

Subsidy Advice Unit Report on the proposed subsidy to Belfast City Council

Referred by the Department for the Economy

25 March 2026

Subsidy Advice Unit

Part of the Competition and Markets Authority



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1. The Referral

- 1.1 On 5 February 2026, the Department for the Economy (DfE) requested a report from the Subsidy Advice Unit (the SAU)¹ in relation to the proposed subsidy (the Subsidy) to Belfast City Council (BCC) under section 52 of the Subsidy Control Act 2022 (the Act).²
- 1.2 This report evaluates DfE'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 DfE. 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, DfE has considered in detail the compliance of the Subsidy with the subsidy control principles. In particular, the Assessment:
 - (a) in relation to Principle A, clearly describes the specific policy objective of the Subsidy;
 - (b) in relation to Principles C and D, clearly explains and evidences how the Subsidy would change the beneficiary's economic behaviour and bring about changes that would not have occurred absent the subsidy; and
 - (c) in relation to Principle F, clearly demonstrates how design features of the Subsidy contribute to minimising any negative effects and carefully considers and supports with evidence of the effect of the Subsidy on competition and investment, in line with Annex 3 of the Statutory Guidance.

¹ The SAU is part of the Competition and Markets Authority

² [Referral of the proposed subsidy to Belfast City Council by the Department for the Economy - 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.

- 1.6 While we have commented on some areas where, in our view, the Assessment could provide more explanation and detail, we have not considered it necessary to advise on any significant changes or additions to the Assessment. However, we note that the Assessment indicates that further final business case approvals will be required (see paragraph 2.49). To the extent that such an approval process impacts this Assessment, DfE should assess any such impacts, as required.
- 1.7 We discuss these areas below, along with other issues, for consideration by DfE in finalising its assessment.

The referred subsidy

- 1.8 DfE is proposing to award BCC a subsidy of £65 million in the form of a direct grant contributing to the capital costs of building a new tourist attraction in Belfast City Centre (the Project). The attraction, Belfast Stories, will be fully owned by BCC, and will consist of:
- (a) a ticketed interactive exhibition on the story of Belfast and its people;
 - (b) a creative hub providing facilities and programmes to support the exhibition; and,
 - (c) shared public spaces to bring local people and international visitors together such as a rooftop garden and events spaces supported by outlets showcasing local food, beverage and retail.
- 1.9 The total value of the project is estimated to be £100 million, of which BCC will contribute £35 million of its own funds. The Subsidy will be given over the delivery period of the Project from 2026 to 2032.
- 1.10 The Subsidy is part of the Belfast Region City Deal (BRCD),⁴ a £1 billion investment programme that aims to boost economic growth and job creation in the Belfast region.
- 1.11 DfE explained that the Subsidy is a Subsidy of Particular Interest because the value of the Subsidy is above the SoPI thresholds, as the total subsidy amount is greater than £25 million.

⁴ [Belfast Region City Deal | Belfast City Council](#)

2. The SAU's Evaluation

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

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 objectives

2.3 The Assessment explains that the policy objective of the Subsidy is to build a world class tourism attraction (Belfast Stories) in Belfast City Centre. It states that this will remedy a market failure in which the private and the public sectors are underinvesting in tourist attractions of the scale and quality needed to attract visitors⁶, particularly out-of-state (OoS)⁷ visitors to the region.

2.4 The Assessment goes on to explain that the building of Belfast Stories will contribute to DfE's strategic tourism objectives by attracting 1.5 million visitors per annum to the region encouraging them to stay longer and spend more during their stay, thereby contributing to direct GVA⁸ impacts of £358 million between 2025/26 and 2055/56. It explains that Belfast Stories will also be a catalyst for the regeneration of the City Centre and inner northwest area of Belfast.

⁵ See [Statutory Guidance](#), paragraphs 3.33–3.59 and the [SAU Guidance](#), paragraphs 3.6–3.10 for further detail.

⁶ Defined as someone making a trip to a destination outside their usual environment for less than a year for personal, business, or other purposes, including both tourists and same-day visitors.

⁷ See [FI Key-Tourism-Facts-2023_National-Summary_FINAL.pdf](#).

⁸ GVA, or Gross Value Added, measures the value of goods and services produced by an entity, industry, or region after subtracting the cost of inputs used in production.

- 2.5 The Assessment further describes and evidences⁹ how the Subsidy aligns with and supports the delivery of the broader strategic approach to increasing tourism and economic and regional development.
- 2.6 In our view, the Assessment clearly describes the specific policy objective of the Subsidy. The Assessment could more clearly explain how the figure of 1.5 million visitors was arrived at.

Market failure

- 2.7 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.¹⁰
- 2.8 The Assessment states that tourism attractions generate wider economic and social benefits (eg job creation, cultural engagement, increased footfall), but that these are not monetised by the market, leading to under-provision of such assets.
- 2.9 The Assessment argues that a lack of investment in Northern Ireland (NI) tourism products of the scale to attract and retain OoS visitors has resulted in what it describes as insufficient levels of tourism within NI with the sector contributing only 2.3% to GVA, significantly below the Republic of Ireland (3.9%) and Scotland (4.1%). It argues that given the significant positive externalities generated by the tourism market to the NI economy and society, this does not achieve an efficient outcome and represents a market failure.
- 2.10 The Assessment states that the Subsidy will generate direct and spillover social and economic benefits (remedying this failure) by increasing NI's international tourism competitiveness and OoS visitor numbers as well as length of stay and spend. It cites business case analysis which estimates that Belfast Stories will generate additional tourism GVA, net present social value¹¹ and jobs.¹²
- 2.11 The Assessment further describes that Belfast Stories will be a catalyst for the regeneration of the city centre and make a significant contribution to its physical and economic regeneration bringing back into life a currently derelict urban block. Local communities will share in the spin-off benefits including inclusive employment opportunities and civic pride in having a world-class tourism experience in their neighbourhood and city.

⁹ See for example the [Draft Tourism Strategy for Northern Ireland - 10 Year Plan](#) and [Regional Development Strategy for Northern Ireland 2025](#).

¹⁰ [Statutory Guidance](#), paragraphs 3.36–3.51.

¹¹ See Page 6 of [CIA User Guide.pdf](#) for definition of NPSV.

¹² The Assessment and accompanying OBC describe that a total of 763.5 FTE jobs will be generated through construction and operation of Belfast stories of which 117.5 are directly employed.

- 2.12 Finally, the Assessment states that the Subsidy will help protect cultural heritage and overcome coordination market failures.
- 2.13 In our view, the Assessment clearly describes and evidences the market failure(s) that the Subsidy seeks to remedy, namely positive externalities associated with increased tourism. The Assessment could, however, better explain how all of the jobs to be generated by Belfast Stories are specifically related to the policy objective.

Appropriateness

- 2.14 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.¹³
- 2.15 The Assessment explains that DfE has considered the following alternative means to achieve the policy objective:
- (a) Private sector finance: the Assessment concludes, supported by an options appraisal by independent consultants, that Belfast Stories would represent an unattractive investment to the private sector given the risks associated with such projects including variability of costs and uncertainty of visitor numbers.
 - (b) Loan at market rates: this option was discounted as Belfast Stories is not anticipated to generate sufficient revenue to repay a loan of the size necessary to develop the site. Further, profits generated are expected to be reinvested into Belfast Stories to maintain the attraction.
 - (c) Funding from BCC: BCC will be contributing approximately £35 million towards the estimated costs, and the Assessment states that it would not be feasible for BCC to provide any more (see paragraph 2.30(c)).
- 2.16 The Assessment concludes that alternate methods of funding do not represent viable means of achieving the policy objective, and that the Subsidy is the most appropriate option.
- 2.17 In our view, the Assessment demonstrates that DfE has considered other ways of achieving its policy objective and explains why it concludes that a subsidy is the most appropriate option. Whilst the Assessment helpfully considers an options appraisal undertaken by independent consultants at the outset of the development of the operating model for the project, it could consider including updated evidence

¹³ [Statutory Guidance](#), paragraphs 3.57–3.59.

to reflect any changes made to the project since then, or explain more fully why the earlier analysis remains relevant.

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

2.18 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

Counterfactual

2.19 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).¹⁵

2.20 The Assessment sets out a counterfactual scenario where, absent the Subsidy, Belfast Stories will not proceed. It goes on to state that, in this ‘do nothing’ scenario, BCC in the near term would explore other potential uses for the site such as temporary public realm improvements, pop-up cultural or retail spaces to activate the area and reduce blight.

2.21 The Assessment goes on to describe longer-term options for the site which could include other forms of regeneration including potentially partnering with private developers to ensure the site contributes to city-centre vibrancy. It states, however, that there is no evidence that the private sector would invest at the scale required due to limited commercial viability.

2.22 The Assessment concludes that the most likely medium to long term counterfactual is that the site would remain vacant and the benefits of regeneration and employment as well as cultural and heritage benefits associated with the Subsidy would not be realised.

¹⁴ See [Statutory Guidance](#), paragraphs 3.60–3.74 and the [SAU Guidance](#), paragraphs 3.11–3.13 for further detail.

¹⁵ [Statutory Guidance](#), paragraphs 3.63–3.65.

2.23 In our view, the Assessment clearly describes and evidences what would be likely to happen if the Subsidy was not awarded.

Changes in economic behaviour of the beneficiary and additionality

2.24 Subsidies must bring about something that would not have occurred without the subsidy.¹⁶ 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').¹⁷

2.25 The Assessment explains that the Subsidy will deliver a change of behaviour by incentivising BCC to build Belfast Stories at the identified site, creating a world class tourist attraction, and subsequently managing the operations of that new attraction. It explains that the Subsidy will also contribute to the Department's strategic tourism objectives in relation to OoS visitors.

2.26 The Assessment explains that without the subsidy BCC would not proceed with Belfast Stories citing appraisal work which shows that an investment of £100m is the minimum required to deliver a viable tourism product.

2.27 The Assessment further states that the Subsidy will not compensate BCC for 'business as usual' costs. It explains that the proposed subsidy is designed as a capital grant to cover the capital costs to build the infrastructure required to deliver Belfast Stories and achieve the policy objective. As such the Subsidy will cover eligible capital costs, from design development stage to construction such as professional fees, surveys, statutory fees and construction costs. It concludes that DfE is satisfied that it is not compensating BCC for any costs that it would have funded in the absence of the subsidy.

2.28 In our view, the Assessment clearly 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.

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

2.29 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

¹⁶ [Statutory Guidance](#), paragraph 3.67.

¹⁷ [Statutory Guidance](#), paragraphs 3.66–3.70.

- (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.¹⁸

Proportionality

2.30 The Assessment explains that DfE concludes that the Subsidy is proportionate for the following reasons:

- (a) An Outline Business Case (OBC) estimated the capital costs of the Belfast Stories Project at £100 million, of which DfE will contribute £65 million. DfE is content based on this estimate that £100 million is the minimum required to achieve the policy objective.
- (b) The £65 million Subsidy valuation was the outworking of negotiations undertaken as part of the BRCD process which involved optimising partner contributions and minimising BRCD funding across the portfolio of projects to maximise its impact.
- (c) BCC will contribute £35m to the development of Belfast Stories and plans to finance this through a loan with an annual repayment included in its forward revenue budget to service this borrowing cost. DfE explored the potential for BCC to further maximise its contribution. It concluded that Belfast Stories would not generate sufficient revenues to repay a loan of more than £35 million and that, given other commitments, BCC would not be able to contribute more than this (ie by taking out a larger loan).

2.31 The Assessment notes that in a worst-case scenario, BCC has agreed to cover any additional capital or revenue cost overruns. However, given the due diligence that has been performed via the development of the OBC and the investment in design work, BCC is content that the £100 million budget is sufficient to deliver Belfast Stories. The provision of additional funding is considered a last resort by BCC after all other options such as value engineering are exhausted. Any decision to allocate additional funding will be subject to full appraisal by both BCC and DfE.

2.32 The Assessment goes on to explain that it is expected that any additional profit generated from the commercial operating model will be reinvested into the attraction¹⁹.

¹⁸ See [Statutory Guidance](#) paragraphs 3.75–3.112 and the [SAU Guidance](#), paragraphs 3.14–3.18 for further detail.

¹⁹ Additional profit generated will be used to support property maintenance, refurbishment and improvement of the visitor experience to keep the attraction fresh and attractive to visitors.

2.33 In our view, the Assessment demonstrates that DfE has considered a number of factors to assure itself of the proportionality of the Subsidy and that it is limited to the minimum necessary to achieve its specific policy objective, in line with the Statutory Guidance.

Design of subsidy to minimise negative effects on competition and investment

2.34 The Assessment considers the Subsidy's characteristics and discusses how they reduce the potential for competitive distortion.

Size of the Subsidy

2.35 The Assessment describes how the value of the Subsidy was determined through a detailed business case process and has been designed to be the minimum necessary to achieve the policy objective. The OBC included assessment of strategic fit, option appraisal, achievability, assumptions about costs, benefits, risks, and funding. The funding split of £65 million (BRCD) / £35 million (BCC) was based on the available finance that could be committed by BCC set against the overall cost and informed by financial projections including revenue programme grants and sponsorship income and grant income and commercial revenues.

Timespan over which the Subsidy is given

2.36 The Assessment states that this is a one-off subsidy that will be provided for the design and construction of Belfast Stories which will commence in 2026 with construction to be completed by March 2030.

Nature of the Costs Covered

2.37 The Subsidy can only be used for the eligible capital expenditure to deliver Belfast Stories as set out in OBC and as noted above will not be used to subsidise operating costs.

Performance Criteria

2.38 The Assessment describes how grant payments will be verified by the BRCD Accountable Body and that DfE will also perform checks on the BRCD verification process and Construction and Procurement Delivery²⁰ will have a role in ensuring contracts are administered properly. The detailed terms and conditions of the funding of the subsidy will ensure that the subsidy is used to deliver the

²⁰ Part of the NI Department of Finance.

infrastructure required for Belfast Stories only and therefore minimise the potential distortive impact of the subsidy.

Monitoring and Evaluation

- 2.39 The Assessment also sets out a series of monitoring and reporting requirements which will underpin the Subsidy.
- 2.40 In our view, the Assessment clearly demonstrates how the design features of the Subsidy contribute to minimising any negative effects of the Subsidy on competition and investment within the United Kingdom.

Assessment of effects on competition or investment

- 2.41 The Assessment identifies the relevant market as that for tourism attractions. It then goes on to consider the potential for negative competitive effects of the Subsidy.

Potential impact on market for tourism attractions in NI including Belfast

- 2.42 The Assessment describes the potential for the Subsidy to lead to some displacement of visitors from existing key visitor attractions in NI. However it states that given the existing capacity pressures at these sites in peak season, the Subsidy can help to ease pressure on the existing tourism attractors and spread the tourism benefits throughout the region, minimising its distortive impacts.

Potential impact on market for tourism attractions in the rest of the UK and the Republic of Ireland (RoI)

- 2.43 The Assessment states that the size of the tourism market within the other regions of the UK, NI and RoI is large, and that the impact of Belfast Stories' is relatively small in relation to that market. Similarly, it states that the visitor numbers anticipated for Belfast Stories will not have a significant impact on international tourism. It concludes that the size of the subsidy being granted is relatively small in comparison to the size of the market and no additional features are necessary to prevent negative effects on competition within the UK, ROI and internationally.

Market growth

- 2.44 The Assessment states that the potential negative impacts of the Subsidy, including displacement in other attractions, is offset by the projected growth of the tourism market in NI, RoI, rest of the UK and globally.

- 2.45 The Assessment cites a report from independent consultants which indicates that despite NI's underlying varied tourism performance during the years 2013/2019, recent projections²¹ indicate that NI will receive an increase of around 700,000 visitors (or 31%) per annum and £120 million (20%) in annual revenue (real prices) by 2032 compared with 2019 (ie pre-pandemic). The same report concludes that the project will be a new and different proposition for NI that has limited or no direct competition and that Belfast Stories can support sustainable visitor growth.

Pricing

- 2.46 The Assessment describes analysis undertaken to determine the pricing point for Belfast Stories which included analysis of other similar venues' pricing to establish a pricing point which is competitive and represents good value for money. It argues that this will help to minimise the distortive impact of Belfast Stories on other visitor attractions within NI and RoI, as the pricing point for the Project will be comparable with other attractions within NI and RoI.

Displacement

- 2.47 The Assessment states that Belfast Stories is anticipated to complement existing attractions rather than compete with or replace them. While some visitors may be diverted from other tourist attractions, the impact is outweighed by the significant draw of Belfast Stories, which is expected to welcome 1.5 million visitors annually.
- 2.48 The Assessment cites a report from independent consultants which considered the potential for displacement within NI across the range of City and Growth Deal (C&GD) projects. This report concludes that on balance, given the growth in tourism numbers that are expected, that whilst there may be small occurrences of displacement, it will not be material at either the NI or individual C&GD region levels. Therefore, distortion of competition is expected to be low because displacement is expected to be minimal.
- 2.49 The Assessment explains that the final business case stage for the project has not concluded however states that BCC will consider this report prior to its finalisation.
- 2.50 In our view, the Assessment carefully considers and supports with evidence the effect of the Subsidy on competition and investment, in line with Annex 3 of the Statutory Guidance.

²¹ Analysis from Tourism Ireland relating to overseas visitor numbers to NI.

Step 4: Carrying out the balancing exercise

- 2.51 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.²²
- 2.52 The Assessment sets out the primary benefits of the Subsidy as being related to establishing Belfast Stories as a focal point for the NI tourism industry, increasing the attractiveness of the Belfast region to visitors and its capacity, which is anticipated to:
- (a) deliver 1.5 million visitors, of which 1 million will be paying visitors;
 - (b) support the strategic growth of the tourism industry by acting as a catalyst for new and existing businesses to develop, increasing both out of state and total direct visitor spend;
 - (c) encourage visitors and residents to change their behaviour by extending their stays in NI and visiting new projects across the region;
 - (d) increase the region's share of international tourists; and,
 - (e) reduce pressure on existing tourist attractions that are at peak capacity in high season.
- 2.53 The Creative Hub will also provide the space and facilities (such as for editing and production) to enable growth in the sector.
- 2.54 The Assessment then goes on to consider wider impacts such as spillover effects for the Belfast region, as well as NI. It estimates that the overall financial, environmental and social impacts to be £216 million net present social value over the first 30 years.
- 2.55 The Assessment further explains how Belfast Stories will regenerate the surrounding areas in Belfast City Centre, particularly the primary retail core and Royal Avenue.
- 2.56 The Assessment also lists potential negative effects, namely:
- (a) the displacement of visitors from existing visitor attractions in NI;
 - (b) straining associated infrastructure during peak times; and

²² See [Statutory Guidance](#), paragraphs 3.113–3.121 and the [SAU Guidance](#), paragraphs 3.19–3.21 for further detail.

(c) impacts on competition, investment or trade at a UK level.

2.57 The Assessment explains measures that will be implemented to mitigate these negative impacts. It emphasises that Belfast Stories is being built in an area of social and economic deprivation and is being made to complement other tourist attractions in NI rather than divert visitors. It concludes that the anticipated benefits outweigh the potential negatives, particularly with the mitigations in place.

2.58 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.

Other Requirements of the Act

2.59 DfE have confirmed that no other requirements or prohibitions set out in Chapter 2 of Part 2 of the Act apply to the Subsidy.

25 March 2026