Local Innovation Partnerships Fund: Subsidy Rules for the Secondary Funding of Organisations that are not 'Research Organisations Eligible for UKRI Funding'

These rules must be followed when any Anchor Entity or Lead Academic Organisation[1] is funding, on behalf of UKRI, an organisation which is not specifically listed on the UKRI list of Research organisations eligible for UKRI funding.

UKRI is responsible and accountable for making and recording subsidies[2] awarded with its funding. The final decision on whether its funding constitutes a subsidy under The Subsidy Control Act 2022 or European State Aid legislation, where the Article 10 of the Windsor Framework to the EU-UK Withdrawal Agreement applies, rests with UKRI.

You must communicate to UKRI[3] any intention to make an award that could constitute a subsidy before you make a legal commitment to fund, so that the appropriate records can be made within the legally required time limitation. You must also contact UKRI where you think they may not be a subsidy, so that UKRI can approve the determination.

The UKRI decision on whether there is a subsidy will be finale and non-negotiable.

Pre-Award

You must undertake the following processes prior to the start of the project work, and before the legal commitment to fund or the commencement of funding (whichever is later). In practice, this means that you should undertake the process in parallel with the due diligence and financial checks laid out in the separately provided 'Local Innovation Partnerships Fund: anchor entity responsibilities' or 'Local Innovation Partnerships Fund: lead academic organisation responsibilities' documents.

All work funded by the subsidy must be new work as detailed in the application documentation. It must not start until the subsidy is legally confirmed and committed.

If you think there is no subsidy

If you think there is no subsidy, you must inform UKRI and then fill in the no-subsidy form (Annex A). In this form, you must provide sufficient evidence and reasoning for UKRI to decide whether to support your no-subsidy declaration. For example, you cannot simply assert that the activities are non-economic or that they are not undertaken within a market – you must provide a clear justification of how and why this is case.

If it decides to support the no-subsidy declaration, UKRI will keep a record of the decision, as should you. UKRI will also require you to provide a signed, dated letter on headed

[1] A research organisation eligible for UKRI funding that is funded via The Funding Service to lead a LIPF project, and subject to all applicable grant conditions
[2] A subsidy is financial assistance provided directly or indirectly from public resources by a public authority that gives one or more enterprises an economic advantage they could not have obtained on normal commercial terms, is targeted to particular enterprises or activities, and has, or is capable of having, an effect on competition or investment within the UK or on trade or investment internationally. It can take a range of forms, including grants, loans, guarantees, business support, or the provision of goods, services or facilities on favourable terms.
[3] All LIPF subsidy-related communication with UKRI should be via place@ukri.org

paper, confirming that the organisation will comply with any requirements or assertions made in the form. You may provide this either as a cover letter to your no-subsidy form or after UKRI has reviewed the form.

If UKRI decides not to support the no-subsidy declaration, then the funding will be a subsidy and the appropriate process below will apply, which you must follow.

You must monitor the activity undertaken and inform UKRI immediately if circumstances change in such a way that it may call the no-subsidy decision into question.

If you think there is a subsidy

Note: If you think article 10 of the Windsor Framework may apply, please skip to page 6 and contact UKRI well in advance to discuss your options.

Process for the Research Development and Innovation Streamlined Route (RDISR)[4]

UKRI expects RDISR to be the default for awards to project partners or in the project set-up period, with Minimal Financial Assistance used thereafter – see page 4. It has exceptionally approved the use of RDISR for awards after the project set-up period or to non-partner organisations (for example, SMEs successful in a local competition) but you must receive prior written approval from UKRI to do this.

Prior to committing to legally making the subsidy or beginning funding and work, whichever is later in date[5] you must:

- Ensure that the stated size of the business, (and therefore its intervention rate and thus financial calculations), are correctly calculated according to the Companies Act 2006 definitions[6].

- Assure yourself that the proposed activities, to be undertaken using the funds of the subsidy, are in line with the activity category description used when applying[7]. For the subsidy to be legal the work undertaken must match the category.
    - Where more than one activity category has been used, you must ensure separate finance forms are used to accurately record the resources used under each category as the subsidy(s) will be made under only one category.

- Check that subsidies awarded to each organisation do not exceed the fiscal limitations of RDISR set out in the UKRI and DBT guidance. For the subsidy to be made it must be within the fiscal limits of RDISR.
    - Where use of more than one activity category has been used, necessitating the recording of more than one subsidy for the same enterprise and project

[4] RDISR is currently due to end on 4 January 2029. This means that until / unless government confirms a replacement to the route, you will not be able to make any project change requests involving subsidies awarded under RDISR after 4 January 2029.
[5] These rules apply to both your main project partners (where subsidy rules apply) and to subsidies made during the programme. In both cases work on the projects cannot commence until the steps are followed and UKRI has been sent the information listed on pages 3-4. UKRI may withhold sign-off of the grant until it is satisfied that all partners are compliant and fundable.
[6] ‘Micro’: headcount < 10, turnover ≤ £1,000,000. ‘Small’: headcount < 50, turnover ≤ £15 million. ‘Medium’: headcount < 250, turnover ≤ £54 million. Any enterprise exceeding the ‘Medium’ values is ‘Large’.
[7] Industrial Research, Experimental Development or Feasibility Study. Note fundamental or basic research is outside the remit of the LIPF programme. See Annex B for the definitions.

    these will be cumulated, and the cumulated total must be less than the threshold set out in UKRI and DBT guidance.
  - Where an enterprises project follows on from other government funded projects (which constituted a subsidy) the value of these subsidies may also need to be cumulated into the total, potentially affecting the extent to which funding can be granted, UKRI must be consulted if this could be the case.

- Check the work of the enterprise against the Competition and Markets Authority's (CMA's) list of 'sensitive sectors' (see below). If the work has, or is capable of having, an effect on competition or investment in one of these sectors, you must inform UKRI.
  - Manufacture of basic iron and steel and of ferro-alloys (SIC code 24.10)
  - Aluminium production (SIC code 24.42)
  - Copper production (SIC code 24.44)
  - Manufacture of motor vehicles (SIC code 29.10)
  - Building of ships and floating structures (SIC code 30.11)
  - Manufacture of motorcycles (SIC code 30.91)
  - Manufacture of air and spacecraft and related machinery (SIC code 30.30)
  - Production of electricity (SIC code 35.11)

- Undertake financial and other due diligence checks to ensure that the enterprise is financially safe and stable enough to support the work of the subsidy over the lifetime of the project.

Once the above checks have been completed, and in advance of commencement of work, you must provide UKRI with the following information for each subsidy to be made (that is, for each organisation and for each type of 'work' being undertaken) so that it can make its final decision and complete the records as it is legally required to do.

- The date the funding and project will start. This will be the legally recoded granting date and must be accurate, not an estimate.

- The category of work being undertaken. As stated above, multiple subsidies will be recorded if the same enterprise is undertaking multiple categories of work, so multiple submissions must be made if this is the case.

- Full amount of the subsidy in pounds sterling. This is the element that UKRI is paying, not the total project cost. It must be an accurate total cost of the subsidy.

- The name of the enterprise in receipt of the subsidy. This should be the registered company name, including Ltd or PLC as appropriate.

- The Companies House number of the enterprise. While UKRI can register using a VAT number or Charity Number, the Companies House number should always be the default option. If you need to give an alternative, you must explain the nature of the registration number clearly in your submission.

- The size of the organisation. This should be calculated according to the UK legislative definitions (see above).

- The project number. The granting number of your UKRI project.

- The spending region. This is the region of the country where the activity will take place, not the head office location of the business.

- The business sector. This is the area or sector in which the business operates. Note it is different from the Spending Sector (below). As noted above, if it is one of the CMA-designated 'sensitive sectors', you must contact UKRI in advance.

- The spending sector. This represents the work being undertaken and will normally be 'Professional, scientific and technical activities', as the subsidy is supporting research, development and innovation (RD&I) activity within the business.

- Goods and/or services. Indicates whether the primary purpose of the business is the delivery of goods, services or both.

UKRI can only make subsidies where the details provided are true, accurate and within the RDISR scheme's parameters. If any of your subsidies does not meet these parameters then it will be ineligible: UKRI will not make the subsidy, and work will not be able to commence for that partner. If you have any questions, queries or concerns you must discuss with UKRI at the earliest opportunity.

Process for Minimum Financial Assistance (MFA)

UKRI expects MFA to be the default for awards that are made after the project set-up period or to an organisation that was not initially listed as a partner (for example, SMEs successful in a local competition). It will only approve the use of MFA in the project set-up period or for partner awards in exceptional circumstances and you must receive prior written approval from UKRI to do this.

Prior to committing to legally making the subsidy or commencing funding and work, whichever is later in date[8] you must:

- Check that subsidies awarded to each organisation do not exceed the fiscal limitations of MFA set out in the UKRI and Department for Business guidance. For the subsidy to be made it must be within the fiscal limits of MFA.
  - You must receive written confirmation from the recipient organisation that the MFA subsidy will not take them over the MFA threshold. You must send a copy of this to UKRI and retain one yourself.

- Check the work of the enterprise against the Competition and Markets Authority's (CMA's) list of 'sensitive sectors' (see below). If work has, or is capable of having, an effect on competition or investment in one of these sectors you must notify UKRI.
  - manufacture of basic iron and steel and of ferro-alloys (SIC code 24.10)
  - aluminium production (SIC code 24.42)
  - copper production (SIC code 24.44)
  - manufacture of motor vehicles (SIC code 29.10)
  - building of ships and floating structures (SIC code 30.11)
  - manufacture of motorcycles (SIC code 30.91)

[8] These rules apply to both your main project partners (where subsidy rules apply) and to subsidies made during the programme. In both cases work on the projects cannot commence until the steps are followed and UKRI has been sent the information listed on page 5-6. UKRI may withhold sign-off of the grant until it is satisfied that all partners are compliant and fundable.

    - manufacture of air and spacecraft and related machinery (SIC code 30.30)
    - production of electricity (SIC code 35.11)

- Undertake financial and other due diligence checks to ensure that the enterprise is financially safe and stable enough to support the work of the subsidy over the lifetime of the project.

Once the above checks have been completed, and in advance of commencement of work, you must provide UKRI with the following information for each subsidy to be made (that is, for each organisation and for each type of 'work' being undertaken) so that it can make its final decision. You must do this irrespective of whether the subsidy meets the MFA reporting threshold, as UKRI must keep internal records.

- A copy of the declaration from the enterprise that they are eligible to receive the MFA award.

- The date the funding and project will start. This will be the legally recoded granting date and must be accurate, not an estimate.

- The category of work being undertaken. As stated above, multiple subsidies will be recorded if the same enterprise is undertaking multiple categories of work, so multiple submissions must be made if this is the case.

- Full amount of the subsidy in pounds sterling. This is the element that UKRI is paying, not the total project cost. It must be an accurate total cost of the subsidy.

- The name of the enterprise in receipt of the subsidy. This should be the registered company name, including Ltd or PLC as appropriate.

- The Companies House number of the enterprise. While UKRI can register using a VAT number or Charity Number, the Companies House number should always be the default option. If you need to give an alternative, you must explain the nature of the registration number clearly in your submission.

- The size of the organisation. This should be calculated according to the UK legislative definitions (see above).

- The project number. The granting number of your UKRI project.

- The spending region. This is the region of the country where the activity will take place, not the head office location of the business.

- The business sector. This is the area or sector in which the business operates. Note it is different from the Spending Sector (below). As noted above, if it is one of the CMA-designated 'sensitive sectors', you must contact UKRI in advance.

- The spending sector. This represents the work being undertaken and will normally be 'Professional, scientific and technical activities', as the subsidy is supporting research, development and innovation (RD&I) activity within the business.

- Goods and/or services. Indicates whether the primary purpose of the business is the delivery of goods, services or both.

If Article 10 of the Windsor Framework Applies

If you are funding work at an organisation which could affect trade in goods or the electricity market between Northern Ireland and the European Union, then you must seek immediate advice from UKRI as your subsidy may be subject to Article 10 of the Windsor Framework.

UKRI will determine if Article 10 applies and will decide based on the information provided; it reserves the right to obtain written assurance from any party confirming any assertions made which influence its decision. UKRI's decision, once made, will be final.

If UKRI decides that Article 10 applies, it will work with you to register the subsidy in accordance with the relevant EU scheme (analogous to the above, General Block Exemption Regulation (GBER), or de minimis). The reporting windows for these schemes can be significantly shorter than those imposed by the Subsidy Control Act – as little as 20 working days for de minimis – so you must notify URKI well in advance of your proposed start date to allow records to be made before the deadline is reached. Your project start date will be delayed if you do not inform us with sufficient notice to record the subsidy.

Post-Award

The following monitoring arrangements are required throughout the funded life of any subsidies made under any scheme authorised by UKRI as part of the LIPF. You must undertake to regularly (no less than quarterly) assure that:

- All payments to organisations where these rules apply[9] are made in arrears. Payments must only be made against actual expenditure at the end of any payment period (month or quarter). Notwithstanding the above, payments must be made in line with grant conditions and public spending rules. Any residual (unclaimed) funds in any quarter must accumulate in your organisation. Under no circumstances may funds be transferred to an organisation in advance of need or expenditure.

- Activities undertaken using the funds of the subsidy are and remain in line with the category description used when applying (see Annex B for the categories and their descriptors – but note fundamental or basic research is outside the remit of the LIPF). Deviation from this is not allowed and must be reported to UKRI immediately.

- The organisation matches its UKRI funded expenditure with its own, in line with the subsidy ratio allocated at the point of funding.

- The subsidy funds (UKRI funded and the legally required organisational subsidy contribution) are spent in line with agreed expenditure plan for business related costs and that these expenditures are consistent with our funding rules. Virements are permitted within UKRI rules but must be consistent with the original purpose of the funding. The grant conditions must be followed in respect of virements this includes requests by organisations you are funding on our behalf.

- The organisation remains financially stable, willing, and able to undertake the activities for which the subsidy was provided. A change in circumstances that

[9] Payments as a subsidy or to any organisation not specifically listed on [Research organisations eligible for UKRI funding](#).

presents a risk (for example, takeover, change of ownership, financial difficulty or a risk of liquidation) must be reported to you and a decision made as to whether to stop or suspend the subsidy. Such decisions must be communicated to UKRI without delay.

UKRI must be notified if any of the monitoring requirements indicates that the project funded by a subsidy is not being undertaken in a manner that is constant with its terms and conditions and the law.

Annex A: Subsidy Control Test and No Subsidy Award Declaration Form

Four limbs of the subsidy control test

A. The financial assistance is given, directly or indirectly, from public resources by a public authority.
This test will always be met as the LIPF is funded by UKRI, a public authority.

B. The financial assistance confers an economic advantage on one or more enterprises.

1. The recipient of the assistance must be an enterprise: any entity (that is, any person, or groups of persons under common control) that is engaged in an economic activity, which means offering goods and services on a market. If the recipient is engaged in both economic and non-economic activity, it should be considered an enterprise only in relation to its economic activity.
This test will be met if the anchor entity is funding an enterprise or any other organisation that is undertaking commercial work as an enterprise would.

2. It must confer economic advantage, meaning that the financial assistance is provided on favourable terms.
In most cases this test will be met, however there may be circumstances where the advantage is mitigated. If the anchor entity feels this may be the case, they should contact UKRI to discuss.

C. The financial assistance is specific, such that it benefits one or more enterprises over one or more enterprises with respect to the production of goods or provision of services.
This test will always be met as awards are made based on criteria set out in guidance and in line with priorities set by the partnership and thus do not benefit all enterprises equally.

D. The financial assistance has, or is capable of having, an effect on competition or investment within the UK, or on trade or investment between the UK and another country or territory, or both.
The threshold for this legal test is very low, so if test B2 is met then this test almost certainly will be. If test B2 is not met, then this test also may not be.

All four of the tests must be met for an award to be a subsidy but as indicated in blue, many of the answers are effectively pre-determined by the nature of the funding and the circumstances of the award. There are therefore a very narrow set of circumstances where a UKRI grant to an enterprise through the LIPF would be considered to not be a subsidy.

You must return a copy of the No Subsidy Award Declaration form (provided separately) to UKRI for every award you make that you believe is not a subsidy. You should also store any other relevant documentation / evidence to demonstrate, if challenged, its rationale.

Local Innovation Partnerships Fund: No Subsidy Award Declaration

You must return a copy of this form to place@ukri.org for every award you make that you do not believe is a subsidy. Remember that all awards, whether subsidy or not, must follow the HM Treasury's most recent Managing Public Money documentation.

Project lead (name, role and organisation):			
UKRI project number:		Date:	

Evidence of not meeting the four limbs test (unless all four are met, this is not a subsidy):

Limb	Evidence	Met / Not Met
A - The financial assistance is given, directly or indirectly, from public resources by a public authority.		
B - The financial assistance confers an economic advantage on one or more enterprises. Part 1 - the recipient of the assistance must be an enterprise: any entity (that is, any person, or groups of persons under common control) that is engaged in an economic activity, which means offering goods and services on a market. If the recipient is engaged in both economic and non-economic activity, it should be considered an enterprise only in relation to its economic activity. Part 2 - It must confer economic advantage, meaning that the financial assistance is provided on favourable terms.		
C - The financial assistance is specific, such that it benefits one or more enterprises over one or more enterprises with respect to the production of goods or provision of services		
D - The financial assistance has, or is capable of having, an effect on competition or investment within the UK, or on trade or investment between the UK and another country or territory, or both.		

Annex B: RD&I Categories

As UKRI is the Public Authority for all subsidies made under the LIPF and remains both responsible and accountable, all subsidies must be made in compliance with its statutory purpose, laid out in S93 of the Higher Education and Research Act 2017. In practice this means that UKRI will restrict its funding, across all permissible schemes[10] to the categories defined below.

Note that Basic / Fundamental Research is out of scope of the LIPF and its definitions are therefore not provided.

Definitions of Permitted Subsidy Control Activities Under RDISR and GBER

Industrial Research

Under RDISR: 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.

Under GBER: 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. It comprises the creation of components 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, when necessary for the industrial research and notably for generic technology validation.

Experimental Development

In RDISR, 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

[10] This includes Minimal Financial Assistance (MFA) and De Minimis

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.

In GBER, 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 may also include, for example, activities aiming 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 necessarily 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.

Feasibility Study

In RDISR, 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.

In GBER, 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.