

## ASSISTED AREAS

*Disclaimer: This note provides an unofficial summary of what Assisted Areas are, the benefits to businesses, and information about the Medway-Swale Arc, the only Assisted Area in Thames Gateway Kent. This is not an authoritative guide to state aid rules or Government policy, and Thames Gateway Kent Partnership takes no responsibility for consequences arising from any errors this note might contain<sup>1</sup>. If you do find a mistake, please let us know. Contact details for official government advice appear [below](#).*

### Introduction

The **Medway-Swale Arc** was newly included on the UK Assisted Areas Map in July 2014. This guidance document gives some more detail about what Assisted Area status means for businesses located within, or thinking about locating within, this area, and about the Medway-Swale Arc itself.

### What are Assisted Areas?

Assisted Areas are recognised in European state aid guidelines as areas that are less economically advantaged and that would benefit from additional support or development. A new UK Assisted Areas Map was published in July 2014 defining the boundaries of the designated areas<sup>2</sup>, together with an Order of Parliament<sup>3</sup> listing the wards covered by Assisted Areas.

Within European Commission guidelines, the approach adopted by the UK Government in defining areas on the UK Assisted Areas map took account of relative economic need, consultation to ascertain local priorities, and the potential to use Assisted Area status to encourage economic growth in that locality by leveraging-in private sector investment. Part of the aim is to help re-balance local economies both geographically and sectorally in areas which, whilst relatively disadvantaged, offer good opportunities for business creation and growth. There is a strong emphasis on manufacturing (because of its capital-intensive nature and reliance on extensive supply chains), but also on regeneration more broadly. Assisted Areas include a mix of urban, rural and coastal areas. The European Commission may carry out a mid-term review of the assisted area framework in 2017.

### What are the benefits of Assisted Area Status?

Under European regulations, the Government can offer specific financial flexibilities to encourage new investments in Assisted Areas, particularly to boost employment. Assisted Area status does not confer a right to financial assistance: at present there is no discrete programme or targeted pot of money. The financial flexibilities relate to **Regional Aid** and **Tax Allowances**.

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<sup>1</sup> This note, originally prepared in 2014, has been slightly updated in August 2017; but this does not attempt to cover all changes that might affect Assisted Areas and State Aid matters, nor the implications of Brexit.

<sup>2</sup> <http://www.gov.uk/government/consultations/assisted-areas-map-2014-to-2020-stage-2>

<sup>3</sup> [Assisted Areas Order 2014 \(SI 2014/1508\)](#)

## 1) Regional Aid

Assisted Areas are the only places where regional aid can be granted. This is a state aid exemption under which aid can be granted by the public sector in certain circumstances as a proportion of costs for a new commercial project. It can support **capital investment** and **wage costs of new employees**.

Where aid is available, for example through central or local Government grant or loan programmes (such as Regional Growth Fund) or European schemes, the intensity of aid is 10% higher than would otherwise be available to small and medium-sized enterprises (SMEs). It also means that large firms, which would otherwise not be eligible for any aid, can be supported at up to 10% of certain eligible costs.

The intensity of aid and what it can be used for varies according to the size of the company. In the Medway-Swale Arc<sup>4</sup>, the rates of aid applicable are as follows:

Investment in:	Small Firms e.g. <50 employees	Medium Firms e.g. 50 to 250 employees	Large Firms e.g. >250 employees
<ul style="list-style-type: none"><li>Setting up a new establishment;</li><li>Expansion of an existing establishment;</li><li>Diversification of an existing establishment (e.g. into different products)</li></ul>	30%	20%	10%
<ul style="list-style-type: none"><li>Fundamental changes in the production processes carried out in an establishment.</li></ul>	30%	20%	0%

To be eligible, a new establishment should be fully functioning, autonomous and self-standing. Expansion or diversification of the product range of an existing establishment is only eligible provided the new activity is not already being carried out at that establishment or any others owned by the company within the Assisted Area.

### “Eligible costs”

There are two ways to calculate “eligible costs”: investment costs and wage costs.

- Investment costs** include **material assets** (such as land, building, equipment), and **immaterial assets** (such as transfer of technology, Patents, operating or patented and non-patented know-how licenses). For large enterprises, immaterial assets are limited to 50% of eligible costs.

<sup>4</sup> The wards which make up the Medway-Swale Arc are in an area fulfilling the conditions of Article 107(3)(c) of the EU Treaty; different rates apply in areas covered by Article 107(3)(a) (i.e. Wales and Cornwall).

- **Wage costs** cover costs arising from job creation as a result of the initial investment (two-year wage cost).

Regional investment aid is subject to various **conditions**. Notably, the investment or jobs created should be maintained in the region (the geographic area of the scheme in question) for 5 years in the case of large enterprises, and 3 years for SMEs; and 25% of investment should be from the company's own contribution or external finance, but totally free of public support.

### *Other forms of state aid*

The European Commission's 2014-20 Environmental and Energy Aid guidelines<sup>5</sup> and General Block Exemption Regulations (GBER)<sup>6</sup> set out other benefits specific to Assisted Areas. One form of aid set out in the GBER that may be available is for **urban development projects** co-financed by EU Structural and Investment Funds with private sector investment

Increased aid intensity is available for **environmental and energy investments** in Assisted Areas (e.g. investments in green technologies, research, development and innovation, or encouraging a low carbon economy). Within the Medway-Swale Arc, this would mean that aid intensity (as a percentage of the eligible costs) could be increased by 5% (possibly more for SMEs). Higher aid intensity – an increase of 10% – may be available for eco-innovations that address a double market failure, linked to the higher risks of innovation coupled with the environmental aspects of the project (e.g. resource efficiency measures). This increase in aid intensity is subject to conditions regarding the novel or substantially improved nature of the asset or project, its delivery of significantly higher environmental benefits and demonstration of significantly higher than usual technological, market or financial risks.

In all cases, aid may not exceed 100% of the eligible costs. There are also rules restricting cumulation of state aid from different sources and programmes.

For specific advice on State Aid issues always contact [BEIS](#) in the first instance and where appropriate seek independent legal advice from a practice with proven expertise in this field.

See [below](#) about boundary issues.

## **2) Tax Allowances**

Certain tax allowances are only available in Assisted Areas. These are:

- **Business Premises Renovation Allowance (BPRA)**, which offers an incentive to bring derelict or unused properties back into use; and
- The **Enhanced Capital Allowances** permitted at some Enterprise Zones

### *(a) Business Premises Renovation Allowance (BPRA)*

BPRA is a form of tax relief, intended as an incentive to bring back into business use derelict or business properties that have been unused for at least one year. It gives an allowance of 100% for certain

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<sup>5</sup>Guidelines on State aid for environmental protection and energy 2014-2020, (2014/C 200/01) - [http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52014XC0628\(01\)&from=EN](http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52014XC0628(01)&from=EN)

<sup>6</sup>[http://ec.europa.eu/competition/state\\_aid/modernisation/index\\_en.html](http://ec.europa.eu/competition/state_aid/modernisation/index_en.html). Commission Regulation 651/2014 - [http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L\\_.2014.187.01.0001.01.ENG](http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2014.187.01.0001.01.ENG).

expenditure incurred when converting or renovating unused business premises in a disadvantaged area. The allowance is applied (i.e. set against tax liability) in the year in which the expenditure is incurred. Detailed guidance is available on the HM Revenue & Customs website - <https://www.gov.uk/business-premises-renovation-allowance-bpra>.

***BPRA started on 11 April 2007 and ended on 31 March 2017 (for Corporation Tax purposes) and 5 April 2017 (for Income Tax). This allowance is therefore no longer available but the description below is retained for reference.***

To qualify for BPRA, the person/business has to incur **qualifying expenditure** on a **qualifying building** to be used as **qualifying business premises**.

- **Qualifying expenditure** is capital expenditure incurred when converting, renovating or repairing a **qualifying building** to be used as **qualifying business premises**. This covers building works, architectural and design services, surveying or engineering services, planning applications, and statutory fees and permissions. Expenditure on acquiring land, extending a building or developing land next to a building does not qualify for BPRA; and expenditure for which other State Aid is received is also excluded. Certain specified items of plant and machinery also qualify for relief – see the HMRC website for details.
- A **qualifying building** is a commercial building or structure in a disadvantaged area (i.e. a designated Assisted Area). It must have been unused for at least a year.
- **Qualifying business premises** are premises used, or available for letting for use, for a trade, profession or vocation or as offices. Exceptions to this are where a person carrying on a **relevant trade** holds a relevant interest in them, or where the premises are previously used or available for use as a dwelling, or used wholly or partly for the purposes of a relevant trade.
- A **relevant trade** is one in the following sectors, which are ineligible for BPRA: fisheries and aquaculture; shipbuilding; the coal industry; the steel industry; synthetic fibres; the primary production of certain agricultural products; the manufacture or marketing of products which imitate or substitute for milk and milk products; an undertaking in difficulty for the purposes of the General Block Exemption Regulation 651/2014<sup>7</sup>; an undertaking subject to an outstanding recovery order<sup>8</sup>; energy distribution and infrastructure; broadband networks; and the transport sector.

More detail is available in HMRC's Capital Allowances Manual 45000<sup>9</sup>. If you are not sure whether particular premises would be eligible, contact [HMRC](#) for advice.

### ***(b) Enterprise Zones - Enhanced Capital Allowances***

All Government-designated Enterprise Zones (EZs) can offer Business Rate discounts, and EZs in Assisted Areas can qualify for Enhanced Capital Allowances, at HM Treasury's discretion.

The [North Kent Enterprise Zone](#) comprises three schemes, one of which - at Rochester Airport - is within the Medway-Swale Arc Assisted Area. Only one form of incentive can be offered within the defined

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<sup>7</sup> A company is in difficulty if its latest accounts are not produced on a going concern basis.

<sup>8</sup> A recovery order applies where an undertaking is in receipt of state aid that's been declared illegal by the Commission and are subject to an outstanding recovery action, ie they still need to repay the illegal aid

<sup>9</sup> <http://www.hmrc.gov.uk/manuals/camannual/CA45000.htm>

boundaries of an EZ site and for Rochester Airport the chosen incentive is Business Rate discounts. Were very significant investment and job creation to be proposed for a defined part of the site, for which Enhanced Capital Allowances would be more advantageous, there might be scope to revisit these arrangements (this would require Government approval).

### **Boundary issues: how can I find out whether land is within an Assisted Area?**

There are tools on [www.ukassistedareamap.com](http://www.ukassistedareamap.com) enabling search by postcode, and large-scale mapping showing individual building footprints (and their relationship to the boundary of the Assisted Area).

Where a site or building is located at the boundary of an Assisted Area, the awarding body will need to make an informed decision about whether or not the undertaking is eligible for Regional Aid. Factors that may be taken into account include where the entrance to the building is, whether the majority of the site is within the Assisted Area, and its formal address (e.g. for business rates purposes). For BPRA, where land or a building straddles the boundary, HMRC can make a just and reasonable apportionment of the qualifying expenditure: only the part of the premises within the Assisted Area will qualify for BPRA.

#### **Useful links:**

##### **State Aid**

State Aid rules: [www.gov.uk/state-aid](http://www.gov.uk/state-aid)

Enquiries about State Aid: Email [sapt@beis.gov.uk](mailto:sapt@beis.gov.uk)

Introduction to Assisted Areas (Official guidance): [www.gov.uk/government/publications/state-aid-assisted-areas-introduction](http://www.gov.uk/government/publications/state-aid-assisted-areas-introduction)

Assisted Areas Map: [www.ukassistedareamap.com](http://www.ukassistedareamap.com)

##### **Business Premises Renovation Allowance**

HM Revenue & Customs: <https://www.gov.uk/business-premises-renovation-allowance-bpra>

## The Medway – Swale Arc Assisted Area

In July 2014 the European Commission confirmed the [Assisted Areas Map 2014-20](#) which determines eligibility for European Regional Aid, allows limited relaxation of State Aid rules and confers other benefits including certain tax allowances.

**The Medway-Swale Arc has been designated an Assisted Area**, recognising both its economic challenges and its huge potential and opportunities. The Arc thus offers additional potential benefits to companies looking to invest and grow in North Kent.

### The Area Covered (see map)



The Medway–Swale Arc contains 17 contiguous wards, with a population of over 157,000. The wards contained are:

- In Swale: Chalkwell; Iwade & Lower Halstow; Kemsley; Milton Regis; Murston; Queenborough & Halfway; Sheerness East; Sheerness West; Woodstock.
- In Medway: Chatham Central; Gillingham North; Peninsula; Rainham Central; River; Rochester South & Horsted; Watling; Twydall.

## Opportunities and Challenges

The Arc offers immense potential and opportunity for investment and growth. The area encompasses much of the local economy of Medway and Swale, with over 57,000 jobs across a range of employment sites. These established sites have capacity to accommodate new investment and build upon the well established and diverse manufacturing base. There are also excellent opportunities to deliver state of the art commercial space for new and growing industries in the area, including offshore renewable engineering, environmental technologies, digital design and life sciences.

At the same time the communities within the Arc face significant challenges, with low employment rates and a high dependency on out of work benefits. This Partnership and the two local authorities concerned are committed to creating opportunities accessible to local people, by helping create the right pathways to employment.

## Building on firm foundations

### Existing Manufacturing Base

The Arc contains one of the largest concentrations of manufacturing in the South East. 7 of the 17 wards have over 20% of employment in the manufacturing sector. At Eurolink in Sittingbourne over 250 companies occupy 200,000 sq metres, employing an estimated 6,500 people. Kemsley Fields is home to some of Swale's largest employers and has scope for further development along with Neats Court on the Isle of Sheppey. In Medway, the Gillingham Business Park provides over 140,000 sq metres of employment space, with 3,200 jobs and numerous companies. The Rochester Airport industrial estate has 59 businesses including BAE Systems (one of Medway's largest business employers) and its Digital Platform Solutions centre of excellence. Other major sites include Medway City Estate, which comprises businesses mainly in manufacturing and distribution.

### Development-ready sites

The Arc contains several sites whose potential can be realised in the period up to 2020, including:

- Chatham Waters – owned by the Peel Group, a mixed use development opportunity set to regenerate part of Chatham Docks, with outline consent for 180,000 sq metres of commercial space.
- Kingsnorth Commercial Park – A development ready commercial site, with outline consent for over 250,000 sq metres of commercial floor space.
- Rochester Airport – An exceptional new development opportunity, building on the great success of the Innovation Centre Medway. More than 160,000 sq metres of the site will be able to accommodate new employment, located adjacent to BAE Systems. This site is part of the [North Kent Enterprise Zone](#).
- Eurolink phase V – Has planning consent for 45,000 sq metres of new development and up to 1,000 new jobs as an extension of the established Eurolink Business Park in Sittingbourne: marketing and development are underway.
- Kent Science Park– Already attracting and growing technology led companies the site has planning permission for a further 12,000 sq metres of development, providing the opportunity to meet bespoke requirements of existing and new occupiers.

### The South East CORE

The Arc is wrapped around the Medway Estuary and the Swale, and one of the UK's most promising centres for offshore wind operations. The Medway-Swale Arc is at the heart of the **South East Centre for Offshore Renewable Engineering (CORE)**. It comprises a cluster of sites suitably sized and positioned to accommodate the integrated manufacture, construction, operations and maintenance of offshore wind turbines, including:

- Port of Sheerness: 50 ha, port facilities, rail
- Thamesport International: 75 ha, port facilities, rail
- Kingsnorth Commercial Park: 47 ha, water access
- Queenborough and Rushenden: 18 ha, mixed commercial
- Ridham Dock: 4 ha, water access

Together, this cluster of sites forms part of a wider offer across Kent and the Essex side of the Thames Estuary linked with the major operations and maintenance centre focused on Ramsgate in East Kent and offshore renewable activity at Harwich and Brightlingsea (all of which also benefit from Assisted Area status). The Arc therefore offers enhanced potential for businesses looking to invest in offshore renewables industries.

### Skills

The past decade has seen the expansion of skills provision in higher and further education, including universities at Medway and the Swale Skills Centre, which provides engineering training to pre and post-16 students and was the first to offer wind turbine technician apprenticeships, working in Partnership with DONG Energy UK. Through partnership with Jobcentre plus and initiatives such as the Employ Medway Advice Centre, local partners also work closely with local employers to secure job outcomes for local people.

### Innovation

Alongside Discovery Park in Sandwich, Swale and Medway make the most significant contribution to the Kent Life Science cluster, with the Arc containing the highest concentration of life science businesses within Kent. In Sittingbourne, Kent Science Park offers over 46,450 sq m of flexible, high-spec accommodation for over 60 companies, operating across a range of technologies, employing 1400 people, a figure which has grown by 500 since 2008.

Since 2009, the Innovation Centre Medway (ICM) has flourished, achieving high levels of occupancy by businesses specialising in high growth technologies such as specialist software development, renewable energy technologies and advanced manufacturing product design. As part of the North Kent Enterprise Zone, Rochester Airport Technology Park will be a catalyst for innovation and business growth across Medway, complementing the existing Innovation Centre and new [Innovation Studios Strood](#). It will also offer state-of-the-art meeting and conference spaces, business facilities and opportunities for networking in a campus atmosphere.

### Funding and business support

Assisted Area Status extends the scope of companies that might be eligible for funding schemes such as the [Kent & Medway Business Fund](#). For more information about opportunities in the Medway-Swale Arc, contact:

Medway - [business.support@medway.gov.uk](mailto:business.support@medway.gov.uk) Telephone: 01634 338215

Swale - [edu@swale.gov.uk](mailto:edu@swale.gov.uk) Telephone: 01795 417398