

GREATER LONDON AUTHORITY

REQUEST FOR MAYORAL DECISION – MD2758

Title: Delegation of Help to Buy and legacy programmes to Homes England

Executive Summary:

To ensure consistency in customer experience throughout England, a temporary delegation lasting until 31 March 2016 was given to the Homes and Communities Agency (now operating as Homes England) under Mayoral Decision (MD)1210 to operate the Help to Buy (HtB) equity loan scheme programme on behalf of the GLA in London.

Under MD1335, responsibility for administering the equity loans post sales process for legacy programmes, which transferred to the GLA in April 2012, following enactment of the Localism Act 2011, was also delegated to the Homes England until 31 July 2016.

In March 2016, following extensions to these programmes, the corresponding delegations were also extended (under MD1638). In July 2020, the Government announced a new HtB scheme, which will replace the current scheme and will run from April 2021 to March 2023. This decision approves the extension of the relevant delegation to 31 March 2024 to cover the operation of the new HtB 2021-23 programme and the end of programme administration. This decision also extends the delegation for the management and administration of HtB equity loans post sales including the legacy programme loans issued before HtB, until 31 March 2055.

Decision:

That under section 38(1) of the Greater London Authority Act 1999 (as amended) ("GLA Act") the Mayor authorises:

Homes England (legal entity Homes and Communities Agency) as of the date of this Mayoral Decision to exercise such of the GLA's powers under sections 30 and 34 of the GLA Act as the Homes England considers necessary or expedient for the purposes of undertaking or continuing all or any of the activities specified in the Instrument of Delegations in relation to:

- the Help to Buy equity loan scheme until 31 March 2024 for the operation of the programme, and until 31 March 2055 for the holding of Help to Buy equity loans (Appendix A); and,
- the administration of equity loan matters relating to interests transferred to the GLA following enactment of the Localism Act 2011 until 31 March 2055, including a number of loans not included in the 2012 statutory transfer scheme (Appendix B).

Mayor of London

I confirm that I do not have any disclosable pecuniary interests in the proposed decision and take the decision in compliance with the Code of Conduct for elected Members of the Authority.

The above request has my approval.

Signature:



Date:

2/3/24

PART I - NON-CONFIDENTIAL FACTS AND ADVICE TO THE MAYOR

Decision required – supporting report

1. Introduction and background

Help to Buy equity loan scheme 2013-21

- 1.1 The £3.5bn Help to Buy (HtB) equity loan scheme was announced by the Chancellor of the Exchequer on 20 March 2013. It formed part of a larger package offering greater support to current and potential homeowners.
- 1.2 The HtB scheme was built on the previous FirstBuy initiative, which provided a 20% equity loan to assist in the purchase of a new build property; however, there are some key differences between HtB and the FirstBuy model. They are:
 - the HtB equity loan is 100% Government funded, with no developer contribution;
 - eligibility rules have been loosened so existing homeowners can purchase (as long as they sell their other home as part of the purchase);
 - there is no income cap; and
 - the property price cap has been raised to £600k (from £280k under FirstBuy).
- 1.3 The HtB scheme commenced on 2 April 2013 and was initially announced to run until 31 March 2016. In March 2014, Government announced a further £6bn to extend the programme to 2020 to support an additional 120,000 homes. This funding was confirmed and increased in the 2015 Spending Review to £8.6bn for 2016–2021. The Spending Review also extended the programme to 2021 (to support a further 25,000 purchases) and announced an increased equity loan contribution of 40% for purchases in London from 1 February 2016.
- 1.4 Homes England (legal entity Homes and Communities Agency) operates the scheme in the rest of the country. In view of this and for the reasons given in paragraph 1.5 below, the Mayor (who is responsible for the scheme in London) granted a delegation to Homes England under MD1210 to operate the HtB equity loan scheme programme on behalf of the GLA up to 31 March 2016.
- 1.5 Help to Buy is a demand-led product which has been designed to be as stream-lined as possible. This means that the GLA's scope to operate Help to Buy in a bespoke manner was limited and could have also caused confusion to consumers. By operating the Help to Buy programme in London the GLA would have incurred additional administrative costs. In contrast, Homes England operated the delegation at no cost to the GLA. This will continue to be the case going forward with the new Help to Buy scheme.
- 1.6 In March 2016, the delegation was extended to 31 March 2022 under MD1638. This provided for the operation of the programme and the additional year to allow for necessary end of programme administration. It also provided for the management of equity loans post sales (under the HtB programme) to 31 March 2046. (The loans are usually taken out for a period of approximately 25 years and as such need to be administered for their duration.)

The new Help to Buy equity loan scheme 2021-23

- 1.7 In 2018 the Government announced that the existing Help to Buy scheme would close in 2021 and be replaced with a new product with purchases possible from April 2021 to March 2023. Its main features are:
 - up to 40% equity loan in London;

- restricted to first-time buyers only; and
 - regional price caps with the London one being £600,000.
- 1.8 Purchasers have a five-year interest free equity loan which is secured as a second charge. Interest is paid on their equity loan from the sixth year at 1.75% on the nominal loan balance and the 1.75% rises annually by CPI+2.
- 1.9 In addition, Help to Buy 2021-23 also introduced new obligations on participating house builders to drive improved quality and customer care including:
- leasehold ground rents limited to a peppercorn per annum;
 - all homes constructed to minimum 2013 Part L standards;
 - requirement to sign up to the Building Safer Future Charter (for 6 storey buildings);
 - requirement to adhere to the standards and adjudication of the New Homes Ombudsman (when established); and
 - if participating in the Home Builders Federation star rating scheme, to always include its rating on Help to Buy 2012-23 advertising.

Equity loan post sales (legacy programmes)

- 1.10 By virtue of the Localism Act 2011 Homes England's powers to operate in Greater London ended on 1 April 2012, and from this date the GLA has undertaken Homes England's former role in the capital using its new powers in relation to land and social housing contained in Part 7A of the GLA Act, and its general and subsidiary powers under sections 30 and 34 of that Act, which are exercisable by the Mayor.
- 1.11 Relevant property, rights, and liabilities of Homes England transferred to the GLA on 1 April 2012 under a statutory transfer scheme made under the Localism Act 2011. This included the equity loan investments in London that were provided to home buyers in Greater London under legacy programmes to enable them to access low cost home ownership in the capital. In addition, several equity loans in Greater London that were not originally included in the 2012 statutory transfer scheme have also been transferred to the GLA and the activities to be delegated by this Mayoral Decision will also apply to those loans. Each recipient of these loans is legally obliged to repay their loan when the property is sold or by the end of the loan agreement term, typically 25 years.
- 1.12 As part of the GLA's financial settlement, it was agreed with the Ministry Housing Communities and Local Government ("MHCLG") that, from 1 April 2012, all repayments of equity loans in London and their associated interest fees payable by home buyers under the terms of the loan agreements will be payable to the GLA.
- 1.13 Through an existing temporary delegation agreed until 31 July 2016 under MD1335, and then extended to 31 March 2021 under MD1638 (MD1638 approved two separate dates March 2021 for administration of the old equity loan matters and 31 March 2022 for administration of the Help to Buy scheme), Homes England undertakes and oversees several activities in relation to these loans in London. These activities include monitoring and reporting on the performance of the equity loan portfolio, collecting repayments from home buyers of loans granted and associated interest fees, management of equity investments, and contract management of the national service provider appointed to administer the programme.
- 1.14 Given the returns from these investments are paid to the GLA, there is an administrative fee that is paid to Homes England, however this is accounted for before the payments are transferred to the GLA.

Delegations

- 1.15 The GLA and Homes England have agreed that, on grounds of efficiency and business continuity, and the reasons outlined in paragraph 1.5, Homes England should continue to undertake its activities in relation to the equity loans in London (all Help to Buy and the legacy programmes) after the existing delegations expire in 31 March 2021 for the equity loans and 31 March 2022 for the Help to Buy scheme.
- 1.16 This decision seeks approval to authorise Homes England to exercise the GLA's powers under sections 30 and 34 of the GLA Act as Homes England considers necessary or expedient for the purposes of undertaking or continuing all or any of the activities specified in the Instruments of Delegation (attached at Appendix A and B) in relation to the Help to Buy equity loan scheme, until 31 March 2024 for the operation of the programme (the additional year after the programme end is to allow for necessary end of programme administration e.g. estimate of accrued legal completions), and until 31 March 2055 for the holding and any related administration of Help to Buy equity loans and the legacy programme loans.

2. Objectives and expected outcomes

- 2.1 As announced by the Government, the new Help to Buy: Equity Loan Scheme will run from 2021 to 2023 and continue to help people into home ownership. As per the current HtB scheme the Government has retained the upper limit for the equity loan it gives new buyers within Greater London at 40% of the total purchase price. There are also regional price caps for the full purchase price, which is set at £600,000 in London. However, the new programme is restricted to first-time buyers only.
- 2.2 Since the launch of the HtB scheme on 1 April 2013 to 30 June 2020, 278,639 properties were purchased (legal completions) in England with the support of the HtB equity loan scheme. Of these, most sales were made by first time buyers, accounting for 228,896 (82%) of total purchases.
- 2.3 In London, since the launch of the HtB scheme on 1 April 2013 to 30 June 2020, 25,299 properties were bought with the support of the HtB equity loan scheme. In February 2016, the upper limit for the equity loan available to new buyers within Greater London increased from 20% to 40%. Since 1 February 2016 to 30 June 2020, a total number of 21,071 properties were purchased in London. Of these, first time buyers accounted for 20,344 (96.5%). The table below shows the breakdown of properties purchased at different levels of equity loan in London during the period from 1 February 2016 to 30 June 2020.

Table 1: From 1 February 2016 to 30 June 2020

Total properties purchased	Equity loan at 40% of the purchase	Equity loan at 20% of the purchase	Equity loan ranging between 20% and 40%	Equity loan less than 20% of the value
21,071	16,321	2,060	2,260	430

- 2.4 As announced by the Government, the current HtB Equity Loan Scheme will end in 2021 and is replaced by the new scheme running 2021-23. This will continue to support first-time buyers in London into home ownership.
- 2.5 Extending the temporary delegation for Homes England to administer equity loan post sales for legacy programmes is expected to ensure business continuity in tracking these investments and receiving returns, as well as reducing the administrative costs and reducing confusion for customers.

3 Equality comments

- 3.1 The public sector equality duty requires the identification and evaluation of the likely potential impacts, both positive and negative, of this decision on those with protected characteristics (age, disability, gender reassignment, pregnancy and maternity, race, gender, religion or belief, sexual orientation) and to set out how the organisation is addressing the duty. The granting of the delegations in this decision is not expected to have any impacts on individuals with protected characteristics. In addition, Homes England is subject to the public sector equality duty and, where relevant, is required to give consideration to that duty in future activities and decisions pursuant to these delegations. It is the responsibility of the MHCLG to produce equalities impact assessment for all the Help to Buy and applicable legacy schemes and they have carried out a Equality Impact Assessment (EQIA) for the HtB Equity Loan Scheme 2021-23 and have supplied the GLA with a copy of the summary.
- 3.2 The EQIA analysis is based on a survey of 1,500 users of the existing HtB Equity Loan Scheme since June 2015. Help to Buy positively affects Black and Minority Ethnic (BAME) groups with 21.4% of all current scheme households having a BAME Household Reference Person (HRP) in comparison to 12% amongst all households. The EQIA analysis suggests that the new scheme may support a higher proportion of BAME (HRPs) still at 22.7%.
- 3.3 Help to Buy also benefits younger age groups assisting proportionately a much larger number of young people than who use the wider market. Just 14% of all households have a 25-35 year old HRP in comparison to 52.9% on the current scheme. Moreover, the new constrained scheme is expected to proportionately be used by more young people still, with 61.4% of new-scheme-eligible HRPs falling within the 25-34 bracket.
- 3.4 It also summarises that it is difficult to assess the impact on people living with a disability due to a lack of data.

4 Other considerations

a) Key risks and issues

- 4.1 Homes England will be carrying out the activities and functions specified in the Instrument of Delegations on behalf of the GLA. This means that the GLA is, in law, legally responsible (and potentially liable) in respect of the discharge of these activities and functions. The risks pertaining to the delegation are mitigated by the conditions contained in the delegations and the Mayor's right to revoke the delegations if required.

b) Links to strategies and Mayoral and corporate priorities

- 4.2 The programmes delegated in this decision further the Mayoral priority to assist working Londoners into affordable and sustainable home ownership supporting the Mayor's London Housing Strategy and the pledge to boost the First Steps programme by increasing home ownership options for working Londoners.

c) Impact assessments and consultation

- 4.3 Officers have consulted with Homes England who are content with the delegations.

d) Conflicts of interest

- 4.4 There are no conflicts of interest to declare from any of the officers involved in the drafting and clearance of this MD.

5 Financial comments

- 5.1 The decision is seeking approval to extend the delegation to Homes England to manage and administer the equity loans for the new Help to Buy (HtB) programme, which are available to first time buyers, and to continue to administer the former help to buy schemes. The new HtB scheme is for the period 2021-23, and Homes England will operate the scheme until March 2024. Homes England will then manage the equity loans portfolio until 31 March 2055 when the loans are expected to be settled.
- 5.2 Homes England will charge GLA a fee for managing and administering the equity loans. This was included under the original delegation approval, but to date nothing has been charged. Homes England has confirmed it will not charge any previous costs but will apply this going forwards. The administrative fees would be based on the proportion of annual fees agreed between Homes England and the Mortgage Administrator. Homes England have estimated that this cost will be circa £75,000 p.a. The exact cost will be confirmed once the procurement exercise they are carrying out for this service has been concluded. However, Homes England will deduct its costs from the receipts and pay the net amount due to the GLA, as such the service will be provided at a net nil cost to the GLA.

6 Legal comments

- 6.1 Section 30 of the Greater London Authority Act 1999 ("the GLA Act") allows the Mayor, acting on behalf of the GLA, and after appropriate consultation, to do anything which the Mayor considers will further the promotion of economic development and wealth creation, social development or the improvement of the environment within Greater London. This MD indicates that the relevant purposes in this case are the promotion of economic and social development in Greater London, which will be achieved by administering the Help to Buy equity loan scheme (a programme of equity loans to enable new build home purchase), and by administering the legacy equity loans referred to above at paragraphs 1.10-1.14. Previously the GLA was prohibited from using these general powers to incur expenditure in relation to housing. This prohibition was removed by section 186 of the Localism Act 2011, which came into force on 1 April 2012.
- 6.2 Section 32 of the GLA Act provides that the power under section 30 is exercisable only after consultation with such bodies or persons as the GLA considers appropriate in the particular case. Paragraph 4.3 above notes that officers have consulted with Homes England who are happy to agree the delegations. The GLA has also consulted with Homes England and MHCLG in relation to arrangements for the administration of the two schemes that are subject to this Mayoral Decision.
- 6.3 Section 33 of the GLA Act requires the GLA, when exercising a section 30 power, to make appropriate arrangements with a view to securing that there is due regard to the principle that there should be equality of opportunity for all people. In addition, section 149 of the Equality Act 2010 requires that GLA and the Mayor have due regard to the need to eliminate unlawful discrimination, harassment and victimisation as well as to advance equality of opportunity and foster good relations between people who share a protected characteristic and those who do not. Homes England is also subject to statutory duties under the Equality Act 2010 and published an Equality and Diversity Strategy in November 2012, including nine equalities objectives. Homes England will be operating these programmes in line with their published strategy.
- 6.4 Section 34 of the GLA Act provides a further power for the Mayor to do anything which is calculated to facilitate, or is conducive or incidental to, the exercise of any of his functions (including his functions under section 30).

Delegation to Homes England

- 6.5 Homes England's objects are specified in the Housing and Regeneration Act 2008 ("the HRA 2008") and include improving the supply and quality of housing in England and securing the regeneration or

redevelopment of land or infrastructure in England. The HRA 2008 provides that Homes England may do anything it considers appropriate for the purposes of its objects or for purposes incidental to those purposes.

- 6.6 Homes England's powers in the HRA 2008 used to cover the whole of England including Greater London. From 1 April 2012 Homes England's powers in Greater London were devolved to GLA under the Localism Act 2011. As a consequence, Homes England no longer has the legal power to operate in Greater London and its property, rights and liabilities in Greater London were transferred to the GLA by statutory transfer scheme.
- 6.7 Sections 38(1) and (2) of the GLA Act allow the Mayor to authorise Homes England to exercise his functions under the Act, including those contained in sections 30 and 34. It is therefore necessary that the Mayor delegates his powers under sections 30 and 34 to Homes England to enable Homes England to carry on the activities specified in this MD in Greater London.
- 6.8 Section 38(3) of the GLA Act requires that Homes England must consent in writing to the delegation. Homes England have informally consented to the delegations and will, in due course, be providing formal written consent to the Mayor.
- 6.9 Section 38(7) of the GLA Act gives Homes England the power to exercise any functions delegated to it by the Mayor pursuant to section 38, whether or not Homes England would otherwise have had that power and irrespective of the nature of that function.
- 6.10 Section 38(10) of the GLA Act requires such delegations to be in writing. The proposed Instruments of Delegation are attached as Appendices A and B. The Mayor may impose conditions on any delegations under section 38(1) and a number of conditions have been included in the delegations.
- 6.11 The powers contained in sections 30 and 34 of the GLA Act, which are to be delegated to Homes England, are sufficient to enable Homes England to do all things it considers necessary or expedient to undertake the activities specified in the Instruments of Delegation at Appendices A and B.

7 Planned delivery approach and next steps

Activity	Timeline
Help to Buy Programme 2021-23 start date	April 2021
Help to Buy Programme 2021-23 end date	31 March 2023 (delegation to 31 March 2024 to allow for necessary end of programme administration)
Equity loan post sales (legacy programme) management and Help to Buy loans (both schemes) management end date	31 March 2055

Appendices and supporting papers:

Appendix A – Instrument of delegation – Help to Buy equity loan scheme programme

Appendix B – Instrument of delegation – Administration of equity loan post sales, legacy programmes and the two Help to Buy schemes

Public access to information

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FoIA) and will be made available on the GLA website within one working day of approval.

If immediate publication risks compromising the implementation of the decision (for example, to complete a procurement process), it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary. **Note:** This form (Part 1) will either be published within one working day after it has been approved or on the defer date.

Part 1 - Deferral

Is the publication of Part 1 of this approval to be deferred? NO

Until what date: (a date is required if deferring)

Part 2 - Sensitive information

Only the facts or advice that would be exempt from disclosure under FoIA should be included in the separate Part 2 form, together with the legal rationale for non-publication.

Is there a part 2 form - NO

ORIGINATING OFFICER DECLARATION:

Drafting officer to
confirm the
following (✓)

Drafting officer:

Risa Kawamoto has drafted this report in accordance with GLA procedures and confirms the following:

✓

Sponsoring Director:

Rickardo Hyatt has reviewed the request and is satisfied it is correct and consistent with the Mayor's plans and priorities.

✓

Mayoral Adviser:

Tom Copley has been consulted about the proposal and agrees the recommendations.

✓

Advice:

The Finance and Legal teams have commented on this proposal.

✓

Corporate Investment Board

This decision was agreed by the Corporate Investment Board on 22 February 2021.

EXECUTIVE DIRECTOR, RESOURCES:

I confirm that financial and legal implications have been appropriately considered in the preparation of this report.

Signature

Date

D. Gove

28 February 2021

CHIEF OF STAFF:

I am satisfied that this is an appropriate request to be submitted to the Mayor

Signature

Date

D. Bellamy

24 February 2021