

# Community and Regeneration Streamlined Route Guidance

## Foreword

A key characteristic of the United Kingdom's subsidy control regime is that public authorities are empowered to design their own subsidies and subsidy schemes. This enables them to tailor both the form and value of subsidies to best achieve their intended policy outcomes.

When developing subsidies, public authorities should evaluate their proposed subsidy or scheme against the subsidy control principles. This assessment should be proportionate to the potential risk of the subsidy distorting competition or investment within the UK, or affecting trade or investment with international partners.

A proportionate approach should not be onerous. It should draw on the same types of analysis and evidence that a public authority would typically use to justify the use of public funds. However, in certain cases, it is appropriate to simplify the process further and reduce the compliance burden.

To support this, the government has developed Streamlined Routes (referred to as streamlined subsidy schemes in the Act, and as Schemes in the route documentation). These allow public authorities to award specific types of subsidies without conducting their own assessment against the principles. The government has established clear terms for using this route, which must be followed. Provided that subsidies are awarded in accordance with these terms, they are deemed compliant with the regime and cannot be challenged on subsidy control grounds.

Where public authorities want to give subsidies that are not accommodated by Streamlined Routes, they should design their own subsidies and schemes. Public authorities looking to design their own subsidies can refer to the extensive statutory guidance and other supporting 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 current Streamlined 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. The government will keep the operation of Streamlined Routes under review, and 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 Community and Regeneration 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 Community and Regeneration Streamlined Route (also known as the Community and Regeneration Streamlined Subsidy Scheme). It explains the legal obligations of the Community and Regeneration 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>1</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>1</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 monitor usage of Streamlined Routes and any feedback from users. 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

#### 1. 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.

#### 2. 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. 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.
- 3.5. Streamlined Routes, like all decisions of a public nature, can be challenged on general public law grounds.

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

- 3.6. 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).
- 3.7. 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.
- 3.8. 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 limit what type or size of enterprise you can support.

**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. 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

- 5.5. 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.
- 5.6. 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

## 5.7. Article 10 of the Windsor Framework

- 5.8. Article 10 of the Northern Ireland Protocol to the Withdrawal Agreement (as amended by the Windsor Framework Agreement) provides that EU State Aid rules apply to the UK in respect of subsidies that affect trade in goods and wholesale electricity between Northern Ireland and the EU. Article 10 does not apply to services, and this means that EU State Aid rules do not apply to subsidies in the Arts and Culture sectors, which instead fall under the Act. Where subsidies are captured under the Northern Ireland Protocol/Windsor Framework Agreement, they are not in scope of the domestic subsidy control regime and therefore cannot be given under the Streamlined Route.
- 5.9. Public authorities should refer to the ‘Guidance on the scope and application of Article 10 of the Windsor Framework’, to reach a view on whether the Protocol may apply to a subsidy they intend to give under the Streamlined Route.

# 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.

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

- 6.2. 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 suggests they may have been prepared to undertake the project or activity without a subsidy.

6.3. However, there may be instances when 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.

6.4. Public authorities may consider limiting the total percentage of total project costs that can be spent by the enterprise before a subsidy is given.

6.5. 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**

6.6. 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.

6.7. An open competition is only a requirement if this is explicitly set out as part of a category within a Streamlined Route.

## **Eligible costs**

6.8. 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.

6.9. 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.

6.10. 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.

6.11. 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**

6.12. 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.

6.13. 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.

6.14. 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.

6.15. If a subsidy is provided in a form other than a grant,<sup>2</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.

6.16. 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**

6.17. 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.

6.18. 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.

<sup>2</sup> Different principles also apply for valuing tax measures.

- 6.19. 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.
- 6.20. 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.
- 6.21. 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**

- 6.22. Streamlined Routes facilitate subsidies that present a low risk of distorting competition. To help ensure subsidies remain low risk, cumulation rules apply.
- 6.23. Public authorities should cumulate a proposed subsidy with previous related subsidies to ensure the proposed subsidy does not go over the relevant maximum award amount.
- 6.24. 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)
- 6.25. 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.
- 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. 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.

6.29. 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 grant a £7 million subsidy to an enterprise for a regeneration project under the Regeneration strand of the Community and Regeneration streamlined route. This project has not yet started.

The enterprise informs the public authority that it has received £9 million from another public authority for the same regeneration project and the same activities (Capital expenditure) as defined under the relevant categories of the Streamlined Route Schedule.

Additionally, because this £9 million was awarded under the Community and Regeneration Streamlined Route the policy objective is the same. This £9 million subsidy was received four months ago.

The £7 million subsidy accordingly cumulates with the £9 million subsidy above the £12 million maximum award amount for Capital expenditure costs and so, the maximum amount the public authority can award £3 million to the enterprise.

## Transparency requirements

- 6.30. 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.
- 6.31. 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.
- 6.32. 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.
- 6.33. Public authorities should follow the statutory guidance on transparency to determine what transparency obligations apply to the subsidy award.
- 6.34. The statutory guidance explains how public authorities can group subsidies given under a Streamlined Route.
- 6.35. To upload a subsidy given under a streamlined route public authorities must do the following:
  - Ensure a database user account is registered under the PA name on the Manage UK subsidies portal. If you do not have an account for 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 Community and Regeneration Streamlined Route's unique SC number.
  - 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.

6.36. Check the ‘view UK subsidies’ page to ensure that the awards are displayed correctly. We recommend Public Authorities keep the Excel file for their own record keeping as a public authority must ensure the subsidy award information is correct for a minimum of six years.

### **Retention of documents**

6.37. 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: Community and Regeneration Streamlined Route

## 1. Overview

1.1. The Community and Regeneration Streamlined Route (also known as the Community and Regeneration Streamlined Subsidy Scheme) has been made by the Secretary of State. The route includes two distinct strands of support: 1) Community, and 2) Regeneration.

## 2. Objectives

2.1. The Community and Regeneration Streamlined Route has been created to help public authorities achieve two specific strategic policy objectives, as well as to address known market failures in the sector. These objectives are:

- Community – through investment in community infrastructure, promote stronger, sustainable, cohesive, and attractive communities where residents have access to the facilities and services they need to thrive.
- Regeneration – to drive economic growth through investment in brownfield land and underused buildings.

## 3. Context

3.1. It is vital that people living in every corner of the UK have access to opportunities that improve their life experiences and can contribute to the overall success of the nation. However, for a myriad of complex reasons, individuals and places are not fulfilling their full potential. Across the country there are communities with high levels of deprivation without the tools to catch up, and large towns and cities with low productivity that lags behind international counterparts.

3.2. This Streamlined Route has been designed to allow public authorities to target subsidies in two specific areas. Firstly, to improve economic fortunes and address social challenges in communities up and down the UK, public authorities can support enterprises to preserve and create much needed community infrastructure. Secondly, the Streamlined Route will support enterprises with large scale regeneration efforts to transform under-developed areas across the country into productive drivers of economic growth.

### 3. Context for community strand

3.3. Many communities throughout the UK experience complex and longstanding social and economic barriers. This can include a combination of low incomes, high levels of worklessness, a lack of qualifications and skills, health inequalities, and limited housing stock. Visual indications of the challenges faced can be seen through once vibrant but now abandoned community assets, and vacant high streets providing residents with limited access to the services they need to improve their quality of life.

3.4. It is clear from official government statistics that deprivation is not limited to small pockets but is instead widely dispersed across the UK.

3.5. Community infrastructure provides physical spaces for residents to engage with facilities and services that deliver societal benefits, allowing residents to improve their prospects and thrive. An example of this could be a community centre providing affordable co-working spaces for residents, or a disused retail unit being transformed into a maker's market. Similarly, this category could support the creation of community sports facilities that promote participation, healthier lifestyles and wellbeing.

3.6. Other typical interventions under this strand may include:

- The creation or renovation of a community centre or community hub to provide a range of services residents need.
- The purchase and renovation of a community asset such as a local pub to preserve an existing service and/ or provide new services.
- The acquisition of vacant buildings to provide housing that meets local requirements.
- The creation of workshops for start-ups.
- The refurbishment of derelict properties to provide new training, skills, and employability activities.
- The creation of new community arts centre providing space for classes, local events, and performances.
- The refurbishment of empty buildings to provide spaces for the community to socialise, such as a community cafe.

3.7. The first strand of this Streamlined Route can be used by all UK public authorities to give subsidies to non-profit distributing organisations to preserve and create community infrastructure. These can be in the form of grants or loans, as appropriate. The use of the route will allow these subsidies to be awarded quickly, easily and with maximum legal certainty.

## 4. Context for regeneration strand

- 3.8. The government's Plan for Change includes an unwavering commitment to kickstart economic growth. To achieve this the UK will need to address recent economic underperformance and low levels of productivity.
- 3.9. Supporting the physical regeneration of places across the UK provides an opportunity to improve productivity. By redeveloping brownfield land and repurposing underused buildings, regeneration projects support the creation of new environments that attract productive firms and employment. This could include developing a brownfield site into new workspace or repurposing a derelict building to provide spaces for residents to live or socialise.
- 3.10. However, despite achieving widespread positive externalities, we have seen regeneration projects across the UK stall because the enterprises delivering them do not receive full compensation for the benefits that are generated. This category has been designed to plug these viability gaps and unlock delivery of regeneration projects.
- 3.11. The second category of this Streamlined Route can be used by all UK public authorities to give subsidies to any enterprise delivering a regeneration project that involves the redevelopment of brownfield land or repurposing underused buildings into a new productive use. These can be in the form of grants or loans, as appropriate. The use of the route will allow these subsidies to be awarded quickly, easily and with maximum legal certainty.

## 4. Scope of subsidies within the Route

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

# Strand One: Community

## 1. Enterprise eligibility

1.1. This category can be used to award a subsidy to non-profit distributing organisations. Examples of eligible enterprises include:

- Charities
- Charitable Incorporated Organisations
- Social enterprises
- Voluntary organisations
- Community organisations
- Community Interest Companies
- Community Benefit Societies
- Co-operative Societies
- Companies Limited by Guarantee with articles of association that prohibit the distribution of profits
- Local authorities including town councils

1.2. Profit distributing organisations are not eligible to receive a subsidy under this category.

1.3. Public authorities are encouraged to use an element of competition or a bidding process with objective criteria prior to selecting an enterprise to support.

## 2. Eligible activity

2.1. This category permits a subsidy to be provided to preserve or create community infrastructure. The category allows non-profit distributing organisations to acquire and/ or renovate existing community infrastructure and create new community infrastructure.

2.2. Community infrastructure relates to physical facilities, spaces, and places that provide communities with the services and resources they need to thrive.

2.3. Under this category the following types of support can be provided:

- Community infrastructure feasibility support – an eligible enterprise may receive a subsidy to support feasibility work associated with the acquisition and/ or refurbishment of existing community infrastructure, and the creation of new community infrastructure.

- Acquisition and/ or renovation of existing community infrastructure, and the creation of new community infrastructure – an eligible enterprise may receive a subsidy to acquire existing community infrastructure and if relevant undertake renovation work. An enterprise can receive a subsidy to renovate existing community infrastructure already in the enterprise's ownership. An eligible enterprise may receive a subsidy to support the creation of new community infrastructure.
- Operational support for community infrastructure – where an eligible enterprise has received a subsidy under this category to acquire and/ or renovate existing community infrastructure, or create new community infrastructure, the eligible enterprise may also receive a subsidy for operational support to boost future sustainability. This support will be limited to a third year period and tapered over that time.

### 3. Eligible location

- 3.1. This category has been designed to support community infrastructure projects located anywhere in the UK.

## 4. Eligible costs

4.1. The eligible costs for the four different eligible activities are:

- 4.1.1. Community infrastructure feasibility support – this includes the costs of an enterprise obtaining external advice that supports it to develop a proposal to acquire and/ or renovate existing community infrastructure, or create new community infrastructure. For example, an eligible cost could relate to the production of a business plan, the development of a fundraising strategy, project management services, consultancy support to develop cost and design information, or legal support.
  - 4.1.2. Acquisition and/ or renovation of existing community infrastructure, and creation of new community infrastructure – eligible costs include the cost of acquiring land and buildings including associated survey and legal fees, the costs of construction, associated professional fees and capitalised management costs, and costs directly linked to obtaining finance to deliver the project.
  - 4.1.3. Operational support for community infrastructure – enterprises can receive a subsidy to support the future sustainability of community infrastructure. A subsidy can cover the wage costs of people working in existing community infrastructure and new community infrastructure. Wage costs mean the worker's salary before any taxes, and excluding any mandatory contributions made by the enterprise as an employer. This means that if the employee is paid £35,000 gross, the eligible costs will be £35,000. It will not include the employer's national insurance costs, or mandatory pension contributions. A subsidy can cover the costs of training for staff employed in existing and new community infrastructure including the fees of training providers, the costs of attending courses, and the hire of venues in which to do training. An enterprise may also receive a subsidy to cover the costs of business support so the existing and new community infrastructure can be run successfully and sustainably.
- 4.2. Any costs that are not listed above may not be funded using a subsidy given under this streamlined route category.
- 4.3. Legal documentation between the public authority and the enterprise should confirm the schedule of eligible costs against which the subsidy will be awarded. The legal documentation should also detail the monitoring and reporting requirements that will apply throughout the duration of the project. The enterprise supported should provide assurance to the public authority that it has an appropriate system in place, for example, the use of a specific cost centre, to ensure that non-eligible costs are not funded by the subsidy.

## 5. Limitations on eligible costs

- 5.1. The enterprise is likely to have incurred an element of expenditure on the project before approaching a public authority for support. For example, this could include costs associated with initial negotiations with a building owner. Any costs incurred before the submission of a formal application to a public authority are not eligible costs.
- 5.2. The standalone acquisition of land without a linked construction project will not result in the creation of new community infrastructure and therefore is not eligible for support under this category.
- 5.3. Where the acquisition of land and/ or buildings is a first step to a linked construction project, public authorities should include a condition in the legal documentation with an enterprise to recover the subsidy and any land value uplift should the linked construction project not proceed to the extent agreed.
- 5.4. Projects where the enterprise has already legally committed to a construction contract will not be eligible for support under this route because the activities would have happened absent the award of a subsidy.
- 5.5. A subsidy cannot be provided under this category to repay or refinance an enterprise's existing debt on a project.

## 6. Subsidy ratios and maximum award amounts

- 6.1. Subsidies provided under this strand will take the form of grants and loans.
- 6.2. Maximum subsidy value and subsidy calculation:
  - 6.2.1. Category 1 – community infrastructure feasibility support: The maximum subsidy value available under this category will be £300,000. The maximum subsidy ratio under this category will be up to 100% of eligible costs.
  - 6.2.2. Category 2 – support for the acquisition and/ or renovation of existing community infrastructure, and support for the creation of new community infrastructure: The maximum subsidy value available under this category will be £2,500,000. The maximum subsidy ratio under this category will be up to 80% of eligible costs.
  - 6.2.3. Category 3 – operational support for community infrastructure: The maximum subsidy value available under this category will be up to:
    - Year 1 – £100,000, maximum subsidy ratio at 75%
    - Year 2 – £60,000, maximum subsidy ratio at 50%
    - Year 3 – £40,000, maximum subsidy ratio 25%

- 6.3. The table below summarises the limits for this category: 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 sourcing finance for the remaining costs.
- 6.4. The subsidy must be capped at either the maximum amount or the limit indicated by the subsidy ratio, whichever is lower. Public authorities do not need to give subsidies at those maximum levels and should always give the lowest subsidy amount for achieving their objective.
- 6.5. 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 Subsidy Control assessment template.
- 6.6. The maximum subsidy award an enterprise can receive for any single community infrastructure project is £3,000,000.

| Type of Support  | Subsidy Ratio  | Maximum Subsidy Amount                                    |
|--|--|---|
| 1. Feasibility support   | Up to 100%   | £300,000  |
| 2. Acquisition of, renovation of, and creation of new community infrastructure | Up to 80%  | £2,500,000  |
| 3. Operational support   | Year 1 – up to 75%<br>Year 2 – up to 50%<br>Year 3 – up to 25% | Year 1 – £100,000<br>Year 2 – £60,000<br>Year 3 – £40,000 |

# Strand Two: Regeneration

## 1. Enterprise eligibility

- 1.1. Any enterprise of any size and any type planning to deliver a regeneration project in the UK may receive a subsidy under this category.
- 1.2. Public authorities are encouraged to use an element of competition or bidding process with objective criteria prior to selecting an enterprise to support.

## 2. Eligible activity

- 2.1. The eligible activity for this category is to support the delivery of a regeneration project.
- 2.2. For the purposes of this category, a regeneration project involves the development of brownfield land and/ or the repurposing of underused buildings into a new productive use.
- 2.3. Brownfield land refers to already developed land that is, or was historically, occupied by a permanent structure. The definition of underused buildings captures premises that are not currently being used to their full potential because they are either derelict, partially occupied, only used for limited periods, vacant, idle, functionally obsolete, or inefficiently used.
- 2.4. A new productive use could include, but is not limited to, the creation of workspace that attract firms to a place, the development of new housing, and the delivery of new retail, leisure, and social amenities that improve the attractiveness of a place to workers and residents. The creation of mixed-use regeneration projects which blend different types of uses would equally be eligible activity.
- 2.5. A regeneration project is required to contribute to either an increase of sites ready for development, an increase of development sites with improved infrastructure, or an increased supply of new or repurposed buildings. Legal documentation between the public authority and enterprise must, as a minimum, confirm the outputs that will be achieved by the regeneration project and include a clawback provision in the event of underperformance.

- 2.6. To minimise any potential impact on competition, all disposals of land and buildings funded under this category must be done at market rate. The use of incentives is common in the industry, but where these are used, they must reflect prevailing market conditions. Legal documentation between the public authority and enterprise must include this condition. The responsibility falls on the enterprise to show that disposals of land and buildings are done at market rate by, for example, collating evidence from recent comparable transactions or seeking advice from market advisors.
- 2.7. This category can support a regeneration project anywhere in England, Scotland, Wales, or Northern Ireland.

### 3. Eligible costs

- 3.1. This category has been designed to include eligible costs that cover the main categories of capital expenditure incurred by an enterprise when delivering a regeneration project. By linking the subsidy to capital expenditure only, a subsidy provided under this category will be time limited.
- 3.2. First, the cost of an enterprise acquiring brownfield land and/ or underused buildings from the current owner to deliver a regeneration project is eligible under this category. Public authorities should take steps to ensure that the purchase price is fair value.
- 3.3. Costs associated with site preparation are eligible for support. For example, brownfield land may require remediation and levelling to create development plots for future use. Alternatively, a development site might require the demolition of redundant structures to facilitate the regeneration project. To avoid misuse, public authorities must ensure that a regeneration project involves meaningful activity that meets the overall objective of this category.
- 3.4. The construction of new infrastructure is eligible under this category. For example, a new industrial park might require new roads and active travel routes to connect to existing highways. Equally an underused building might require new digital infrastructure for a new productive use.
- 3.5. The construction costs associated with delivering new buildings on brownfield land, or repurposing underused buildings are eligible for support. For example, this could include the cost of a new or repurposed building providing workspace, housing, or retail and leisure floorspace.
- 3.6. The capitalised management fees and costs associated with delivering the regeneration project are eligible for support. For example, this could include the costs of the appointed professional team. Public authorities must be assured that these costs relate explicitly to the regeneration project and are not cross-subsidising other activities undertaken by the enterprise.

- 3.7. In delivering a regeneration project enterprises are likely to incur some costs directly linked to obtaining finance to deliver the project. Where these costs are specific to the regeneration project they can be considered eligible under this category.
- 3.8. Legal documentation between the public authority and the enterprise should confirm the schedule of eligible costs against which the subsidy will be awarded. The legal documentation should also detail the monitoring and reporting requirements that will apply throughout the duration of the regeneration project. The enterprise supported should provide assurance to the public authority that it has an appropriate system in place, for example, the use of a specific cost centre, to ensure that non-eligible costs are not funded by the subsidy.

## 4. Limitations on eligible costs

- 4.1. The enterprise is likely to have incurred an element of expenditure on the regeneration project before approaching a public authority for support. For example, this could include initial work to prepare a planning application or negotiate with a landowner, or early surveys and site investigations. Any costs reasonably incurred before the submission of a formal application to a public authority are not eligible costs but can be included in the viability gap calculation to show the need for a subsidy (see from paragraph 5.2 below).
- 4.2. Regeneration projects where the enterprise has already legally committed to a construction contract will not be eligible for support under this route because the activities would have happened without the award of a subsidy.
- 4.3. Standalone acquisitions of brownfield land and/ or underused buildings are generally not encouraged under this category. However, there might be exceptional circumstances when an enterprise needs to act fast and use a subsidy to acquire brownfield land and/ or underused building without a fully developed plan for a future regeneration project. Where this is the case, a public authority may support a standalone acquisition if a future regeneration project designed to meet the requirements of this category commences within three years from the point of acquisition. For the avoidance of doubt, an enterprise undertaking minor works would not be regarded as commencing a regeneration project. If an enterprise does not meet this requirement the public authority must clawback the subsidy provided and any potential uplift in land value since the acquisition.

- 4.4. Subsidy will not be paid against the cost of acquiring brownfield land and/ or underused buildings when it is already in the ownership of the enterprise. However, the enterprise can include the lower of the actual purchase price or the current market price in the viability gap calculation.
- 4.5. A subsidy cannot be provided under this category to repay or refinance an enterprise's existing debt on a regeneration project.

## 5. Subsidy ratios and maximum award amounts

- 5.1. The maximum award amount under this category is £12m.
- 5.2. Under this category there is no maximum subsidy ratio. Instead, the maximum subsidy award to an individual regeneration project must be capped at the viability gap. The viability gap is the difference between the regeneration project's total development value and total development cost, which includes an appropriate allowance for profit. A regeneration project has a viability gap when the total development costs are estimated to exceed the total development value.
- 5.3. When giving a subsidy under this category, a public authority must obtain evidence from an enterprise to show the viability gap on the regeneration project.
- 5.4. Enterprises may present the viability gap in different ways. For example, a development appraisal or Net Present Value calculation can be used to estimate the profitability of a regeneration project. However, to ensure that the category is flexible for different types of regeneration projects, there is no prescribed method for an enterprise presenting a viability gap.
- 5.5. Appropriate supporting evidence could include a calculation covering scenarios with and without subsidy, with a valuation report used to support rent, sales, and yield estimates, and a detailed cost plan providing an itemised breakdown of the estimated costs.
- 5.6. To review the evidence provided by an enterprise a public authority may choose to appoint an external body to confirm the viability gap and therefore the maximum subsidy amount. This is encouraged for higher value subsidies awarded under this category.
- 5.7. Once the viability gap and therefore maximum subsidy amount is confirmed, the enterprise will be responsible for sourcing finance to cover the remaining regeneration project's costs.

5.8. The viability gap will be calculated prior to the commencement of the regeneration project. It is not uncommon for regeneration projects to outperform the financial estimates that formed the basis of the viability gap calculation. Public authorities are encouraged to include an excess profit mechanism in the legal documentation with an enterprise to clawback some or all the subsidy if total development income is higher and/ or total development costs are lower than expected.