



Department for  
Business & Trade

# Establishing baseline for monitoring and evaluation of the subsidy control regime

December 2023

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# Executive Summary

## Introduction

The Subsidy Control Act came into force in January 2023. The Act has been introduced by the Department for Business and Trade (DBT), formerly the Department for Business, Energy and Industrial Strategy (BEIS), to provide a framework for a new subsidy control regime for the United Kingdom.<sup>1</sup> The regime is intended to allow public authorities (PAs), including devolved administrations and local authorities, to provide subsidies tailored to their local needs, and that drive economic growth while minimising distortion to UK competition, ensuring compliance with the UK's international obligations and contributing to UK strategic objectives.

As part of the new regime, the Act introduces three Streamlined Subsidy Schemes, or Streamlined Routes, that allow PAs to award certain types of subsidies more quickly and easily, without the need to conduct an assessment against the subsidy control regime's principles<sup>2</sup>. The intention of the Streamlined Routes is to promote confidence and provide greater legal certainty for subsidy awarding public authorities and for businesses that are working on projects which are identified as routine, low risk or aligned to UK priorities<sup>3</sup>.

The three Streamlined routes are:

- Research, Development and Innovation (RDI), which includes subsidies awarded in the Research and Development area,
- Energy Usage, which includes subsidies awarded in the Energy Efficiency area, and
- Local Growth, which includes subsidies awarded in the Employment and SME Support areas.

To understand the impact of the new regime, including that of Streamlined Routes, we need to start by understanding the experiences of PAs during the interim period between 1<sup>st</sup> January 2021 and 4<sup>th</sup> January 2023 before the new regime was introduced. During this period the UK had left EU and was no longer operating under State Aid laws; the UK's international obligations on awarding subsidies were principally, although not exclusively (in the instances of Trade and Co-operation Agreement (TCA) grants), in effect; and the UK's Subsidy Control Act had not yet commenced.

The aim of this research therefore is to establish a baseline against which PAs' experience of the new subsidy control regime can be compared in the future. The following key research questions form the basis of the research:

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<sup>1</sup> Department for Business, Energy & Industrial Strategy (BEIS) existed until 2023, when it was split into 3 government departments – Department for Energy Security and Net Zero, Department for Science, Innovation and Technology and Department for Business and Trade (DBT). For matters of consistency in this report, BEIS will be referred to as DBT throughout as this is the department that took over oversight of Streamlined Subsidies.

<sup>2</sup> Department for Business, Energy & Industrial Strategy. Subsidy control: Designing a new approach for the UK. Available at: <https://www.gov.uk/government/consultations/subsidy-control-designing-a-new-approach-for-the-uk>

<sup>3</sup> UK Government. Subsidy Control Bill Policy Statement: Streamlined Routes, Objectives & Operation. Available at:

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1049849/subsidy-control-bill-policy-statement-streamlined-routes-objectives-operation.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1049849/subsidy-control-bill-policy-statement-streamlined-routes-objectives-operation.pdf)

- What were the frequencies with which PAs were awarding subsidies in various areas during the interim regime? The defined award purposes on the subsidy awards database, set up in compliance with the obligations under the TCA, are:
  - Culture or Heritage; Employment; Energy Efficiency; Environmental Protection; Infrastructure; Regional Development; Rescue Aid; Research and Development; Services of Public Economic Interest; SME Support; and Training.
- What was the value of the subsidies awarded in these areas, and who were the beneficiaries (beneficiary size, sector, purpose of the subsidy)?
- How easy did PAs find awarding subsidies in these areas and what admin burdens, if any, did they face? How long did it take them to develop schemes, which employees were involved, and what methods did they use to develop these schemes?
- Did PAs use the subsidy control guidance in place during the interim period between 1<sup>st</sup> January 2021 and 4<sup>th</sup> January 2023<sup>4</sup> and, if so, how well did they feel they understood the guidance, and how effectively did they feel they could follow the guidance?

## Methodology

The research involved:

- Attempting to identify the population of PAs that awarded subsidies during the interim period;
- An online quantitative survey of 57 PAs;
- Mapping PAs process of awarding subsidies during the interim period through 4 in-depth interviews;
- Qualitative research with 17 PAs; and
- An analysis of the UK subsidy awards database during the interim period.

Fieldwork took place between 27<sup>th</sup> February and 6<sup>th</sup> April 2023 for the quantitative survey and between 17<sup>th</sup> April and 24<sup>th</sup> May for the qualitative research. For the quantitative survey, IFF Research contacted 660 individuals, from 259 different PAs, including Government departments, local authorities and combined authorities, and local enterprise partnerships (LEPs), as well as devolved administrations, and received 57 completed quantitative survey responses.

The benefits of using an online survey are to enable quantitative analysis of sub-groups, and to draw comparisons with the findings of a planned post-Subsidy Control Act commencement survey. In delivering this survey online rather than via telephone, it was hoped that busy PA members of staff would have the convenience of completing the survey at a time that suited them.

For the qualitative research, IFF Research contacted 35 PAs who took part in the quantitative survey and agreed to take part in further qualitative research. From this, 17 qualitative interviews were completed via telephone, Microsoft Teams or Zoom, as well as 4 initial process mapping discussions. During these initial discussions, we spoke with PAs who had been involved with the

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<sup>4</sup> Department for Business, Energy & Industrial Strategy. Technical guidance on the UK's international subsidy control commitments. Available at: <https://web.archive.org/web/20230327190027/https://www.gov.uk/government/publications/complying-with-the-uks-international-obligations-on-subsidy-control-guidance-for-public-authorities/technical-guidance-on-the-uks-international-subsidy-control-commitments>

subsidy award process in some form – either with the design process and/or awarding subsidies – to gather their views on how accurately the process map reflected their experiences and the experiences of other PAs. The findings from these initial mapping discussions informed the development of the topic guide for the qualitative interviews.

The qualitative stage was added to provide a richer and more nuanced understanding of PAs' experiences of awarding subsidies prior to the regime's commencement than the quantitative online survey would allow.

## **Subsidies awarded by public authorities during the interim period between January 2021 and January 2023**

Analysis of the Subsidy Award Database<sup>5</sup> showed that during the interim period between 1<sup>st</sup> January 2021 and 4<sup>th</sup> January 2023, a total of 9,181 subsidies were awarded. The total value of subsidies awarded in this time was £58 billion.

During the interim period between January 2021 and January 2023, there was no requirement to upload in-scheme awards below £500,000, which leads to many smaller subsidies missing from the available data and therefore the results could be skewed towards those larger awards because of the value thresholds.

The average value of all subsidies awarded in this period was £2.7 million<sup>6</sup>, with a median value of £292,365. The minimum value of subsidies awarded in this period was £1,376, while the maximum value was £22 billion.

**Table 1: Subsidy values by grouping**

<b>Subsidy group</b>	<b>Frequency</b>	<b>Sum</b>	<b>Mean</b>	<b>Median</b>	<b>Minimum</b>	<b>Maximum</b>
<b>All subsidies</b>	9,181	£58,215 million	£2.7 million	£0.3 million	£1,376	£22 billion
<b>All Streamlined Routes relevant subsidies</b>	4,744	£1,612 million	£0.4 million	£0.2 million	£1,376	£14 million
<b>All routine and low risk subsidies (excl. Streamlined Routes)</b>	3,969	£5,280 million	£1.3 million	£0.4 million	£2,667	£15 million

<sup>5</sup> Department for Business and Trade. Search for UK subsidies. Available at <https://searchforuksubsidies.beis.gov.uk/>

<sup>6</sup> In calculating the mean value of all subsidies during the interim period, subsidies with a value of less than £1,000 and greater than £1 billion were removed in order to ensure the mean was not heavily skewed by a small group of outliers. However, they are included in the frequency, total value, median, minimum, and maximum values.

A total of 4,744 subsidies were awarded in the interim period with the same broad purpose (in area of Research and Development for RDI Streamlined Route, area of Energy Efficiency for Energy Usage, and areas of Employment and SME Support for Local Growth), and within the same maximum award value thresholds, as the newly introduced Streamlined Routes.

These Streamlined Routes relevant subsidies made up 52% of all awards during the interim period. The majority of these awards were for research and development projects (n=4,009, 85%), followed by SME support (n=513, 10%), energy efficiency (n=196, 4%), and employment (n=26, 1%). The total value of all Streamlined Routes relevant subsidy awards was £1.6 billion, making up 3% of the value of all subsidies awarded.

The average value of a subsidy awarded under these areas during the interim period between 1<sup>st</sup> January 2021 and 4<sup>th</sup> January 2023 was £350,000, with a median value of £209,000. The minimum value of subsidy award was £1,376, while the maximum value was £14.4 million.

During the same period, a total of 3,969 awards were made during the interim period with alternative purposes, and/or outside of the value thresholds, relevant to the newly introduced Streamlined Routes but were deemed to be routine and low risk subsidies. These were subsidies with value awards of less than £15 million and excluded those awarded for Rescue Aid and Services of Public Economic Interest, as they were deemed by DBT not to be routine. These subsidies made up 40% of all subsidies awarded during the interim period.

The majority of these were under environmental protection (n=3,166, 80%), with less than one in twenty under housing (n=163, 4%), infrastructure (n=124, 3%), and culture or heritage (n=134, 3%). The total value of all subsidy awards in areas deemed routine and low risk, excluding Streamlined Routes areas was £5.3 billion, making up 9% of all subsidies awarded.

The average value of these subsidies was £1.3 million (49% of the average value of all subsidies awarded during the interim period), and the median value was £431,000, (147% of the median value of all subsidies awarded during the interim period). The lowest subsidy value was £2,667, while the highest subsidy value was £15 million.

## **Public authorities' experiences of awarding subsidies in the interim period between January 2021 and January 2023**

The majority (61%) of PAs operated legacy schemes between January 2021 and January 2023, which involved them making awards under schemes that were launched prior to January 2021 under EU State Rules.

More than half of PAs (54%) agreed that they defaulted to the old EU State Aid General Block Exemption Regulation parameters when awarding subsidies during this period. Linked to this, many PAs in the qualitative interviews reported making no significant overall changes from the state aid framework during the interim period, with several claiming they followed essentially the same processes as under the previous system.

Roughly equal proportions of PAs found the process for awarding subsidies during this interim period easy as found it difficult (39% compared with 37%). However, a minority of PAs (11%) did find the process very difficult. PAs were split evenly as to whether the process of awarding subsidies during the interim period was straightforward and those who did not (37% vs 39%) and whether the overall administrative burden of going through the subsidy award process was reasonable and those that thought it was not (35% vs 35%).

PAs largely either disagreed or neither agreed nor disagreed (37%) that the interim rules in place during this period gave them more freedom in designing their own subsidies.

Whilst PAs largely felt (51%) that the subsidy award process allowed them to provide subsidies in a timely manner, just over a fifth (23%) did not find that the subsidy award process in place allowed them to provide subsidies in a timely manner.

PAs were asked how often they used the subsidy control guidance in place during the interim period<sup>7</sup> and more than half (58%) said they had used the guidance often during the interim period, with only a small minority (9%) never having used the guidance. Whilst PAs largely agreed (63%) that the subsidy control guidance was easy to find, almost half did not think the guidance was easy to use (47%), easy to understand (45%), or gave them all the information that they needed (53%).

The vast majority of PAs believed that the subsidy control guidance had no impact on the quantity (76%), the average value (88%) or the effectiveness (78%) of subsidies they awarded during the interim period.

Just over half of PAs (51%) said they had a good understanding of the subsidy control principles in place during this period, against almost 1 in 5 (19%) who said they had a poor understanding. Similarly to the guidance, the majority of PAs said that the subsidy control principles had no impact on the quantity (68%), average value (75%), or effectiveness (68%) of subsidies awarded during the interim period.

When seeking external guidance to advise on the process for awarding subsidies and the legality of the subsidies PAs were trying to award, PAs most commonly sought the support of external lawyers (58%) and consultants (9%) or engaged with DBT (23%), formerly BEIS, during the interim period. Almost a third (30%) did not seek any external support. During the qualitative interviews, larger authorities, or those which awarded more subsidies, were more likely to mention that they sought external support. PAs were able to select more than one form of external support they had used.

Overall, more than a third of PAs rated their overall experience of awarding these types of subsidies in the interim period as good, while just over a fifth said they had a poor overall experience.

PAs who had a good experience of awarding subsidies during the interim period said that this was predominately because:

- they received helpful guidance from other departments/external sources (43%);
- the process was similar to previous schemes (24%);
- the value of grants was low (14%);
- of the expertise / existing experience of staff / organisation (10%); and
- their internal processes were well designed (10%).

Those PAs who had a poor experience of awarding subsidies during the interim period said that this was predominately because:

- there was limited / unclear guidance provided by BEIS (now DBT) (58%);

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<sup>7</sup> Department for Business & Trade. Technical guidance on the UK's international subsidy control commitments. Available at: <https://www.gov.uk/government/publications/complying-with-the-uks-international-obligations-on-subsidy-control-guidance-for-public-authorities/technical-guidance-on-the-uks-international-subsidy-control-commitments>

- there was a lack of legal certainty (58%);
- there was a lack of practical guidance provided by BEIS (now DBT) (33%);
- of the increased administrative burden of subsidy assessments (33%);
- there was limited / poor support provided by BEIS (now DBT) (25%); and
- they experienced difficulty uploading information to the awards database (25%).

## **Recommendations**

In order to improve the experience of PAs awarding subsidies in the future, DBT could work to:

- Support those smaller and less experienced PAs with making their assessments against subsidy principles if they lack the legal support or internal expertise in their organisations. DBT could provide more ad-hoc support and training to help those PAs to develop greater internal expertise and lessen their reliance on potentially expensive external support; and
- Provide greater clarity to PAs on whether their subsidy award schemes need reassessment or require changes when carrying them over from the interim regime.

In order to better monitor and evaluate the subsidy award process in the future, DBT could work to:

- Better identify the total population of PAs awarding subsidies. Once identified, this list should be regularly updated, and further developed to build a sample database to be used in future research;
- Engage with those identified PAs throughout the next monitoring and evaluation period to keep them aware of opportunities for those PAs to feedback and engage with DBT over the new subsidy control regime, Streamlined Routes in particular, or any future monitoring and evaluation research;
- Better utilise the Streamlined Routes working groups of PAs awarding subsidies, in order to create a core group of PAs that will periodically feed in monitoring data and support DBT through the promotion of monitoring and evaluation research.



## Introduction

This section provides an overview of the study, its research objectives, the methodology used, and covers the reporting conventions.

### Background to the study and research objectives

The Subsidy Control Act came into force in January 2023. The Act has been introduced by Department for Business and Trade (DBT), formerly the Department for Business, Energy and Industrial Strategy (BEIS), to provide a framework for a new subsidy control regime for the United Kingdom. The regime will allow public authorities (PAs), including devolved administrations and local authorities to provide subsidies which are tailored to their local needs, and that drive economic growth while minimising distortion to UK competition and protecting our international obligations.<sup>8</sup>

The new regime is structured around a set of principles, and accompanying regulations, which PAs use to assess the legality of proposed subsidies. The aim of these principles is to ensure that subsidies offered by PAs do not lead to negative effects on domestic competition and investment in the UK or on international trade and investment, whilst enabling proportionate and effective subsidy awards.

While the Act aims to ensure that subsidies do not lead to negative outcomes for the UK, it also aims to provide freedom for PAs to grant subsidies that will be useful socially or economically. As part of the new regime, the Act includes three Streamlined Subsidy Schemes, or Routes, that will enable PAs to give certain types of subsidies more quickly and easily, without the need to conduct an assessment against the new control regime's principles.<sup>9</sup>

The intention of the Streamlined Routes is to promote confidence and provide some legal certainty for PAs and for businesses that are working on projects which are identified as routine, low risk or aligned to UK priorities.<sup>10</sup>

In order to better understand the Subsidy Control Act, it is important to understand the previous regime in place between January 2021 and January 2023, learning from the difficulties faced by subsidy-awarding PAs, as well as the positives from the principles-led awarding process that was in place at the time.

This research involved speaking with PAs that awarded subsidies during the interim period between January 2021 and January 2023 to learn about the subsidies they had awarded, and their views on the processes.

Understanding the extent to which the Subsidy Control Act is improving upon its predecessor will require ongoing monitoring and evaluation. The findings provided by this monitoring and evaluation could lead to:

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<sup>8</sup> Department for Business, Energy & Industrial Strategy, Subsidy Control Regime statement made on 20 October 2022. Available at: <https://questions-statements.parliament.uk/written-statements/detail/2022-10-20/hcws333>

<sup>9</sup> Department for Business, Energy & Industrial Strategy. Subsidy control: designing a new approach for the UK. Available at: <https://www.gov.uk/government/consultations/subsidy-control-designing-a-new-approach-for-the-uk>

<sup>10</sup> UK Government. Subsidy Control Bill Policy Statement: Streamlined Routes, Objectives & Operation. Available at:

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1049849/subsidy-control-bill-policy-statement-streamlined-routes-objectives-operation.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1049849/subsidy-control-bill-policy-statement-streamlined-routes-objectives-operation.pdf)

1. Improvements and changes to how the Subsidy Control Act, including Streamlined Routes, work. This could include changes to the guidance, targeted outreach for specific PAs, and the Government's strategic priority areas.
2. The possible development of further Streamlined Routes if the initial three are found to have led to positive outcomes for PAs and for the Government's strategic priority areas.
3. The realisation that the initial Streamlined Routes have not led to positive outcomes and do not warrant further development. This could include finding that PAs are able to develop their own schemes and subsidies successfully without the need for the Streamlined Routes.

The aim of this research is therefore to establish a baseline against which PAs' experience of the Subsidy Control Act and its Streamlined Routes will be compared once the new regime commences.

The following key research questions formed the objectives of the research:

- The frequency with which PAs were awarding subsidies in various areas during the interim regime. These areas were:
  - Culture or Heritage; Employment; Energy Efficiency; Environmental Protection; Infrastructure; Regional Development; Rescue Aid; Research and Development; Services of Public Economic Interest; SME Support; and Training;
- The value of the subsidies awarded in these areas, and who the beneficiaries were (beneficiary size, sector, purpose of the subsidy);
- How easy did PAs find awarding subsidies in these areas, and what admin burdens, if any, did they face? How long did it take them to develop schemes, which employees were involved, and the methods they used to develop these schemes; and
- Whether PAs used the subsidy control guidance in place during the interim period between 1<sup>st</sup> January 2021 and 4<sup>th</sup> January 2023<sup>11</sup>, and if so, how well they felt they understood the guidance.

## Methodology

The research involved:

- Attempting to identify the population of PAs that awarded subsidies during the interim period;
- An online quantitative survey of those PAs;
- Mapping PAs' process of awarding subsidies during the interim period;
- Qualitative research with those PAs; and
- An analysis of the UK subsidy awards database during the interim period.

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<sup>11</sup> Department for Business, Energy & Industrial Strategy. Technical guidance on the UK's international subsidy control commitments. Available at: <https://web.archive.org/web/20230327190027/https://www.gov.uk/government/publications/complying-with-the-uks-international-obligations-on-subsidy-control-guidance-for-public-authorities/technical-guidance-on-the-uks-international-subsidy-control-commitments>

The approach to each element is set out in further detail below.

### **Identifying the population**

Due to a lack of available population sample held by DBT of PAs that had awarded subsidies, the first stage of the process involved IFF Research working with DBT to identify these PAs that might be eligible to take part in the research and then to build a sample containing contact information of the individuals involved in the subsidy process so that we could invite them to participate in subsequent stages of the project. DBT provided an initial sample of PAs that had awarded subsidies, including PAs from a working group, which was further developed through conducting online desk research (for example, searching on PA websites, Google searches).

### **Survey of public authorities**

PAs identified during the previous stage of the research were invited to complete an online survey that lasted approximately 10 minutes. The questions included in the survey were largely closed and on an ordinal scale to allow for comparisons with results from any post regime commencement research conducted.

At the start of the survey period, there was a pilot period where the results of the survey were tested, as well as response levels. After a few minor tweaks the mainstage fieldwork was launched and continued until the end.

The benefits of using an online survey are that it enables quantitative analysis of sub-groups, and to draw comparisons with a planned post-Subsidy Control Act survey and its findings. In delivering this survey online rather than via telephone, it was hoped that busy PA members of staff would be able to complete the survey at a time that suits them.

### **Process mapping**

As part of the research, IFF Research undertook four qualitative discussions with DBT, UKRI, and both the Scottish and Welsh Governments to visually map each stage of the interim period subsidy-awarding process. The process map was developed to enable IFF Research to understand what stages are involved in PAs awarding subsidies, in order to tailor survey and interview questions to each stage. After these initial mapping discussions, the process map was further refined through the qualitative interview programme with PAs.

The draft process map developed at this stage was tested with DBT (formerly BEIS) and other working group members through in-depth interviews in the early stages of the project and with all the qualitative research participants later in the project.

### **Qualitative research**

The project included qualitative interviews with PAs to give us a richer and more nuanced understanding of PAs' experiences of awarding subsidies under the pre regime commencement than the online survey would allow.

The research included a post-survey qualitative stage of 17 in-depth interviews with PAs who took part in the online survey and agreed to participate in a follow-up qualitative interview. Each interview lasted up to 60 minutes and asked questions from a topic guide jointly developed by DBT and IFF Research.

The qualitative interviews incorporated responses from the online survey to enable us to closely tailor the interviews to the respondent's circumstances and ensure that only relevant questions were asked at this stage, which maximised respondent engagement levels.

## Analysis of awards database

In the final stage of the project, we conducted an analysis of awards on the UK subsidy award database<sup>12</sup> to allow a statistical baseline to be set against which comparisons can be made with subsidy awards in the new regime. The analysis of awards on the public database included:

- The frequency and value of awards, both in total and averages of all subsidies awarded during the interim period;
- This included the frequency and value of awards, both average and total, in the Streamlined Routes relevant subsidy areas:
  - Energy Usage, which was covered by subsidies awarded in the Energy efficiency area during the interim period;
  - RDI, which was covered by Research and development; and
  - Local Growth, which was covered by employment and SME support.
- The sectors of the award beneficiaries in the Energy Usage, RDI, and Local Growth areas, as well as the overall 'all subsidies' analysis;
- The types of awards (e.g., direct grant, equity, loan) in the Energy Usage, RDI, and Local Growth areas, as well as the overall 'all subsidies' analysis; and
- The value, frequency, sectors, and types of awards that are deemed to be routine and low risk, excluding those awarded in areas included in the current Streamlined Routes, with the same value thresholds (below £15 million).

Similar analysis was undertaken with the EU database of subsidies awarded<sup>13</sup> between 1<sup>st</sup> January 2019 and 1<sup>st</sup> January 2021 in order to provide a comparison with subsidy award frequencies and values under the final two years of EU State Aid rules.

Due to differing variables and levels of granularity between the two datasets, it was not possible to perform a like-for-like comparison, and the analysis of the EU database only allowed for all sector analysis.

## Recruitment

For both the quantitative and qualitative research, the aim was to achieve a mix in terms of the areas and values of subsidies that PAs awarded.

Given the potentially limited ability to identify the total population size of PAs awarding subsidies during the interim period, the inclusion of hard quotas for both the quantitative and qualitative research was not possible. However, we sought to recruit PAs that awarded subsidies with a mix of subsidy award areas and values.

Table 2 below provides an overview of the participants recruited for both the qualitative and quantitative stages of the research. For multi-response questions, the sum of the total responses may exceed 100%.

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<sup>12</sup> Department for Business and Trade. Search for UK subsidies. Available at <https://searchforuksubsidies.beis.gov.uk/>

<sup>13</sup> European Commission. State Aid Transparency public search. Available at: <https://webgate.ec.europa.eu/competition/transparency/public?lang=en>

**Table 2: Overview of participants at quantitative and qualitative stages by purpose of subsidy awards**

Purpose	Number of PAs in quantitative stage	Percentage of PAs in quantitative	Number of PAs in qualitative stage	Percentage of PAs in qualitative
Culture or heritage	15	26%	3	18%
Employment	9	16%	2	12%
Energy Efficiency	11	19%	2	12%
Environmental Protection	4	7%	2	12%
Infrastructure	12	21%	4	24%
Regional Development	16	28%	5	30%
Rescue Aid	2	4%	1	6%
Research and Development	13	23%	2	12%
Services of Public Economic Interest	8	14%	3	18%
SME (Small/Medium-sized enterprise) Support	25	44%	7	42%
Training	7	12%	2	12%
Other	2	4%	5	30%
Did not award any subsidies in any of the above areas	7	12%	0	0%

**Table 3: Overview of participants at quantitative and qualitative stages by value of subsidies awarded**

Value	Number of PAs in quantitative stage	Percentage of PAs in quantitative	Number of PAs in qualitative stage	Percentage of PAs in qualitative
£1k- £315k	38	70%	11	47%
£315k - £500k	22	41%	8	30%
£500k -£1m	20	37%	5	24%
£1m - £3m	17	31%	6	30%
3m - £5m	13	24%	3	18%
£5m - £10m	11	20%	2	12%
£10m - £20m	12	22%	2	12%

£20m - £50m	7	13%	1	6%
£50m - £100m	5	9%	1	6%
£100m - £500m	1	2%	0	0%
£500m+	5	2%	1	6%
Don't know	5	9%	0	0%
<b>Total</b>	<b>57</b>		<b>17</b>	

## Fieldwork

Fieldwork was carried out between 27<sup>th</sup> February and 6<sup>th</sup> April for the quantitative survey and between 17<sup>th</sup> April and 24<sup>th</sup> May for the qualitative research. IFF Research contacted 36 PAs and in total, received 57 completed quantitative survey responses, and undertook 17 qualitative interviews via telephone, Microsoft Teams or Zoom as well as 4 initial process mapping discussions.

The interviews were written up into an analysis framework which was used for the analysis used in this report. After the first interviews had been completed and the team had reviewed the transcripts we developed a thematic framework, using both the emerging themes and key areas of interest from the topic guide. The framework was based in Microsoft Excel, with each column representing an emerging theme or key area of insight required from the guide (for example overall experience awarding subsidies during the interim period). Notes from the original interview and the recording were used to identify the key themes coming out of discussions. All pre-determined headings that were included in the final framework related to the initial research objectives and allowed comparisons to be made across different PAs.

## Uncertainty and assumptions

The purpose of the qualitative research is to provide an in-depth understanding and reflect the variety of experiences of all PAs awarding subsidies during the interim period. It is not intended to be statistically representative, and therefore findings should not be generalised to the population of PAs awarding subsidies.

As part of the thematic analysis of the qualitative research findings, IFF chose to summarise the experiences of PAs through common and more prevalent themes and insights when reporting the findings. In doing so, some of the nuance observed between participants may be lost. This should be considered when interpreting the findings

Additionally, due to the value thresholds for reporting into the subsidy control database, there is no definitive picture of the total awards made during the interim period nor a clear picture of whether those subsidies would meet the criteria for Streamlined Routes should they be awarded under the new regime. We have used the available data in the database on the award purpose as well as the value of awards, matched to those used in each of the Streamlined Routes, as proxies for these criteria.

## Reporting conventions

Due to the small base size of the survey of PAs (n=57), any differences in the findings from those who had awarded Streamlined Routes relevant subsidy awards and those who had awarded

subsidies in other areas, as well as any other subgroup differences from the survey will be reported qualitatively.

## Subsidies awarded by public authorities between January 2021 and January 2023

This section provides an overview of the areas and values of subsidies awarded by PAs during the interim period, using data from the quantitative survey of PAs and analysis of the subsidies awards database.

### Analysis of the awards database

During the interim period between 1<sup>st</sup> January 2021 and 4<sup>th</sup> January 2023, a total of 9,181 subsidies were awarded. The total value of subsidies awarded in this time was £58.2 billion.

During the interim period between January 2021 and January 2023, there was no requirement to upload in-scheme awards below £500,000, which will lead to many smaller subsidies missing from the data available and therefore the results could be skewed towards those larger awards because of the value thresholds.

The average value of all subsidies awarded in this period was £2.7 million<sup>14</sup> with a median value of £292,365. The minimum value of subsidies awarded in this period was £1,376, while the maximum value was £22 billion.

**Table 4: All subsidy values by purpose**

Purpose	Frequency	Sum	Mean <sup>15</sup>	Median <sup>16</sup>	Minimum	Maximum
<b>COVID-19 support</b>	38	£10.9 million	£0.3 million	£8,000	£2,700	£2.9 million
<b>Culture or Heritage</b>	136	£273 million	£2.2 million	£0.8 million	£19,000	£78 million
<b>Employment</b>	28	£307 million	£11 million	£0.9 million	£50,000	£233 million
<b>Energy efficiency</b>	196	£226 million	£2.1 million	£0.2 million	£6,000	£14 million
<b>Environmental protection</b>	3,330	£10,288 million	£3.1 million	£0.4 million	£8,000	£734 million
<b>Housing</b>	175	£747 million	£4.3 million	£1 million	£16,000	£91 million
<b>Infrastructure</b>	197	£15,655 million	£79 million	£10 million	£50,000	£4,185 million
<b>Regional Development</b>	66	£200 million	£3.2 million	£1 million	£50,000	£50 million
<b>Rescue Aid</b>	11	£828 million	£75 million	£0.7 million	£500,000	£685 million

<sup>14</sup> In calculating the mean value of all subsidies during the interim period, subsidies with a value of less than £1,000 and greater than £1 billion were removed in order to ensure the mean was not heavily skewed by a small group of outliers. However, they are included in the frequency, total value, median, minimum, and maximum values.

<sup>15</sup> The mean is defined as the sum of all the numbers divided by the total number of values.

<sup>16</sup> The median of a finite list of numbers is the "middle" number, when those numbers are listed in order from smallest to greatest.



Most commonly, subsidy awards took the form of direct grants (n=6,670, 73%) although there were also support payments (n=1,736, 19%) guarantees (n=305, 3%), tax measures (n=168, 2%), loans (n=57, 1%), equity (n=3, 0%) and other forms (n=242, 3%).

SMEs made up the bulk of the beneficiaries of subsidy awards, with 7,417 subsidies (81%) awarded to firms of less than 250 employees. Large organisations, those with more than 250 employees, were awarded 1,716 subsidies (19%).

The majority (n=4,850, 53%) of subsidies were awarded to firms that sold services rather than goods (n=4,280, 47%) or goods and services (n=51, 0%) and were overwhelmingly granted to projects in England (n=7,469, 81%), compared with projects in Scotland (n=1,229, 13%), Wales (n=483, 5%), or Northern Ireland (n=96, 1%) businesses.

**Table 5: All subsidies by country/region of beneficiaries**

UK Country/region	Frequency of total subsidy awards	Percentage of total subsidy awards
England	7,469	81%
Scotland	1,229	13%
Wales	483	5%
Northern Ireland	96	1%
East Midlands	509	6%
East of England	733	8%
London	1,723	19%
North East	323	4%
North West	834	9%
South East	1,156	13%
South West	643	7%
West Midlands	719	8%
Yorkshire and Humber	729	8%

Whilst subsidies were awarded in sectors including electricity, gas, steam, and air conditioning supply (n=1,718, 19%), agriculture, forestry and fishing (n=1,073, 12%) and manufacturing (n=438, 5%), almost half (n=4,153, 45%) of all subsidies awarded during the interim period fell under the 'Other' sector categorisation. 'Other' categories included Housing, Residential, Public Health and Large Business Support.

**Table 6: All subsidies by beneficiary sector**

Beneficiary sector	Frequency of total subsidy awards	Percentage of total subsidy awards
Electricity, gas, steam and air conditioning supply	1,718	19%
Agriculture, forestry and fishing	1,073	12%
Manufacturing	438	5%
Professional, scientific and technical activities	244	3%
Real estate activities	240	3%

<b>Construction</b>	239	3%
<b>Accommodation and food service activities</b>	198	2%
<b>Arts, entertainment and recreation</b>	190	2%
<b>Transportation and storage</b>	152	2%
<b>Information and communication</b>	101	1%
<b>Human health and social work activities</b>	80	1%
<b>Water supply; sewerage, waste management and remediation activities</b>	70	1%
<b>Education</b>	64	1%
<b>Public administration and defence; compulsory social security</b>	56	1%
<b>Wholesale and retail trade; repair of motor vehicle</b>	55	1%
<b>Administrative and support service activities</b>	55	1%
<b>Financial and insurance activities</b>	34	0%
<b>Mining and quarrying</b>	15	0%
<b>Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use</b>	6	0%
<b>Other service activities</b>	4,153	45%

### **Streamlined Routes relevant subsidies**

As outlined above, Streamlined Routes relevant subsidies are subsidies of certain value thresholds that were awarded during the interim period in the following areas:

- Employment, up to £15 million;
- Energy efficiency, up to £15 million;
- Research and development, up to £3 million; and
- SME support, up to £15 million.

A total of 4,744 subsidies were awarded under Streamlined Routes relevant areas and value thresholds during the interim period, making up 52% of all awards during that period (n=9,181). The majority of these awards were for research and development projects (n=4,009, 85%). This was followed by SME support (n=513, 11%), energy efficiency (n=196, 4%), and employment (n=26, 1%). The total value of all subsidy awards in streamlined route areas was £1.6 billion, which represents 3% of all subsidies awarded during the same period.

The average value of subsidy award was £350,211 (13% of the average value of all subsidies awarded during the interim period), with a median value of £209,486 (72% of the median value of

all subsidies awarded during the interim period). The minimum value of subsidy award was £1,376, while the maximum value was £14.4 million.

**Table 7: Subsidy values by purpose (or area) normally considered under Streamlined Routes**

Purpose	Frequency	Sum	Mean	Median	Minimum	Maximum
<b>Employment</b>	26	£43 million	£1.7 million	£0.8 million	£0.5 million	£12 million
<b>Energy efficiency</b>	196	£226 million	£2.1 million	£0.2 million	£14,000	£14 million
<b>Research and development</b>	4,009	£1,128 million	£0.3 million	£0.2 million	£1,400	£3 million
<b>SME support</b>	513	£215 million	£0.4 million	£0.4 million	£58,000	£12 million
<b>All Streamlined Routes relevant subsidies</b>	<b>4,744</b>	<b>£1,612 million</b>	<b>£0.4 million</b>	<b>£0.2 million</b>	<b>£1,400</b>	<b>£14 million</b>

Most commonly, Streamlined Routes relevant subsidy awards took the form of direct grants (n=4,333, 91%) although there were also guarantees (n=263, 6%), tax measures (n=135, 3%), loans (n=11, 0%) and other forms (n=2, 0%).

SMEs made up the bulk of the beneficiaries of subsidy awards, with 3,959 subsidies (83%) awarded to firms of less than 250 employees. Large organisations, those with more than 250 employees, were awarded 785 subsidies (17%).

The majority (n=3,974, 84%) of subsidies were awarded to firms that sold goods rather than services (n=763, 16%) or goods and services (n=8, 0%) and were overwhelmingly granted to projects in England (n=4,212, 89%), compared with projects in Scotland (n=354, 8%), Wales (n=158, 3%) or Northern Ireland (n=21, 0%).

### **Other subsidies deemed to be routine and low risk**

A total of 3,969 awards were made under subsidy areas outside of those considered to match those now under Streamlined Routes that were deemed to be routine and low risk, making up 40% of all subsidies awarded during the interim period. The subsidy areas covered here were:

- COVID-19 support;
- Culture or Heritage;
- Environmental protection;
- Housing;
- Infrastructure;

- Regional Development;
- Training;
- N/A (where the area of the subsidy award was not specified); and
- Other.

To match the criteria under the Streamlined Routes analysis, all subsidies with an award value of over £15,000,000 were excluded from the data. The subsidy areas that were excluded were Rescue Aid and Services of Public Economic Interest, as they were deemed not to be routine by DBT.

The majority of these were under environmental protection (n=3,166, 80%), with less than one in twenty under housing (n=163, 4%), infrastructure (n=134, 3%), and culture or heritage (n=134, 3%). The total value of all subsidy awards in areas deemed routine and low risk, excluding Streamlined Routes areas was £5.3 billion, making up 9% of all subsidies awarded.

The average value of these subsidies was £1.3 million (49% of the average value of all subsidies awarded during the interim period), and the median value was £430,589, (147% of the median value of all subsidies awarded during the interim period). The lowest subsidy value was £2,667, while the highest subsidy value was £15 million.

**Table 8: Values for subsidies deemed to be routine and low risk, excluding those considered to match those now under Streamlined Routes**

Purpose	Frequency	Sum	Mean	Median	Minimum	Maximum
<b>COVID-19 support</b>	38	£11 million	£1.5 million	£0.9 million	£2,600	£8 million
<b>Culture or Heritage</b>	134	£156 million	£1.3 million	£0.8 million	£11,000	£14 million
<b>Environmental protection</b>	3,166	£3,349 million	£1.1 million	£0.4 million	£8,000	£15 million
<b>Housing</b>	163	£339 million	£2 million	£1 million	£16,000	£14 million
<b>Infrastructure</b>	134	£786 million	£4.8 million	£3.5 million	£50,000	£15 million
<b>Regional Development</b>	65	£150 million	£2.6 million	£1 million	£50,000	£15 million
<b>Training</b>	7	£9 million	£1.3 million	£0.6 million	£0.5 million	£5 million
<b>Other</b>	262	£489 million	£1.1 million	£0.8 million	£42,000	£10 million
<b>All routine and low risk subsidies (excl. Streamlined Routes)</b>	<b>3,969</b>	<b>£5,280 million</b>	<b>£1.3 million</b>	<b>£0.43 million</b>	<b>£2,700</b>	<b>£15 million</b>

Most commonly, subsidy awards took the form of direct grants (n=1,937, 49%), while there were also support payments (n=1,736, 44%) guarantees (n=41, 1%), loans (n=34, 1%), provisions of goods or services below market price (n=33, 1%), tax measures (n=33, 1%), equity (n=2, 0%) or other forms (n=154, 4%).

SMEs made up the bulk of the beneficiaries of subsidy awards, with 3,218 subsidies (81%) awarded to firms of less than 250 employees. Large organisations, those with more than 250 employees, were awarded 751 subsidies (19%).

The majority (n=3,755, 95%) of subsidies were awarded to firms that sold services rather than goods (n=172, 4%) or goods and services (n=42, 1%) and were again overwhelmingly granted to projects in England (n=2,788, 70%), compared with projects in Scotland (n=810, 20%), Wales (n=298, 8%) or Northern Ireland (n=74, 2%).

## **Subsidies awarded by public authorities before January 2021 under EU**

### **State Aid rules**

Between January 2019 and January 2021, PAs awarded a total of 99,299 subsidies, with a total value of £3.3 billion. The average value of these awards was £33,365, and the median value of these awards was £13,400.

Similarly to the DBT Subsidy Award Database, the EU database (TAM) had a value threshold for declarations of subsidies of €500,000. Therefore, despite the fact that lower value State Aid subsidy awards could be uploaded regardless of whether they were below the threshold, the results are also likely to be influenced by the value threshold and the database is unlikely to hold all subsidy awards.

Just under half of these awards were direct grants (n=49,335, 49.7%), with the same proportion of awards coming in the form of a guarantee (n=49,307, 49.7%). There were also instances of direct grants in the form of interest rate subsidies (n=653, 0.7%).

As with the subsidies awarded during the interim period, the majority of awards were given to SMEs (n=97,701, 98%).

Award sector varied considerably, with almost a fifth (n=17,628, 18%) of beneficiaries operating in the wholesale and retail trade; repair of motor vehicles and motorcycles trade, followed by manufacturing (n=14,099, 14%), construction (n=13,286, 13%), professional, scientific and technical activities (n= 10,853, 11%), administrative and support service activities (n=10,823, 11%), accommodation and food service activities (n=6,751, 7%), and information and communication (n=4,828, 5%). While there were other sectors, they all came in under 5% of all subsidies awarded.

This period was notable for the high number of subsidy awards granted under support schemes in response to COVID-19. When COVID-19 subsidy awards are excluded the average values of the subsidies approach those during the interim period a bit more, with a mean value of £1.7 million, a median value of £820,729, a minimum value of £1, and a maximum of £16.9 million.

## Subsidy award process

This section provides an overview of the subsidy award process, which was in place during the interim period, illustrated by a process map, and will also incorporate qualitative feedback from PAs on the various barriers they faced at each stage of the process.

### Subsidy awards process map

As part of the research, IFF Research mapped each stage of the existing subsidy award process. A process map was utilised in order to visualise the process, depicting each stage to enable us to understand what is involved in a PA assessing application for subsidies, conducting assessments against subsidy guidance during the interim period, and in designing and awarding individual awards or schemes.

The draft process map developed at the beginning of the research was tested with individuals from DBT and other Streamlined Routes working groups members through depth interviews in the early stages of the research and amongst all of the qualitative research participants later in the research.

The initial subsidy award process steps were:

- Step 1: Determining whether the support is a subsidy;
- Step 2: Evaluate whether the measure is a prohibited subsidy or subject to conditions;
- Step 3: Assess the subsidy against the principles;
- Step 4: Assess the likelihood of triggering a dispute or unilateral remedies under the TCA (Trade and Cooperation Agreement), WTO ASCM (World Trade Organisation Agreement on Subsidies and Countervailing Measures) rules, and other FTAs (Free Trade Agreements); and
- Step 5: Publish the subsidy or scheme on the subsidy database.

The draft subsidy award process map provided was largely perceived by PAs to accurately reflect the process they utilised during the interim period. This was particularly true in relation to Steps 1 and 2.

*“So quite a lot of that [the process map provided by DBT] resonates.”*

Public Authority, Routes relevant subsidy awards, did not experience difficulty with the subsidy award process

However, some PAs highlighted that they did not experience all steps, namely those that were contingent on meeting certain thresholds. Additionally, a number of PAs felt that there was an additional Step between Step 4 and 5 of actually awarding of the subsidy.

### Subsidy awards process steps

#### Step 1: Determining whether the support is a subsidy.

Step 1 involved PAs determining whether their proposed support is a subsidy, which must meet all of the following requirements:

- Support must be given by a Public Authority (at any level);

- Support must make a contribution (financial or an in-kind contribution) to an enterprise, conferring an economic advantage that is not available on market terms; and
- Support must affect international trade or investment between the UK and the EU.

Some PAs felt that this step of the subsidy award process was very straightforward, and that the guidance provided by DBT as helpful and sufficient to allow them to proceed. Some felt that this element of the process had become easier during the interim period as the guidance provided has become more detailed in comparison to the State Aid rules/framework which has aided the process.

*“That was quite straightforward because the guidance that we got from BEIS (DBT) did have a paragraph on subsidy and basically said this is likely to be viewed as a subsidy. So the decision is made really – I’ll take their advice on that.”*

Public Authority, Other subsidy awards, experienced difficulty with the subsidy award process

For some, Step 1 was straightforward given the nature of the industry, which meant that all of their applications would be deemed subsidies e.g., all airline applications. Others expressed that their work was part of a recognised subsidy scheme which also meant that the step was straightforward as they continued to award from existing subsidy schemes that were developed under the previous State Aid framework during the interim period.

*“We know it’s a subsidy and it’s a recognised subsidy scheme.”*

Public Authority, Other subsidy awards, did not experience difficulty with the subsidy award process

Other PAs discussed experiencing difficulty with this step due to a lack of clarity in the process and they felt that when determining what was substantial and/or significant there was room for interpretation. Others felt that the main difficulty was determining whether their support would confer an economic advantage as they felt whoever is awarded the subsidy will gain economically.

*“Different people have different interpretations. Personally, I am a flagbearer for schemes and finding subsidies within there that work and already have legal justification.”*

Public Authority, Routes relevant subsidy awards, experienced difficulty with the subsidy award process

For those PAs wanting to award subsidies to academic or community groups, there were questions raised about the scope and applicability of the interim framework and whether certain sectors, such as the academia and community sectors, were adequately covered. The question of what defines a commercial enterprise was raised by those working in academia, and they called for further clarification with regards to whether an academic grant application was classed as a subsidy.

*“Universities still can be commercial enterprises. And so, for example, if we’re putting money into a research facility and then they charge people to use it, that would be economic activity and it would be a subsidy.”*

Public Authority, Routes relevant subsidy awards, did not experience difficulty with the subsidy award process

Community organisations were highlighted as another sector where further clarity was required, especially when compared to private businesses for whom the process was felt to be more straightforward.

*“[Community organisations] that have a partial income-generation, those are the tricky ones because the core of what they do is non-financial but there is an element of what they do that is financial.”*

Public Authority, Other subsidy awards, experienced difficulty with the subsidy award process

## **Step 2: Evaluate whether the measure is a prohibited subsidy or subject to conditions.**

This step involved PAs evaluating whether the measure falls into any prohibited subsidy categories or is subject to any conditions.

These include the World Trade Organisations (WTO) Agreement on Subsidies and Countervailing Measures (ASCM), which contains two prohibited subsidies:

- those dependent on export performance; and
- those contingent on the use of domestic content.

In addition, several free trade agreements (FTA)s, including the EU–UK Trade and Cooperation Agreement (TCA) expand the prohibitions on the bases of:

- unlimited state guarantees; and
- restructuring subsidy if the beneficiary does not have a valid plan in place to return the company to viability; and
- additional conditions for subsidies given to air carriers, energy/environment and large cross border or international projects.

Some expressed that, as a whole, this element of the process was straightforward and that there were no impacts that emerged during the interim period. The importance of this section meant that many PAs relied on either internal or external expertise to help them gain legal certainty when making their decision.

*“And again, because of the expertise in the team we know whether it’s prohibited or not.”*

Public Authority, Streamlined Routes working groups member

This step of the process was reported as being very quick and occurring concurrently with Steps 1 and 3 (if relevant) by some PAs. This was attributed by some of the participants to the fact that the regulations are well established and there have been no changes to their content during the interim period. This has allowed people to develop expertise in the area and establish assessment tools to aid the process. This meant that PAs tended to rely on previous experience and processes that they had developed in the past to make those assessments during the interim period.

*“We know it’s not a prohibited subsidy because there’s a specific clause in the TCA and in the Subsidy Control Act now that mentions PSOs (Public Service Obligations) as being a non-prohibited subsidy.”*

Public Authority, Other subsidy awards, did not experience difficulty with the subsidy award process

*“We have an assessment tool, which is basically a Word document, which has lots of questions, checklists and template.”*



Public Authority, Routes relevant subsidy awards, did not experience difficulty with the subsidy award process

### **Step 3: Assess the subsidy against the principles.**

All subsidies of more than 325,000 Special Drawing Rights (SDR)<sup>17</sup> to a single beneficiary in any three-year period must be in accordance with subsidy control principles. At this step PAs were required to assess whether their subsidies:

- Pursue a public policy objective to remedy an identified market failure or address an equity rationale;
- Are proportionate and limited to what is necessary to achieve the objective;
- Are designed to bring about a change of economic behaviour of the beneficiary that would not have been achieved in the absence of the provision of subsidies;
- Are an appropriate policy instrument to achieve a public policy objective which cannot be achieved through other less distortive means;
- Are subsidies where the positive contributions should outweigh negative effects, particularly those on trade or investment between the parties; and
- Do not compensate for the costs the beneficiary would have funded in the absence of any subsidy.

This step of the process was generally perceived to be clear and straightforward by PAs. However, many acknowledged that this was only due to PAs feeling, that because they continued to operate legacy schemes during the interim period, the process was similar to the process in place during the State Aid framework and therefore required little adaption.

*“The actual process, you know, more or less than the figure, that is...quite clear.”*

Public Authority, Routes relevant subsidy awards, did not experience difficulty with the subsidy award process

*“Easy as is probably the language we’re used to speaking.”*

Public authority, Other subsidy awards, did not experience difficulty with the subsidy award process

The principles were deemed by PAs to be clear enough to allow them to move forward with this step. Many reported having used either internal or external legal advice for this part of the process.

*“We look at what the principles are. We look at what the request is for, what the value of the request is, and we also look at the historical support a company has received.”*

Public Authority, Routes relevant subsidy awards, did not experience difficulty with the subsidy award process

*“We’ve got lawyers who are well-versed in how to do that, so they help us out.”*

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<sup>17</sup> As this is linked to the exchange rate between USD and GBP, this varied throughout the interim period, from £444,275 on 04/01/2021 to £391,836 on 04/01/2023.

Public authority, Other subsidy awards, did not experience difficulty with the subsidy award process

*“We’ve got a template... that we fill out asking questions against each of the subsidy principles and we use evidence gained from local authority and from the airline and from our own data collection to assess it against the principles.”*

Public Authority, Routes relevant subsidy awards, did not experience difficulty with the subsidy award process

One participant reported utilising the template provided by DBT and found that this resource enabled the ease of the process. However, they also expressed difficulties faced in determining market failure, the first principle in the TCA. This was attributed to the fact that this part was not familiar to them. There were rules and regulations in place prior to leaving the EU, however, now they had to conform to the TCA post Brexit agreement, which was a new agreement in which they had to make assessments against subsidy principles. This added an element that they weren’t prepared for or familiar with.

Some highlighted difficulties faced in this section surrounding the language used particularly the use of Special Drawing Rights (SDRs) rather than a monetary value.

*“We had to train people on what SDRs were and then we had to create an excel spreadsheet calculator to help people.”*

Public authority, Routes relevant subsidy awards, did not experience difficulty with the subsidy award process

*“I think having it a SDRs rather than a financial figure was a bit more complicated. We got a lot of questions on what a SDR is”*

Public authority, Routes relevant subsidy awards, did not experience difficulty with the subsidy award process

#### **Step 4: Assess the likelihood of triggering a dispute or unilateral remedies under the TCA, WTO ASCM rules, and other FTAs.**

At this Step, PAs were required to consider whether the subsidy could harm international trade or investment rather than merely just affect it. PAs were required to consider:

- The value of the subsidy and the intervention rate;
- International competitors; and
- The impact on trade.

PAs were also required to ensure these considerations were taken with a proportionate view considering whether a subsidy could trigger action.

Some PAs felt that Step 4 was disproportionate or not necessary given the size of the subsidies that they were awarding, therefore they did not interact with this element of the process.

*“Step 4 could probably disappear for us... probably beyond us at the time.”*

Public authority, Routes relevant subsidy awards, did not experience difficulty with the subsidy award process

*“We rarely do anything big enough to do that, although we are starting to now.”*

Public authority, Routes relevant subsidy awards, did not experience difficulty with the subsidy award process

Others were obliged to engage with Step 4 given the nature of their subsidies and therefore the perceived likelihood of it triggering a dispute or unilateral remedy.

*"It is accurate for what we were doing... but because of the scale of our programme we now have a mandatory referral to CMA [under the new Subsidy Control framework]."*

Public authority, Other subsidy awards, did not experience difficulty with the subsidy award process

Many who engaged with this part of the process expressed that this was the most difficult part of the process due to the lack of clarity and the unknown element of possible disputes.

*"In the interim period it was really unclear which circumstances we could fund in space and satellite when we know it's in competition. Regional exemption to State Aid was used before, but [we're] not sure anymore."*

Public authority, Other subsidy awards, did not experience difficulty with the subsidy award process

*"I don't think we ignored it. I think we just did it poorly..."*

Public authority, Routes relevant subsidy awards, did not experience difficulty with the subsidy award process

*"As far as the free trade agreements were concerned, we tried to get our heads around some of them and then gave up. It got to 40 plus and we decided that if we adhere to the TCA and WTO, every other FTA must fit within it."*

Public authority, Routes relevant subsidy awards, did not experience difficulty with the subsidy award process

### **Step 5: Publish the subsidy or scheme on the subsidy database.**

As part of Step 5, PAs were required to record information on awarded subsidies, valued equal to or greater than £500k, on DBT's transparency database.

There was little consistency in responses in regard to publication of the subsidy or scheme on the database. Some of those interviewed could not recall this element of the process and felt that it was unclear which subsidies needed to be uploaded, and for this reason they could not recall doing it.

Multiple participants discussed how they were not required to publish their subsidies because they did not meet the value threshold. Others, who were required to publish their subsidy, felt that the information was clear and no different to the previous system making the process straightforward.

*"The thresholds are quite clear and quite well set."*

Public authority, Other subsidy awards, did not experience difficulty with the subsidy award process

*"[We understood that] anything above 100k needs to be uploaded."*

Public authority, Other subsidy awards, experienced difficulty with the subsidy award process

Those PAs that found this element of the process difficult believed this was to do with the system itself. Those PAs felt that this step of the process was quite time consuming as it required a lot of different information about the subsidy and was a fairly manual process.

*“It’s a bit of a pain.”*

Public authority, Other subsidy awards, did not experience difficulty with the subsidy award process

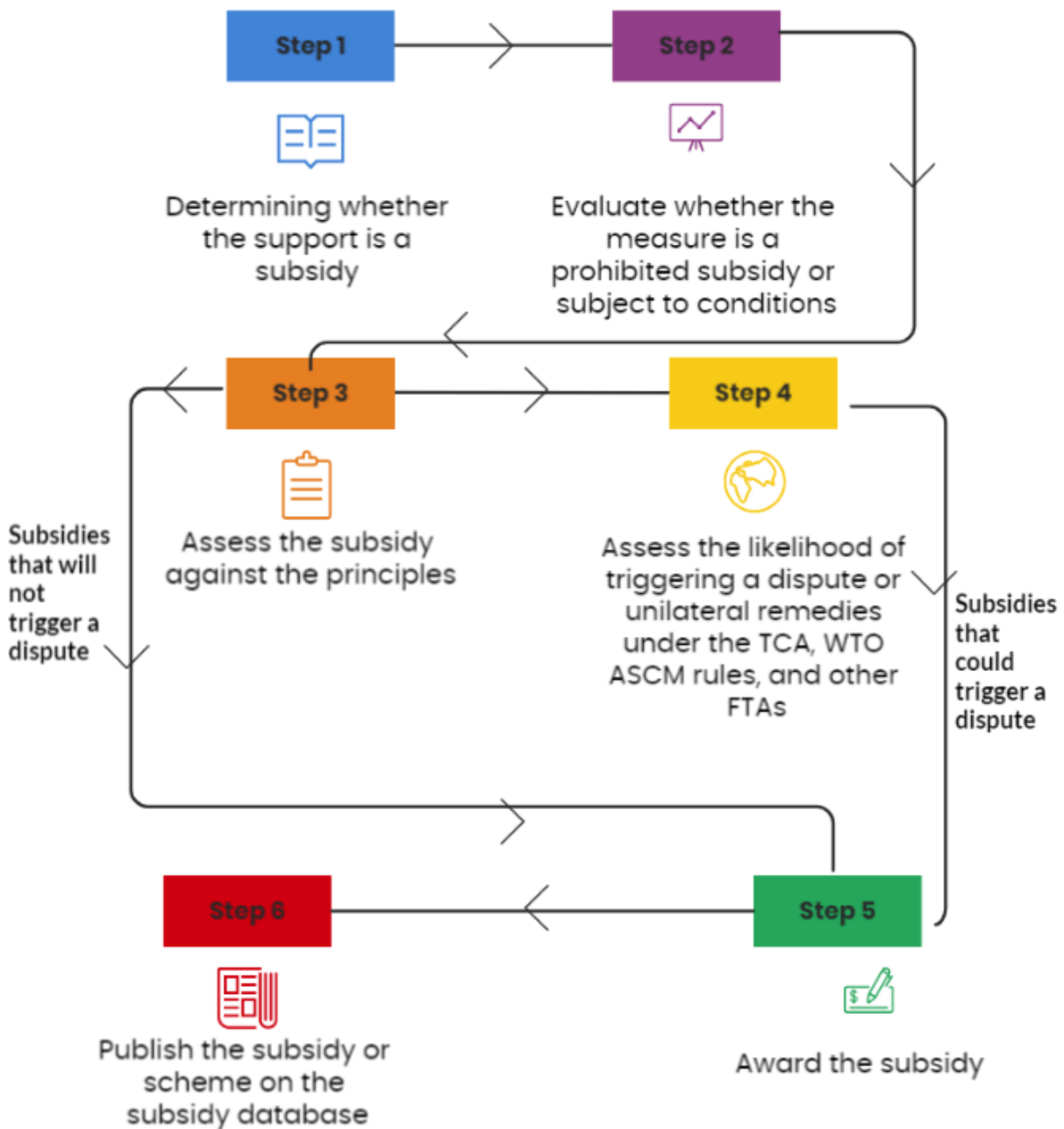
*“I have to block out 90 minutes... so that I can really go through it slowly.”*

Public authority, Streamlined Routes working groups member

### **Finalised subsidy award process map**

Figure 1 below incorporates the feedback from the mapping discussions and qualitative interviews to create a more realistic vision of what the process looked like on the ground for PAs during the interim period.

**Figure 1: Final subsidy award process map**



Description of Figure 1: A infographic process map depiction of the different steps taken by public authorities when awarding subsidies during the interim period. These steps are, Step 1: Determining whether the support is a subsidy, Step 2: Evaluate whether the measure is a prohibited subsidy or subject to conditions, Step 3: Assess the subsidy against the principles, Step 4: Assess the likelihood of triggering a dispute or unilateral remedies under the TCA, WTO ASCM rules, and other FTAs, Step 5: Award the subsidy and Step 6: Publish the subsidy or scheme on the subsidy database.

Following the feedback from PAs, the process map includes two routes following Step 3 to reflect that Step 4 is threshold dependent and was not relevant for all subsidies. Those subsidies who are likely to trigger a dispute follow the route including Step 4, whereas those subsidies that will not trigger a dispute go straight to Step 5.

Step 5 is a new step that has been introduced following the feedback in the qualitative interviews to depict their experiences more accurately. Some felt that the actual awarding of the subsidy was missing from the initial process map.

## Public authorities' experiences of awarding subsidies between January 2021 and January 2023

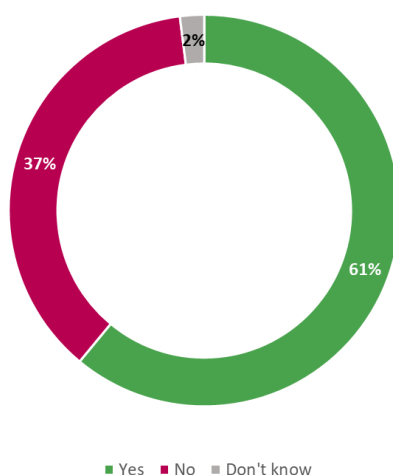
This section outlines the experience of PAs in awarding subsidies during the interim period including the operation of any legacy schemes, the ease of the process itself, the subsidy control guidance and principles, external support they accessed and their overall experience.

### Legacy schemes

**Public authorities mostly continued to operate legacy schemes during the interim period but this did not limit their interaction with the interim period framework.**

The majority of PAs (61%) operated legacy schemes between Jan 2021 and Jan 2023, which involved them making awards under schemes that were launched prior to January 2021 under EU State Rules.

**Figure 2: PAs' use of legacy schemes during the interim period**



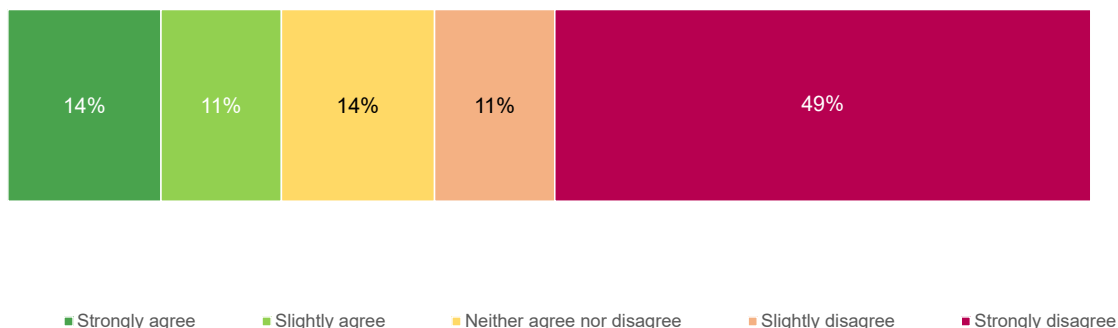
B1: Did you operate any legacy schemes between January 2021 and January 2023 that involved you making awards under schemes that were launched prior to January 2021 under EU State Rules? Base: All (57)

Description of Figure 2: Pie chart comparing the percentage of public authorities that continued to operate and award subsidies under legacy schemes during the interim period. 61% of whom continued to do so against 37% who did not.

As described above, due to a small base size of the survey of PAs (n=57), any differences in the findings from those PAs with Routes relevant subsidy awards (n=30) and those other subsidy awards (n=34) will be reported qualitatively. Although the data has been analysed to check for differences between these two subgroups throughout, because of the base sizes there are no statistically significant differences to report on, this is the case for all quantitative survey questions. Both PAs that awarded Streamlined Routes relevant subsidies and other PAs were largely in line on whether they operated legacy schemes (n=19 and n=22 respectively).

A similar majority (60%) disagreed that operating legacy schemes in this manner meant that they did not have to engage with and understand the interim regime rules that were in place between January 2021 and January 2023. This is against just over a quarter (26%) who did agree and a minority (14%) who strongly agreed with the statement.

**Figure 3: PAs' view of the impact of operating legacy schemes on the engagement with the interim regime rules during the interim period**



B2: To what extent do you agree or disagree that operating legacy schemes in this manner meant that you did not have to engage with and understand the interim regime rules that were in place between January 2021 and January 2023? Base: All who operated legacy schemes launched before Jan 2021 (35)

Description of Figure 3: A 100% stacked bar chart down side axis showing the extent to which public authorities who operated legacy schemes during the interim period, agreed or disagreed that operating these schemes meant that they did not have to engage with and understand the rules that were in place during the interim period. 60% of public authorities disagreed, 26% agreed and 14% neither agreed nor disagreed.

Both PAs that awarded Streamlined Routes relevant subsidies (n=19) and other PAs (n=22) were largely in line to the extent that they disagreed that operating legacy schemes meant they did not have to engage with and understand the interim regime rules (n=10 and n=13 respectively).

Many PAs reported in the qualitative interviews that they made no significant overall changes from the previous State Aid system during the interim period, with several claiming they followed essentially the same processes as under the previous system. PAs discussed benefitting from having these existing procedures in place that they could largely use unchanged. One PA spoke about how the businesses they supported relied on EU processes for the guidelines they offered:

*“What we tended to do was test against State Aid. If we were comfortable, it would have met the State Aid requirements, we took comfort from that and considered it a safe harbour.”*

Mapping interview

*“Our schemes didn't change during the interim period, and it wasn't clear what we needed to change.”*

Mapping interview

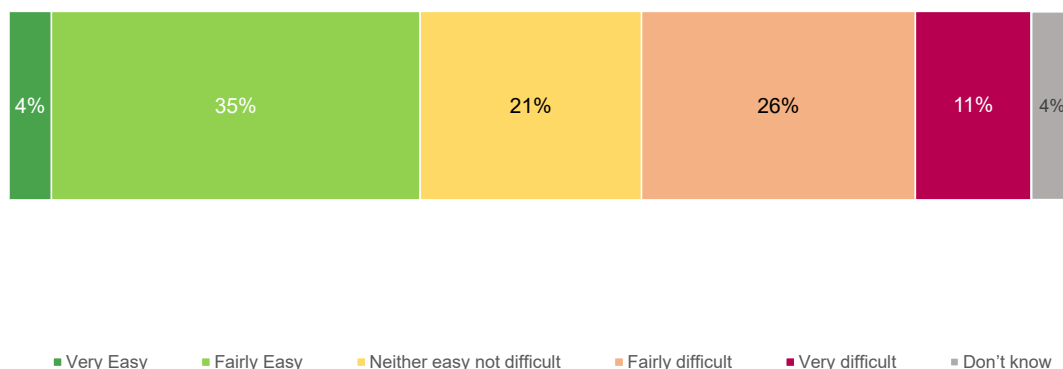
## Subsidy award process during the interim period

### **Over half of public authorities tended to default to EU State Aid regulation parameters during the interim period.**

Equal proportions of PAs found the process for awarding subsidies during this interim period easy (39%) as difficult (37%). Perhaps most importantly, a minority (11%) found the process very difficult and around a fifth (21%) found the process neither easy nor difficult.



**Figure 4: PAs' experience during the interim period**



B3: How easy or difficult was the process for awarding subsidies during this period of January 2021 to January 2023? Base: All (57)

Description of Figure 4: A 100% stacked bar chart down side axis showing how easy or difficult public authorities found the process of awarding subsidies during the interim period. 39% found it either very or fairly easy, 37% found it either very or fairly difficult and 21% found it neither easy nor difficult.

PAs that awarded Streamlined Routes relevant subsidies (n=30) tended to find the process easy (n=16) as opposed to difficult (n=12). Other PAs (n=34) were split evenly between easy (n=12) and difficult (n=12).

A similar proportion of PAs agreed that the process of awarding subsidies during the interim period was straight forward (37%) against those who found the did not find the process straightforward (39%).

PAs were also similarly split amongst those that found that the overall administrative burden of going through the subsidy award process was reasonable (35% agreed and 35% disagreed).

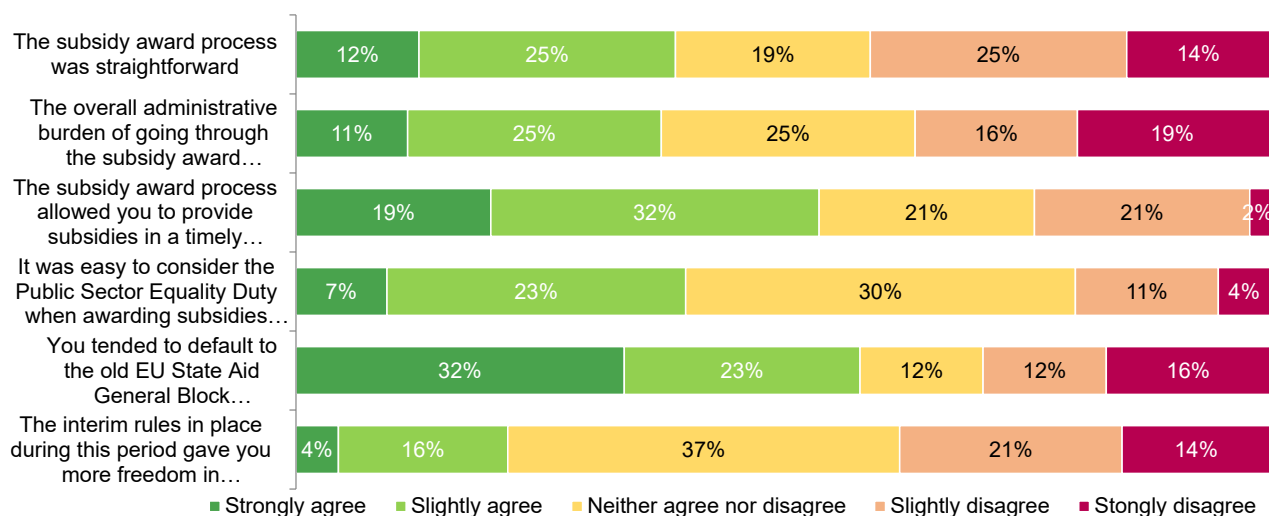
Whilst more than half of PAs (51%) believed that the subsidy award process allowed them to provide subsidies in a timely manner, just over a fifth (23%) did not find that to be the case.

It is less clear from the data as to whether PAs found it easy to consider the Public Sector Equality Duty when awarding subsidies in this area, with approximately a third (30%) neither agreeing nor disagreeing and a quarter (26%) saying they didn't know, against just a third (30%) believing it was easy.

More than half of PAs (54%) agreed that they defaulted to the old EU State Aid General Block Exemption Regulation parameters when awarding subsidies during this period with only a quarter (28%) disagreeing with the statement.

PAs largely either neither agreed nor disagreed (37%) or disagreed (35%) that the interim rules in place during this period gave them more freedom in designing their own subsidies, with less than a fifth of PAs (19%) agreeing with this statement.

**Figure 5: Overview of PAs' experience during the interim period**



B4: To what extent do you agree or disagree with the following statements? Base: All (57)

Description of Figure 5: A 100% stacked bar chart down side axis. Six bars, showing the extent to which public authorities agree or disagree that during the interim period the subsidy award process was straightforward (37% agreed it was against 39% who disagreed), that the overall administrative burden of going through the subsidy award process was reasonable (36% agreed it was against 35% who disagreed), that the subsidy award process allowed them to provide subsidies in a timely manner (51% agreed it was against 23% who disagreed), that it was easy to consider the Public Sector Equality Duty when awarding subsidies in this area (30% agreed it was against 15% who disagreed), that they tended to default to the old EU State Aid General Block Exemption Regulation parameters when awarding subsidies during this period (55% agreed it was against 28% who disagreed) and that the interim rules in place during this period gave them more freedom in designing your own subsidies (20% agreed it was against 35% who disagreed).

There were a few participants in the qualitative research that spoke negatively about the rules in place for awarding subsidies during the interim period, notably around the lack of clarity and legal certainty they faced and the confusion around whether legacy schemes rules under State Aid were still valid.

*“There was some element of legal uncertainty around the new changes because of the change from State Aid rules”*

Public Authority, Routes relevant subsidy awards, experienced difficulty with the subsidy award process

Another issue mentioned by PAs in the qualitative interviews was around uncertainty around what framework would come into place after the interim period. One PA specifically spoke about how they found they were able to roll over existing funding schemes allowed under the TCA but felt they had no guarantees this would continue past January 2023 (when the interim period ended).

Several PAs mentioned that the issues around the uncertainty of which framework would come into force after the interim period led to delays and on occasion a more conservative approach from the outset while they got to grips with the interim period rules.

*“It was not as clear [as it could have been]. The process was straightforward, but actually making a decision on whether it was a compliant award there was quite a large degree of discretion.”*

Public Authority, Routes relevant subsidy awards, experienced difficulty with the subsidy award process

One PA was very positive about the interim period rules, and spoke about how they felt the process was easier, specifically mentioning the template and rationale to justify the subsidy awards:

*“Overall, the process was significantly easier than the previous process with the mission agreement, and we had really good support from the Subsidy Team on what was needed and how to do it.”*

Public Authority, Streamlined Routes working groups member

Another PA spoke about their happiness with the rules in place during the interim period which they felt were simpler than under State Aid. This was due to the use of the principles, which they felt were less restrictive:

*“To award a subsidy under the TCA you demonstrate compliance with the principles. The process, compared to the State Aid process is actually very easy.”*

Public Authority, working group, did not experience difficulty with the subsidy award process

While during the survey, PAs were as likely to find the process of awarding subsidies during the interim period easy as they were to find it difficult, in the in-depth interviews, a number of PAs felt that the process of awarding subsidies was easy. Generally, PAs spoke about having a clear set of processes in place and internal awareness of these processes to award subsidies under State Aid rules. Many PAs found it easier to continue with State Aid rules, making use of these processes to operate business as usual.

*“Some of our programmes are European funded so we're basically we're told to continue to follow the same principles. So that's basically business as usual.”*

Public Authority, Routes relevant subsidy awards, did not experience difficulty with the subsidy award process

While these PAs continued to use the State Aid processes they had in place, other PAs spoke about how they felt enabled to assess whether they could approve a subsidy award more easily, and they felt the onus was on them to make that assessment using a broader criterion than under the previous framework.

*“It was brought in house so we could make the decision straight away. We didn't have to go to on any external bodies, so in that sense the process was easy.”*

Public Authority, Routes relevant subsidy awards, did not experience difficulty with the subsidy award process

The interim period rules were not universally seen as being easy, however, as some PAs explained how the uncertainty around the rules and what was or was not allowed led them to question awards they were awarding, particularly whether they were going to be challenged further down the line.

*“It felt sometimes as if we were wading through treacle [wondering] are we doing the right thing?”*

Public Authority, Other subsidy awards, experienced difficulty with the subsidy award process

*“You went from one framework to another that flipped it on its head...and we were left to our own devices to figure out how to interpret that.”*

Public Authority, Routes relevant subsidy awards, experienced difficulty with the subsidy award process

PAs in the in-depth interviews were often unable to provide cost estimates for the process of awarding a subsidy during the interim period. When figures were given, they varied widely.

Costs mentioned in these figures included staff salaries, external consultants, as well as one PA who spoke about attending seminars on the interim period rules. However, one PA claimed that they spent less than they would have done under State Aid.

As with the cost estimates, there was wide variation in the estimates of how much staff time was spent on subsidy awarding processes, and depending on the Public Authority, different numbers of staff were involved. PAs felt it was a complex question to answer.

Figures ranged from 2 or 3 staff up to 5 or 6 FTEs, and PAs claimed staff time spent on subsidy processes ranged from 10% up to 70%, and there was no consensus to be drawn here. One PA said there were 60 people in their immediate unit but that up to 100 people may have been involved in the subsidy process, while another said up to 150 members of staff had been working on subsidy processes at different points but that they could not pinpoint what resources were used for each subsidy.

*“All four [team members] pretty much full time working on everything from application process through to external reporting.”*

Public Authority, Other subsidy awards, experienced difficulty with the subsidy award process

*“[We have] broader technical expertise in our wider innovation team which we call on where necessary to understand particular technology”*

Public Authority, Routes relevant subsidy awards, did not experience difficulty with the subsidy award process

From the discussions around staff time, it is clear that staff at all levels of seniority are involved: from Managers, to Directors, and even Local Authority Councillors.

*“So, you know, staff at all levels. And then, obviously, the Members get involved, the councillors because they signed off the policies. I was in constant discussion with our cabinet member for finance about what was going to be in discretionary policies because you’ve got to get political approval.”*

Public Authority, Other subsidy awards, experienced difficulty with the subsidy award process

## **Subsidy control guidance**

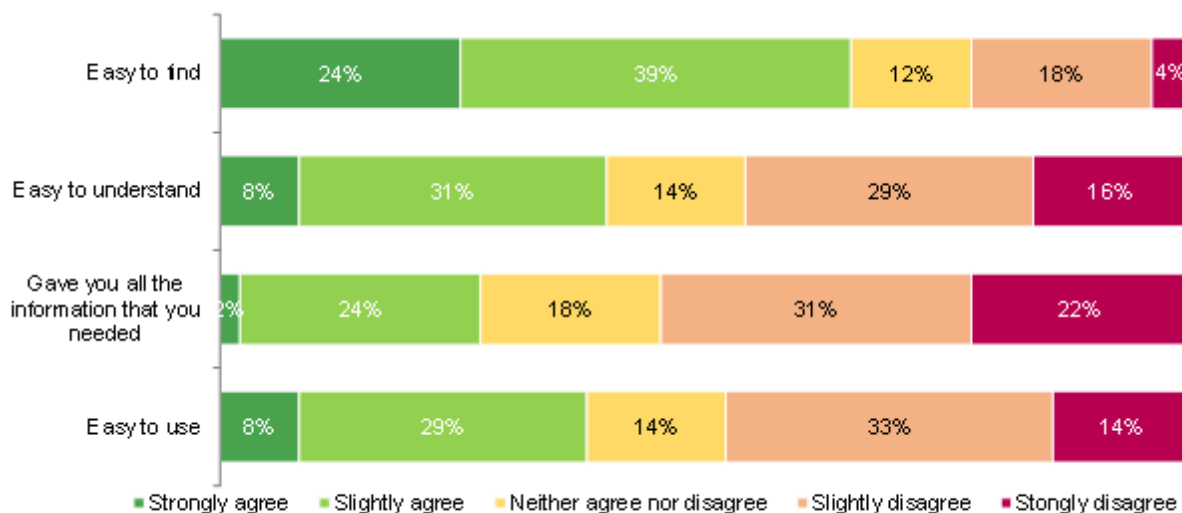
***Most public authorities used the subsidy control guidance with some degree of regularity but also felt that there was room for improvement.***

More than half of PAs (58%) used the subsidy control guidance often during the interim period, with only a minority (9%) never having used the guidance. Of those who used the guidance often during the interim period, more than a third (37%) used the guidance very often.

Whilst PAs largely agreed (63%) that the subsidy control guidance was easy to find. Smaller proportions of PAs felt that the guidance was easy to understand and easy to use (39% and 37% respectively). A quarter (27%) believed it gave them all the information they needed.

In contrast, more than a fifth (22%) of PAs did not find the subsidy control guidance easy to find. Additionally, almost half (45%) disagreed that the guidance was easy to understand. A similar proportion also disagreed that the subsidy control guidance gave them all the information that they needed or that it was easy to use (53% and 47% respectively).

**Figure 6: PAs' experience of the subsidy control guidance in place during the interim period**



B6: To what extent do you agree with the following statements? Base: All (57)

Description of Figure 6: A 100% stacked bar chart down side axis. Four bars, showing the extent to which public authorities agree or disagree that the subsidy control guidance in place during the interim period was easy to find (63% agreed it was against 22% who disagreed), easy to understand (39% agreed it was against 45% who disagreed), gave them all the information that they needed (26% agreed it was against 53% who disagreed) and was easy to use (37% agreed it was against 47% who disagreed).

Generally, participants in the in-depth interviews were positive about the guidance. It is worth noting that there may have been a self-selection bias, with PAs with stronger views on the framework in place during the interim period more likely to take part in the qualitative fieldwork.

PAs were particularly positive about the freedom the rules gave PAs to apply subsidies to a wider range of beneficiaries. However, some queries remained as discussed earlier within academia in terms of whether or not an academic grant constituted a subsidy or not.

*"I am looking forward to not being subject to ERDF control, again the issue is not the EU itself, it is the way it is gold plated by the civil service; we are being monitored by UK civil servants to apply EU rules."*

Public Authority, Routes relevant subsidy awards, did not experience difficulty with the subsidy award process

Other PAs who were less positive again mentioned the lack of detail of the guidance, and how this led to confusion around whether the guidance needed to be followed. They felt that as it was clear that the guidance was in place for an interim regulation, but it wasn't clear if they needed to adapt their subsidies to fit the new guidance.

*"It didn't make it entirely clear and wasn't enshrined in law. Was always clear that it was interim and as such weren't sure whether we should have been following it."*

Public Authority, Other subsidy awards, experienced difficulty with the subsidy award process

One PA spoke about how they would have liked case studies to refer to when making decisions according to the guidance in place during the interim period. They felt this would have helped them better interpret the guidance:

*"It's good to have it, but I guess it's so early there are no case studies...you need working examples with this stuff to be able to make sense of it properly because it at the moment it is just words isn't it and it does need some cases to interpret it really to be inserted to make it a bit more meaningful."*

Public Authority, Routes relevant subsidy awards, found the subsidy award process neither easy nor difficult

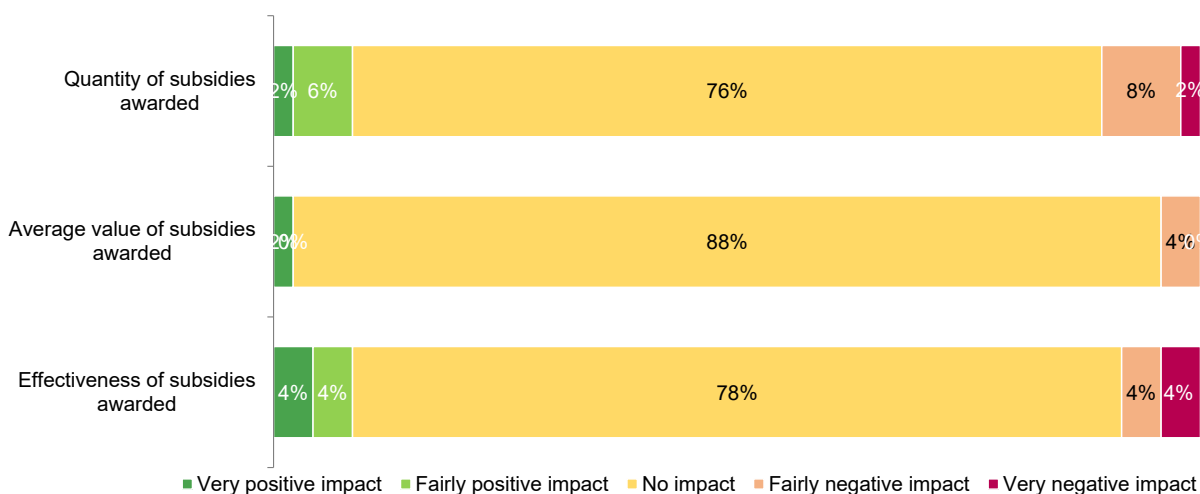
Finally, one participant spoke about how the lack of clear guidance led to PAs struggling with the new task of assessing potential subsidies against the principles, which they had little experience of. This participant spoke specifically about proportionality and evidencing negative impacts in new markets.

The vast majority of PAs (76%) believed that the subsidy control guidance had no impact on the quantity of subsidies awarded, against just 10% who said it had a negative impact.

An even larger proportion (88%) believed that the subsidy control guidance had no impact on the average value of the subsidies awarded.

Lastly, a majority (78%) believed that the subsidy control guidance had no impact on the effectiveness of subsidies awarded, with only a minority of PAs believing it had a negative impact (8%) or a positive impact (8%).

**Figure 7: PAs' view of the impact of the subsidy control guidance in place during the interim period**



B7: Would you say that the subsidy control guidance had a positive impact, no impact, or a negative impact on each of the following? Base: Used subsidy control guidance (49)

Description of Figure 7: A 100% stacked bar chart down side axis. Three bars, showing the extent to which public authorities believe the subsidy control guidance that was in place during the interim

period impacted the quantity of subsidies awarded (76% said it had no impact), the average value of subsidies awarded (88% said it had no impact) and the effectiveness of subsidies awarded (78% said it had no impact).

As in the quantitative survey, most participants in the in-depth interviews claimed there had been no impact from the guidance on the quantity, values, or effectiveness of the subsidies they had awarded during the interim period; mentioning that they had reverted to State Aid rules or were continuing the delivery of legacy schemes that did not require changing.

*"The regulation that we use was retained and it wasn't affected by the subsidy control guidance".*

Public Authority, Routes relevant subsidy awards, did not experience difficulty with the subsidy award process

*"I know the gov't wanted us to break away and embrace the flexibility, but we didn't feel we had the confidence to do it, when we didn't have [the guidance]."*

Public Authority, Routes relevant subsidy awards, did not experience difficulty with the subsidy award process

A couple of PAs spoke about the positive impacts from the interim period guidance, mentioning how they were able to move quickly and apply subsidies to areas of interest to ministers.

*"The approach we had then allowed us to do what ministers wanted us to do, and for the values and timeframe they wanted it to be done in, all of which were quite important. Being able to move quickly was one of our big priorities."*

Public Authority, Streamlined Routes working groups member

While both these PAs spoke about positive impacts on the subsidies they awarded, they both mentioned that there had been no impact on the values of those subsidies.

Furthermore, generally, PAs claimed there had been no impact on the sectors subsidies had been awarded in, or the type/form these subsidies took.

A few PAs mentioned sector changes, with one stating that as the rules changed, businesses from different industries had been approaching them to ask about whether they were eligible for subsidies after the changes:

*"We had a lot more questions from people asking about whether the council or the LEP would be targeting specific industries. The only thing that changed was that more industries were asking if the changes meant they would get funding"*

Public Authority, Other subsidy awards, experienced difficulty with the subsidy award process

One PA spoke about how the subsidy control guidance had made it easier to award subsidies to smaller businesses, while another mentioned they had found it easier to introduce flexibilities to the subsidies they could award on some of the sectors that had been carved out by the Trade & Cooperation Agreement, giving primary agriculture and horticulture as examples.

*"We incorporated that [guidance] into our scheme which got registered, and then we felt we were following their scheme so we were sorted."*

Public Authority, Routes relevant subsidy awards, did not experience difficulty with the subsidy award process

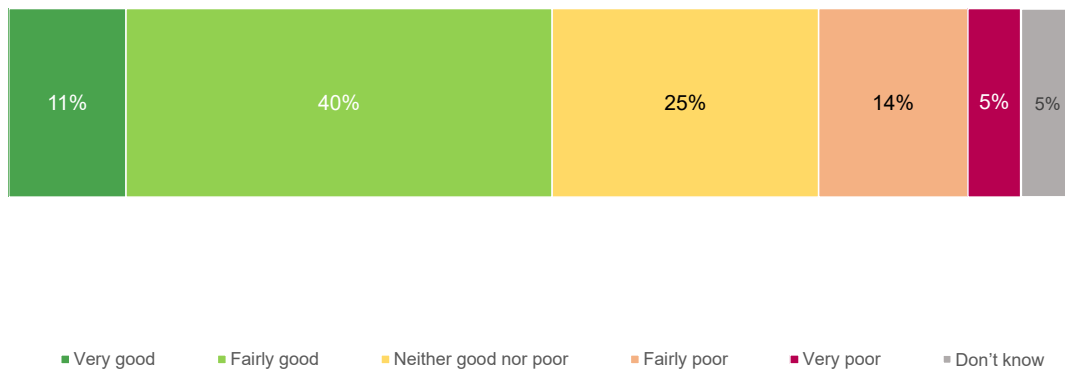
**Recommendation:** Support those smaller and less experienced PAs with making their assessments against subsidy principles if they lack the legal support or internal expertise in their organisations. DBT could provide more ad-hoc support and training to help those PAs to develop greater internal expertise and lessen their reliance on potentially expensive external support.

## Subsidy control principles

**Only half of public authorities said they had a good understanding of the subsidy principles in place.**

Just over half of PAs (51%) said they had a good understanding of the subsidy control principles in place during this period, against almost 1 in 5 (19%) who said they had a poor understanding. A quarter (25%) said they had neither a good nor a poor understanding.

**Figure 8: PAs’ understanding of the subsidy control principles**



B8: How would you rate your understanding of how to assess awards against subsidy control principles in place during this period? Base: All (57)

Description of Figure 8: A 100% stacked bar chart down side axis showing public authorities rating of their own understanding of how to assess subsidy awards against the subsidy control principles that were in place during the interim period. 51% said they had a very or fairly good understanding, 19% said they had a very or fairly poor understanding and 25% said they had neither a good nor a poor understanding.

Both PAs that awarded Streamlined Routes relevant subsidies (n=30) and other PAs (n=34) agreed that their level of understanding of how to assess the awards against the subsidy control principles was good (n=16 and n=18 respectively).

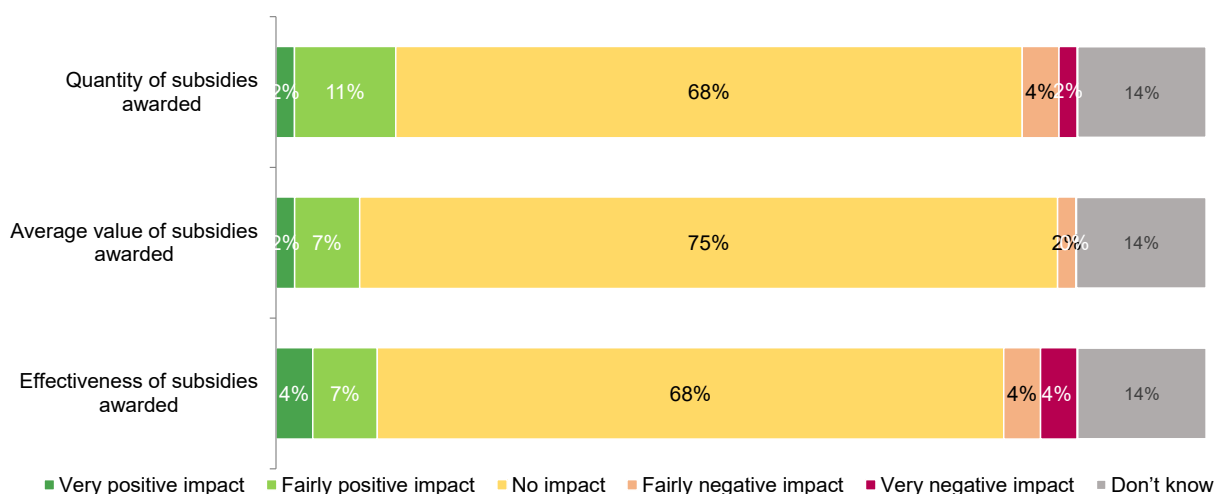
The majority of PAs (68%) said that the subsidy control principles had no impact on the quantity of subsidies awarded and 12% said it had a positive impact. In contrast just 5% said it had a negative impact.

Similarly, three quarters of PAs (75%) said that the principles had no impact on the average value of subsidies awarded.

A similar proportion (68%) said they had no impact on the effectiveness of subsidies awarded, against just 11% who said it had a positive impact and just 7% who believed it had a negative impact.



**Figure 9: PAs' view on the impact of the subsidy control principles in place during the interim period**



B9: What kind of impact did the subsidy control principles have on the effectiveness of the subsidies awarded?  
 Base: All (57)

Description of Figure 9: A 100% stacked bar chart down side axis. Three bars, showing the extent to which public authorities believe the subsidy control principles that were in place during the interim period impacted the quantity of subsidies awarded (68% said it had no impact), the average value of subsidies awarded (75% said it had no impact) and the effectiveness of subsidies awarded (68% said it had no impact).

During the qualitative research, no PAs expressed overall negative views on the subsidy control principles in place during the interim period. A number of the PAs felt the principles were not relevant to them. Among the remaining PAs, most were positive about the principles, with the others having no particular feeling either way.

Those who felt the principles were not relevant to them generally did not go any further than that, claiming they had not used them and so did not feel able to comment further. This could be due to them running legacy schemes and continuing with State Aid rules. One PA did claim they never felt the need to re-design their schemes or adapt their approach:

*"We never received any signal from government that the transition period was a radical shift in approach and that everyone needs to start again or needs a fundamental rethink."*

Mapping interview

Among the group of PAs who felt positively about the principles, a couple mentioned that they felt this was because they were 'well thought out' and 'logical'. Generally, however, PAs did not feel the interim period had provided them with a perfect set of principles and mentioned a few difficulties they had.

*"[we were happy with the principles] apart from there not being regional exemptions, because we were really rooting for that."*

Public Authority, Routes relevant subsidy awards, experienced difficulty with the subsidy award process

*"[The principles] are there, and they are very sensible. The tricky bit is when you try and implement them in detail, and some are more difficult than others."*

Public Authority, Routes relevant subsidy awards, experienced difficulty with the subsidy award process

Most PAs claimed there had been no impact from the principles on the subsidies they awarded, generally due to them continuing as they were before the introduction of the interim period rules.

*"There was no impact [from the principles] because we were following what we had always been doing. While there was concern and confusion, the processes were the same."*

Public Authority, Other subsidy awards, experienced difficulty with the subsidy award process

A few PAs did mention that there were negative impacts on the subsidies they had awarded during the interim period, specifically mentioning the lack of clarity within the principles and how that had slowed down the awarding process. Another mentioned how there was the potential for the principles to add an element of risk-aversion to the process but mentioned that they had managed to avoid that.

*"they're just not very detailed. The level of detail, lack of guidance and how to implement them."*

Public Authority, Routes relevant subsidy awards, experienced difficulty with the subsidy award process

*"They had the potential to [impact the subsidies awarded] but ultimately didn't. Instead of saying in the absence of knowing just carry on we could have said stop what you're doing and take a really risk averse stance. In a way the government funds we have we either spend them or we pay them back, so we tend to spend the money in the region."*

Public Authority, Other subsidy awards, experienced difficulty with the subsidy award process

with the subsidy award process

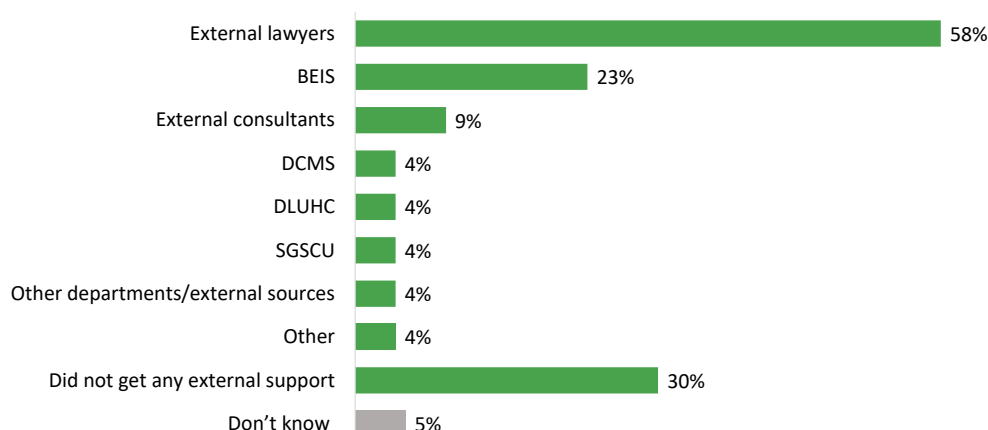
**Recommendation:** Provide greater clarity to PAs on whether their subsidy award schemes need reassessment or require changes when carrying them over from the interim regime.

## External support

***Most public authorities relied on external support to understand the subsidy award process during the interim regime, at least to some extent.***

PAs most commonly obtained external lawyers (58%) to help them understand the process for awarding subsidies, followed by the DBT, formerly BEIS, (23%) and external consultants (9%). Almost a third (30%) did not get any external support.

**Figure 10: External support obtained by PAs during the interim period**



B10: Which of the following, if any, did you get external support from to help you understand the process for awarding subsidies? *Base: All (57)*

Description of Figure 10: A bar chart down side axis. Chart shows the type of external support obtained by public authorities during the interim period to help them understand the process for awarding subsidies. 58% used external lawyers, 23% obtained support from BEIS, 9% from external consultants and 30% did not get any external support.

Those PAs that awarded Streamlined Routes relevant subsidies (n=30) most commonly sought external support from external lawyers (n=17), BEIS (n=6) and external consultants (n=5). Those other PAs (n=34) most commonly sought external support from external lawyers (n=24), BEIS (n=6) and external consultants (n=2).

More than 1 in 10 (11%) completely relied on this external support to be able to understand and navigate the process for subsidies they awarded. Almost half (43%) relied to a great extent on this support and all PAs (100%) who obtained external support relied on this support.

In the qualitative interviews, one PA reported that they sought external help on some of the harder elements of the process.

*“In the past, where we’ve had really tricky things, we’ve said, lets just get some lawyers to do this because we know that we need some advice on it.”*

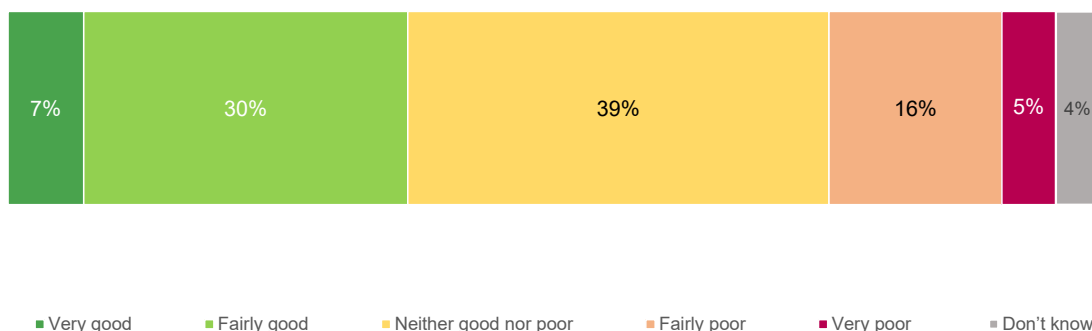
Public Authority, Routes relevant subsidy awards, did not experience difficulties with the subsidy award process

## Overall experience

### **Public authorities mostly had a neutral or positive experience of awarding subsidies during the interim period.**

Overall, whilst more than a third (37%) of PAs rated their overall experience of awarding subsidies in the interim period as good, just over a fifth (21%) said they had a poor overall experience. Additionally, almost 4 in 10 (39%) said they had neither a good nor a bad overall experience.

**Figure 11: PAs' overall experience of awarding subsidies during the interim period**



B12: How would you rate your overall experience of awarding these types of subsidies in this period? Base: All (57)

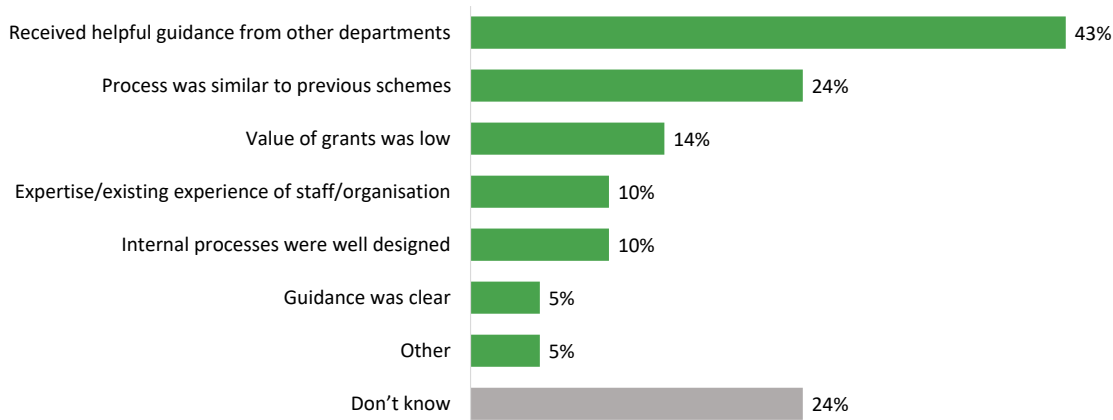
Description of Figure 11: A 100% stacked bar chart down side axis showing public authorities rating of their own overall experience of awarding subsidies during the interim period. 37% said they had a very or fairly good overall experience of awarding subsidies, 21% said they said they had a very or fairly poor experience and 39% said it was neither good nor poor.

PAs, both those that awarded Streamlined Routes relevant subsidies (n=30) and other PAs (n=34), felt that their overall experience was good (n=13 and n=14) respectively.

PAs who had a good experience of awarding subsidies during the interim period said that this was predominately because:

- they received helpful guidance from other departments/external sources (43%);
- the process was similar to previous schemes (24%);
- the value of grants was low (14%);
- of the expertise / existing experience of staff / organisation (10%); and
- their internal processes were well designed (10%).

**Figure 12: Reasons behind PAs' positive experience of awarding subsidies during the interim period**



B13: What are the key factors that meant you rated your experience of awarding subsidies as good? Base: All who had a good experience of awarding these types of subsidies in this period (21)

Description of Figure 12: A bar chart down side axis. Chart shows the key factors behind why public authorities rated their experience of awarding subsidies during the interim period as good, for those public authorities who said they had a good overall experience. 43% said it was because they received helpful guidance from other departments, 24% because the process was similar to previous schemes, 14% because the value of grants were low but 24% didn't know.

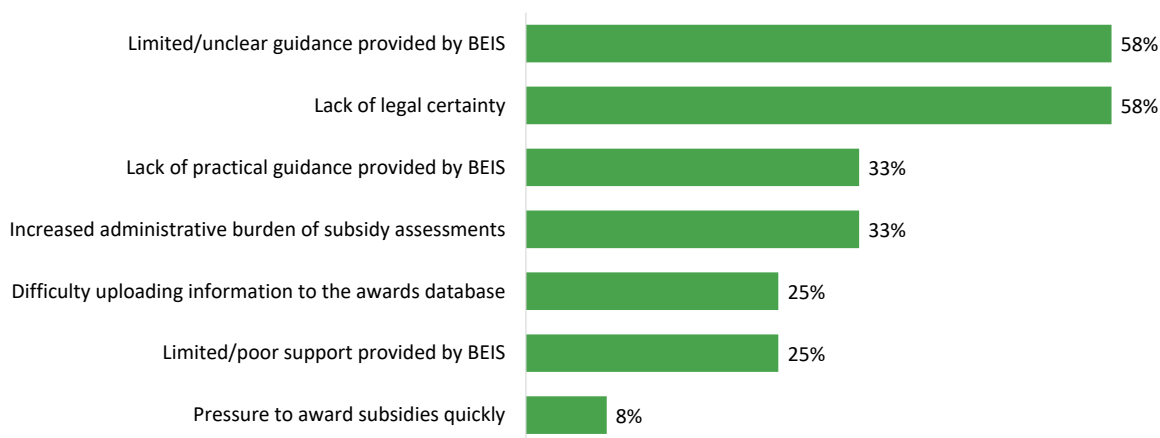
PAs that awarded Streamlined Routes relevant subsidies (n=13) most commonly reported that helpful guidance from other departments (n=7), the fact that the process was similar to previous schemes (n=3) and that the value of grants was low (n=3) were the main reason they rated their experience as good. Other PAs most commonly reported their experience as good due to helpful advice from other departments (n=5), the fact that the process was similar to previous schemes (n=5), that the value of grants was low (n=2) and because of the expertise/existing experience of their staff/organisation (n=2).

However, a quarter of these said they did not know the key factors which enabled their good experience of awarding subsidies.

Those PAs who had a poor experience of awarding subsidies during the interim period said that this was predominately because:

- there was limited / unclear guidance provided by BEIS (now DBT) (58%);
- there was a lack of legal certainty (58%);
- there was a lack of practice guidance provided by BEIS (now DBT) (33%);
- of the increased administrative burden of subsidy assessments (33%);
- there was limited / poor support provided by BEIS (now DBT) (25%);
- they experienced difficulty uploading information to the awards database (25%); and
- they felt pressured to award subsidies quickly (8%).

**Figure 13: Reasons behind PAs' negative experience of awarding subsidies during the interim period**



B14: What are the key factors that meant you rated your experience of awarding subsidies as poor? Base: All who had a poor experience of awarding these types of subsidies in this period (12)

Description of Figure 13: A bar chart down side axis. Chart shows the key factors behind why public authorities rated their experience of awarding subsidies during the interim period as poor, for those public authorities who said they had a poor overall experience. 58% said it was because of limited/unclear guidance provided by BEIS and because of a lack of legal certainty, 33% said it was because of a lack of practical guidance from BEIS and because of the increased administrative burden of subsidy assessments.

Both PAs that awarded Streamlined Routes relevant subsidies and other PAs who felt they had a poor experience (where n=5 for those groups) most commonly attributed this to the limited/unclear guidance provided by BEIS (now DBT) (n=4 and n=2 respectively), because of a lack of legal certainty (n=3 and n=4 respectively) and because of the increased administrative burden of subsidy assessments (n=2 and n=3 respectively).

During the qualitative interviews, PAs had mixed views on their overall experience. Many PAs felt they had not had any changes during the interim period, while others had more negative views. Among those who felt negatively, one PA mentioned the additional bureaucracy they needed to follow to adhere to both EU rules through legacy schemes, as well as the new interim period rules.

*"[We found it] heavily bureaucratic, because of the requirements to [also] follow the EU regulations, just the degree of regulation that came out then."*

Public Authority, Routes relevant subsidy awards, did not experience difficulty with the subsidy award process

Another PA spoke about how they felt the interim rules were 'shambolic', and that they had not been thought through to the point of giving them clear direction on what the rules actually were.

*"[They were] shambolic. Reactive and shambolic, not targeted. Policy made-up on the hoof to be seen to be doing. It was- it didn't have, in my view, an overall intellectual strand running through it. They didn't have a clear idea of what they wanted to do."*

Public Authority, Other subsidy awards, experienced difficulty with the subsidy award process

Adding to this point on lacking clarity, another PA spoke about their frustration in having to chase central Government on how to follow the interim period rules.

*“On the ground there was a certain level of frustration because we were all the time chasing clarity from central government.”*

Public Authority, Routes relevant subsidy awards, experienced difficulty with the subsidy awards process

# Conclusions & Recommendations

## Conclusions

Whilst many PAs reported having a positive overall experience of awarding subsidies during the interim period, a significant minority had a poor experience. This tended to be because PAs received limited or unclear guidance from BEIS (now DBT), experienced significant legal uncertainty when awarding subsidies and had an increased administrative burden placed on them in subsidy assessments during the period.

Where PAs had a better experience, this was predominately because they received helpful guidance from other departments or external support or because the process they went through was similar to the process under the previous State Aid system.

The shift away from General Block Exemptions, which formed the majority of subsidies awarded by PAs prior to the interim period, put the onus on PAs to make assessments of their subsidies against subsidy award principles. These assessments proved difficult for many PAs who had no prior experience of making them, with a number of PAs unsure of how to make those assessments.

Linked to this, many PAs sought out external support and guidance, including from external lawyers and consultants, engaging directly with BEIS (now DBT), other UK government departments and other sources.

Many PAs continued to design and award subsidies using the state aid rules framework either because they continued to operate legacy schemes or because they felt that, due to the limited guidance they received and the lack of legal certainty, they were concerned about awarding subsidies that could ultimately be challenged in the future.

When they were aware of them, PAs largely agreed with the overall logic of the subsidy control principles in place during the interim period but felt that they left significant room for interpretation for PAs. Some PAs liked this greater flexibility in subsidy awards, specifically the removal of limits on the percentage of total project costs they could award subsidies for or because it enabled them to award subsidies in new areas. Other PAs, as highlighted above, did not enjoy the uncertainty and room for interpretation this ultimately affected the subsidies they awarded and their decision to revert to using the state aid rules framework.

## Recommendations for improvement

### Recommendations to better support PAs with the awarding of subsidies

Some PAs had significant experience utilising subsidy control guidance to make assessments against subsidy control principles during the previous State Aid regime for those subsidies that fell outside the GBER. However, many PAs had little experience of making those assessments when they entered the interim period and struggled with the process. In order to improve the experience of PAs awarding subsidies in the future, DBT could work to:

- Support those smaller and less experienced PAs with making their assessments against subsidy principles if they lack the legal support or internal expertise in their organisations. DBT could provide more ad-hoc support and training to help those PAs to develop greater internal expertise and lessen their reliance on potentially expensive external support; and
- Provide greater clarity to PAs on whether their subsidy award schemes need reassessment or require changes when carrying them over from the interim regime.



## **Recommendations for future monitoring and evaluation of the subsidy award process**

In order to better monitor and evaluate the subsidy award process in the future, DBT could work to:

- Better identify the total population of PAs awarding subsidies. Once identified, this list must be kept up to date, and further developed to build a sample database to be used in future research;
- Engage with those identified PAs throughout the next monitoring and evaluation period to keep them aware of opportunities for those PAs to feedback and engage with DBT over the new subsidy control regime, Streamlined Routes in particular or any future monitoring and evaluation research; and
- Better utilise the Streamlined Routes working groups of PAs awarding subsidies, in order to create a core group of PAs that will periodically feed in monitoring data and support DBT through the promotion of monitoring and evaluation research.

## Technical Appendix

This appendix provides more detail on research approach including information on sampling, quality control processes and profiles of achieved interviews.

### Sampling

The first stage of the process entailed identifying which PAs might be able to take part in the research and building a sample around that containing contact information of the individuals involved in the subsidy process so that they could be invited to participate in the subsequent stages of the research.

DBT expected the relevant population of PAs to be around 150 which included a) those identified using the subsidy award database as having awarded subsidies in the areas of Energy Usage, RDI and Local Growth, and b) PAs not on the database who may have awarded subsidies less than £500k. This was because only awards valued equal to or greater than £500k must be recorded on the database, and therefore many PAs awarding subsidies will not be on the database.

In order for the process of identifying the relevant population to be easily repeatable for the purpose of conducting the post commencement monitoring and evaluation research we utilised DBT's existing list of contacts in PAs that were in the Streamlined Routes working groups and other PAs and then expanded this list using desk-based research. We identified the PAs likely to award subsidies (Combined Authorities, Local Authorities, LEPs) and who were missing from the list provided by DBT and sought to identify relevant individuals within those organisations and gather contact details for them. The sample we developed contained the name, job title, email, and where available, telephone numbers, for relevant PA contacts.

It was agreed that the sample database would be shared with BEIS at the end of the project, without any link to the responses they gave to the survey or their in-depth interview responses. This will help DBT or any later contractors to build on the research we have done in a way that does not allow DBT for link feedback gathered in this research to specific participants or PAs.

### Quality control

#### Data set: preparation and checks

A specification for the data set was developed and checked by senior members of the research team. Once the data set was produced, several rounds of checks were undertaken to ensure data accuracy. We checked the data to ensure no respondents completed the survey in a dubiously quick time. None were identified and so no action was required in this regard.

### Profile of participants in the quantitative stage

The below table shows the number and proportion of completed quantitative survey responses achieved during the research, with 57 responses in total.

**Table 9: Profile of participants in the quantitative survey**

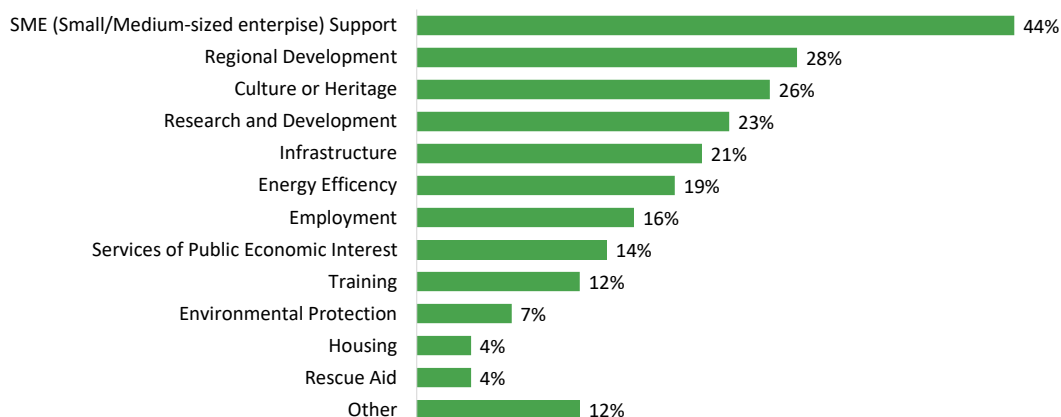
Profile	Achieved	Percentage
<b>Ease of subsidy award process</b>		
Easy	22	39%
Difficult	21	37%
<b>Overall Experience</b>		
Good	21	37%

Neither good nor poor	22	37%
Poor	12	21%
Don't know	2	5%
<b>Number of times they went through the subsidy award process</b>		
1-9 times	21	37%
10-29 times	7	12%
30+ times	11	19%
<b>Streamlined subsidy category</b>		
Yes	38	67%
No	34	60%
<b>Value of subsidy awards</b>		
£1k - £500k	40	70%
£500k - £1m	20	35%
£1m - £5m	18	32%
£5m - £20m	13	23%
£20m+	9	16%
<b>Frequency of using subsidy control guidance</b>		
Often	33	58%
Less often	16	28%
Never	5	9%
<b>Understanding of how to assess awards against the subsidy control principles</b>		
Good	29	51%
Poor	11	19%
<b>Area of subsidy awards</b>		
Culture or heritage	15	26%
Employment	9	16%
Energy Efficiency	11	19%
Environmental Protection	4	7%
Infrastructure	12	21%
Regional Development	16	28%
Rescue Aid	2	4%
Research and Development	13	23%
Services of Public Economic Interest	8	14%
SME (Small/Medium-sized enterprise) Support	25	44%
Training	7	12%
Other	2	4%
Did not award any subsidies in any of the above areas	7	12%
<b>Total</b>	<b>57</b>	<b>100%</b>

As outlined in Figure 14 below, PAs who participated in the research most commonly awarded subsidies during the interim period in the areas of SME support (44%), Regional development (28%), Culture or Heritage (26%), Research and Development (23%) and infrastructure (21%).

Respondents were able to select all areas they had awarded subsidies in during the interim period, therefore, the sum of the total responses may exceed 100%.

**Figure 14: Subsidy awards by area during the interim period**



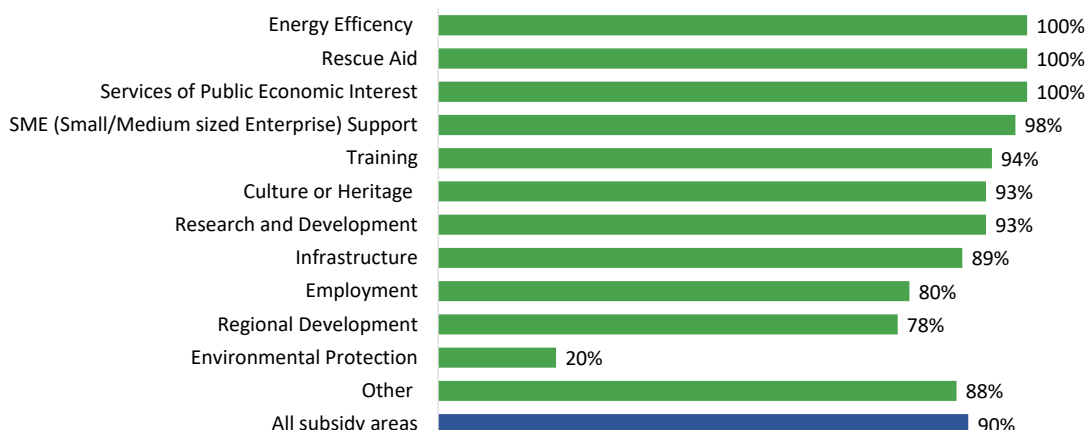
A1: Areas that organisations awarded subsidies for between January 2021 and January 2023 Base: All (57)

Description of Figure 14: A bar chart down side axis. Chart shows the areas public authorities most commonly awarded subsidies under during the interim period. 44% awarded subsidies in the areas of SME Support, 28% in Regional Development, 26% in Culture or Heritage and 23% in Research and Development.

For those PAs who awarded Streamlined Routes relevant subsidies (n=30), the most common area was SMEs (n=22), Energy Efficiency (n=11) and Research and Development (n=9). Those other PAs (n=34) most commonly worked in Regional Development (n=16), Culture or Heritage (n=15) and SMEs (n=11).

Looking at the proportion of subsidies ultimately awarded, PAs ended up awarding subsidies in Energy Efficiency, Rescue Aid, and Services of Public Economic Interest in every instance that they began the process for. The majority of subsidies awarded across other areas were ultimately awarded in more than 80% of the subsidies they were began in. Subsidies in Environmental Protection, however, were the least successful with just 20% being successfully awarded.

**Figure 15: Success of subsidy awards during the interim period**

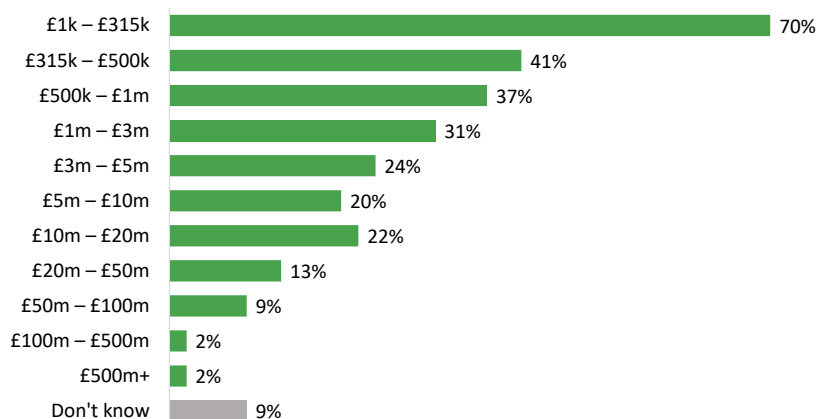


A3/A4: How many times a subsidy has been awarded as a percentage of times a subsidy process was initiated  
 Base: All (57)

Description of Figure 15: A bar chart down side axis. Chart shows the success rate of public authorities when awarded subsidies in specific areas. Public authorities awarding subsidies in Energy Efficiency, Rescue Aid and Services of Public Economic Interest were all successful 100% of the time.

Seven in ten (70%) of PAs awarded subsidies with values of between £1k-£315k, 4 in 10 (41%) awarded subsidies with values of between £315k-£500k and approximately a third awarded subsidies with values of between £500k-£1m (37%) and between £1m-£3m (31%).

**Figure 16: Subsidy awards by value during the interim period**



A5: What value awards did you make between January 2021 and January 2023? Base: All (54)

Description of Figure 16: A bar chart down side axis. Chart shows the percentage of public authorities who awarded subsidies of different value awards. 70% of public authorities surveyed awarded subsidies valued at between £1,000 and £315,000, falling to 41% for those valued £315,000 up to £500,000 and 37% for those valued between £500,000 and £1 million.

## Profile of respondents in the qualitative stage

The below table shows the number and proportion of completed qualitative interviews achieved during the research, with 17 responses in total. As discussed above, in addition to the qualitative interviews, 4 mapping discussions were held with DBT and other wider stakeholders, which fed into the analysis framework and were utilised for thematic analysis.

**Table 10: Overview of participants in the qualitative stage by subsidy purpose**

Purpose	Achieved	Percentage
Culture or heritage	3	18%
Employment	2	13%
Energy Efficiency	2	12%
Environmental Protection	2	12%
Infrastructure	4	24%
Regional Development	5	30%
Rescue Aid	1	6%
Research and Development	2	12%
Services of Public Economic Interest	3	18%
SME (Small/Medium-sized enterprise) Support	7	42%
Training	2	12%
Other	5	30%

**Table 11: Overview of participants in the qualitative stage by subsidy award value**

Value	Number of participants	Percentage
£1k- £315k	11	47%
£315k - £500k	8	30%
£500k -£1m	5	24%
£1m - £3m	6	30%
3m - £5m	3	18%

£5m - £10m	2	12%
£10m - £20m	2	12%
£20m - £50m	1	6%
£50m - £100m	1	6%
£100m - £500m	0	0%
£500m+	1	6%

**Table 12: Overview of participants in the qualitative stage by experience of awarding subsidies**

Experience	Number of participants	Percentage
Found subsidy awarding process easy	9	53%
Found subsidy awarding process hard	5	29%
Neither easy nor difficult	1	6%
Don't know	2	12%
<b>Total</b>	<b>17</b>	<b>100%</b>

## Subsidy Awards Database Analysis

The tables below show the frequency of awards in each categorisation, as well as the un-rounded total, mean, median, minimum, and maximum values.<sup>18</sup>

### All subsidies

**Table 13: All subsidy values by purpose**

Purpose	Frequency	Sum	Mean	Median	Minimum	Maximum
<b>COVID-19 support</b>	38	£11 million	£0.3 million	£8,000	£2,667	£2.9 million
<b>Culture or Heritage</b>	136	£273 million	£2.2 million	£0.8 million	£18,747	£78 million

<sup>18</sup> Note that the information in Table 10 is based on the information uploaded onto the Subsidy Award Database and therefore is unlikely to contain all lower value subsidy awards.

<b>Employment</b>	28	£307 million	£11 million	£0.9 million	£50,000	£233 million
<b>Energy efficiency</b>	196	£226 million	£2 million	£0.2 million	£6,000	£14 million
<b>Environmental protection</b>	3,330	£10,288 million	£3 million	£0.4 million	£7,953	£733 million
<b>Housing</b>	175	£747 million	£4.3 million	£1 million	£16,000	£91 million
<b>Infrastructure</b>	197	£15,655 million	£80 million	£10 million	£50,000	£4,185 million
<b>Regional Development</b>	66	£200 million	£3 million	£1 million	£49,864	£50 million
<b>Rescue Aid</b>	11	£828 million	£75 million	£0.7 million	£0.5 million	£685 million
<b>Services of economic public interest</b>	119	£836 million	£7 million	£0.4 million	£12,660	£185 million
<b>Research and Development</b>	4,089	£1,955 million	£0.5 million	£0.2 million	£1,376	£210 million
<b>SME support</b>	513	£215 million	£0.42 million	£0.4 million	£58,000	£12 million
<b>Training</b>	8	£9 million	£1.3 million	£0.6 million	£0.5 million	£5 million
<b>Other</b>	118	£26,467 million	£141 million	£0.8 million	£42,210	£5 million
<b>All subsidies</b>	<b>9,181</b>	<b>£58,215 million</b>	<b>£2.7 million</b>	<b>£0.3 million</b>	<b>£1,376</b>	<b>£22,000 million</b>

## Subsidies awarded in areas or purposes normally considered under Streamlined Routes

*Table 14: Subsidy values by areas or purposes normally considered under Streamlined Routes*

<b>Purpose</b>	<b>Frequency</b>	<b>Sum</b>	<b>Mean</b>	<b>Median</b>	<b>Minimum</b>	<b>Maximum</b>
<b>Employment</b>	26	£43 million	£1.7 million	£0.8 million	£0.5 million	£12 million
<b>Energy efficiency</b>	196	£226 million	£2.1 million	£0.2 million	£14,003	£14 million
<b>Research and development</b>	4,009	£1,128 million	£0.3 million	£0.2 million	£1,376	£3 million
<b>SME support</b>	513	£215 million	£0.4 million	£0.4 million	£58,000	£12 million
<b>All Streamlined Routes</b>	4,744	£1,612 million	£0.4 million	£0.2 million	£1,376	£14 million



relevant subsidies						
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**Other subsidies deemed to be routine and low risk**

**Table 15: Values for subsidies deemed to be routine and low risk, excluding those considered to match those now under Streamlined Routes**

Purpose	Frequency	Sum	Mean	Median	Minimum	Maximum
<b>COVID-19 support</b>	160	£248 million	£1.5 million	£0.9 million	£2,667	£8 million
<b>Culture or Heritage</b>	130	£166 million	£1.3 million	£0.8 million	£10,900	£14 million
<b>Environmental protection</b>	3,193	£3,450 million	£1 million	£0.4 million	£7,953	£15 million
<b>Housing</b>	163	£339 million	£2.1 million	£1 million	£16,000	£13 million
<b>Infrastructure</b>	122	£587 million	£4.8 million	£3.5 million	£50,000	£15 million
<b>Regional Development</b>	64	£169 million	£2.6 million	£1 million	£49,864	£15 million
<b>Training</b>	7	£9 million	£1.3 million	£0.6 million	£0.5 million	£5 million
<b>N/A</b>	136	£0	£0	£0	£0	£0
<b>Other</b>	100	£114 million	£1.1 million	£0.8 million	£42,210	£10 million
<b>All routine and low risk subsidies (excl. Streamlined Routes)</b>	<b>3,969</b>	<b>£5,280 billion</b>	<b>£1.3 million</b>	<b>£0.4 million</b>	<b>£2,667</b>	<b>£15 million</b>



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