

EAST AYRSHIRE COUNCIL

POLICY AND RESOURCES COMMITTEE – 4 MAY 2000

PROPOSALS FOR DESIGNATION OF ASSISTED AREAS

Report by Director of Development Services

1 PURPOSE OF REPORT

- 1.1** To update the Committee on revisions to the proposals by the UK government for areas to be designated as Assisted Areas, and to seek approval for representations on the proposals.

2 BACKGROUND

- 2.1** Assisted Areas define the areas within which business investment can be assisted through UK government regional aid schemes. While the areas are designated by the national government they require to comply with rules set out under European Competition policy. These rules are designed to ensure that national aid schemes operate on a comparable basis in each member state. The Commission sets ceilings on the population which can be included within Assisted Areas and guidelines to be applied in defining the areas.
- 2.2** The availability of investment grants through government regional aid schemes can be critical to determining the location and scale of business investment. All the companies which have invested for the first time within East Ayrshire, and many of the businesses which have re-invested in their existing locations have benefited from such assistance. The rules applied mean that in all cases the investment would not have proceeded without the benefit of this assistance.
- 2.3** Assisted Areas are not the same as “Objective 2” areas. The latter areas are European Union designations defining areas eligible for support from the European Structural Funds programmes targeted at supporting regional development. The Commission guidelines require a degree of consistency between the nationally-defined Assisted Areas and the Objective 2 areas designated by the European Union. The relevant Regulations, however, permit some divergence (a population limit is set on the areas to which only one of the designations is attached). The whole of East Ayrshire has recently been designated as an Objective 2 area – this cannot now be changed as a result of the designation of Assisted Areas by the UK Government.

3 ASSISTED AREAS – REVISED PROPOSALS

- 3.1** The government was required to introduce new Assisted Areas from the beginning of the current year. It put forward proposals last July, which included the whole of East Ayrshire, with the exception of Patna and

Dalrymple. At that time the Council made representations in support of the inclusion of Patna and Dalrymple.

3.2 In December the European Commission rejected the UK government's proposals. It has recently published revised proposals. These include substantial revisions designed to meet two principal requirements:

- The Commission has reduced the total population which may be included in the Assisted Areas by 339,000 over the whole of the UK
- The Commission has required all Assisted Areas to be built up from integral 'zones' with a population of at least 100,000 forming 'compact' areas

The proposals put forward by the UK government last July did not conform adequately to the second of these principles.

3.3 As a result the government is now proposing to delete a number of the coalfield communities within the southern part of East Ayrshire. The wards (as they were defined in 1991) to be excluded are: Patna and Dalrymple (as originally proposed), Dalmellington, New Cumnock, Cumnock East, Muirkirk, Logan and Lugar, and Catrine and Sorn.

3.4 A number of other areas are now proposed to be excluded elsewhere in Scotland, principally in the Highlands. In contrast a number of other areas are to be added, including a number of wards within Dundee, areas of the Borders, and residential suburb areas such as Eaglesham.

3.5 The government has invited representations to be submitted on the revised proposals within a very short timescale with a deadline of 2 May 2000.

4 REPRESENTATIONS ON THE PROPOSALS

4.1 The areas within East Ayrshire which it is proposed to exclude include some of the most depressed communities in the whole of the UK. Exclusion from the proposed Assisted Areas will make economic regeneration of these areas significantly more difficult to achieve.

4.2 In view of this the Chair of the Development Services Committee has written to both the Secretary of State for Scotland, John Reid, and the Minister for Enterprise and Lifelong Learning within the Scottish Executive, Henry McLeish, expressing extreme concern about the proposals. Contact has also been made with Bill Miller, MEP, George Foulkes, MP, and Cathy Jamieson, MSP, all of whom support the case for the retention of the whole of East Ayrshire as an Assisted Area.

4.3 A formal submission containing arguments for the retention of Assisted Area Status for all the communities which it is now proposed to exclude (including Patna and Dalrymple) has been submitted by the Director of Development Services to meet the tight deadline. These representations are attached. If

the Committee is so minded it will be possible to submit amendments or additions.

5 FINANCIAL AND LEGAL IMPLICATIONS

5.1 There are no immediate financial or legal implications.

6 RECOMMENDATIONS

6.1 It is recommended that the Committee approve the representations on the UK government's proposals for the designation of Assisted Areas as attached to this report.

Stephen Chorley
Director of Development Services

28 April 2000

SC/JR

BACKGROUND PAPERS

- 1 Proposals for designation of Assisted Areas (government consultation document)
- 2 Letter from Chair of Development Services to John Reid, MP
- 3 Letter from Chair of Development Services to Henry McLeish, MP

For further information on the contents of this report contact Stephen Chorley, Director of Development Services, on 10563 576011.

CONSULTATION ON THE DESIGNATION OF ASSISTED AREAS REPRESENTATION ON BEHALF OF EAST AYRSHIRE COUNCIL

East Ayrshire Council objects to the proposed exclusion of many of the coalfield communities within the southern part of its area. Three arguments are put forward to justify reconsideration of the proposed exclusion of these areas: need, opportunities and fairness in application of European Commission Guidelines.

NEED

The communities of Patna, Dalmellington, New Cumnock, Logan, Lugar, Cumnock East, Catrine and Muirkirk are amongst the most depressed in the UK. They are all struggling to secure investment to provide jobs to replace the deep coal mining industry. Unemployment rates are twice the Scottish level or higher.

The area is sparsely populated. The remoteness of several of the communities adds a double disadvantage:

- It is difficult and costly to reach jobs in more buoyant centres including centres of employment centres which it is proposed to keep within the Assisted Areas
- Attracting investment to create jobs within the communities requires more intensive level of public support.

East/North Ayrshire is one of only two NUTS 3 areas in Scotland which meet the core criteria set by the EU for Objective 2 designation under the industrial strand (the other area is North Lanarkshire). East Ayrshire would also meet the EU's criteria for designation of priority area within the rural strand of Objective 2. East/North Ayrshire would qualify for Objective 1 status if this was determined at NUTS 3 level.

OPPORTUNITY

Large scale investment in industries eligible for UK Government regional aid schemes would not be appropriate. But the communities have demonstrated a capacity to attract small scale investment, with appropriate financial support.

Businesses which have been established in the area, or have been maintained with public support within the last 3 years include Afton Dyers (wool dyeing), Di-Cole Clothing and Pollock Farm Equipment. These businesses currently employ around 100.

Modern sites and premises are available for new businesses in Dalmellington, New Cumnock, Lugar and Muirkirk. A major strategic development site is identified in the Ayrshire Structure Plan, recently approved by the Scottish Executive, at North Auchinleck.

Further developments of a similar form to those outlined above would make a significant contribution to the regeneration of these communities. Exclusion from the

Assisted Areas will make this objective impossible to achieve, and will threaten the continued existence of the businesses currently located in the area.

APPLICATION OF EUROPEAN COMMISSION GUIDELINES

It was originally proposed to include all these communities except Patna within the Assisted Areas (representations were made on the exclusion of Patna). It is understood that the reason for the proposed exclusion is not based on a re-assessment of the needs or opportunities presented by the areas themselves, but hinges on a requirement to extend the adjacent excluded area around Ayr to form a population 'zone' in excess of 100,000, to meet European Commission guidelines for the designation of Assisted Areas. This has been achieved by forming a chain of communities extending through the coalfield communities of East Ayrshire and South Lanarkshire to link Ayr to East Central Scotland. This approach is considered to be unreasonable on the following grounds:

- The coalfield communities of East Ayrshire are to be penalised to make the exclusion of an adjacent, Ayr, conform to the guidelines
- The resultant 'zone' is artificial: although Patna and Dalmellington are linked to Ayr, Ayr is not readily accessible from the other communities. Muirkirk and New Cumnock are over 20 miles from Ayr.
- The principal employment centre for all communities (except Dalmellington and Patna) is Cumnock which it is proposed to retain within the Assisted Areas (except Cumnock East)
- While the Commission's requirement that Assisted Areas should all consist of integral zones with populations of at least 100,000 is clear, it is less clear that the 100,000 population should be rigidly applied to excluded areas: very limited flexibility would be required in the application of this rule to exclude Ayr while retaining the coalfield communities of East Ayrshire within the Assisted Areas.

It is noted that while it is proposed to exclude the coalfield communities of East Ayrshire, a number of areas elsewhere in Scotland are to be added to the Assisted Areas in which unemployment rates are substantially lower, opportunities for investment are less and which could be excluded consistently with the application of the Commission's guidelines. There appears to be an inconsistent application of the methodology used.

This has produced proposals incompatible with the Commission's policy priorities and must be reconsidered.

28 April 2000

ANNEX

INVESTMENT OPPORTUNITIES IN AREAS TO BE EXCLUDED

HISTORICAL RSA INVESTMENT

In the last 5 years, companies situated within the areas to be deleted from the list of Assisted Areas attracted £224,000 of RSA.

These include:

- Afton Valley Dyers (wool dyers)
- Di-Cole Clothing (sub-contract clothing manufacturers)
- Pollock Farm Equipment (farm equipment manufacturers)

INWARD INVESTMENT AND EXPANSION OF CURRENT BUSINESS OPPORTUNITIES

Patna (this was omitted from the map last year)

- Vacant premises owned by Fielding Manufacturing. Plant/buildings available for purchase for potential new venture.
Jobs previously at site: 130

New Cumnock

- Afton Valley Dyers Limited. One of the last remaining dyers in the UK. Are considering further capital expenditure.
Current jobs: 84
- Di-Cole Clothing Limited. Situated within small industrial complex.
Current jobs: 15

Lugar

- IMEX (formerly British Coal Properties) : refurbished units on semi-derelict site. RSA essential to attract new projects.
- Pollock Farm Equipment Limited. Potential exists for expansion.
Current jobs: 20
- Cumnock Footwear Limited. Transferred to lugar with help from RSA. Potential exists for expansion.
Current jobs: 120.
- Other projects in the pipeline: could support up to 100 jobs.

Catrine

- Glen Catrine Bonded Warehouse

Cumnock East

- Large industrial units, now vacant. A former engineering facility. Could support 30/40 jobs.

North Auchinleck

- Strategic industrial site located directly on principal trunk road – designated in the recently approved Ayrshire Structure Plan as major opportunity area for future business expansion in Cumnock area

Dalmellington

- Telecottage units under construction – aimed at e-commerce start-up businesses

Muirkirk

- Industrial sites and units available

AGENDA