

Request for Information

Background information

Introduction

The Department for Levelling Up, Housing and Communities (DLUHC) supports communities across the UK to thrive, making them great places to live and work. Its work includes investing in local areas to drive growth and create jobs, delivering the homes our country needs, supporting our community and faith groups, and overseeing local government, planning and building safety.

DLUHC has published a Prior Information Notice to advise it intends to issue an Invitation to Tender for an evaluation of the Help to Buy Equity Loan Scheme.

This Request for Information (RFI) aims to understand the views of organisations or individuals interested in tendering for this opportunity, as well as the views of organisations and/or individuals not interested in bidding but with knowledge, insight and/or interest in the Help to Buy policy.

Responses to this RFI may influence development of DLUHC's requirements. DLUHC reserves the right not to proceed with the procurement or any part thereof, or to change the requirements as necessary at any time.

Background to the Help to Buy: Equity Loan scheme

The Help to Buy: Equity Loan scheme provided buyers with an equity loan of up to 20% (up to 40% in London from February 2016) of the market value of an eligible new-build property. The equity loan is interest-free for the first 5 years. From the sixth year onwards, interest is charged to the equity loan amount owing. Households can at any time redeem or partially redeem the amount they owe by paying back at the current market valuation either the full or partial equity share. The scheme supported over 387,000 households to buy a new build home and closed to new customer applications on 31 October 2022.

The scheme had two main objectives:

- First, to increase access to homeownership. To achieve this, the scheme was designed to tackle affordability challenges relating to the size of the deposit required to purchase a home, and the size of the mortgage that requires servicing. By providing an equity loan of up to 20% (or 40% in London from 2016), the prospective buyer's deposit requirement is reduced to 5%, whilst they only need to initially take out (and service) a 75% mortgage (or less in London).
- Second, to increase housing supply - the policy logic being that by addressing these affordability challenges the scheme increases the number of people who can look to purchase a home. As the scheme is only available on new build housing, this unlocks demand for such housing, giving developers the confidence to build out sites more quickly thus increasing overall housing supply.

Help to Buy was initially launched in 2013 following the financial crisis. The scheme was largely open and unrestricted, available to anyone who wished to purchase a house as their sole residence on new build properties up to the value of £600,000.

The scheme was then replaced by a new Help to Buy scheme (HtB2) which looked to target resources at first-time buyers who could not access homeownership otherwise. HtB2 launched in 2021 and introduced significant policy changes including a restriction to first-time buyers and price caps which set the maximum purchase price in each region.

Previous evaluations

To date, the Help to Buy: Equity Loan scheme has undergone two independent evaluations. The first, in 2015¹, sought to assess the ‘additionality’ of the policy, defined as the increased production of housing as a result of the scheme, and to provide evidence of the experience of both customers and providers. Two years later in 2017², following an expansion of the scheme’s take up and presence within the industry, a further independent evaluation was commissioned to understand the extent to which the scheme was supporting the housing market and how this might have changed over time. This was followed by a report on the scheme by the National Audit Office³.

In 2019, the Public Accounts Committee held a hearing on the scheme (as part of its Help to Buy: Equity Loan scheme progress review enquiry) to assess the progress of the scheme, its position in the housing market and reflect on lessons learnt. Following this hearing, the Public Accounts Committee published a report⁴ outlining a series of recommendations for the Department. A key recommendation was that ‘The Department should undertake a further evaluation of the scheme, to understand its value and necessity from 2017’.

As such, the Department has committed to undertake a further full independent evaluation following the closure of the scheme to new customers, and we are now taking this forward.

Proposed scope of evaluation

At this stage, DLUHC envisages the scope of the evaluation potentially being as follows – with all questions being considered both in total and *within three periods*:

1. The start of the policy up until the previous 2017 evaluation (**tbc**)
2. The remaining period of HtB1 (2017 – 2021)
3. The period covered by HtB2 (2021 – 2023)

Did the policy achieve its primary objectives?

- Did the policy improve access to home ownership? What was the ‘demand additionality’?
 - What types of customers accessed home ownership through Help to Buy?
 - Did the policy increase access to home ownership amongst customer groups less likely to own their own homes?
- Did the policy improve the supply of housing? What was the ‘supply additionality’?
 - What types of housing did it deliver and where?

¹ [Evaluation of the Help to Buy equity loan scheme - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/444444/evaluation-of-the-help-to-buy-equity-loan-scheme-2015.pdf)

² [Evaluation of the Help to Buy Equity Loan Scheme 2017 \(publishing.service.gov.uk\)](https://publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/614444/evaluation-of-the-help-to-buy-equity-loan-scheme-2017.pdf)

³ [Help to buy equity loan scheme progress review \(nao.org.uk\)](https://nao.org.uk/publications/help-to-buy-equity-loan-scheme-progress-review/)

⁴ publications.parliament.uk/pa/cm201719/cmselect/cmpubacc/2046/2046.pdf

- What impact did the policy have on developer activity/ the housebuilding market?
- How did additionality vary over time and between high and low demand housing markets?

What were other consequences of the policy, versus the counterfactual? E.g.

Customer impacts

- Beyond access to homeownership, what were the benefits for customers?
- Did customers experience any challenges with properties purchased, or other negative impacts as a result of Help to Buy?

Mortgage finance impacts

- To what extent did the scheme improve access to mortgage finance for first time buyers/ new build properties?
- To what extent was such mortgage lending availability underpinned by Help to Buy?

Price impacts

- Did the policy impact on house prices and land prices and if so by how much?
- To what extent is there a 'new build premium*' and if so:
 - Did Help to Buy contribute to the size of this premium?
 - Did customers pay a 'Help to Buy premium' over and above any new build premium?
 - Did customers experience adverse impacts as a result of any premium?
- Is there any evidence that HtB drove inflation in developer profits/ created 'dependency'?

* i.e. a higher price paid specifically as a result of a property being new-build, as opposed to a higher price resulting from other aspects which may vary between new build and second hand (e.g. size, location, quality)

What were/are the financial impacts of the scheme?

- At this stage, who has redeemed/ not redeemed their loans and why?
- To what extent have customers been able to:
 - Afford their interest payments (if applicable)
 - Re-mortgage their first-charge mortgage when necessary/ desirable
 - Redeem their loans when necessary/ desirable
- Considering the counterfactual, to what extent have customers been/ feel like they have been left in a better position as a result of Help to Buy?

How did changes to the scheme in HtB2 impact objectives, benefits and other impacts?

- What was the impact of the regional caps, and how did this vary by region?
- What was the impact of restricting the scheme to first time buyers?
- Overall, did the changes better target the scheme at those who needed assistance?

What was the impact of scheme closure/ Help to Buy's legacy?

- Did the changes in HtB2/ wind down of the scheme enable developers and lenders to devise other ways for buyers to access finance/ avoid a sudden reduction in house building? (insofar as possible within wider macroeconomic conditions)
- Did any challenges result across/ as a result of the closure of the scheme?
- What has happened to the following since the scheme ended, and to what extent can this be attributed to Help to Buy's closure?
 - New build starts and sales
 - Lending for new build/ FTBs
 - Access to home ownership for FTBs

Overall, did the scheme deliver value / value for money?

- Across the lifecycle of the policy, was funding (a) targeted at customers who needed it (b) proportionate to those customers' needs?
- Was the policy necessary to deliver the objectives across the whole time period – or did/ could alternative mechanisms to achieve the objectives emerge/ have been developed later in the period? (e.g. by the private sector)
- What was the overall benefit/ cost ratio of the policy?
- Did the design/ processes of the scheme support the objectives, impacts or value for money?

DLUHC notes that the time since the previous evaluation has been a variable period for the housing market and that broader factors (e.g. market activity through and following COVID-19) will have been at play that will have impacted demand, supply and pricing. DLUHC would like the successful bidder to consider and implement ways to control for wider factors affecting the housing market so as to isolate, as far as is possible, the effect of Help to Buy specifically.

DLUHC welcomes views from potential bidders and other stakeholders on the scope of the evaluation, and invites thoughts on this within responses to this RFI.

Proposed methodology for evaluation

At this stage, DLUHC anticipates following a broadly similar approach to the previous evaluation, with **primary research** being conducted with customers, developers and mortgage lenders. However, the longer period to be evaluated means adaptations to the methodology are likely. The table below sets out the methodology from the most recent evaluation in 2017 and DLUHC's current thoughts on how this might differ with the 2024 evaluation.

	2017 approach	Potential 2024 approach
Customer survey	Representative survey with 1,500 buyers who had purchased with the assistance of HtB across a two-year period (Jun 2015 – Jun 2017).	A decision is to be taken on whether this evaluation should focus on customers post-2017 evaluation or cover all customers from the policy start in 2013. Either way, this evaluation will cover a longer time period so there will likely be a larger number of

	Interviews were 15 minutes on average.	<p>interviews overall and potentially a smaller number of interviews per year.</p> <p>Given the broader range of objectives and questions compared to 2017, interviews will likely need to exceed 15 minutes.</p> <p>DLUHC is also considering moving from telephone interviews only to a mix of telephone and online interviews (depending on sample availability).</p>
Interviews with developers and their representatives	<p>29 interviews were conducted, either in person, or by telephone.</p> <p>These covered 26 large (including eight of the ten largest developers in terms of numbers of Help to Buy transactions), medium and smaller builders, as well as the three representative organisations.</p> <p>In addition, group discussions and a survey of small builders.</p>	Likely a similar approach, though DLUHC may explore whether larger scale surveys with developers could be possible.
Interviews with mortgage lenders/ other stakeholders	<p>12 semi-structured telephone interviews with ten major Help to Buy lenders, along with two lenders who were not in the market.</p> <p>Interviews were semi-structured and lasted 30-60 minutes.</p> <p>In addition, there were three interviews with other stakeholders</p>	Likely a similar approach, potentially boosting the sample size if possible to cover a larger proportion of the lenders offering Help to Buy mortgages and/or a broader range of wider stakeholders.

The previous evaluation also included significant **analysis of existing data** sources (including both internal customer data and external statistics) to create a detailed picture of the housing market and the importance of Help to Buy within it.

As a minimum, DLUHC envisages similar analysis being undertaken this time, to include the remaining years of the policy - but is also keen to explore whether the final evaluation can provide more extensive analysis and modelling, including on both the additionality of the scheme and on any price impacts of the scheme.

For example, on price impacts, DLUHC is keen for analysis to, as far as is possible, control for the impact of variables such as size, quality and location, and to consider price impacts at both a total level and in local markets.

On additionality, the 2024 evaluation will cover a longer time period across which the housing market has gone through different economic cycles and where additionality may have varied over time. Where possible, DLUHC is keen for the supplier to triangulate different sources of evidence to develop a detailed understanding of how additionality may have changed over time and across different market conditions.

Responding to this Request for Information

Responses should be returned to commercialtenders@levellingup.gov.uk by 12:00 on **12th December 2023**, with subject “**RFI: CPD4126151 Help to Buy Evaluation**”.

DLUHC appreciates that some respondents may prefer to explain their views verbally rather than in writing and has some limited availability between **4th – 12th December 2023** to meet with organisations (online or by phone) or individuals to gather views. Bidders or stakeholders wishing to take up this option should indicate their interest by **30th November 2023** and DLUHC will aim to facilitate as many requests as possible.