

Subsidy control consultation – Designing a new approach for the UK

March 2021

1. About Yorkshire Universities

Since 1987, Yorkshire Universities (YU) has been the regional voice for higher education in Yorkshire. YU represents eleven universities and one specialist higher education institution (HEI).

YU is a unique partnership based on a shared commitment to strengthen the contribution that universities and HEIs make (individually and collectively) to the economic, social, cultural and civic life and well-being of people and places in Yorkshire.

YU members remain firmly embedded in local economies and communities, working with public and private sector organisations of all sizes. Our members are vital anchor institutions driving local and regional growth. It is with this contribution in mind that we respond to the subsidy control consultation, with a particular focus on (a) the importance of a place-based approach that recognises the historic underinvestment in some regions of the UK and (b) the vital need for support for research and innovation activities.

2. Key points

- YU welcomes the core principle of the new system: to empower local authorities, public bodies and devolved administrations, by allowing them to decide if they can issue taxpayer subsidies by following a set of UK-wide principles.
- We also welcome the focus on achieving strong benefits and good value for money for the UK taxpayer, while awarding subsidies in a timely and effective way. Business growth, innovation, maintaining a competitive market economy, protecting the UK internal market, and avoiding wasteful spending are also important priorities.
- The objectives of this approach include ‘levelling up’ economic growth in the regions, tackling climate change, and supporting economic recovery from the COVID-19 pandemic. In particular, **a considered and clearer definition of ‘levelling up’, and its wider relationship to devolution, local growth funding programmes, and tackling structural inequalities, is needed.**

This agenda requires focusing attention and efforts on narrowing the structural barriers to improved economic, social and health opportunities and outcomes, between regions. As some experts have suggested, this requires a fundamental examination of how we organise our lives, and the operation of, and value we place on, our social and economic systems. It also needs government policies and interventions (such as subsidy controls) to be more sensitive and specific to individual places.

- As such, as we look to the future, any meaningful recovery and rebuilding will depend on doubling down on the social and spatial inequalities we face as a country and as a region. The disparities between regions in England were widening when COVID emerged, and they have been exacerbated since. We know that regions, such as Yorkshire, have been less resilient and have taken longer to bounce back from previous shocks, and that a similar pattern may arise this time. The government's subsidy regime strategy can, and should, play an active role in addressing regional disparities. Without active intervention we will struggle to 'level up' rates of research and development and innovation in those regions that have suffered from decades of uneven investment and structural inequalities as a result of concentrating investment and support in wealthier regions. **Eligibility for subsidies or grant rates will need to be increased in so-called 'left behind' places.**
- A subsidy deemed permissible by the UK-EU Trade and Cooperation Agreement (TCA) is R&D-related activity. This covers fundamental research, industrial research and experimental development, and we recognise that any subsidies would need to be necessary, proportionate and not primarily designed to attract investment from other parts of the UK or from trading partners. Despite being mentioned throughout the consultation, **innovation should also be recognised here specifically.** Innovation support, as delivered by universities, supports business growth, productivity and international competitiveness.
- Most R&D and innovation interventions in the previous regime could be approved under the General Block Exemption Regulation with relative ease – for example through the RDI or local infrastructure provisions, the *de minimis* exemption, or if needed, the RDI Framework. These routes were used to endorse, for example, projects funded by the UK Research Partnership Investment Fund (UKRPIF) and the Strength in Places Fund. Similar **approval methods will be needed in the new regime.**
- Since the UK has now left the EU, and the new subsidy control regime is not yet in place, there is currently no legislative mechanism which would allow UKRI, or any other source of public money, to fund many types of activity between, for example, universities, public sector research establishments, or Catapult Centres, when that activity provides a comparative advantage to one 'undertaking' over another. **We ask for clarity on interim arrangements.**
- The new subsidy regime needs to complement the Plan for Growth, forthcoming UK investment framework (expected later in 2021), Devolution

White Paper, the government consultation on the reform of R&D tax reliefs and the proposed R&D Place Strategy and Innovation Strategy.

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