

# Local Growth Streamlined Route Guidance

## Foreword

It is a defining feature of the United Kingdom's new subsidy control regime that **public authorities can and should design their own subsidies and subsidy schemes**. This means they can give subsidies in the form and amount that will best achieve the desired outcome. In designing these subsidies, public authorities should follow a simple process (set out in the four-step assessment framework)<sup>1</sup> for assessing the proposed subsidy or scheme against the subsidy control principles. The assessment should be done in a way that is proportionate to the subsidy or scheme's risk of distorting competition or investment within the United Kingdom, or trade or investment between the United Kingdom and its international partners.

A proportionate assessment should not be burdensome. It will use the same kinds of analysis and evidence a public authority will need to make its business case for spending public money. Nevertheless, **there are some areas in which it is appropriate to make giving subsidies even easier**, and where the compliance burden can be reduced even further.

**The government has therefore made available Streamlined Routes (also known as streamlined subsidy schemes under the Act and referred to as Schemes in the route document)**. These allow public authorities to give certain types of subsidy without having to do their own assessments against the principles. The government has set clear terms and conditions for the use of the Streamlined Routes. Public authorities must follow these terms and conditions when using Streamlined Routes. As long as individual subsidies are given in a way that meets those terms and conditions, they cannot be challenged on subsidy control grounds.

<sup>1</sup> <https://www.gov.uk/government/publications/subsidy-control-principles-assessment-template>

Although there are topical similarities, **the Streamlined Routes do not function as and are not intended to be replacements for the General Block Exemption Regulation** under the EU State aid system. Streamlined Routes are intended to help with the award of the lowest-risk and most frequently awarded subsidies. The UK regime has far fewer barriers to giving financial assistance outside the scope of Streamlined Routes than there were to giving aid outside the block exemptions under the EU system. The UK subsidy control regime permits the giving of subsidies in line with the statutory principles, whereas the EU system prohibited the giving of any subsidy unless pre-approved by the European Commission or in scope of a block exemption.

Where public authorities want to give subsidies that are not accommodated by Streamlined Routes, they should design their own subsidies and schemes. Except for the largest and most potentially distortive awards (which must be referred to the Subsidy Advice Unit), a public authority can proceed to award a subsidy they have designed as soon as they are of the view that the subsidy is consistent with the principles and that it does not breach the prohibitions in the Act. Public authorities looking to design their own subsidies can refer to the extensive statutory guidance and 'quick guide' documents. They can also seek support and guidance on specific cases from the BEIS subsidy control team or the relevant teams in each of the devolved governments.

The three Streamlined Routes cover areas where historic subsidy-giving practice coincides with strategic objectives of the UK government. Specifically, the objectives of **promoting growth around the UK (local growth), increasing investment in research, development and innovation (RD&I), and supporting the transition to net zero carbon emissions (energy usage)**. The routes have been developed through detailed and iterative engagement with a range of public authorities around the United Kingdom that are active in these areas, including the devolved administrations.

In recent years, public authorities have given large proportions of their subsidies under the EU General Block Exemption Regulation. It is likely that the scope of that regulation has influenced which subsidies have or have not been given. As public authorities adjust to the flexibilities of the new UK regime, evidence may emerge of other areas of subsidy activity where Streamlined Routes would be both useful to public authorities and consistent with UK government priorities. For that reason, **the government will keep the operation and use of Streamlined Routes under review**. The government will consider, as appropriate, potential changes to existing Streamlined Routes or the creation of new Streamlined Routes.

*Part 1 of this guidance provides information relevant for all Streamlined Routes. Part 2 deals exclusively with information relevant for the Local Growth Streamlined Route.*

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# Part 1: General guidance

## 1 How to use this guidance

- 1.1. This guidance has been published to support the use of the Local Growth Streamlined Route (also known as the Local Growth Streamlined Subsidy Scheme). It explains the legal obligations of the Local Growth Streamlined Route and will be most useful to public authorities who are planning, or in the process of designing, subsidies to give under this Route. It should be read alongside the Route itself.
- 1.2. All subsidies given under the Route must meet the conditions set out in the Route, otherwise the subsidy may be challenged in the courts. This guidance will help public authorities to give subsidies that meet those conditions. Proper consideration of and adherence to this guidance is therefore strongly recommended.
- 1.3. The guidance does not supersede or replace the statutory guidance for the UK subsidy control regime.<sup>2</sup> Public authorities must have regard to the statutory guidance when giving a subsidy, including a subsidy given under a Streamlined Route. The most relevant parts of the Subsidy Control Act 2022 (the Act) are also summarised in this guidance.
- 1.4. Public authorities can request support and guidance on the subsidy control requirements from the BEIS subsidy control team at:  
[subsidycontrol@beis.gov.uk](mailto:subsidycontrol@beis.gov.uk)

## 2 Overview of Streamlined Routes

- 2.1. Streamlined Routes are a type of subsidy scheme made by a minister of the Crown (the government) for use by any UK public authority. They are a voluntary tool that public authorities can use to award subsidies without the need to assess them against the subsidy control principles.
- 2.2. Streamlined Routes have been assessed by the government to be compliant with the requirements of the subsidy control regime. This allows public authorities to give subsidies under routes quickly and easily. Streamlined Routes are intended to promote confidence and legal certainty for beneficiaries and for public authorities that are giving subsidies that are routine, low risk and aligned to UK strategic priorities. Subsidies given under Streamlined Routes do not need to be referred to the Subsidy Advice Unit.

<sup>2</sup> Made under section 79 of the Subsidy Control Act 2022.

- 2.3. The government will review feedback from users of Streamlined Routes once they are made and intends to undertake a monitoring and evaluation process to complement this. The government will use this information to inform future decisions about Streamlined Routes.
- 2.4. The government is of the view that this Streamlined Route is compliant with the Act. Any subsidies given under it correctly are therefore compliant with the Act.

## 3 Legal background

### Power

- 3.1. Streamlined Routes (known as streamlined subsidy schemes under section 10 of the Act and as Schemes in the Route documents) are a type of subsidy scheme made by the UK government for use by any public authority in the UK.
- 3.2. When the government makes a Streamlined Route, it will publish it and the accompanying guidance on GOV.UK. It will also publish information about the Route on the subsidy database, in line with the transparency requirements of the Act.

### Parliamentary scrutiny

- 3.3. Under the Act, a Streamlined Route must be laid before Parliament for 40 days after it is made. Within this 40-day period either House of Parliament may pass a resolution not to approve the Streamlined Route, in which case a Streamlined Route will be treated as 'not having been made' from the day after the resolution is made. Any subsidies given under a Streamlined Route prior to Parliament making this decision would not be affected. However, no further subsidies could be given under a Streamlined Route if Parliament had decided not to approve it, and the Streamlined Route would be withdrawn.

### Challenges against Streamlined Routes

- 3.4. As a type of subsidy scheme, a Streamlined Route can be subject to a review before the Competition Appeal Tribunal (the Tribunal). Interested parties may apply to the Tribunal for a review of the UK government's decision to make a Streamlined Route. If the Tribunal finds that the Streamlined Route has not been made in compliance with the requirements of the Act it could award the same remedies as are available to the High Court in a judicial review or to the Court of Session in an application to the supervisory jurisdiction of that court. The Tribunal can also order the recovery of some or all subsidies given under a scheme.

- 3.5. Interested parties generally have one month to apply to the Tribunal for a review of the subsidy or scheme, from the point the Route has been uploaded to the database. If this limitation period lapses without a challenge being brought or a pre-action information request being made, a Streamlined Route and all subsidies given under it will be safe from challenge on subsidy control grounds.
- 3.6. Streamlined Routes, like all decisions of a public nature, can be challenged on general public law grounds.

### **Challenges against subsidies given under Streamlined Routes**

- 3.7. Subsidies given under the Streamlined Route are not subject to review by the Tribunal, because the review must take place at the level of the Route itself (as with all subsidy schemes).
- 3.8. This protection only applies where a subsidy genuinely falls within the terms of the Streamlined Route. If a subsidy does not comply with the terms and conditions of the Route, then the public authority should have treated it as an individual subsidy, and therefore conducted an assessment against the relevant principles and prohibitions. The subsidy could be challenged on this basis. Public authorities must therefore meet all the conditions of the Streamlined Route or any subsidies they give under it incorrectly will be vulnerable to challenge.
- 3.9. As with all decisions of a public nature, a person who is aggrieved by the giving of a subsidy under a Streamlined Route may also be able to request a review of the subsidy decision on general public law grounds. That is, on the basis that the subsidy decision was, for example, illegal, irrational or otherwise unlawful on any other general public law ground. Such a challenge would need to be considered by the High Court or Court of Session, as it is not possible to challenge a subsidy under a scheme on public law grounds in the Tribunal.

## 4 Process for awarding subsidies under a Streamlined Route

- 4.1. The process map below shows the Streamlined Route process for public authorities.

**Step 1:** Once you have decided on the subsidy you would like to give, you may consider whether it will fall within scope of a category within a Streamlined Route.

Check the cash limits and maximum subsidy ratios set for the category. If you expect to give a subsidy over this level then you can create your own subsidy or scheme. If you want to award a subsidy below that level, you may proceed.

**Step 2:**

**A** – Review the Route and accompanying guidance to see which enterprises can receive a subsidy through the category. For example, the category may be limited to SMEs, or it may require you to ensure the enterprise has a legal right to alter a building related to the subsidy.

**B** – Work out what costs you intend the subsidy to cover, and check these against the ‘eligible costs’ section of the category you wish to award through.

**C** – Consider any limitations on eligible costs as set out in the Route and guidance. Amend your project plan accordingly if you still wish to award through a Route.

**Step 3:** Calculate the subsidy ratios that are permitted under the category you are using. More information on this can be found from paragraph 6.18 of this guidance.

**Step 4:** Check with the intended subsidy recipient if they have received any other form of subsidy from another public authority for the same project to achieve substantially the same policy objectives.

If they have, then you will need to follow the cumulation steps as set out from paragraph 6.23 of this guidance.

**Step 5:** You are now ready to confirm the subsidy award total and give the subsidy.

Having given the subsidy, you must follow the transparency requirements. In particular, if your subsidy is over £100,000 then it must be uploaded onto the UK subsidy database.



## 5 Eligibility and scope

### Is it a subsidy?

- 5.1. The subsidy control regime does not apply to all types of financial assistance given by public authorities. Before using the Streamlined Route public authorities should determine if the financial assistance they intend to give is a subsidy that falls within scope of the regime.
- 5.2. Public authorities should refer to the statutory guidance when making this determination.

### Is the subsidy within scope?

- 5.3. Once public authorities have established that the definition of a subsidy has been met, they should consider whether the subsidy they are planning to award may be compatible with any of the Streamlined Routes. A subsidy given under a Streamlined Route must comply with all the conditions of the Route.
- 5.4. Streamlined Routes are intended to help public authorities give certain low-risk subsidies that the government considers to be compliant with the requirements of the Act.
- 5.5. If public authorities conclude that a subsidy they wish to give is not in scope of the Streamlined Route, they are encouraged to design their own subsidy or scheme, using the process explained in the statutory guidance.

### Prohibitions

- 5.6. The subsidy control regime prohibits subsidies that provide unlimited guarantees, subsidies that are contingent on export performance, and subsidies that are contingent on the use of domestically produced goods or services. These prohibitions apply to subsidies given under the Streamlined Route. If in doubt, see the statutory guidance for more details.
- 5.7. The subsidy control regime provides for extra conditions or special arrangements for the award of certain other types of subsidy. The following cannot be given under Streamlined Routes (see the statutory guidance for more details):
  - subsidies for rescuing or restructuring ailing or insolvent enterprises
  - subsidies conditional on the relocation of activities
  - subsidies to insurers that provide export credit insurance
  - subsidies to air carriers for the operation of routes
  - subsidies for services of public economic interest

## **Northern Ireland Protocol**

- 5.8. Article 10 of the Northern Ireland Protocol to the Withdrawal Agreement (the Protocol), provides that EU State aid rules will continue to apply to the UK in respect of subsidies that affect trade in goods and electricity between Northern Ireland and the EU. Article 10 does not apply to services. While most UK subsidies will be unaffected by the Protocol there will be instances where Article 10 applies. For example, subsidies for goods in Northern Ireland and, in certain limited circumstances, subsidies for goods given in the rest of the UK. Where subsidies engage the Protocol, they are not in scope of the domestic subsidy control regime and cannot be given under the Streamlined Route.
- 5.9. Public authorities should refer to the 'Guidance on the UK's international subsidy control commitments', to reach a view on whether the Protocol may apply to a subsidy they intend to give under the Streamlined Route.

## **Enterprise size**

- 5.10. Streamlined Routes may permit varying levels of support depending on the size of an enterprise. For example, Streamlined Route categories may be limited to small and medium enterprises (SMEs) only, or provide for more generous subsidy ratios, to reflect the increased difficulty SMEs generally face raising capital, compared with larger enterprises.
- 5.11. Where subsidies are conditional on enterprise size public authorities must first establish whether the recipient constitutes an enterprise and then determine its size.
- 5.12. Public authorities should use the Subsidy Control Act 2022 and the statutory guidance to assess the enterprise for the purposes of the subsidy. An enterprise is any entity (that is, any person, or group of persons under common control) that is engaged in an economic activity, which means offering goods and services on a market.
- 5.13. Public authorities must then determine the size of an enterprise using the conditions set out in the Companies Act 2006. The conditions (see the table below) relate to turnover, balance sheet total and number of employees. An enterprise must satisfy two or more of the relevant conditions to qualify.

Qualifying criteria	Small enterprises	Medium-sized enterprises
Turnover	Not more than £10.2 million	Not more than £36 million
Balance Sheet Total	Not more than £5.1 million	Not more than £18 million
Number of Employees	Not more than 50	Not more than 250

- 5.14. The conditions must be applied to the enterprise benefiting from the subsidy – regardless of whether that enterprise is subject to the Companies Act itself (in terms of requirements for the preparation of accounts). For example, an enterprise may not have consolidated UK accounts because it is a sole trader or otherwise not a UK-registered company, or it is part of a group under common control.
- 5.15. In such instances where the Companies Act processes or methodologies are inappropriate for determining an enterprise’s size, public authorities can adopt a different approach to assessing the Companies Act qualifying conditions, providing it is reasonable and appropriate.

### **Relevant Companies Act 2006 references**

- 5.16. ‘Small enterprise’ means an enterprise that meets two or more of the qualifying criteria for a small enterprise, as set out in section 382 of the Companies Act 2006.
- 5.17. ‘Medium-sized enterprise’ means an enterprise that meets two or more of the qualifying criteria for a medium-sized enterprise as set out in section 465 of the Companies Act 2006.
- 5.18. ‘Large enterprise’ means an enterprise that is larger than a medium-sized enterprise, as assessed by reference to the qualifying criteria in section 465 of the Companies Act.

## 6 General Streamlined Route requirements

### Information-gathering requirements

- 6.1. Public authorities must obtain certain information from potential beneficiaries before giving a subsidy under the Streamlined Route. This will typically be part of any application for a subsidy before work on the subsidised project or activity has started. A written application before work starts is necessary to show that the subsidy will incentivise a behaviour that would not have occurred in the absence of the subsidy.
- 6.2. A public authority must, at a minimum, obtain from an enterprise the following information when giving a subsidy under this Route:
  - name and size of the enterprise,
  - description of the proposed project including its location, start and end date, and expected outcomes,
  - the anticipated project costs, before any deductions, which must be supported by relevant and contemporary documentation.

### Start dates

- 6.3. To help ensure subsidies given under a Streamlined Route have an incentive effect, public authorities may not give subsidies for projects or activities that have started. If an enterprise starts a project or activity without a subsidy, or without a firm commitment of receiving a subsidy, it raises the likelihood they may have undertaken the project or activity in the absence of the subsidy.
- 6.4. However, there may be instances where starting a project or activity before receiving a subsidy or a commitment of a subsidy is justified. For example, where a project or activity would not be viable otherwise. In this instance public authorities may give a subsidy for a project that has started providing:
  - the public authority has provided written authorisation to the enterprise that the project can be started before the subsidy is given, and
  - the public authority is of the view that the project would not be viable unless it starts before the subsidy is given.
- 6.5. Public authorities may consider limiting the total percentage of total project costs that can be spent by the enterprise before a subsidy is given.
- 6.6. In addition, public authorities may give a subsidy for a project or activity that has started if they are of the view that the scope of the project is being widened or the project is being accelerated.

## Availability

- 6.7. A public authority must make subsidies available using transparent and objective selection criteria. This means that public authorities should explain to potential beneficiaries how any applications for a subsidy will be assessed and that the assessments will be conducted using conditions that can be objectively met, such as the enterprises operating in a particular sector or range of sectors, or that any jobs created as part of the project will be based in a pre-defined area.
- 6.8. An open competition is only a requirement if this is explicitly set out as part of a category within a Streamlined Route.

## Eligible costs

- 6.9. A subsidy under a Streamlined Route can only be given for certain costs that are defined in the Route or categories in the Route (eligible costs). For example, a category may only permit subsidies for the capital expenditure or personnel costs directly related to a specific type of project or activity.
- 6.10. A public authority must obtain a list of anticipated eligible costs from the potential beneficiary before it decides to give a subsidy under a Route. The list of eligible costs must be supported by documentary evidence. This is an essential step to determining the subsidy ratio for the project or activity.
- 6.11. There are common limitations on eligible costs across all Routes and categories, which are that eligible costs must be:
- incurred directly as a result of the project or activity,
  - limited to those strictly necessary for the project or activity, and
  - for projects, limited to the time period of the project.
- 6.12. Subsidies that are 'strictly necessary' means those that are essential for the project's success and meeting the stated policy objectives through the intervention. For example, a potential beneficiary might want to engage external consultants that are not essential for project completion, but instead as an additional layer of assurance. Those consultancy fees would not be strictly necessary.

## Valuing the subsidy

- 6.13. Subsidies may be given under a Streamlined Route in any form, such as grants or loans, except where specified otherwise in a Route category. Maximum award amounts, expressed as a cash value, are used for each category within the Streamlined Route.

- 6.14. Where public authorities are giving subsidies in the form of complex financial instruments, including equity or quasi-equity investments, we strongly recommend that they should have the appropriate expertise to select and manage investments.
- 6.15. If a subsidy is provided in cash, the gross cash amount given is to be used in determining the amount of the subsidy – that is, deductions should not be made for tax or for any other costs.
- 6.16. If a subsidy is provided in a form other than a grant,<sup>3</sup> the amount of the subsidy given is to be determined by reference to the benefit received by the beneficiary beyond what they would have received had they obtained the financial assistance on commercial terms. For example, if a public authority provides a £1 million loan for one year with an interest rate of 4% and total repayments of £1.04 million, while the commercial interest rate would be 5% with total repayments of £1.05 million, the Gross Cash Equivalent value of the subsidy would be £10,000.
- 6.17. The value of a non-cash subsidy should be calculated using the methodology in the Subsidy Control (Gross Cash Amount and Gross Cash Equivalent) Regulations 2022 made under section 82 of the Act. Further information can be found in the statutory guidance.

### **Calculating subsidy ratios and the maximum permissible award**

- 6.18. A subsidy ratio – also known as an ‘intensity’, ‘intervention rate’ or ‘leverage amount’ – is the proportion of a project or activity’s costs that are funded by a subsidy, as opposed to funding by the beneficiary itself or through other private or market-based sources of funding.
- 6.19. The Streamlined Route or different categories under a Streamlined Route will set out maximum subsidy ratios that a public authority must respect when giving a subsidy under a Streamlined Route. Like the maximum award amounts, maximum subsidy ratios are limits that cannot be breached under the Streamlined Route. Public authorities do not need to give subsidies at those maximum levels. In fact, they should always give the lowest subsidy amount for achieving their objective.
- 6.20. For the purposes of calculating subsidy ratios and eligible costs, all figures used shall be gross amounts, taken before any deduction of tax or other charge.

<sup>3</sup> Different principles also apply for valuing tax measures.

- 6.21. The subsidy ratio must be applied to all eligible costs that make up a project that the enterprise will be carrying out. This will determine the total subsidy that can be given to the enterprise, for the determined project, through the Streamlined Route.
- 6.22. The subsidy must be capped at either the maximum award amount or the limit indicated by the subsidy ratio, whichever is lower. For example, if a Route has a maximum award amount of £1 million and a subsidy ratio of 50%, then the maximum subsidy that could be provided to a project with £1.2 million of eligible costs would be £0.6 million.

### **Example**

A category within a Streamlined Route has a range of subsidy ratios that apply to different enterprise sizes: 30% for large enterprises, 40% for medium-sized enterprises; and 50% for small enterprises.

The public authority is giving a subsidy to a medium-sized enterprise so can give a subsidy up to 40% of the total costs of the project.

The category also has an option whereby the subsidy ratio can be uprated by 10% for workers with disabilities or disadvantaged workers. This fits in line with the scope of the project.

The new combined subsidy ratio for a project by a medium-sized enterprise supporting workers with disabilities or disadvantaged workers is 50% (40%+10%).

The maximum award amount for this category is £500,000.

The public authority determines that additional personnel costs and capital costs are eligible costs that fall under the definition of the category for the Streamlined Route they are using.

In this situation there are no additional conditions to consider that could limit the amount of eligible costs to make up the project.

Taking into account the personnel costs and capital costs of the project, the total eligible costs are £800,000.

By applying the subsidy ratio of 50%, the public authority determines that the project can receive £400,000 as this is below the maximum award amount for the category.

## Cumulation rules for Streamlined Routes

- 6.23. Streamlined Routes facilitate subsidies that present a low risk of distorting competition. To help ensure subsidies remain low risk, cumulation rules apply.
- 6.24. Public authorities should cumulate a proposed subsidy with previous similar subsidies to ensure the proposed subsidy does not go over the relevant maximum award amount. The public authority will need to add together the value of similar subsidies with the value of the proposed subsidy, and only proceed with the proposed subsidy if it is below the limit for that category. Cumulation does not involve subsidy ratios, only award amounts. For example, a maximum subsidy ratio of 50% applies regardless of cumulation and the number of subsidies.
- 6.25. An existing subsidy must be cumulated with the proposed subsidy if it meets all the following conditions and was given:
- to the same enterprise by any public authority
  - for the same project or activities as defined under the relevant categories of the Streamlined Route Schedule
  - for the same or substantially the same specific purposes as set out under the relevant categories in the Route
  - within the last 3 financial years (that is, the last 2 complete financial years, running from 1 April to 31 March, and the lapsed part of the current financial year)
- 6.26. A public authority should therefore collect information from enterprises to determine if the subsidy they are intending to give needs to cumulate with any previous subsidies.
- 6.27. There are no exemptions for which types of subsidies can cumulate. Public authorities should therefore consider standalone subsidies, subsidies previously given under this Route, subsidies as part of another scheme or another Streamlined Route and subsidies given as Minimal Financial Assistance.
- 6.28. If a public authority determines that the Route or category maximum award amount has already been reached with previous similar subsidies that meet the criteria in paragraph 6.25, then they may not award any further subsidy through that Route or category.
- 6.29. If a project or activity is due to last for longer than 3 years, then the maximum award amounts and the subsidy ratios, set out in the specific categories within the Route, apply to the lifespan of that project or activity. Therefore, the cumulation period cannot restart after 3 years for the same project, even if that project might, for example, take 5 years to reach completion.



- 6.30. A public authority cannot artificially split a project into smaller constituent projects with similar characteristics or objectives to try to circumvent the cumulation requirements listed above.

**Example**

A public authority intends to give a £1 million subsidy to an enterprise under a Route category that has a maximum award amount of £2 million. The enterprise informs the public authority that it has received £1.25 million from another public authority towards the same project and for the same purposes earlier in the same year. The public authority has determined that no other subsidies have been awarded over the previous 3 financial years. The £1 million subsidy cumulates with the £1.25 million subsidy above the £2 million maximum award amount. The maximum the public authority can award under the Route is therefore £0.75 million.

The £1.25 million subsidy and the £1 million subsidy would have accumulated regardless of the time by which they were awarded between 1 year or 4. This is because maximum award amounts apply for the lifespan of a project or activity.

**Transparency requirements**

- 6.31. Streamlined Routes and any subsidies given under them that exceed £100,000 must be uploaded to the subsidy database, as required by the Subsidy Control Act.
- 6.32. BEIS is responsible for uploading the Streamlined Routes (as subsidy schemes) to the subsidy database and will do this shortly after the date that they are made.
- 6.33. Where a public authority gives subsidies under Streamlined Routes that exceed £100,000, that public authority is responsible for uploading information about those subsidies to the database. This must be done within three months of the decision to give the subsidy award. The date of the subsidy decision is the date on which a binding commitment is made by the subsidy giver, when the beneficiary has an enforceable right to the subsidy.
- 6.34. Public authorities should follow the statutory guidance on transparency to determine what transparency obligations apply to the subsidy award.

- 6.35. The statutory guidance explains how public authorities can group subsidies given under a Streamlined Route. However, the transparency database will not have this functionality at the beginning of 2023 and public authorities will need to upload all subsidies given under Streamlined Routes as individual subsidies. Once the database has been updated this guidance will also be updated.
- 6.36. To upload a subsidy given under a streamlined route public authorities must do the following:
- Ensure there is a database user account on the Manage UK subsidies portal. If you do not have access for your organisation, please contact [subsidydatabase@beis.gov.uk](mailto:subsidydatabase@beis.gov.uk)
  - Identify the Streamlined Route you want to use from the list under subsidy schemes, using the Local Growth Streamlined Route's unique SC number, SC10782.
  - Click on 'subsidy awards' on the subsidy awards tab and select 'add multiple subsidy awards'.
  - Download the Excel template when prompted and then follow the instructions to add the subsidy award (the instructions are included in the template).
  - Save a local copy of the template once completed.
  - Select the 'upload file' button on the subsidy awards tab under 'add multiple subsidy awards' and upload the completed excel file with the subsidy awards.
  - The database will then automatically run through the file and highlight any errors, if they exist. When the file is uploaded the subsidy awards will appear on the list of subsidy awards.
  - Check the 'view uk subsidies' page to ensure that the awards are displayed correctly.
- 6.37. You should keep the Excel file for your own record keeping as a public authority must ensure the subsidy award information is correct for a minimum of six years.

## **Retention of documents**

6.38. Public authorities will collect certain information from beneficiaries to comply with the Streamlined Route, as well as for tax and managing public money purposes. Public authorities must meet the transparency requirements in the Act, including the need to keep database entries up to date for 6 years. In addition, subsidies given under routes can be challenged on general public law grounds. Retaining relevant information will be necessary for both. Public authorities are therefore advised to retain relevant documents for as long as they consider necessary to meet the transparency requirements, respond to challenges and satisfy any other obligations.

# Part 2: Local Growth Streamlined Route (SC10782)

## 7 Overview

- 7.1. The Local Growth Streamlined Route (also known as the Local Growth Streamlined Subsidy Scheme) has been made by the Secretary of State to help public authorities give small subsidies to start-ups and small and medium-sized enterprises (SMEs), and thereby to drive economic growth throughout the UK; and to give subsidies to enterprises of all sizes to increase labour market participation by underrepresented groups, and to provide appropriate in-work support to workers from those groups.

## 8 Objectives

- 8.1. The Local Growth Streamlined Route has been created to help public authorities achieve specific strategic policy objectives, as well as to address known market failures. The objectives are:
- to encourage entrepreneurialism and diversity in the market through support to start-up enterprises
  - to improve access to finance for small and medium-sized enterprises looking to grow
  - to promote participation in the labour market by underrepresented groups
  - as a result, to drive growth throughout the UK by increases in absolute output, productivity and employment

## 9 Context

- 9.1. It is government policy to encourage private sector growth, leading to increased productivity and employment, and the end goals of higher pay and living standards, especially in places where they are lagging. Increasing our economic growth is essential to achieving those goals, and the pursuit of growth has been a consistent theme in UK industrial policy.

## **Support to SMEs for business development projects**

- 9.2. As the backbone of the economy, SMEs are essential to achieving these goals. There are almost 6 million SMEs in the UK, revealing a deep culture of innovation and entrepreneurialism. The UK's SMEs provide 60% of all employment and can have enormous growth potential as individual companies. Their size and agility can also make them the vehicle for constructive disruption, introducing innovative products and practices that increase the quality and range of products available to the consumer, and eventually increase productivity for other actors in the market.
- 9.3. Despite this, start-ups and SMEs often struggle to realise their full growth potential. Their risk profile, along with their lack of trading history and collateral, can make it hard to access finance at non-prohibitive rates. This means that they are not always able to raise sufficient money to develop new products and processes, employ new staff or open new premises.
- 9.4. For those with an idea who are yet to start a business, or new entrepreneurs looking to take their first steps to growth, the difficulties in getting loans or other forms of finance can be more acute. This can have the effect of limiting the establishment and growth of start-ups to those with the personal capital and connections to finance them, rather than those with the best ideas and ability.
- 9.5. The first category of this Streamlined Route can be used by all UK public authorities to give subsidies that help start-ups and SMEs set up and grow, and thereby to grow the overall UK economy. These can be in the form of grants, loans or other forms of debt finance, as appropriate. The use of the route will allow these subsidies to be awarded quickly, easily and with maximum legal certainty.

## **Support for the employment of workers with disabilities and disadvantaged workers**

- 9.6. The UK has near record high employment, with 75.6% of working-age adults in work between August to October 2022. However, not all groups share equally in the benefits of work, with low employment rates among certain groups meaning that not everyone is in work who wants to be.

- 9.7. There are 14.6 million people with disabilities in the UK. Despite a strong positive trend towards increasing employment for people with disabilities in recent years, only 53% of people with disabilities are in employment. While work is not a realistic option for all people with disabilities, there are many who want to work but cannot, owing to a lack of support.<sup>4</sup>
- 9.8. Other groups with significantly lower participation rates include older workers (over 50 years of age) and single parents, while young people aged 18–24 face an unemployment rate of nearly 2.5 times the general rate. Other groups with employment rates well below the national average include care leavers, refugees and ex-offenders. People in these groups, along with the long-term unemployed, may need temporary extra support to integrate or reintegrate into the workforce and realise their full potential.
- 9.9. Underrepresentation in the labour market or unemployment can prevent people in such groups from going as far as their talents will take them, and deny them the benefits of the greater independence that work brings.
- 9.10. At the same time, many employers in the UK are reporting difficulties in finding employees. The CBI's 2022 Employment Trends Survey found that 75% of UK firms believed that shortages of labour were a threat to their competitiveness.<sup>5</sup> This has a direct impact on the UK's overall productivity and growth potential as 46% of those firms (ie, 35% of total UK firms) indicated that labour shortages meant they were unable to meet demand for their products.
- 9.11. This second category of this Streamlined Route can therefore be used by all UK public authorities to give subsidies to any enterprise of any size, to encourage the employment of workers with disabilities by providing appropriate support to those workers, to promote job opportunities to workers from underrepresented groups, and to support the employment of disadvantaged workers who may require more support as they move into the workforce
- 9.12. The definitions of the relevant groups are provided below in Categories 2a and 2b.

## 10 Scope of subsidies within the Route

- 10.1. Only subsidies within scope of the Streamlined Route may be given under it. This section of the guidance explains what subsidies are in scope.

<sup>4</sup> 56% of unemployed respondents to the UK Disability Survey 2021 agreed or strongly agreed that they would like more support in finding a job.

<sup>5</sup> CBI/Pertemps [Employment Trends Survey](#) 2022.

## 11 Category 1: Support to SMEs for business development projects

### Enterprise eligibility

- 11.1. All start-ups and SMEs that are planning a business development project (a project) may be awarded subsidies under this scheme unless they have already listed on a stock exchange, including alternative investment markets.
- 11.2. While enterprises do not need to be registered in the UK to be eligible, the subsidised project must be in the UK. (See 11.6, below.)
- 11.3. For the purposes of this scheme, a start-up is a small enterprise (as defined in 5.10 on, above]) that:
- has registered or begun trading – whichever applicable date is later – within the 5 years before the award of the subsidy. The date that an enterprise begins trading may be shown by accounting records or tax returns. For example, if a sole trader has not registered with Companies House, then this period should be measured from the date they begin trading
  - has not yet distributed any profits
  - has not been formed by the merger of one enterprise with any other enterprise that would not independently qualify as a start-up at the time the subsidy is awarded.

#### Example

A start-up may still be eligible to receive subsidies under the route (subject to the other eligibility criteria) if it was formed by the merger of two small enterprises that each began trading 3 years before the subsidy is awarded, and remains a small enterprise. If one of those enterprises had begun trading 6 years before the date the subsidy would be awarded, then the merged enterprise would not be eligible.

- 11.4. References to SMEs include start-ups, except where specified otherwise.

### Eligible projects

- 11.5. An SME may receive a subsidy to support the eligible costs (see below) of projects that will increase its output or efficiency, or increase the quality of the products or services it supplies. The specific types of project that may be subsidised are any combination of the following:

- the setting up of a first establishment or of a new establishment in addition to an existing establishment or establishments. An establishment is any place of business for the production or sale of goods or for the provision of services
- an increase in the production capacity or production quality of an existing establishment – this applies to the provision of services as well as the sale of goods, and might constitute the purchase of new equipment or software, or the training of staff to perform new tasks or to perform tasks more efficiently
- the diversification of output of an existing establishment to produce new products or provide new services.

11.6. The project, as defined in the scheme, must be in the UK. This means:

- where the setting up of a new establishment is supported by a subsidy under the scheme, the new establishment must be in the UK
- where an increase in production capacity or production quality is supported by a subsidy under the scheme, the goods must be manufactured in the UK or the services provided from the UK<sup>6</sup>
- where the diversification of output of an existing establishment is supported by a subsidy under the scheme, that establishment must be in the UK
- where wage costs are supported by a subsidy under the scheme, the principal place of work must be in the UK and must remain in the UK for 3 years after the date of the subsidy award
- where training costs are supported by a subsidy under this scheme, the principal place of work of the trained employees must be in the UK and must remain in the UK for 3 years after the date of the subsidy award

### **Eligible costs**

11.7. Subsidies under this scheme can be used to fund any combination of the costs specified below (up to the maximum amount or maximum subsidy ratio, whichever is lower) where they will be incurred directly in connection with an eligible project ('eligible costs'). Any costs that are not listed below may not be funded using a subsidy given under this streamlined route category.

<sup>6</sup> This is compatible with the local content prohibition in the Act. As set out in the statutory guidance on the Act, the prohibition does not prevent public authorities from conditioning an incentive to an enterprise, which is not currently established or operating in the UK, to establish itself or operate in the UK on certain requirements such as to locate production; supply a service; train or employ workers; construct or expand particular facilities; or carry out research and development in the UK.



11.8. The eligible costs are:

11.8.1. **Capital expenditure required for the project:** This covers tangible and intangible assets and includes the costs of buying or adapting equipment (plant or machinery) to produce goods or provide services; or of buying land or buildings (including the construction of buildings), to produce goods or provide services; or a combination of purchase and adaptation costs. For the purposes of this Streamlined Route, capital expenditure may include the rental of equipment, land or buildings. But the subsidy may not cover rental costs for any more than 3 years.

For example, this might cover both the purchase of a building and the retooling of any existing machinery in that building, or the purchase of new machinery. It may also cover the purchase or licensing of software to increase the efficiency of the enterprise or the purchase or licensing of intellectual property rights as long as that software or those intellectual property rights would not have been purchased by the beneficiary for its day-to-day business, if it had not received the subsidy.

11.8.2. **Wage costs of extra employment directly created by the project.** This is for new jobs created by a business development project. It must not cover any wage costs for posts that already exist at the time of the subsidy award, or posts that the beneficiary would have created anyway if they had not received the subsidy.

Wage costs means the worker's salary before any taxes, and excluding any mandatory contributions made by the beneficiary as an employer. This means that if the post created by the project pays the employee £35,000 gross, the eligible costs will be £35,000. They will not include the employer's national insurance costs, or mandatory pension contributions.

11.8.3. **Training costs directly related to the project.** This covers the costs of standard training for new workers hired as a direct result of the project; and the task-specific training costs of workers where this will improve production or service quality or capacity, or to work on a new product line or service. The eligible costs can include the fees of trainers and training providers, the hire of venues in which to do training, the cost of equipment (only where this equipment is used exclusively for training purposes) and the wage costs of workers for the time spent in training.

**Example:** An enterprise receives a subsidy to expand into a new product line. This requires the recruitment of 5 new workers to work on the new product. All workers at the company receive a 2-week induction course, and the operation of the new product line requires a 2-week task-specific familiarisation course. For this project, the eligible training costs would be the costs of the induction course for the 5 new workers, and the costs of the familiarisation course, both for those new workers and any others that are re-tasked to work on the new product line.

11.8.4. **Professional advisory services directly related to the project.** This means the costs of any consultancy or other professional business services that are directly related to the project. For example, surveying potential properties in which to site a new establishment, and legal fees for the buying of that new establishment or for the licensing of intellectual property necessary for the project.

It must not include any services that are used in the ordinary operation of the enterprise, or services that the enterprise would have bought without the subsidy. For example, these costs may not include the fees for accountants preparing balance sheets for mandatory reporting purposes, or for tax advice.

### **Limitations on eligible costs**

- 11.9. The enterprise must commit to carry out and maintain the project for at least 3 years after the date of the subsidy award. For example, if a subsidy is given to set up a new office, then the beneficiary must keep that office open for at least 3 years after the date of the subsidy award.
- 11.10. Where the subsidy has covered any of the wage costs for new posts related to the project, the beneficiary must create and fill those posts within 1 year of the subsidy award. The posts must then be maintained for not less than 3 years after the date of the subsidy award (not the date of recruitment).
- 11.11. This commitment relates only to posts and not individual workers. It does not prejudice the beneficiary's right to dismiss workers where permitted by law, provided the post is filled afterwards.
- 11.12. If it is necessary for the continued viability of the beneficiary that the project be suspended or ended, then a public authority may choose to consider that this is not a misuse of the subsidy.

- 11.13. Public authorities should default to giving subsidies in the form of debt finance, such as a loan, where possible. However, grants may be awarded if the public authority is of the view – using its own knowledge of the local venture capital and retail lending markets, or evidence presented by the beneficiary – that another form of subsidy would lead the beneficiary to reduce the scope of the project, deliver it more slowly, or spend less on it.
- 11.14. A public authority should only award a subsidy under this route in the form of debt finance if it is of the view that there is no reasonable prospect of the beneficiary getting appropriate finance to carry out the project from another source, such as a commercial investor or lender. Again, a public authority may use its own knowledge of the local venture capital and retail lending market to reach this conclusion, or it may wish to see evidence that the beneficiary has unsuccessfully sought loans for the proposed project.
- 11.15. A public authority may also award a subsidy if it is of the view that getting finance from another source would lead the beneficiary to reduce the scope of the project, to deliver it more slowly, or to spend less on it, making it less effective for driving local growth.
- 11.16. Where public authorities are giving subsidies in the form of complex financial instruments, including equity or quasi-equity investments, it is strongly recommended that they have appropriate expertise to select and manage investments.

### Subsidy ratios and maximum award amounts

- 11.17. The table below sets out the limits for this route: the maximum amount that can be given and the maximum percentage of eligible costs that can be financed by subsidy (the subsidy ratio), with the beneficiary financing the remaining costs.
- 11.18. The subsidy must be capped at either the maximum amount or the limit indicated by the subsidy ratio, whichever is lower.

Type of enterprise	Subsidy ratio	Maximum gross cash equivalent value for <u>subsidised debt finance</u>	Maximum cash value of <u>grants</u>
Start-up (small enterprise)	Up to 95% of eligible costs		Up to £400,000

Small enterprise	Up to 25% of eligible costs	Up to £600,000	
Medium-sized enterprise	Up to 15% of eligible costs		

11.19. Where these subsidy ratios and maximum award amounts are not adequate for a specific project, a public authority should consider giving a standalone subsidy outside this scheme, using the simple four-step assessment.<sup>7</sup>

<sup>7</sup> Subsidy control assessment template: <https://www.gov.uk/government/publications/subsidy-control-principles-assessment-template>

## 12 Category 2A: Support for the employment of workers with disabilities

### Enterprise eligibility

- 12.1. Any enterprise of any size, in any sector, may receive subsidies under this category.

### Eligible activity

- 12.2. The eligible activity for this category is the employment of workers with disabilities.
- 12.3. For the purposes of this category, a worker with disabilities is any worker who has a disability as defined in the Equality Act 2010 (in England, Wales or Scotland) or the Disability Discrimination Act 1995 (in Northern Ireland). That is, any person who has ‘a physical or mental impairment which has a substantial and long-term adverse effect on a person's ability to carry out normal day-to-day activities.’<sup>8</sup> The disability must also be likely to have a substantial negative effect on that person’s ability to do the essential tasks of the post they are to fill.
- 12.4. For example, a person with restricted mobility who is being recruited to fill a desk-based post, may not be significantly impeded by the disability when they are doing the essential tasks of their post.

### Eligible costs

- 12.5. Subsidies under this category can be used to fund either of the costs specified below, or any combination of the two, up to the maximum amount or maximum subsidy ratio, whichever is lower (‘eligible costs’). Any costs that are not listed below may not be funded using a subsidy given under this category.
- 12.6. The first eligible costs are a portion of the **wage costs of workers with disabilities**. This means the worker’s salary before any taxes, and excluding any mandatory contributions made by the beneficiary as an employer. For example, if the post pays the employee £35,000 gross, the eligible costs will be £35,000. They will not include the employer’s national insurance costs, or mandatory pension contributions.

<sup>8</sup> Further information about the interpretation of this definition (in England, Wales and Scotland) can be found at: <https://www.gov.uk/definition-of-disability-under-equality-act-2010>

- 12.7. The proportion of wage costs that are subsidised should correspond to the disability's negative impact on the person's ability to do tasks that are associated with the post, after reasonable adjustments. This requires a case-by-case approach, just as the Equality Act 2010 and Disability Discrimination Act 1995 require an employer to determine reasonable adjustments according to the needs of the individual and means of the employer.
- 12.8. The second eligible costs are the **additional costs to the enterprise of employing a worker or workers with disabilities**. Broadly, this covers the costs of making the working environment suitable for the worker with disabilities and allowing them to be productive in it. It includes the wage costs of workers that assist workers with disabilities and their training costs.
- 12.9. However, it does not cover any actions that the enterprise would be obliged to make as 'reasonable adjustments' under the Equality Act 2010 or in Northern Ireland, the Disability Discrimination Act 1995.<sup>9</sup> In practice, which adjustments are reasonable – and must be met by the enterprise – and which are not, and may be covered using a subsidy under this category, will have to be determined on a case-by-case basis, considering the circumstances of the enterprise and the needs of the worker.<sup>10</sup>

#### **Example**

If an enterprise is employing a worker who has both restricted mobility and a sight impairment, necessary adjustments might include moving the workstation to the ground floor, installing a ramp, licensing adaptive software and employing a part-time reader to assist the worker. The last two may not be affordable for that enterprise. In which case, the enterprise should assume the costs of moving the workplace and installing the ramp as reasonable adjustments, while the licensing of adaptive software and costs of employing a part-time reader may be met by a subsidy given under this Scheme.

12.10. Eligible additional costs are:

- the costs of adapting premises and equipment for use by workers with disabilities
- the costs of acquiring and licensing adaptive technologies and adaptive software for the exclusive use of workers with disabilities

<sup>9</sup> For more information about reasonable adjustments, see: <https://www.gov.uk/reasonable-adjustments-for-disabled-workers> (England, Wales and Scotland) or <https://www.nidirect.gov.uk/articles/disability-discrimination-law-employment-rights> (Northern Ireland).

<sup>10</sup> For these purposes, the availability of a subsidy under this category should not be factored into the assessment of what is affordable for the enterprise. As it may otherwise be appropriate to consider possible sources of external support when determining what is a reasonable adjustment.

- the costs of transporting workers with disabilities to and from the workplace
- the wage costs of a worker with disabilities for the time they spend on rehabilitation
- where the enterprise provides sheltered employment, the costs of constructing, installing or modernising the production units of the enterprise concerned, and any costs of administration and transport, provided that such costs result directly from the employment of workers with disabilities.
- the wage costs of workers that assist workers with disabilities – as set out in 12.6, above, wage costs mean the worker's salary before any taxes, and excluding any mandatory contributions made by the beneficiary as an employer. A subsidy may only be given for the time these workers spend exclusively on assisting workers with disabilities. If the sole duty of the worker is to assist workers with disabilities, then the subsidy may cover their entire wage costs
- the training costs of training staff to assist with workers with disabilities – eligible training costs include the fees of trainers and training providers, the hire of venues in which to do training, the cost of equipment (only where this equipment is used exclusively for training purposes) and the wage costs of workers for the time spent in training

### **Limitations on eligible costs**

- 12.11. Generally, subsidies should be given for a finite period to encourage a change in the economic behaviour of the beneficiary. However, in respect of the employment of workers with the most severe disabilities, it may be necessary to give ongoing subsidy to the employing enterprise.
- 12.12. Where a public authority has contributed for 3 consecutive years to either or both of the wage costs of a worker with disabilities, and any additional costs of employing that worker, they should review the case before providing a further period of subsidy (and review again after another 3 years). The review should consider whether the enterprise might be able to retain the worker in their post without subsidy or with a different amount of subsidy.
- 12.13. This does not prevent a public authority reviewing the subsidy at other intervals, to determine whether the amount of support is at the right level. For example, if a person has a progressive condition, or one that may become less acute over time.

12.14. Where a subsidy supports the wage costs of a worker with disabilities, the enterprise must commit to create and fill the post within 6 months of the date of the subsidy award. The public authority and enterprise may agree to a longer period if, for example, the enterprise is doing building works to adapt their premises to the needs of the worker and these will not be completed within 6 months of the subsidy award.

12.15. The enterprise must also commit to retain the worker with disabilities for a defined minimum period. This does not prejudice the beneficiary’s right to dismiss workers where permitted by law.

### **Subsidy ratios and maximum award amounts**

12.16. The table below sets out the limits for this route: the maximum amount that can be given and the maximum percentage of eligible costs that can be financed by subsidy (the subsidy ratio), with the beneficiary financing the remaining costs.

12.17. The subsidy must be capped at either the maximum amount or the limit indicated by the subsidy ratio, whichever is lower.

12.18. Within the limits of the maximum subsidy ratio for each eligible cost, a subsidy may cover any combination of eligible costs up to the £5m maximum award amount.

12.19. For the purposes of cumulation, if an enterprise has already received a subsidy for wage costs under category 1 or 2B of this Streamlined Route, the portion of that subsidy that was given for wage costs should be treated as a subsidy for the same activity and purpose as a subsidy for wage costs under this category (or vice versa if a subsidy under this category is awarded first).

<b>Eligible cost</b>	<b>Subsidy ratio</b>	<b>Maximum award amount</b>
Wage costs of employing workers with disabilities	75%	£5 to a single enterprise in any one year
Additional costs of employing workers with disabilities	100%	



## 13 Category 2B: Support for the employment of disadvantaged workers

### Enterprise eligibility

13.1. Any enterprise of any size, in any sector, may receive subsidies under this category.

### Eligible activity

13.2. The eligible activities in this category are the operation of access programmes to advertise jobs to workers that are underrepresented in the labour market, and to recruit them to an enterprise; and the employment of disadvantaged and severely disadvantaged workers for a limited period while they adapt to the new working environment.

### Eligible costs

13.3. Subsidies under this category can be used to fund the costs specified below, up to the maximum amount or maximum subsidy ratio, whichever is lower ('eligible costs'). Any costs that are not listed below may not be funded using a subsidy given under this category.

### ***Operational costs of access programmes***

13.4. An access programme is any programme designed to raise the profile of careers in an enterprise to groups that are underrepresented in the labour market or to disadvantaged and severely disadvantaged workers (the relevant groups) and to recruit persons from those groups into the enterprise.

13.5. **Persons in groups underrepresented in the labour market** are:

- People in the underrepresented gender in relation to prospective work in a sector where the gender imbalance is at least 25 percentage points greater than the average gender imbalance across all UK sectors. The national and sectoral gender balance can be identified using Standard Industrial Classification codes and Office for National Statistics data.

### **Identifying the average imbalance across all UK sectors**

Using the latest available data\* on employment by industry and gender, there are 16.808 million men employed in all UK sectors, and 15.364 million women. The total gender imbalance across all UK sectors is therefore 4.5 percentage points. This figure can be obtained by:

First calculating the total number of workers (16.808 million + 15.364 million = 32.172 million)

We then calculate the percentage of workers of each gender. Men:  $16.808 / 32.172 * 100 = 52.2$  percent; women:  $15.364 / 32.172 * 100 = 47.8$  percent

We then subtract the smaller percentage from the larger percentage to calculate the gender employment gap in percentage point terms:  $52.2 - 47.8 = 4.5$  percentage points

Wherever a particular sector has a gender imbalance that is greater than that total gender imbalance across all UK sectors plus 25 percentage points (=  $4.5 + 25.0 = \mathbf{29.5}$  percentage points), then the underrepresented gender may be considered an underrepresented group in relation to prospective work in that sector.

### **Identifying the imbalance in the relevant sector**

For example, the UK construction sector employs 1.785 million men and 0.294 million women. Following the process above:

$1.785$  million +  $0.294$  million =  $2.079$  million workers

Male representation:  $1.785 / 2.079 = 85.9\%$ ; female representation:  $0.294 / 2.079 = 14.1\%$

$85.9\% - 14.1\% = 71.7$  percentage point gender employment gap

This is in excess of 29.5 percent, so the underrepresented gender (women) would be an underrepresented group in relation to prospective work in the construction sector.

*\* This is drawn from the Annual Population Survey dataset on 'Industry of employment (SIC 2007) by gender,' from January to December 2021, available at [nomisweb.co.uk](http://nomisweb.co.uk). Public authorities should use more recent Annual Population Survey data as it becomes available.*

- People in an ethnic group that has an employment rate 5 percentage points or more below the UK average. This should be determined using the government's annual publication of data on employment by ethnicity or the underlying data from the Annual Population Survey.<sup>11</sup> As of November 2022, the average employment rate is 75%.

13.6. The costs of an access programme that may be funded by a subsidy under this category are the following.

- **Costs directly associated with advertising the availability of posts to persons in the relevant groups.** This may include the cost of advertising, of running events, or of attending events (for example, the costs of travel to the event and accommodation there, and of renting and operating stalls). It may also include the costs of contracting other firms to produce materials promoting the access programme, or the fees of consultants to advise on the successful operation of the programme.
- **The direct costs of recruitment and onboarding of persons in the relevant groups.** This may include the wage costs for interviewers and HR staff for the time spent interviewing and 'onboarding' candidates from the relevant groups that applied through the access programme or as a result of the access programme; the hiring of any premises necessary for interviewing or selection of candidates; or any one-off fees of recruitment agencies.
- **Wage costs for those working on the programme, for the time that they spend on work directly connected to the programme.** This may include the total wage costs of someone employed entirely to operate the programme. It may also include the wage costs of, for example, in-house web, design or production staff for the time they spend producing materials to promote the access programme.

***Wage costs for the employment of disadvantaged workers for up to 12 months***

13.7. This is to compensate for any temporary shortfall in the productivity of a newly hired disadvantaged worker compared to other new workers in similar posts in the enterprise.

13.8. A **disadvantaged worker** is an unemployed person who meets any of the below criteria:

<sup>11</sup> Gov.uk, 'Employment by ethnicity', drawn from the ONS Annual Population Survey, <https://www.ethnicity-facts-figures.service.gov.uk/work-pay-and-benefits/employment/employment/latest#by-ethnicity>, accessed 5 January 2022.

- is over 16 years of age and under 25 years of age at the time their employment contract with the enterprise is agreed
- is over 50 years of age at the time their employment contract with the enterprise is agreed
- has not obtained an upper secondary educational or vocational qualification (using the International Standard Classification of Education, level 3)<sup>12</sup> or is within 2 years after completing full-time education and who has not previously obtained his or her first regular paid employment.
- lives as a single adult with one or more dependents
- has not been in regular paid employment for 12 months

***Wage costs for the employment of severely disadvantaged workers for up to 24 months***

13.9. This is to reflect the greater medium-term adaptation needs that such workers are likely to have, and to compensate for any resulting temporary shortfall in the productivity of newly hired severely disadvantaged workers compared to other new workers in similar posts in the enterprise. As a result, the proportion of wage costs that is met by subsidy should be commensurate with the likely extent of extra adaptation needs of the workers in question.

13.10. A **severely disadvantaged worker** is an unemployed person who meets any of the below criteria:

- has not been in regular paid employment for 24 months
- is a 'disadvantaged worker' (see 13.8, above) who has not been in regular paid employment for 12 months<sup>13</sup>

<sup>12</sup> As applied to workers who have been educated in the various UK systems, this means candidates who have not obtained A Levels, T Levels, Highers or New Highers, or other upper secondary qualifications.

<sup>13</sup> For greater clarity, where someone is considered a disadvantaged worker by virtue of being unemployed for 12 months, then they must be unemployed for a further 12 months (ie, a total of 24 months) before they can be considered a severely disadvantaged worker.

- is a person who is part of any group that has lower-than-average participation in the labour market and that the public authority considers likely to have complex support needs when adapting themselves to the working environment. Complex support needs might be indicated by, for example, a low level of spoken or written English, or significant skills gaps relative to other workers in comparable posts.

This guidance does not seek to provide an exhaustive list of these groups. The list of priority groups for the Work and Health Programme (England and Wales) provides a useful indication of those who may reasonably be considered to have complex needs.<sup>14</sup> However, a public authority must exercise its judgement in determining to whom this category may apply.

Where suitable data on labour market participation is not available (at a national or local level), the public authority may apply its own judgement and knowledge of the local situation to determine who should be considered to have lower-than-average participation in the labour market.

### ***Wage costs for support workers***

- 13.11. This is to permit the provision of support to disadvantaged and severely disadvantaged workers as necessary to help with their adaptation to the working environment. Wage costs may only be provided for the time that support workers spend exclusively in activities assisting disadvantaged or severely disadvantaged workers. These are interventions to support their ability to operate autonomously in their post and to adapt to the working environment. It may also include accompanying the worker in social and administrative procedures, facilitating communication with the employer, and mediating disputes between the enterprise and the worker.
- 13.12. Where these interventions are the sole duties of a worker in the enterprise, the entirety of their wage costs would be an eligible cost. Wage costs mean the worker's salary before any taxes, and excluding any mandatory contributions made by the beneficiary as an employer.

<sup>14</sup> This includes carers and former carers, homeless people, former members of the armed forces or armed forces reservists, care leavers, young persons in gangs, refugees, victims of domestic violence, those who are dependent (or have been dependent) on drugs or alcohol in a way that is preventing them from getting work, ex-offenders who have completed a custodial or community sentence or offenders serving a community sentence.

### ***The costs of training support workers to assist disadvantaged or severely disadvantaged workers***

- 13.13. The eligible costs relate to training that helps support workers deliver the interventions specified in 13.11, above, such as training in mentoring or mediation.
- 13.14. The eligible training costs can include the fees of trainers and training providers, the hire of venues in which to do training, the cost of equipment (only where this equipment is used exclusively for training purposes) and the wage costs of workers for the time spent in training.

### **Limitations on eligible costs**

- 13.15. Where an enterprise receives a subsidy for the operating costs of an access programme, they must commit to initiate the access programme – that is, begin advertising posts to the relevant groups – within 6 months of the date of the subsidy award.
- 13.16. The enterprise should also notify the public authority when the access programme has ended and report on the outcomes of the programme. This should indicate, as a minimum, how many workers from the targeted groups have been recruited. The public authority may choose to impose other reporting requirements.
- 13.17. Where an enterprise receives a subsidy for the wage costs of disadvantaged or severely disadvantaged workers:
- the enterprise must commit to create and fill the posts within 6 months of the subsidy being given, and then to retain the posts for 3 years after the date of the subsidy awards<sup>15</sup>
  - the enterprise should notify the public authority when the relevant posts are filled
  - the enterprise must report to the public authority 3 years after the date of the subsidy award (or at any other reporting interval required by the public authority) on the status within the enterprise of workers whose wage costs have been subsidised

<sup>15</sup> This does not prejudice the enterprise's right to dismiss workers where they are legally permitted to do so.

## Subsidy ratios and maximum award amount

- 13.18. The table below sets out the limits for this route: the maximum amount that can be given and the maximum percentage of eligible costs that can be financed by subsidy (the subsidy ratio), with the beneficiary financing the remaining costs.
- 13.19. The subsidy must be capped at either the maximum amount or the limit indicated by the subsidy ratio, whichever is lower.
- 13.20. Within the limits of the maximum subsidy ratio for each eligible cost, a subsidy may cover any combination of the following eligible costs up to the £5m maximum award amount:
- 13.21. The operational costs of access programmes are to be counted separately. Therefore the maximum award that could be received in any 3-year period under this category is £5.5 million.
- 13.22. Where subsidy is provided for wage costs, the subsidy value should be adjusted (and any excess payments reimbursed) where the profile of workers who have been recruited does not match that which was anticipated at the outset (for example, if the enterprise aimed to recruit 10 disadvantaged workers and 5 severely disadvantaged workers, but ended up recruiting 13 disadvantaged workers and 2 severely disadvantaged workers; or if a disadvantaged worker is dismissed and is not replaced by another disadvantaged worker).
- 13.23. For the purposes of cumulation, if an enterprise has already received a subsidy for wage costs under category 1 or 2A of this Streamlined Route, the portion of that subsidy that was given for wage costs should be treated as a subsidy for the same activity and purpose as a subsidy for wage costs under this category. (Or vice versa if a subsidy was awarded under this category first.)

Eligible cost	Subsidy ratio	Maximum award amount
Operational costs of access programmes	50%	£500,000
Wage costs of disadvantaged workers	15%	£5 million
Wage costs of severely disadvantaged workers	30%	
Wage costs and training costs of support workers	75%	