

# **The Vale of Glamorgan Council**

## **Cabinet Meeting: 28 November, 2016**

### **Report of the Leader**

#### **Local Average Interest Rate**

##### **Purpose of the Report**

1. This report is to recommend the rate of interest to be charged on Council mortgages.

##### **Recommendations**

That:

1. The Authority declares local average rate of interest on all new loans of 5.07% from 1st November 2016 and that the rate of interest on all existing variable housing loans including the sale of Council dwellings be reduced from 5.09% to 5.07% with effect from 1st December 2016.
2. Delegated Authority is given to the Head of Finance in consultation with the Cabinet Member for Resources and Inward Investment to set the rate when the rate changes by less than 0.1%.
3. Cabinet authorises the use of article 14.14 of the Council's Constitution (urgent decision procedure) to amend the rate within the timeframe as outlined in recommendation 1.

##### **Reasons for the Recommendations**

- 1-2. To ensure that the interest rate is recalculated in accordance with statutory requirements.
3. To ensure that the change in interest rate can be actioned to meet the proposed deadlines.

##### **Background**

2. 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.

3. 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 Authority, other than short term borrowing, plus 0.25%.
4. 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 major building societies have announced interest rates ranging from 2.50% to 5.79% for existing borrowers.

### **Relevant Issues and Options**

5. The rate of interest currently charged on our mortgages is 5.09%. The local average interest rate has been calculated at 5.07%. The Standard National Rate of interest is 3.13%.
6. Based on a mortgage of £20,000, a reduction of 0.1% will equate to a decrease in interest charged of £20.
7. It is proposed in future that Delegated Authority is awarded to the Head of Finance in consultation with the Cabinet Member for Resources and Inward Investment in respect of increases/decreases in the rate of up to 0.1%.

### **Resource Implications (Financial and Employment)**

8. The introduction of the rate of 5.07% will not have a significant effect on financial resources.

### **Sustainability and Climate Change Implications**

9. There are no sustainability and climate change implications as a direct result of this report.

### **Legal Implications (to Include Human Rights Implications)**

10. 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.

### **Crime and Disorder Implications**

11. There are no Crime and Disorder implications arising from this report.

### **Equal Opportunities Implications (to include Welsh Language issues)**

12. There are no equality implications as a direct result of this report.

### **Corporate/Service Objectives**

13. To effectively administer the setting of the Authority's mortgage interest rate in accordance with statutory requirements and its subsequent collection.

### **Policy Framework and Budget**

14. The proposals within this report are in accordance with the Policy Framework and Budget and are a matter for Executive decision by Cabinet.

## **Consultation (including Ward Member Consultation)**

15. Since the proposals are within the Policy Framework and Budget and the changes are required by Statute, no further consultation has taken place.

## **Relevant Scrutiny Committee**

16. Corporate Performance and Resources

## **Background Papers**

Council's Loan Pool records.

## **Contact Officer**

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Accountancy

## **Officers Consulted**

Mike Walsh  
Principal Lawyer

## **Responsible Officer:**

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Head of Finance/Section 151 Officer