

# Research, Development and Innovation 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-guides>

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 DBT 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 Research, Development and Innovation Streamlined Route.*

# Contents

|   |    |
|---|----|
| Foreword .....  | 1  |
| Part 1: General guidance .....  | 6  |
| 1 How to use this guidance.....   | 6  |
| 2 Overview of Streamlined Routes .....  | 6  |
| 3 Legal background .....  | 7  |
| Power .....   | 7  |
| Parliamentary scrutiny.....   | 7  |
| Challenges against Streamlined Routes .....                                   | 8  |
| Challenges against subsidies given under Streamlined Routes.....              | 8  |
| 4 Process for awarding subsidies under a Streamlined Route .....              | 9  |
| 5 Eligibility and scope .....   | 10 |
| Is it a subsidy? .....  | 10 |
| Is the subsidy within scope?.....   | 10 |
| Prohibitions .....  | 10 |
| Northern Ireland Protocol .....   | 11 |
| Enterprise size .....   | 11 |
| Relevant Companies Act 2006 references .....                                  | 12 |
| 6 General Streamlined Route requirements .....                                | 13 |
| Information-gathering requirements .....                                      | 13 |
| Start dates.....  | 13 |
| Availability .....  | 14 |
| Eligible costs .....  | 14 |
| Valuing the subsidy .....   | 14 |
| Calculating subsidy ratios and the maximum permissible award .....            | 15 |
| Cumulation rules for Streamlined Routes.....                                  | 17 |
| Transparency requirements .....   | 18 |
| Retention of documents .....  | 20 |
| Part 2: Research, Development and Innovation Streamlined Route (SC10780)..... | 21 |
| 7 Overview.....   | 21 |
| 8 Objectives.....   | 21 |
| 9 Context .....   | 22 |

|    |  |    |
|----|--|----|
| 10 | Streamlined Route categories explainer .....   | 22 |
|    | Feasibility Studies .....  | 23 |
|    | Industrial Research and Experimental Development Projects.....                                     | 23 |
|    | Small and Medium Enterprise RD&I Support .....   | 23 |
| 11 | Scope of subsidies within the Route .....  | 23 |
| 12 | Enterprise eligibility.....  | 24 |
| 13 | Category 1: Feasibility Studies .....  | 25 |
|    | Scope .....  | 25 |
|    | Eligible costs .....   | 26 |
|    | Subsidy ratios and maximum amounts.....  | 26 |
| 14 | Category 2: Industrial Research and Experimental Development Projects..                            | 28 |
|    | Scope & definitions .....  | 28 |
|    | Industrial Research and Experimental Development .....   | 28 |
|    | Eligible costs .....   | 30 |
|    | Equipment and instruments.....   | 30 |
|    | Buildings and land.....  | 31 |
|    | Project overheads .....  | 31 |
|    | Subsidy ratios and maximum amounts.....  | 32 |
| 15 | Category 3: Small and Medium-Sized Enterprise Research, Development<br>and Innovation Support..... | 34 |
|    | Scope .....  | 34 |
|    | General category conditions.....   | 34 |
|    | Subsidy ratios and maximum award amounts.....  | 35 |
|    | Sub-category A: Innovation Services .....  | 35 |
|    | Scope .....  | 35 |
|    | Definitions .....  | 35 |
|    | Eligible costs .....   | 36 |
|    | Sub-category B: Process and Organisational Innovation .....  | 36 |
|    | Scope .....  | 36 |
|    | Definitions .....  | 36 |
|    | Eligible costs .....   | 37 |
|    | Sub-category C: Equipment and Instruments.....   | 37 |
|    | Scope .....  | 37 |
|    | Eligible costs .....   | 38 |



# Part 1: General guidance

## 1 How to use this guidance

- 1.1. This guidance has been published to support the use of the Research, Development and Innovation Streamlined Route (also known as the Research, Development and Innovation Streamlined Subsidy Scheme). It explains the legal obligations of the Research, Development and Innovation 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 DBT subsidy control team at:  
[subsidycontrol@businessandtrade.gov.uk](mailto:subsidycontrol@businessandtrade.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.

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

- 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.
- 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 below process map 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 as was in force in January 2023. 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 (as defined in the Subsidy Control Act 2022) 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 as was in force in January 2023.<sup>3</sup>
- 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 as was in force in January 2023<sup>4</sup>.
- 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 as was in force in January 2023.<sup>5</sup>

<sup>3</sup> See changes over time <https://www.legislation.gov.uk/ukpga/2006/46/section/382/2023-04-01>.

<sup>4</sup> See changes over time <https://www.legislation.gov.uk/ukpga/2006/46/section/465/2023-09-29>.

<sup>5</sup> As above.

## 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>6</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>6</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 ration 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. DBT 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@businessandtrade.gov.uk](mailto:subsidydatabase@businessandtrade.gov.uk)
  - Identify the Streamlined Route you want to use from the list under subsidy schemes. Use the RDI Route's unique SC number (SC10780).
  - 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: Research, Development and Innovation Streamlined Route (SC10780)

## 7 Overview

- 7.1. The Research, Development and Innovation (RD&I) Streamlined Route (also known as the RD&I Streamlined Subsidy Scheme) has been made by the Secretary of State to facilitate the giving of certain subsidies that will help achieve important RD&I strategic objectives.
- 7.2. Investment in RD&I is key to the future prosperity of the UK. The UK RD&I system includes industries that attract substantial amounts of investment, which is underpinned by highly innovative discovery research and UK leadership in international research collaborations. RD&I also plays a vital role in improving the nation's health and quality of people's lives, protecting the environment and the natural world.
- 7.3. Government remains committed to growing research and development (R&D) spending to deliver innovation-led growth. Our public R&D spending commitments will continue to contribute to driving increases in private sector investment, supporting the Government's key aim of raising economic growth by boosting productivity and thus raising living standards across the country.

## 8 Objectives

- 8.1. The RD&I Streamlined Route has been created to achieve specific strategic policy objectives, as well as to address longstanding and evidenced market failures. The objectives are to:
  - facilitate increased public investment in research, unlocking new discoveries and applying research to solving our most pressing problems in government, industry and wider society.
  - encourage increased private sector RD&I investment and spend
  - encourage RD&I business growth and ensure an accessible funding landscape for commercialisation.
  - encourage collaborative RD&I, especially strategic collaborations between universities, businesses and charities.
- 8.2. These objectives are in line with the government's wider strategic objectives and priorities within the RD&I landscape.
- 8.3. This guidance should be read alongside the RD&I Streamlined Route itself.

## 9 Context

- 9.1. The positive impact RD&I makes to the world and people's lives is unquestionable. It is an important driver of economic growth and productivity and is critical for building a greener, healthier and more resilient UK.
- 9.2. The UK is internationally recognised for our leadership in RD&I. However, UK growth has been slowing for several decades and our productivity has fallen behind comparator countries, and is now around one-fifth lower than Germany, France, and the US. The OECD and independent academic studies have found that greater R&D activity increases long-term productivity growth. These gains do not stop at a specific level of investment and public RD&I investment crowds in private sector investment, both in the short term and over the longer term.<sup>7</sup> The government will continue to work with industry to ensure that public R&D investment converts into the business activity that drives productivity gains.
- 9.3. In its Autumn Statement 2022, despite the fiscal challenges, the government recommitted to increasing public expenditure on R&D to £20 billion a year by 2024/2025. This represents a cash increase of around one-third and is the largest ever increase in public R&D spend over a spending review period. The government also confirmed BEIS's £39.8 billion R&D budget for 2022–2025.<sup>8</sup> This is the largest ever UK R&D budget that recognises the positive impact of public funding, the presence of market failures that lead to sub-optimal investment levels and the strategic importance of RD&I.
- 9.4. This Streamlined Route can be used by all UK public authorities to give RD&I subsidies quickly, easily and with maximum certainty. It will therefore provide a mechanism to support investment in RD&I to drive economic growth and greater productivity.

## 10 Streamlined Route categories explainer

- 10.1. The RD&I Streamlined Route consists of three categories, each containing its own project definitions, maximum amounts, subsidy ratios, eligibility criteria and limitation conditions.

<sup>7</sup>The relationship between public and private R&D funding (2020), Department for Business, Energy and Industrial Strategy:

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/897470/relationship-between-public-private-r-and-d-funding.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/897470/relationship-between-public-private-r-and-d-funding.pdf)

<sup>8</sup> <https://www.gov.uk/government/news/government-announces-plans-for-largest-ever-rd-budget#:~:text=The%20%C2%A339.8%20billion%20R%26D,ambitions%20as%20a%20science%20superpower.>

10.2. The three categories are:

- Feasibility Studies
- Industrial Research and Experimental Development Projects
- Small and Medium Sizes Enterprise RD&I Support:
  - a) Innovation Services
  - b) Process and Organisational Innovation
  - c) Equipment and Instruments

### **Feasibility Studies**

10.3. This category will facilitate public authorities to support enterprises to undertake feasibility studies related to RD&I projects, which often involve a level of uncertainty and risk. Feasibility studies analyse and evaluate a project's potential by uncovering its strengths, weaknesses, opportunities and threats, as well as identifying the resources needed and its prospects for success.

10.4. Feasibility studies can therefore help reduce both uncertainty and risk, and encourage enterprises to undertake subsequent RD&I projects and activities.

### **Industrial Research and Experimental Development Projects**

10.5. This category can be used by public authorities to support a broad range of RD&I projects related to industrial research and experimental development. Both involve an element of uncertainty and using knowledge, whether newly acquired or existing; to develop new, or improve existing products, processes, or services. This includes digital products, services and processes. Public authorities can support projects under one category or projects spanning both.

### **Small and Medium Enterprise RD&I Support**

10.6. This category (made up of 3 sub-categories) will allow public authorities to provide a range of support to innovative SMEs and SMEs who want to innovate. They will complement the other categories in this Route (Feasibility Studies and Industrial Research & Experimental Development Projects) by focusing on helping SMEs access the skills, knowledge, methods, technology, processes and equipment they need to innovate and grow.

- a) Sub-category A: Innovation Services
- b) Sub-category B: Process and Organisational Innovation
- c) Sub-category C: Equipment and Instruments

## **11 Scope of subsidies within the Route**

11.1. Only subsidies within scope of the Streamlined Route may be given under it.

- 11.2. Public authorities should always assess whether the financial assistance they wish to give constitutes a subsidy. The purpose of this RD&I Streamlined Route is to facilitate subsidies for RD&I projects. Funding that does not constitute a subsidy cannot be given under this Streamlined Route, which has been created to comply with the requirements of the Subsidy Control Act 2022. For example, funding for basic research (also known as fundamental research) is highly unlikely to constitute a subsidy when given to non-economic organisations, such as research and knowledge dissemination organisations or universities, that are not acting commercially, even if they undertake a small proportion (eg, less than 20%) of commercial activities. Basic research funding to enterprises may not constitute a subsidy when there is no commercial application in view. This should be assessed on a case-by-case basis using the statutory subsidy control guidance.

**Basic (also known as fundamental) research** is experimental or theoretical work undertaken primarily to acquire new knowledge of the underlying foundation of phenomena and observable facts, without any particular application or use in view.

## 12 Enterprise eligibility

- 12.1. Eligible enterprises are those that carry out the project or activity in the UK and intend to exploit the results of the activity in or from the UK. Enterprises do not need to be registered in the UK to be eligible, providing the project or activity is carried out in the UK and that they intend to exploit the results in or from the UK. Where an enterprise is not based in the UK or carries out activity in other countries, public authorities may consider obtaining written assurances that the enterprise intends to exploit the results of the project or activity in or from the UK, as part of the agreement process before they give the subsidy.
- 12.2. Research organisations, universities and charities typically act non-commercially and receive funding that does not meet the definition of a subsidy. However, when they meet the definition of an 'enterprise' (that is, they are carrying out economic activity by providing goods or services on a market) they may be eligible to receive subsidies under the RD&I Streamlined Route.



## 13 Category 1: Feasibility Studies

### Scope

- 13.1. The purpose of this category is to facilitate the giving of subsidies for RD&I related feasibility studies. This category cannot be used to give subsidies for feasibility studies that are not related to RD&I. To assess a feasibility study's eligibility, public authorities should use the definitions for both feasibility study and RD&I.

**'Feasibility study'** means the evaluation and analysis of the potential of a project, which aims at supporting the process of decision-making by objectively and rationally uncovering its strengths and weaknesses, opportunities and threats, as well as identifying the resources required to carry it through and ultimately its prospects for success.

- 13.2. A subsidy given for a feasibility study under this category must be separate from any other subsidy given under the Route. This is the case even where the projects are related.
- 13.3. Subsidies can only be given for projects that have started when certain conditions have been met. This is to ensure that subsidies achieve an incentive effect. For clarity, a feasibility study does not constitute a project or activity starting for the purposes of the other categories in the RD&I Streamlined Route. Public authorities do not therefore have to account for any previous feasibility studies when giving subsidies in the other Streamlined Route categories.

### Example

A public authority gives a subsidy to an enterprise for a feasibility study to identify the risks and opportunities of an industrial research project.

The enterprise decides, following the feasibility study, to undertake the industrial research project and seeks a further subsidy to help with the cost, under the Industrial Research and Experimental Development category. The enterprise has not started any work on the project, only undertaken the feasibility study.

As the enterprise has not started work on the project and as feasibility studies do not constitute a project starting for any other Streamlined Route categories, the industrial research project is not considered to have started.

## Eligible costs

13.4. Subsidies under this category can only be used to fund specified costs (eligible costs). The eligible costs for feasibility studies shall be the costs of the study.

## Subsidy ratios and maximum amounts

13.5. The table below sets out the Feasibility Studies category's maximum amounts and subsidy ratios; the amount that can be given and what percentage of eligible costs can be subsidised, with the beneficiary financing the remaining costs.

13.6. To ensure subsidies are proportionate, the size of the beneficiary determines the level of subsidy in percentage of eligible costs that can be funded. The smaller the enterprise, the higher the percentage of eligible project costs public authorities can subsidise.

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

|                                 | Maximum Amount                      | Subsidy Ratios              |
|---------------------------------|-------------------------------------|-----------------------------|
| <b>Small enterprises</b>        | £3,000,000 per enterprise per study | Up to 70% of eligible costs |
| <b>Medium-sized enterprises</b> | £3,000,000 per enterprise per study | Up to 60% of eligible costs |
| <b>Large enterprises</b>        | £3,000,000 per enterprise per study | Up to 50% of eligible costs |

13.7. The maximum amount of £3,000,000 million only applies to an enterprise per study and not to the study as whole. If multiple enterprises are collaborating in a study, the eligible costs are based on their share of the study's costs, and they are each eligible for the maximum amount. For example, where a single enterprise is undertaking a study alone, the maximum it can receive is £3 million. Two enterprises collaborating on a study can each receive up to £3 million.

- 13.8. Where multiple enterprises are collaborating on a study, the public authority should provide two separate subsidies (as opposed to a single subsidy with multiple beneficiaries). The public authority must also be clear that the two enterprises are indeed separate and are not under common control: under the Act, a group of persons under common control engaged in an economic activity should be considered a single enterprise.
- 13.9. Where multiple enterprises are collaborating in a study, it is also possible for a public authority to subsidise only one, or some, of the enterprises undertaking the study. The eligible costs in that case will be that enterprise's share of costs, and not on the total cost of the study.

**Example**

A large enterprise and a medium enterprise are undertaking a feasibility study collaboratively. Both receive a subsidy towards the cost from a public authority, which must treat them as separate subsidies. The total eligible cost of the study is £6 million and the total value of the two subsidies is £3 million.

The large enterprise receives £1.5 million and contributes £1.5 million, or 50% of the cost totalling £3 million.

The medium enterprise receives £1.8 million and contributes £1.2 million, or 60% of the eligible costs totalling £3 million.

## 14 Category 2: Industrial Research and Experimental Development Projects

### Scope & definitions

- 14.1. Subsidies under this category may only be given for projects that meet the definition of RD&I and that fall within one of the 2 types of eligible RD&I projects – industrial research and experimental development.

**‘Research and development’** (R&D) means activities that must be novel, creative, uncertain in outcomes, systematic and transferable and/or reproducible. All 5 criteria are to be met every time an R&D activity is undertaken, whether on a continuous or occasional basis.

**‘Innovation’** means a new or improved product or process (or combination thereof) that differs from the previous products or processes and that has not been made available to potential users (product) or brought into use (process).

**‘Research, Development and Innovation’** (RD&I) means Research and Development and Innovation.

- 14.2. The definition of R&D is based on the internationally recognised OECD Frascati Manual (2015).<sup>9</sup> Public authorities should consider the Frascati Manual if they are unsure of whether a project meets the definition of R&D, alongside the definitions for industrial research, experimental development and innovation. In this Streamlined Route the definition for R&D is combined with the definition for Innovation.

### Industrial Research and Experimental Development

- 14.3. RD&I projects must fall completely within one or both types of RD&I – industrial research and experimental development. Both relate to developing products, processes or services, or improving existing products, processes or services. However, they entail different activities and concern different development stages.

<sup>9</sup> Frascati Manual (2015) Guidelines for Collecting and Reporting Data on Research and Experimental Development

**‘Industrial research’** means the planned research or critical investigation that is aimed at the acquisition of new knowledge and skills for developing new products, processes or services; or that is aimed at bringing about a significant improvement in existing products, processes or services.

This would include digital products, processes or services, in any technology, industry or sector (including, but not limited to, digital industries and technologies, such as super-computing, quantum technologies, block chain technologies, artificial intelligence, cyber security, big data and cloud technologies). Industrial research comprises the creation of component parts of complex systems, and may include the construction of prototypes in a laboratory environment or in an environment with simulated interfaces to existing systems as well as of pilot lines, where necessary for the industrial research and notably for generic technology validation.

**‘Experimental development’** means acquiring, combining, shaping and using existing scientific, technological, business and other relevant knowledge and skills with the aim of developing new or improved products, processes or services.

This includes digital products, processes or services, in any technology, industry or sector (including, but not limited to, digital industries and technologies, such as for example super-computing, quantum technologies, block chain technologies, artificial intelligence, cyber security, big data and cloud or edge technologies).

This may also encompass, for example, activities aimed at the conceptual definition, planning and documentation of new products, processes or services. Experimental development may comprise prototyping, demonstrating, piloting, testing and validation of new or improved products, processes or services in environments representative of real-life operating conditions where the primary objective is to make further technical improvements on products, processes or services that are not substantially set. This may include the development of a commercially usable prototype or pilot which is necessary for the final commercial product and which is too expensive to produce for it to be used only for demonstration and validation purposes.

Experimental development does not include routine or periodic changes made to existing products, production lines, manufacturing processes, services and other operations in progress, even if those changes may represent improvements.

- 14.4. Industrial research and experimental development are being used in this category, alongside enterprise size, to determine what maximum percentage of eligible costs a project can receive. For example, the maximum percentage of eligible costs is lower for experimental development projects than for industrial research. This is because experimental development projects are likely to be more developed and closer to market than industrial research. Meaning, the market failures affecting RD&I are likely to be less severe and therefore require less generous subsidies to remedy them.
- 14.5. Public authorities must assess a RD&I project's activities and tasks against the definitions of industrial research and experimental development to determine its eligibility and the level of support it can receive.

### **Eligible costs**

- 14.6. Subsidies under this category can only be used to fund specified costs (known as eligible costs). Any costs that are not listed below may not be funded using a subsidy given under this Streamlined Route category.
- 14.7. The eligible costs for all projects in the RD&I category shall be:
- personnel costs; researchers, technicians and other supporting staff to the extent employed on the project.
  - costs of equipment and instruments, to the extent employed on the project.
  - costs of buildings and land, to the extent and for the duration period used for the project.
  - costs of conducting research and of external consultancy and contractual research or other knowledge assets, including patents bought or licensed from outside sources.
  - any other project operating costs and project overheads; including costs of materials, supplies and similar products, incurred directly as a result of the project.

### **Equipment and instruments**

- 14.8. To help ensure that subsidies given under this Streamlined Route are the minimum necessary for achieving the route's objectives, the costs of equipment and instruments shall be fully eligible only if they are used for their full life for the project.
- 14.9. Where equipment and instruments are not used for their full life for the project and have residual value or life at the end of a project, that residual value should be deducted when calculating the eligible costs. Public authorities should use relevant and recognised industry standards when calculating life expectancy and are advised to set and agree these with beneficiaries before giving any subsidies.

14.10. Equipment and instruments acquired for the RD&I project with any residual value at the end of a project may be a fully eligible cost, where the enterprise is an SME, and the enterprise will use them after the project for other RD&I projects or activities to improve their RD&I capability. Public authorities wishing to fund equipment and instruments as an eligible cost for post project RD&I must:

- Limit this support to SMEs. Large enterprises are not eligible.
- Only subsidise equipment and instruments acquired for the RD&I project that is new to the enterprise. Existing equipment and instruments may not be subsidised.
- Not permit the equipment and instruments to be used for non-RD&I activities e.g., commercial purposes.
- Collect information from the enterprise to satisfy themselves the equipment and instruments will be used on an on-going basis for RD&I and to improve the RD&I capability of the enterprise. This should include a demonstration of how the on-going activity will result in positive RD&I related outcomes. Including, but not limited to, increased ability to apply for RD&I funding that requires equipment and instruments, increased investment in core RD&I or in RD&I-trained staff.

14.11. Public authorities may consider structuring on-going use of equipment and instruments for RD&I around a time-limited project, rather than general on-going use. It may also be appropriate to monitor equipment and instruments to ensure there is no misuse. For example, to ensure they are being used for the intended purposes and not for commercial purposes.

### **Buildings and land**

14.12. In relation to buildings, only the depreciation costs corresponding to the life of the project, as calculated on the basis of generally accepted accounting principles are considered as eligible. For land, costs of commercial transfer or actually incurred capital costs are eligible.

### **Project overheads**

14.13. Any other project operating costs and project overheads includes costs of materials, supplies and similar products, incurred directly as a result of the project. Public authorities can choose how to calculate overheads and operating costs. There are no specified methodologies public authorities need to follow when calculating overheads to comply with the Streamlined Route.

## Subsidy ratios and maximum amounts

14.14. The table below sets out the Industrial Research and Experimental Development Projects' maximum award amounts and subsidy ratios: the amount that can be given and what percentage of eligible costs can be subsidised, with the beneficiary financing the remaining costs.

14.15. The size of the beneficiary and the RD&I category determines the level of subsidy as a percentage of eligible costs that can be funded to ensure subsidies are proportionate.

14.16. The subsidy must be capped at either the maximum amount of £3,000,000 million, or the limit indicated by the subsidy ratio, whichever is lower:

| Up to £3,000,000 million        | Industrial Research         | Experimental Development    |
|---------------------------------|-----------------------------|-----------------------------|
| <b>Small enterprises</b>        | Up to 70% of eligible costs | Up to 45% of eligible costs |
| <b>Medium-sized enterprises</b> | Up to 60% of eligible costs | Up to 35% of eligible costs |
| <b>Large enterprises</b>        | Up to 50% of eligible costs | Up to 25% of eligible costs |

14.17. Where a project spans both industrial research and experimental development a blended average based on maximum award percentage can be calculated from the ratio of the proposed project costs on each type.

14.18. The maximum amount of £3,000,000 million only applies to an enterprise per project and not to the project as whole. This means that if multiple enterprises are collaborating on a project, then the eligible costs are based on their share of the costs, and they are each eligible for the maximum amount.

14.19. Where multiple enterprises are collaborating on a project, the public authority should provide two separate subsidies (as opposed to a single subsidy with multiple beneficiaries). The public authority must also be clear that the two enterprises are indeed separate and are not under common control: under the Act, a group of persons under common control engaged in an economic activity should be considered a single enterprise.

14.20. Where multiple enterprises are collaborating on a project, it is also possible for a public authority to subsidise only one, or some, of the enterprises involved. The eligible costs in that case will be that enterprise's share of costs, and not on the total cost of the project.



14.21. An uplift of 15% can be applied to the maximum subsidy ratio in either category for any size enterprise in instances of effective collaboration, where one of the following applies:

- at least one of the enterprises involved is a SME,
- where the beneficiary collaborates with one or more research and knowledge and dissemination organisations, and where any collaborating research and knowledge and dissemination organisations have the right to publish their own research results.

14.22. Collaborations between enterprises, and between enterprises and other organisations such as research and knowledge dissemination organisations can result in benefits and remedy market failures affecting RD&I. The uplift aims to incentivise collaborations.

**‘Research and knowledge-dissemination organisations’** means entities such as universities or research institutes, technology transfer agencies, innovation intermediaries, research-oriented physical or virtual collaborative entities, whose primary goal is to independently conduct fundamental research, industrial research or experimental development or to widely disseminate the results of such activities by way of teaching, publication or knowledge transfer.

14.23. True collaborations involving the sharing of risks, results and planning are more likely to result in the desired benefits. Public authorities must ensure a project involves effective collaboration before applying the uplift, by assessing the collaboration against the definition of effective collaboration. Results may be allocated to the different collaboration partners in a manner which adequately reflects their work packages and contributions. The following non-exhaustive list of terms and conditions should be concluded prior to the start of a project costs, the sharing of risks and results, and the dissemination of results.

## 15 Category 3: Small and Medium-Sized Enterprise Research, Development and Innovation Support

### Scope

15.1. The purpose of this category is to support SMEs who want to innovate, through providing a range of support that can encourage innovation and growth. It consists of 3 sub-categories:

- Sub-category A: Innovation Services,
- Sub-category B: Process and Organisational Innovation, and
- Sub-category C: Equipment and Instruments.

15.2. To be within scope subsidies must meet the general category conditions applicable to all sub-categories, in addition to the sub-category specific conditions.

### General category conditions

15.3. Public authorities must meet the general conditions applicable to all SME RD&I Support sub-categories when giving subsidies under any of the sub-categories.

15.4. Only subsidies to enterprises which are SMEs, including start-ups may be given under the category. Subsidies for large enterprises may not be given under this category.

15.5. Subsidies given to SMEs under this category must increase their ability to innovate and grow. Public authorities may require enterprises to demonstrate how the subsidy will increase their ability to innovate and grow. Including details of expected outcomes and how they relate to innovation and growth. Whatever means a public authority uses, subsidies under this category must be aimed at increasing recipients' ability to innovate and grow.

15.6. Subsidies given under the category must not breach the subsidy ratios and maximum award amounts. Subsidies given under separate sub-categories to the same enterprise do not need to be cumulated for the purposes of the category's subsidy ratios and maximum award amount. Unless subsidies given under separate sub-categories to the same enterprise are for the same project or activity and substantially the same specific purposes. See paragraphs 6.23 – 6.29 of Part 1 of this guidance for further information on cumulation.

15.7. Subsidies given under the SME RD&I Support Category do not need to be cumulated with subsidies given under the other categories in this Streamlined Route – Feasibility Studies & Industrial Research and Experimental Development Projects.

### **Example**

A public authority gives a subsidy of £450,000 to an enterprise for a piece of equipment to develop a new product under sub-category 3 (Equipment and Instruments).

2 years later a different public authority gives a subsidy of £100,000 to the same enterprise, under sub-category 1 (innovation services), for obtaining and validating intellectual property on a different product.

Combined the subsidies total 550,000 and breach the maximum award amount of this category. However, as the 2 subsidies are for different projects, eligible costs and objectives they do not need to be cumulated and the public authority giving the second subsidy will not breach the maximum award amount.

If the second subsidy was for obtaining and validating intellectual property for the product originally subsidised by the first public authority, then both subsidies would need to be cumulated. Meaning, the only 50,000 of the second subsidy could be lawfully given under this category.

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

15.8. The below subsidy ratios and maximum award amounts apply to all sub-categories.

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

| <b>Subsidy Ratio</b>            | <b>Maximum Award Amount</b>    |
|---------------------------------|--------------------------------|
| Up to 50% of the eligible costs | £500,000 of the eligible costs |

### **Sub-category A: Innovation Services**

#### **Scope**

15.10. Subsidies may be provided for innovation services provided the specified eligible costs and all general SME RDI Support category conditions are met.

#### **Definitions**

15.11. Public authorities may only provide subsidies for innovation advisory and innovation support services that meet the relevant below definitions.

**'Innovation advisory services'** means consultancy, assistance, or training in the fields of knowledge transfer, acquisition, protection or exploitation of intangible assets or the use of standards and regulations embedding them, as well as consultancy, assistance or training on the introduction or use of innovative technologies and solutions (including digital technologies and solutions).

**'Innovation support services'** means the provision of office space, data banks, cloud and data storage services, libraries, market research, laboratories, quality labelling, testing, experimentation, and certification or other related services, including those services provided by research and knowledge dissemination organisations, research infrastructures, testing and experimentation infrastructures or innovation clusters, for the purpose of developing more effective or technologically advanced products, processes or services,

## Eligible costs

15.12. Subsidies given under this sub-category can only be used to fund the specified costs listed below:

- costs for obtaining, validating and defending patents and other intangible assets,
- costs for secondment of highly qualified personnel from a research and knowledge-dissemination organisation or a large enterprise, working on research, development and innovation activities in a newly created function within the enterprise and not replacing other personnel, and
- costs for innovation advisory and innovation support services.

## Sub-category B: Process and Organisational Innovation

### Scope

15.13. Subsidies may be provided for process and organisational innovation provided the specified eligible costs and all general SME RD&I Support category conditions are met.

### Definitions

15.14. A subsidy may be given under this sub-category providing it is for a process or organisational innovation project. Public authorities must only give subsidies that meet the below relevant definitions.

**“Organisational innovation”** means the implementation of a new organisational method, workplace organisation or external relations, including for instance by making use of novel or innovative digital technologies. Excluded from this definition are changes that are based on organisational methods already in use, changes in management strategy, mergers and acquisitions, ceasing to use a process, simple capital replacement or extension, changes resulting purely from changes in factor prices, customisation, localisation, regular, seasonal and other cyclical changes and trading of new or significantly improved products

**“Process innovation”** means the implementation of a new or significantly improved production or delivery method (including significant changes in techniques, equipment or software), including for instance by making use of novel or innovative digital technologies or solutions. Excluded from this definition are minor changes or improvements, increases in production or service capabilities through the addition of manufacturing or logistical systems which are very similar to those already in use, ceasing to use a process, simple capital replacement or extension, changes resulting purely from changes in factor prices, customisation, localisation, regular, seasonal and other cyclical changes and trading of new or significantly improved products.

## **Eligible costs**

15.15. Subsidies given under this sub-category can only be used to fund the specified costs listed below.

- personnel costs; researchers, technicians and other supporting staff to the extent employed on the project.
- costs of equipment, instruments, buildings and land, to the extent of, and for the period used, for the project.
- costs of conducting research and of external consultancy and contractual research or other knowledge assets, including patents bought or licensed from outside sources.
- any other project operating costs and project overheads; including costs of materials, supplies and similar products, incurred directly as a result of the project.

## **Sub-category C: Equipment and Instruments**

### **Scope**

15.16. Subsidies may be provided for equipment and instruments provided the specified eligible costs and all general SME RDI Support category conditions are met. In addition:

- subsidies may not be given under this sub-category for existing equipment and instruments already in possession of the enterprise. The equipment and instruments must be new to the enterprise; and
- the equipment and instruments must be primarily used for RD&I activity, not for general commercial purposes.

15.17. It may be appropriate to monitor that equipment and instruments are being used for RD&I and not for commercial purposes using 'spot checks' or self-declarations. This is at the discretion of public authorities.

### **Eligible costs**

15.18. Subsidies given under this sub-category can only be used to fund the specified costs listed below.

- the costs of equipment and instruments; and
- ancillary costs related to equipment and instruments; such as installation costs, servicing costs, or advisory costs related to the equipment and instruments.

15.19. Ancillary costs have been included as eligible costs to cover costs needed to use and exploit the subsidised equipment and instruments. The list of potential ancillary costs is not exhaustive. Public authorities must ensure subsidies only cover costs directly related to the equipment and instruments.