

Subsidy Advice Unit Report on the proposed subsidy to Center Parcs

Referred by South of Scotland Enterprise

7 May 2026

Subsidy Advice Unit

Part of the Competition and Markets Authority



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1. The Referral

- 1.1 On 24 March 2026, South of Scotland Enterprise (SoSE) requested a report from the Subsidy Advice Unit (the SAU)¹ in relation to the proposed subsidy to Center Parcs to support the development of a holiday village in the Scottish Borders (the Subsidy) under section 52 of the Subsidy Control Act 2022 (the Act).²
- 1.2 This report evaluates SoSE'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 SoSE. 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, SoSE has considered in detail the compliance of the Subsidy with the subsidy control principles. In particular, the Assessment:
 - (a) clearly describes and evidences the specific policy objective of the Subsidy and the equity rationale that the Subsidy seeks to address (Principle A); and
 - (b) clearly explains and evidences how the Subsidy would change the beneficiary's economic behaviour and how that brings about changes that would not have occurred absent the Subsidy (Principle D).
- 1.6 However, we have identified the following areas for improvement. The Assessment should:
 - (a) explain how SoSE considered the queries raised by its independent financial advisers during the due diligence process (Principle C) and explain more clearly why, in light of those comments, SoSE is satisfied that the Subsidy is the minimum necessary (Principle B);

¹ The SAU is part of the Competition and Markets Authority.

² [Referral of the proposed subsidy to Center Parcs Scotland Limited by South of Scotland Enterprise - 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.

- (b) explain more clearly how it reached its decision to award the Subsidy to Center Parcs (Principle B); and
- (c) provide more detailed analysis of Center Parcs's potential impact on competitors within the market (Principle F).

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

The referred subsidy

- 1.8 SoSE is proposing to provide a Subsidy via grant funding of £30.033 million to Center Parcs (part of the wider Center Parcs UK and Ireland Group) to support the development of a holiday village in the Scottish Borders (the Project).
- 1.9 The Assessment states that the Project will involve the development of Center Parcs's first Scottish holiday village, with a focus on sustainable infrastructure, high-quality accommodation and extensive leisure facilities. It will create a site across approximately 530 acres near Hawick, including 700 lodges with capacity for up to 356,700 guests annually, a range of indoor and outdoor leisure facilities, and afforestation and habitat restoration initiatives.
- 1.10 The Assessment states that the Subsidy will support the provision of essential enabling infrastructure works needed for the Project including site electricity, water supply, wastewater treatment, a new priority transport junction with an emergency access route, fibre connectivity, and an energy substation. The Assessment explains that due to their specific nature, these are costs which Center Parcs would need to cover from alternative sources if it did not receive the Subsidy. While the Project will have a wider public benefit for the region, the primary purpose of these enabling infrastructure works is to enable Center Parcs to proceed with the Project.
- 1.11 SoSE explained that the Subsidy is a Subsidy of Particular Interest because it exceeds £25 million in value.

2. The SAU's Evaluation

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

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.⁴

Policy objectives

2.3 The Assessment states that SoSE's policy objective is to mitigate persistent regional inequalities and socio-economic disadvantages in the Scottish Borders region of Scotland, where economic inactivity and youth outmigration are significantly above the national average. Specifically, this is by improving socio-economic conditions in and around the town of Hawick, which is one of the most disadvantaged towns in the Scottish Borders region.

2.4 The Assessment explains that the Subsidy aligns with SoSE's statutory aims to further the sustainable economic and social development of the South of Scotland, and to improve the amenity and environment of the South of Scotland. It also supports a wide range of national and regional strategies, and states that the Project will act as a catalyst for inclusive growth, sustainable tourism and rural regeneration.

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

⁴ See [Statutory Guidance](#), paragraphs 3.33–3.59 and the [SAU Guidance](#), paragraphs 3.6–3.10 for further detail.

Equity Objective

- 2.6 Equity objectives seek to reduce unequal or unfair outcomes between different groups in society or geographic areas.⁵
- 2.7 The Assessment states that the Subsidy is intended to address the regional inequalities and socio-economic disadvantages in the Scottish Borders region of Scotland, and specifically in and around the town of Hawick, which is one of the most disadvantaged towns in the Scottish Borders region.
- 2.8 The Assessment notes the following factors that have contributed to the regional inequalities and socio-economic disadvantages:
- (a) The Scottish Borders region, and Hawick in particular, has experienced a sustained period of economic transition following the decline of its once-dominant textile and knitwear industries. This decline has contributed to disproportionate socio-economic disadvantages in Hawick, which includes six of the nine most deprived areas in the Scottish Borders,⁶ all of which are within the 20% most deprived areas in Scotland.
 - (b) The decline of the textiles industry aligned with a broader rise in economic inactivity between 1997-2007. The Assessment explains that one of the major sectors in the region is now tourism, but this is highly seasonal and offers limited year-round employment, contributing to unstable income and underutilised infrastructure.
 - (c) The Scottish Borders region faces persistent challenges in youth employment and skills. It references the Youth Futures Foundation review which highlights that young people in rural areas face barriers including limited transport, digital exclusion and a lack of local training and job opportunities.⁷
 - (d) Youth outmigration is a significant trend in the area, with only 23% of the population of Hawick aged 16–34 compared to 29% nationally, a trend projected to continue and accelerate within the next three years.
- 2.9 The Assessment explains that by enabling the Project to proceed, the Subsidy will contribute to mitigating the regional inequality and socio-economic disadvantage within the Scottish Borders region particularly in terms of economic activity and youth outmigration. Primarily, it will do this by creating jobs — an estimated 6,665

⁵ [Statutory Guidance](#), paragraphs 3.52–3.56.

⁶ As identified in the Scottish Index of Multiple Deprivation 2020: Scottish Borders.

⁷ Youth Futures Foundation, “Supporting young people in rural areas: A review of issues faced by young people in rural areas in the UK and interventions to support their mental wellbeing and access to employment and training”, June 2023, pages 3-6.

FTE jobs during construction and 1,930 FTE jobs per annum during operations, including 1,380 in the Scottish Borders.

- 2.10 The Assessment explains that this Project is critical to securing the wider improvement of conditions in the region. The Project will achieve this through the nature of the jobs it will create, including:
- (a) non-seasonal jobs which will provide stable income and certainty to employees, boosting economic activity in Hawick;
 - (b) 30% of jobs will be targeted at young people aged 16–24, which is intended to increase youth employment and address youth outmigration by providing opportunities for young people to progress economically while remaining in Hawick;
 - (c) the site will provide transport services, flexible working arrangements and career progression pathways designed to support inclusive employment and workforce access from a wider catchment area, as well as attract further skilled labour into the region;
 - (d) the project as a whole will upskill the local workforce, leveraging experiences from other Center Parcs holiday villages and providing training to both upskill and reskill employees within the region; and
 - (e) deploy a local procurement strategy to maximise local opportunities and facilitate regional growth, starting with the construction phase, the Project will look to use local contractors where possible to enhance the contribution to the Scottish Borders.
- 2.11 The Assessment notes that Center Parcs's model has a proven track record of addressing regional inequality and socio-economic disadvantage. Center Parcs Longford Forest actively supported rural repopulation — transforming a previously underdeveloped area into the Republic of Ireland's fastest-growing population zone, with Center Parcs directly employing 1,260 people (60% from Longford) and supporting 36.8% of the county's accommodation sector workforce.
- 2.12 The Assessment states that the estimated 356,700 visitors expected annually will expand the regions tourism base and is predicted to bring an additional £2.6 million gross value added (GVA)⁸ and 82 jobs from off-site spending which will go towards improving socio-economic conditions for people and businesses in the area more broadly.

⁸GVA measures the value of goods and services produced in an area, industry, or sector, minus the cost of input materials and intermediate consumption.

- 2.13 The Project is estimated to have a net present social value (NPSV) to the Scottish Borders of £1,014 million over 35 years, reflecting the scale of improved socio-economic conditions that the Project can bring.⁹
- 2.14 In our view, the Assessment clearly describes and evidences the equity rationale that the Subsidy seeks to address.

Appropriateness

- 2.15 Public authorities must determine whether a subsidy is the most appropriate instrument for achieving the policy objective. As part of this, they should consider other ways of addressing the market failure or equity issue.¹⁰
- 2.16 The Assessment states that the Subsidy is the most appropriate instrument for addressing the equity rationale, and therefore the best means for achieving the policy objective. The Assessment explains that there are no alternative developments for this site or any other within the Scottish Borders region of comparable scale offering the same benefits in terms of addressing the policy objective. The Subsidy will fund enabling infrastructure works, which in turn will secure inward investment.
- 2.17 The Assessment explains that SoSE considered the following instruments as alternatives to the Subsidy:
- (a) **Additional private capital:** this was considered as one of six funding options evaluated as part of a longlist options appraisal against eight critical success factors (CSFs).¹¹ Whilst it scored well against four CSFs, it scored poorly on deliverability, risk mitigation and additionality. In particular, significant deliverability challenges meant this was not a viable option. This is because without public funding the Project would not meet Center Parcs's shareholders and investors return on investment (ROI) hurdle, and the Project would not progress;
 - (b) **Public Works Loan Board (PWLB) loan from Scottish Borders Council:** this was also considered against the CSFs but was found to fail to effectively minimise financial, operational and reputational risks associated with the Project as the relevant local authority (Scottish Borders Council) would not have been able to raise PWLB funds through borrowing as its capital programme is under pressure and borrowing is already at a maximum threshold on risk limits;

⁹ NPSV represents the present value of monetisable social benefits, subtracting present value of all expected social costs.

¹⁰ [Statutory Guidance](#), paragraphs 3.57–3.59.

¹¹ The critical success factors included: strategic fit, deliverability, leverage of private investment, economic impact, risk mitigation, additionality, environment sustainability and cost to the public sector.

- (c) **Public-private partnership (PPP):** this was considered against the CSFs but scored poorly on deliverability, risk mitigation and additionality. In particular, significant deliverability challenges meant this was not a viable option - establishing a PPP would have taken too long and would not have met Center Parcs's deadline to allow it to progress with the Project. The Assessment also notes that the provision of these enabling infrastructure works would not lend themselves to a PPP delivery model which tend to be projects which serve the public directly with the private sector as a delivery partner.¹²
- (d) **Direct Regulation:** SoSE does not have any relevant statutory or regulatory powers to compel Center Parcs to address the policy objective, and Center Parcs can decide not to proceed with the Project if the enabling infrastructure works are not funded;
- (e) **Direct provision:** while SoSE could potentially provide the funding directly to the relevant public authorities responsible for provision of elements of the enabling infrastructure works, this would present co-ordination challenges and could still be considered subsidy; and
- (f) **A commercial loan or equity investment on commercial terms:** taking a commercial loan or SoSE taking any form of equity investment in the Project, would not work for Center Parcs's financial modelling for the Project.

2.18 In our view, the Assessment demonstrates that SoSE has considered other ways of achieving its policy objective. However, the Assessment could better explain why some of these alternatives (such as, a commercial loan/equity investment on commercial terms) were found to be unsuitable.

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

2.19 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.¹³

¹² For example, schools, railways, hospitals.

¹³ See [Statutory Guidance](#), paragraphs 3.60–3.74 and the [SAU Guidance](#), paragraphs 3.11–3.13 for further detail.

Counterfactual

- 2.20 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).¹⁴
- 2.21 The Assessment states that in the ‘do nothing’ scenario the Project would not go ahead; noting that Center Parcs will not commit to investing £420 million into the Project if it does not have a commitment that the required £30 million for enabling infrastructure works will be funded. This would result in the loss of all the positive economic and social impacts forecasted due the creation of a new holiday village in the Scottish Borders.
- 2.22 The Assessment explains that Center Parcs’s position is that the financial viability of the proposed development is contingent on securing a cash contribution of £30.033 million. Without this funding, Center Parcs’s target ROI hurdle would not be met, and the infrastructure investment would not proceed. This is based on viability calculations which Center Parcs has prepared and shared with SoSE, and which SoSE has assessed and stress tested with the assistance of independent financial advisers.
- 2.23 In respect of Center Parcs’s viability calculations, the Assessment notes that the independent financial advisers had queried Center Parcs’s approach to the ROI calculation¹⁵ but that they ultimately concluded that documentation and engagement with Center Parcs during the due diligence process provided a reasonable basis for assessing the viability of the proposed development.
- 2.24 The Assessment refers to the supporting business case which concludes that all site-specific benefits are directly attributable to the Subsidy, with no deadweight applied, and that 75% of wider regional tourism benefits are attributable to the Project, with the remaining 25% likely to have occurred anyway. Therefore, in the absence of the Subsidy, 50% of wider regional tourism benefits will not be realised.
- 2.25 In our view, the Assessment describes what would be likely to happen if the Subsidy was not awarded. However, the Assessment should explain how SoSE considered the queries raised by its independent financial advisers during the due diligence process in reaching its conclusions.

¹⁴ [Statutory Guidance](#), paragraphs 3.63–3.65.

¹⁵ [redacted]. The SAU has excluded from this published version of the report information which it considers should be excluded having regard to the three considerations set out in section 244 of the Enterprise Act 2002 (specified information: considerations relevant to disclosure). The omissions are indicated by [redacted]

Changes in economic behaviour of the beneficiary and additionality

- 2.26 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
- 2.27 The Assessment states that the subsidy for enabling infrastructure will unlock at least £420 million of private sector investment, making the Project viable and able to deliver significant regional benefits.
- 2.28 The Assessment explains that the costs of enabling infrastructure supported by the Subsidy, and the costs of the Project more broadly, are one-off capital costs related to the establishment of a new holiday village. They are not business as usual costs for Center Parcs, which will be covered by the revenue generated by the holiday village.
- 2.29 The Assessment states that the change of behaviour will directly achieve the policy objective by: providing stable non-seasonal income, including to young people, providing transport services, flexible working arrangements and career progression pathways (see paragraph 2.10 for further detail). It will also improve socio-economic conditions for people and businesses in the area more broadly due to the increased footfall in the area as a result of the Project, and the estimated NPSV outlined above.
- 2.30 The Assessment concludes that SoSE is satisfied that the Subsidy will create a change that would not have happened without the Subsidy, clearly demonstrating additionality.
- 2.31 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

- 2.32 Under Step 3, public authorities should consider compliance of a subsidy with:
- (a) Principle B: Subsidies should be proportionate to their specific policy objective and limited to what is necessary to achieve it; and

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

- 2.33 The Assessment states that the size of the Subsidy is not large in the context of the affected market, the total project costs or the overall operating costs of Center Parcs. The Subsidy represents around 6.7% of the total estimated costs of the Project, with the remaining £420 million coming from private investment. The Assessment states that a smaller subsidy would not allow Center Parcs's investors to meet their target ROI threshold and so the Project would not go ahead.
- 2.34 The Assessment notes that independent financial advisers completed stress tests and due diligence of the business case (see paragraphs 2.22 and 2.23 above) and, based on that, SoSE was satisfied that the Subsidy represents the minimum amount of grant funding to make the project commercially viable.
- 2.35 The Assessment explains that SoSE carried out an extensive review of funding routes available to support the Project, including various alternative sources. However, it was determined that no unallocated funds or suitable alternative programmes are available to support the Project at this time.
- 2.36 The Assessment further notes that the grant agreement will include a reduction mechanism, meaning that if the scale of the Project is reduced (for example, if fewer lodges are built than anticipated) then the value of the Subsidy will be reduced proportionally.
- 2.37 In our view, the Assessment clearly explains and evidences the actions taken to ensure the Subsidy is proportionate and limited to the minimum necessary to achieve its specific policy objective, in line with the Statutory Guidance. However, given comments raised by the independent financial advisers in relation to the underlying analysis (see paragraph 2.23), the Assessment should provide a fuller explanation of how SoSE is satisfied that the Subsidy is the minimum necessary.

Design of subsidy to minimise negative effects on competition and investment

- 2.38 The Assessment states that the Subsidy has been designed to achieve the policy objective while minimising any negative effects on competition or investment within the United Kingdom. Several relevant characteristics of the Subsidy are noted in the Assessment, in particular that:

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

- (a) the Subsidy represents a small proportion of total project costs;
- (b) the Subsidy covers only enabling infrastructure costs which will be incurred at the outset of the Project and is to be phased over a period of three years (2026–2029). The Subsidy will be given as a one-off subsidy, in the form of a single grant agreement and that in accordance with the Statutory Guidance, time-limited and one-off subsidies are likely to lead to less distortion;
- (c) a conditional funding model will be adopted, by which eligible costs will be reimbursed on a retrospective claim basis, with each drawdown being contingent on verified completion of phased work, evidence of private sector funding towards the Project, and progress towards planning and construction milestones; and
- (d) the grant agreement will include clawback provisions, allowing SoSE to recover funds if infrastructure is not delivered, if funds are misused, or if key performance indicators (KPI) are not met throughout the obligation period.

2.39 The Assessment states that SoSE does not consider this to be a subsidy for which it would be appropriate for the award process to involve an element of competition between potential recipients. It explains that SoSE has not expressly sought to subsidise the development of a holiday park in the Scottish Borders. Rather, Center Parcs identified a potential site and approached SoSE to request support with funding the necessary enabling infrastructure works.

2.40 The Assessment notes that even if a wider selection process had been undertaken, Center Parcs would most likely have emerged as the only viable recipient, either because other holiday park providers already have sites elsewhere in the region or because alternative sites would be inappropriate (for example, being inland rather than coastal). The Assessment notes that SoSE has supported other holiday parks, including a significant grant to Forest Holidays for the establishment of its Glentress site.

2.41 In our view, the Assessment clearly demonstrates and evidences how several design features of the Subsidy contribute to minimising any negative effects of the Subsidy on competition or investment within the United Kingdom. However, the Assessment should explain more clearly the process used to award the Subsidy to Center Parcs. This could include explaining whether SoSE's funding allocation process allowed other potential beneficiaries to access funding, and / or what steps SoSE took to determine that allocating the funds to Center Parcs was the most appropriate option (for example, whether it carried out market testing with other holiday providers).

- 2.42 The Assessment does outline a clawback design feature; however, it could more clearly explain how this works in practice. For example, it could describe the relevant KPI's and the process for reclaiming funds if these are not met.

Assessment of effects on competition or investment

- 2.43 The Assessment states that Center Parcs is principally focussed on the short-break holiday market. It goes on to explain that Center Parcs is positioned within the 'holiday centres market', which forms part of the wider 'holiday accommodation market'. The Assessment concludes that the 'prudent approach' to assessing the product market is to consider both the holiday centres market and the broader holiday accommodation market (specifically at the more premium end).
- 2.44 The Assessment states that within the holiday centres market there are three distinct segments: traditional holiday centres; holiday parks; and forest villages. The Assessment considers the main providers to be Center Parcs, Butlins, Warner, Parkdean Resorts and Forest Holidays. It notes that that Forest Holidays is the only other provider operating within the 'forest villages' segment of the market. The Assessment states that Center Parcs does not consider itself a direct competitor with these brands because of differences in the location of its sites and its customer base and that Center Parcs primarily considers its main competitors are high-end, self-catering cottage accommodation and leisure hotels and resorts.
- 2.45 The Assessment explains that in terms of the relevant geographic dimension, Center Parcs competes to only a limited extent with holiday offerings outside the UK. It states that international competition is limited by a range of factors including the price and convenience of air travel, the strength of the pound and weather conditions.
- 2.46 The Assessment identified directly competing holiday centres by mapping those within a two-hour drive of Center Parcs's Hawick site. It states that the third-party providers most likely to be impacted by the Subsidy would be providers of comparable holiday centres and other high-end self-catering cottage accommodation and leisure hotels and resorts catering for the short-break holiday market within this geographic area. The Assessment also identifies a number of other holiday centres operating within this 2-hour drive time, but states that competition between these and Center Parcs will be limited for the reasons set out in paragraph 2.44.
- 2.47 The Assessment concludes that the UK holiday accommodation market is not highly concentrated. It notes that, in 2023, the value of domestic holidays taken by British residents was £13.8 billion. It also states that Center Parcs projected 356,700 overnight visitors annually for the Project would represent a very small proportion (less than 1%) of the approximately 41 million domestic holidays taken by British residents each year.

- 2.48 The Assessment acknowledges that whilst there are a large number of alternative holiday centres at the national level, Center Parcs is undeniably a major player in the UK holiday centres market. It states the five leading ‘holiday centres’ operators in the UK (Center Parcs, Butlins, Warner, Parkdean and Forest Holidays) have a combined annual revenue of over £1.65 billion. Center Parcs revenue makes up the largest share, at £620.8 million.
- 2.49 The Assessment states that more locally within the Scottish Borders region itself there is no directly comparable competing holiday village offering. The Assessment notes that Scottish Borders has 19,143 bed spaces, of which 77% are in non-serviced accommodation (eg self-catering lodges, cottages, camping) and not directly comparable to Center Parcs closed-village, lodge-based model. In addition, it states that currently only 3% of travel parties to the Scottish Borders included children whereas in contrast, Center Parcs holiday village primarily is designed for family groups with children.
- 2.50 Overall, the Assessment concludes that, given the level of set up costs required for a holiday park the Subsidy has the potential to raise barriers to entry and expansion of other similar holiday centres within the primary catchment area of the Project.
- 2.51 The Assessment states that the UK holiday centres market does not appear to be experiencing significant growth. Data shared by Center Parcs shows that the volume and value of domestic holidays taken by British residents in 2022 and 2023 was similar to pre-COVID levels and is only expected to get back to pre-COVID levels by 2028.
- 2.52 The Assessment notes there may be potential displacement of workers within a tightening labour market, in an area with a shrinking working-age population and high economic inactivity, particularly in the tourism, hospitality and care sectors (two significant employers in the area). However, it suggests that potential displacement is low because:
- (a) most existing jobs in the tourism sector in the area are in small, seasonal businesses as opposed to the permanent, stable roles offered by Center Parcs; and
 - (b) care roles require distinct qualifications and different working patterns to jobs that will be offered by Center Parcs.
- 2.53 The Assessment notes that the Subsidy may also have effects on input and related markets, namely the construction sector for the duration of the construction phase of the Project, and supply chains such as food and drink which will service the Project during the operational phase. It is not expected that there will be a high degree of dependency between any suppliers and Center Parcs, as there is little

evidence that Center Parcs would be the only or one of very few suppliers or buyers of any particular good or service.

- 2.54 In our view, the Assessment clearly considers and evidences the relevant product market. However, the Assessment should provide more detailed analysis of Center Parcs's potential impact on competitors in the market. We note, for example, that some relevant analysis is contained in the appendices and could usefully be incorporated into the main Assessment. In addition, the analysis could be expanded beyond holiday parks to include other relevant competitors to Center Parcs, such as other high-end self-catering cottage accommodation and leisure hotels and resorts catering for the short-break holiday. The Assessment could also benefit from explaining and evidencing why the labour market impact in the tourism and care sectors is likely to be low.

Step 4: Carrying out the balancing exercise

- 2.55 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.¹⁹
- 2.56 As noted in paragraph 2.10, the Assessment states that the Subsidy will unlock private investment, allowing the Project to proceed, with the primary benefit of job-creation. It specifically explains how the nature of the jobs will achieve the policy objective. The Assessment also notes that the Project will significantly expand the region's tourism base, increasing GVA and notes further benefits in terms of NPSV.
- 2.57 The Assessment identifies the negative effects of the Subsidy as including: very low local displacement in the holiday destinations market; some displacement and substitution within wider regional and national markets in which Center Parcs competes; a potential advantage to Center Parcs in competition for holiday centre bookings within the relevant geographic area; medium displacement within the construction sector; and potential displacement of workers within a tightening labour market. These points are considered further above in Step 3.
- 2.58 The Assessment notes that the impact on international trade or investment is expected to be minimal due to the broad range of other factors which affect competition with holiday offerings outside of the UK such as the price and convenience of air travel, the strength of the pound relative to other currencies, and comparative weather conditions.

¹⁹ See [Statutory Guidance](#), paragraphs 3.113–3.121 and the [SAU Guidance](#), paragraphs 3.19–3.21 for further detail.

- 2.59 The Assessment concludes that SoSE is satisfied that the benefits of the Subsidy significantly outweigh the potential negative effects when considering the potential transformative impact on addressing regional inequalities and socio-economic disadvantages in Hawick and the wider Scottish Borders region.
- 2.60 In our view, the Assessment clearly sets out the positive effects of the Subsidy in relation to the policy objective, its geographic impacts, as well as potential negative impacts, and conducts a balancing exercise between them in line with the Statutory Guidance. However, the Assessment could better evidence the statement that the impact of the Subsidy on international trade or investment would be minimal.

Other Requirements of the Act

- 2.61 SoSE confirmed that no other requirements or prohibitions set out in Chapter 2 of Part 2 of the Act apply to the Subsidy.

7 May 2026