



Department for  
Business, Energy  
& Industrial Strategy

**Lord Callanan**  
Minister for Business, Energy and  
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Lord Purvis of Tweed  
House of Lords  
London  
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07 February 2022

Dear Lord Purvis,

Following the second Committee session on the Subsidy Control Bill on 2 February, I am taking the opportunity to write with regard to the interaction of the Bill and levelling-up funds, as well as the relocation prohibition included in the Bill.

### **Levelling Up Fund**

As I have said to the Committee, there is nothing in the Bill that prevents subsidies or funds being allocated on a regional basis, or targeted according to other measures. In that context, you noted that the Levelling Up Fund prospectus refers to the requirements of the subsidy control regime. That is correct and there is no inconsistency there. Where public authorities are accessing money through the Levelling Up Fund (according to the Fund's own criteria for eligibility) and giving it out in the form of subsidies, then of course those subsidies must comply with the subsidy control regime. Addressing regional disadvantage is an equity rationale for the purposes of Principle A, and the other principles will ensure that the subsidies are not given unnecessarily (for example, where the subsidised activity may happen anyway) or in a way that excessively distorts competition.

There is no need for the Fund's eligibility criteria to be incorporated into a Bill that regulates subsidies of all kinds and across all policy areas.

### **Relocation prohibition**

For the purposes of the prohibition on subsidies contingent on relocation between areas, an area will often be that at which a public authority exercises its functions. However, there are exceptions and that is why the term 'area' is not defined in that way in the Bill. This does not, for example, create a de facto exemption for the United Kingdom Government or the Devolved Administrations: clearly the United Kingdom is not an area of the United Kingdom. Nor are Scotland, Wales, Northern Ireland, or England areas.

Clause 18 would prevent the UK Government from giving a subsidy conditional on a factory relocating from Liverpool to Wrexham, or the Scottish Government from relocating a business from Kilmarnock to Inverness. But it will not prevent a local authority using a subsidy to incentivise businesses operating in the outskirts of a town to move onto its high street.



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As I explained to the Committee, the purpose of this clause is to prohibit outright poaching and prevent subsidy races. In those contexts, where an activity is taking place in one area and a public authority is seeking to make the business move into its own area, it will be quite clear what constitutes an area. Especially where two public authorities are using subsidies to 'bid' against each other to force the relocation of a business.

You noted that a public authority could define an area in a contrived way and use that to argue that a relocation subsidy was compliant with the regime. It would not be in the public authority's interests to do so, and this is where the prohibition shows its value.

The subsidy could be challenged by, for example, a local authority where the interests of people in that area were affected by the subsidy. Or by a competitor of the beneficiary. These interested parties could ask the Competition Appeal Tribunal to review whether the subsidy was compliant with the prohibition, which would involve testing the public authority's definition of 'area'.

I hope that this additional information provides the clarity you were hoping for. I will be placing a copy of this letter in the Libraries of the House.

Yours sincerely,

**Lord Callanan**  
Minister for Business, Energy & Corporate Responsibility