

EXPLANATORY MEMORANDUM TO

THE COMMUNITY AND REGENERATION STREAMLINED SUBSIDY SCHEME

1. Introduction

- 1.1 This Explanatory Memorandum has been prepared by the Department for Business and Trade and is laid before Parliament by Command of His Majesty.
- 1.2 This memorandum contains information for the Secondary Legislation Scrutiny Committee.

2. Declaration

- 2.1 Kate Dearden MP, Minister for Employment Rights and Consumer Protection at the Department for Business and Trade confirms that this Explanatory Memorandum meets the required standard.
- 2.2 Tessa Robins, Deputy Director for Subsidy Control, at the Department for Business and Trade confirms that this Explanatory Memorandum meets the required standard.

3. Contact

- 3.1 Lucy Price at the Department for Business and Trade can be contacted by email at the following address with any queries regarding the scheme:
subsidycontrol@businessandtrade.gov.uk Alternatively, the Department can be contacted by telephone: 020 4551 0011.

Part One: Explanation, and context, of the Scheme

4. Overview of the Scheme

What does the scheme do?

- 4.1 Referred to as ‘streamlined subsidy schemes’ in the Subsidy Control Act 2022 (“the Act”), streamlined routes are a particular type of subsidy scheme, made by government for the benefit of public authorities. These allow public authorities to award specific types of subsidies without conducting their own assessment against the subsidy control principles. Provided that subsidies are awarded in accordance with the terms of the streamlined route, they are deemed compliant with the UK’s subsidy control regime and cannot be challenged on subsidy control grounds.
- 4.2 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.

Where does the scheme extend to, and apply?

- 4.3 The extent of this scheme is the United Kingdom.
- 4.4 The territorial application of this scheme (that is, where the scheme produces a practical effect) is the United Kingdom.

5. Policy Context

What is being done and why?

- 5.1 The Act provides the framework for a UK-wide subsidy control regime. This regime enables public authorities, including devolved governments and local authorities, to deliver subsidies that are tailored for local needs and to deliver government priorities.
- 5.2 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. A subsidy scheme is a set of rules that describes the eligibility, terms, and conditions for any number of possible subsidies to be given under the scheme for a similar purpose.
- 5.3 Public authorities should evaluate their proposed subsidy or scheme against the subsidy control principles set out in the Act. 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.
- 5.4 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.
- 5.5 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 and cannot be legally challenged on subsidy control grounds.
- 5.6 Public authorities may use streamlined routes to give subsidies, but they are not required to do so. It remains open to them to design their own schemes outside of the route, with their own terms and conditions, provided these are compliant with the Act. The route therefore does not constrain public authorities.
- 5.7 Community and regeneration were identified by the government as policy areas that would benefit from a streamlined route. 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.
- 5.8 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.

What was the previous policy, how is this different?

5.9 Previously, public authorities had to design and assess their own standalone subsidies or subsidy schemes against the subsidy control principles to deliver subsidies in these areas. The Community and Regeneration Streamlined Route will support public authorities in expediting this process when delivering subsidies in this policy area, removing the need to consider the subsidy control principles where their subsidy would fit under the terms and conditions set out in the streamlined route.

6. Legislative and Legal Context

How has the law changed?

6.1 The Community and Regeneration Streamlined Route does not change any laws. The streamlined route expedites the awarding of subsidies in particular policy areas, where the subsidies meet the terms and conditions of the streamlined route.

Why was this approach taken?

6.2 The law has not been changed. The Department felt that a streamlined route was the most appropriate means of expediting subsidy giving in this area, since it allows the Department to carry out the scheme design and principles assessment (see paragraph 4.1 above) for the use of others, without the duplication and inefficiency of each public authority having to create its own subsidy scheme should it wish to award multiple subsidies relating to community and regeneration.

7. Consultation

Summary of consultation outcome and methodology

7.1 In November 2024, the Department for Business and Trade carried out a public consultation on two new streamlined routes for Community Regeneration and Arts & Culture, as well as other elements of the subsidy control regime.

7.2 The consultation can be viewed at:
<https://www.gov.uk/government/consultations/refining-the-uk-subsidy-control-regime>.

7.3 The Department received responses from 28 public authorities (including devolved governments, arms-length bodies, local authorities, and other public authorities), 10 law firms, 6 businesses and trade associations, 5 others (including charities and the Competition and Markets Authority) and 6 individuals.

7.4 There was overwhelming support for the proposed streamlined routes, with 86% supporting a Community Regeneration Route and 87% favouring an Arts & Culture Route.

8. Applicable Guidance

8.1 Guidance on this scheme is publicly available at:
<https://www.gov.uk/government/publications/subsidy-control-act-2022-streamlined-routes>.

Part Two: Impact and the Better Regulation Framework

9. Impact Assessment

9.1 A full Impact Assessment has not been prepared for this scheme because of the low level of impact per business.

Impact on businesses, charities and voluntary bodies

9.2 It is not anticipated that this scheme will have any material impact on businesses, charities or voluntary bodies, because the scheme is designed to support public authorities expedite their internal processes.

9.3 The scheme does not impact small or micro businesses.

9.4 The impact on the public sector is likely to be positive, reducing the administrative requirements for public authorities to complete subsidy control principles assessments for routine interventions in the community and regeneration policy areas.

10. Monitoring and review

What is the approach to monitoring and reviewing this scheme?

10.1 The approach to monitoring this scheme will be via the UK Transparency Database (<https://searchforuksubsidies.beis.gov.uk>), where all subsidies given under the Community and Regeneration Streamlined Route over £100,000 must be recorded. This will establish usage of the streamlined route by public authorities across the UK. The streamlined route will expire after six years, and the government will consider renewing the route at this point based on the impact it has had during this period.

10.2 Under section 65 of the Subsidy Control Act 2022, the Competition and Markets Authority ('CMA') will produce regular reports on the functioning of the subsidy control regime. The CMA is required to publish a monitoring report within 3 years after implementation of the regime, with the first report due in 2026, and at regular intervals thereafter.

10.3 The scheme does not include a statutory review clause.

Part Three: Statements and Matters of Particular Interest to Parliament

11. Matters of special interest to Parliament

11.1 None.

12. European Convention on Human Rights

12.1 As the scheme is subject to negative procedure and does not amend primary legislation no statement is required.

13. The Relevant European Union Acts

13.1 This scheme is not made under the European Union (Withdrawal) Act 2018, the European Union (Future Relationship) Act 2020 or the Retained EU Law (Revocation and Reform) Act 2023 (“relevant European Union Acts”).