

Subsidy Advice Unit Report on a Proposed Subsidy to Stoford Digbeth Ltd

Referred by Birmingham City Council

13 July 2023

Subsidy Advice Unit

Part of the Competition and Markets Authority

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Introduction

- 1.1 This report is an evaluation prepared by the Subsidy Advice Unit (SAU), part of the Competition and Markets Authority, under section 59 of the Subsidy Control Act 2022 (the Act).
- 1.2 The SAU has evaluated Birmingham City Council's (the Council) assessment of compliance of the proposed subsidy to Stoford Digbeth Ltd (SDL) (the subsidy), with the requirements of Chapters 1 and 2 of Part 2 of the Act (the Assessment).¹
- 1.3 This report is based on the Assessment provided to the SAU by the Council on 24 May 2023 and evidence submitted relevant to that Assessment.²
- 1.4 This report is provided as non-binding advice to the Council. The purpose of the SAU's report is not to make a recommendation on whether the subsidy should be given, or directly assess whether it complies with the subsidy control requirements. The Council is ultimately responsible for granting the subsidy, based on its own assessment, having the benefit of the SAU's evaluation.
- 1.5 The SAU's approach to the evaluation report is commensurate with the circumstances of the subsidy referred.
- 1.6 A summary of our observations is set out at section 2 of this report.

The referred scheme/subsidy

- 1.7 The Council proposes to award SDL³ a grant of £14.3 million to address the viability gap associated with a project to convert the former Typhoo building into a modern studio and office space for the BBC and a retail space. SDL won a competitive tender process run by the BBC for its new studio space in Birmingham. The Council has informed the SAU that SDL originally intended to deliver the project without any subsidy until market changes in 2022 led to a viability gap.
- 1.8 The subsidy relates to a single building in the Digbeth area, within the Birmingham City Enterprise Zone – one of the designated areas across England introduced by the Government in 2011 to provide incentives and support to help businesses grow, drive investment and development. The site is also close to the planned HS2

¹ Chapter 1 of Part 2 of the Act requires a public authority to consider the subsidy control principles and energy and environment principles before deciding to give a subsidy. The public authority must not award the subsidy unless it is of the view that it is consistent with those principles. Chapter 2 of Part 2 of the Act prohibits the giving of certain kinds of subsidies and, in relation to certain other categories of subsidy creates a number of requirements with which public authorities must comply.

² The Council published a version of its assessment of compliance online on 25 April 2023. However, the Council submitted an updated Assessment to the SAU, so the earlier version available online should not be taken as the basis for this report.

³ SDL is a commercial property development company.

Curzon Street station, another factor which has led the Council to identify Digbeth as a key regeneration area.

- 1.9 The Council is providing the subsidy following an application by SDL to the Greater Birmingham and Solihull Local Enterprise Partnership for Enterprise Zone funding. It will be paid in respect of redevelopment, including construction, costs and will only be paid where costs have been incurred by March 2026. The timescale for dispensing the funding will not go beyond March 2026.
- 1.10 The redevelopment of the Typhoo building by SDL will cost £69.3 million, with around £55 million being funded by privately raised capital. This has left a viability gap of £14.3 million, to be covered by the Enterprise Zone funding provided by the Council.

SAU referral process

- 1.11 On 24 May 2023, the Council requested a report from the SAU in relation to the subsidy.
- 1.12 The Council explained⁴ that the subsidy is a Subsidy of Particular Interest because its value exceeds £10 million.⁵
- 1.13 The SAU notified the Council on 1 June 2023 that it would prepare and publish a report within 30 working days (ie on or before 13 July 2023).⁶ The SAU published details of the referral on 1 June 2023.⁷

⁴ In the information provided under section 52(2) of the Act.

⁵ Within the meaning of regulation 3 of [The Subsidy Control \(Subsidies and Schemes of Interest or Particular Interest\) Regulations 2022](#) which sets out the conditions under which a subsidy or scheme is considered to be of particular interest.

⁶ Sections 53(1) and 53(2) of the Act.

⁷ [Referral of Stoford Digbeth Ltd subsidy by Birmingham City Council](#)

Summary of the SAU's observations

- 2.1 The Assessment is drafted in line with the four-step process described in the Statutory Guidance for the United Kingdom Subsidy Control Regime (the [Statutory Guidance](#)) and as reflected in the SAU's Guidance on the operation of the subsidy control functions of the Subsidy Advice Unit (the [SAU Guidance](#)).
- 2.2 In summary, our key observations are that:
- (a) the policy objective could be more focused and linked to the specific aims of the subsidy (Principle A);
 - (b) the Assessment could be strengthened by demonstrating that the Council considered alternative options to meet the policy objectives (in particular, alternatives to a subsidy), as well as addressing the identified viability gap for the project (Principle E);
 - (c) given that the alternative options were set out by SDL (the beneficiary), the Assessment could be strengthened by being clear on how SDL's incentives in applying for the subsidy have been accounted for when considering those options (Principle E);
 - (d) the Assessment could be improved by providing additional evidence and analysis used to select the most likely counterfactual (Principle C);
 - (e) the assessment of proportionality could include more detail and evidence to demonstrate that the calculation used to identify the viability gap meant that the subsidy was proportionate and the minimum necessary to achieve the objective (Principle B);
 - (f) the assessment of competition and investment could be strengthened by providing more detail on the identity of relevant competitors, on the potential impact on competition of SDL's entry into the market (whether positive or negative) and being more specific on the distortions to competition and investment (Principle F); and
 - (g) the balancing test could be clearer on the negative impacts identified and how they were weighed against the positive impacts from the subsidy (Principle G).
- 2.3 The subsidy is Enterprise Zone funding and we understand in this case that the need for a subsidy arose only after SDL had won the BBC tender for new offices.⁸

⁸ The full details were provided in a clarification call with the Council on 16 June 2023. We recommend that public authorities include all relevant details on the context of the subsidy in their assessment.

As such, the amount required and the approach to regenerating the building depended on the features of the development relevant to that successful bid, which means that the Council may not have been able fully to consider proportionality and alternatives.

- 2.4 A public authority is required to consider the subsidy control principles before providing funding and should do so in a way that is commensurate with the size and potential distortive impact of the subsidy.⁹ In the context of an Enterprise Zone designation (which is meant to make it easier for public authorities to attract investment and fund regeneration), it may be that there are lower risks of distortion or circumstances which can mean a fuller assessment is not possible. The public authority should make sure to set out in its assessment the full context and explain where and why any aspects of the assessment have been limited in consequence of this context.
- 2.5 We also note that the Council has largely relied in the Assessment on information provided by SDL in its funding application. Public authorities should be aware that recipients and third parties may have an incentive to provide information that would make a subsidy appear more (or less) favourable. They may also not be fully aware of all relevant factors and evidence (in particular, with respect to potential alternatives to the chosen subsidy available to the public authority). As such, public authorities should consider the weight they place on such evidence in a way commensurate with the risks to which the subsidy might give rise, which could range from basic sense checking, obtaining independent verification or obtaining a wider evidence base (with subsidies meeting the SOPI threshold, for example, meriting a more detailed approach).¹⁰ We note in this case that the Council obtained an independent review of SDL's submission, but this did not cover all parts of the submission.
- 2.6 Our report is advisory only and does not directly assess whether the subsidy complies with the subsidy control requirements.

⁹ [Statutory Guidance](#), paragraph 1.31.

¹⁰ [Statutory Guidance](#), paragraph 3.45

The SAU's Evaluation

3.1 This section sets out our evaluation of Assessment, following the four-step framework structure used by the Council.

Step 1: Identifying the policy objective, ensuring it addresses a market failure or equity concern, and determining whether a subsidy is the right tool to use

3.2 The first step involves an evaluation of the Assessment against:

- (a) Principle A: Subsidies should pursue a specific policy objective in order to (a) remedy an identified market failure or (b) address an equity rationale (such as local or regional disadvantage, social difficulties or distributional concerns); and
- (b) Principle E: Subsidies should be an appropriate policy instrument for achieving their specific policy objective and that objective cannot be achieved through other, less distortive, means.¹¹

Policy objectives

3.3 The Assessment sets out that the subsidy aims to meet objectives in relation to:

- (a) the regeneration of Digbeth, as laid out in the Birmingham Development Plan;
- (b) the regeneration of Birmingham overall as laid out in the Future City Plan 2021;
- (c) The West Midlands Combined Strategic Authority Strategic Economic Plan;
- (d) Net Zero; and
- (e) The national Build Back Better strategy.

3.4 We consider that the Assessment could be improved by ensuring that the policy objectives are more directly linked with the immediate aims of the subsidy (the development of the specific building and surrounding area) and the market failure/equity rationale identified; while the objectives cover national issues, the market failure and equity rationale are limited to the local area concerned. Adopting a broad set of policy objectives also impacts other aspects of the Assessment. For example, if Net Zero is a specific policy objective, we might have expected other

¹¹ Further information about the Principles A and E can be found in the [Statutory Guidance](#) (paragraphs 3.18 to 3.42) and the [SAU Guidance](#) (paragraphs 4.7 to 4.11).

Net Zero-related projects to be considered under Principle E (alternative options) and for the Environment and Energy principles to be assessed.

Market failure and equity objective

3.5 The Statutory Guidance sets out that:

- (a) Market failure occurs where market forces alone do not produce an efficient outcome. ¹²
- (b) Equity objectives seek to reduce unequal or unfair outcomes between different groups in society or geographic areas. ¹³

3.6 The Assessment sets out both a market failure (negative externalities) and an equity objective (to bring social benefits to a deprived and left behind community). We consider that both are explained reasonably well and are supported by appropriate supporting evidence.

3.7 The Assessment sets out a conceptual framework used by the Council, which is useful in demonstrating both that the Council understands the relevant concepts and the way in which it arrived at its conclusions. The Assessment explains that a derelict building attracts higher levels of crime and antisocial behaviour. This reduces the value of property in the area, below what could be achieved in a well-functioning market, and below the level that would make development commercially viable.

3.8 The Council could consider whether framing the market failure in terms of negative externalities is the most effective way to support the need for a subsidy. It could consider expressing the market failure as positive externalities arising from redeveloping the building, including the further regeneration impacts (using evidence provided on the wider outcomes and benefits to underpin this).

3.9 The evidence used to support the market failure is a report commissioned by SDL. The report was prepared by a national independent real estate consultant using a wide range of independent evidence (including national statistics on crime and property values) which we consider is an appropriate basis for the Council's conclusions.

3.10 The same evidence is used to underpin the equity objective, providing evidence of crime, low employment and low paid jobs. The Assessment sets out that the subsidy will help to encourage the development of higher paying jobs in the area (through the BBC and through the provision of high-quality office space able to

¹² [Statutory Guidance](#), paragraphs 3.21-3.32.

¹³ [Statutory Guidance](#), paragraphs 3.35-3.39.

attract high paying tenants). Improving public spaces should also help to reduce crime and anti-social behaviour leading to greater health and well-being.

Consideration of alternative policy options and why the subsidy is the most appropriate and least distortive instrument

- 3.11 In order to comply with Principle E, public authorities should consider why the decision to give a subsidy is the most appropriate instrument for addressing the identified policy objective, and why other means are not appropriate for achieving that objective.¹⁴
- 3.12 The Assessment focuses on explaining why alternatives to a subsidy to bridge the identified viability gap were not pursued and why funding the gap to deliver the project was seen as preferable to a 'do-nothing' scenario. It relies on alternatives which were identified by SDL as part of the Financial Business Case submitted as part of its Enterprise Zone application, along with reasons why each alternative was dismissed.¹⁵
- 3.13 We consider that the assessment of these alternatives to address the viability gap, and why the subsidy was preferable, is well-considered and credible with comprehensible explanations for why the identified alternative options were not pursued. However, the explanation for why the project could not be delivered without a subsidy could be improved. In particular, it could consider all factors, beyond just profit margins, relevant to a beneficiary when it decides whether to go ahead with a project, such as time and investment spent on the project to date.
- 3.14 Further, the Assessment could be strengthened by considering alternatives not involving a subsidy to address the identified policy objectives, rather than just ways to address the viability gap.¹⁶ The Financial Business Case includes a list of alternative options to the proposal and the Assessment could be improved by considering these more directly and explaining why they were not pursued.¹⁷
- 3.15 Finally, work on identifying alternative options was done by SDL for its Financial Business Case. Public authorities relying on third party information, including from the beneficiary, should make sure that they have accounted for any incentives that the third party may have in providing that information and any gaps in their knowledge about the options available to the public authority.¹⁸

¹⁴ [Statutory Guidance](#), paragraphs 3.40-3.41.

¹⁵ A loan, equity investment and direct provision (ie the Council acting as developer).

¹⁶ Although here we again note that the breadth of the identified policy objectives would mean a wide range of potential alternatives to consider. Further background and context of how the viability gap for the project and the need for a subsidy arose, along with more specific policy objectives would have allowed the Council to better address and explain, in particular, the context for what alternative funding mechanisms and options to develop the site were considered.

¹⁷ Including a lower quality fit out, a higher density development, and demolishing the existing building for a new build.

¹⁸ [Statutory Guidance](#), paragraph 3.45.

Step 2: Ensuring that the subsidy is designed to create the right incentives for the beneficiary and bring about a change

3.16 The second step involves an evaluation of the assessment against:

- (a) Principle C: First, subsidies should be designed to bring about a change of economic behaviour of the beneficiary. Second, that change, in relation to a subsidy, should be conducive to achieving its specific policy objective, and something that would not happen without the subsidy; and
- (b) Principle D: Subsidies should not normally compensate for the costs the beneficiary would have funded in the absence of any subsidy.¹⁹

Counterfactual assessment

3.17 In assessing the counterfactual, the Statutory Guidance explains that public authorities should assess any change against a baseline of what would happen in the absence of the subsidy (the ‘do nothing’ scenario).²⁰ This baseline would not necessarily be the current ‘as is’ situation (the ‘status quo’) but what would likely happen in the future – over both the long and short term – if no subsidy were awarded.

3.18 The Assessment describes a counterfactual at a high-level whereby the Typhoo building would remain derelict. It notes that the Typhoo building has been vacant for more than 30 years and concludes that the level of investment required to bring the building back into productive use would be ‘prohibitive for any market driven development scheme’.

3.19 The counterfactual incorporates three assumptions about what would happen without the subsidy:

- (a) that the construction of an HS2 railway station near to the Typhoo building is not of itself able to remedy the overall market failure;
- (b) that SDL would not redevelop the Typhoo building because it would not be commercially viable to do so, and it would abandon its plans to deliver new residential, office and hospitality accommodation around the new BBC building; and
- (c) that another developer would not redevelop the building.

¹⁹ Further information about the Principles C and D can be found in the [Statutory Guidance](#) (paragraphs 3.43 to 3.57) and the [SAU Guidance](#) (paragraphs 4.12 to 4.14).

²⁰ [Statutory Guidance](#), paragraphs 3.46-3.47.

- 3.20 In our view, the Assessment's consideration of possible future developments, rather than just assuming the current situation continues, helps to establish a properly informed counterfactual and assists the assessment of Principle B.
- 3.21 Nonetheless, we consider that the Assessment could be improved by providing additional evidence and analysis used to select the most likely counterfactual. This could include setting out different redevelopment and investment possibilities (without the subsidy) for both the Typhoo building and the wider Digbeth area, and the likely outcomes for each approach over both the short and long term.
- 3.22 We consider that the Assessment could be strengthened by considering whether the Typhoo building is part of a broader redevelopment proposal. In particular, in selecting the most likely counterfactual scenario, the Assessment could take into account the potential relevance of any commercial arrangements between the beneficiary and third parties relating to the redevelopment of Digbeth and the selection of the BBC as an 'anchor' tenant.

Changes in economic behaviour of the beneficiary

- 3.23 The Statutory Guidance sets out that subsidies must bring about something that would not have occurred without the subsidy.²¹ In demonstrating this, public authorities should consider the likely change or additional net benefit.
- 3.24 The Assessment clearly articulates that the intended change in economic behaviour is the redevelopment of the Typhoo building against a counterfactual where no redevelopment would take place.
- 3.25 As noted in paragraph 3.21, the Assessment could be improved by providing additional evidence and analysis used to select the most likely counterfactual.

Additionality assessment

- 3.26 According to the Statutory Guidance, 'additionality' means that subsidies should not be used to finance a project or activity that the beneficiary would have undertaken in a similar form, manner, and timeframe without the subsidy.²²
- 3.27 The Assessment clearly states that neither the beneficiary, SDL, nor the landowner, Benacre, would redevelop the Typhoo building in the absence of the subsidy. In particular, the Assessment states that the costs of developing the Typhoo building would exceed its gross development value (ie the value of the redeveloped building) which demonstrates that redevelopment of the building would not be commercially viable without a subsidy.

²¹ [Statutory Guidance](#), paragraph 3.50.

²² [Statutory Guidance](#), paragraphs 3.49-3.53.

- 3.28 We consider that the Assessment could be strengthened by considering whether the subsidy is required by SDL to meet a legal or contractual obligation under the terms of its development agreement with Benacre. For example, if SDL is contractually bound to deliver the redevelopment, it may be the case that SDL would undertake the redevelopment regardless of the subsidy.
- 3.29 As noted in paragraph 3.21, we consider that the Assessment could be improved by providing additional evidence and analysis used to select the most likely counterfactual, with consideration of different redevelopment possibilities and a detailed description of the underlying assumptions.²³

Step 3: Considering the distortive impacts that the subsidy may have and keeping them as low as possible

- 3.30 The third step involves an evaluation of the assessment against:
- (a) Principle B: Subsidies should be proportionate to their specific policy objective and limited to what is necessary to achieve it; and
 - (b) Principle F: Subsidies should be designed to achieve their specific policy objective while minimising any negative effects on competition or investment within the United Kingdom.²⁴

Proportionality

- 3.31 The Assessment sets out that the viability gap of £14.3 million was identified through a calculation that the cost of construction would be more than the gross development value.²⁵
- 3.32 It also explains, at a high-level, how the following elements of the subsidy's design help to ensure the proportionality of the intervention:
- (a) capping the amount of funding to the identified viability gap, with SDL bearing any cost overruns;
 - (b) a clawback mechanism; and
 - (c) ringfencing of the subsidy to the specific redevelopment, so as to avoid cross-subsidising SDL's other commercial activities.
- 3.33 In our view, the Assessment could be strengthened with more detail and evidence to support the calculation of the viability gap and to demonstrate more effectively

²³ The Statutory Guidance states that, where data is available, and it is commensurate to do so, public authorities should consider using cost modelling to support their assessment of the 'additionality' requirement.

²⁴ Further information about the Principles B and F can be found in the [Statutory Guidance](#) (paragraphs 3.58 to 3.93) and the [SAU Guidance](#) (paragraphs 4.15 to 4.19).

²⁵ Gross development value refers to the value of the final developed asset on the open market.

that the amount of the subsidy itself is proportionate to the specific policy objectives and limited to what is necessary so as to comply with Principle B.

- 3.34 In particular, given that the cost of construction and gross development value are based on estimates with some degree of uncertainty, the Assessment could explain, with appropriate cost modelling, how they would change if key underlying assumptions were altered.
- 3.35 Additionally, the Assessment could also consider whether the clawback provision is set at the right level and provides scope to incentivise the change in economic behaviour without overcompensating the beneficiary.
- 3.36 We address specific points in relation to the cost of construction and gross development value in turn below.

Cost of construction

- 3.37 The Assessment includes a high-level summary of the estimated cost of construction, setting out the main costs involved.
- 3.38 In our view, the Assessment could be improved by explaining in more detail, with appropriate evidence and analysis, how the estimated cost of construction has been checked for reasonableness. The key assumptions could be set out and the results of any cross-checking against other sources of evidence and/or advice provided. In particular:
- (a) providing more information on the appointment of the sub-contractor, including details of the tendering process (including the appointment criteria used) and in particular how the likely sub-contractor's costs will be assessed as reasonable (with details of the benchmarking criteria used);
 - (b) clearly setting out the proportion of the costs of construction which are not related to the sub-contractor's works, and providing the evidence and analysis used to determine that these costs are reasonable;
 - (c) explaining how the estimated land acquisition cost is consistent with a counterfactual where the building would remain derelict; and
 - (d) providing a more detailed explanation of why the allowable profit for SDL is reasonable.
- 3.39 In considering what additional detail may be commensurate, we observe that SDL was not chosen as the beneficiary of the subsidy through a competitive tendering

process (see paragraph 3.54).²⁶ In such cases, it may be particularly important to cross-check evidence provided by the beneficiary with other sources, including independently prepared reports, and to seek clarification where any inconsistencies are found.

Gross development value

- 3.40 The Assessment contains a high-level summary of the main components of the estimated gross development value, based on estimated figures by a property consultant acting on behalf of SDL.
- 3.41 The Assessment could be strengthened by setting out the key assumptions and any other analytical procedures undertaken to check whether the estimated gross development value is reasonable. This includes work done to cross-check the estimated gross development value against other facts and evidence.
- 3.42 We consider that two considerations could be specifically addressed:
- (a) Whether the gross development value assumes that a redevelopment project of the scale envisaged would realise a 'regeneration premium'.
 - (b) SDL's future plans to redevelop other parts of Digbeth and its potential gain from having the BBC as an 'anchor' tenant in the Typhoo building.
- 3.43 The Council told us during our evaluation that SDL has entered into a forward sale agreement to dispose of its interest in the Typhoo building (once it has been redeveloped). We consider that the Assessment could be improved by cross-checking the estimated gross development value with the implied valuation based on this agreement. Any differences between these two valuations could be clarified with additional evidence and analysis.
- 3.44 We note that some costs are offset against the gross development value, including compensation for the purchaser's costs.²⁷ While it may be necessary to offer this incentive in order to realise the highest disposal value, we consider that the Assessment could be improved by explaining why these deductions are consistent with Principle B.

Design of subsidy to minimise negative effects on competition and investment

- 3.45 The Assessment (in conjunction with principle B) highlights design elements of the subsidy which could minimise the distortion on competition, consistent with those

²⁶ The [Statutory Guidance](#) states that 'The best placed enterprises may be identified by asking recipients to bid to win the subsidy and select the recipient(s) that require the smallest subsidy to achieve the policy objective' (paragraph 3.70).

²⁷ Stamp duty, fees and vat expected to be incurred by a future purchaser of the Typhoo building.

set out under the subsidy characteristics detailed in the Statutory Guidance.²⁸ These include the subsidy: being ringfenced to the development of the Typhoo building only; being capped, with any overrun covered by SDL; being limited to the amount necessary to address the 'viability gap'; including a clawback mechanism; and requiring SDL use competitive tenders for all contractors and consultants.

Assessment of effects on competition or investment

- 3.46 The Assessment identifies at a high level the relevant market to be that of office development in Birmingham, and more widely the UK. The Assessment identifies that potential distortions in the local market could come from SDL potentially becoming more profitable and becoming the favoured developer for future development in the Digbeth area. We consider that the Assessment could go further to explore who the competitors are, how these distortions may impact them, and how significant the impacts could be.
- 3.47 The Assessment identifies SDL as the sole beneficiary of the subsidy. SDL was not selected using a competitive tender process, but by applying for Enterprise Zone funding against pre-determined criteria. Although a competitive tender was not run, Enterprise Zone funding is also available to other projects which meet the criteria, therefore other developers could also bid for such funding with other qualifying projects.
- 3.48 The Assessment explains that SDL is not currently active in the office market (focusing mainly on industrial developments), nor is it active in the Digbeth market. It appears therefore that the subsidy will not have the effect of augmenting an existing market share or increasing concentration in the relevant market. The subsidy allows SDL to enter that market, which may be unlikely otherwise (due to the viability gap). We consider that the Assessment could benefit from explaining further the potential impact of SDL's entry into the market on competition, whether that be positive or negative.
- 3.49 The Assessment provides some explanation and evidence as to why the subsidy will not cause significant distortion to competition. Profit margins on the development are not excessive (sitting at the lower end of the DLUHC guidance on such development projects²⁹). Thus, the project is not expected to result in excessive profits for the developer. The development is also small in size in the context of the wider development market. The subsidy design characteristics, as described in paragraph 3.32, should in our view also limit any potential distortions to competition.
- 3.50 The Assessment sets out that the subsidy hopes to lead to increased land and property values in the area, along with increased employment and wages. It sets

²⁸ [Statutory Guidance](#), paragraphs 16.6-16.28.

²⁹ See DLUHC, [Viability - GOV.UK \(www.gov.uk\)](#)

out that these could lead to both positive impacts on competition and investment (by making the area more attractive to private investment) and negative impacts (potentially pricing out existing businesses in the area and displacing private investment in other areas). The approach appears to us to be commensurate, but the Assessment could be strengthened with more detail on these issues (such as the significance of any displaced investment and more specifics on improvements to competition).

Step 4: Carrying out the balancing exercise

- 3.51 The fourth step involves an evaluation of the assessment against subsidy control Principle G: subsidies' beneficial effects (in terms of achieving their specific policy objective) should outweigh any negative effects, including in particular negative effects on: (a) competition or investment within the United Kingdom; (b) international trade or investment.³⁰
- 3.52 The Assessment summarises the beneficial impacts from the subsidy, and sets out evidence including the Value for Money assessment produced for the Financial Business Case and a Benefit Cost Ratio. The Assessment also states that the subsidy will not have a significant effect on international trade or investment (except to the extent that it could potentially attract to the area international occupiers and developers, thereby increasing international competition).
- 3.53 Overall, we find that the Assessment is clear and considers a comprehensive range of beneficial impacts, demonstrating that a number of different angles have been explored. The evidence used is reasonable.
- 3.54 However, while the Assessment does acknowledge potential negative effects, we consider that the Assessment could be improved by more fully articulating what negatives could occur and fully explaining why the benefits outweighed these, rather than seeking to minimise negative impacts where possible.³¹

³⁰ See [Statutory Guidance](#) (paragraphs 3.96 to 3.98) and [SAU Guidance](#) (paragraphs 4.20 to 4.22) for further detail.

³¹ For example, one document submitted as supporting evidence for the Assessment notes that some existing occupiers will need to be relocated in Digbeth as a result of the development, but this is not explored in the Assessment.