

Meeting of:	Cabinet
Date of Meeting:	Monday, 08 November 2021
Relevant Scrutiny Committee:	Corporate Performance and Resources
Report Title:	Local Average Interest Rate
Purpose of Report:	To recommend the rate of interest to be charged on Council mortgages
Report Owner:	Executive Leader and Cabinet Member for Performance and Resources
Responsible Officer:	Carys Lord, Head of Finance/Section 151 Officer
Elected Member and Officer Consultation:	Carys Lord, Head of Finance/Section 151 Officer
Policy Framework:	The proposals within this report are in accordance with the Policy Framework and Budget and are a matter for Executive decision by Cabinet
<p>Executive Summary:</p> <ul style="list-style-type: none"> Local Authorities must set interest rates on mortgages arranged since 3 October 1980. This rate must be set for every period of six months or earlier if required by the Welsh Government. Authorities must charge whichever is the higher of the local average rate, or the Standard National Rate. The rate of interest currently charged on our mortgages is 4.96%. The local average interest rate has been calculated at 4.84%. 	

Recommendations

1. The Authority declares the local average rate of interest of 4.84% from 1st November 2021. To reduce the Council's mortgage interest from 4.96% to 4.84% with effect from 1st November 2021.
2. Delegated Authority is given to the Head of Finance in consultation with the Cabinet Member for Performance and Resources to set the rate when the rate changes by less than 0.2%.

Reasons for Recommendations

- 1-2** To ensure that the interest rate is recalculated in accordance with statutory requirements.

1. Background

- 1.1** Schedule 16 of the Housing Act 1985 specifies how Local Authorities must set interest rates on mortgages arranged since 3 October 1980. This rate shall be set for every period of six months or earlier if required by the Welsh Government. Authorities must charge whichever is the higher of the local average rate, or the Standard National Rate.
- 1.2** The rate of interest shall be whichever is the higher of:-
- the standard national rate, or
 - the applicable local average rate
- 1.3** The rate shall be capable of being varied by the Local Authority whenever a change in either or both of those rates requires it; and the amount of the periodic payments shall be capable of being changed accordingly.

The local average rate

- 1.4** 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 or earlier if required by Welsh Government.
- 1.5** The local average rate declared shall be the average annual rate of interest payable on the amount outstanding by way of money borrowed by the Local Authority, other than short term borrowing, plus 0.25%.
- 1.6** The Standard National Rate is set by the Welsh Government after taking into account interest rates charged by building societies in the United Kingdom and any movement in those rates. The Standard National Rate of interest is currently 3.13%. It was last changed on 1 April 2009.
- 1.7** At present the Head of Finance has delegated authority in consultation with the Cabinet Member for Performance and Resources to set the rate when the rate changes by less than 0.1%.

2. Key Issues for Consideration

- 2.1** The rate of interest currently charged on our mortgages is 4.96%. The local average interest rate has been calculated at 4.84%. The Standard National Rate of interest is 3.13%.

3. How do proposals evidence the Five Ways of Working and contribute to our Well-being Objectives?

- 3.1** The Council's budget and therefore its expenditure is incurred in order to achieve its corporate priorities as set out in the Corporate Plan 2020-2025 through the 4 well-being outcomes.

4. Resources and Legal Considerations

Financial

- 4.1** The introduction of the rate of 4.84% will not have a significant effect on financial resources.

Employment

- 4.2** There are no employment implications arising from this report.

Legal (Including Equalities)

- 4.3** The Council is legally required under Schedule 16 of the Housing Act 1985 to charge borrowers the higher of the Standard National Rate or the local average rate of interest.

5. Background Papers

Council's Loan Pool records.