARTICLE**

- 1.1 To advise Members of the Local Average Rate of Interest which was declared by the Council's Section 151 Officer from 1 December 2009, in accordance with the Housing Act 1985 paragraph 3 (a) and (b) of Schedule 16 which requires such a declaration every 6 months.
- 1.2 To advise Members of the rate of interest to be charged, to mortgage borrowers, with effect from 1 December 2009.
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#### **2.0 BACKGROUND**

- 2.1 In accordance with Section 438 and Schedule 16 of the Housing Act 1985, Local Authority Mortgage Interest Rates shall be whichever, is for the time being, the higher of the Standard National Rate, as set by the Secretary of State, or the Local Average Rate.
- 2.2 With effect from 3 March, 1993 the Local Authority Mortgage Interest Rates Determination 1993 determined that the "Local Average Rate" means the rates declared upon paragraphs 3(a) and (b) of Schedule 16 to the Housing Act 1985, and the Local Authority shall declare the Local Average Rate for every period of six months.

#### **3.0 CURRENT POSITION**

- 3.1 Local Authorities are obliged to charge interest on their mortgage loans at the higher of the Local Rate or Standard National Rate.

- 3.2 The “Local Average Rate” of interest is calculated in accordance with the Local Authority Mortgage Interest Rates Determination 1993, and reflects the average rate of interest on the Council’s external borrowing, excluding short term borrowing.
- 3.3 The Council repaid all its external long-term borrowing in March 2004, thus generating a Local Rate of 0%. This means that for several years the interest rate charged on mortgages has been the standard national rate set by the Government.
- 3.4 The Council determined, on June 1 2009, a Mortgage Rate of Interest of 3.13%, which was the Standard National Rate at that time. The Standard National Rate has not changed, therefore the Borough Treasurer has therefore approved that, with effect from 1<sup>st</sup> December 2009, the Council’s Mortgage interest rate shall remain at 3.13%,

#### **4.0 SUSTAINABILITY IMPLICATIONS/COMMUNITY STRATEGY**

- 4.1 There are no sustainable implications associated with this report.

#### **5.0 RISK ASSESSMENT**

- 5.1 In order to comply with existing legislation, the Council has to re-use the interest charged to its mortgage payers from 1 December 2009.

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### **Background Documents**

The following background documents (as defined in Section 100D (5) of the Local Government Act 1972) have been relied on to a material extent in preparing this Report.

<u>Date</u>	<u>Document</u>	<u>File Ref</u>
1st August 2002	ODPM Letter	Local Authority Interest Rates

### **Equality Impact Assessment**

There is no evidence from an initial assessment of an adverse impact in relation to the equality target groups.

### **Appendices**

None.