

Illustrative Example of How a Streamlined Route Would Operate: Research, Development and Innovation

Explainer

*This document sets out an illustrative example of how a Streamlined Route (or 'Streamlined Subsidy Scheme' as they are referred to in the Subsidy Control Bill¹) would operate for **Research, Development, and Innovation (RD&I)**. It should be read alongside the 'Streamlined Subsidy Schemes: Objectives, Operation and Next Steps' policy statement, which describes the objectives of Streamlined Routes and how Government envisages them working.*

Streamlined Routes may be used on a voluntary basis when awarding a subsidy.² Public authorities awarding financial assistance that is not considered a subsidy do not need to comply with the Subsidy Control regime, and therefore would not use this Streamlined Route.

Currently, as this example of how a Streamlined Route would operate is purely illustrative, it only covers certain categories related to RD&I. If the Government chose to develop an actual Streamlined Route for RD&I the scope would be broadened to include further categories to facilitate other technologies and approaches.

A comprehensive principles assessment has not been completed at this stage. This will be conducted as part of development for each of the actual Streamlined Routes. The Government continues to develop Streamlined Routes policy, and this illustrative example of how a Streamlined Route would operate is not determinative of any actual future RD&I Streamlined Route.

Introduction

1. Streamlined Routes are subsidy schemes that are pre-assessed by the UK Government as compliant with the requirements of the Subsidy Control regime. They provide all UK public authorities with a way to award subsidies that is even simpler than the baseline method of principle-by-principle assessment. Public authorities will only need to demonstrate that they meet the specific parameters for that Streamlined Route; this will ensure that they are able to deliver these subsidies with minimal bureaucracy and maximum certainty.

¹ See clause 10 of the Subsidy Control Bill.

² As defined in Chapter 2 of Part 1 of the Subsidy Control Bill.

2. Use of Streamlined Routes is entirely voluntary. A public authority can choose not to use a Streamlined Route and still award an individual subsidy, or develop their own scheme, after undertaking a principle-by-principle assessment.

Purpose

3. This Streamlined Route is for **RD&I** subsidies. It has been developed to facilitate the award of subsidies to achieve UK wide strategic objectives through RD&I. Bringing jobs, growth and prosperity to all parts of the UK.

Use

4. This Streamlined Route can be used by any UK public authority to award eligible subsidies to enterprises for the RD&I categories listed below:
 - **Category 1: Research, Development, and Innovation Projects** are undertaken by single enterprises or multiple enterprises in collaboration, with the aim of improving processes, products and knowledge.
 - **Category 2: Research Infrastructure and Process Improvement** are the methods and resources the scientific community require to undertake research and can include facilities, information technology, organisational processes and equipment etc.
 - **Category 3: Business Development Services for Research, Development, and Innovation** are services that support the development and growth of organisations involved in RD&I and can include obtaining patents, secondments of highly qualified personnel, technical support services and advisory services for identifying new markets etc.
 - **Category 4: Fundamental Research** is experimental or theoretical work primarily to gain new knowledge of underlying phenomena and visible facts, without any direct practical application or usage.

[Certain types of RD&I funding do not meet the definition of a subsidy and therefore do not need to comply with the Subsidy Control regime. For example, funding for universities, research organisations and not-for-profit organisations undertaking non-commercial activities. Category 4 'Fundamental Research' in Annex A has been included for instances where an enterprise (as defined in the Subsidy Control bill) is acting commercially i.e., putting a good or service on the market. This would not typically include those entities whose principle focus is not commercial.]

Guide

5. Annex A contains the terms of the Streamlined Route that public authorities must adhere to if awarding subsidies under it. It also sets out key definitions relevant to this Streamlined Route:
 - **Section 5** sets out key definitions relevant to this Streamlined Route.

- **Section 6** sets out General Conditions, which will apply to all Streamlined Routes
- **Section 7** sets out detail on the parameters of the Streamlined Route, explaining what subsidies can be awarded under it.

Annex A: Terms of the Illustrative Streamlined Subsidy Scheme

1. Introduction

- 1.1. The Secretary of State makes the following streamlined subsidy scheme (the Scheme) for the purposes of the Subsidy Control Act [2022] (the Act).
- 1.2. The Scheme comes into force on [a date to be confirmed].
- 1.3. The Scheme may be referred to as the Research, Development and Innovation Subsidy Scheme [2022].

2. Purpose

- 2.1. This Scheme sets out parameters to allow subsidies to be given for: fundamental research; RD&I; research infrastructure and process improvement, and; business services for research development and innovation.

3. Use

- 3.1. This Scheme can be used by any UK public authority

4. Compliance with the Subsidy Control Act

- 4.1. The Secretary of State is of the view that the Scheme is consistent with the requirements of Chapters 1 and 2 of Part 2 of the Act.
- 4.2. The Secretary of State has considered the subsidy control principles in Chapter 1 of Part 2 of the Act and is of the view that the Scheme, and a subsidy given under the Scheme, is consistent with those principles.
- 4.3. The Secretary of State has considered the prohibitions and other requirements in Chapter 2 of Part 2 of the Act and is of the view that this Scheme does not provide for the giving of a subsidy that would be prohibited by, or in contravention of, that Chapter.
- 4.4. The Scheme has been laid in Parliament and published on the UK subsidy database.

5. General Definitions

- 5.1. In this Scheme:

- 5.2. “Collaborative” means at least one enterprise working jointly together under a formal agreement, with one or more partner organisations, in an intellectual and research and development endeavour (Project), the outcomes of which will benefit all parties and the UK economy and society.
- 5.3. “Direct project costs” means those costs incurred and paid for by the subsidy beneficiary arising directly from the delivery of the specific project for which they have received a subsidy.
- 5.4. “Innovation” means a new or improved product or process (or combination thereof) that differs significantly from the previous products or processes and that has been made available to potential users (product) or brought into use (process).
- 5.5. “Process improvement” means either incremental improvement over time or breakthrough improvement all at once, in the efficiency, effectiveness or other desired criterion associated with an established industrial, commercial or organisational process.
- 5.6. “Project” means a number of activities conducted to a method or plan in order to achieve an advance in science, technology, arts, humanities or social sciences.
- 5.7. “Project start” means when the activity listed in category 1, 2, 3 or 4 of this Scheme begins.
- 5.8. “Research, development and innovation” (or “RD&I”) means activity which must be novel, creative, uncertain in outcomes, systematic and transferable and/or reproducible. All five criteria are to be met, at least in principle, every time an RD&I activity is undertaken whether on a continuous or occasional basis.
- 5.9. “TRL” means: Technology Readiness Level – used as an indicator of proximity to commercial activity. The following TRL definitions apply to projects funded under this Scheme:
 - 5.9.1. TRL 1 – basic principles observed;
 - 5.9.2. TRL 2 – technology concept formulated;
 - 5.9.3. TRL 3 – experimental proof of concept;
 - 5.9.4. TRL 4 – technology validated in lab;
 - 5.9.5. TRL 5 – technology validated in a relevant environment (industrially relevant environment in the case of key enabling technologies);

- 5.9.6. TRL 6 – technology demonstrated in a relevant environment (industrially relevant environment in the case of key enabling technologies);
- 5.9.7. TRL 7 – system prototype demonstration in an operational environment;
- 5.9.8. TRL 8 – system complete and qualified;
- 5.9.9. TRL 9 – actual system proven in operational environment (competitive manufacturing in the case of key enabling technologies; or in space).

6. General Conditions

- 6.1. A public authority must, at a minimum, request that an enterprise supplies the following information when applying for a subsidy:
 - 6.1.1. Name and size of the enterprise;
 - 6.1.2. Description of the proposed subsidised activity, including location, start and end date; and
 - 6.1.3. Project costs, before any allowable deductions, which must be supported by credible documentation.
- 6.2. A public authority must calculate the value of a subsidy before any deductions of tax, levy [or other charge] by calculating the gross cash amount (if the subsidy is provided in cash) or gross cash equivalent (if the subsidy is provided otherwise than in cash).
- 6.3. The gross cash amount and gross cash equivalent amount are to be determined in accordance with regulations made under section 82 of the Act as originally made.
- 6.4. A subsidy should not compensate for costs the beneficiary would have funded in the absence of any subsidy.
- 6.5. Public Authorities must meet the transparency requirements set out in Chapter 3 of Part 2 of the Act and upload any subsidy awarded under the Scheme above £500,000 to the subsidy control database.

[These illustrative general conditions may be amended following further policy development to ensure they facilitate the different types of eligible subsidies.]

7. Specific conditions, eligibility and basis for the calculation of subsidy

Eligible costs

- 7.1. The eligible costs for all projects are:
 - 7.1.1. personnel costs,
 - 7.1.2. costs of equipment,
 - 7.1.3. costs of buildings and land,
 - 7.1.4. feasibility studies,
 - 7.1.5. costs of conducting research and of external consultancy and contractual research or other knowledge assets,
 - 7.1.6. any other investment in capital costs or project overheads.

[This exhaustive list of illustrative eligible costs is an example only and subject to change following feedback and further policy development.]

- 7.2. All eligible costs must be incurred directly as a result of the project.
- 7.3. All eligible costs should be limited to those strictly necessary for the project, and limited to the time period of the project.

Eligible enterprise and subsidy

- 7.4. Subsidies may be given to any UK enterprise which carries out an activity listed under Category 1, 2, 3 or 4, including research and technology organisations.
- 7.5. Subsidies may be awarded in the form of grants, equity loans, guarantees, [tax advantages (including reliefs and credits) or other financial instruments.]
- 7.6. The recipient enterprise must demonstrate that:
 - 7.6.1. the project has not started prior to the subsidy being awarded; *[or*
 - 7.6.2. *where the project has started, that the project scope is being widened or accelerated.]*

[The illustrative list of conditions and eligible costs is an example only and will need to be updated with specific conditions for instances where a subsidy is being awarded for the widening or acceleration of a project]

Category 1: Research, Development, and Innovation projects

Category- Specific Definitions

- 7.7. In this Scheme:

7.8. “Commercialisation” means the process through which ideas or research are transformed into marketable products (or equivalent).

7.9. Subsidies may be awarded for RD&I projects (collaborative or singular) where the following conditions are met:

7.9.1. The projects (collaborative or singular) involve at least one enterprise, with one or more parties participating in the design and implementation of the project and the commercialisation of its outcomes.

7.9.2. The project aims to support RD&I at any of TRL1 to TRL8 inclusive.

7.10. Subsidies under this category may be awarded up to the following amounts, whichever is lower:

7.10.1. [X%] of eligible costs of the project

7.10.2. [£X million] per participant per project

Category 2: Research Infrastructure and Process Improvement

Category- Specific Definitions

7.11. In this Scheme:

7.12. “Infrastructure” means the facilities, equipment, services, networks and systems (tangible and intangible) that support enterprises and other organisations engaged in RD&I activity in the UK.

7.13. “Intangible asset” means an asset that is not physical in nature. This includes intellectual property, data and other knowledge assets.

7.14. “Research infrastructure” means facilities, resources and related services that are used by the scientific community to conduct research in their respective fields and covers scientific equipment or set of instruments, knowledge-based resources such as collections, archives or structured scientific information, enabling information and communication technology-based infrastructures such as grid, computing, software and communication, or any other entity of a unique nature essential to conduct research. Such infrastructures may be 'single-sited' or 'distributed' (an organised network of resources).

7.15. “Tangible asset” means an asset that is physical in nature, such as buildings and machinery.

7.16. Subsidies may be awarded for the purposes of establishing or developing research infrastructure or process improvement where the following conditions are met:

7.16.1. Project aims to support technology at any of TRL1 to TRL8 inclusive;

7.16.2. The project’s stated purpose is to support research infrastructure, which includes any facilities, resources, tangible or intangible assets, and related services that are used to conduct research; or supports process improvements which represent new research, production, or delivery methods.

7.16.3. Any infrastructure being supported by the subsidy is to be open to multiple users on a non-discriminatory basis.

7.17. Subsidies under this category may be awarded up to the following amounts, whichever is lower:

7.17.1. [X%] of eligible costs of the project

7.17.2. [£X million] per participant per project

Category 3: Business Services for [Collaborative] Research, Development, and Innovation

Category- Specific Definitions

7.18. In this Scheme:

7.19. “Business development services” means services supporting the development and growth of UK organisations engaged in RD&I activity. These activities must contribute to or be intended to contribute to the development or deployment of a new product, service or process resulting from the RD&I activity.

7.20. Subsidies may be awarded for the purpose of providing business development services or providing specialist development expertise for technology at any of TRL1 to TRL8 that is directly related to the subsidised project.

7.21. Eligible services include:

7.21.1. Innovation advisory, knowledge transfer and technical support services. This includes training for the adoption of innovative process and organisational approaches for improved efficiency and productivity.

7.21.2. Obtaining, validating and defending patents [and other intangible assets].

7.21.3. Secondments of highly qualified personnel from a research and knowledge-dissemination organisation or a large enterprise, working on RD&I activities in a newly created function within the beneficiary (but not replacing other personnel).

7.21.4. Advisory services for the identification and development of new markets for products and services resulting from successful RD&I projects.

[This exhaustive list of illustrative eligible services is an example only and subject to change following feedback and further policy development.]

7.22. Subsidies under this category may be awarded up to the following amounts, whichever is lower:

7.22.1. [X%] of eligible costs of the project

7.22.2. [£X million] per participant per project

Category 4: Fundamental / [TRL 1-3] Research

Category- Specific Definitions

7.23. In this Scheme:

7.24. "Fundamental research" means experimental and theoretical work primarily to acquire new knowledge without any direct commercial application in view.

7.25. Subsidies may be awarded for fundamental research projects where the funding is limited to technologies at [TRL 1-3] only.

7.26. Subsidies under this category may be awarded up to the following amounts, whichever is lower:

7.26.1. [X%] of eligible costs of the project

7.26.2. [£X million] per participant per project

8. Misuse of subsidy

- 8.1. A public authority should ensure that any subsidy given under this Scheme is given subject to a condition allowing the authority to recover the whole or part of the subsidy amount to the extent that the subsidy is used for a purpose other than the purpose for which it was given.