

PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT

Fourth Delegated Legislation Committee

DRAFT SUBSIDY CONTROL (SUBSIDIES AND SCHEMES OF INTEREST OR PARTICULAR INTEREST) (AMENDMENT) REGULATIONS 2025

Tuesday 1 July 2025

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The Committee consisted of the following Members:

Chair: KARL TURNER

† Baker, Richard (<i>Glenrothes and Mid Fife</i>) (Lab)	† Madders, Justin (<i>Parliamentary Under-Secretary of State for Business and Trade</i>)
† Botterill, Jade (<i>Ossett and Denby Dale</i>) (Lab)	† Mohindra, Mr Gagan (<i>South West Hertfordshire</i>) (Con)
Butler, Dawn (<i>Brent East</i>) (Lab)	† Nichols, Charlotte (<i>Warrington North</i>) (Lab)
† Cleverly, Sir James (<i>Braintree</i>) (Con)	Olney, Sarah (<i>Richmond Park</i>) (LD)
Cooper, Daisy (<i>St Albans</i>) (LD)	† Poynton, Gregor (<i>Livingston</i>) (Lab)
† Gemmell, Alan (<i>Central Ayrshire</i>) (Lab)	† Smith, Greg (<i>Mid Buckinghamshire</i>) (Con)
† Griffiths, Alison (<i>Bognor Regis and Littlehampton</i>) (Con)	† Wakeford, Christian (<i>Bury South</i>) (Lab)
† Hamilton, Paulette (<i>Birmingham Erdington</i>) (Lab)	Aaron Kulakiewicz, Emma Elson, <i>Committee Clerks</i>
† Hatton, Lloyd (<i>South Dorset</i>) (Lab)	† attended the Committee
† Hughes, Claire (<i>Bangor Aberconwy</i>) (Lab)	

The following also attended, pursuant to Standing Order No. 118(2):

Jones, Clive (*Wokingham*) (LD)

Fourth Delegated Legislation Committee

Tuesday 1 July 2025

[KARL TURNER *in the Chair*]

Draft Subsidy Control (Subsidies and Schemes of Interest or Particular Interest) (Amendment) Regulations 2025

2.30 pm

The Parliamentary Under-Secretary of State for Business and Trade (Justin Madders): I beg to move,

That the Committee has considered the draft Subsidy Control (Subsidies and Schemes of Interest or Particular Interest) (Amendment) Regulations 2025.

It is a pleasure to see you in the Chair this afternoon, Mr Turner. The regulations were laid in draft before the House on 2 June. The Subsidy Control Act 2022 came into force in January 2023. It was designed to balance the need for streamlined processes to ensure that public authorities can quickly and effectively give subsidies to support businesses where it matters with the need to ensure that subsidies are proportionate, represent good value for the taxpayer and do not unduly impact competition and investment. The Act also ensures that our international obligations on subsidy control are reflected in our domestic legislation.

When this Government were elected last year, we were keen to test whether the legislation had achieved the correct balance, or whether changes could be made to improve the functioning of the UK subsidy control regime. Following discussions with officials, feedback from affected public authorities and a public consultation, we have decided to amend the legislation.

The regulations set out which subsidies face mandatory referral for scrutiny by the Competition and Markets Authority's subsidy advice unit and which may be voluntarily referred. The CMA review process is designed to capture the larger subsidies, which have the greatest risk of distorting competition or investment. Once the CMA has accepted a referral, it must publish a non-binding report on the assessment of the subsidy's compliance with the Subsidy Control Act within 30 working days. Using feedback from the CMA's report, the public authority awarding the subsidy should improve the design of its subsidy or its assessment of compliance, thus reducing the potential harm caused by the subsidy. As the CMA's reports are published, the referral process improves the transparency of subsidy giving, offering competitors the opportunity to better understand when their rivals are receiving subsidies and when they may wish to challenge an unfair subsidy.

The regulations update the existing regulations, changing the definition of a subsidy or scheme of particular interest, to which I will now refer as a SSoPI. A SSoPI requires mandatory referral to the CMA for scrutiny. The amendment to the definition of a SSoPI increases the threshold at which a subsidy attracts mandatory scrutiny. Currently, that is set at £10 million for non-sensitive sectors; the amendment moves it to £25 million.

This is being done in response to stakeholder feedback that the £10 million threshold was too low and captured subsidies that posed only a low risk of distortion, including subsidies for leisure centres and wellbeing hubs, which pose a comparatively low risk of harming competition or investment in the UK or trade and investment internationally. The new £25 million threshold represents a proportionate approach that will allow the CMA to focus its resources on the effective scrutiny of the larger subsidies that pose the greatest risk to the UK's internal market and to international trade.

While we are adjusting the mandatory referral threshold, the voluntary referral threshold, currently set at £5 million, will remain the same. That will allow public authorities to voluntarily refer subsidies that would previously have faced mandatory referral if they consider that the subsidies would benefit from additional scrutiny. The rules around accumulating related subsidies will also remain the same, ensuring that the cumulative distortive effect of subsidies to a particular enterprise is still captured and scrutinised.

We will retain the existing list of sensitive sectors and the lower £5 million threshold at which subsidies in new sectors face mandatory CMA referrals. There is a strong rationale for effective scrutiny of those subsidies to mitigate the risk of trade distortion and international challenge. Scrutiny by the CMA does not prevent the awarding of those subsidies, but will give public authorities the chance to strengthen their assessment of compliance as well as their subsidy, and mitigate any risks. These sectors were previously deemed to pose a higher risk of international challenge, and at present there is little evidence to support amending the list. On balance, the evidence provided in response to our recent consultation did not point towards any amendment of it.

As I hope is clear, the intention behind the regulations is to update the thresholds for CMA scrutiny in a measured and proportionate way, reducing administration while retaining effective scrutiny where it matters most. I commend the regulations and invite the Committee to support the passage of this instrument.

2.35 pm

Greg Smith (Mid Buckinghamshire) (Con): It is a pleasure to see you in the Chair and to serve under your chairmanship, Mr Turner, and an enormous pleasure on this hot day to speak on the draft Subsidy Control (Subsidies and Schemes of Interest or Particular Interest) (Amendment) Regulations 2025.

The regulations seek to raise the threshold at which public subsidies must be referred to the Competition and Markets Authority's subsidy advice unit from £10 million to £25 million. Let me be clear from the outset: the Opposition support a competitive, pro-investment environment in which Government act as careful stewards of taxpayers' money. The principle of subsidy control is an important one. It ensures fair competition and transparent decision making in line with our international obligations and trade agreements. But this statutory instrument places us in a difficult position.

The Government are asking the Parliament to make a serious judgment on balancing the need to reduce burdens on public authorities and the need to maintain scrutiny of how large sums of taxpayer money are spent, but, remarkably, no impact assessment has been produced. Without one, it is almost impossible to determine the full consequences of this change.

We are told that increasing the threshold to £25 million will reduce the number of referrals by 28%. That might sound attractive on the surface—less red tape, fewer delays—but at what cost? We do not know how many significant subsidies—those with the potential to distort markets or that give rise to genuine competition concerns—will escape scrutiny under the new threshold; nor do we know the value of public funds that could be allocated without independent oversight. That brings me to the central flaw of the Government's approach. They are asking Parliament to approve a relaxation of oversight mechanisms without providing it with the data to make an informed decision.

The Government's own consultation received just 45 responses. Of those, a bare majority—23—supported increasing the threshold, and even on that views diverged widely, with some suggesting a threshold of £20 million, others £30 million and some even more than that. Eleven respondents opposed the change entirely, and the rest offered either no view or neutral comments. There is no transparency in the breakdown of those responses—no indication of who responded or the weight that should be given to their views. Why is that, and why has the Minister brought forward this change without providing a proper breakdown of consultation responses? More to the point, why was no impact assessment published? When public authorities and businesses alike are being asked to adjust to a new framework, this lack of rigour is unacceptable.

I have a wider point to make about the process and precedent. The Subsidy Control Act 2022, passed under a Conservative Government, was designed to replace the overly rigid EU state aid regime with a proportionate, sovereign system that protects the taxpayer while empowering public authorities to support investment. However, that system depends on the oversight and credibility of the CMA's subsidy advice unit. If we start removing that oversight without evidence, we risk undermining the very confidence the system is meant to inspire. The Government argue that this change will allow the CMA to focus on higher-value cases, but without the data we cannot verify whether that trade-off is sound.

This is a serious matter that has real-world implications for competition, taxpayers and the integrity of public spending. The Opposition are not opposed in principle to reforming thresholds, but we do believe that any such reforms must be supported by evidence, transparency and proper parliamentary scrutiny. Until the Government are willing to provide that, we are not in a position to support or oppose these regulations. We will not hinder their passage; we will not vote one way or the other—not out of indecision, but because this Government have failed to provide us with the information needed to make a responsible and informed choice on behalf of our constituents.

2.39 pm

Justin Madders: I note the shadow Minister's comments and his position on this. I will try to give him some reassurance. The reason no impact assessment has been prepared is that the regulations are below the de minimis threshold for an impact assessment. They are merely about the familiarisation that public bodies will need to undergo to assess whether the referral process would apply to a particular subsidy. His concern that the regulations will lead to no scrutiny of public subsidies rather misses the point. A wide range of these public bodies have their own scrutiny processes, and lots of the referrals are from local authorities, which have well-established scrutiny processes. There will also be a CMA report next year that sets out the detail of how the scheme has operated in its first three years.

The shadow Minister is right to question the threshold. I am sure that he would expect me, as the Minister, to grill officials—on a hot day like this, grilling is appropriate—on whether the large increase is right. What I have gleaned from that is that the number of referrals to the CMA is significantly higher than was anticipated when the 2022 Act was brought in. Some of the subsidies that have been referred are not the sort that the CMA needs to be concerned about. For example, leisure centres and Arts Council England subsidies to the English National Opera are not matters that I consider to be of particular relevance to the CMA's actions, and will certainly not distort international investment flows.

A wide range of bodies responded to the consultation, including local authorities, employers, business organisations and the British Chambers of Commerce. The suggestions made have been considered. As the shadow Minister pointed out, a number of different suggestions were made about the threshold—some were as high as £100 million. I am sure that the hon. Gentleman would be even more concerned if we had gone as high as that. We think we have struck the right balance to modernise and update the subsidy threshold. It goes without saying that construction costs have gone up year on year. This increase is not intended to be annual, so there is an element of future-proofing. As I said, the CMA will produce its monitoring report this year, which will give us all an opportunity to see how this has worked in practice.

The shadow Minister made fair challenges. I hope that I have given him some reassurance that we considered this matter carefully before bringing forward the regulations. I commend them to the Committee.

Question put and agreed to.

2.43 pm

Committee rose.

