

# Response to BEIS's consultation on subsidy control

Centre for Public Data, March 2021

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## About this document

This is the Centre for Public Data's response to BEIS's 2021 consultation on 'Subsidy control: designing a new approach for the UK'<sup>1</sup>. Our response covers questions 31-35. We are grateful to BEIS officials for their time meeting us to discuss the consultation.

The Centre for Public Data is a non-partisan organisation with a mission to strengthen the UK's public data. We aim to reduce gaps in data that harm civil society and business and support legislators and policymakers to improve data coverage and quality. We would be pleased to discuss any of these issues further: [contact@centreforpublicdata.org](mailto:contact@centreforpublicdata.org).

## Responses to questions

### 31: Do you agree with the proposed rules on transparency? If not, why?

No. The proposed rules will not support the Government's aims for its subsidy control regime.

We propose thresholds and reporting schedules that would decrease the risk of creating harmful subsidies, and increase the Government's ability to target subsidies to support its policy goals, without creating additional administrative burden, as follows:

- The proposed thresholds for reporting should be lower, in line with thresholds used elsewhere in the public sector - please see our answer to question 33.
- The proposed timeliness of reporting should be improved - please see our answer to question 35.

### 32: Do you agree that the thresholds for the obligation on public authorities to submit information on the transparency database should replicate the thresholds set for small amounts of financial assistance given to a single enterprise over a three-year period and for transparency for SPEI?

No, these thresholds are too high. Please see our answer to question 33.

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<sup>1</sup> <https://www.gov.uk/government/consultations/subsidy-control-designing-a-new-approach-for-the-uk>

### 33: If not, should the threshold be lowered to £175,000 over a three-year period to cover all reporting obligations for Free Trade Agreements, enabling all of the UK's international subsidy transparency obligations to be met through one database?

This threshold is still too high to support the Government's goals for its subsidy control regime. It is also based on an out-of-date assessment of the administrative burden to authorities of reporting: with modern automated reporting processes, this burden is now minimal.

We propose instead that *all* public subsidies should be collated centrally by BEIS, with no minimum threshold, and published on the new transparency database.

Our reasons for proposing that all subsidies should be published are as follows:

- This would create a comprehensive single, central, authoritative public dataset of subsidies, which would have significant benefits for government, BEIS, public authorities and businesses. We list these below.
- It will not create additional administrative costs for public authorities, because the marginal cost of reporting extra items is effectively zero - indeed it could potentially reduce their administrative costs. We explain why this is the case below.
- As identified in the consultation's impact assessment, any increased risk around judicial enforcements from additional publication would be more than balanced by the reduction in judicial risks due to the reduced likelihood of harmful subsidies.

The Government's proposed regime seeks to balance the benefits that can be derived from subsidies, with limiting potential harmful side-effects such as market distortion and rent-seeking, and avoiding administrative burden.

Reporting all subsidies would support these policy goals, reduce the harmful impacts of subsidies, and deliver new benefits by creating a major new public dataset, without increasing administrative burden on public authorities. It would not create any downsides and there are no privacy risks, since only corporate bodies fall within the subsidy regulations.

In the remainder of our answer we detail our arguments for reducing the reporting threshold to zero, and thus collating and publishing a comprehensive dataset of subsidy:

- a. Why comprehensive data reporting does not increase admin costs
- b. Why comprehensive data reporting could instead reduce admin costs
- c. Why comprehensive data reporting will support the Government's policy goals
- d. Why comprehensive data reporting will benefit authorities awarding subsidy
- e. Why comprehensive data reporting will benefit UK businesses
- f. Comparison with reporting thresholds elsewhere in the public sector

## a) Why comprehensive data reporting will not increase admin costs

Paragraphs 79-85 of the consultation's impact assessment identify many benefits to transparent data, and make it clear that the main concern around providing better data (by reducing reporting thresholds, including more data fields, or requiring timely reporting) are the administrative costs to subsidy awarders.

The consultation does not evaluate the cost of lower reporting thresholds, but it estimates the time required to add a single new data field (company identifier) to the data would be 1 hour *per data item*, at a total cost of £31 per hour. The central cost estimate for including this single additional field is £400,000 annually.

However, these cost assumptions reflect an old-fashioned view of data collecting and reporting processes, and are incorrect. In the past, public servants had to gather data manually, check it, and prepare it to be sent to a central agency, which then had to publish it. A cost of one hour per data item may once have been reasonable.

But these processes can and should now be automated, which means that the marginal cost of lowering the reporting thresholds and collecting additional data, is effectively zero:

1. **Subsidy awarders should already hold all the data needed.** For their own management purposes, subsidy awarders should be recording all the information that BEIS should require (entity name and legal identifier, amount, date of award, and scheme). Subsidy awarders will of course also be recording whether grants fall within subsidy regulations. Therefore, subsidy awarders will already hold all of the information needed to report all their subsidies to BEIS.
2. **BEIS should not need subsidy awarders to collect or report any data beyond this basic management data.** BEIS should not need subsidy awarders to collect or report data beyond basic identifiers and subsidy information. Additional fields that can easily be derived from public reference datasets, such as SIC code, will be far better added by BEIS centrally. Asking awarders to do this increases the burden on them, and increases the risk of data errors. For example:
  - a. BEIS should not ask awarders to record SIC code when uploading data: BEIS could much more efficiently add this, by joining company numbers in the data with public Companies House data<sup>2</sup>.
  - b. BEIS should not ask awarders to record NUTS region: again, BEIS could much more efficiently add this, by joining the company numbers in the data with public Companies House data to obtain company postcodes, and then joining these postcodes with ONS data to obtain NUTS regions or other geographies such as constituency<sup>3</sup>.

<sup>2</sup> Free Companies House Data

<https://resources.companieshouse.gov.uk/infoAndGuide/faq/publicDataProduct.shtml>

<sup>3</sup> ONS National Statistics Postcode Lookup

<https://geoportal.statistics.gov.uk/datasets/4f71f3e9806d4ff895996f832eb7aacf>

3. **Awarders can and should upload data to the BEIS database using automated processes.** Awarders will store their own management information data as structured data, i.e. spreadsheets or databases. BEIS's new subsidy database supports the bulk data upload. Subsidy awarders will need to create initial scripts or processes to transform any data into the format required for BEIS upload. This will require some one-off work, which would be the case for a reporting threshold set at any level. However, *lowering* the threshold does not increase the cost, because the marginal cost of importing extra data is zero.
4. **Therefore, the cost of reporting additional subsidies is effectively zero.** There is no cost difference between importing 1 item and importing 100 or 1,000 data items: public authorities should script this once and the number of items makes no difference. And BEIS should in fact require reporting via bulk upload, because it will be far more efficient for the public purse in the long run, and reduces the likelihood of data entry or import errors.

We recommend that BEIS should update its impact assessment to reflect these modern cost estimates. If BEIS does not do so, then it is effectively granting public authorities permission not to use modern data management systems.

We are aware that the impact assessment for the Local Government Transparency Code, referenced in this consultation, assumes that the cost of data reporting by local authorities are high and will not fall over time<sup>4</sup>. We suggest that much of this impact assessment is out-of-date - and in any case, this assessment concluded that the ability of data publication to support growth outweighed any administrative costs of publication.

The benefits gained by reporting comprehensive data far outweigh the zero or minimal cost of additional reporting for public authorities.

#### b) Why comprehensive data reporting could instead decrease admin costs

We also suggest that BEIS should lower the reporting threshold to zero in order to reduce the administrative burden to public authorities of having to report subsidies to multiple authorities.

As we understand it, public authorities may in future have to report data on their subsidies to up to three separate central government bodies:

- BEIS, to meet the transparency requirements proposed in this consultation and associated legislation
- The Department for International Trade, to supply it with data for WTO subsidy reporting requirements

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[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/326686/Local\\_Government\\_Transparency\\_code\\_2014\\_-\\_IA.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/326686/Local_Government_Transparency_code_2014_-_IA.pdf)

- Any new independent regulator, as proposed in this legislation, so that the regulator can do its job.

If BEIS simply collected comprehensive, timely data on subsidies, public authorities would only need to report subsidies to BEIS, which could then publish it for use by all other reporting authorities. There would be no need for public authorities to create and maintain three separate sets of import scripts, and run three imports each month, and DIT and the new regulator would not be duplicating BEIS's data collation work.

Again, for this reason, we encourage BEIS to reduce the reporting thresholds for subsidies to zero, to allow the collection of a single, central, comprehensive dataset.

### c) Why comprehensive data reporting supports the Government's policy goals

The Government will wish to evaluate which patterns of spending best support its priorities, such as its 'levelling up' and 'build back better' agendas.

To perform such evaluation, it will need to obtain comprehensive data on which businesses have received subsidies and compare this with performance and economic data. Hence it will need a comprehensive dataset on which entities are being awarded subsidy, for what, by whom, in which parts of the country.

This important dataset would allow the Government to:

- Analyse whether subsidy spending is supporting its policy priorities, and help it to target spending effectively. To analyse this, it will need comprehensive, geolocated data on subsidies that can be joined with data on outcomes.
- Swiftly identify harms such as rent-seeking if they appear, and analyse and address their causes. Again, it will need comprehensive data to do this effectively.

Crucially, this analysis will be best performed both inside and outside Government. Thus it is important that this data is publicly available. Without a comprehensive public dataset, this analysis will be nearly impossible to perform, as anyone seeking to perform it would have to survey each public authority separately.

As the impact assessment identifies, one benefit of better data on subsidies would be "enhanced monitoring and evaluation at the regime / national level" (paragraph 82).

We also note that the consultation's own analysis is limited by the lack of existing centralised data on previous UK subsidies, and the impact assessment appeals for external help to identify such data (paragraph 46):

*Ideally, historical data on UK subsidies could be used to provide an illustrative estimate of the total number of subsidy awards that would fall below a value threshold in a given year. However, this is made difficult by data limitations... We*

*welcome suggestions from consultation respondents on alternative data sources that could inform our analysis.*

Under the consultation's current proposals, data would remain difficult to obtain, and future analysis would remain similarly hampered.

Over the past decade, the Government has taken considerable steps towards improving the availability of other types of spending data, partly to support external analysis of the efficiency of different types of spending (see section (f) below on comparative thresholds).

#### d) Why comprehensive data reporting will benefit public authorities

Comprehensive data would also offer significant benefits for public authorities awarding subsidies.

It would reduce the costs of delivering schemes, as less marketing of schemes will be needed if companies can see their competitors are being supported, and would improve the efficiency of schemes, by allowing public comparisons between companies of e.g. cost per job created. This would encourage companies that could offer better value to come forward.

It would decrease fraud risk, as the increased transparency will help deter fraudulent applications. (We note that in the first months of the Covid-19 pandemic, the names of employers receiving support via the Coronavirus Job Retention Scheme was not published. However, following reports of significant fraud in the scheme, HMRC began publishing comprehensive data on CJRS recipients, in order to deter fraudulent applications and reduce recovery costs<sup>5</sup>.)

Comprehensive data would also reduce fraud recovery costs, by helping third parties identify fraud, rather than placing the burden of fraud detection on individual authorities. It would reduce administrative burdens when awarding grants, by reducing the need for due diligence.

We note that the impact assessment identifies that “academic opinion... suggests that transparency requirements reduce the broader burden of monitoring and managing a subsidy control regime” (paragraph 82).

Finally, it would allow public authorities to award subsidies more efficiently, by learning from the results of past subsidy schemes by other authorities, and ensuring that their subsidy schemes complement previous efforts, reducing inefficient subsidies.

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<sup>5</sup> Transparency data: Employers who have claimed through the Coronavirus Job Retention Scheme <https://www.gov.uk/government/publications/employers-who-have-claimed-through-the-coronavirus-job-retention-scheme> and <https://www.gov.uk/guidance/claim-for-wage-costs-through-the-coronavirus-job-retention-scheme#details-of-your-claim-that-will-be-publicly-available>

### e) Why comprehensive data reporting will benefit UK businesses

Publication of comprehensive data on subsidies will also offer benefits for UK businesses.

Firstly, it would reduce information asymmetries between small and large businesses about subsidy awarded, supporting new entrants to the market.

And it would increase market confidence, because it will be possible for companies to check what support their competitors are receiving.

Also, by reducing public authorities' need to do due diligence (see above), it will reduce the amount of bureaucracy needed when applying for subsidies, reducing administrative burdens on business.

And finally it would support foreign direct investment in the UK, as overseas investors can be confident that they have equal access to market information.

### f) Comparison with reporting thresholds elsewhere in the public sector

We note that the proposed thresholds for reporting (of £175k over three years, etc) are much higher than current reporting thresholds for similar types of spending and subsidy elsewhere in the UK public sector.

In recent years, and as administrative burdens to reporting have decreased, lower transparency thresholds have been introduced to improve public access to data on other types of expenditure. For example:

- **Expenditure (including grants) by central government.** Under HM Treasury guidance, all expenditure over £25,000 by central government bodies must be published<sup>6</sup>, including payments for goods and services, grants to third parties, grant in aid, expenses, rent and policy-related lending. This is published on a central register<sup>7</sup>. HM Treasury also publishes the OSCAR database of comprehensive aggregated data on central government spending, with no lower limit<sup>8</sup>.
- **Expenditure (including grants) by local government.** Under the Local Government Transparency Regulations, expenditure over £500 by local authorities is published<sup>9</sup>.

<sup>6</sup> Guidance for publishing spend over £25,000

<https://www.gov.uk/government/publications/guidance-for-publishing-spend-over-25000>

<sup>7</sup> Government grants data and statistics

<https://www.gov.uk/government/collections/government-grants-data-and-statistics>

<sup>8</sup> HMT OSCAR: publishing from the database

<https://www.gov.uk/government/collections/hmt-oscar-publishing-from-the-database>

<sup>9</sup> Paragraphs 28 and 29 of the Local Government Transparency Code

<https://www.gov.uk/government/publications/local-government-transparency-code-2015>, enforced by the Local Government (Transparency Requirements) (England) Regulations 2015.



- **Contracts.** Under the Public Contracts Regulations 2015, central government bodies must publish all procurement opportunities and contract awards over £10,000 and wider public sector bodies must publish all over £25,000<sup>10</sup>.
- **Research funding.** By agreement, all UK research funders have published comprehensive data on the grants they have awarded since 2006<sup>11</sup>.

These thresholds have already all been carefully evaluated to trade off the cost of implementation and reporting, versus the public benefit of comprehensive or near-comprehensive data.

### 34: Should there be a minimum threshold of £50,000 below which no subsidies have to be reported?

No, this would harm the Government's ability to deliver its policy goals, while not significantly changing the administrative costs for public bodies. Please see the answers to question 33 above.

### 35: Do you agree that the obligation should be to upload information within six months of the commitment to award a subsidy?

No. The obligation should be to upload information within 30 days of the commitment to award a subsidy.

This would support the Government's goals for its subsidy policy, as it would make the data more useful for a variety of end users, and improve general access to information. As the impact assessment identifies, it would provide a means to challenge inefficient subsidies and reduce the risk of harmful subsidies.

It would also be consistent with the timescales used for transparency reporting on spending elsewhere in the UK public sector, for example:

- **One month for central government expenditure.** Under HM Treasury guidance, central government expenditure is published one month in arrears, i.e. by the last working day of the month following the month to which the data relates<sup>12</sup>.
- **Twenty days for contracts.** Under current guidance, public bodies are advised to publish a contract award notice within 20 days of a contract being awarded<sup>13</sup>.

<sup>10</sup> Publication of Central Government Tenders and Contracts

<https://www.gov.uk/government/publications/procurement-and-contracting-transparency-requirements-guidance>

<sup>11</sup> UKRI Gateway to Research Data <https://gtr.ukri.org/resources/data.html>

<sup>12</sup> Section 2.10, Guidance for publishing spend over £25,000, HM Treasury.

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/662332/guidance\\_for\\_publishing\\_spend.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/662332/guidance_for_publishing_spend.pdf)

<sup>13</sup> Publication of Central Government Tenders and Contracts

<https://www.gov.uk/government/publications/procurement-and-contracting-transparency-requirements-guidance>

- **In real time, or a maximum of one to four months for local government expenditure.** Under the Local Government Transparency Regulations, local authority expenditure over £500 must be published quarterly, and not later than one month after the quarter in which the spending occurred. Local authorities are encouraged to publish data in real time if possible<sup>14</sup>.

The comparable timescales listed above have already been evaluated to trade off the cost of implementing data reporting processes, versus the benefit of data reporting.

As covered in our answer to question 33 above, the administrative burdens of reporting data should be minimal, so having to report data more frequently would not add significant cost for public authorities.

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<sup>14</sup> Paragraphs 27 and 58 of the Local Government Transparency Code <https://www.gov.uk/government/publications/local-government-transparency-code-2015>, enforced by the Local Government (Transparency Requirements) (England) Regulations 2015.