

The Supplier Readiness and Transformation Fund Subsidy Scheme 2026 - 2030

1. The North East Combined Authority¹ ("**NECA**") and the West Midlands Combined Authority² ("**WMCA**") have been selected by the Department for Business and Trade ("**DBT**") to work together to deliver the 'Supplier Readiness and Transformation Fund' ("**SRTF**").
2. This subsidy scheme (the "**Scheme**") has been made by Dr Henry Kippin, Chief Executive at NECA³ on 4 March 2026 under Section 10(1) of the Subsidy Control Act 2022 (the "**Act**") to enable the award of SRTF grants between 1 April 2026 and 31 March 2030 (the "**Term**") by NECA and WMCA.
3. The purpose of the Scheme⁴ is to enable SRTF grants to be awarded⁵ in line with the requirements of the Act towards the costs of delivering projects that contribute, in the short to medium term, towards improving the:
 - a. growth;
 - b. productivity; or
 - c. competitiveness

of the supply chain that serves the electric vehicle manufacturing sector⁶ in the relevant area⁷ (the "**Sector**") with the long term objective of creating productive clusters that contribute towards strengthening the local economy (the "**Purpose**").

¹ NECA is a combined authority created under The North East Mayoral Combined Authority (Establishment and Functions) Order 2024

² WMCA is a combined authority created under the West Midlands Combined Authority Order 2016.

³ Under 10(3)(e) of the Act, NECA is considered to be acting within the scope of its functions to establish the scheme as the Primary Public Authority, recognising that NECA and WMCA have co-designed the Scheme conditions and that WMCA considerations have been taken into account by NECA in assessing the Subsidy Control Principles, but also there is a shared interest in common conditions of delivery.

⁴ The name of the Scheme is "The Supplier Readiness and Transformation Fund Subsidy Scheme 2026 -2030"

⁵ by NECA and WMCA

⁶Electric Vehicles are those which are powered by electricity, including battery electric and hydrogen fuel cell vehicles. Projects involving hybrid technologies may be eligible where they form a clear commercial pathway to full electric vehicle production and do not risk creating stranded assets.

⁷ The relevant area is the West Midlands and North East of England, as defined in the relevant secondary legislation creating NECA and WMCA. All references to 'relevant area' shall be defined as such.

4. Examples of the types of activity that may be supported through SRTF grants are projects which:

- support companies transitioning their offer so that they can operate within the electric vehicle supply chain;
- enhance the competitiveness and growth of companies currently operating in an electric vehicle cluster; and
- attract inward investment and reinvestment

thereby strengthening the critical mass of the electric vehicle cluster.

5. To have cover under the Scheme a subsidy must satisfy each of the following conditions.

6. The Scheme will not be used for awards of subsidy that:

- a. would be subject to EU State aid law, either on the basis of the applicability of Article 10 of the Northern Ireland Protocol (as amended by the Windsor Framework) or Article 138 of the Withdrawal Agreement 2019;
- b. would be subject to the Energy and Environmental Principles under Schedule 2 of the Act;
- c. would, but for Section 30(1) of the Act, be subject to any of the prohibitions or any other requirements contained in Sections 15 to 29 of the Act; or
- d. meets the criteria to be considered a '*Subsidy of Particular Interest*'⁶.

6. The Scheme will only provide cover for subsidies that:

- a. are awarded in the form of grants;
- b. are legally committed during the Term⁹;
- c. align with the Purpose¹⁰;

⁸ What constitutes a "subsidy of particular interest" is set out within Section 3 of The Subsidy Control (Subsidies and Schemes of Interest or Particular Interest) Regulations 2022 and was revised with effect from 4 August 2025 through Subsidy Control (Subsidies and Schemes of Interest or Particular Interest) (Amendment) Regulations 2025. We note that an award towards SIC Code 29.10 would be considered to within scope of the 'sensitive sector' requirements, but an award towards 29.3 would not normally be caught, unless the products or services were passed on at a discount to an enterprise within SIC Code 29.10.

⁹ By NECA or WMCA

¹⁰ Whether a scheme condition is met will be determined by the awarding body (NECA or WMCA) in line with public law

- d. are expected to benefit the relevant area;
 - e. are expected to cause the beneficiary to act in a manner which is different from that which might reasonably be expected in the absence of the subsidy; and
 - f. do not result in the Scheme budget being exceeded¹¹.
7. A subsidy awarded under the Scheme shall not exceed:
- a. £3m¹²;
 - b. 50% of the eligible costs; and
 - c. the viability gap¹³.
8. No subsidy will be awarded under the Scheme with a value of less than £250,000¹⁴.
9. To be an eligible grant recipient under the Scheme an entity must:
- a. have legal personality;
 - b. operate within the supply chain that serves the electric vehicle and battery manufacturing sector or have plans to diversify into this sector within the next 12 months;
 - c. be based within the relevant area (the North East of England or the West Midlands) or have committed to open an operation in the relevant area (with work starting no later than within 24 months of receiving the subsidy); and
 - d. have completed a written application for funding identifying (as a minimum) the name and size of the enterprise, the location of the funded activities, the start and end date of the proposed project, how the funds will be used to deliver a project that contributes to the Purpose, the anticipated outcomes of the project and the anticipated costs of the project (including the anticipated viability gap).

¹¹ The Scheme budget is £100m during the Term. No single combined authority shall commit more than £50m during the Term.

¹² to any eligible project recipient during the Term, but for avoidance of doubt this figure shall not include any other subsidy to the same recipient and project provided by another public body, and the maximum subsidy provided is per project, not per recipient.

¹³ calculated by any reasonable method by the funder

¹⁴ Noting that this applies to the total subsidy and therefore provided that an initial award has a value of £500,000 additional uplifts could be applied which are smaller than £500,000.

10. The grant recipient shall:

- a. pay no more than a market rate for any goods, works or services acquired using the grant;
- b. not use the grant to reduce the costs of parts supplied to automotive manufacturers below market rates.

11. Grant shall only be provided under the scheme towards the costs of capital expenditure where this forms part of the project set out in the application and supports the development, transformation or industrialisation of EV manufacturing and supply chains. Costs, such as marketing, speculative land acquisition and general operating expenses are out of scope.

12. Eligible capital expenditure may include, but is not limited to:

- Construction or expansion and kit-out of EV-specific manufacturing facilities;
- Construction or expansion and kit-out of prototyping and / or test facilities;
- Purchase and installation of machinery, tooling, or equipment;
- Investment in digital infrastructure or automation systems;
- Fit-out of commercial or industrial spaces (e.g. Cat B/C);
- Site development for supplier co-location or consolidation;
- Shared infrastructure to support supply chain resilience and economies of scale; and
- Capitalisation or co-investment of skills infrastructure

13. All costs funded under the Scheme must be defrayed by the grant recipient (or a partner identified in the application by name and permitted to claim defrayed costs) in the delivery of the project, as set out in the application, during the Term. The Scheme does not provide cover for costs which have been incurred¹⁵ by the grant recipient prior to the legally binding commitment of the grant by the funder.

¹⁵ Including where the grant recipient (or partner identified within the application) has entered into a legally binding commitment to purchase goods, works or services prior to the date the grant has been awarded or the activity has already been undertaken

14. The grant funded project must:

- be completed no later than 12 months after the end of the Term;
- be carried out in the recipient area for at least five years (or at least three years in the case of awards of subsidy below £1.5m) from the date on which the subsidy has been awarded

and failure to satisfy these conditions can be treated as a misuse of subsidy under Section 77 of the Act.

15. Where an award has been made under the Scheme, the funder¹⁶ may:

- a. complete the transparency obligations at Section 33 of the Act in respect of the award;
- b. assess the compliance of the award and the grant recipient shall take all reasonable steps to assist with this process; and
- c. where necessary recover the award in line with the Act (including Section 77 which covers situations where there has been a misuse of subsidy).

16. Nothing in this Scheme prevents the funder from applying additional contractual obligations upon the recipient of a grant.

¹⁶ NECA or the WMCA