Appendix E

Leeds City Council Subsidy Assessment Form

Part A – Project Details and Assessment Summary

Project Title	
Heritage Investment Fund – Morley Town Deal	
Brief Description of the project	
The Morley Heritage Investment Fund scheme is a £1.7m fund, from the Morley Town Deal, out of which the Council will offer grants to owners of eligible heritage properties in Morley Town Centre to contribute towards conservation works to those properties. Morley Town Centre is a conservation area, and the scheme has identified a need for works to many properties to improve the exterior of heritage buildings and shopfronts in a way which conserves the traditional character of the area. The fund will support up to 25 properties and will lever match funding by offering up to 80% of the cost of eligible conservation works.	
Directorate and Service responsible for the Project:	City Development, Asset Management and Regeneration.
Name and post of Officer completing assessment:	Liam Riley, Regeneration Officer (PO2).
Date Assessment Form completed:	XXXX
Is the Council granting a Subsidy?	Yes
Is the proposal a standalone Subsidy or for a Subsidy Scheme?	Subsidy Scheme
Is the Subsidy covered by either a Government Streamlined Subsidy Scheme or a Legacy Scheme?	No
Is this Subsidy for an SPEI?	No
Is this Subsidy an SSoPI?	No
Is this Subsidy an SSoI?	No
What, if any, exemption is relied on for granting the Subsidy? (MFA, SPEIA, or Other Exemption)	N/A
Have you completed Part E and does the Subsidy comply with the Subsidy Control Principles? (if applicable)	Yes
Have you completed Part F and does the Subsidy comply with the Energy and Environment Principles? (if applicable)	N/A

The Statutory Guidance for the Subsidy Control regime is available at:

[Statutory Guidance for the United Kingdom Subsidy Control Regime (publishing.service.gov.uk)]

Part B - Is the Council granting a Subsidy?

Test	Answer **Yes** or **No**; please include brief reasons for your answer
1. Is the Council giving a third party any financial assistance out of public resources, whether directly or indirectly? ('financial assistance' can be in many forms, for example: a grant, a tax break, a loan or guarantee, an equity investment, or the use of facilities)	Yes
2. Are any of the recipients of the financial assistance "enterprises"? (an 'enterprise' is any entity that is engaged in an economic activity, i.e. offering goods and services on a market. An entity can be engaged in both economic and non-economic activities, and will be considered an 'enterprise' only in relation to it's economic activities)	Yes
3. Does the financial assistance confer any economic advantage on the recipient(s)? (I.e. is the financial assistance being provided on favourable terms? For example, a grant by its nature will nearly always be on favourable terms; but a loan, guarantee or investment from the Council will not be on favourable terms if it is on the same terms as the same assistance could have been obtained on the market (e.g. from a commercial lender))	Yes
4. Is the financial assistance being given to specific recipients, such that it benefits them over one or more other enterprises? (I.e. is the Council only giving the financial assistance to specific recipients, or only to enterprises in a specific sector, industry or area or with certain characteristics, rather than making it available to any enterprise?)	Yes
5. Will the financial assistance have, or be capable of having, an effect on competition or investment within the UK, or on trade and investment between the UK and another country or territory? (Financial assistance must be capable of producing a relevant effect capable of having a genuine, adverse effect on a market to be a Subsidy.)	Yes

Further detailed guidance for completing each step can be found in Chapter 2 of the Government guidance here.

If you have answered "No" for any of the 5 parts of the test, then the Council is not granting a Subsidy and the Subsidy Control regime will not apply. You do not need to complete the remaining parts of this form, but should keep this form as a record of your assessment.

If you have answered "Yes" for all 5 parts of the test, then the Council is most likely granting a Subsidy and the Subsidy Control regime will apply to the project. You should refer to the Additional Considerations in Part C below, then complete Parts D to E of this form as applicable.

Part C - Additional Considerations

Please answer all questions set out below before proceeding.

	Yes or No
Does the proposed subsidy include an unlimited guarantee of the debts or liabilities of the recipient?	**No**
Is the proposed subsidy contingent on the recipient's export of goods or services?	**No**
Does the proposed Subsidy require the recipient to use domestically produced goods or services?	**No**
Does the proposed Subsidy require that the recipient relocate all or part of its existing economic activities, and that relocation would not occur but for the giving of the proposed subsidy?	**No**
If you answered Yes to any of these then this subsidy is prohibited by the Subsidy Control regime and cannot proceed.	

Does the proposed subsidy seek to rescue or restructure an ailing or insolvent enterprise?	**No**
If you answered Yes to this then this subsidy is prohibited by the Subsidy Control regime unless additional conditions are met. You should complete Parts D to F of this form (as applicable) and then seek further legal advice from Legal Services or Procurements and Contracts	

Are you proposing a Subsidy Scheme rather than a standalone subsidy? (A Subsidy scheme is a set of rules that describes the eligibility, terms and conditions for a number of subsidies to be given under a single scheme)	**Yes**
If you answered Yes, then the exemptions in Part D do not apply and you should complete Part E and (if applicable) Part F of this form in relation to the Subsidy Scheme.	

Is the proposal covered by a Streamlined Subsidy Scheme or a Legacy Scheme? Current Streamlined Schemes are listed at Subsidy Control Act 2022: Streamlined Routes - GOV.UK (www.gov.uk)	**No**
If so, please identify the relevant Streamlined Subsidy Scheme or Legacy Scheme	**No**
If this Subsidy is part of a Streamlined Subsidy Scheme or Legacy Scheme then you do not need to complete Parts D to F of this form. But you do need to ensure that the Subsidy complies with the Scheme requirements.	

Does one or more of the Subsidy's policy objectives relate to energy* or the environment? *does not include nuclear energy subsidies	**No**
If answered Yes, then both Part E and Part F of this form should be completed (unless an exemption in Part C applies to the Subsidy)	

	Yes or No
Is the Subsidy for more than £10million?	**No**
Is the Subsidy for more than £1million and will cumulate to more than £10million with other related subsidies over the previous 3 financial years?	**No**
Is the Subsidy to be granted in a sensitive sector[1] and for more than £5million?	**No**
Is the Subsidy to be granted in a sensitive sector and for more than £1million and will cumulate to more than £5million with other related subsidies given over the previous 3 financial years?	**No**
Is the subsidy to be granted for the restructuring of the recipient?	**No**
If you have answered 'Yes' to any of the above questions, then the Subsidy will be a Subsidy or Scheme of Particular Interest ("SSoPI"). You must complete Part E (and if applicable, Part F) of this form in detail. An SSoPI must be referred to the Competition and Market Authority's Subsidy Advice Unit for review, before the subsidy can be granted or the subsidy scheme can be made.	

Is the Subsidy between £5million and £10 million (individually or cumulatively with any related subsidies given over the previous 3 financial years) but not an SSoPI?	**No**
If you have answered 'Yes' to this question, then the Subsidy will be a Subsidy or Scheme of Interest (SSoI) You must complete Part E (and if applicable, Part F) of this form in detail. The Council may voluntarily refer an SSoI to the Competition and Market Authority's Subsidy Advice Unit for review before granting the subsidy or making the scheme.	

Does the proposed Subsidy have any cross-border implications with Northern Ireland or any country outside the United Kingdom?	**No**
If you answered 'Yes' to this question you should seek further legal advice from Legal Services or Procurement and Contracts. The EU's State aid rules still apply to trade between Northern Ireland and the EU, and WTO rules apply to subsidies with cross-border effects.	

A Service of Public Economic Interest ("SPEI") is an essential service provided to the public which would not be supplied in an appropriate way or may not be supplied at all by the market.	
	Yes or No, with reasons.
Is the service being provided for the benefit of the public?	No, the subsidy is not deemed to be involved with an essential service to the public.

[1] The following are deemed to be sensitive sectors as at January 2022 but may be subject to review: • 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)

Would the service not be provided at all, or would the service not be provided on the terms required, by an enterprise under normal market conditions?	No
If the answer to both above questions is 'Yes' then this Subsidy is for an SPEI. An SPEI may be eligible for the SPEIA exemption (see below). If an SPEI is not eligible for an SPEIA exemption, you will need to assess the SPEI Subsidy against the Subsidy Control Principles in Part E of this form, but the subsidy may still be awarded if it is inconsistent with the Subsidy Control Principles if compliance with the Principles would prevent the SPEI services from being carried out. (An SPEI subsidy cannot be awarded if it is inconsistent with the Energy and Environment Principles set out in Part F of this form).	

You should now complete Part D of this form.

Part D - Do any Subsidy Control exemptions apply?

Service of Public Economic Interest Assistance (SPEIA) exemption

	Yes or No, with reasons.
Is the Subsidy for an SPEI? (see above)	
Will the total amount of MFA or SPEIA financial assistance (or any *des minimis* State aid or SAFA subsidy) given to the enterprise exceed £725,000 over the last 3 financial years? (the last 3 financial years includes the elapsed part of the current financial year and the two preceding financial years)	
If you have answered 'No' to the last 3 questions, then the Subsidy can be granted to the enterprise as an SPEIA without complying with the Subsidy Control principles in Part E. In order to grant an SPEIA subsidy, the Council must follow the SPEIA notification and confirmation process, and any Subsidy over £100,000 must still be recorded on the Government's subsidy control database.	

Minimal Financial Assistance (MFA) exemption

	Yes or No, with reasons.
Will the total amount of MFA or SPEIA financial assistance (or any *des minimis* State aid or SAFA subsidy) given to the enterprise exceed £315,000 over the last 3 financial years? (the last 3 financial years includes the elapsed part of the current financial year and the two preceding financial years)	
If you have answered 'No' to these 3 questions, then the Subsidy can be granted to the enterprise as an MFA without complying with the Subsidy Control principles in Part E. In order to grant an MFA subsidy, the Council must follow the MFA notification and confirmation process, and any Subsidy over £100,000 must still be recorded on the Government's subsidy control database.	

If the SPEIA or MFA exemption applies, then you do not need to complete Parts E or F of the form.

If the SPEIA and MFA exemptions do not apply, then you must now complete Part E (and Part F, if applicable) of this form.

Other Exemptions

There are exemptions for Subsidies relating to the items listed below; if any of these apply, please seek legal advice from Legal Services or Procurement and Contracts before proceeding.

Natural disasters and other exceptional circumstances
National or global economic emergencies
National security
Bank of England monetary policy
Financial Stability directions given by the Treasury
Tax measures
Large cross-border or international cooperation projects

Part E – The Subsidy Control Principles Assessment

The Subsidy Control Act 2022 sets out 7 Subsidy Control principles, listed below.

The Government's Subsidy Control guidance sets out a 4-step process for assessing a subsidy against the 7 Principles. The guidance advises that the depth of analysis under the assessment should be commensurate to the size and potential distortive impact of the subsidy or subsidy scheme in question.

Further detailed guidance for completing each step can be found in Chapter 3 of the Government guidance here.

Subsidy Control Principles
Principle A: Subsidies should pursue a specific policy objective in order to remedy an identified market failure or address an equity rationale (such as local or regional disadvantage, social difficulties or distributional concerns).
Principle B: Subsidies should be proportionate to their specific policy objective and limited to what is necessary to achieve it.
Principle C: Subsidies should be designed to bring about a change of economic behaviour of the beneficiary. That change, in relation to a subsidy, should be conducive to achieving its specific policy objective, and something that would not happen without the subsidy.
Principle D: Subsidies should not normally compensate for the costs the beneficiary would have funded in the absence of any subsidy.
Principle E: Subsidies should be an appropriate policy instrument for achieving their specific policy objective and that objective cannot be achieved through other, less distortive, means.
Principle F: Subsidies should be designed to achieve their specific policy objective while minimising any negative effects on competition and investment within the United Kingdom.
Principle G: Subsidies' beneficial effects (in terms of achieving their specific policy objective) should outweigh any negative effects, including in particular negative effects on competition and investment within the United Kingdom, and international trade and investment.

Part E continued

	Assessment
Step 1 – Explain what the policy objective is that the proposed subsidy or subsidy scheme pursues, what market failure or equity concern* it addresses, and explain why a subsidy is the right tool to use to achieve that policy objective. *a redistribution of resources between different groups or areas more fairly. This considers Principles A – "Policy Objective", and E – "Appropriateness"	**Policy Objective** Morley's impressive heritage has much to offer for the future success of the town as part of the government's levelling-up agenda and Covid 19 recovery. Morley is rich in heritage assets, many of which are recognised as nationally important by their listed status and locally through their conservation area designations. However, these assets are currently underperforming and in some cases are in need of urgent attention to address poor condition, underuse, inappropriate change and loss of historic detail that reduce the vitality of the town. The Heritage Investment Fund (HIF) subsidy scheme aims to address these concerns. The LCC Local Plan Core Strategy highlights the importance of the historic environment in placemaking and identity. Policy P11 sets out how the historic environment including historic buildings and townscapes will be conserved and enhanced, which includes promoting conservation-led regeneration schemes as a catalyst for wider regeneration as well as maintaining a register of historic assets at risk to help prioritise action to secure repair and refurbishment where appropriate. This is also mirrored at a national level within the National Planning Policy framework (NPPF), which establishes the principle that heritage assets are an irreplaceable resource which should be conserved in a manner appropriate to their significance. Paragraph 190 sets out the 'desirability of sustaining and enhancing the significance of heritage assets' and 'the desirability of new development making a positive contribution to local character and distinctiveness'. This subsidy scheme directly pursues these policies by providing grants to property owners to refurbish and reinstate traditional shopfront designs within the Morley Conservation Area, to revitalise the economic heart of the town. The properties that are targeted through this scheme are all of heritage significance, a number of which are listed properties and the remainder identified as 'positive' buildings within the Morley Conservation Area Appraisal and Management Plan, which are those defined as making a positive contribution to the heritage character of the town. The HIF is further aligned to NPPF priority objectives to respond to the climate emergency. Paragraph 152 of the NPPF states that the planning system should help to 'shape places in ways that contribute to radical reductions in greenhouse gas emissions, minimise vulnerability and improve resilience; encourage the reuse of existing resources, including the conversion of existing buildings; and support renewable and low carbon energy and associated infrastructure'. The reuse of buildings through this scheme will contribute towards long-term survival and sustainability and contribute towards zero carbon ambitions through reducing the need for new carbon-generating construction and avoid the negative impacts of potential demolition and embodied carbon.

	The planning system in England is based on the principle of sustainable development and this project will enable Morley to adapt to economic and social change in a sustainable way. By sensitively restoring and finding new uses for the town's historic assets this project will enable the town to grow sustainably and to enable these buildings to be cared for and maintained in the long term. This aligns with NPPF priorities around the 'desirability of sustaining and enhancing the significance of heritage assets, and putting them to viable uses consistent with their conservation'. At a broader policy level this is consistent with the principle of Clean Growth. There is an established case for the subsidy of culture and heritage, which is often subject to market failures. The Government have set out guidance which is of relevance and which establishes a methodology for establishing the value of culture and heritage as a public good (Valuing culture and heritage capital: a framework towards informing decision making [Valuing culture and heritage capital: a framework towards informing decision making - GOV.UK (www.gov.uk)).](#) This guidance sets out the non-use and use value of heritage assets, including the value that heritage assets generate through existence and indirect use. This is relevant to Morley town centre, where the enhancement of the built environment will provide a broad public good to the people of Leeds, and visitors, through the continued existence of the historic environment. As heritage assets the properties, and the Morley Conservation Area, are subject to further established national legislation and national and local planning policy as follows: • **Planning (Listed Buildings and Conservation Areas) Act 1990**. Section 66 (2) of the Act states that: ‘in the exercise of the powers of appropriation, disposal and development (including redevelopment) …a local authority shall have regard to the desirability of preserving features of special architectural or historic interest, and in particular, listed buildings’. • **Planning (Listed Buildings and Conservation Areas) Act 1990**. Section 72 (1) identifies that local authorities have a legal duty with respect to any buildings or other land in a conservation area, to ‘pay special attention to the desirability of preserving or enhancing the character or appearance of that area’. • The proposal is also in accordance with a number of **Leeds Best City (LBC) ambitions**. It will accord with the ambition to promote positive identity culture and heritage. The redevelopment and reuse of heritage properties presents an opportunity to promote and enhance the contribution made by these properties to the distinctive heritage and culture of Morley. **Market Failure** Through the scheme the Council and Town Deal Board will work with private property owners to address the condition and occupation of buildings in the area. In doing so this will densify the town centre, generate new footfall and improve the quality of the local environment – supporting the wider viability for investment in the town. The fund will operate by addressing specific

	market failure relating to property investment, meeting viability gaps by contributing alongside property owners to the cost of building repair and restoration. This will predominantly focus on a number of vacant properties, 16 of which were identified during Business Case development, and small interventions to uplift buildings in poor condition in Morley Town Centre via a grants scheme. The proposed subsidy addresses market failure as many heritage assets in the Morley Conservation Area represent a situation where the market has been prevented from working efficiently. The Conservation Area suffers from examples of ongoing and entrenched market failure which is evidenced by a lack of investment in, and poor maintenance of, heritage assets, and decay and damage to historic fabric. In addition, historic windows have been removed and replaced with modern plastic UPVC which is poor quality, visually unappealing and of inappropriate materiality, form and proportion for the building. Similarly, modern shopfronts and signage have been installed to ground floor units, and these are also inappropriate in planning terms for a Conservation Area being of modern material, colour and proportion. The negative externality of the poor and deteriorating condition of properties, and the number of vacant units on the high street, impacts the Conservation Area as a whole, resulting in lower economic output due to unused floorspace and reducing the visual amenity of the protected area, potentially disadvantaging the town through reduced footfall and investment. The impact of these negative externalities works against a number of policies set out above, namely that heritage assets are an irreplaceable resource which should be conserved in a manner appropriate to their significance (NPPF), yet the legislative and planning requirements which set high standards for works to heritage buildings result in costs which rise above likely post completion value increases, resulting in conservation deficit. The increased costs associated with conservation standard works compared with standard construction methods will not generate comparable value to the property owners and therefore deter owners from investing in their buildings. Furthermore, increased inflation has seen construction costs soar. The proposed subsidy will address the market failure, through partially funding the existing conservation deficit. Additionally, as identified above, the delivery of the subsidy can maximise benefits to the public by contributing towards public good. The consumption of heritage is non-exclusive, and heritage is recognised as delivering a public good through a multiplicity of benefits, including the enhancement of the quality and character of places to live and work and social benefits in contributing to sense of place. The subsidy therefore ensures that the public good provided by the heritage properties to the public is sustained. **Why a subsidy?** Whilst the planning system can regulate development it cannot compel property owners to undertake works and can only control the standards and methods used to a limited extent. The existing poor condition of properties within the Conservation Area evidences that the existing regulatory system alone is not sufficient as an instrument to deliver the necessary works. Should this be the sole strategy for conserving heritage assets in the town, which is evidently insufficient, the trend would be towards heritage detail that is

	irrevocably altered to be unsympathetic to the Conservation Area or even to the demolition and replacement of dilapidated properties. This would be in direct conflict with the policies set out above, which state that heritage assets should be conserved and protected. Options that could be pursued other than a subsidy scheme could be to acquire the properties through a direct purchase or through a Compulsory Purchase Order (CPO). These methods would however be more expensive as they would involve the whole cost of a property, rather than the relatively low cost of a grant to improve individual elements of a property. This would diminish the overall impact of the scheme as the amount of properties that could be included within the scheme would be severely reduced. Acquisition would also have a higher distortive impact as the local authority would take over ownership of properties from the private market and after refurbishment would likely then either become a landlord to a business or enter negotiations to sell properties back to the private market. The scheme is also bound by the timescales of the Morley Town Deal, with all projects required to complete by March 2026. The CPO process is notably long due to the various stages required to satisfy very specific legal procedures, which would present a high risk to being able to spend the scheme funds by the end date. Loans could be offered to property owners, rather than grants, but these would be unlikely to incentivise property owners. If a conservation deficit and resultant market failure did not exist there would be greater examples within the Morley Conservation Area of shop owners securing loans for shopfront improvements if they were affordable to them. There may also be mortgages on a number of these properties which would further disincentivise owners to pursue another loan, compounded in the past year through increased supply chain and operational costs for businesses. These considerations, in conjunction with the types of works this scheme addresses not being likely to generate a significant uplift in value to the target properties, would result in a significantly lower uptake of the scheme, compared to one-off capital grants. Additionally, the timescale of the Morley Town Fund, as described above, would result in a reduced loan payback period to March 2026, which could result in unaffordable repayments, and the funding arrangements of the Town Fund, to spend all central government grant by the set date, further rules out a loan funding structure. The subsidy provides the opportunity to incentivise the property owner to deliver work they might not otherwise have undertaken due to viability gaps that have been compounded by inflation, and to ensure the works are carried out to high conservation standards, as set out in the grant agreement; often above those which might otherwise be achieved.
Step 2 – Explain how the subsidy or subsidy scheme is designed to create the right incentives for the beneficiary and bring about a change.	Properties in the Morley Conservation Area have in the past been subject to a lack of investment and poor management and maintenance. Where works have been carried out, they have not been to appropriate conservation standard, and necessary maintenance has not been carried out, leading to buildings suffering from damage and degradation. This is evidenced in the Morley Conservation Area Appraisal and Management Plan, which states that ‘Morley has a number of significant historic buildings that are currently at risk due to their derelict, vacant, underused or poor state of repair’. Subsidy will therefore provide the crucial opportunity to unlock the direct investment needed to deliver appropriate and high-quality conservation standard refurbishments.

This considers Principles C – "baseline no-subsidy scenario", and D – "Additionality"	As outlined in Step 1, the conservation deficit means the conservation standard improvements required are beyond 'business as usual' costs, as the high standards for works to heritage buildings result in costs which rise above likely post completion value increases, providing little incentive for investment by the property owner. Therefore, without subsidy it is likely that works would not be undertaken and, if they were, that cheaper methods and materials would be selected, leading to a cumulative loss of historic fabric and quality of the building and of the character and appearance of the wider Conservation Area as a whole. As also explained in Step 1, the limitations of conservation areas and planning regulations means the Council cannot compel owners to carry out conservation works and so an incentive is required. To ensure the subsidy is incentivising the right outcomes, specific eligibility criteria is set out within the grant agreement requiring appropriate conservation standards. It also requires appropriate conservation methods and materials are used, for example when carrying out repairs to brickwork and stonework. The grant will be limited to cover only those costs listed in the eligibility criteria provided to property owners, which includes: • Reinstatement of traditional shopfronts, windows and doors; and • Repair of roofs, façades, brickwork and architectural features. Without grant intervention much of this work would either not be carried out to the correct conservation standard, as evidenced by the current proliferation of inappropriate and unauthorised works in the Conservation Area, or would not be carried out at all due to the increased costs for high-standard works and the resultant conservation deficit. The intervention will therefore benefit the geographic area through improved visual amenity and by protecting the heritage character of the town. Although the subsidy is not strictly required by the beneficiaries to maintain their activities in the market, as they are still able to operate their businesses without conservation standard works to their properties, the grant is required to pursue the policies of conservation preservation outlined in Step 1 that would otherwise not be implemented. There is likely to be a marginal gain for beneficiaries, as improved shop frontage could lead to greater footfall, but the intention of the scheme to target a number of properties across the Conservation Area aims to bring these benefits to the whole high street. Without subsidy the likely short-term outcomes for many heritage assets in Morley would be the continuing degradation of heritage detail, which cumulatively will impact the conservation area and so, in the long-term, affect the visual amenity of the area. This could lead to the loss of heritage assets, which is against policies described in Step 1, and so lead to economic disadvantage due to unused commercial floorspace in vacant properties and a wider lack of investment in the town, investment that will be leveraged through private match-funding in the scheme.
Step 3 – Set out what distortive impacts the subsidy or subsidy scheme might have and	The subsidies have the potential to result in a distortive effect, as they are being offered to individual property owners. However, the level of subsidy is proportionate and has been designed to minimise negative effects on competition, whilst still allowing it to meet the policy objectives. As outlined in Step 2, grants are limited to only cover costs associated with refurbishment and reinstatement of external features and traditional shopfront designs, and so there will be no uplift to the internal business contents within subject

explain how these are being kept as low as possible. This considers Principles B – "Proportionality", and F – "Minimising Distortion"	properties. Any proposed works to the property over and above the conservation works listed in the eligibility criteria would have to be fully funded by the property owner. The nature of the subsidy that will be offered to property owners is bespoke, with the scheme crucially offering individual and discrete grants to property owners at target properties. The identification of target properties is based on criteria including location, condition, cost, building typology and potential for impact. The selection process therefore identifies buildings which are appropriate for subsidy in a proportionate way. Property owners will be offered a grant at a rate of 75%-85%. There is no monetary cap for subsidy due to the individual and bespoke nature of the varying heritage assets across the conservation area. Setting a monetary cap could rule out larger heritage assets that are also in need of conservation standard works. Distortion has been minimised in the design of the grant offer after offering a higher rate of intervention was discounted. To ensure the successful uptake of the monies provided by central government for the scheme the Council considered offering 100% grant to cover all eligible works, which would require no match funding from the property owner. However, to reduce distortive impacts of the subsidy the lower intervention rate of 75%-85% was chosen. A 10% contingency range has been designed into the scheme to allow lower distortion for property owners who are able to provide a greater degree of match-funding. Each grant application will be assessed individually, and should it be determined that a lower intervention rate can be offered this will be calculated. There is national precedent for this level of grant intervention. Historic England's Heritage Action Zone programme operates with the same level of grant rate to improve shopfronts and streetscapes, such as the New Briggate scheme currently being progressed by Leeds City Council. This is also consistent with other Leeds City Council heritage grant schemes, with the same grant rate intervention of 80% offered in the Chapeltown and Armley Townscape Heritage Initiative schemes, both of which were funded in conjunction with the Heritage Lottery Fund. The grant figure offered is directly related to the relevant costs provided for the relevant packages of work by contractors and consultants, and these will be appropriately tendered in accordance with Leeds City Council requirements. Only eligible works will be funded and are clearly defined within the grant criteria and guidance supplied to property owners. It is believed the intervention rate is unlikely to generate significant uplift to individual property values but is sufficient to improve properties that require repair or are not to sufficient conservation standard. Whilst these improvements may increase the attractiveness of a property to potential tenants, or a tenant's business to consumers, the level of subsidy will address a viability gap (compounded by inflation) to bring properties in need of repair to the same level of other high-quality conservation standard properties in the area, properties which may have been refurbished prior to inflation increases. One of the aims of generally improving properties to the same standard within the Conservation Area is the subsequent enhancement to the townscape, resulting in increased footfall and dwell time, bringing benefits to all businesses within the area. Ultimately, the subsidies offered are one-off

	limited capital grants, with long term benefits to the community but without substantial direct advantage to recipients, resulting in low market distortion. Loans could be less distortive compared to grants but, as outlined in Step 1, these would be unlikely to incentivise property owners and the timescale of the Morley Town Fund would result in a reduced loan payback period to March 2026, which could result in unaffordable repayments. Additionally, the funding arrangements of the Town Fund, to spend all central government grant by the set date, further rules out a loan funding structure. Specific zones within the conservation area will be targeted for grant in a phased approach. All property owners with eligible properties, within the targeted zone, will be offered the opportunity to apply for grant, providing a minimised distortive effect on local competition as property owners will have equal prospects in applying to the scheme.
Step 4 – Set out what the subsidy's, or subsidy scheme's, beneficial effects are (in terms of achieving the specific policy objective) and explain how and why these outweigh the negative effects, in particular any negative effects on competition and investment within the UK and international trade and investment This considers Principle G – "Balancing Exercise"	The principal direct beneficial effect of the subsidy will be the repair and refurbishment of numerous properties in the Morley Conservation Area. More broadly the subsidy will result in indirect positive effects including making a positive visual contribution to Morley and to the quality and historic character of the Conservation Area. In addition, the proposal provides the opportunity to contribute to the Council's zero carbon ambition by providing grant aid to help deliver the refurbishment and reuse of buildings, which are in deteriorating condition. The project will also lever private investment through the 15%-25% match funding required to be contributed by property owners. The works will contribute more generally to the Council's and Town Deal's objectives to deliver the revitalisation of the Conservation Area, attracting the local community, better improving the setting of heritage assets and cultural institutions and delivering further investment in future development. As set out above, measures have been taken to minimise distortive effects and these are considered to be minimal. The negative impacts of the scheme relate to the potential advantage individual businesses may inherit through shopfront improvements over other businesses. However these impacts are minimal as they do not provide a significant amount of direct financial benefit to recipients, with a low amount of property value uplift and the benefits of increased footfall and dwell time shared across the Conservation Area as a whole. Without the subsidy, the buildings would likely continue to deteriorate, and it is highly unlikely that they would be refurbished in the high-quality and conservation appropriate techniques the subsidy engenders. The subsidy is proportional and presents a unique opportunity to kick-start the regeneration and revitalisation of Morley. The benefits as set out above, including the opportunity to achieve policy objectives, are considered to outweigh any negative effects.

Part F – The Subsidy Control Energy and Environment Principles

Where a Subsidy has a public policy objective relating to energy or the environment, then it should be assessed against the Energy and Environment Principles in this Part F, as well as the main Subsidy Control Principles in Part E.

All Subsidies with a public policy objective relating to Energy and Environment should be assessed against the Energy and Environment Principles A and B below. Subsidies only need to be assessed against Energy and Environment Principles C to I where applicable.

Further detailed guidance for completing each step can be found in Chapter 4 of the Government guidance here.

Subsidy Control Principle	Explanation of how the principle is satisfied (if applicable)
E&E Principle A: Subsidies in relation to energy and environment shall be aimed at and incentivise the beneficiary in— (a) delivering a secure, affordable and sustainable energy system and a well-functioning and competitive energy market, or (b) increasing the level of environmental protection compared to the level that would be achieved in the absence of the subsidy.	
E&E Principle B: Subsidies in relation to energy and environment shall not relieve the beneficiary from liabilities arising from its responsibilities as a polluter under the law of England and Wales, Scotland or Northern Ireland.	
E&E Principle C (if applicable): Subsidies for electricity generation adequacy, renewable energy or cogeneration— (a) shall not undermine the ability of the United Kingdom to meet its obligations under Article 304 of the Trade and Cooperation Agreement (provisions relating to wholesale electricity and gas markets), (b) shall not unnecessarily affect the efficient use of electricity interconnectors provided for under Article 311 of the Trade and Cooperation Agreement (efficient use of electricity interconnectors), and (c) shall be determined by means of a transparent, non-discriminatory and effective competitive process.	
E&E Principle D (if applicable): Subsidies for electricity generation adequacy may be limited to installations not exceeding specified CO_2 emission limits.	
E&E Principle E (if applicable):	

Subsidies for renewable energy or cogeneration shall not affect beneficiaries' obligations or opportunities to participate in electricity markets.	
E&E Principle F (if applicable): Subsidies in the form of partial exemptions from energy-related taxes and levies (not including network charges) in favour of energy-intensive users shall not exceed the total amount of the tax or levy concerned.	
E&E Principle G (if applicable): Subsidies in the form of compensation for electricity-intensive users given in the event of an increase in electricity costs resulting from climate policy instruments shall be restricted to sectors at significant risk of carbon leakage due to the cost increase.	
E&E Principle H (if applicable): Subsidies for the decarbonisation of emissions linked to industrial activities in the United Kingdom shall— (a) achieve an overall reduction in greenhouse gas emissions, and (b) reduce the emissions directly resulting from the industrial activities.	
E&E Principle I (if applicable): Subsidies for improvements of the energy efficiency of industrial activities in the United Kingdom shall improve energy efficiency by reducing energy consumption, either directly or per unit of production.	