

Assisted Areas Map: Stage 1 Consultation 2014 – 2020**Report by Mary Smith, Director, Education, Communities and Economy****1 Purpose of Report**

This report provides background information on the UK Government's Assisted Areas Map: Stage 1 Consultation 2014- 2020. It sets out the response submitted on 30 September 2013, in collaboration with neighbouring and other Local Authorities within the South of Scotland (East Lothian, Scottish Borders and Dumfries and Galloway Councils), to optimise the possibility of achieving Assisted Area Status for parts of Midlothian. A copy of the response has been placed in the Members' library.

2 Background

- 2.1 The UK Government invited submissions as part of their Stage 1 consultation on the Assisted Area Map for 2014 – 2020, as set out in a letter, dated 31 July 2013, from the UK Government's Department of Business Innovation and Skills. This was in response to the 2014-2020 Regional Aid Guidelines issued on 20 June 2013 by the European Commission. The Regional Aid Guidelines require each Member State in the European Union to produce a regional aid map based on defined population coverage.
- 2.2 Regional aid allows public authorities to provide financial incentives for businesses to invest in disadvantaged locations so that jobs are created and local Gross Domestic Product (GDP) is increased over the long term. The aim is a stronger overall single market, with all European regions able to effectively compete. In Scotland, the main regional aid scheme is Regional Selective Assistance (RSA) and this is operated by Highlands and Islands Enterprise and Scottish Enterprise.
- 2.3 The consultation on the 2014-2020 Assisted Areas Map is being held in two stages. Stage 1 proposed common principles for drawing the 2014-2020 Assisted Areas Map and sought the submission of local intelligence on economic opportunities that can regenerate disadvantaged local economies and should be considered by Government for Assisted Area Status. This intelligence included, for example, locations of industrial estates and business parks, potential growth Small and Medium sized Enterprises and business infrastructure and developments.
- 2.4 Responding to an extremely tight deadline, following consultation with the Cabinet Spokesperson for Economic Development, the first stage response was submitted on 30 September 2013 as part of a

collaborative exercise of South of Scotland Local Authorities. Scottish Borders Council officers took the lead role in terms of preparing the Stage 1 consultation submission. Informal advice provided by Scottish Government officials to Midlothian Council officers was that this collective partnership approach would stand a better chance of success than individual Local Authorities submitting their own responses. In addition, Scottish Government officials informally recommended that Midlothian Council should focus their submission on areas of economic opportunity along the route of the Borders rail line together with the Bush Estate / Easter Bush and the Shawfair areas. This approach provides contiguous boundary linkages with the East Lothian and Scottish Borders Council ward areas put forward for inclusion in the overall submission.

- 2.5 The UK Government has stated that Stage 2 of the consultation will be launched in the winter of 2013 and that it will invite comments on the proposed 'draft' Assisted Areas 2014-2020 Map. It is anticipated that the final Map will come into effect on 1 July 2014 following UK Government and European Commission approval.
- 2.6 The Department of Business Innovation and Skills (BIS) is coordinating the consultation on the 2014-2020 Assisted Areas map. The Scottish Government is also involved in the gathering of local economic intelligence and coordinating the development of the draft Assisted Area Map for Scotland to be presented in the Stage 2 consultation.
- 2.7 In 2007-2013, the Commission's guidelines allowed up to 23.9% of the UK population to be designated as Assisted Areas. UK population coverage for the 2014-2020 Map is set in the 2014-2020 Regional Aid Guidelines at 27.05%. Coverage of up to 22.79% of the UK's population is designated by the UK Government, subject to Commission approval. Other types of coverage are predefined by the Commission.
- 2.8 To achieve this it is intending to look at economic opportunities and linking these to areas of economic need. The approach to these is set out in a set of 8 proposed principles which are the basis of this Stage 1 Consultation.
- 2.9 Principle 7 sets out how the UK Government is proposing to define areas of economic need using a menu comprising the following indicators:
 - Low employment rate.
 - Low skills rate (level 2 and below).
 - High working age benefit claimant count rate.
 - Low population growth/net out migration of working age population.
 - High rates of manufacturing.

- 2.10 Midlothian does not currently qualify for the higher levels of business support assistance available under the 2007 – 2013 Assisted Areas map. However, Small and Medium Sized Enterprises in Midlothian may currently benefit from 'Tier 3' assistance, which allows for either 20% or 10% grant aid of the total costs of private sector projects. As a fallback position, officers have been advised that this will remain should the South of Scotland bid be unsuccessful for enhanced benefits under the 2014 - 2020 Assisted Area Map. Should the bid be successful the new Map will also allow for increased rate of grant aid intensity to Small and Medium Sized Enterprises, and large enterprises would also become eligible for assistance - at the grant aid intensity rate of 10% of total project costs.
- 2.11 For Members' background information, Midlothian companies which have recently been accepted and/or benefited through Regional Selective Assistance (RSA) under the 2007 – 2013 Map include:
- Stewart Brewing.
 - Armadilla.
 - Arrayjet.
 - Ingenza.

Regional Selective Assistance applications are currently handled by Scottish Enterprise.

2.12 Consultation Submission

Midlothian Council officers attended a Scottish Government led workshop in Dundee in early September 2013 to discuss Assisted Area Map issues. Scottish Government officials encouraged, Dumfries and Galloway, East Lothian, Midlothian and Scottish Borders to work collectively on the Stage 1 submission.

- 2.13 In terms of Midlothian, informal advice was given that any Midlothian wards (based on pre 2007 ward make up) included in the submission should be strongly focussed on areas of economic opportunity. It was stressed that there would be no possibility of every Midlothian ward securing coverage.
- 2.14 Following an internal consultation exercise and necessary liaison with the neighbouring partner Local Authorities to ensure consistency of approach and to maximise the chance of success, the following Midlothian wards were identified for inclusion in the submission:

Table 1:***Midlothian Wards (pre 2007¹) put forward for Assisted Area Status***

Ward	Priority	Population Size
Arniston / Cockpen	1	7450
Bilston / Roslin	1	4107
Dalkeith / Eskbank	1	4170
Dalkeith / Newton	1	4174
Dalkeith / Woodburn	1	5126
Loanhead	1	4312
Newtongrange	1	4758
Easthouses / Mayfield North	2	4277
Mayfield South	2	4430
Newbattle / Pathhead	2	4189
Total population		46,993

- 2.15 The following table highlights Midlothian's proposed population coverage compared with those of the partner Local Authorities.

Table 2:***Final South of Scotland Submission, breakdown by Local Authority***

Authority	Count of Wards	2011 population
Dumfries and Galloway	22	72,803
East Lothian	3	11,847
Midlothian	10	46,993
Scottish Borders	16	51,351
Total	51	182,994

- 2.16 It should be stressed that all residents of Midlothian based wards will potentially have the opportunity to access employment opportunities,

¹ Eurostat, the statistical office of the European Union, stipulated that there should be a uniformity of statistical methodology used across the 27 EU Member States. Therefore all bids were to use the Local Administration Unit 2 (LAU2) level of geography consisting of municipalities or equivalent units in the 27 EU Member States. This equates to the pre 2007 ward geography in Scotland.

as well as the potential for Midlothian businesses to access supply chain opportunities in the wards covered by Assisted Area status.

3 Report Implications

3.1 Resource

In terms of Human Resource implications, all work involved in the preparation of the Stage 1 consultation submission was handled by Economic Development Section staff in close liaison with colleagues in related services and officers from the neighbouring partner Local Authorities. It is envisaged that the same situation will apply for any further work involved on Assisted Area Status issues.

There are no Financial Resource implications for the Council arising from this report.

3.2 Risk

If Midlothian Council had not participated proactively in the preparation of the Stage 1 consultation submission, Midlothian would not be considered for Assisted Area Status over the 2014 – 2020 timeframe. Consequently, the associated business incentives would not apply and this would clearly have a negative impact on the Midlothian business sector in challenging economic times.

There is a risk that the submission made by the Council and neighbouring partner Local Authorities will be unsuccessful. If this eventuality occurs, there will potentially be a negative impact on the local business sector.

3.3 Single Midlothian Plan and Business Transformation

Themes addressed in this report:

- ☐ Community safety
- ☐ Adult health, care and housing
- ☐ Getting it right for every Midlothian child
- ☒ Improving opportunities in Midlothian
- ☒ Sustainable growth
- ☐ Business transformation and Best Value
- ☐ None of the above

3.4 Impact on Performance and Outcomes

Promoting Midlothian's case in terms of future Assisted Area coverage is one of the actions / sub actions contained in the Programme Areas highlighted in the emerging Midlothian Economic Recovery Plan (MERP).

A supportive business environment is a strategic priority highlighted in the Scottish Government's Economic Strategy. This includes the provision of advice and support to help Small and Medium-Sized

Enterprises (SMEs) grow. This supports the Single Midlothian Plan by contributing to economic growth and business support within Midlothian.

3.5 Adopting a Preventative Approach

At the beginning of 2012, Midlothian Council initiated a project to consider how it should reshape its values and its operating systems. This project, on the 'Future Models of Service Delivery' was the subject of public engagement seeking views on Midlothian Community Planning Partnership priorities for 2013/2014.

Economic recovery and growth and employment are two of the six national priorities where there is an expectation that each Community Planning Partnership will show how it is giving priority to demonstrating improvement in these particular areas. The other four priorities relate to:

- Early years;
- Safer and stronger communities and reducing offending ;
- Health inequalities and physical activity ; and
- Outcomes for older people.

Accordingly, from a preventative approach perspective, having a vibrant and successful local economy will positively impact on most, if not all, of the national priorities. Assisted Area coverage and the associated benefits to the business sector will positively benefit the local economy.

3.6 Involving Communities and Other Stakeholders

Consultation has been undertaken with appropriate staff in other Council Services during the preparation of this report.

3.7 Ensuring Equalities

An Equalities Impact Assessment (EIA) is not required. Achieving Assisted Area status should deliver benefits for social inclusion by creating new employment opportunities.

3.8 Supporting Sustainable Development

There are no sustainability issues at this stage and the potential need for a Strategic Environmental Assessment (SEA) will be kept under review.

3.9 IT Issues

There are no IT issues.

5 Recommendations

5.1 Cabinet is recommended to:

- i. note Midlothian Council's input to the joint response submission to the Department of Business Innovation and Skills with East Lothian, Scottish Borders, and Dumfries and Galloway Councils as part of the UK Government's Assisted Areas Map Consultation 2014 – 2020 Stage 1; and
- ii. agree to receive further progress reports as the Assisted Areas Map consultation progresses to a conclusion.

Date: 19 November 2013

Report Contact:

Name	Andrew Ralton	Tel No	0131 271 3435
	andrew.ralton@midlothian.gov.uk		

Background Papers: File: Assisted Areas Vol. 2 (7605)*Declaration Box*

Title of Report: Assisted Area Map Consultation 2014 – 2020

Meeting Presented to: Cabinet

Author of Report: Andrew Ralton

I confirm that I have undertaken the following actions before submitting this report to the Council Secretariat (Check boxes to confirm):-

- ☒ *All resource implications have been addressed. Any financial and HR implications have been approved by the Head of Finance and Human Resources.*
- ☒ *All risk implications have been addressed.*
- ☒ *All other report implications have been addressed.*
- ☒ *My Director has endorsed the report for submission to the Council Secretariat.*

No Education interest