

APPENDIX C

WAVERLEY BOROUGH COUNCIL

EXECUTIVE – 6 JANUARY 2009

Title:

**VARIABLE INTEREST MORTGAGES - VARIATION OF
MORTGAGE INTEREST RATE**

[Wards Affected: N/A]

[Portfolio Holder: Cllr Mike Band]

Summary and purpose:

The purpose of this report is to seek the Executive's approval to the 'local average rate' and to confirm the rate of interest chargeable on variable interest rate mortgages granted by the Council. The rates should be applicable with immediate effect.

How this report relates to the Council's Corporate Priorities:

Affordable housing is one of the Council's corporate priorities and charging a rate of interest that reflects current economic conditions helps to keep mortgages affordable.

Equality and Diversity Implications:

There are none as a result of this report.

Resource/Value for Money implications:

Waverley must ensure that it is applying an interest rate that reflects both statutory obligations and the true cost of making the mortgages available.

Legal Implications:

There are no direct legal implications as a result of this report

Introduction

1. Variable interest rate mortgages granted in the past by the Council fall under two different Housing Acts. Under both schemes, it is necessary to regularly review the 'local average rate'. The rate is fixed at 0.25% over the Council's own borrowing costs calculated in accordance with 'proper practices' as defined in Section 66(4) of the Local Government and Housing Act 1989.
2. The base lending rate was reduced on 6 November 2008 to 3% from 4.5% and on 4 December was further reduced to 2%. It is also anticipated that there may be still further reductions in the base-lending rate during the next 6 months. Major Building Society rates for existing borrowers currently range from 4.69% to 6.94%. As Waverley is debt free, a reasonable equivalent rate of interest needs to be identified. Following the most recent reduction in base rate the Council would be able to borrow from the Public Works Loans Board (PWLB) at

4.23% for a 25-year loan and it is therefore considered appropriate to recommend that the 'local average rate' should be decreased from the current level of 6.25% set in April 2007 to 4.48% with immediate effect.

Housing (Financial Provisions) Act 1958 (Section 43)

3. The interest rate chargeable on mortgages pursuant to the above Act is determined by the Council. It is considered that the interest rate chargeable with immediate effect until 30 September 2009 should be in line with the 'local average rate' of 4.48% p.a. This rate applies to 3 mortgages.

Housing Act 1985 (Schedule 16)

4. The interest rate chargeable on Council mortgages pursuant to the above Act should be set at the higher of either the Council's 'local average rate' of 4.48% p.a. or the 'standard national rate' which is periodically set by the Department for Communities and Local Government (DCLG) and currently stands at 5.07% p.a. Therefore the interest rate to be charged on these mortgages should be the 'standard national rate' of 5.07% p.a. with immediate effect until 30 September 2009, a decrease from the present rate of 6.89%. This rate applies to 16 mortgages.

Recommendation

It is therefore recommended that:

1. any changes of mortgage interest rate remain in place until 30 September 2009 when they are further reviewed;
2. the 'local average rate' be implemented with immediate effect, until reviewed at 30 September 2009, be declared at 4.48%p.a.;
3. the rate of interest chargeable on mortgages under the Housing (Financial Provisions) Act 1958 (Section 43) be 4.48% p.a. with immediate effect until review at 30 September 2009;
4. the rate of interest chargeable on mortgages under the Housing Act 1985 (Schedule 16) be 5.07% p.a. with immediate effect to 30 September 2009; and
5. given the non discretionary status of these changes, recommend to the Council that in future this be delegated to the Deputy Chief Executive and the scheme of delegation amended.

Background Papers (DCEX)

There are no background papers (as defined by Section 100D(5) of the Local Government Act 1972) relating to this report.

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