

Briefing: An opportunity to make government subsidies more efficient

Centre for Public Data, May 2021

Summary

The UK Government is [developing a new domestic subsidy regime](#), **covering how public authorities can award financial subsidies to businesses**. (Subsidies include grants, loans and tax reliefs awarded to businesses - contracts are governed separately.) Currently the UK spends about £8 billion a year on such subsidies: this is set to increase to support policy goals such as Covid recovery and green energy.

The **consultation includes transparency proposals, covering which subsidies will be published** on a [new BEIS database](#). This database is important because it allows everyone to see which businesses have received public money, and what it was intended to support.

We are concerned that **under these proposals, public authorities will not have to report subsidies under £175,000**. This means that many very large subsidies will not be reported publicly, so there will be no public visibility over who was funded and what for.

But publishing all subsidies would reduce the serious harms they can create, by allowing everyone to spot problems such as rent-seeking. **All subsidies over £500 should be reported publicly, allowing businesses and taxpayers to see where spending is going**. This is an opportunity to create an important new research dataset, support market confidence, and help ensure subsidies are working in the best interests of the country.

Crucially, this would not create extra costs for businesses or public authorities. It's also in line with previous Government transparency thresholds for public spending and contract transparency reforms. Publishing **comprehensive subsidy data is an easy win** to support efficient, evidence-led subsidies, with benefits for UK businesses, taxpayers, and markets.

Background

Until 2021, the UK's subsidy regime was governed by EC regulations. Now, BEIS is [developing proposals](#) for a new UK subsidy regime, and the Government plans to introduce a Subsidy Control Bill during the current Parliament. The Government's goals for the new regime are to balance the benefits of subsidies against harms such as rent-seeking and inefficient use of public money, while minimising administrative burdens.

BEIS proposes that public authorities must report any subsidies worth more than £175,000 over three years centrally for publication on a new [transparency database](#). But this threshold is too high, and based on out-of-date assumptions about the cost of publication. It will not support the Government's goals for its new regime.

If all subsidies over £500 were published, this would allow everyone to spot harms such as inefficient subsidy use and rent-seeking, which will otherwise have little oversight. This would be a low-cost, straightforward way to protect against the dangers of subsidies.

It would support an effective subsidy regime and support the Government's policy goals:

- It would help ensure subsidies are used efficiently. Spending and outcome data is best analysed inside and outside government, so it's important the data is public.
- It would reduce the potential harms that subsidies can create. If all payments are made public, outsiders can help spot and challenge harms such as inefficient subsidies, rent-seeking by bigger companies, and fraud.

It would support businesses, especially smaller ones, and help create a level playing field:

- All businesses would have equal access to information, which would support new entrants, encourage overseas investment, and increase business confidence.
- Like any public dataset, this data would be a valuable resource for new startups.

Crucially, requiring the reporting of smaller subsidies would not add administrative burden:

- Public authorities already have to report subsidies over £175k to BEIS - and in the digital era, the marginal cost of reporting additional subsidies is zero.
- It would reduce the need for public authorities to respond to individual FOI requests.
- It would be in line with transparency thresholds elsewhere in the public sector, such as the £500 limit for reporting local government expenditure. These thresholds have been carefully evaluated to balance reporting burden vs the benefits of publication.

Implementing this would be straightforward, as larger subsidies are already reported centrally, and there are no privacy concerns. (Our technical notes are available on request.)

About us

The [Centre for Public Data](#) is a new non-partisan organisation founded in 2020 to improve the quality of data collected and published by the UK Government. We work with partners to ensure the UK's public data works for everyone.

We'd be delighted to discuss these issues further: contact@centreforpublicdata.org.