

---

<b>REPORT TO:</b>	<b>FINANCE AND MANAGEMENT COMMITTEE</b>	<b>AGENDA ITEM:</b> 10
<b>DATE OF MEETING:</b>	<b>25 NOVEMBER 2004</b>	<b>CATEGORY:</b> <b>DELEGATED</b>
<b>REPORT FROM:</b>	<b>DIRECTOR OF CORPORATE SERVICES</b>	<b>OPEN</b> <b>PARAGRAPH NO: N/A</b>
<b>MEMBERS' CONTACT POINT:</b>	<b>PAUL CULLEN</b> <b>595872</b>	<b>DOC:</b> s:\cent_serviccommittee reports\finance and management\30 aug 2004\mort interest rate -pac.doc
<b>SUBJECT:</b>	<b>AMENDMENT OF MORTGAGE INTEREST RATE</b>	<b>REF: PAC/LJW/H3</b>
<b>WARD(S) AFFECTED:</b>	<b>ALL</b>	<b>TERMS OF REFERENCE: FM08</b>

---

### **1.0 Recommendations**

1.1 The Committee is asked to set a new mortgage interest rate of 6.28% for the period January to March 2005.

### **2.0 Purpose of Report**

2.1 Under Section 438 of the Housing Act 1985 the Council is required to set the interest rate on mortgages and must charge whichever is the higher of :

- i. The Standard National Rate, which is set by the Secretary of State, or
- ii. The applicable local average rate, based on the Authority's own borrowing costs.

### **3.0 Detail**

3.1 The Committee is required to declare the Council's Local Average Rate for the following six months commencing April and October each year and set the interest rate for mortgages according to guidelines under Section 438 of the Housing Act 1985.

3.2 Members may recall that a local rate of 5.13% was declared for the period October 2004 to March 2005 at Finance and Management Committee on 2<sup>nd</sup> September 2004. However as the Standard National Rate of 5.19% was higher at that time, this was the rate set for Council mortgages for that period.

3.3 Notification has since been received from the Secretary of State of a change to the Standard National Rate of Interest from 5.19% to 6.28% with effect from 1 October 2004.

3.4 As the new Standard National Rate is still higher than the local rate of 5.13%, the mortgage interest rate needs to be increased to 6.28% for the period January 2005 to March 2005. The effective date for the rate change is therefore 1 January 2005 as borrowers are required to be given one months notice of any changes.

#### **4.0 Financial Implications**

4.1 The rate of interest charged to borrowers will increase from 5.19% to 6.28%.

#### **5.0 Background Papers**

5.1 Letter from ODPM dated 16 September 2004.