

Subsidy control: Guide to streamlined routes for universities

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Universities in the UK undertake many activities which can engage the UK's subsidy control regime under the Subsidy Control Act 2022 (Act), including receiving and distributing grant funding, providing access to equipment purchased with public money, construction of research infrastructure and the operation of innovation clusters, business incubation and other business development services.

In addition, a key part of the activity carried out by universities involves collaborative arrangements with businesses for the purposes of carrying out research activities. Whilst the Act contains routes to grant subsidies compliantly, the 'streamlined routes' made under S10(4) of the Act can be particularly helpful in the context of research projects.

What is a streamlined route for subsidy control?

A streamlined route is a subsidy scheme made by the government, which allows a subsidy to be granted without the granting authority having to undertake its own assessment of the Subsidy Principles.

If the subsidy meets the conditions of the applicable streamlined route, it can be granted compliantly with the Act. Subsidies awarded through a streamlined route are exempt from referral to the Competition and Markets Authority's Subsidy Advice Unit for assessment.

However, certain information about subsidy awards made through a streamlined route must be uploaded to the transparency database where the value of the individual subsidy is over £100,000.

To date, three streamlined routes have been published. These are:

- The Energy Usage Streamlined Route.
- The Local Growth Streamlined Route.
- The Research, Development and Innovation Streamlined Route (RD&I Streamlined Route).

Although all three are available for universities to use, the RD&I Streamlined Route is the most useful for many. As well as being a route for universities to grant subsidies, it can also be a way for them to receive them, in compliance with the Act.

What is the RD&I Streamlined Route?

The RD&I Streamlined Route is intended to facilitate the giving of certain subsidies that will help achieve research and development objectives. Subsidies may be awarded in three categories:

1. Category 1 - Feasibility Studies.
2. Category 2 - Industrial Research and Experimental Development Projects.
3. Category 3 - Small and Medium Sized Enterprise RD&I Support:
 - 3.1. Innovation Services.
 - 3.2. Process and Organisational Innovation.
 - 3.3. Equipment and Instruments.

Each streamlined route follows a broadly similar structure to the EU State aid block exemptions that many will be familiar with (for example the General Block Exemption Regulation or GBER). There are various general conditions which each subsidy must comply with – for example:

- The recipient enterprise must confirm certain details related to the recipient entity and the project.
- Subsidies may not be given where the project or activity has already started, unless certain criteria are met.
- There are eligibility requirements related to the costs and enterprises which may benefit from subsidies under the streamlined route.

In some cases there are financial limits around the subsidies which may be given. When applying the subsidy ratios and maximum award amounts specified in the applicable streamlined route, a public authority must take into account the cumulative amount of subsidies received by the enterprise for each particular project or activity, irrespective of how those other subsidies were awarded. Any subsidy given by a public authority under the streamlined route must not cause the subsidy ratios or maximum award amounts in the streamlined route to be exceeded when cumulated with any other relevant subsidies.

As well as the general conditions, subsidies must comply with the conditions which apply to the specific category into which they fall. These are summarised below. Each streamlined route is accompanied by a detailed guidance document, which should also be referred to.

Who is eligible for a streamlined route subsidy?

Any enterprise is eligible to receive support under categories 1 and 2. Category 3 support is only available to SMEs.

Category 1: Feasibility studies

The definition of feasibility study is set out in the streamlined route and 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”.

The eligible costs which can be covered are limited to the costs of the study.

The subsidy value which can be given under this category is limited to the lower of: a) £3,000,000 per enterprise per project; or b) 50% of the costs of the study. These values can be uplifted by 10% for a medium enterprise and 20% for a small enterprise.

Category 2: Industrial research and experimental development projects

Support under this category can only be given if all the following conditions are satisfied:

- the project meets the research, development and innovation definitions in the streamlined route; and
- the project aims to support “industrial research” and/or “experimental development projects”.

Industrial Research in this context means “the planned research or critical investigation aimed at the acquisition of new knowledge and skills for developing new products, processes or services or for bringing about a significant improvement in existing products, processes or services” and 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”.

In terms of eligible costs the following can be covered:

- Personnel costs to the extent employed on the project.
- Costs of instruments and equipment to the extent employed on the project.
- Costs of buildings and land to the extent and duration 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 incurred directly as a result of the project.

There are specific rules which apply to how eligible costs are calculated for the purposes of this category, depending on the nature of the cost.

In terms of the value of subsidy that can be awarded, this is the lower of £3,000,000 per enterprise per project or the value calculated with reference to the relevant ratio cap in the table below:

Enterprise type	Industrial Research	Experimental Development
Small Enterprise	70% of eligible costs	45% of eligible costs
Medium Enterprise	60% of eligible costs	35% of eligible costs
Large Enterprise	50% of eligible costs	25% of eligible costs

There is scope to uplift these ratios by 15% where the project involves “effective collaboration” between a) enterprises where one is an SME; or b) between an enterprise and one or more research and knowledge dissemination organisation (such as a university) and that organisation must have the right to publish its own research results.

Category 3: SME enterprise research development and innovation support

For a subsidy to be eligible under this category the following conditions have to be met:

- The enterprise must be an SME.
- The subsidy must result in the recipient’s ability to innovate and grow.
- All of the relevant sub-category specific conditions are met. The category is then broken down further into subcategories (such as Innovation Services) which have specific eligibility criteria and set out the eligible costs.

Any subsidy given under any of the sub-categories cannot exceed the lower of £500,000 or 50% of the eligible costs.

Final thoughts on streamlined routes for universities

Although the streamlined routes may be very useful in some cases, they are only applicable to subsidies which fall within the specific categories and which meet the criteria laid down in the route. In some cases, there is a lack of clarity about the conditions themselves which may lead to uncertainty about the use of the route.

As well as the streamlined routes, there are other ways to grant subsidies in compliance with the Act – for example, through the rules on Minimal Financial Assistance or through carrying out an assessment of the subsidy principles in relation to an individual subsidy or scheme, and universities should be alive to the range of approaches open to them to manage subsidy awards.

We provide bespoke training and interactive workshops for public authorities and recipients of public funding on the subsidy control regime, as well as range of packages to support you in understanding and complying with your obligations in relation to subsidy control.

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