



EUROPEAN COMMISSION

Brussels, 30.XI.2006
C(2006)5941

**Subject: State aid No. N 293/2006 – United Kingdom
Partnership Support for Regeneration – Extension of N 239/2002**

Madam,

1. PROCEDURE

By letter of 24 May 2002 the Commission approved an aid scheme “Partnership Support for Regeneration” under the State aid number N 239/2002¹.

By electronic notification dated 10 May 2006, registered at the Commission on the same day, the United Kingdom authorities (“UK”) notified under the simplified notification procedure, pursuant to Article 88(3) of the EC Treaty, an extension of the above-mentioned scheme.

By letter dated 29 May 2006 (D/54493), the Commission asked the UK authorities to submit, *inter alia*, annual reports on the implementation of the scheme. The UK authorities submitted the information requested by letter dated 23 June 2006, registered at the Commission on the same day (A/34963).

By letter dated 13 July 2006 (D/55867), the Commission asked the UK authorities to provide additional information. The UK authorities requested the Commission to extend the deadline for providing this information, and by letter dated 11 September 2006 (D/57758) the Commission agreed to extend this deadline until 13 October 2006.

The UK authorities submitted the information requested by letter dated 13 October 2006, registered at the Commission on 17 October 2006 (A/38190).

¹ Commission letter of 24.5.2002, C(2002) 1641.

The Right Hon Margaret Beckett
Secretary of State for Foreign and Commonwealth Affairs
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2. DESCRIPTION OF THE SCHEME APPROVED UNDER N 239/2002

On 24 May 2002 the Commission approved the aid scheme N 239/2002 – “Partnership Support for Regeneration” on the basis of Article 87(3)(c) of the EC Treaty. The full description of the scheme N 239/2002 is set out in the Commission decision of 24 May 2002². In summary, the scheme could be described as follows.

The scheme, which is limited until 31 December 2006, aims at increasing the stock of housing available for owner-occupation in areas where this is useful from a social and regeneration perspective. Under this scheme the projects supported will widen the choice of housing available to those who wish to become owner-occupiers, either in areas dominated by public sector housing or in areas where individuals on low incomes are excluded from owner occupation.

The scheme is currently administered by English Partnerships, Communities Scotland and the Housing Corporation nationally, by Regional Development Agencies regionally and by Urban Development Corporations and English and Scottish Local Authorities locally.

The aid takes form of a grant that in each case bridges the gap, wholly or in part, between the cost of a development project and the sales value of the houses upon completion. The regeneration bodies, which are currently approved as aid administrators under the scheme, will ensure that the awards will be the minimum necessary to allow a project to proceed. In any case the awards will not be greater than the gap between the eligible costs and the sales value of the houses on completion, as determined by an independent Chartered Surveyor. The scheme is based on competitive tendering whenever practicable as well as verifications by Chartered Surveyors and furthermore contains a claw-back mechanism. Cumulation of aid with any other form of public support towards the same eligible costs is ruled out under the scheme.

No defined budget is fixed for the scheme in isolation. Expenditure on the scheme will be determined each year by the regeneration bodies. The regeneration bodies receive £ 1.4 billion per year for the whole range of their allocation activities, including economic development and housing. The maximum amount of grant will not exceed 60% of project costs.

In its decision of 24 May 2002 the Commission found that State aid in the meaning of Article 87(1) of the EC Treaty is involved in so far the public support is granted to private housing suppliers carrying out the development projects. However, as far as this support granted will be the minimum incentive necessary for housing suppliers to realise the housing in question, at their own risk, it will not adversely affect the trading conditions to an extent contrary to the common interest in the meaning of Article 87(3)(c) of the EC Treaty.

3. INSTRUMENT SUBJECT TO NOTIFICATION

With the present notification the UK authorities ask the Commission to approve the extension of this scheme until 31 December 2013. The UK authorities believe that the

² The Commission decision on N 239/2002 is available at:
http://ec.europa.eu/community_law/eulaw/index_en.htm#aides

extension is necessary to continue achieving the scheme's objective: i.e. to increase the stock of housing available for owner occupation in areas where this is useful from a social and regeneration perspective.

According to the annual reports submitted by the UK authorities, in 2005 only two projects benefited from the scheme in question ("Tabard Square" and "Former Derby Baseball Grand"³) and in 2005 the total spend under the scheme was £ 7.7 million (ca. EUR 11.5 million)⁴. The UK authorities explain that the number of projects under the scheme is small because of the time needed for complex regeneration project's development and appraisal. The UK authorities also estimate that the use of the scheme, if extended, will increase significantly, because most projects need significant lead time before committed funds are spent, so it is vital for the UK authorities that this scheme is re-notified.

No defined budget is fixed for the scheme in isolation. Expenditure on the scheme will be determined each year by the regeneration bodies. The National Regeneration Agency, English Partnerships, has estimated a likely spend of £ 20 million using this scheme in the next calendar year. The UK authorities undertake to provide regular, detailed reports on this spend to the Commission.

Apart from the prolongation of the existing authorised aid scheme until 31 December 2013, no other modifications have been proposed. All the conditions and terms of the previously authorised State aid scheme remain intact and unchanged. The UK authorities confirm that they will maintain the commitments entered into upon notification of the existing approved scheme.

4. ASSESSMENT OF THE MEASURE

The UK authorities have complied with the procedural requirements of Article 88(3) of the EC Treaty by notifying the above-mentioned extension before putting it into effect.

The prolongation of the scheme from 1 January 2007 till 31 December 2013 is the only notified amendment to the aid scheme and all the conditions of the previously authorised N 239/2002 aid scheme remain intact and unchanged.

Thus the aid measure, in so far as it constitutes State aid in the meaning of Article 87(1) of the EC Treaty, continues to be compatible with the common market pursuant to Article 87(3)(c) of the EC Treaty. The prolongation of the existing authorised aid scheme until 31 December 2013 does not change the positive opinion that the Commission has expressed in the previous authorisation letter⁵ on the aid scheme.

5. DECISION

The Commission has accordingly decided not to raise any objections to the notified prolongation of the aid scheme N 239/2002 "Partnership Support for Regeneration-

³ The UK authorities confirm that in both 2005 projects, which were supported by the scheme, the incentive to suppliers of housing was the minimum necessary for these projects to proceed.

⁴ No expenditure under the scheme has been reported in 2003 and 2004, because projects, which might have been covered by the scheme, were at a relatively early stage of development.

⁵ Commission's letter of 24.5.2002, C(2002) 1641.

Housing Gap Fund” until 31 December 2013, as it is compatible with the common market pursuant to Article 87(3)(c) of the EC Treaty.

The Commission reminds the United Kingdom authorities of the reporting obligations on the implementation of the scheme under the Commission Regulation (EC) 794/2004 of 21 April 2004⁶. The report should allow the Commission to verify that for each project the incentive to suppliers of housing was the minimum necessary for the project to proceed.

Additionally, the Commission reminds the United Kingdom authorities that all plans to alter or modify this aid scheme have to be notified to the Commission.

If this letter contains confidential information, which should not be disclosed to third parties, please inform the Commission within fifteen working days of the date of receipt. If the Commission does not receive a reasoned request by that deadline, you will be deemed to agree to the disclosure to third parties and to the publication of the full text of the letter in the authentic language on the Internet site: http://ec.europa.eu/community_law/eulaw/index_en.htm#aides

Your request should be sent by registered letter or fax to:

European Commission
Directorate-General for Competition
Directorate for State Aid
State Aid Greffe
B – 1049 Brussels
Fax No.: +32 2 296 12 42

Yours faithfully,
For the Commission

Neelie KROES
Member of the Commission

⁶ OJ L 140, 30.4.2004, p. 1.