

EAST AYRSHIRE COUNCIL

DEVELOPMENT SERVICES COMMITTEE : 1 AUGUST 2000

EUROPEAN COMMISSION DECISION ON UK ASSISTED AREAS MAP

Report by Director of Development Services

1 PURPOSE OF REPORT

- 1.1** To inform Members of the recent announcement by the European Commission on the future Assisted Areas Map for the UK and to seek approval for further representations to the Government.

2 BACKGROUND

- 2.1** The designation of Assisted Areas determines the area in which certain Government aid schemes for industrial investment operate and the maximum level of assistance to business investment permissible under European Competition Rules.
- 2.2** For many years the whole of East Ayrshire has been designated as a full Assisted Area in which businesses can receive the maximum permissible support under the relevant schemes. In July 1999 the Government published a revised map. This was required because under European Policy the total coverage of Assisted Areas in the UK was required to be reduced substantially. This is because unemployment levels in the UK are now less relative to other parts of Europe than they have been over the past decade. Almost all of East Ayrshire was included in this "July" map. The only exception was Patna and Dalrymple. Representations were made to the Government last year seeking the inclusion of this area.
- 2.3** In April this year a further proposed map was published taking into account consultations between the UK Government and the European Commission who had objected to the "July" map. This new map excluded a number of other parts of East Ayrshire: Catrine/Sorn, Muirkirk/Logan, East Cumnock, New Cumnock, and Dalmellington as well as Patna and Dalrymple.
- 2.4** In re-drawing the map the Government had been required to base it around population units of at least 100,000. The Commission were not prepared to accept the inclusion as Assisted Areas of small pockets within a zone of Non-Assisted Areas and similarly they were not prepared to accept the exclusion of localised more prosperous areas surrounded by proposed Assisted Areas. It appears that the areas of East Ayrshire were excluded as Assisted Areas in

order to add to the population unit based on Ayr to make it up to 100,000. The only alternatives were to delete from the Assisted Areas Proposals either Girvan or the area centres on Prestwick Airport. Girvan has an even higher unemployment than most parts of East Ayrshire. The advantage of including Prestwick Airport is that this is a major focus for business investment to the benefit of the whole of Ayrshire. It is in East Ayrshire's interest for maximum levels of business assistance to be available in this area.

2.5 Following the publication of the April Map a delegation from the Council met the Secretary of State, John Reid, (the Assisted Areas Map is a Reserved Matter). At this meeting it was agreed to pursue two issues:

- The possibility of some flexibility in the interpretation of the European Commission's Guidelines on the size of population units required to make up areas excluded from the Assisted Areas Map
- An alternative package of appropriate economic development support measures for areas to be excluded.

3 PROPOSED REPRESENTATIONS

3.1 Given that the European Commission has now approved the Map there appears to be no scope for further debate on the designation of Assisted Areas or the Commission's Guidelines.

3.2 Following the meeting with the Secretary of State, the Department of Employment has launched a pilot initiative to assist unemployed people in a number of areas of East Ayrshire to access jobs within their areas or adjacent areas. This pilot initiative includes Muirkirk, one of the areas excluded from the Assisted Areas.

3.3 The Scottish Office has also indicated that very small businesses would continue to be eligible for business investment support up to a level of 15% of total investment. Slightly larger businesses (employing between 50 and 250) would be eligible for support up to 7.5%.

3.4 The Scottish Office also pointed out that these areas might be eligible to attract support for transport investment through the European Regional Development Fund as "Objective 2" areas.

3.5 While these sources of assistance may be welcomed they do not constitute an adequate alternative to the loss of Assisted Area Status. The Department of Employment initiative currently only applies one of the excluded areas. The small business support available will only be attractive to a business which has a very close association with one of the communities in the excluded areas – most business investors will seek the higher levels of support available in adjacent

areas. The Scottish Office's suggestion that grants for transport may be available through the Objective 2 Programme is not consistent with the European Commission's current priorities for the use of Structural Funds.

3.6 It is proposed that the Council should seek further discussions with the Scottish Executive on a fuller appropriate assistance package for the excluded areas. This might include:

- Support for tourist-based developments
- Support for local service sector employers (in which the rules limiting investment assistance have less significance)
- Infrastructure investment in road and rail transport
- Extension of the Department of Employment's measures to assist unemployed people to access jobs elsewhere

4 FINANCIAL AND LEGAL IMPLICATIONS

4.1 There are no immediate financial or legal implications arising from the recommendations of this report.

5 RECOMMENDATION

5.1 It is recommended that the Committee agree to further representations being made to Henry McLeish, Minister for Enterprise and Lifelong Learning in the Scottish Executive, seeking support for a programme of economic development support measures for the areas of East Ayrshire which will no longer benefit from Assisted Area Status.

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Director of Development Services

28 July 2000

SC/JR

BACKGROUND PAPERS

Nil

AGENDA

For further information on the contents of this report contact Stephen Chorley, Director of Development Services, on 01563 576011