

EXPLANATORY MEMORANDUM TO

THE ASSISTED AREAS ORDER 2014

2014 No. 1508

1. This explanatory memorandum has been prepared by the Department for Business, Innovation and Skills and is laid before Parliament by Command of Her Majesty.

2. Purpose of the instrument

2.1 This instrument specifies the Assisted Areas of Great Britain from 1 July 2014. Assisted Areas are those where regional aid can be granted in accordance with the Treaty on the Functioning of the European Union (TFEU) (OJ C 326 26.10.2012). Regional aid is used to promote the economic development of certain less economically advantaged areas within the European Union (EU).

2.2 The main programmes offering regional aid in Great Britain are the Regional Growth Fund in England, Regional Selective Assistance scheme in Scotland, and Welsh Government Business Finance in Wales.

2.3 Assisted Area status also allows for urban development aid, and increased aid intensities to be provided where aid is granted for some energy and environmental investments.

2.4 Certain tax allowances are only available in Assisted Areas: Business Premises Renovation Allowance (BPRA), which gives an incentive to bring derelict or unused properties back into use, and the Enhanced Capital Allowances permitted at some Enterprise Zones.

2.5 This instrument also specifies areas as development areas for the purposes of the Derelict Land Act 1982.

3. Matters of special interest to the Joint Committee on Statutory Instruments

3.1 None.

4. Legislative Context

4.1 This instrument is made under section 1 of the Industrial Development Act 1982 and implements approval by the European Commission of derogations under Article 107(3)(a) and 107(3)(c) of the TFEU for Assisted Areas in Great Britain.

4.2 In order to grant regional aid, Member States are required to designate a new set of Assisted Areas for the period 2014 to 2020, in accordance with the European Commission Guidelines on regional State aid for 2014-2020 (OJ C 209 23.7.2013) (the "Guidelines"). The previous Assisted Areas were due to expire on 31 December 2013, but, as in other Member States, were extended by the European Commission until 30 June 2014. The European Commission granted approval of the United Kingdom's new Assisted Areas on 21 May 2014 (reference SA.38113).

5. Territorial Extent and Application

5.1 This instrument applies to Great Britain.

6. European Convention on Human Rights

As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

7. Policy background

- **What is being done and why**

7.1 The TFEU contains state aid provisions that apply across the EU to prevent distortion of competition within the internal market. Certain state aid granted to promote the development of certain less economically advantaged areas – known as “Assisted Areas” – within the EU, may be considered by the Commission to be compatible with the internal market. This kind of state aid is known as regional aid.

7.2 Member States must designate Assisted Areas in accordance with the Guidelines. The Guidelines include a limit on the coverage allowed to each Member State; for the UK this limit is 27.05 per cent of the UK’s population being resident within Assisted Areas, increased from 23.9 per cent in the period 2007 to 2013.

7.3 The Guidelines provide for three types of Assisted Areas designation, of which two are predefined by the European Commission. “a” areas (included in Schedule 1 to this instrument) are those that have a GDP per capita of equal to or less than 75% of the EU average. Aid recipients in “a” areas can qualify for higher aid intensities than those in all “c” areas. Predefined “c” areas (included in Part 1 of Schedule 2 to this instrument) are those which the European Commission has defined as sparsely populated. Maximum aid intensities in predefined “c” areas are higher than those in non-predefined “c” areas. Non-predefined “c” areas (included in Part 2 of Schedule 2 to this instrument) are those where Member States have some flexibility to allocate coverage, providing certain conditions in the Guidelines are satisfied.

7.4 As the coverage of Assisted Areas provides additional levers to encourage growth in less economically advantaged areas, there was significant public interest and considerable attention in local media.

8. Consultation outcome

8.1 A two-stage public consultation was undertaken. Stage 1, launched on 31 July 2013 with a closing date of 30 September 2013, consulted on draft principles for defining the areas that should be included on the draft Map, and sought local intelligence and priorities on areas of economic opportunity and need.

8.2 72 completed response forms were received, primarily from Local Enterprise Partnerships (LEPs) or Local Authorities (LAs). Of these, 89% broadly supported the principles for developing the 2014 to 2020 Assisted Areas Map set out in Stage 1. A further 32 responses were received by letter, mainly from businesses. Almost all these letters were in support of LEP or LA responses for their area. The economic information received proved very useful when developing the draft map issued for the Stage 2 consultation.

8.3 Stage 2 was launched on 18 December 2013 with a closing date of 7 February 2014. The consultation document incorporated the Government’s response to Stage 1,

and included a draft Assisted Areas Map. The consultation sought views on this draft Map, and asked for supporting evidence to be provided. A digital interactive version of the draft Map was also available, allowing respondents to check if a location had been included, and to submit their comments on the consultation.

8.4 229 responses were received to Stage 2 of the consultation. The majority of responses came from LEPs, LAs and businesses. There were also representations from regional or national business groups, and Members of Parliament. Overall there was a high level of support for the consultation process and the methodology adopted for developing the Map. There was generally strong support for the areas proposed for inclusion and the spread of population on the draft Map, although some respondents suggested an increase in coverage in their localities, or minor amendments to the draft Map. The final Map has sought to take into account respondents' representations, with the aim of reflecting areas that best demonstrated both economic need and the economic opportunity to benefit from Assisted Area status within the scope of the Guidelines.

8.5 The Stage 1 consultation lasted for a period of 8 weeks, and Stage 2 lasted for 7 weeks, making a total of 15 weeks of consultation on Assisted Areas.

8.6 The Government's response to Stage 2 of the consultation was published on 30 April 2014. All documents related to the consultation are available on the gov.uk website and from the Assisted Areas Team at the Department for Business, Innovation and Skills at 1 Victoria Street, London, SW1H 0ET.

9. Guidance

9.1 The schemes that depend on Assisted Area status are not materially affected by this instrument; the only affect is a change in the areas in which they can operate. Key stakeholders have been kept informed of progress throughout the process of reviewing the Assisted Areas.

10. Impact

10.1 The impact on business, charities or voluntary bodies is nil (as Assisted Areas status of itself does not provide any funding).

10.2 The impact on the public sector is nil.

10.3 An Impact Assessment has not been prepared for this instrument.

11. Regulating small business

11.1 The legislation does not impose any costs on small business.

12. Monitoring & review

12.1 The Guidelines allow for a mid-term review of the 2014-2020 UK Assisted Areas Map, where the Commission will establish if any new areas should be awarded "a" area status. Member States may also be able to amend existing "c" area coverage. Any revisions under a mid-term review are expected to come into effect on 1 January 2017 as set out in the Guidelines.

12.2 The Assisted Areas Map for the period 2014 to 2020 is expected to be updated, and replaced with an Assisted Areas Map for the period 2021-2027. The updated Map is expected to be developed in accordance with the European Commission's planned revised Regional Aid Guidelines for 2021-2027.

13. Contact

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