Assisted Area Status

Exploratory paper
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1 Background

Purpose of the paper

1.1 Assisted Area Status is a means to target economically weak regions of the EU to maximise the impact of state aid through greater levels of European funding, to have the greatest impact on promoting growth, productivity, skills and jobs. Though it does not bring with it specific funding, Assisted Area Status offers eligibility for certain forms of financial support.

1.2 This is done through Grants for Business Investment (GBI) in England, and Assisted Areas define where GBI can be utilised to generate greater economic benefit\(^1\). Normally, this is through firms either within or looking to invest in Assisted Areas.

1.3 At present, Assisted Area Status is defined at varying geographical levels depending on the Tier of status awarded, but there is an assumption of adherence to the principle of geographical concentration.

1.4 This paper seeks to address the inequality caused as a result of this geographical rigidity, and address the recent developments focusing on moves towards greater flexibility and calls for a more local, spatially relevant approach. It also begins to explore the case for determining Assisted Areas based on socio-economic commonalities rather than geographic contiguity.

Government policy and Big Society

1.5 Since the formation of the Coalition Government in May 2010, the Big Society agenda has been driven by Government in an effort to transform communities and deliver real change for localities. As part of the Big Society and Localism agenda, the need to make some of the more deprived areas productive and vibrant again is an essential step to achieving the intended aims. What is needed is a focus on deprived areas to ensure a resilience of place, and the Localism agenda offers a real opportunity to achieve this, provided it is done effectively.

1.6 The Government's ambition is for a balanced, sustainable and low carbon economy where all businesses and individuals can take advantage of the opportunities presented\(^2\). A geographical imbalance exists at present, at both a national and a local level. In those areas that are less successful, resilience and sustainability need to be nurtured through ensuring the right conditions for economic development. Resources need to be utilised and targeted effectively. Locally tailored, targeted support is needed across a range of areas from addressing skills shortages to ensuring the highest return on public investment.

Future of economic development and regeneration activity

1.7 In ensuring real growth in an environment of spending priority review and cutback, the varying risk of cuts needs to be fully understood, and mitigating the impact will be imperative\(^3\). The Comprehensive Spending Review\(^4\) presents a challenge to the delivery of economic development and regeneration, but nevertheless still represents an

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1 The Assisted Areas Order (2007) defines the Assisted Areas of Great Britain between 2007-2013
2 Department for Business Innovation and Skills (2010) A Strategy for Sustainable Growth, July 2010
3 The Work Foundation (2010) Cut, Tax, Grow? A policy prospectus for the first 100 days of the new government
opportunity to be innovative in shaping and stimulating local economies, not least through innovative collaboration and financing models.\(^5\)

1.8 In particular, there is still a need for a financial stimulus for social capital, which some critics argue is not properly addressed by the Localism Bill.\(^6\) Furthermore, there needs to be a locally specific focus on Small and Medium-sized Enterprises (SMEs) and labour market issues such as skills to try and ensure a sustainable pattern of growth.\(^7\)

### Essex County Council priorities and pledges

1.9 The Essex County council Corporate Plan\(^8\) outlines in Priority 5 the promotion of sustainable economic growth, with the intention to deliver improvements in priority growth areas such as the Haven Gateway.

1.10 Linked to this are the Essex County Council pledges, amongst which are the following directly related to economic development and regeneration: -

1. **Increase educational achievement and skills** by working with and supporting schools to help them deliver sustainable improvements in English and Maths at all age ranges
2. **Make communities safer** by enabling them to reduce anti-social behaviour and fear of crime through 12 local community engagement schemes and projects
3. **Promote sustainable economic growth** by investing at least £1m to help Essex firms create jobs and take advantage of new market opportunities, including supporting 250 new apprenticeships
4. **Promote public health and wellbeing** by providing 150 more sport and health related activities for 30,000 young people in both schools and their local communities

### Greater Essex, Kent and East Sussex Local Enterprise Partnership (LEP) priorities

1.11 the Greater Essex, Kent and East Sussex LEP aims to drive forward prosperity by enabling and facilitating the right environment for business to flourish, through the following stated objectives: -

- Unlocking infrastructure for business growth
- Unlocking investment for job creation
- Unlocking skills fit for the economy
- Unlocking innovation and business support
- Unlocking opportunity in priority locations

### European funding

1.12 The LEP rightly identifies the benefit that the LEP area receives from significant European funding. However, the recognition of the need for locally tailored funding support is also clear. The LEP argues that a more informed analysis of local need in the future is required, in the context of the strong business voice that the Kent and Greater Essex Local Enterprise Partnership will provide.

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\(^5\) Jackson, M. / CLES (2010) How do we do local economic development post CSR?, CLES Bulletin #79
\(^7\) Lee, N. et al. / The Work Foundation (2010) No City Left Behind? The geography of the recovery – and the implications for the coalition (Cities 2020)
\(^8\) Essex County Council (2011) Resourcing EssexWorks: Corporate Business Plan 2011-12 to 2013-14: Delivering the Best Quality of Life in Britain
2 European policy and regional assistance

Europe 2020 / Lisbon and Gothenburg agendas

2.1 Through the Lisbon and Gothenburg agendas, and consolidated through Europe 2020, the EU’s growth strategy, the aim is for all areas to become part of a smart, sustainable, inclusive economy, through high levels of employment, productivity and social cohesion. Consequently, European policy is being shaped to deliver on high level skills, greater accessibility to jobs, increasing the low-carbon economy, and stimulating research and innovation.

5th Cohesion Report

Findings and conclusions of the 5th Cohesion Report

2.2 The 5th Cohesion Report acknowledges that in pursuit of the twin goals of economic and social cohesion in the European Union, sharper policy direction is needed below the EU and national level. Whilst competitiveness, exclusion and sustainability are being addressed, disparities remain.

2.3 Additionally, the Report identifies too great a focus on outputs and funding spent, rather than on outcomes and results. In order to achieve this, it is recommended that there needs to be a greater concentration on a smaller number of thematic priorities. This should not, however, prevent the delivery of experimental and innovative projects.

2.4 Nevertheless at present, structural funds seem likely to continue to play a role in future EU policy.

LEP response to 5th Cohesion Report

2.5 As already stated, the LEP argues that a more informed analysis of local need in the future is required. In particular, support is given by the LEP to indications in the 5th Cohesion Report to shift to a more locally-specific spatial approach.

Structural funds and Assisted Area Status

Assisted Areas

2.6 Assisted Area status allows national regional aid to be targeted to address economic disparities within specific areas. Assisted Areas have been defined at varying geographical levels depending on the Tier of status awarded. Under EU rules, areas included in the Assisted Areas also had to be based on units of at least 100,000 population. Areas of deprivation smaller than that were generally not eligible.

2.7 This is stratified (provision is made through Article 87(3)(a) & (c) of the EC Treaty), with Tier 1 and 2 designations allowing for differing levels of geographically targeted regional aid provision, which is determined by GDP or other socio-economic indicators. Tier 1 addresses areas of severe economic need and where standards of living are abnormally low, whilst Tier 2 addresses areas of acute labour market need. A third tier exists for specific support to SMEs.

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2.8 At the last Government review of Assisted Area status\textsuperscript{10}, no area in Essex was designated as either Tier 1 or 2, and only areas in Luton and [then] South Bedfordshire were designated as Tier 2 in the East of England.

2.9 Assisted Area status at Tier 1 is designated on NUTS2 geography, but at Tier 2 is more discretionary under guidelines on Regional Aid. Whilst flexibility exists in regional aid guidelines on Assisted Areas, the guidelines themselves are nevertheless restrictive at present. Additionally, Government defined criteria can also be considered relatively constraining, as Tier 2 areas were designated based on the following:

- Employment rate;
- Adult skills at NVQ Level 2 or above;
- Incapacity Benefit claimants;
- Manufacturing share of employment
- Assisted Areas determined by being either:
  - One standard deviation worse than the Great Britain average on any one of these indicators; or
  - Half a standard deviation worse than the Great Britain average on at least two of these indicators

**Wind Port funding**

2.10 The UK is at the forefront of delivering offshore wind energy capacity but currently relies heavily on imported manufacturing. The next round of capacity delivery of an unprecedented scale (akin to the level of investment in North Sea oil and gas) and technological development. Hence, industry is warning of insufficient capacity. Ports in the UK are gearing up, and recent announcements.

2.11 Offshore wind industry opportunity is crucial for the whole of Essex, and it is important to note that Harwich International Port is already at the leading edge of servicing offshore wind farm delivery.

2.12 The Offshore Wind Manufacturing Funding announced on 25\textsuperscript{th} October 2010\textsuperscript{11} allows offshore wind manufacturers will be able to apply for support for major investments under the Grants for Business Investment (GBI) scheme in assisted areas of England. However, recent Government proposals have indicated that Harwich will not have any opportunity to access the £60 million of windport funding as no areas in Tendring, or indeed the wider Essex area, have Assisted Area Status.

3 Areas of deprivation in Essex

3.1 Despite the size and strategic importance of the Greater Essex, Kent and East Sussex economy, there are significant disparities. The relative prosperity of areas which appear to have largely survived the recession masks a significant number of places that are amongst the most deprived in the country. Parts of rural and particularly coastal Essex remain dependent on public funds for growth and continue to lag behind in productivity.

**Case study: Tendring**

3.2 Despite the port of Harwich being an economic driver, Tendring District has a number of economic development and regeneration issues, as a result of pockets of deprivation, something that is apparent in other parts of Essex, Kent and East Sussex.

Employment and economy

3.3 There is a dependency on public sector jobs in Tendring, with almost 31 per cent of employees working in the public sector, and in particular health, in 2008\textsuperscript{12}. Additionally, there is a significant proportion of employees working for SMEs, but significantly, a high proportion of this is in seasonal seaside tourism jobs\textsuperscript{13}.

3.4 Additionally, Tendring has low economic activity and competitiveness – there are low business formation rates, and GVA that is more than £6,000 less than nationally. Also, there is a significantly low proportion of people employed in the knowledge economy – an area earmarked for future growth by Government policy.

3.5 Further exacerbating the challenges faced by Tendring is the skills mismatch that exists in the district. In 2008, 21 per cent of the working age population of Tendring had no qualifications, and only 45 per cent had achieving NVQ2. Furthermore, there is a recorded significant mismatch between the number and type of jobs being advertised through Job Centre Plus and the occupation sought by jobseekers, which has resulted in a high ratio of JSA claimants per Jobcentre vacancy\textsuperscript{14}. Tendring also has a significantly high number of NEETs (13.1 per cent), which is compounded by poor transport links restricting access to education centres.

3.6 The overall rate of JSA claimants is comparatively high at 4.7 per cent, and the 2\textsuperscript{nd} highest in Essex. Additionally, there is a higher ratio of economic dependency in Tendring – 0.85 compared to an Essex figure of 0.62 and nationally at 0.58.

Deprivation

3.7 The 2007 Index of Multiple Deprivation (IMD) placed Tendring’s overall ranking as the 103\textsuperscript{rd} most deprived area out of 354 nationally (1 being the most deprived), putting it in the top 30 per cent of deprivation amongst Local Authorities in England. In the 2010 IMD data, this had increased significantly to 86\textsuperscript{th} out of 326 Local Authorities in England. However, this masks significantly greater deprivation prevalent at a smaller scale.

3.8 The Lower Super Output Area (LSOA) covering Jaywick is the most deprived area in the country, up from 3\textsuperscript{rd} in 2007, ahead of more nationally recognised deprived areas, e.g. Blackpool.

3.9 Seven of the Lower Super Output Areas (LSOAs) within Tendring are in the top 10 per cent most deprived in the country, and the Wards of Golf Green, Pier, Rush Green, Alton Park, Harwich East and St. Marys, which are the most deprived wards in the District, are thus some of the most deprived in the country. The urban centres of Clacton, Harwich and Jaywick and Walton continue to be areas in need of the most intervention.

3.10 The identified deprivation issues are:

- Large number of elderly population
- High levels of inward migration
- Informal economy operating
- Small percentage of non-white residents, meaning these communities are hard to reach
- NOMIS – ONS 2009 – Of those claiming Working Age Key Benefits 8.8% of total claimants are ESA / incapacity benefit compared to 5.3% in the East and 7.1% nationally.
- Job density – ratio of total jobs to working age population in Tendring is 0.59, the East is 0.81 and 0.83 nationally.

\textsuperscript{12} NOMIS – Annual Business Inquiry
\textsuperscript{13} Sheffield Hallam University / CRESR (2010) The Seaside Tourist Industry in England and Wales: Employment, economic output, location and trends
\textsuperscript{14} Jobcentre Plus, April 2010
3.11 However, under conventional approaches to Assisted Area status designation, Jaywick has missed out on Assisted Area Status, and a greater recognition of the economic development challenges that it faces.

**Opportunities**

3.12 Up-skilling is a considerable need and opportunity in Tendring. As at June 2010, Tendring was ranked 405th out of 407 districts nationally on skills and qualifications with 16,100 people holding no qualifications; almost double that of the regional average. Nearly 80 per cent of Tendring residents are economically active but with 22 per cent holding no qualifications and only 45 per cent qualified to NVQ Level 2, this indicates the need to encourage more people who are in work to continue training linked to their employment as well as provide unemployed people with more opportunities to up-skill, reflecting the needs of the local labour market. Additionally, 62% did not achieve 5+ A*-C GCSE’s inc. English and maths in 2009, indicating the need to provide alternative routes of education for young people in their locality. Consequently, there is a high proportion of NEETs in Tendring (13.1 per cent), the majority of whom are not catered for through the current educational offer and research shows that greater access to vocational training would help address this.

3.13 There will be significant investment into the growing offshore wind industry over the coming years. Millions of pounds have already been invested, and as a result of the current wave of offshore wind zone licensing, four zones will be within 200 miles of Essex. This will involve construction, installation, operation and maintenance of 5-7000 wind turbines with associated surveying, cabling and onshore support for the zones. Despite the UK being at the forefront of offshore wind energy development, there is too much reliance on resources and jobs. This licensing round is of an unprecedented scale and there is insufficient domestic capacity to produce the amount of turbines, foundations and supporting cabling required. The unique advantage for Essex is the proximity of its deep-water ports to these wind zones, such as Harwich International Port and potential expansion at Bathside Bay. As well as benefitting the well-established port economy surrounding Harwich, there would be knock-on investment opportunities, e.g. for local supply chains for manufacturing and support services.

3.14 Transport is a key in Jaywick and Tendring, both on grounds of cost and practicality. Car ownership levels in Jaywick itself are relatively low and the nearest rail station is in Clacton. A day ticket on buses is more than £5 in the Clacton area. Access to key employment areas in Colchester, Harwich and Clacton is also a crucial issue.

4 Changing policy context

**Cohesion policy shift**

4.1 Following the publication of the 5th Cohesion Report, it is apparent that there is a significant shift in Cohesion policy that will impact on structural funds and Assisted Areas. With the introduction of the territorial dimension, there is a need to address functional geographies and areas facing specific geographical or demographic problems\(^\text{15}\). In particular, the conclusions of the report argue for greater flexibility in operational programmes:

> For the future, one aspect which should be examined is whether the regulatory architecture of cohesion policy should allow greater flexibility in organising operational programmes in order to reflect the nature and geography of development processes better. Programmes could then

\(^{15}\text{European Commission (2010) Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee, the Committee of the Regions and the European Investment Bank: Conclusions of the fifth report on economic, social and territorial cohesion: the future of cohesion policy}
be designed and managed not only at national and regional levels, but also – for example – at the level of groups of towns or of river and sea basins... the role of local development approaches under cohesion policy should be reinforced, for example by supporting active inclusion, fostering social innovation, developing innovation strategies or designing schemes for regeneration of deprived areas. [Conclusions of the fifth report on economic, social and territorial cohesion, pp.7-8]

4.2 This echoes calls for a more spatially specific approach that were made at the last Assisted Area review in 2006, for example to help address pockets of deprivation through designation of smaller areas. Recently, there has been renewed emphasis on a place-based approach from a number of policy commentators. This is in recognition of the fact that local development needs should determine the geography of intervention16. Consequently there should be greater scope for encouraging a more place-based approach to structural fund programming and allocation of resources, with intervention at different scales a distinct possibility17.

4.3 More recently, there have been indications that smaller levels of geography, such as NUTS3, will have greater involvement in the direction of Cohesion Policy, by boosting the participation of NUTS3 regions through an increase in multilevel governance 18.

**Shifting national policy**

4.4 Though the recent Local Growth white paper indicates Government desire to intervene on market failure at the local level to ensure local economies can recover and flourish, it also indicated the withdrawal of Grants for Business Investment (GBI) with the closure of Regional Development Agencies (RDAs). Thus it is arguable that any future aid investment will need to be highly targeted.

4.5 As both the Work Foundation19 and CLES20 argue, whilst those areas best placed to recover from the recession will have to work hard anyway, weaker economies will suffer, particularly without support. Assisted Area policy instruments and other targeted approaches would positively contribute to the fulfilment of several of the aims of the Coalition Government and particularly the objectives of the Big Society.

Assisted Area support and funding is exactly the help that some places need for there to be any possibility of a flourishing, activist, civil society that builds social capital. Without area assistance, the combination of persistent job gaps and public sector cuts makes rising unemployment almost a certainty Assisted Area policy empowers places to maximise resource use through locally tailored solutions. Consequently economic performance and the capacity for innovation will be enhanced, and lessen the communities’ dependence on the state which is of benefit to the UK as a whole. [CLES, Big Productive Society, p.25]

4.6 Additionally, whilst LEPs may be better placed to understand their places and support local enterprise, a recent report by PWC21 has raised the question of whether LEPs have the tools and capacity to ensure sufficient growth to counter the impact of spending cuts and the recession. Consequently, PWC argue that Government needs to act strategically on funding and other mechanisms, and provide LEPs with the tools to ensure resilient places are built. Consequently, access to funding through Assisted Area Status is imperative.

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16 Bachtler, J. (2010) Place-based policy and regional development in Europe, Horizons, 10(44), pp.54-58
20 CLES / Furness Enterprise (2010) Big Productive Society: Making deprived areas strong again
21 PricewaterhouseCoopers LLP (2010) Sectoral and regional impact of the fiscal squeeze: An economic analysis of the impact of spending cuts and tax rises
5 Areas for exploration

5.1 One of the aims of this paper is to establish a platform from which to coherently lobby for greater flexibility as outlined in the 5th cohesion report, co-ordinated at both European and National level to enable greater access to EU funding through Assisted Area status. It must be borne in mind that this forms part of a greater approach to the regeneration of areas in Essex and the LEP area. Consequently, the activities currently being conducted and planned must not be overlooked. However, its focus needs to remain on the EU funding and policy aspect. It should also be noted that other areas of the UK are also preparing similar work portfolios, and have already begun lobbying in Brussels.22

5.2 As mentioned, a significant amount of work is already being planned and will be undertaken through the Jaywick Task Force, and it is imperative to build on this portfolio of work. The objective, therefore, is the achievement of Assisted Area status for deprived coastal areas such as Jaywick, the most deprived area in England.

5.3 It is also possible that work on Assisted Area Status might influence LEP activity, though this will become clearer as LEP priorities develop.

Pursuing Assisted Area Status

5.4 The Guidelines on National Regional Aid for 2007-1323 outline the criteria for designating both Tier 1 and Tier 2 status Assisted Areas. Given the criteria for Tiers 1 and 2, it would not be realistic to pursue Tier 1 status, on the basis that the NUTS-2 regions of the LEP area are relatively prosperous and affluent, despite containing within them pockets of significant deprivation. Therefore, Tier 2 status is the appropriate designation to pursue. Despite the relative rigidity of the regional aid guidelines, some flexibility does exist, notably as outlined in Paragraph 30 (h): -

In duly justified cases, Member States may also designate other regions which form contiguous zones with a minimum population of at least 50 000 which are undergoing major structural change, or are in serious relative decline, when compared with other comparable regions. It will be the task of Member States which wish to use this possibility to demonstrate that the award of regional investment aid in the region concerned is justified, using recognised economic indicators and comparisons with the situation at Community level.

5.5 Additionally, further flexibility for Member States is outlined in Paragraph 31: -

In addition, in order to allow Member States greater flexibility to target very localised regional disparities, below the NUTS-III level, Member States may also designate other smaller areas which do not meet the conditions described above provided they have a minimum population of 20 000. It will be the task of Member States which wish to use this possibility to demonstrate that the areas proposed are relatively more in need of economic development than other areas in that region, using recognised economic indicators such as GDP per capita, employment or unemployment levels, local productivity or skills indicators. Regional aid will be approved by the Commission in these areas for SMEs, and the relevant SME bonus will also apply. However, because of the potential distortion of competition resulting from the spill-over effect into the more prosperous surrounding regions, the Commission will not approve aid for investments by large companies in these areas, or aids for investments with eligible expenses exceeding EUR 25 million.

5.6 It is arguable that through this, the guidelines offer sufficient flexibility to explore Assisted Area Status. In light of the recognition of the need for greater spatial flexibility, this gives grounds to pursue AAS for smaller areas than perhaps has hitherto been the case.

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22 Torbay are understood to be one such area that have sent a delegation to Brussels to pursue this issue
Comparison of levels of action

<table>
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<th>Geographic Level</th>
<th>Pros</th>
<th>Cons</th>
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| **LEP** | ▪ Would enable action in a number of deprived towns across LEP to address issues pertinent to coastal areas  
▪ Significant potential for political backing from LEP partners | ▪ Cluster of coastal towns across LEP area goes against EU principle of geographic contiguity  
▪ Significant lobbying required at both EU and national level to test spatial flexibility  
▪ Focus of action would be diluted |
| **Essex** | ▪ Would enable action in a number of areas of Essex to address issues pertinent to coastal areas  
▪ Potential for political backing from wider Essex partners | ▪ Cluster of coastal towns across Essex area goes against EU principle of geographic contiguity  
▪ Significant lobbying required at both EU and national level to test spatial flexibility  
▪ Focus of action would be diluted |
| **Clacton** | ▪ Focused approach would be able to pinpoint issues of deprivation and relative economic decline  
▪ Adheres to principle of geographic contiguity | ▪ Potential dilution of issues to be addressed in Jaywick  
▪ May detract from areas of need outside of Essex / across LEP |
| **Jaywick / Clacton** | ▪ Highly focused approach would be able to pinpoint issues of deprivation and relative economic decline  
▪ Adheres to principle of geographic contiguity  
▪ Flexibility in approach to addressing local development / regeneration issues  
▪ Jaywick could act as a vanguard for addressing coastal issues more widely | ▪ Spatial level may fall below threshold outlined in Para 31 of Regional Aid Guidelines  
▪ May detract from areas of need outside of Essex / across LEP |

Coastal town cluster

5.7 As detailed above, one potential option to pursue would be focusing on a cluster of towns in Essex or the wider Greater Essex, Kent and East Sussex LEP area, based on socio-economic similarity. This, a departure from the conventional approach to designating Assisted Areas, would be fully embracing the concept spatial flexibility that has recently been recognised and argued for through the 5th Cohesion Report and other forums, though going against the currently held principle of geographic contiguity. Such an approach, though innovative, would require significant lobbying at National and European level, and an appropriate level of coordination throughout the LEP area.

A targeted approach for Jaywick and West Clacton

5.8 A more productive approach could be to pursue Assisted Area Status for Jaywick and West Clacton, based on Jaywick’s status as the most deprived area in England according to IMD 2010 figures. As Paragraph 31 of the Regional Aid Guidelines specify, Member States are able to designate small areas of a minimum population of 20,000 that are relatively more in need of economic development than other areas, provided recognised economic indicators are used to demonstrate such a case. This approach also adheres to the principle of geographic contiguity, but additionally represents flexibility in addressing development and regeneration issues.

5.9 This would certainly enable Assisted Area Status to be pursued for Jaywick, and as a result, it is possible that Jaywick in turn could be used as a vanguard for coastal issues within Essex, across the LEP area and indeed more widely. It should be noted that all of
the 5 most deprived areas are coastal towns or cities, and a significant proportion (around 60 per cent) of the top 50 most deprived areas are in coastal areas.

**Lobbying and next steps**

5.10 Pursuing this approach, or indeed the coastal town cluster approach, would require significant lobbying at a national level with the Government through the Department for Business, Innovation and Skills, and with the European Commission (significantly more so in the case of the coastal town cluster approach). Following the decision on which approach to take, the next step in terms lobbying would be pursuing the matter of Assisted Area Status with BIS to pursue the case further.