

THE EAST KENT ASSISTED AREA:

Business case for retaining Assisted Area designation

September 2013



EXECUTIVE SUMMARY

Thanet and the northern part of Dover are currently designated as the **East Kent Assisted Area**. This means that higher levels of public support can be made available to back business growth – attracting investment and creating jobs in an area that has experienced major economic challenges.

The added flexibility of Assisted Area designation is helping business to make the most of new opportunities. Government investment through the Regional Growth Fund is helping businesses unlock private investment and create new jobs. One of the country's most successful Enterprise Zones at Discovery Park is growing as a centre for scientific research and development. New investment in road and rail infrastructure has made East Kent much more accessible and opened up our business growth locations. With a strong local focus on growth, the outlook for the future is increasingly positive.

However, long term structural economic change continues to present major challenges for the East Kent Assisted Area. These have been compounded in recent years with major private sector job losses, notably following Pfizer's partial exit from Sandwich. Looking to the next few years, we must maintain a concerted effort to attract investment, grow businesses and create jobs.

In 2014, the Assisted Areas map will change and Government consultation has begun on the design of on a new map, which will be fixed to 2020.

Retaining Assisted Area designation is a vital part of our strategy for securing business growth, job creation and further private investment. This paper sets out our business case.

With the support of the Expansion East Kent loan scheme, backed by Government, we are supporting businesses with the appetite for growth and expansion. Making the most of targeted, repayable investment aid, we will focus on:

- **Securing the success of Discovery Park Enterprise Zone**, maximising the incentives associated with Enterprise Zone status, supporting the reconfiguration of the Zone to accommodate new business uses and backing the growth of new businesses in life science and related sectors.
- **Investing in business growth** across the Assisted Area, supporting East Kent's SME base and ensuring that public sector support maximises private sector investment.
- **Making Assisted Area designation an integral part of a supportive local climate for growth** – linking financial assistance with a positive approach to planning, co-ordinated business support and effective marketing of investment opportunities.

In East Kent, we have the capacity and the appetite for growth, the infrastructure to deliver, a strong track record and a strong partnership between business and government. Across East Kent, business and local government are committed to retaining the flexibilities that Assisted Area designation brings to unlock our growth potential.

1. ASSISTED AREAS AND THE REVIEW PROCESS

What does Assisted Area designation mean?

- 1.1. To prevent distortion of competition, there are strict European rules limiting the amount of public funding (or 'state aid') that can be provided to businesses in grant or soft loan support. However, some locations that experience particular economic challenges are designated as 'Assisted Areas'. This designation means that higher levels of grant support can be made available to private businesses than would apply elsewhere – offering an increased incentive to businesses seeking to grow and create employment.
- 1.2. The European Commission has recently reviewed the permitted limits on state aid to industry¹. For 2014-20, Assisted Area designation will mean the ability to make available additional investment aid to industry as follows:

Type of firm	Maximum project intervention rate	
	Within Assisted Areas ²	Outside Assisted Areas ³
Small businesses (49 employees or fewer)	30%	20%
Medium businesses (50-249 employees)	20%	10%
Large businesses (over 250 employees)	10%	Not permitted

- 1.3. If public funding is available, small and medium enterprises in Assisted Areas can benefit from higher levels of investment than they can elsewhere. Larger businesses (potentially including significant inward investors) can only benefit from investment aid if it relates to an investment in an Assisted Area.

Reviewing the Assisted Area map

- 1.4. Assisted Areas are formally designated and published as a map. The map is reviewed every seven years, and the review process is currently underway. This will result in the publication of a new Assisted Areas map, which will be in force from 2014 to 2020.
- 1.5. The UK Government has launched its consultation on the shape of the new map. Nationally, just over 27% of the UK population will be covered by Assisted Area designation: while some particularly disadvantaged areas (such as Cornwall) are already defined, most areas are still to be designated.
- 1.6. To be designated as an Assisted Area, a location must have a **minimum population** of at least 100,000, and must be located in a county-region with a **GDP per head** below the EU average. The existing East Kent Assisted Area meets both criteria. The current map is a material consideration in the preparation of the new one, and East Kent has a strong case.

¹ European Commission (2013), Guidelines on Regional State Aid for 2014-20

² Maximum permitted aid intensities for Regional Investment Aid within non-predefined Art. 107(3)(c) areas. See Commission Guidelines, p.28

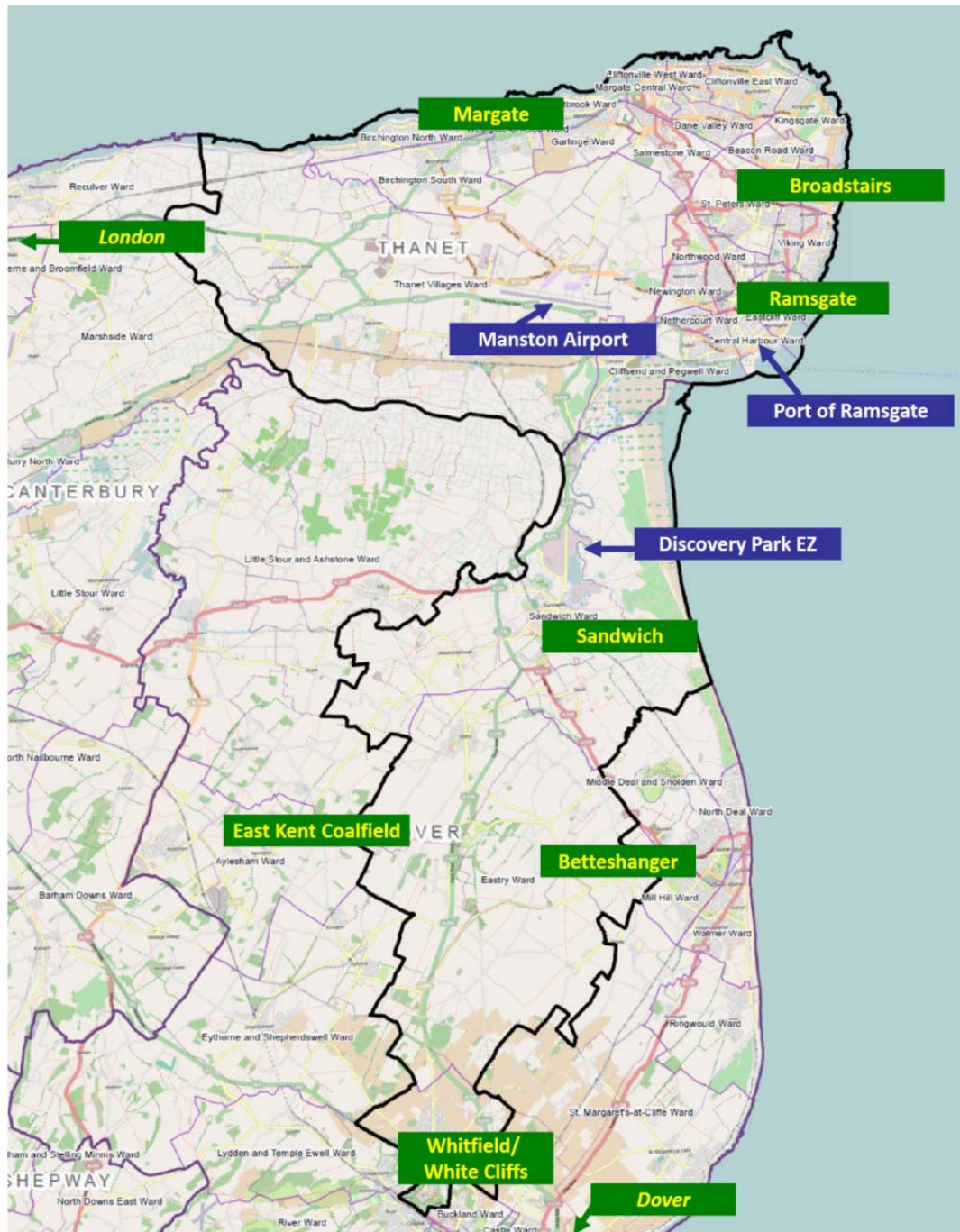
³ Maximum permitted SME Investment and Employment Aid (within current guidelines). Note that a number of other forms of assistance are also available for specific sectors and activities. See BIS (2011), The State Aid Guide: Guidance for state aid practitioners

2. CHALLENGES AND OPPORTUNITIES

The East Kent Assisted Area

- 2.1. The East Kent Assisted Area covers the whole of the District of Thanet and the wards of Sandwich, Eastry and Whitfield in the District of Dover. The area has a population of 151,700, and a business base of around 5,000 active enterprises, 85% of which employ fewer than ten people. The area incorporates both **need and opportunity** – both extensive areas of employment land with scope for development and a substantial labour market.

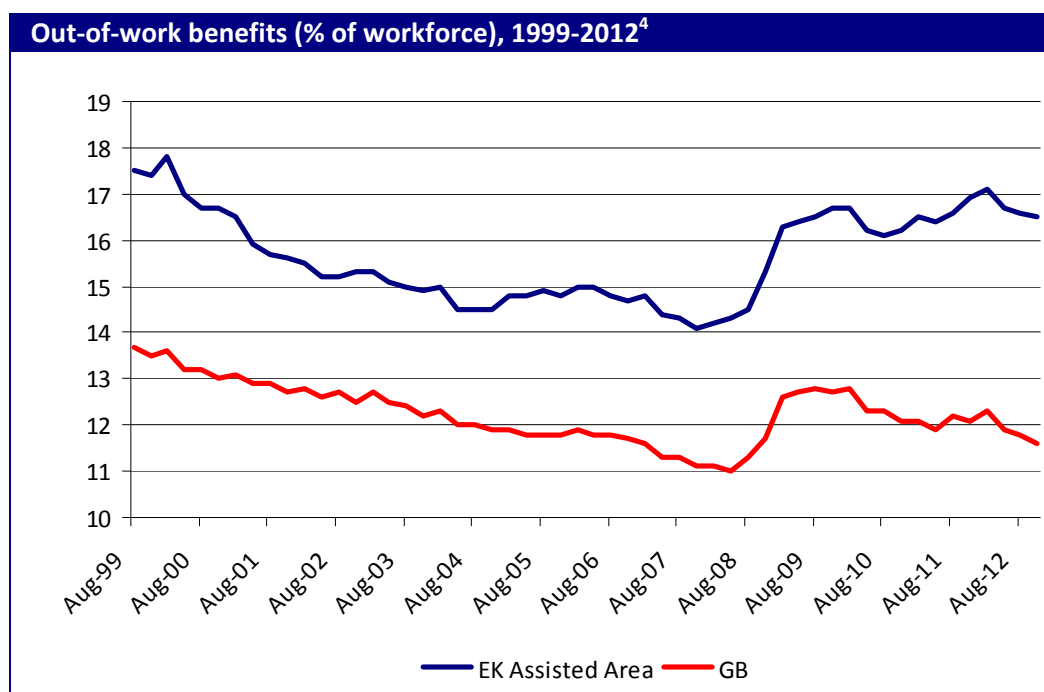
The East Kent Assisted area



- 2.2. For several years, East Kent had faced major economic challenges. However, despite the recent economic downturn and a persistent prosperity gap with the rest of the country, there are growing signs of structural improvement.

Challenges

- 2.3. In recent decades, the East Kent Assisted Area has seen significant **structural change**. In common with many coastal communities, the Thanet towns have faced long-term challenges associated with the decline of traditional seaside tourism and reflected in high levels of benefit dependency and intense localised deprivation. The Assisted Area includes most of the former East Kent Coalfield, in a process of transition since the 1980s, as former mining communities adapt to new opportunities in the wider economy, and outstanding work remains to be done to complete the Coalfields Programme at Betteshanger. Technological change and improved productivity have also led to long-term job losses in the area's important port-related industries.
- 2.4. These challenges impact on the prosperity of the Assisted Area, which remains **below the national and county averages** on most indicators. Almost 15,000 people currently claim some form of out-of-work benefit in the Assisted Area: 16.5% of the workforce, compared with 11.6% nationally, with a persistent long term gap. During recession, the gap has widened, reflecting the local economy's vulnerability to cyclical change.



- 2.5. Higher than average levels of worklessness are also reflected in sharp concentrations of **deprivation**, with the Assisted Area accounting for seven of the ten most deprived neighbourhoods in East Kent and a persistent **skills gap**⁵.
- 2.6. These long term challenges have been compounded by **recent economic shocks**. In particular, the decision by Pfizer to exit its research and development facility at Sandwich threatened the direct loss of 2,400 jobs at East Kent's largest private sector

⁴ ONS/NOMIS

⁵ East Kent Economic Review, p.31

employer, as well as the abandonment of a world-class scientific research facility. Elsewhere, the collapse of ferry operators SeaFrance and Transeuropa have led to further job losses on top of ongoing reductions in public sector employment.

- 2.7. Historic structural challenges and a perception of East Kent as a relatively peripheral location have led to a long term **investment shortfall**. Thanet has one of the lowest amounts of built-out employment floorspace in Kent, with a significant stock of poor quality property, presenting a challenge to the area in attracting new investment⁶.

Opportunities

- 2.8. Despite these challenges, the outlook for East Kent is positive. Businesses are reporting signs of recovery. New investment into Discovery Park is exceeding original expectations. Reinforcing the increasingly positive national outlook, East Kent's rising growth potential is driven by three key factors.
- 2.9. Firstly, there is **capacity for growth**. Around 195 ha of serviced employment land is currently available and ready for development, including land at Discovery Park, Sandwich, Eurokent and Manston Business Park, White Cliffs Business Park at Whitfield and Betteshanger. This offers considerable potential as investor perceptions start to change and as capacity in neighbouring districts is constrained⁷.
- 2.10. Secondly, **major infrastructure improvements** have sharply reduced East Kent's historic peripherality:
- **High Speed One** has cut rail journey times from Margate and Ramsgate to London from almost two hours to around 1h15. Although journey times remain longer than those to comparator locations (such as Folkestone), recently secured Government investment is set to lead to further reductions.
 - The recent completion of the **East Kent Access** road scheme now means direct dual carriageway connections between Sandwich, Ramsgate and the motorway network.
 - Proximity to major **ports** at Dover and Ramsgate provide the area with excellent connections to continental Europe, as well as significant opportunities. The **Port of Dover** (just outside the Assisted Area) is currently benefiting from a £75 million capital investment programme. The **Port of Ramsgate** is a major operations and maintenance centre for the offshore wind industry, with the potential for an enhanced role as new opportunities for offshore wind and marine energy develop.
 - **Manston Airport** at the centre of the Assisted Area and adjacent to a major business park offers the potential for substantial growth where road, rail and air connections meet.
 - More broadly, strategic plans for a **Lower Thames Crossing** and new expansion of the port at Calais offer wider opportunities on which East Kent can capitalise.

⁶ Thanet District Council/ Experian (2012), Thanet Economic and Employment Assessment, p.16

⁷ Thanet Economic and Employment Assessment, p.16; DTZ/ Kent County Council (2011), East Kent Property Market Analysis, p. 16

- 2.11. Thirdly, local and national government support is starting to unlock **new private investment**. Over 1,300 jobs have been created or safeguarded at **Discovery Park** since it was designated as an Enterprise Zone – making it one of the most successful EZs in the country. The successful **Expansion East Kent** programme is helping businesses access private finance alongside public support to expand. Together, local partners are joining up these initiatives with a coordinated and positive approach to planning and growth.
- 2.12. Fourthly, there are tentative signs that East Kent has improving prospects in **sectors with strong growth potential**. Despite starting from a relatively low base, the past decade has seen much faster growth in knowledge economy employment in the Assisted Area than in the national or Kent economies⁸, supported by a strengthened higher and further education sector. Growing strengths include:
- **Life sciences and pharmaceuticals:** East Kent has historically had a strong presence in the life sciences sector, linked with Pfizer’s major presence. Following Pfizer’s partial exit, the prospect of a skills outflow was (and remains) a real threat. However, with the establishment of some 10 spin-out companies and significant investor interest at Discovery Park Enterprise Zone, a cluster of life science businesses is starting to develop.
 - **Manufacturing:** International manufacturers in the Assisted Area include **Cummins Power Generation** at Manston, **Flambeau** plastic processing at Ramsgate and **Fujifilm Sericol** ink systems at Broadstairs. Cummins recently announced plans to expand their operations, backed by support from the Regional Growth Fund. However, most of the local manufacturing base is made up of small and medium enterprises.
 - **Low carbon and environmental goods and services:** The low carbon sector is expanding rapidly. Opportunities at **Port of Ramsgate** are of national significance, with the North Kent coast from Medway to Thanet designated by Government as a Centre for Offshore Renewable Engineering (CORE). Vattenfall and London Array have both developed operations and maintenance facilities at the Port, in addition to further facilities maintained by Vestas and Siemens⁹. The Assisted Area also includes the **Richborough** Corridor, with substantial potential as a centre for energy generation and transmission.
 - **Creative and cultural industries:** Building on recent investment in **cultural** infrastructure (such as Turner Contemporary at Margate), visitor numbers and ‘higher value’ tourism are growing rapidly – with over a million visitors to Turner since the centre opened in 2011.
- 2.13. There is much to be positive about in the East Kent Assisted Area, and it is clear that it has ‘turned the corner’ in its potential for economic growth. However, much of East Kent’s confidence is tentative: for example, while the Discovery Park Enterprise Zone has been very successful in attracting 1,300 jobs, this represents only half the number employed on site at the start of 2011, and far fewer than the 6,000+ employed by

⁸ East Kent Economic Review, p.19

⁹ Thanet Economic and Employment Assessment, p.12; Kent CORE Prospectus, January 2013, p.9

Pfizer in the early 2000s. Clearly, there is a case for continued support to accelerate growth and grow business confidence in East Kent's future.

Summary: Challenges and opportunities in the East Kent Assisted Area	
<p>Challenges</p> <ul style="list-style-type: none"> • Long-term structural economic change and the legacy of traditional industries • Persistently high levels of unemployment and benefit dependency compared with national average • Relatively low-wage, lower-skilled employment base • Major economic shocks (in particular the exit of Pfizer at Discovery Park) • Investor perceptions of peripherality and distance from markets 	<p>Opportunities</p> <ul style="list-style-type: none"> • Greatly improved transport connections by road and rail • Emerging growth opportunities in key sectors • Direct public support for business growth through Expansion East Kent • Extensive and competitively priced employment land • Strong strategic focus (by business and government) on driving forward growth

3. 2014-20: OUR STRATEGY FOR THE FUTURE

Growing business and jobs in the Assisted Area

- 3.1. Assisted Area designation is an important additional flexibility in providing support to business. But to maximise the opportunity, there must be financial incentive products available for businesses to access and local partners must work together to create business demand, support value-for-money projects and monitor outputs effectively.
- 3.2. With backing from the Government’s Regional Growth Fund, businesses in the Assisted Area can now benefit from **Expansion East Kent**. Unlike previous regional aid schemes, Expansion East Kent is not based on grants – instead, it offers loans (normally on an interest-free and unsecured basis) to businesses with the appetite for growth and job creation in East Kent, where public support can help unlock additional private finance¹⁰. Because the interest forgone counts as state aid, Assisted Area designation is important in enabling Expansion East Kent to fill the higher investment gap that projects in Thanet and Dover often face.
- 3.3. The Assisted Area accounts for just under 30% of the Expansion East Kent eligible area by population. In the original business case for Expansion East Kent, an ambitious target was set to invest 50% of the fund in the Assisted Area, focusing more of the investment on those parts of East Kent in greatest need of economic growth. So far, we are well on our way to achieving this target, with **49% of contracted loans or loans in negotiation committed to projects within the Assisted Area**:

Expansion East Kent: Investment in the East Kent Assisted Area since April 2012				
	Expansion East Kent loan value	Private sector leverage	Intervention rate	Jobs created/safeguarded¹¹
Loans approved and contracted	£2,051,271	£5,304,205	27.9%	232
Loans in negotiation	£6,000,000	£26,120,000	18.8%	347
Total	£8,051,271	£31,424,205	20.4%	579

- 3.4. Although Expansion East Kent has been successful so far in supporting business expansion and unlocking private finance, the next seven years will be critical in ensuring that it makes a real difference to the economy. Using Expansion East Kent as a source of investment, linked with a supportive climate for growth, we will focus on :
- Securing the future of Discovery Park Enterprise Zone;
 - Investing in business growth; and
 - Making Assisted Area designation an integral part of a supportive local climate for growth.

¹⁰ Note that Expansion East Kent is an interest-free loan scheme. The grant equivalent value is therefore the commercial-equivalent rate of interest that is forgone

¹¹ Estimate based on contracted outputs and outputs proposed in loan applications in negotiation

Better value support for business growth: Expansion East Kent

Expansion East Kent was awarded £35 million from the Regional Growth Fund in 2011, following Pfizer's exit from Sandwich. The programme offers loans to businesses with job-creating investment projects, with all repayments recycled.

Businesses applying for loans are checked for eligibility before submitting a full application, which is then rigorously appraised to ensure value for money, effective delivery and state aid compliance. Full applications are considered by an Investment Advisory Board of elected members and business experts before approval.

With robust business advice and scrutiny, the programme is delivering new investment into East Kent, with £17 million contracted or in the pipeline so far.

Kent County Council is the accountable body for Expansion East Kent, monitoring drawdown, spend, job creation and private sector leverage. Key to the scheme's success is its position at the centre of a wider business growth system, with banks and investors marketing Expansion East Kent and matching investment; Chambers of Commerce and other agencies offering support; and District Councils supporting applicants and ensuring efficient delivery of planning consents where required.

Securing the future of Discovery Park Enterprise Zone

- 3.5. Discovery Park Enterprise Zone is Pfizer's former European R&D headquarters in Sandwich. Covering 3 million sq ft of floorspace – much of it of very high quality – the Pfizer complex was by far the largest employment site in East Kent. Now under new ownership, work is underway to reconfigure Discovery Park to enable it to compete at a global level in attracting a wider range of new occupiers.
- 3.6. Establishing a new future for Discovery Park as a centre for scientific R&D is a national and a local priority – and a priority in the South East LEP's Strategic Economic Plan. A task force was established by the Secretary of State for Business, Innovation and Skills to identify new opportunities for the site, and in summer 2011, Discovery Park was designated an Enterprise Zone. This means that reconfiguration can proceed with simplified planning through a Local Development Order, while businesses on the site enjoy five year business rate discounts of up to £55,000 per year.
- 3.7. To date, Discovery Park has been successful in using the Enterprise Zone and Expansion East Kent incentives and coordinated inward investment support to attract a number of new occupiers. As well as a retained presence by Pfizer, Mylan (the world's third largest generic pharmaceuticals company), Peakdale Molecular and 15 smaller businesses in the pharmaceutical, life science and associated sectors now employ over 1,300 people. This is a positive rate of job creation, ahead of projections when the Enterprise Zone was established. Work is now progressing on the second stage of the masterplan for the site. Nevertheless, there is still substantial capacity at Discovery Park (including purpose-built R&D accommodation and space for new development), so there is still a long way to go to recover the net loss of employment created by Pfizer's exit and to enable Discovery Park to reach its full potential.
- 3.8. There are three ways in which Assisted Area designation will be important to Discovery Park.

- 3.9. Firstly, **supporting the reconfiguration of the site**. While early demolitions of outdated buildings and renovations have been funded privately by the owners, full reconfiguration of Discovery Park is complex and expensive, given its original design for a single occupier. There is therefore likely to be a need for public sector assistance alongside private investment, potentially worth up to £8 million over five years. A proposal is currently being developed that would make Growing Places Fund investment available on ‘repayable investment aid’ terms to part-finance capital works on the site. However, the viability of this proposal is dependent on the retention of Assisted Area status, given the potential intervention rate required.
- 3.10. Secondly, **maximising the incentives associated with Enterprise Zone designation**. The existing Enterprise Zone business rate incentive is offered as a form of *de minimis* aid, so is unaffected by Assisted Area designation. However, in some Enterprise Zones, enhanced capital allowances are available on plant and machinery. Due to the intervention rate associated with these, enhanced capital allowances are only available in Enterprise Zones within Assisted Areas.
- 3.11. Although enhanced capital allowances are not currently available at Discovery Park, the Treasury has agreed in principle to negotiate their availability should there be an investment proposition for which they would provide an appropriate incentive. With substantial land available on site for manufacturing, enhanced capital allowances may help to unlock new investment and we wish to retain the potential for their use.
- 3.12. Thirdly, **delivering investment to firms in the life science and related sectors** at Discovery Park. Expansion East Kent has already supported four businesses at Discovery Park, with a total investment of £1,125,000 creating 124 jobs. The pharmaceuticals and life science sector is a priority for Expansion East Kent and will be important in Discovery Park’s future growth as a research and development centre.

Real investment: Algaecytes

Algaecytes was established in 2010 to commercialise research into the exploitation of algae technologies – extracting nutrients such as Omega 3 from algae and using them for fertilisers, animal feeds and fuel.

Based at Discovery Park, Algaecytes secured £500,000 in an Expansion East Kent loan which, alongside private investment will develop two demonstration units and help to create 21 new jobs.

Investing in business growth

- 3.13. The East Kent Assisted Area has an economy dominated by small enterprises. As large private employers and the public sector continue to outsource and as new technology changes the opportunities available to small businesses to sell to wider markets, the importance of East Kent’s SME base will grow.
- 3.14. However, ‘enterprise intensity’ – measured by the number of businesses per 10,000 of working age population – is lower in the Assisted Area than in the rest of the country (around 490 enterprises per 10,000 population, compared with 600 nationally)¹². The ‘knowledge intensity’ of the area’s business stock is also lower than elsewhere.

¹² East Kent Economic Review, p.25

- 3.15. Over the next seven years, we will use Assisted Area designation to strengthen the local business base, expanding intensity, value and productivity. It will therefore be important to link the additional financial incentives offered by the Assisted Area with support available to promote businesses' growth potential.

Creating a supportive environment for growth

- 3.16. Bridging the investment gap and making public finance available alongside private investment in businesses with growth potential is just one aspect of an environment conducive to growth. Positive planning, practical business support and effective marketing of East Kent's investment assets are equally important:
- At **Discovery Park**, Dover District Council has quickly progressed a Local Development Order, offering simplified planning to investors alongside Enterprise Zone financial incentives. The District Council is also working closely with the owners of Discovery Park to bring forward new and reconfigured business premises and support occupiers in accessing rate discounts.
 - A range of other **business support** products are available across the Assisted Area. In particular, the **High Growth Kent** service (which supports businesses with high growth potential) has a focus on business at Discovery Park, while sector-based support through **SUCCESS** (supporting creative industries) and **Kent Wind Energy** (supporting the development of supply chain opportunities in the renewable energy sector) are targeting major local opportunities.
 - A better **skills** environment is being created, with a strong sector-based focus offered by **East Kent College** and new investment by **Hadlow College** within the Assisted Area at Betteshanger – with a new East Kent Skills Plan focused on better employer and education links.
 - Across East Kent, the district and county councils work together closely as part of the **East Kent Regeneration Board**. The Board provides a framework for prioritising investments of strategic importance, and a joint **East Kent Growth Plan** was recently adopted by Ashford, Canterbury, Dover, Thanet and Shepway, demonstrating a willingness and ability to cooperate across district boundaries and develop complementary plans. With capacity in the Assisted Area for new housing and commercial land to support the needs of more constrained neighbouring districts, retention of Assisted Area designation is recognised as a strategic priority by East Kent Regeneration Board.
 - Marketing East Kent's **investment potential** is also vital. Locate in Kent has helped to create or safeguard 1,752 jobs in the Assisted Area through relocation or expansion since 2007, through targeted marketing, advice and support. Recently, efforts to promote East Kent as an investment location have been boosted through the **Grow for It!** Campaign.

Grow for It!

The **Grow for It!** Campaign is a major marketing and events programme focused on East Kent's culture, connectivity, quality of life and sites for growth. This adds value to the extra incentives of the Assisted Area – complementing financial support with the quality of life that will help new investors to attract and retain staff. Major events have already been held to promote East Kent, with a key investment event due to be held at Discovery Park shortly.

4. ENSURING DELIVERY; MEASURING SUCCESS

- 4.1. With strict limits on the number of places that can be designated as Assisted Areas, it will be important that those that are designated in 2014-20 demonstrate that they have made effective use of the status.
- 4.2. Monitoring progress could take place on two levels:
- Firstly, at overall **strategic outcome level**, measuring changes in economic performance over time. This measures the success of the economy overall, informing the direction that local strategy should take.
 - Secondly, at **specific output level**, measuring the success of the interventions directly reliant on Assisted Area designation.
- 4.3. Further work needs to be done to define outcomes and outputs, and this will be done once we know the detail of the Government's final criteria. However, they could be set out as follows:

Assisted Area indicator	Baseline	2020 target
Strategic outcome		
JSA claimant count	4.6% (GB average*1.84)	3.1% (or GB average*1.25)
Total jobs	46,800 (jobs density of 0.44)	64,200 (jobs density of 0.6)
Business density (per 1,000 work age pop)	490 (Dover and Thanet average)	574 (East Kent average)
Assisted Area outputs		
% of total Expansion East Kent investment in Assisted Area	30% (pro rata share)	50%
Jobs created through investment reliant on differential Assisted Area incentives	<i>Tbd</i>	<i>Tbd</i>
£ leverage secured through investment reliant on Assisted Area incentives*	<i>Tbd</i>	<i>Tbd</i>

* Broken down by the three strategy themes of supporting Discovery Park Enterprise Zone, supporting local business growth and attracting inward investment.

- 4.4. Achievement of these headline indicators will have wider consequential benefits. In particular, additional employment generated as a result of the additional public support made possible by Assisted Area designation has the potential to reduce benefit dependency and worklessness, and work already underway with Jobcentre Plus to link Expansion East Kent beneficiaries with local jobseekers will support this.
- 4.5. We will carefully monitor the effectiveness of Assisted Area designation is fairly straightforward. In East Kent, the success of the Expansion East Kent scheme is already monitored and reported to the Investment Advisory Board, as described in the box on page 9. More broadly, East Kent Regeneration Board (the sub-county alliance of Ashford, Canterbury, Dover, Shepway and Thanet together with Kent County Council) monitors the overall performance of the East Kent economy in the light of the published East Kent Growth Plan and will consider the ongoing importance of Assisted

Area designation as a shared priority. At strategic level, the importance of the Assisted Area will be set out in *Unlocking the Potential*, Kent's new strategic economic plan. Jobs created and safeguarded through new investment will also be monitored by Locate in Kent, the county's inward investment agency. Monitoring at every level will ensure that Assisted Area designation fulfils its full role – delivering jobs and supporting growth in East Kent.

ANNEX 1: Assisted Area eligibility criteria

There is a two-stage process for determining which places may be designated as Assisted Areas. The first stage takes place at European level, the second at UK Government level. At the time of writing, the first stage is complete, although further information is awaited regarding how the second stage will proceed.

Stage 1: European-level criteria

The European Commission published its **Guidelines on Regional Aid 2014-20** in June 2013. This sets out the conditions under which regional aid may be made available in the period 2014-20.

This defines:

- a) The **proportion** of the population of the UK (and every other EU member state) may be covered by 'Assisted Area' designation;
- b) The **minimum criteria** that areas must meet in order to be defined as Assisted Areas; and
- c) The **additional aid incentives** that are permissible as regional aid.

Taking each of these in turn:

a) **UK population coverage**

27.05% of the UK population may be covered by Assisted Area designation. However, there are some areas that have 'predefined' coverage, either because their GDP is less than 75% of the EU average, or because they are considered to be sparsely populated areas¹³.

Taking these into account leaves a maximum of 22.79% of the UK population which may be additionally covered by Assisted Area designation.

b) **Minimum eligibility criteria**

As a minimum, to be eligible as an Assisted Area, an area must be a **contiguous area of at least 100,000 population** located in a NUTS-2 (Kent and Medway) or NUTS-3 (KCC area) region with either:

- i) A GDP per capita below or equal to the EU-27 average; OR
- ii) An unemployment rate above or equal to 115% of the EU-27 average

The current East Kent Assisted Area meets these minimum criteria, as the population is over 100,000 and Kent and Medway has a GDP per capita of 90% of the EU average¹⁴.

c) **Additional aid incentives**

Maximum aid intensities may not exceed:

¹³ These areas are West Wales and the Valleys, Cornwall and parts of the Highlands and Islands of Scotland.

¹⁴ Eurostat

- i) 30% for small enterprises
- ii) 20% for medium enterprises
- iii) 10% for large enterprises

It should be noted that these aid intensities apply only to regional investment aid. They do not apply to aid provided under the *de minimis* rule (which provides that any company not in a restricted sector may receive up to €200,000 over three years), SME Employment Aid, or R&D and other forms of assistance that are thematic rather than regional.

Stage 2: UK level criteria

It is up to the UK Government to determine where Assisted Areas should be located, within the maximum population coverage and the minimum eligibility criteria set by the Commission.

Conventionally, this is done through the publication of additional criteria, and the Government is consulting on proposed metrics.

The current consultation

The Government is currently consulting with Local Enterprise Partnerships and other interested parties on options for locations to be included on the future Assisted Area map. This phase of the consultation will end on 30 September.

The current consultation states that the existing map is a material consideration in the preparation of the new one, although existing Assisted Areas have been asked to identify scope for a 20% reduction in coverage.

A second phase of consultation will take place later in the year, based on the publication of a draft map.

ANNEX 2: Summary economic data

The East Kent Assisted Area is formed from a number of wards. The data that Government will use in establishing criteria has not yet been published. However, the following provides a summary of relevant data that we have available.

Ward	Population	Working age pop	Jobs	Jobs density	JSA (%)	Out of work benefits
Beacon Road	4,624	3,179	900	0.28	4.1	14.3
Birchington North	3,700	2,521	200	0.08	2.3	7.8
Birchington South	6,261	4,314	900	0.21	3.3	13.3
Bradstowe	4,067	2,820	1,300	0.46	2.6	8.2
Central Harbour	8,240	6,011	3,300	0.55	7.9	21.2
Cliffsend & Pegwell	4,703	3,491	500	0.14	2.1	8.0
Cliftonville East	6,268	4,271	900	0.21	2.9	8.8
Cliftonville West	9,145	6,306	2,400	0.38	19.1	41.8
Dane Valley	7,819	5,296	500	0.09	6.9	21.3
Eastcliff	8,022	5,784	1,800	0.31	7.8	23.3
Garlinge	4,849	3,435	600	0.17	4.0	13.9
Kingsgate	2,147	1,548	400	0.26	1.4	5.4
Margate Central	5,383	3,878	3,000	0.77	15.3	39.8
Nethercourt	4,588	3,271	300	0.09	3.3	10.2
Newington	5,044	3,452	1,600	0.46	7.9	25.5
Northwood	6,510	4,619	2,600	0.56	4.6	19.5
St Peters	7,042	4,915	5,000	1.02	2.0	6.9
Salmestone	5,768	3,934	4,200	1.07	5.5	17.4
Sir Moses Montefiore	5,123	3,563	500	0.14	4.9	14.6
Thanet Villages	6,738	4,885	3,700	0.76	2.2	8.9
Viking	7,023	4,956	2,200	0.44	2.7	8.4
Westbrook	4,126	3,077	700	0.23	6.5	16.1
Westgate-on-Sea	6,996	4,926	1,400	0.28	4.6	16.3
Eastry	5,199	3,758	900	0.24	2.5	10.0
Sandwich	7,043	5,034	4,300	0.85	2.0	9.1
Whitfield	5,142	3,702	2,700	0.73	1.9	9.0
Total	151,570	106,946	46,800	0.44	4.6	14.0
GB				0.78	2.5	11.6

Sources:

Population: 2011 census

Working age population: 2011 census

Jobs: BRES, 2011

Jobs density: Ratio of jobs to working age population. GB: ONS Jobs Density 2011. Ward level: Calculated using 2011 census and BRES job data

JSA claimant count: % of working age population claiming Jobseekers' Allowance. DWP, May 2013

Out of work benefit claimants: % of working age population claiming out of work benefits (JSA, Employment Support Allowance, incapacity benefits, lone parents and others on income related benefits). DWP, November 2012