

# **Subsidy Advice Unit Report on the proposed subsidy to TBG Open Door Homes Limited**

**Referred by the London Borough of Barnet**

**05 November 2025**

**Subsidy Advice Unit**

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Part of the Competition and Markets Authority



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# 1. The Referral

- 1.1 On 19 September 2025, the London Borough of Barnet (LBB) requested a report from the Subsidy Advice Unit (the SAU)<sup>1</sup> in relation to its proposed subsidy to TBG Open Door Homes Ltd (ODH) (the Subsidy) under section 52 of the Subsidy Control Act 2022 (the Act).<sup>2</sup>
- 1.2 This report evaluates LBB's assessment of compliance (the Assessment) of the Subsidy with the requirements of Chapters 1 and 2 of Part 2 of the Act.<sup>3</sup> It is based on the information and evidence included in the Assessment.
- 1.3 This report is provided as non-binding advice to LBB. 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, LBB has considered in detail the compliance of the proposed Subsidy to ODH with some of the subsidy control principles. In particular, the Assessment:
- (a) clearly describes and evidences the specific policy objectives and equity objectives of the Subsidy (Principle A);
  - (b) considers other ways of achieving the policy objective and why a subsidy was the most appropriate option (Principle E);
  - (c) describes and evidences what would be likely to happen if the Subsidy was not awarded (Principle C); and
  - (d) explains and evidences how the Subsidy would change the beneficiary's economic behaviour (Principle D).
- 1.6 However, we have identified the following areas for improvement. The Assessment should:

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<sup>1</sup> The SAU is part of the Competition and Markets Authority.

<sup>2</sup> [Referral of the proposed subsidy to TBG Open Door Homes Ltd by the London Borough of Barnet - GOV.UK](#)

<sup>3</sup> 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) clarify the rationale behind the chosen mix of grant and loan funding, and more clearly explain what the loan is funding and how it contributes to the overall viability of the programme (Principle B);
- (b) further explain and evidence how the beneficiary was selected (Principle F);
- (c) ensure that only those benefits that relate to the specific policy objective of the Subsidy are considered in the balancing exercise, and explicitly weigh the benefits and negative effects against each other (Principle G); and
- (d) consider in further detail whether the Subsidy is given for the purpose of the provision of SPEI services, and, if so, take a more systematic approach to assessing and evidencing how the Subsidy complied with the SPEI requirements in section 29 of the Act (Other Requirements of the Act).

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

## **The referred subsidy**

1.8 LBB is proposing to give a subsidy of around £25 million to ODH – a subsidiary to Barnet Homes,<sup>4</sup> an arm's length management organisation to LBB and a registered provider of social housing.<sup>5</sup> The Subsidy will fund the acquisition of properties from the residential resale market to increase the supply of affordable homes within the London Borough of Barnet (Barnet).

1.9 The Subsidy consists of:

- (a) a direct subsidy of £16.866 million of capital funding to ODH, sourced from LBB's right-to-buy receipts; and
- (b) a below market lending rate for up to £70 million of borrowing, secured by LBB at a 'pass-through' rate<sup>6</sup> from the Public Works Loan Board, which constitutes a subsidy of £8.164 million over the course of the proposed lending period.

1.10 This Subsidy forms part of a wider subsidies package of £57.27 million provided to ODH for the acquisition of 300 affordable homes (ODH 300 Acquisitions Programme). The remainder of the ODH 300 Acquisitions Programme is funded by subsidies of £18.5 million from the Greater London Authority (GLA), and of

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<sup>4</sup> ODH is 70% owned by Barnet Homes and 30% owned by the Executive Directors of The Barnet Group, a parent organisation of Barnet Homes and ODH.

<sup>5</sup> The Assessment defines a registered provider of social housing as a charitable or registered mutual society, or private provider of affordable housing registered with the Regulator of Social Housing as a 'registered social landlord' or other body providing social housing under the Housing and Regeneration Act 2008.

<sup>6</sup> The Assessment defines a pass-through interest rate as a lending rate applied by a public authority that matches its own cost of borrowing, typically from the Public Works Loan Board, without any commercial uplift.

£13.740 million from the Local Affordable Housing Fund (LAHF) by the Ministry for Housing, Communities and Local Government (MHCLG). These subsidies do not form part of this referral.

- 1.11 The ODH 300 Acquisitions Programme will acquire up to 250 properties at affordable rent and at least 50 properties at social rent;<sup>7</sup> it will also fund the cost of refurbishments, maintenance, and management of the properties. The ODH 300 Acquisitions programme is expected to cost £120 million, and to be delivered between 1st October 2024 and 30th September 2026, with a long stop completion date of 31st March 2027.<sup>8</sup> The direct subsidy will secure 99 affordable homes and the subsidised lending will bridge funding gaps between purchase price and rental return to make the wider programme viable.
- 1.12 LBB explained that, by aggregating different sources of funding, the programme is designed to unlock cross-subsidy between homes, as any positive cashflow generated will be reinvested into other properties that might otherwise fall short of viability, for instance due to size or social rent requirements. This is enabled by a binding reinvestment requirement on ODH to use any benefit secured from the programme towards the affordable housing policy objective.
- 1.13 LBB told us it considers the provision of this affordable housing to be a Service of Public Economic Interest (SPEI).
- 1.14 LBB explained that the proposed subsidy to ODH is a Subsidy of Particular Interest because the value of the subsidy is £25.03 million, which exceeds the £25 million SoPI threshold.<sup>9</sup>

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<sup>7</sup> The Assessment defines affordable rent and social rent as 65% and 33% respectively, as approximate shares of market rent across the average homes in Barnet.

<sup>8</sup> A predecessor programme (ODH 500 Acquisitions Programme) became no longer viable in February 2024 due to rising interest rates affecting public sector borrowing.

<sup>9</sup> [The Subsidy Control \(Subsidies and Schemes of Interest or Particular Interest\) \(Amendment\) Regulations 2025](#) sets out the conditions under which a subsidy or scheme is considered to be of particular interest.

## 2. The SAU's Evaluation

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

### **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.<sup>10</sup>

### **Policy objectives**

- 2.3 The Assessment states that the policy objective of the Subsidy is to help fund the acquisition of properties from the residential resale market to provide affordable homes for persons who have been failed by the housing market and require appropriate accommodation that is suited for their needs, and for whom LLB has a homelessness duty to provide accommodation under the Housing Act 1980 and subsequent related acts.
- 2.4 The Assessment also explains that LBB is empowered to take appropriate steps to meet social, wellbeing, and economic challenges in its area, including by supporting an appropriate third party to acquire properties to be let at affordable or social rents to households. It also states that the Subsidy is made in accordance with GLA policies on genuinely affordable homes, increasing delivery of homes, and protecting London's affordable homes.<sup>11</sup>
- 2.5 In our view, the Assessment clearly describes and evidences the specific policy objective of the Subsidy, setting it within a wider policy context.

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<sup>10</sup> See [Statutory Guidance](#), paragraphs 3.33–3.59 and the [SAU Guidance](#), paragraphs 4.7–4.11 for further detail.

<sup>11</sup> See [London Housing Strategy | London City Hall](#).

## Equity Objective

- 2.6 Equity objectives seek to reduce unequal or unfair outcomes between different groups in society or geographic areas.<sup>12</sup>
- 2.7 The Assessment explains that the Subsidy is needed to address long-standing housing inequalities in Barnet, which are driven by the unaffordability of property prices averaging 15 times the average salary. 95% of market rents in Barnet are unaffordable for households either receiving Local Housing Allowance<sup>13</sup> or affected by the Universal Credit cap.
- 2.8 This means that growing numbers of households require affordable and social housing. As this housing in Barnet only accounts for 12% of stock, many low-income households rely on unaffordable or unsuitable private rental properties, or temporary accommodation, often outside Barnet. Almost 3,000 households are currently in temporary accommodation and demand is expected to rise by 1,300 by 2028/29, requiring an additional 3,400 affordable homes. The Assessment states that market-led developments and housing association programmes in Barnet cannot meet this growing demand, and notes that the 300 acquisitions are less than the number of social homes that are due to be demolished by 2028/29.
- 2.9 Expanding affordable housing supply will also address LBB's financial pressures of increasing temporary accommodation costs and deliver wider social and well-being benefits.
- 2.10 In our view, the Assessment clearly describes and evidences the equity objective that the Subsidy seeks to address.

## Appropriateness

- 2.11 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.<sup>14</sup>
- 2.12 The Assessment explains that the Subsidy is required because, without it, there are no geographical areas within Barnet where the average property could be purchased at market price and viably rented out at affordable or social rent.
- 2.13 The Assessment states that several options were considered:
- (a) The 'do nothing' option was dismissed given the UK housing crisis and the absence of central measures to tackle issues.

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<sup>12</sup> [Statutory Guidance](#), paragraphs 3.53–3.56.

<sup>13</sup> Local Housing Allowance is the maximum amount of housing benefit payable for rental costs in a given area.

<sup>14</sup> [Statutory Guidance](#), paragraphs 3.57–3.59.

- (b) Non-financial measures, such as regulatory or influencing tools, were deemed inadequate to deliver timely or sufficient results. LBB also lacks the regulatory power to compel the private market to provide enough affordable homes.
- (c) Direct acquisition by LBB was deemed unviable. Using the General Fund was ruled out due to stamp duty costs and regulatory limits. Housing Revenue Account acquisitions were also rejected because of stamp duty costs, and other financial constraints which made the approach unsustainable beyond three years.
- (d) Acquisition of properties by ODH was recommended as the best approach because it is more cost-effective than direct LBB ownership, avoids stamp duty costs, and generates higher income. Full nomination rights for LBB will ensure that all homes will meet the policy objective.<sup>15</sup> The Assessment states that acquisition by ODH is more cost-effective and delivers a greater range of affordable homes using the same level of grant funding.

2.14 In our view, the Assessment demonstrates that LBB has considered other ways of achieving its policy objective and clearly explains and evidences why a subsidy was the most appropriate option.

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

2.15 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.<sup>16</sup>

## **Counterfactual**

2.16 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’ scenario).<sup>17</sup>

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<sup>15</sup> LBB states that nomination rights are provided by a nominations agreement, which secures the proposed affordable use of the acquired properties ‘in perpetuity’ for LBB.

<sup>16</sup> See [Statutory Guidance](#), paragraphs 3.60–3.74 and the [SAU Guidance](#), paragraphs 4.12–4.14 for further detail.

<sup>17</sup> [Statutory Guidance](#), paragraphs 3.63–3.65.

- 2.17 The Assessment states that, in the absence of the Subsidy, third party grant funding could only deliver a maximum of 201 homes, even if the right properties could be found. This would result in a shortfall of 99 properties compared to the 300 planned for the ODH 300 Acquisitions Programme.
- 2.18 The Assessment further sets out that the shortfall of affordable homes would have to be filled by temporary accommodation, due to the relative unaffordability of properties in Barnet compared to other outer London boroughs. This is not financially efficient due to rising costs and loss of housing benefit. LBB also explain that they already maximise planning obligations for building affordable homes as part of new developments, but this still results in a shortfall that the programme needs to mitigate.
- 2.19 In our view, the Assessment describes and evidences what would be likely to happen if the Subsidy was not awarded.

### **Changes in economic behaviour of the beneficiary and additionality**

- 2.20 Subsidies must bring about something that would not have occurred without the subsidy.<sup>18</sup> 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').<sup>19</sup>
- 2.21 The Assessment explains that ODH cannot afford to proceed with housing acquisitions without a subsidy, despite its strategic purpose to provide and manage social housing and give assistance to help house people who are in need.
- 2.22 The Assessment notes that due to rising borrowing costs ODH would only be able to deliver the proposed number of affordable homes on a financially viable basis with the support of a grant and lending at a pass-through rate.<sup>20</sup>
- 2.23 Relying on the business case and financial modelling, the Assessment states that the Subsidy ensures a viable and deliverable programme without ODH securing additional benefit or commercial gain. It also states that the activities of ODH are secured through its organisational objectives and legally-binding funding contracts, including nominations agreements.<sup>21</sup>
- 2.24 In our view, the Assessment explains and evidences how the Subsidy would change the beneficiary's economic behaviour, and that the Subsidy brings about changes that would not have occurred absent the subsidy.

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<sup>18</sup> [Statutory Guidance](#), paragraph 3.67.

<sup>19</sup> [Statutory Guidance](#), paragraphs 3.66–3.70.

<sup>20</sup> See paragraph 1.9(b).

<sup>21</sup> See paragraph 2.13(d).

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

2.25 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.<sup>22</sup>

#### **Proportionality**

2.26 The Assessment states that the Subsidy is the minimum required to bridge the viability gap in delivering 300 affordable homes and that it is proportionate to the policy objective given the scale of housing necessary to address projected increases in homelessness and rising costs of temporary accommodation.

2.27 The Assessment explains that all subsidies falling under the ODH 300 Acquisitions Programme represent less than half of its overall cost. The proportionality of each Subsidy element within scope of this referral is explained as follows:

- (a) Regarding the subsidised loan, the Assessment states that the 5.75% interest rate is the maximum viable rate for ODH to proceed given the proposed portfolio mix. The Assessment explained that an independent report was used to support the on-lending rate and that LBB considers ODH a creditworthy borrower.
- (b) Regarding the appropriate grant rate per property, the Assessment explains that LBB benchmarked the grant rates using upper and lower thresholds from third-party funders to estimate a market-appropriate rate.

2.28 While the Assessment notes that the Subsidy is not ringfenced by ODH, it explains that contractual agreements restrict the Subsidy to the purchase and refurbishment of the specific property portfolio controlled by LBB. However, the Assessment also explains that there is the option to convert 'affordable rent' properties to 'market rent' as an emergency flexibility to manage risk.

2.29 The Assessment explains that, if ODH secures grant funding above the minimum required to deliver the identified portfolio, the defined objectives of ODH (as a not-for-profit provider of affordable housing) mean that any excess benefit would be re-invested in delivering affordable housing outcomes.

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<sup>22</sup> See [Statutory Guidance](#) paragraphs 3.75–3.112 and the [SAU Guidance](#), paragraphs 4.15–4.19 for further detail.

- 2.30 In our view, the Assessment partially describes how the Subsidy is proportionate and limited to the minimum necessary to achieve its specific policy objective. However, it should further clarify the rationale behind the chosen mix of funding, specifying how LBB determined which elements of the programme are funded through grants and which through loans. It should more clearly explain what the loan is funding and how it contributes to the overall viability of the programme. The Assessment should also discuss the clawback provisions in the agreements and how they help ensure that the subsidy is limited to the minimum necessary.
- 2.31 The Assessment could also explain what controls are in place to ensure that the emergency flexibility provisions are only used by ODH when strictly necessary, and how they will be monitored.

### **Design of subsidy to minimise negative effects on competition and investment**

- 2.32 The Assessment notes several aspects of the Subsidy design that are relevant to minimising its negative effects on competition and investment:
- (a) the Subsidy is focused on the upfront project costs and does not provide ongoing subsidy to ODH;
  - (b) the 300 homes reflect a very small percentage of market activity, both in relation to the private rented sector, and also the scale of affordable housing delivery being secured by registered providers;
  - (c) the 300 homes reflect a 25% increase to ODH's assets, but only a 2% growth in overall management activity for its parent organisation, Barnet Homes;
  - (d) ODH will spread the number of homes acquired over time; and
  - (e) appropriate monitoring and evaluation are to be carried out by LBB.
- 2.33 The Assessment recognises that the Subsidy is allocated to a single beneficiary, and has not involved a competitive process or an open call for expressions of interest, which would support demonstrating a least-distortive approach. It emphasises that the beneficiary's ownership structure, not-for-profit status, alignment of objectives, and its reinvestment requirements, are all essential elements of the Subsidy's design. The Assessment states that day-to-day management efficiencies will be achieved by Barnet Homes, who will manage the properties as part of LBB's portfolio. It also states that the published business plans of identifiable alternative providers demonstrated no interest in acquiring street properties that would be fully aligned with LBB's housing needs.
- 2.34 In our view, the Assessment considers how certain design features of the Subsidy are intended to minimise potential negative effects on competition and investment. However, it should further explain and evidence how the beneficiary was selected.

For example, it could better evidence its assumption that alternative providers would be unwilling or unable to deliver the service under the proposed Subsidy terms. Alternatively, it could further explain why alternative providers would not be as effective at delivering the Subsidy and meeting the policy objectives, for example, due to LBB's degree of control over ODH.

### **Assessment of effects on competition or investment**

- 2.35 The Assessment describes different markets and actors potentially affected by the Subsidy. It states, with supporting evidence, that demand far exceeds supply of affordable homes, and that therefore the Subsidy will have a limited effect. The Assessment considers the following main markets:
- (a) Registered providers of social housing: both 'not for profit' and 'for-profit' providers. The Assessment states that there is a wide range of registered providers operating locally, from small charities to national not for profit providers, all with substantial portfolios locally and further afield. It recognises that there may be a 'lost opportunity' for this group.
  - (b) Private landlords: any adverse impact on private landlords is expected to be minimal, as demand for affordable housing far exceeds the additional supply enabled by the Subsidy. Households will continue to rely on the private rented sector, maintaining its role in meeting housing needs.
  - (c) Housing availability for purchase: The Assessment recognises a potential market distortion if the volume of acquisitions activity were to be overly concentrated. However, the Subsidy has been designed to spread the acquisition of homes over time, and LBB considers the number of acquisitions to be low given the size of the local housing market.
- 2.36 The Assessment recognises that the Subsidy might advantage ODH. However, it states that the Subsidy is controlled by legal agreements, and beyond the lending period, ODH are unable to secure further advantage as the properties are fixed by the nomination rights, providing legal controls in relation to permitted rents and annual increases.
- 2.37 In our view, the Assessment identifies several product and geographic markets that may be affected by the Subsidy recognising potential areas of competitive impact. The Assessment could provide further detail on the competitive impact on registered providers within the local area, for example an overview of the largest local providers and analysis of how they would most likely be affected.

## Step 4: Carrying out the balancing exercise

- 2.38 Under step 4 (principle G), 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.<sup>23</sup>
- 2.39 The Assessment states that the Subsidy will deliver the following benefits:
- (a) the acquisition of affordable homes within Barnet to meet housing needs and LBB's statutory duties;
  - (b) reduced LBB temporary accommodation costs and maximised housing benefit, enabling the wider programme to pay for itself within 20 years; and
  - (c) improved wellbeing outcomes for tenants as compared to temporary accommodation, leading to health, education, and employment benefits.
- 2.40 The Assessment also describes additional benefits that relate to the way that the programme was designed, including strategic alignment between LLB and ODH, programme cross-subsidisation enabling the right mix of properties to be purchased, avoidance of SDLT costs, improved oversight, risk management, and appropriate monitoring, amongst others.
- 2.41 The Assessment summarises the potential negative effects of the Subsidy as follows:
- (a) limited effect on registered providers, who have not demonstrated an interest in a similar programme, and are focused on investing in existing housing and new build properties;
  - (b) limited effect on private rented sector landlords, as the acquisitions reflect 3% of recent growth in the sector;
  - (c) no impact on international trade and investment; and
  - (d) minimal impact on housing availability for purchase in Barnet.
- 2.42 The Assessment also describes additional potential negative effects, such as crowding out of registered providers, loan repayment term uncertainty, public perception of the size of the subsidies, and a reduction of supply in the private rental sector. It states that these effects are mitigated by the lack of viable alternatives for provision of affordable housing, ODH's reinvestment obligations,

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<sup>23</sup> See [Statutory Guidance](#), paragraphs 3.113–3.121 and the [SAU Guidance](#), paragraphs 4.20–4.22 for further detail.

effective monitoring, setting the Subsidy at the minimum necessary, and the small scale of the acquisitions programme relative to market size.

- 2.43 The Assessment concludes that the social, financial and strategic benefits of the Subsidy outweigh any limited risks of distortion, and that wider elements of the acquisitions programme rely on the Subsidy award.
- 2.44 In our view, the Assessment sets out the relevant positive effects of the Subsidy in relation to the policy objectives, as well as potential negative impacts. However, in line with the Statutory Guidance, the Assessment should ensure that only those benefits that relate to the specific policy objective of the Subsidy are considered.<sup>24</sup>
- 2.45 The Assessment should also include more detailed analysis that explicitly weighs the benefits and negative effects against each other,<sup>25</sup> for example using analysis from earlier steps that may be relevant to the balancing exercise.

## Other Requirements of the Act

- 2.46 LBB has identified that the Subsidy would engage section 29 of the Act because it involves delivery of a SPEI. Section 29 of the Act includes the following requirements:
- (a) the Subsidy is limited to what is necessary to deliver the SPEI services having regard to costs of delivery and reasonable profits (s29(2));
  - (b) the Subsidy is given in a transparent manner (s29(3)), meaning that the subsidy is given in accordance with a written contract (or other legally enforceable arrangement in writing), which sets out the terms of the subsidy and contains certain prescribed information (s 29(4) and (5)); and
  - (c) arrangements are in place to regularly review the Subsidy to ensure it remains limited to the minimum amount necessary and that any excess funds can be recovered (s29(6) and (7)).
- 2.47 Compliance with the SPEI requirements is addressed in analysis appended to the Assessment and in referenced evidence as follows:
- (a) LBB stated that the requirement that the Subsidy is limited to what is necessary to deliver the SPEI service.<sup>26</sup>
  - (b) In relation to the requirement that the Subsidy be given in a transparent manner, LBB states that the Subsidy will be given in accordance with a grant

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<sup>24</sup> See [Statutory Guidance](#), paragraph 3.116.

<sup>25</sup> See [Statutory Guidance](#), paragraph 3.114-3.118.

<sup>26</sup> See minimum necessary summary paragraphs 2.29 to 2.34.

agreement and a loan agreement, which contain the information set out in s29(5).

- (c) In relation to the requirement for regular reviews, LBB states that checks on subsidy compliance will take place at least every 3 years until the end of the delivery period. However, it is not explicitly stated that there will be checks at the end of the delivery period.

2.48 In our view, the Assessment should consider in further detail whether the Subsidy is given for the purpose of the provision of SPEI services. If this is the case, the Assessment should take a more systematic approach to assessing and evidencing how the Subsidy complies with the SPEI requirements in section 29 of the Act. In particular:

- (a) in relation to the requirement that the subsidy be the minimum necessary, the shortcomings identified in relation to the proportionality assessment equally apply (see paragraphs 2.30 and 2.31);
- (b) the Assessment should indicate whether the contracts will be published;
- (c) the Assessment should better explain how the provisions for review in the draft agreements meet the review requirements and how the clawback provision in the draft loan agreement will be triggered;
- (d) in relation to the requirement for regular checks to ensure compliance with the review requirements, the Assessment should further detail how the checks provided for in the grant and loan agreements will help ensure that the Subsidy remains limited to the minimum necessary and that any excess fund will be recovered.

2.49 LBB have confirmed that no other requirements or prohibitions set out in Chapter 2 of Part 2 applies to the Subsidy.

**05 November 2025**