

Title:	Assisted Area Review
On:	Executive – 11th September 2006
By:	Director of Development and Asset Management
Portfolio:	Economy
Status:	Report

STRATEGIC FACTOR CHECKLIST

The Council's Corporate Management Team has confirmed that the Strategic Factor Checklist has been applied to the development of this report, and there are no key issues, over and above those set out in the body of the report, that need to be brought to Members' attention.

1.0 PURPOSE

1.1 The purpose of this report is to provide an update on the ongoing review of Assisted Areas in the UK. The existence of Assisted Areas forms part of the Governments policy to improve economic performance of the regions. The report highlights the implications for Derwentside of the review and what response has been made to the Government on behalf of the Council.

2.0 BACKGROUND

2.1 The Government published a draft Assisted Areas map for the United Kingdom on 10th July 2006 and invited comments to be submitted to Margaret Hodge, Minister of State for Industry and the Regions, by 7th August 2006. This formed the second stage of a consultation process to review UK Assisted Areas. The main purpose of the first stage of the consultation process was to agree the indicators that would be used to define the Assisted Areas map.

2.2 The Assisted Areas map defines the areas in the UK where businesses are able to receive financial assistance for investment projects that create or sustain employment opportunities. The main form of financial assistance available to companies located in the UK Assisted Areas is called Selective Financial Assistance – 14 companies in Derwentside have benefited from approximately £2.9m of this type of support since 2001 which has helped create approximately 415 new jobs and safeguard 410 existing jobs. The Governments ability to support SME's employing up to 250 people with other forms of regional aid such as support for Research and Development, training, venture capital, employment subsidies and investment support is not affected by the Assisted Areas map.

- 2.3 The UK Assisted Areas map has to be compatible with new European Union (EU) State Aid rules that come into force at the start of January 2007. The EU requires the UK to reduce the existing Assisted Areas map from a population coverage of 30.9% to 23.9%.
- 2.4 Under EU regulations some areas of the UK, including Cornwall and West Wales, automatically qualify for Assisted Area status. The Government has already announced that Northern Ireland will also qualify for Assisted Area Status. This leaves a population coverage of 9.5 million across the rest of the UK to be allocated on a discretionary basis. The proposed Assisted Areas map suggests how this coverage should be allocated with a requirement that each Assisted Area must have a minimum population of 100,000.
- 2.5 The Government has used employment rate, adult skills, Incapacity Benefit claimants and manufacturing jobs, as indicators to prioritise areas. The Government has chosen not to use the flexibility of EU rules to include the entirety of Merseyside and South Yorkshire in the Assisted Areas map.
- 2.6 The proposed Assisted Areas map for the UK lists 263 North East wards compared to the current map of 347. In population terms, the new map for the North East covers 19% less than the current map. The North East fares better in comparison to the North West which has lost 32% in terms of population coverage.
- 2.7 In Derwentside, the proposed map covers 15 wards, as set out in Appendix 1 and includes most of the key industrial areas in the District. Areas excluded are Castleside Industrial Estate, Esh Winning Industrial Estate and Langley Park North Industrial Estate.

3.0 RELEVANT MATERIAL CONSIDERATIONS AND OPTIONS

- 3.1 The indicators used by the Government have benefited the North East compared to some other parts of the UK. Assessment by Council Officers and the County Durham Economic Partnership indicates that the proposed Assisted Areas map for Derwentside and County Durham would be a relatively good outcome, especially given the level of reductions being proposed elsewhere in the country. Indications at a national level are that the proposed Assisted Areas map could be opposed, particularly from organisations representing deprived areas of London.
- 3.2 Nevertheless, strong representation has been made by the District and the County Durham Economic Partnership to object to the reduction in Assisted Areas in Derwentside. In particular, the Government has been asked to re-consider the proposed map for Derwentside and to include areas such as Castleside, Esh Winning and Langley Park North Industrial Estates, on the basis that the criteria set by the Government has not been applied correctly.

3.3 In consideration of the above, there are two principal options available to the Council:

Option 1- Accept the proposed map and agree to the actions undertaken to request an amendment to the proposed Assisted Areas map.

Advantages	Disadvantages
Proposed map includes key industrial areas within Derwentside.	Proposed map excludes some industrial areas in Derwentside.
Provides flexibility to extend rather than reject the proposed map in total.	Could jeopardise proposed level of coverage for Derwentside.

Option 2 – Reject the proposed Assisted Areas map for Derwentside.

Advantages	Disadvantages
Provides an opportunity to extend the proposed map for Derwentside.	Could result in reduced coverage for Derwentside.
Provides an opportunity to provide more evidence to justify a revised map for Derwentside.	Indicators used may not be as advantageous to Derwentside and could result in less coverage.

4.0 CONCLUSIONS

4.1 Assisted Area status is essential for Derwentside to remain a competitive location for business investment. In particular, Assisted Area status is required for larger companies in Derwentside to benefit from UK State Aid such as Selective Finance for Investment (SFI). Assisted Area Status is not required for Derwentside companies employing less than 250 people to benefit from local authority and other government funded financial support programmes.

4.2 The proposed Assisted Areas map for Derwentside should be broadly welcomed given the restrictions imposed on the UK Government by EU reductions in State Aid. At the same time, a slight amendment to the proposed map would provide full coverage of all industrial areas in Derwentside.

4.3 A further report will be presented when the final Assisted Areas map for Derwentside is published.

5.0 RECOMMENDATIONS AND REASONS

5.1 It is recommended that Option 1 is agreed.

5.2 This recommendation is made on the basis that:

- The proposed Assisted Areas map represents a good outcome for the District compared to some other parts of the UK;
- The proposed Assisted Areas map will ensure the District retains access to a level of regional aid that is needed for Derwentside to remain a competitive location for business; and
- Rejection of the proposed Assisted Areas map for Derwentside could jeopardise the ability of the District to remain a competitive location for business.

For Further Information Contact:

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Appendix 1

1. Proposed Assisted Areas Coverage in Derwentside by Ward

All the wards below are included in both the current and proposed Assisted Areas Map for Derwentside:

Annfield Plain
Blackhill
Burnopfield
Catchgate
Consett East
Consett North
Consett South
Craghead and South Stanley
Delves Lane
Dipton
Havannah
Leadgate
South Moor
Stanley hall
Tanfield

2. Wards Excluded from the Proposed Assisted Areas Map

The following wards are in the current Assisted Areas map but excluded from the proposed map.

Ebchester and Medomsley *
Castleside

* It should be noted that a Ward boundary change in 2003 resulted in the key industrial area of Consett Number One Industrial Estate being included in Consett North ward which is included as part of the proposed Assisted Areas map for Derwentside.