
REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE	AGENDA ITEM:
DATE OF MEETING:	20 MARCH 2003	CATEGORY: DELEGATED
REPORT FROM:	CHIEF FINANCE OFFICER	OPEN PARAGRAPH NO: N/A
MEMBERS' CONTACT POINT:	PAUL CULLEN 595872	DOC: s:\cent_serv\committee reports\finance and management\30 aug 2001\mort interest rate -pac.doc
SUBJECT:	MORTGATE INTEREST RATE	REF: PAC/LJW/H3
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE:

1.0 Recommendations

- 1.1 The Committee is asked to declare the Local Average Rate of Interest for the period April 2003 to September 2003 at 7.76%.

2.0 Purpose of Report

- 2.1 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.

3.0 Detail

- 3.1 The Committee is required at this meeting to declare the Local Average Rate for the six months from April 2003 to September 2003. The rate has been calculated to be 7.76%.
- 3.2 Borrowers are actually charged the higher of the Standard National Rate declared by the Secretary of State and the Local Average Rate. The Standard National Rate is based on the rates charged by Banks and Building Societies and is currently 5.19%.
- 3.3 Borrowers will therefore be charged 7.76%. The rate currently charged is 7.82%.

4.0 Financial Implications

- 4.1 The rate of interest charged to borrowers will decrease from 7.82% to 7.76%..

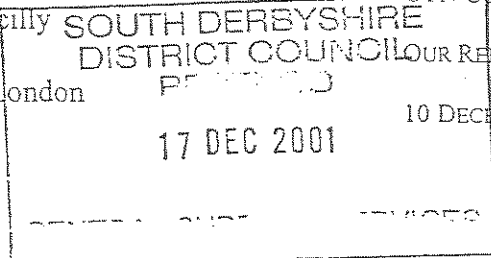
5.0 Background Papers

- 5.1 10 December 2001 Letter from DETR

2/19 ELAND HOUSE
BRESSENDEN PLACE
LONDON
SW1E 5DU

The Chief Executive
County Councils in England
District Councils in England
London Borough Councils
Council of the Isles of Scilly
Joint Authorities
The Town Clerk, City of London

ENQUIRIES: 020 7944 3406
FAX: 020 7944 3408
GTN CODE: 3533



OUR REF: HPF 4/7/2
10 DECEMBER 2001

Dear Sir/Madam

**LOCAL AUTHORITY MORTGAGE INTEREST RATES: HOUSING ACT 1985,
SECTION 438 AND SCHEDULE 16**

Paragraph 1 of Schedule 16 to the Housing Act 1985 specifies how local authorities must set interest rates on mortgages arranged since 3 October 1980. Authorities must charge whichever is the higher of:

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

New Standard National Rate

The Secretary of State has to set the Standard National Rate of interest "after taking into account interest rates charged by building societies in the United Kingdom and any movement in those rates." The major building societies have announced interest rates ranging from 4.74% to 6.19% for existing borrowers.

The Secretary of State has taken into account decreases in mortgage interest rates announced recently by the building societies and,

in accordance with paragraph 2 of Schedule 16 to, the Housing Act 1985, the Secretary of State hereby declares that the Standard National Rate of interest is decreased to **5.19%** per year with effect from **1 January 2002**.

This declaration supersedes that given in the Department's letter of 31 October 2001.



General Arrangements

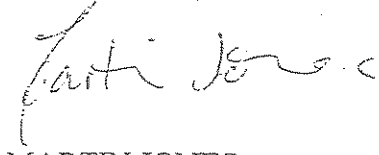
All the rates of interest referred to in the letter are applied rates and not Annual Percentage Rates of Charge for Credit (APRs) which authorities have to state in any quotation given to a new borrower, and to include in any advertisement. The APR will normally be greater than the applied rate of interest.

A copy of this letter has also been sent to your Director of Finance.

If you have any enquiries, please telephone Mathew Cooper on 020 7944 3412; write to him at Zone 2/J9 Eland House or e-mail: matthew.cooper@dtlr.gsi.gov.uk

The Standard National Rate (SNR) is also available on the internet at www.housing.dtlr.gov.uk/local/multiply/index.htm

Yours faithfully



MARTIN JONES

