Subsidy Advice Unit Report on the proposed subsidy to Jomast Developments Limited

Referred by Tees Valley Combined Authority

23 December 2024

Subsidy Advice Unit



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1. The Referral

- 1.1 On 6 November 2024, Tees Valley Combined Authority (TVCA) requested a report from the Subsidy Advice Unit (the SAU)¹ in relation to its proposed subsidy (the Subsidy) to Jomast Developments Limited (Jomast) under section 52 of the Subsidy Control Act 2022 (the Act).²
- 1.2 This report evaluates TVCA's assessment of compliance (the Assessment) of the Subsidy with the requirements of Chapters 1 and 2 of Part 2 of the Act.³ It is based on the information and evidence included in the Assessment.
- 1.3 This report is non-binding. It does not consider whether the Subsidy should be given, or directly assess whether it complies with the subsidy control requirements.

Summary

- 1.4 The Assessment uses the four-step structure described in the Statutory Guidance for the United Kingdom Subsidy Control Regime (the <u>Statutory Guidance</u>) and as reflected in the SAU's Guidance on the operation of the subsidy control functions of the Subsidy Advice Unit (the <u>SAU Guidance</u>).
- 1.5 TVCA has considered the compliance of the Subsidy with the subsidy control principles. In particular, we note that the Assessment sets out a clear rationale for intervention based on the viability gap analysis, and that the equity rationale is supported with appropriate evidence.
- 1.6 However, we have identified the following areas for improvement with regard to Steps 1, 2 and 3:
 - (a) In Step 1, TVCA should consider whether framing the market failure rationale in terms of negative externalities is the most effective way to support the need for a subsidy. The Assessment could, for example, be strengthened by more fully articulating positive externalities arising from the remediation and development of the sites.
 - (b) In Step 2 the Assessment should be improved by articulating with supporting evidence the counterfactual scenario most likely to materialise (e.g. 'do nothing') to present a more coherent counterfactual analysis.

¹ The SAU is part of the Competition and Markets Authority

² https://www.legislation.gov.uk/ukpga/2022/23

³ 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.

- (c) In Step 3 the Assessment should explain and provide supporting evidence which demonstrates the Subsidy is proportionate. For example, the Assessment should systematically consider relevant subsidy design elements in line with the Statutory Guidance.
- (d) Further, the Assessment should consider more comprehensively how the subsidy is designed to minimise any negative effects of the Subsidy on competition, in line with the Statutory Guidance.
- (e) The Assessment should include a fuller discussion of the impact of the Subsidy on competition and investment in related markets, including in relation to the sale and/or leasing of commercial properties and related amenities for the homes resulting from the Project's associated retail, leisure and medical facilities.
- 1.7 Our report is advisory only and does not directly address whether the Subsidy complies with the subsidy control requirements. We have not considered it necessary to provide any advice about how the proposed Subsidy may be modified to ensure compliance with the subsidy control requirements.

The referred subsidy

- 1.8 TVCA is proposing to award a subsidy of £15 million (the Subsidy) to Jomast to enable it to take forward a development project known as 'The Hartlepool Waterfront Housing Scheme' (the Project). The Project is part of a wider development programme for Hartlepool Waterfront and forms part of the Hartlepool Development Corporation Masterplan to redevelop key brownfield sites surrounding Hartlepool Marina.
- 1.9 The Subsidy will be provided from the Brownfield Housing Fund⁴ and will be available against agreed land remediation costs for the existing brownfield sites situated on Hartlepool Waterfront.
- 1.10 Jomast are seeking to develop seven sites in close proximity to each other and Hartlepool Town Centre for the provision of a new 650 home housing development with additional commercial space. The scheme will provide a mix of housing, (including affordable housing), as well as additional retail, leisure and medical facilities with a gross development value together of some £120 million. The land remediation works are anticipated to start in February 2025 and be completed in January 2029, with the construction of homes being completed by January 2032.

⁴ Further information on previous Government funding in this policy area is available at https://www.gov.uk/guidance/brownfield-infrastructure-and-land-fund

1.11	TVCA explained that the Subsidy is a Subsidy of Particular Interest because it exceeds £10 million in value.

2. The SAU's Evaluation

2.1 This section sets out our evaluation of the Assessment, following the four-step structure used by TVCA.

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

- 2.2 Under Step 1, public authorities should consider compliance of a subsidy with:
 - (a) Principle A: Subsidies should pursue a specific policy objective in order to remedy an identified market failure or 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.⁵

Policy objective

- 2.3 The Assessment states that the policy objective of the subsidy is to regenerate a long undeveloped area of the Hartlepool Waterfront. It notes that 'whilst the sites are in a prime waterfront location, form a critical part of the Hartlepool town centre and would provide a valuable connection for key areas of the town in a more cohesive manner, they have remained undeveloped for many years with little interest in them'.
- 2.4 The Assessment further explains that the reason for this is the condition of the sites which need significant remediation work before they can be developed, making it unlikely that a commercial developer could make a viable return on the sites without intervention. In addition, the Assessment identifies an equity rationale in which the proposed subsidy leads to an increase in wellbeing and economic regeneration in the town.
- 2.5 TVCA is proposing to award a £15 million grant drawn from Brownfield Housing Fund resource towards the costs of remediating undeveloped brownfield land to allow the construction of the new residential led development. TVCA state that the £15 million grant is intended to cover the viability gap arising from the nature of the sites, which are characterised as derelict former docks and railway sidings in need of investment to address related site remediation, abnormal costs and S278

⁵ See <u>Statutory Guidance</u>, paragraphs 3.32-3.56 and the <u>SAU Guidance</u>, paragraphs 4.7-4.11 for further detail.

- costs.⁶ These costs, which form the basis of the viability gap, are considered in the Due Diligence Review (Hartlepool Urban Village and Coast Connectivity Waterfront Housing Project) produced for TVCA by Savills in October 2024 and included as supporting information to the referral.
- 2.6 The Assessment sets out credible evidence to support a rationale for intervention intended to overcome a viability gap in respect of the proposed development sites identified. However, the policy objective could be more clearly and consistently articulated across the Assessment and supporting information, which currently include different versions of the intervention rationale.
- 2.7 For example, TVCA could ensure that the specific policy objective is clearly related to the scope of the proposed subsidy (ie land site remediation and preparation for development) as opposed to the objectives of the wider development scheme and link more directly to the market failure and equity rationale which the Subsidy is intended to address.

Market failure

- 2.8 Market failures arise where market forces alone do not produce an efficient outcome. When this arises, businesses may make investments that are financially rational for themselves, but not socially desirable.⁷
- 2.9 The Assessment states that the brownfield nature of the sites creates a viability gap which has to date prevented development. It describes this as a 'market failure' that would be overcome by grant funding in order to stimulate development on an economically viable basis.
- 2.10 The Assessment describes the following market failures which the subsidy is intended to address as follows:
 - (a) Viability in which the extra site remediation and preparation costs act to discourage private sector investment and involvement.
 - (b) Historic and information failure where the existing poor quality housing stock in Hartlepool and low levels of demand in the town centre impacts on developer decision-making on where to site new housing developments.
 - (c) Negative externalities where undeveloped brownfield sites result in crime and safety issues and impact demand for local commercial operations.
- 2.11 The Assessment presents some evidence of potential market failures that the Subsidy aims to remedy. However, the existence of a viability gap does not, of

⁶ Section 278 of Highways Act (1980) allows developers to enter into agreements with a Council (or Highway Authority) to make permanent alterations or improvements to a public highway as part of a planning approval.

⁷ Statutory Guidance, paragraphs 3.35-3.48.

itself, constitute a market failure.⁸ A market with positive externalities may mean a business would not be fully compensated (absent a subsidy) for the social benefits an economic activity would bring. This lack of full compensation (which would internalise the benefits of the economic activity) may mean the business does not undertake it resulting in market failure. The viability gap here would be the difference between the compensation needed to incentivise the business to undertake the economic activity and the value the business would receive absent the subsidy. In this example, the market failure is the positive externality, not the viability gap. Similarly, a negative externality can be corrected by the award of a subsidy (amongst other interventions).

2.12 TVCA should consider whether framing the market failure in terms of negative externalities is the most effective way to support the need for a subsidy. For example, in our view the Assessment should be strengthened by more fully articulating positive externalities arising from the remediation and development of the sites, such as the wider regeneration impacts or reduction in crime and safety issues caused by the Project which would not be achieved absent the Subsidy.

Equity Objective

- 2.13 Equity objectives seek to reduce unequal or unfair outcomes between different groups in society or geographic areas.⁹
- 2.14 The Assessment states that Hartlepool town centre is an area of identified deprivation which is in need of the economic regeneration and development associated with the proposed subsidy and objectives of the wider Hartlepool Waterfront Housing Scheme. It sets out credible evidence clearly identifying the inequality challenges facing Hartlepool by reference to the Index of Multiple Deprivation as well as describing the cumulative impact of deprivation (and associated pathway dependency) on investment coming into the area that would remain unaddressed absent the subsidy.
- 2.15 TVCA argue that the Project will act as a catalyst for regeneration, resulting in high quality housing, increased footfall, investment in infrastructure, retail, leisure and medical facilities which will have a positive effect (eg direct/indirect jobs and opportunities) that will help to change pathway dependency and stimulate further investment. This will increase visitor numbers and relocations, lead to an uplift in property values and increase business confidence. All of which it is argued will help achieve equity objectives.
- 2.16 The Assessment clearly describes and evidences the equity challenge that the development as a whole is intended to address, with appropriate statistics used to

⁸ For example, by not investing in unprofitable or unviable propositions, the market can be said to acting rationally.

⁹ Statutory Guidance, paragraphs 3.49-3.53.

demonstrate the extent of deprivation faced by Hartlepool residents and service providers relative to other areas of the United Kingdom. However, the equity argument could be strengthened by the inclusion of additional supporting information (such as the benefit cost ratio included in the Business Case linked to amenity benefits, wider land value uplift, provision of affordable homes and crime reduction).

Appropriateness

- 2.17 Public authorities must determine whether a subsidy is the most appropriate instrument for achieving the policy objective. As part of this, they should consider other ways of addressing the market failure or equity issue. 10
- 2.18 The Assessment explains that TVCA considered the following means to achieve the policy objective:
 - (a) working with private sector providers / guarantee;
 - (b) loans; and,
 - (c) equity investment.
- 2.19 TVCA explained that the potential to work with other private sector providers is limited due to the condition of the sites and need for substantive remediation before any development can commence.
- 2.20 The Assessment also cites the viability gap as a key factor in TVCA discounting loan and equity options due to the inability to service any loan through the revenue generated by the development scheme.
- 2.21 The Assessment considers alternative options to address the viability gap, the appropriateness of the proposed subsidy to the policy objective and market failures to be addressed.
- 2.22 However, the Assessment could be improved by more clearly referencing evidence related to the options under consideration. For example, the Assessment could explain, referencing financial / cashflow analysis, why and how the loan option is discounted on the basis that revenue generated by the development would be insufficient to service the loan and, in particular, how this would also apply to equity where there is no equivalent obligation to make regular interest payments and capital repayments.

¹⁰ Statutory Guidance, paragraphs 3.54-3.56.

2.23 In addition, the Assessment could give further consideration to alternative means of achieving the stated policy objective for this part of Hartlepool, for example, via other regeneration activity, direct provision or regulation.

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

- 2.24 Under Step 2, public authorities should consider compliance of a subsidy with:
 - (a) Principle C: Subsidies should be designed to bring about a change of economic behaviour of the beneficiary. That change should be something that would not happen without the subsidy and be conducive to achieving its specific policy objective; and
 - (b) Principle D: Subsidies should not normally compensate for the costs the beneficiary would have funded in the absence of any subsidy. 11

Counterfactual

- 2.25 In assessing the counterfactual, public authorities should consider what would likely happen in the future over both the long and short term if no subsidy were awarded (the 'do nothing' / 'no subsidy' scenario). 12
- 2.26 The Assessment sets out a counterfactual (baseline) where, without the TVCA Grant, the viability gap is unmet, and the project becomes entirely undeliverable. Hence, the sites will be left derelict, undeveloped, unsightly and dangerous. Thus, the policy objective will not be achieved. In assessing the eventuality of this outcome, the Assessment considered three scenarios without this subsidy:
 - (a) Do nothing: Low property values and additional costs of brownfield development would diminish developer interest without the Subsidy. Hence, the land would be left vacant and not developed.
 - (b) Do minimum: around 400 homes are delivered, but no apartments. This would reduce the housing density and regeneration potential with fewer residents, consequently increasing the viability gap and requiring higher public funding if it were proceed.
 - (c) Do something else: Commercialising the development, which would disqualify the project from the Brownfield Housing Fund, increasing remediation costs and making the project unviable, notwithstanding the limited demand and interest in developing commercial uses of this scale in

¹¹ See <u>Statutory Guidance</u>, paragraphs 3.57-3.71 and the <u>SAU Guidance</u>, paragraphs 4.12-4.14 for further detail.

¹² Statutory Guidance, paragraphs 3.60-3.62.

Hartlepool Town Centre. Another alternative considered was to develop highquality open or amenity space. However, the Assessment noted that this does not remedy the market failure nor address the immediate need for housing in the local area.

2.27 The Assessment describes what would likely happen if the Subsidy was not awarded insofar as the entire project would not be financially viable and, therefore, could not proceed with the policy objective not being met. We further consider that while it was a helpful exercise for TVCA to think of the above three potential scenarios, which all point towards the project not proceeding without the subsidy, the Assessment should be improved by articulating with supporting evidence the scenario most likely to materialise (e.g. 'do nothing') to present a more coherent counterfactual analysis.

Changes in economic behaviour of the beneficiary and additionality

- 2.28 Subsidies must bring about something that would not have occurred without the subsidy. 13 They 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 ('additionality'). 14
- 2.29 The Assessment explains that the change in behaviour of the developer as a result of receipt of the TVCA grant is evident the activity that will occur with the Subsidy is the delivery of the Project at the Hartlepool Waterfront site, delivering the benefits. Moreover, the viability analysis conducted by an external advisor to TVCA in a supporting annex shows that the Subsidy would tip the project cashflows/profits from a deficit to a surplus, but the project return was still deemed below market returns.
- 2.30 The Assessment further adds that the additionality principle is met because the primary remediation costs that the Subsidy will fund have not yet been committed. The relevant work will be undertaken if the TVCA grant is awarded.
- 2.31 While the Assessment seeks to explain the additionality test and how the Subsidy would change the beneficiary's economic behaviour so that the subsidy brings about changes that would not have occurred absent the subsidy, the explanation in the Assessment is not well-articulated. Therefore, the Assessment could be improved by:
 - (a) Drawing on the viability analysis in the Assessment to explicitly explain how the subsidy, turning the project's deficit into a surplus, is sufficient to change the beneficiary's economic behaviour, despite the below-par project returns.

¹³ Statutory Guidance, paragraph 3.64.

¹⁴ Statutory Guidance, paragraphs 3.63-3.67.

- (b) Further explaining why the below-par project return is acceptable with the Subsidy but not the return without the Subsidy, which is lower, but also below market expectations. For instance, the Assessment could have further drawn on the viability analysis to articulate how, given the change in behaviour as a result of the Subsidy, it will not be used to finance a project that the beneficiary would have undertaken in a similar form, manner, and timeframe without the Subsidy.
- (c) Discussing the significant financial risks (and sensitivity analysis) associated with the project to judge the robustness of the viability analysis conclusions.
- (d) Clarifying that while the policy objective is to fund a capital asset/project, which is not typically a business-as-usual cost, how the land remediation cost for which the Subsidy is sought is not a business-as-usual cost related to a business's normal day-to-day running. This would align with the statutory guidance that subsidies should not cover such costs.

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

- 2.32 Under Step 3, public authorities should consider compliance of a subsidy with:
 - (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.¹⁵

Proportionality

- 2.33 The Assessment explains that the Subsidy has been designed to be the minimum required to deliver the policy objective. Similarly, the Assessment sets out that the relative size of the Subsidy is low (compared to total costs) and shows that the Subsidy is smaller than the costs of the Project which are considered eligible for Brownfield Housing Fund Grant funding.
- 2.34 The Assessment further considers how the following elements of the Subsidy's design help minimise the size of the subsidy including that:

¹⁵ See Statutory Guidance paragraphs 3.72-3.108 and the SAU Guidance, paragraphs 4.15-4.19 for further detail.

- (a) the Subsidy is limited to what is necessary to make the Project viable and is ringfenced for costs directly tied to remediation of the brownfield site with eligible costs needing to be proven and incurred within set timeframes;
- (b) the Subsidy will produce the minimum level of developer profit needed to induce the Project to proceed. The Grant's Funding Conditions are not drafted, however the Assessment states that they will include overage and clawback to ensure normal and agreed levels of profit;
- (c) there is a contractor procurement strategy, where open, transparent and inclusive tendering will contribute towards keeping costs down; and,
- (d) Jomast will have no ongoing entitlement to further funding.
- 2.35 The Assessment also states that in the event of a breach of the Grant conditions TVCA can, at its absolute discretion, reduce, suspend or withhold the Grant or any part of it, and can require it to be repaid or may terminate the Agreement, or any part of it, on written notice with immediate effect.
- 2.36 The Assessment contains some consideration of subsidy design features which contribute to the Subsidy being proportionate and limited to the minimum necessary to achieve its specific policy objective. However, the Assessment should explain and provide further supporting evidence which demonstrates how the Subsidy is proportionate to its policy objective and limited to the minimum necessary amount within Step 3. The Assessment should systematically consider relevant subsidy design elements in line with the Statutory Guidance, for example:
 - (a) explain more clearly how the viability gap has been calculated and appraised. TVCA should satisfy itself that its external due diligence report supports the position that £15 million is the minimum necessary amount to induce the Project to go ahead;
 - (b) explain how the allowable profit for Jomast will be agreed and kept at the minimum necessary, and what the clawback and overage mechanisms are; and.
 - (c) explain how Jomast will be monitored to ensure it is adhering to the ringfencing provisions and is making an allowable profit.

Design of subsidy to minimise negative effects on competition and investment

- 2.37 The Assessment contains some relevant elements of Subsidy design in addition to those mentioned above which help minimise negative effects on competition. In particular:
 - (a) it is a single one-off award with no further funding;

- (b) as stated above it is limited to the costs of remediation.
- 2.38 The Assessment lists a number of the subsidy characteristics identified in Chapter 3 of the Statutory Guidance which are potentially relevant to the likelihood of distortive impacts on competition or investment. However, in our view it should demonstrate and evidence more directly how design features of the Subsidy contribute to minimising any negative effects of the Subsidy on competition and investment within the United Kingdom, as set out in the Statutory Guidance. In particular, the Assessment should consider the selection process and range of beneficiaries given that the Subsidy was not made available to a broad set of recipients or made available through a competitive process. This applies both to:
 - (a) the direct award of the Subsidy to Jomast, with consideration to how the site (owned by Jomast) was selected compared to other brownfield sites in the TVCA area (owned by other potential enterprises); and
 - (b) the indirect award to Persimmon, where the Assessment could be clearer regarding how Persimmon was selected against alternative enterprises. ¹⁶

Assessment of effects on competition or investment

- 2.39 The Assessment states that the Subsidy could have a distortive impact on competition for the provision of housing and associated amenities in the Hartlepool area in the longer term, where revenue which could have gone to other developers is being redirected to the developer of the Project. However, the Assessment states there will be minimal impact because:
 - (a) The Subsidy is addressing a market failure, and there is a lack of similar residential apartment or housing provision and investment by the private sector for 20 years.
 - (b) There is a need for housing in this area and it seems unlikely that any other developers will be impacted significantly by the development.
 - (c) There may be positive benefits for other developers due to increased interest in, and regeneration of, the area thereby benefitting surrounding land values and potentially increasing values of housing in the future.
 - (d) No other participants in the market would be in the position/could be disadvantaged directly by the subsidy given that Jomast was selected because it owns the sites.

¹⁶ Statutory Guidance paragraph 3.85 states 'When subsidies cannot be made available to a broad set of recipients or made available through a competitive process, public authorities should consider other mechanisms which introduce an element of competition, such as setting objective criteria, making the selection process transparent, or carrying out preliminary discussions with multiple potential beneficiaries.'

- 2.40 The Assessment contains only a very limited discussion of the impact on competition and investment in the related markets as set out in Annex 3 of the Statutory Guidance. The Assessment should identify whether a subsidy may have an impact on competition and investment in the United Kingdom, this includes consideration of markets directly impacted by the Subsidy, but also of products or services related to the recipient's activities affected by the subsidy, namely:
 - (a) input markets (eg raw materials, land, or labour); and,
 - (b) where relevant, any markets not directly targeted by a subsidy but in which it wants to correct a market failure or pursues an equity rationale.
- 2.41 In the context of the proposed Subsidy, we consider this is relevant to (at least) two related economic activities, specifically:
 - (a) the property development sector, where the Assessment should explain in more detail the competitive impact of the Subsidy. The Assessment should identify competitors active in the land or housing markets which may be particularly affected by the proposed Subsidy and consider the nature and scale of the impact. For example, this could include other existing regeneration and housebuilding projects in Tees Valley or wider geographic areas, where appropriate; and,
 - (b) TVCA should consider the impact on competition for the sale and/or leasing of commercial properties and related amenities for the homes resulting from the Project's associated, retail, leisure and medical facilities in the relevant local market. In particular, the Assessment could consider the extent of Jomast's ownership of these types of commercial properties in the Hartlepool waterfront area, and how the Subsidy affects that (if at all).
- 2.42 In addition, TVCA could consider providing further explanation and evidence (quantifying where possible) to support the argument that the subsidy will have a minimal impact on international trade or investment in line with Statutory Guidance¹⁷.

Step 4: Carrying out the balancing exercise

2.43 Public authorities should establish that the benefits of the subsidy (in relation to the specific policy objective) outweigh its negative effects, in particular negative effects on competition or investment within the United Kingdom and on international trade or investment.

¹⁷ See <u>Statutory Guidance</u> paragraphs 3.73 – 3.75.

- 2.44 The Assessment states that the Subsidy is expected to have a minimal effect on competition or investment or on international trade or investment. It describes the focus of the proposed subsidy as being to address the long-standing lack of development of key town centre sites and the associated economic and social disadvantages that create equity concerns in Hartlepool.
- 2.45 The Assessment lists the beneficial effects of the subsidy, which include the following:
 - (a) regeneration of derelict / brownfield land;
 - (b) delivery of 650 new housing units;
 - (c) multiplier effect on the local economy and potential for increased investment;
 - (d) mitigation of path dependency away from decline and towards improvements in the attractiveness of the town; and,
 - (e) support for employment and economic activity.
- 2.46 The beneficial effects identified align closely to the rationale for intervention described in the Assessment and supporting documentation.
- 2.47 The Assessment then considers several anticipated negative effects of the Subsidy presenting these at high level, recognising that there is 'potential for some distortion of competition amongst private sector developers who may wish to develop similar sites in the area'. The Assessment notes, however, that Jomast own the sites in question and that 'TVCA is not aware of any other developers with a similar interest in similar sites in the area'.
- 2.48 The Assessment also explains that, while there may be some 'negative effect on competition within and marginally beyond the Hartlepool boundary', TVCA is confident that, through the development of an appropriate mix of use and related benefits for the local area, it has minimised the project's impact and risk of distortion to competition.
- 2.49 In summary, TVCA concludes that the lack of interest shown by developers to bring forward similar projects in the area supports the PA's view that the benefits of the Subsidy outweigh any negative impact on competition and investment and that it will act to stimulate competition and encourage further investment in complementary developments in future.
- 2.50 The Assessment has adequately set out the positive effects of the subsidy in relation to the policy rationale, its geographic impacts, as well as some of its potential negative impacts. However, the balancing exercise could be improved by addressing the points made in Step 3 which would strengthen the assessment of

- the negative impacts on competition and investment in line with Step 4 of the Statutory Guidance.¹⁸
- 2.51 Finally, in listing benefits and negative impacts the Assessment could provide further explanation of how TVCA reached its conclusion that the benefits outweigh the negatives. For example, by cross referencing relevant parts of the Assessment or incorporating quantitative supporting information (such as benefit cost ratio included in the Business Case linked to amenity benefits, wider land value uplift, provision of affordable homes and crime reduction).

Other Requirements of the Act

2.52 The PA confirmed that no other requirements or prohibitions set out in Chapter 2 of Part 2 of the Act applies to the Subsidy.

23 December 2024

¹⁸ Statutory Guidance, paragraphs 3.109–3.117.