## **Subsidy Control Principles Assessment Template**

Section 12 of the Subsidy Control Act 2022 requires public authorities to consider the subsidy control principles and be of the view that their subsidy or scheme is consistent with those principles before giving an individual subsidy or making a subsidy scheme. This template outlines the main components of the assessment framework which helps to ensure that a subsidy is consistent with these principles. Public authorities should also refer to the full requirements set out in the Act as explained in the Statutory Guidance.[[1]](#footnote-1)

It is recommended that public authorities use this template to assist with documenting their evidence, analysis and conclusions for their principles assessment for most subsidies and subsidy schemes.[[2]](#footnote-2) The depth of the assessment of compliance with the principles for a subsidy or subsidy scheme should be commensurate with the size and the potential distortive impact of the subsidy, or subsidies given under the scheme. This template may be used as the starting point for documenting the principles assessment for Subsidies or Schemes of Interest (SSoIs) or Subsidies or Schemes of Particular Interest (SSoPIs). However, a more extensive assessment on the potential distortive impacts will need to be undertaken for these types of subsidies and schemes.[[3]](#footnote-3)

Public authorities should state what evidence has been used for each component of the assessment. This may involve cross-referencing to specific sections of the associated business case or other internal or external documents. Additionally, it is recommended that public authorities explain their approach to:

* how contradictory or inconsistent evidence was weighed in coming to conclusions under each element of the assessment; and
* any decisions made in relation to the proportionality of not collecting evidence or undertaking analysis as suggested in the Subsidy Control Statutory Guidance.

| **Assessment Framework Component** | **Recommended Evidence** | **Policy Team Evidence** |
| --- | --- | --- |
| **Step 1** | **Policy objective** (Subsidy Control Principle A) | * *Provide details of specific policy objective*
* *Establish the existence and significance of the market failure and/or the inequality the subsidy seeks to address*
* *Identify how the subsidy will remedy the market failure (i.e. provide a more efficient outcome) and/or address the equity objective (reduce an inequality)*
* *State the desired outcome(s)*
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| **Appropriateness** (Subsidy Control Principle E)  | * *Justify why a subsidy is the most appropriate instrument for addressing the identified policy objective and why other instruments have been set aside such as regulation, direct provision of the good or service by the authority, or loans or equity investment on commercial terms*
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| **Step 2** | **Baseline no-subsidy scenario** (Subsidy Control Principles C & D) | * *Set out the future scenario – over both the short and the long-term – In the absence of the subsidy*
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| **Additionality****Assessment** (Subsidy Control Principles C & D) | * *Relative to the baseline/no subsidy scenario, provide details of how the subsidy will lead to a change in the economic behaviour of the beneficiary (and therefore brings about something that would not have occurred without the subsidy) which assists with achieving the policy objective*
* *Please provide appropriate justification if the subsidy will compensate for the costs the beneficiary would have likely funded in the absence of any subsidy such as business as usual costs.*
* *For schemes, please provide details of how it has been designed to exclude any groups of beneficiaries where it can be reasonably determined in advance that there is unlikely to be additional benefits that wouldn't have otherwise happened in the absence of the subsidy. Please provide appropriate justification where it has not been possible/reasonable to identify and exclude these groups.*
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| **Step 3** | **Proportionality and Minimising Distortion**(Subsidy Control Principle B & F) | * *Demonstrate how the subsidy is proportionate and has been designed to minimise any negative effects on competition and investment within the UK whilst still allowing it to meet the policy objective*. *This should include details how you have considered the following subsidy characteristics (where relevant):*
	+ *The nature of the instrument*
	+ *The breadth of beneficiaries and the selection process*
	+ *The size of the subsidy*
	+ *The timespan over which the subsidy is given*
	+ *The nature of the costs being covered*
	+ *The performance criteria*
	+ *Ringfencing*
	+ *Monitoring and evaluation*
 |   |
| **Step 4** | **Balancing Exercise** (Subsidy Control Principle G) | * *Set out details of the expected benefits of the subsidy (as they relate to the specified public policy objective) and its anticipated negative effects, including in particular any negative effects on competition and investment within the UK, and international trade and investment. This should also include any geographical and distributional impacts. Justify why the negative effects are outweighed.*
* *Please note that it will not always be possible to quantify every element of the assessment, and therefore the balancing exercise may need to include both quantitative and qualitative elements.*
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1. [www.gov.uk/government/collections/subsidy-control-regime](http://www.gov.uk/government/collections/subsidy-control-regime) [↑](#footnote-ref-1)
2. A scheme’s consistency with the subsidy control principles is generally assessed in the same manner as for individual subsidies. The assessment should focus on the subsidies that could reasonably be given under the terms of that new scheme that have the highest risk of not complying with the principles. [↑](#footnote-ref-2)
3. As set out in Chapter 3 (‘subsidy design and assessment’) of the statutory guidance, public authorities are advised to follow the same four-step assessment framework for these categories of subsidy and to refer to Annex 2 of the Statutory Guidance as well the Subsidy Advice Unit guidance. [↑](#footnote-ref-3)