

Subsidy Advice Unit Report on the proposed subsidy to Berkeley Homes (East Thames) Limited

Referred by Homes England

05 February 2025

Subsidy Advice Unit

Part of the Competition and Markets Authority



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1. The Referral

- 1.1 On 16 December 2024, Homes England requested a report from the Subsidy Advice Unit (the SAU)¹ in relation to its proposed subsidy to Berkeley Homes (East Thames) Limited (the Subsidy) under section 52 of the Subsidy Control Act 2022 (the Act).²
- 1.2 This report evaluates Homes England'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 provided as non-binding advice to Homes England. 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 [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](#)).
- 1.5 In our view, Homes England has considered in detail the compliance of the Subsidy with the subsidy control and energy and environment principles. In particular the Assessment:
 - (a) clearly describes and evidences the specific policy objective of the Subsidy (Principle A);
 - (b) demonstrates and evidences that the subsidy is proportionate and limited to the minimum necessary to achieve its specific policy objective (Principle B);
 - (c) clearly demonstrates and evidences how design features of the Subsidy contribute to minimising any negative effects on competition and investment within the United Kingdom (Principle F).
- 1.6 However, we have identified the following areas for improvement:

¹ The SAU is part of the Competition and Markets Authority

² [Referral of the proposed subsidy to Berkeley Homes \(East Thames\) Limited by Homes England - GOV.UK](#)

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.

- (a) the Assessment should provide more detail about the affordable homes that the Subsidy facilitates and should more clearly explain how the provision of these affordable homes will remedy the identified inequality (Principle A); and
- (b) the Assessment should explain more clearly why it has concluded that the chosen counterfactual is the most likely as opposed to other potential scenarios (Principle C).

1.7 We discuss these areas below, along with other issues, for consideration by Homes England in finalising its assessment.

The referred subsidy

1.8 Homes England is proposing to award a subsidy of £29.4 million drawn from its London Brownfield, Infrastructure and Land (BIL) Fund to Berkeley Homes (East Thames) Limited (henceforth referred to as 'Berkeley'), until March 2026. Berkeley's development of the ex-industrial brownfield site, Lombard Square (the Project), located in Plumstead, within the Royal Borough of Greenwich (the Borough), is divided into two phases. Phase 1 of the Project has already commenced, and Berkeley is in the process constructing 875 homes (60% affordable). Phase 2 is planned to deliver construction of 1,038 homes (23% affordable), 30,843 sq ft of commercial space and the infrastructure works below.

1.9 Phase 2 of the Project will include key infrastructure works, namely:

- (a) the installation of a primary electricity substation and the associated equipment, as well as a ground source heat pump district network and energy centre;
- (b) land preparation to remediate the brownfield site;
- (c) landscaping works and provision of a public park;
- (d) pedestrian access to the Thamesmead Ridgeway; and
- (e) transport improvements.

1.10 The Subsidy will support the Project by contributing funds towards the cost of the Phase 2 infrastructure works, which is estimated to be [a value between £30 – £50 million]⁴. Phase 2 as a whole is estimated to cost [a value between £300 – £500 million]⁵.

⁴ The SAU has expressed the estimated cost of the infrastructure works as a broad range. The estimated cost lies within this range, but the range does not in any way constitute a maximum or minimum cost of the works.

⁵ The SAU has expressed the estimated cost of Phase 2 as a broad range. The estimated cost lies within this range, but the range does not in any way constitute a maximum or minimum cost of Phase 2.

1.11 Homes England 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 Assessment, following the four-step structure used by Homes England.

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.⁶

Policy objectives

2.3 The Assessment states that the policy objective of the Subsidy is to increase housing supply by regenerating brownfield land in London, in a manner consistent with the wider policy objectives of the BIL Fund.

2.4 It explains that the BIL Fund operates to unlock strategic housing sites where brownfield, infrastructure or land projects face delivery and/or viability challenges in order to provide housing and associated infrastructure that is sustainable, meet local housing (including market price and affordable homes) and infrastructure needs, support growth, and improve access to social amenities (such as green space).

2.5 In our view, the Assessment clearly describes and evidences the specific policy objective of the Subsidy.

Market failure

2.6 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

⁶ See [Statutory Guidance](#), paragraphs 3.33–3.58 and the [SAU Guidance](#), paragraphs 4.7–4.11 for further detail.

⁷ [Statutory Guidance](#), paragraphs 3.36–3.50.

- 2.7 The Assessment states that the underlying market failures which the Subsidy seeks to address relate to a combination of public good provision and externalities that prevent the site from coming forward without funding support.
- 2.8 The Assessment explains that, in relation to public goods, the subsidy will support the delivery of a publicly accessible 0.7 hectare park including a play space and community facilities. It argues that these amenities are public goods in that they serve the wider community, and that the recipient does not directly benefit from providing them.
- 2.9 The Assessment goes on to explain that the development will result in positive externalities. These include:
- (a) Regenerating the brownfield site which will remove disamenities such as anti-social behaviour, risks to public safety and visual/aesthetic effects generated by the ex-industrial site. It explains Homes England's economic assessment values the benefits at £22.5 million in gross terms.
 - (b) The development of a ground source heat pump district network (see paragraph 1.9) which is a low carbon alternative to traditional gas boilers and is estimated to save 0.63 tonnes of carbon dioxide per house per year. The climate change mitigation resulting from this saving is valued at £15 million in gross terms.
 - (c) Supporting active and sustainable travel modes by providing cycle spaces, bus route enhancements, improved public realm around Plumstead station and a new ramped access to the Thamesmead Ridgeway. These have the potential to benefit the wider public by lowering pollution and improving health outcomes.
- 2.10 In our view, the Assessment clearly describes the positive externalities that the Subsidy seeks to address, and quantifies the benefits related to the regeneration and decarbonisation externalities. However, it could more clearly explain how the public goods that it identifies meet the definition of a public good set out in the Statutory Guidance.⁸
- 2.11 Additionally, we note that when discussing market conditions, the Assessment provides a description of recent changes and market outcomes in the homebuilding market.⁹
- 2.12 In our view whilst this is useful context, and these outcomes could potentially be explained by market failures, they are not sufficient to demonstrate the existence

⁸ [Statutory Guidance](#), paragraphs 3.42-3.44.

⁹ The Assessment sets out that demand and prices for housing have risen and that the rate of new home building has fallen, with there also being cost rises.

of such a failure. The Assessment could more clearly explain the market failures in line with the Statutory Guidance so as to distinguish them from market outcomes.

Equity Objective

- 2.13 Equity objectives seek to reduce unequal or unfair outcomes between different groups in society or geographic areas.¹⁰
- 2.14 The Assessment states that the Borough faces affordability challenges and requires significant housing delivery to meet demand (both open market and affordable). It explains that the average housing price in the Borough is 13 times the median household income of the area.
- 2.15 The Assessment goes on to set out that the lack of access to housing is a significant cause of deprivation in the Borough, which is ranked in the bottom quartile of local authorities on the English indices of deprivation in 2019. It states that over a fifth of the Borough's residents live in areas ranked in the most deprived 20% in England, with the development being located within a Lower Super Output Area in the most deprived 20% of areas.
- 2.16 The Assessment sets out that the Subsidy, by supporting the regeneration of brownfield land, will enable Phase 2 of the Project to deliver an additional 1038 homes, of which 23% will be affordable homes. It states that the affordable homes will be a mix of Shared Ownership and London Affordable Rent.¹¹
- 2.17 In our view, the Assessment clearly identifies an inequality the subsidy seeks to address. However it should provide more detail about the affordable homes that the subsidy facilitates and should more clearly explain how the provision of these affordable homes will remedy the identified inequality. For example, it could explain the split of affordable homes expected to be provided between the Shared Ownership scheme and the London Affordable Rent scheme, and explain the affordability of the homes under these schemes for different deciles of the income demographics of the area.

Appropriateness

- 2.18 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.¹²

¹⁰ [Statutory Guidance](#), paragraphs 3.51-3.55.

¹¹ [Information on council and affordable housing and renting in London | London City Hall](#)

¹² [Statutory Guidance](#), paragraphs 3.56-3.58.

- 2.19 The Assessment explains that Homes England has considered the following means to achieve the policy objective:
- (a) Providing advice or brokering a compromise between the developer and the planning authority.¹³ This was discounted as it was not considered realistic given the policy and strategic outcomes required by the Borough and because the viability gap for the recipient requires capital.
 - (b) Loan funding at a commercial rate. This was discounted as it would not solve the viability gap (see also paragraph 2.44).
 - (c) Acquisition of the site, entering into a joint venture or making an equity investment. These were discounted as they would expose Homes England to financial and development risks.
- 2.20 The Assessment also sets out why the proposed subsidy would be more appropriate than a reduced grant, or no intervention, explaining that these options would require reduced scope for Phase 2, which it explains, would be unlikely to satisfy planning requirements.
- 2.21 In our view, the Assessment demonstrates that Homes England has considered other ways of achieving its policy objective and explains why a subsidy was the most appropriate option. However, it could explain more clearly why the provision of loans on a commercial basis were discounted.

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

- 2.22 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.¹⁴

¹³ For example, to seek to find a compromise which would result in a lower development cost for Berkeley.

¹⁴ See [Statutory Guidance](#), paragraphs 3.59–3.73 and the [SAU Guidance](#), paragraphs 4.12–4.14 for further detail.

Counterfactual

- 2.23 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).¹⁵
- 2.24 The Assessment sets out a counterfactual scenario where Berkeley would not proceed with Phase 2 of the Project, resulting in the loss (or, at best, indefinite delay) of 1,038 homes and significant loss of amenity (see paragraph 2.28).
- 2.25 Homes England explains that this conclusion is based on discussions with Berkeley, who indicated that, absent the subsidy, Phase 2 would not generate an internal rate of return (IRR) sufficient for them to undertake the development.
- 2.26 The Assessment summarises a sensitivity analysis that was undertaken, showing that the Project would remain unviable without the Subsidy even with optimistic market growth assumptions and that, therefore, a subsidy is necessary to bridge the viability gap.
- 2.27 Homes England provided supporting information from an external consultant which reviewed Berkeley's financial model, including its assumptions and target market return, which it considered reasonable.
- 2.28 We note that whilst the Assessment argues that without the Subsidy, Phase 2 would not proceed, it includes further analysis, which considers the potential for descoping elements of the Project, which may then make the remainder viable to deliver without the Subsidy.¹⁶ This includes:
- (a) rescoping Phase 1 with gas boilers instead of a ground source heat pump district network, leading to a loss in carbon savings;
 - (b) reassessing the level of affordable housing provision delivered as part of the Project to increase profitability, ie to reduce the viability gap; and
 - (c) descoping elements of the Project, such as the public amenities space.
- 2.29 In our view, the Assessment describes what Homes England considers to be the most likely counterfactual, which it supports with some evidence.
- 2.30 However, the Assessment should explain more clearly why it has concluded that the chosen counterfactual is the most likely as opposed to other potential scenarios, such as proceeding with the Project with some or all of the descoping

¹⁵ [Statutory Guidance](#), paragraphs 3.62–3.64.

¹⁶ We understand that descoping provisions might require renegotiation of planning permissions.

provisions and/or proceeding with fewer homes, and the extent to which the policy objective would be met under these scenarios.

- 2.31 In doing so, the Assessment should also explain how the significant investment that Berkley made in Phase 1 informed the determination of the most likely counterfactual regarding Phase 2. For instance, not proceeding with Phase 2 under the most likely identified counterfactual would be likely to generate the lowest returns on the capital already employed for Phase 1 from the sale of the completed units under Phase 1. In contrast, proceeding with the descoping provisions or fewer housing units under Phase 2 could generate higher returns on the capital already employed under Phase 1, given the benefits arising from shared infrastructure from the two phases and the integrated nature of the Project.

Changes in economic behaviour of the beneficiary and additionality

- 2.32 Subsidies must bring about something that would not have occurred without the subsidy.¹⁷ 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').¹⁸
- 2.33 The Assessment notes that the viability analysis demonstrates that without the subsidy, Phase 2 of the Project in its current form (ie with no descoping provisions) would not proceed due to insufficient returns. This highlights the additionality of the Subsidy, as it enables the project to move forward.
- 2.34 The Assessment elaborates that due to the integrated nature of the Project, these benefits would also accrue to Phase 1. Specifically, the Subsidy will;
- (a) unlock 1,038 units in Phase 2 and ensure 523 affordable housing units come forward in Phase 1;
 - (b) ensure the entire Project, with its placemaking and environmental benefits, comes forward; and
 - (c) deliver a public good that will benefit the homes in Phase 1 as well.
- 2.35 The Assessment adds that Berkeley has already invested significant capital and undertaken remediation to the site, delivering Phase 1 of the Project. This investment, to date, has seen no capital returns; however, Phase 1, without the Subsidy and with a significantly descoped specification (which would not be consistent with the policy objectives), would still generate some returns below the market return threshold required.

¹⁷ [Statutory Guidance](#), paragraph 3.66.

¹⁸ [Statutory Guidance](#), paragraphs 3.65-3.69.

2.36 In our view, with regards to the chosen counterfactual, the Assessment explains and evidences how the Subsidy would change the beneficiary's economic behaviour and that the Subsidy would bring about specific changes that would not have occurred or would have occurred in a longer timeframe absent the Subsidy. Nevertheless, the Assessment could better frame the additionality assessment in light of our findings on the counterfactual in paragraphs 2.29 to 2.31.

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

2.37 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.¹⁹

Proportionality

2.38 The Assessment explains that Homes England has ensured proportionality of the Subsidy by using an independent assessment of the viability gap which established that the Subsidy amount delivers the minimum necessary IRR to deliver the Project. The Assessment states that this IRR is in line with 'market norms' and within the 'commercial range' advised by its external advisors.

2.39 The Assessment also notes that the subsidy is small in terms of overall costs for delivering the infrastructure elements of the Project with the Subsidy representing under 10% of the individual costs of Phase 1 and Phase 2 of the Project.

2.40 The Assessment systematically addresses how several elements of the Subsidy design contribute to keeping the Subsidy proportionate to the policy objective(s). It outlines several features of the Subsidy including the fact that it is ringfenced to actual incurred costs with claims following a formal process with supporting evidence.

2.41 Additionally the Assessment explains that there is a grant recovery (clawback) mechanism whereby; relevant cost overruns will be met by Berkeley, homes will be delivered in accordance with the requirements of the Grant Funding Agreement, payment of the subsidy is linked to milestones and that there will be provisions to reduce, suspend, recover or terminate the grant within the GFA.

¹⁹ See [Statutory Guidance](#) paragraphs 3.74–3.110 and the [SAU Guidance](#), paragraphs 4.15–4.19 for further detail.

Furthermore, there will be an independent Monitoring Surveyor with Berkeley being required to provide quarterly progress reports throughout the Project.

- 2.42 In our view, the Assessment demonstrates and evidences that the subsidy is proportionate and limited to the minimum necessary to achieve its specific policy objective.

Design of subsidy to minimise negative effects on competition and investment

- 2.43 The Assessment systematically addresses how several elements of the Subsidy design, in addition to those mentioned above, contribute to minimising negative effects on competition from the Statutory Guidance. In addition to elements of subsidy design mentioned above, the Assessment sets out:
- (a) The relative size of the Subsidy is small compared to total the size of the recipient and compared to the UK construction market.
 - (b) The Subsidy is time-limited and not provided on an ongoing basis with a reimbursement period for costs incurred in relation to costs set out in the GFA being until March 2026.
- 2.44 The Assessment states that a less 'intrusive' instrument, such as a loan with below commercial market rates, could not be used to address the viability gap. In particular, it mentions that Homes England do not currently provide subsidised loans noting that they would also not address the viability gap.
- 2.45 In our view, the Assessment clearly demonstrates and evidence how design features of the Subsidy contribute to minimising any negative effects on competition and investment within the United Kingdom. In particular, it does well in considering the size of the subsidy relative to the beneficiary, project and market as well as systematic consideration of other aspects of subsidy design set out in the Statutory Guidance.
- 2.46 However the Assessment could explain further why subsidised loans were not appropriate. For example, it could explain the size of loan that would be required to address the viability gap, and any factors which would make this a less appropriate means of achieving the policy objective.

Assessment of effects on competition or investment

- 2.47 The Assessment states that Homes England considers that the Subsidy will have negligible negative effects on competition in the UK housebuilding market.
- 2.48 The Assessment defines the relevant affected product and geographic market as construction within the UK with no further segmentation. It provides information on market concentration within the housebuilding market in the UK from previous

CMA and Office of Fair Trading reports, as well as ONS Construction Industry Statistics, suggesting that:

- (a) the market is served by a significant number of firms;
- (b) 40% of the market is supplied by 11 providers; and
- (c) SME housebuilders supply the remaining 60% of the housebuilding market.

2.49 The Assessment notes that Berkeley is one of the largest 11 house builders (2021/22 figures) and so the Subsidy could contribute to concentrating the market further. It also notes that Project's size is such that SMEs are precluded from delivering it rather than volume housebuilders. The BIL Fund prioritises such scale projects, which would be unlikely to be capable of being provided by smaller sized housebuilders. This could crowd out smaller developers (ie smaller brownfield sites or SME developers).

2.50 The Assessment also considers the potential impact on competition and investment within narrower geographical areas stating that the Subsidy is not expected to have an adverse impact on alternative private residential schemes within the Borough. The Assessment considers that:

- (a) in London, Phase 2 of the project would represent less than 3% of the new homes in London that year;
- (b) in the Thamesmead and Abbey Wood Opportunity Area within the Borough, the grant would relate to around 12.5% of the 8,000 new homes targeted for development; and
- (c) in the immediate Lombard Square development there are no other developments of a similar size currently underway or planned.

2.51 The Assessment also briefly considers the potential impact on related markets. In particular, the Subsidy could provide an indirect advantage to:

- (a) the ultimate owners of any works funded by the Subsidy;
- (b) subcontractors that are paid to carry out any works funded by the Subsidy; and
- (c) operators of any commercially exploited infrastructure (eg the energy centre).

2.52 In our view, the Assessment considers and evidences the effect of the Subsidy on competition and investment, in line with Annex 3 of the Statutory Guidance. However, the Assessment could be improved by:

- (a) considering further the impacts on competition within the local geographic area, such as identifying potential competitors (eg other development projects and large scale developers) and how they may be impacted; and
- (b) considering further related markets, including by identifying potentially impacted competitors. In particular, the Assessment could consider the impact on the property management market in more depth.

Step 4: Carrying out the balancing exercise

- 2.53 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.
- 2.54 Homes England sets out that the benefits of the Subsidy are:
- (a) the provision of 1,038 houses with low carbon development and infrastructure, 23% of which will be affordable housing;
 - (b) the delivery of low-carbon energy infrastructure;
 - (c) the provision of 30,843 square feet of commercial space;
 - (d) remediation of a long derelict brownfield site;
 - (e) the delivery of 2.7 acres of new greenspace and public parkland, extensive community amenity space, net biodiversity gains of 45% and an urban greening factor of 0.4;²⁰ and
 - (f) increased travel modes and connectivity improvements (including a ramped pedestrian access to the Thamestead Ridgeway).
- 2.55 Homes England further considers the receipt of profits under the grant recovery mechanism (see paragraph 2.41) as a potential benefit of the subsidy.
- 2.56 The Assessment also sets out the potential negatives, including effects on competition as in paragraphs 2.48 to 2.51 and, where appropriate, the mitigations that have been put into place.
- 2.57 Homes England identifies the risk that they may fail to reward other more innovative or efficient competitors by providing the Subsidy to Berkeley. This risk

²⁰ The 'Urban Greening Factor' of a development is a measurement developed by individual London boroughs used in the planning of developments to determine the extent to which they contribute to green cover increases as in the London Plan 2021. For further information, see [Chapter 8 Green Infrastructure | London City Hall](#).

was judged to be minimal as Berkeley fully control the site, and no counterfactual scenario is envisaged where a competitor may deliver the project.

- 2.58 The Assessment concludes that any distortionary effects on competition are likely to be minimal, and that the benefits accrued from the Subsidy far outweigh any negative impacts.
- 2.59 In our view, the Assessment clearly sets out the positive effects of the subsidy in relation to the policy objectives, its geographic impacts, as well as potential negative impacts, and conducts a balancing exercise between them in line with the Statutory Guidance. Homes England could explain why it has attributed greater weight to certain factors than others (for example by attempting to quantify the overall scale of the effects), in order to come to a stronger overall conclusion. The Assessment could also have analysed the negative impacts more methodologically.
- 2.60 The Assessment should also consider whether there could be an impact on international trade and investment, in line with the Statutory Guidance.

Energy and Environment Principles

- 2.61 This section sets out our evaluation of the Assessment against the energy and environment principles.²¹
- 2.62 Homes England has conducted an assessment of the Subsidy against Principles A and B. We have not identified any other principle that should have been addressed as part of the assessment.

Principle A: Aim of subsidies in relation to energy and environment

- 2.63 Subsidies in relation to energy or the environment should be aimed at (1) delivering a secure, affordable and sustainable energy system and a well-functioning and competitive energy market, or (2) increasing the level of environmental protection compared to the level that would be achieved in the absence of the subsidy. If a subsidy is in relation to both energy and environment, it should meet both limbs.²²
- 2.64 The Assessment states that, as policy objectives of the Subsidy includes delivering environmental benefits and the meeting of Net Zero targets, they relate to energy and environment protection.
- 2.65 The Assessment explains that energy production via the ground source district heat pump network contributes to the UK Government's Net Zero targets as this

²¹ See Schedule 2 to the Act, and [Statutory Guidance](#), Chapter 4.

²² [Statutory Guidance](#), paragraphs 4.19-4.28.

method of heating is a lower carbon alternative to the use of gas. It estimates savings of 0.63 tonnes of CO₂ per house per year and notes a potential reduction in energy bills for residents given that heat pumps are more efficient than traditional boilers.

- 2.66 The Assessment explains that the remediation of the site, travel and connectivity improvements, creation of a green public realm, and the ground source heat pump district network are all anticipated to increase the level of environmental protection.
- 2.67 In our view, the Assessment explains how the Subsidy complies with Principle A of the Energy and Environment Principles. The Assessment could be improved by describing in more detail the nature of the environmental protection involved in the improvements resulting from the Subsidy and how this will be increased.

Principle B: Beneficiary's liabilities as a polluter

- 2.68 Subsidies in relation to energy or the environment should not relieve the beneficiary from liabilities arising from its responsibilities as a polluter under the law of England and Wales, Scotland, or Northern Ireland.²³
- 2.69 The Assessment explains that Berkeley has no liabilities with respect to the brownfield land site as a polluter and provides supporting evidence.
- 2.70 In our view, the Assessment clearly explains and evidences how the Subsidy complies with Principle B of the Energy and Environment Principles.

Other Requirements of the Act

- 2.71 Homes England confirmed that no other requirements or prohibitions set out in Chapter 2 of Part 2 of the Act applies to the scheme.

5 February 2025

²³ [Statutory Guidance](#), paragraphs 4.29-4.34.