

## **Subsidy Control Report**

Prepared for: **Department for Business, Energy & Industrial Strategy (“BEIS”)**

Date: **20<sup>th</sup> May 2025**

Prepared by: **Exeter City Council (“ECC”)**

### **1. Executive Summary**

1.1 This report outlines the assessment of the subsidy involved in the sale of the Former Clifton Hill Leisure Centre site at an undervalue to Preferred Homes Limited (“PHL”) to facilitate the development of extra care affordable housing (100% affordable rent at 80% of market rents). The assessment ensures compliance with the Subsidy Control Act 2022 and confirms alignment with the UK subsidy control principles.

1.2 The proposed subsidy aims to support the delivery of much-needed extra care housing, addressing local demand and contributing to social welfare without distorting competition or investment within the UK market.

1.3 The delivery of circa 72 affordable rent homes prioritised for Exeter’s elderly residents on the housing register should save public purse costs long term.

### **2. Description of the Subsidy**

#### **2.1 Nature of the Subsidy**

- Type of Subsidy: **Transfer of land at an undervalue**
- Market Value of the Site: **£3.8m**
- Agreed Sale Price: **£3.375m**
- Undervalue Amount (Subsidy Value): **£425,000**

#### **2.2 Purpose of the Subsidy**

- Following a national marketing campaign in Autumn ’24 and an informal tender disposal process in October and November ’24 (restricted to preclude Purpose Built Student Accommodation “PBSA”) Preferred Homes Ltd submitted the highest offer, £3.375m, based on a 100% affordable rent 72 unit extra care scheme. The purpose of the subsidy, estimated against a valuation for PBSA, is to facilitate the delivery of the affordable rent extra care scheme which will be made available, via a s.106 planning obligation agreement, to residents with a local connection to Exeter for the first 25 years of the scheme.
- To address a specific local need for affordable extra care housing, as identified in:

- Devon County Council's ("DCC") latest Adult Social Care Strategy which can be found here ([Our vision - Promoting independence](#)) and confirms DCC's intention to grow Extra Care Living,
- the latest Exeter Local Housing Needs Assessment ([Exeter Local Housing Needs Assessment](#)).
- DCC's recent February 2025 Market Position Statement (with 151 extra care units of current unmet commissioned need in Exeter) - [Market Position Statement: February 2025 - Provider Engagement Network](#); and
- The Devon Housing Commission Report which specifically identifies the need for Extra Care housing in Devon (due to its rapidly ageing population driven by the internal migration of older people) - [2024EI047-Devon-Housing-Commission-Final-Report-v8.pdf](#)
- To support vulnerable and elderly individuals with specialist housing and care provision.
- To contribute to government objectives of increasing affordable housing stock.

### 2.3 Beneficiary Details

- Recipient Name: **Preferred Homes Limited ("PHL"), 2nd Floor Market Place, London W1W 8AG**
- Recipient Type: **Registered Provider**
- Legal Status: **Registered Provider of Social Housing (reg. no. 5093)**

## 3. Compliance with the Subsidy Control Act 2022

3.1 The subsidy is assessed against the seven subsidy control principles as set out in Section 12 of the Subsidy Control Act 2022:

### 3.1.1 Principle A – Common Interest

The subsidy facilitates the development of extra care affordable housing, addressing a clear public policy objective:

- ✓ Supports social welfare by providing housing for vulnerable individuals,
- ✓ Aligns with government priorities to increase affordable housing provision,
- ✓ Increased social value/reduced care and health costs of providing extra care housing (Homes England's "Measuring the Wellbeing and Fiscal Impacts of Housing for Older People" see: [https://assets.publishing.service.gov.uk/media/66a8cb89a3c2a28abb50d984/Measuring\\_the\\_Wellbeing\\_and\\_Fiscal\\_Impacts\\_of\\_Housing\\_for\\_Older\\_People.pdf](https://assets.publishing.service.gov.uk/media/66a8cb89a3c2a28abb50d984/Measuring_the_Wellbeing_and_Fiscal_Impacts_of_Housing_for_Older_People.pdf).)

### **3.1.2 Principle B – Proportionality**

- ✓ Preferred Homes Ltd were the highest bidder in the market place and the undervalue has therefore been limited to the minimum necessary to enable the project to proceed; and
- ✓ Without the subsidy, the project would be unviable as it would not be able to compete with the higher alternative use values of the land (in this case a notional PBSA value). Given members will not accept the disposal of land for PBSA in the City the alternative for the site is for it to remain vacant.

### **3.1.3 Principle C – Design for Change of Behaviour**

- ✓ The subsidy enables the recipient to undertake a project that would not be feasible under normal market conditions; and
- ✓ Encourages investment in a sector (extra care affordable housing) with positive social outcomes.

### **3.1.4 Principle D – Competition and Investment Effects**

- ✓ The subsidy does not disproportionately distort competition, as it supports social housing development, a non-commercial activity; and
- ✓ The recipient is subject to regulatory frameworks governing affordable housing provision.

### **3.1.5 Principle E – Least Distortionary Means**

- ✓ The land sale at undervalue is a targeted, transparent, and efficient means of achieving the policy objective.

### **3.1.6 Principle F – Balancing Beneficial and Negative Effects**

- ✓ Any impact on competition is outweighed by the significant social benefits; and
- ✓ No negative effects on UK trade or investment are expected.

### **3.1.7 Principle G – Compliance with International Obligations**

- ✓ The subsidy is unlikely to affect international trade, as it is focused on local affordable housing provision.

## **4. Subsidy Control Assessment Conclusion**

4.1 The sale of the Former Clifton Hill Leisure Centre site at an undervalue constitutes a subsidy under the Subsidy Control Act 2022. However, the subsidy complies with the seven subsidy control principles and is necessary to enable the provision of extra care affordable housing.

#### 4.2 The subsidy:

- ✓ Achieves a public policy objective (affordable housing provision)
- ✓ Is proportionate (subsidy limited to the minimum necessary)
- ✓ Minimises distortion to competition and investment

4.3 As a result, ECC believes the subsidy is lawful and justifiable under the Act.

4.4 If the subsidy is not provided (undervalue sale is not approved) the site will remain vacant as members are not prepared to market the site for PBSA.

### **5. Next Steps and Transparency**

The subsidy will be recorded in the UK Subsidy Control Database in accordance with transparency requirements. Any further requirements or clarifications from BEIS will be addressed as needed.

### **6. Appendices**

**Appendix 1** – Preferred Homes – Public Purse & Societal Savings: Social & Economic Impact of Extra Car Housing