

Refining the UK subsidy control regime - response from the Competition and Markets Authority

Background

1. The CMA is the UK's principal competition and consumer authority. It is an independent non-ministerial government department and its responsibilities include carrying out investigations into mergers and markets and enforcing competition and consumer law. The CMA helps people, businesses and the UK economy by promoting competitive markets and tackling unfair behaviour.¹
2. The Subsidy Advice Unit (SAU) was established within the CMA as a Committee of the CMA Board as set out in the Subsidy Control Act 2022, and began operations on 4 January 2023. The SAU plays a defined role in the UK's subsidy control regime through two functions:
 - (a) Providing non-binding reports to public authorities on certain subsidies (review function). These reports evaluate the public authority's assessment of compliance against the requirements under legislation in defined circumstances:
 - (i) Subsidies which meet the criteria of a Subsidy or Scheme of Particular Interest (SSoPI) must be referred to the SAU for review (mandatory referral)
 - (ii) Subsidies which meet the criteria of a Subsidy or Scheme of Interest (SSoI) can voluntarily be referred to the SAU for review (discretionary referral)
 - (iii) The DBT Secretary of State can also 'call in' any subsidy pre- or post-award to be treated as an SSoPI
 - (b) Monitoring and reporting on the effective operation of the subsidy control regime (monitoring function).

¹ The CMA's statutory duty is to promote competition, both within and outside the UK, for the benefit of consumers. The CMA's draft Annual Plan for 2025/26 was published on 13 January 2025 - [Growth, opportunity, and prosperity for the UK at the heart of the CMA's next Annual Plan - GOV.UK](#)

3. The CMA considers that this is an appropriate point at which to consider whether the thresholds for SSoPIs are working as intended and whether new Streamlined Routes would be appropriate. This response to the [Department for Business and Trade's \(DBT\) consultation](#) on these points focuses on the thresholds for mandatory referral of subsidies to the CMA, and is based on information the SAU holds on referrals received to date. The SAU has also provided some evidence in relation to Streamlined Routes.
4. The SAU has set out information it holds that may be helpful to DBT's decision-making against the relevant questions in the consultation document. In relation to broader questions about the subsidy control regime, the SAU is required to provide a report in 2026 which will consider the effectiveness of the subsidy control regime and its impact on competition and investment within the UK.

Competition and Markets Authority

January 2025

Question 1: What in your view should the threshold for mandatory referral of subsidies of particular interest be? Please include any supporting evidence for the appropriateness of your suggested threshold. For context, the current threshold is £10 million.

1. The SSoPI criteria as defined by the threshold play a determinant role in the scope of the SAU’s referral work. The UK Government’s impact assessment², which supported the introduction of the current threshold, estimated these criteria would capture 15 SSoPIs per year, based on analysis of the interim subsidy control regime. This analysis also estimated that 11 SSols per year would be captured.
2. A total of 68 reports have been published by the SAU in 2023 and 2024, all of which were referred as SSoPIs. The SAU has analysed these reports to assess which referrals may not have been made if the SSoPI threshold were increased from the current level – where “the total amount of the subsidy and any other related subsidy given to the same enterprise [...] within the applicable period exceeds £10 million”.³
3. The analysis looks at alternative potential thresholds of £15 million, £20 million, £25 million and £30 million. This is based on information provided to the SAU by public authorities at the time of referral about the total value of the subsidy awarded, or maximum award under a subsidy scheme.
4. This analysis assumes no change in additional requirements within the Subsidy Control (Subsidies and Schemes of Interest or Particular Interest) Regulations 2022 on areas such as restructuring and cumulation of subsidies. It also makes no judgement on whether a subsidy or scheme could have still been referred as a result of the public authority determining that it either fell under a sensitive sector or would cumulate with another related subsidy.

Figure 1 – Number of completed referrals that potentially would not have been referred to the SAU under alternative thresholds of >£15m, >£20m, >£25m or >£30m, 2023-2024

Threshold	Referrals	Reduction in referrals	% reduction
> 10m (current threshold)	68	N/A	N/A
> £15m	58	-10	-15%
> £20m	54	-14	-21%
> £25m	49	-19	-28%
> £30m	44	-24	-35%

² [Subsidies of Interest and Particular Interest Regulations: analytical document](#)

³ [The Subsidy Control \(Subsidies and Schemes of Interest or Particular Interest\) Regulations 2022](#), section 3 (2)(b)

5. Our analysis in Figure 1 above shows that between 15% and 35% of referrals made to the SAU and completed between the beginning of 2023 and the end of 2024 could have fallen below the SSoPI threshold when looking at hypothetical threshold increases in increments of £5 million (up to > £30 million).⁴

Figure 2 – Reduction in completed referrals to the SAU from types of public authorities⁵ under alternative thresholds of >£15m, >£20m, >£25m or >£30m, 2023-2024

Potential threshold increase	UK Government (35 referrals)	Devolved nation government (8 referrals)	Non-departmental public body (UKG or DN) (6 referrals)	Combined or local authority (20 referrals)	Public investment banks (2 referrals)
> £15m	-1	0	-2	-7	0
> £20m	-1	-1	-2	-10	0
> £25m	-3	-1	-4	-11	0
> £30m	-5	-2	-5	-12	0

6. Figure 2 shows that an increase in the SSoPI threshold to either > £15 million or > £20 million could have the highest impact on referrals by combined and local authorities. If the threshold had exceeded £20 million, the number of reports published for this group could halve from 20 to 10.
7. The impact of the potential threshold increases included in this analysis would appear to be lowest on the number of referrals from the UK government – although the figures in Figure 2 for devolved nation governments, non-departmental public bodies and public investment banks should be treated with a degree of caution due to the low number of reports across 2023 and 2024 for these groups (8, 6 and 2 respectively).

⁴ Full list of reports included in this analysis is available in Annex A

⁵ Three SAU reports have been published for subsidies or schemes co-referred by two different types of public authority

Question 2: What in your view should the threshold for mandatory referral of subsidies of particular interest be where the subsidy or scheme concerns a sensitive sector? Please include any supporting evidence for the appropriateness of your suggested threshold. For context, the current threshold is £5 million.

8. The SAU has not received any referrals to date for SSoPIs in sensitive sectors on the sole basis that the value was over £5 million and up to £10 million.⁶
9. Of the subsidies and schemes listed in Annex A, three which could have been potentially categorised as involving a sensitive sector are:
 - a. Scottish Enterprise Capital Investment Scheme, maximum award of £15 million (allows awards to beneficiaries in sensitive sectors)
 - b. UK Space Agency Connectivity in Low Earth Orbit Programme, maximum award of £25 million (manufacture of air and spacecraft and related machinery)
 - c. Industrial Energy Transformation Fund Phase 3, maximum award of £30 million (allows awards to beneficiaries in sensitive sectors)
10. While the number of referrals in Annex A involving a sensitive sector is low, and this could change over time, this analysis could suggest that a moderate increase in thresholds (e.g. up to £20 million) for sensitive sectors is unlikely to have a significant impact on which referrals are made to the SAU.

Question 4: What in your view should the threshold for voluntary referral of subsidies to the CMA be? For context, the current thresholds mean subsidies between £5 million and £10 million can be referred voluntarily.

11. To date, the SAU has not received any referrals for SSols.
12. It is difficult for the SAU to determine how many of the mandatory referrals received to date would still have been made if the public authority had been given the option to refer voluntarily instead. It is possible that some may have elected to do so, but the trend to date (i.e. no SSol referrals) suggests a limited appetite among public authorities for making voluntary referrals.

⁶ The SAU has received referrals for subsidies and schemes that could have been considered to fall under a sensitive sector, but these were not referred on the basis of that the value was over £5 million and up to £10 million.

13. As set out in the SAU Guidance⁷, if the SAU receives a voluntary referral it will assess whether to accept or reject the referral against published prioritisation principles.

Question 5: Do you have any other comments or views on the CMA referral process?

14. The SAU welcomes feedback and suggestions about the referral process and continues to encourage public authorities to provide this following the conclusion of each referral. The SAU is required to provide a report in 2026 which will consider the effectiveness of the subsidy control regime including the referral process.

Question 7: Would you support the creation of a new streamlined route focused on community regeneration? If so, what would you like to see a route cover?

15. The SAU has published 15 reports to date that could relate to community regeneration (regeneration projects, increasing the number of affordable homes and the provision of leisure facilities).⁸ All of these concerned subsidies are above the SSoPI threshold and therefore represent only a proportion of subsidies that potentially would be captured by a streamlined route for community regeneration.

Question 8: Would you support the creation of a streamlined route focused on arts and culture? If so, what would you like to see a route cover?

16. The SAU has published 7 reports to date that could relate to arts and culture (including tourism projects).⁹ All of these concerned subsidies are above the SSoPI threshold and therefore represent only a proportion of subsidies that potentially would be captured by a streamlined route for arts and culture.

⁷ [Operation of the subsidy control functions of the Subsidy Advice Unit](#)

⁸ Full list of reports that could be related to community regeneration is available in Annex B

⁹ Full list of reports that could be related to arts and culture is available in Annex C

Annex A – List of reports for referrals that potentially would not have been referred to the SAU if the SSoPI threshold was >£15m, >£20m, >£25m or >£30m, 2023-2024

	Public Authority	Referral	Subsidy or Scheme	Subsidy value or maximum scheme award (rounded up)	SSoPI threshold at which excluded
1	Dundee City Council	Loganair Ltd [Dundee – London air service]	Subsidy (cumulation)	£6.2m ¹⁰	> £15m
2	Arts Council England	English National Opera	Subsidy	£11.5m	> £15m
3	South Yorkshire Mayoral Combined Authority	Capital and Centric (505) Ltd [Cannon Brewery regeneration project]	Subsidy	£11.6m	> £15m
4	Plymouth City Council	Plymouth Citybus Limited [zero emissions buses]	Subsidy	£12.3m	> £15m
5	Belfast City Council	Gobbins Phase 2 Project	Subsidy	£12.6m	> £15m
6	Birmingham City Council	Stoford Digbeth Ltd [redevelopment of Typhoo building]	Subsidy	£14.3m	> £15m
7	Sheffield City Council	Sports and Leisure Management Ltd [operation of health, leisure and wellbeing facilities]	Subsidy	£14.5m	> £15m
8	Department for Energy Security and Net Zero	Heat Pump Investment Accelerator Competition	Scheme	£15m	> £15m
9	Scottish Enterprise	Capital Investment Scheme	Scheme	£15m	> £15m
10	Tees Valley Combined Authority	Hartlepool Waterfront Housing Scheme	Subsidy	£15m	> £15m
11	Tees Valley Combined Authority	Leisure and wellbeing hub	Subsidy	£15.3m	> £20m
12	London Borough of Barnet	Related Argent Property Ltd [Brent Cross regeneration project]	Subsidy	£17.5m	> £20m
13	Greater Manchester Combined Authority	Greater Manchester Brownfield Housing subsidy scheme	Scheme	£20m	> £20m
14	Welsh Government	Medium and High-Rise Residential Building Fire Safety Capital Grant (Social Sector) Scheme	Scheme	£20m	> £20m

¹⁰ Referred to the SAU due to cumulation with a previous subsidy of a similar value

15	Department for Energy Security and Net Zero	National Nuclear Laboratory Ltd	Subsidy	£21.5m	> £25m
16	Warrington Borough Council	Warrington Livewire [operation of health, leisure and wellbeing facilities]	Subsidy	Between £8.8m million and 'a minimum of around £24m' ¹¹	> £25m
17	Arts Council England	English National Opera 2024 to 2026	Subsidy	£24m	> £25m
18	Highlands and Islands Enterprise	Sumitomo Electric Industries Ltd [cable manufacturing factory]	Subsidy	£24.5m	> £25m
19	UK Space Agency	Connectivity in Low Earth Orbit Programme	Scheme	£25m	> £25m
20	Department for Culture, Media and Sport	National Theatre	Subsidy	£26.2m	> £30m
21	Welsh Government	Holyhead Breakwater	Subsidy	£28m	> £30m
22	Department for Energy Security and Net Zero	Industrial Energy Transformation Fund Phase 3	Scheme	£30m	> £30m
23	Homes England	Barking Riverside Ltd	Subsidy	£30m	> £30m
24	Belfast City Council	Mourne Mountain Gateway Project	Subsidy	£30m	> £30m

¹¹ The precise value of the subsidy referred to the SAU was unclear – please see [Subsidy Advice Unit Report on a Proposed Subsidy to Warrington LiveWire](#) for further information

Annex B – Reports published by the SAU potentially relating to community regeneration, 2023-2024

	Public Authority	Referral	Subsidy or Scheme	Subsidy value or maximum scheme award (rounded up)
1	South Yorkshire Mayoral Combined Authority	Capital and Centric (505) Ltd [Cannon Brewery regeneration project]	Subsidy	£11.6m
2	Birmingham City Council	Stoford Digbeth Ltd [redevelopment of Typhoo building]	Subsidy	£14.3m
3	Sheffield City Council	Sports and Leisure Management Ltd [operation of health, leisure and wellbeing facilities]	Subsidy	£14.5m
4	Tees Valley Combined Authority	Hartlepool Waterfront Housing Scheme	Subsidy	£15m
5	Tees Valley Combined Authority	Leisure and wellbeing hub	Subsidy	£15.3m
6	London Borough of Barnet	Related Argent Property Ltd [Brent Cross regeneration project]	Subsidy	£17.5m
7	Greater Manchester Combined Authority	Greater Manchester Brownfield Housing subsidy scheme	Scheme	£20m
8	Welsh Government	Medium and High-Rise Residential Building Fire Safety Capital Grant (Social Sector) Scheme	Scheme	£20m
9	Warrington Borough Council	Warrington Livewire [operation of health, leisure and wellbeing facilities]	Subsidy	Between £8.8m million and 'a minimum of around £24m' ¹²
10	Homes England	Barking Riverside Ltd	Subsidy	£30m
11	Coventry City Council	Shearer Property Group Ltd [City Centre South regeneration project]	Subsidy	£37.3m
12	Fermanagh and Omagh District Council	Lakeland Forum [refurbishment of leisure centre]	Subsidy	£45.7m
13	London Borough of Barking and Dagenham Council	Barking and Dagenham Homes Limited [provision of affordable housing]	Subsidy	£291.7m
14	London Borough of Barking and Dagenham Council	Barking and Dagenham Reside Weavers LLP [provision of affordable housing]	Subsidy	£299.7m
15	Greater London Authority	Refugee Housing Programme Scheme	Scheme	Scheme value of £126.2m (max. not defined)

¹² The precise value of the subsidy referred to the SAU was unclear – please see [Subsidy Advice Unit Report on a Proposed Subsidy to Warrington LiveWire](#) for further information

Annex C – Reports published by the SAU potentially relating to arts and culture, 2023-2024

	Public Authority	Referral	Subsidy or Scheme	Subsidy value or maximum scheme award (rounded up)
1	Arts Council England	English National Opera	Subsidy	£11.5m
2	Belfast City Council	Gobbins Cliff Walk	Subsidy	£12.6m
3	Arts Council England	English National Opera 2024 to 2026	Subsidy	£24m
4	Department for Culture, Media and Sport	National Theatre	Subsidy	£26.2m
5	Belfast City Council	Mourne Mountain Gateway Project	Subsidy	£30m
6	Lancaster City Council	Eden Project Morecambe	Subsidy	£50.9m
7	Arts Council England	Extension Awards over £1 million	Scheme	Scheme value of £2bn (max. not defined)