Briefing: The case for comprehensive government subsidy data after Brexit

Centre for Public Data, March 2021

Summary

The Government is currently developing a new subsidy regime for the UK, a flagship part of its new policy agenda, including proposals on what data should be published on subsidies:

- The new regime covers how public authorities give money to companies to support e.g. R&D or ‘levelling up’. Until last year, subsidies were covered by EC law.
- Our interest is in the transparency aspects, covering what data will be published about which companies are awarded money, how much and for what.
- BEIS proposes that public authorities will have only to report subsidies worth over £175k to its central public database of subsidies. The reason given for not requiring the reporting of smaller subsidies is the desire to avoid admin burden on authorities.

But its data-related proposals are based on out-of-date assumptions:

- The Government wrongly assumes that the cost of public authorities reporting data is significant, which is no longer true in the modern digital era.
- Thus the proposed £175k reporting threshold is too high. Instead, we propose that all subsidies should be required to be reported to BEIS and published.
- This would create a single, central, comprehensive, public dataset of all UK subsidies, managed by BEIS and available to all market participants.

Creating a comprehensive public data on subsidies would have many benefits:

- It would encourage evidence-driven policy development - to know which subsidies work we will need good data on subsidies, joined with data on outcomes.
- It would minimise the harmful side-effects of subsidy, since better transparency will help challenge inefficient subsidies, rent-seeking and fraud.
- It would give all market participants equal access to information, enabling efficient markets, supporting new entrants, encouraging overseas investment, and increasing public confidence in the transparency of the UK market.

And it would have no harmful side-effects:

- It would not increase administrative costs - the marginal cost of reporting is zero.
- It would decrease admin burden for public bodies, as if they report all data to BEIS, they will not need to report it separately to a new regulator.
- There are no privacy concerns, since subsidies are by definition public funding.

We think this is a clear opportunity for the Government to modernise its data processes, with no downsides, and major potential upsides for supporting its own policy goals.
Background

Subsidies, aka state aid, are awarded by public bodies to companies to support R&D and strategic priorities\(^1\). They can be grants, loans or tax waivers - contracts are regulated separately. In recent years the UK has spent around £1 billion annually on such subsidies.

Previously, the UK’s subsidy regime was governed by EC regulations. Now, BEIS is developing a new UK regime, supported by a public consultation. The Government’s stated goals for the new regime are to balance the benefits of subsidies such as supporting innovation, with potential harmful impacts such as market distortion, while avoiding administrative burden on public authorities.

Proposals on data publication

The consultation proposes (in essence) that public authorities must report subsidies worth over £175,000 over three years centrally to BEIS within six months of award, and BEIS will publish these subsidies on a public transparency database.

The proposed reporting threshold is set at £175,000 because this is the lowest transparency threshold in the UK’s various free trade agreements. The consultation acknowledges that transparency reduces many of the harmful side-effects of subsidies. However, it is concerned that lower thresholds increase administrative burden on public bodies. The consultation estimates it will cost public authorities one hour of administrative time to report each subsidy. This is based on assumptions that predate the digital era.

Instead, the publication threshold should be zero, which would create a near-comprehensive public dataset of subsidies. As detailed in our full consultation submission, this would have substantial benefits for transparency and efficient markets:

- It would encourage evidence-driven policy development.
- It would minimise the harmful side-effects of subsidy, such as rent-seeking.
- It would give all market participants equal access to information.

About us

The Centre for Public Data is a new, non-partisan organisation founded in July 2020 to improve the quality of data collected and published by the UK Government. We work with civil society partners to ensure the UK’s public data works for everyone. We would be happy to discuss any of these issues further: contact@centreforpublicdata.org.

\(^1\) Subsidies covered by the proposals include grants, loans and tax waivers awarded by public bodies to companies, local authorities, and charities engaged in commercial activities.