

Impact Assessment of Revision of the Industrial Development Act

Title: Revision of Industrial Development Act 1982 Lead department or agency: BIS Other departments or agencies: n/a	Impact Assessment (IA)
	IA No:
	Date: 01/01/2010
	Stage: Development/Options
	Source of intervention: Domestic
	Type of measure: Primary legislation
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Summary: Intervention and Options

What is the problem under consideration? Why is government intervention necessary?

The revision of the Industrial Development Act (IDA) to remove the automatic inclusion of Northern Ireland is an operational necessity in advance of renegotiating the 2014 Regional Aid Guidelines with the European Commission. Without the amendment 100% of Northern Ireland will receive automatic inclusion in the Assisted Areas Map at the expense of poorer areas elsewhere. We also wish to make three other (reasonably minor) amendments to the IDA as explained below.

What are the policy objectives and the intended effects?

1. Remove automatic 100% cover for Northern Ireland as an assisted area so that they are allocated coverage on the same basis as the rest of the UK
2. Uprate the per-project amount for a Parliamentary Resolution from £10m and close a loop-hole so foreign currency guarantees are limited to the same amount
3. Add broadband to the list of basis services so that it can be provided for industrial development purposes
4. Extend the Secretary of State's powers to manage land to include that acquired under the public bodies bill.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)

- Option 0: Do nothing, make no amendments to the IDA.
- Option 1: Remove the automatic assisted area status for Northern Ireland
- Option 2a: Uprate amount for Parliamentary resolution to £27m in line with inflation
- Option 2b: Uprate amount for Parliamentary resolution in line with GDP to £50m
- Option 3: Add broadband to list of basic services
- Option 4: Extend ability to manage land to that acquired under the Public Bodies bill

Options 1, 2, 3 and 4 are modular in nature i.e. independent and not mutually exclusive. There are two sub-options for executing option 2 which should be considered mutually exclusive. The preferred approach is to pursue options 1, 2b, 3 and 4 because these best meet operational needs.

Will the policy be reviewed? It will not be reviewed. **If applicable, set review date:** Month/Year

What is the basis for this review? Not applicable. **If applicable, set sunset clause date:** Month/Year

Are there arrangements in place that will allow a systematic collection of monitoring information for future policy review?

Not applicable

Summary: Analysis and Evidence Policy

Option 1

Description:

Option 1 - Remove the automatic assisted area status for Northern Ireland

Price Base Year 2011	PV Base Year 2011	Time Period Years N/A	Net Benefit (Present Value (PV)) (£m)		
			Low:	High:	Best Estimate: N/A

COSTS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	0		Optional	Optional
High	0		Optional	Optional
Best Estimate	0		N/A	N/A

Description and scale of key monetised costs by 'main affected groups'

No monetised costs are associated with revising the IDA.

Other key non-monetised costs by 'main affected groups'

This revision ends the automatic 100% assisted area coverage for NI - and means that their coverage will be allocated in the same way as other areas of the United Kingdom (Scotland, England, Wales). This may cause a marginal increase in the complexity and duration of negotiations between devolved administrations in defining the assisted area map from 2014 onwards.

BENEFITS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	0		Optional	Optional
High	0		Optional	Optional
Best Estimate	0		N/A	N/A

Description and scale of key monetised benefits by 'main affected groups'

No monetised benefits are associated with revising the IDA.

Other key non-monetised benefits by 'main affected groups'

Relative to the do nothing scenario, this option provides an opportunity for regional support to be targeted more effectively across areas of the UK according to need, thus increasing the ability of Government to meet equity objectives.

Key assumptions/sensitivities/risks

Discount rate (%)

This proposed revision does not affect the total amount of assisted area coverage for the UK. This amendment to the IDA provides the option to reduce the level of coverage in NI. However, it is difficult to make assumptions on what % of coverage Northern Ireland will have in the future as this is unknown and depends on the European Commission's revised Regional Aid Guidelines. A full Equality Impact Assessment for Northern Ireland will have to be conducted once this is known.

This option also mitigates the threat of legal challenge by disadvantaged areas when the next regional aid map is defined.

Direct impact on business (Equivalent Annual) £m):			In scope of OIOO?	Measure qualifies as
Costs: 0	Benefits: 0	Net: 0	Yes/No	IN/OUT

Enforcement, Implementation and Wider Impacts

What is the geographic coverage of the policy/option?	United Kingdom				
From what date will the policy be implemented?	01/01/2014				
Which organisation(s) will enforce the policy?	BIS				
What is the annual change in enforcement cost (£m)?	0				
Does enforcement comply with Hampton principles?	Yes/No				
Does implementation go beyond minimum EU requirements?	N/A				
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)	Traded: 0		Non-traded: 0		
Does the proposal have an impact on competition?	No				
What proportion (%) of Total PV costs/benefits is directly attributable to primary legislation, if applicable?	Costs: 100		Benefits: 100		
Distribution of annual cost (%) by organisation size (excl. Transition) (Constant Price)	Micro N/A	< 20 N/A	Small N/A	Medium N/A	Large N/A
Are any of these organisations exempt?	No	No	No	No	No

Specific Impact Tests: Checklist

Set out in the table below where information on any SITs undertaken as part of the analysis of the policy options can be found in the evidence base. For guidance on how to complete each test, double-click on the link for the guidance provided by the relevant department.

Please note this checklist is not intended to list each and every statutory consideration that departments should take into account when deciding which policy option to follow. It is the responsibility of departments to make sure that their duties are complied with.

Does your policy option/proposal have an impact on...?	Impact	Page ref within IA
Statutory equality duties ¹ Statutory Equality Duties Impact Test guidance	Yes	
Economic impacts		
Competition Competition Assessment Impact Test guidance	No	
Small firms Small Firms Impact Test guidance	No	
Environmental impacts		
Greenhouse gas assessment Greenhouse Gas Assessment Impact Test guidance	No	
Wider environmental issues Wider Environmental Issues Impact Test guidance	No	
Social impacts		
Health and well-being Health and Well-being Impact Test guidance	No	
Human rights Human Rights Impact Test guidance	No	
Justice system Justice Impact Test guidance	No	
Rural proofing Rural Proofing Impact Test guidance	No	

¹ Public bodies including Whitehall departments are required to consider the impact of their policies and measures on race, disability and gender. It is intended to extend this consideration requirement under the Equality Act 2010 to cover age, sexual orientation, religion or belief and gender reassignment from April 2011 (to Great Britain only). The Toolkit provides advice on statutory equality duties for public authorities with a remit in Northern Ireland.

Sustainable development[Sustainable Development Impact Test guidance](#)

No

Summary: Analysis and Evidence Policy

Option 2

Description:

Option 2a - Uprate amount for Parliamentary resolution to £27m in line with inflation and close loophole for non-Sterling expenditure

Price Base Year 2011	PV Base Year 2011	Time Period Years N/A	Net Benefit (Present Value (PV)) (£m)		
			Low: N/A	High: N/A	Best Estimate: N/A
COSTS (£m)	Total Transition (Constant Price) Years		Average Annual (excl. Transition) (Constant Price)		Total Cost (Present Value)
Low	0		N/A		N/A
High	0		N/A		N/A
Best Estimate	0		N/A		N/A
Description and scale of key monetised costs by 'main affected groups'					
No monetised costs associated with revision of the IDA.					
Other key non-monetised costs by 'main affected groups'					
Foreign currency expenditures above £27m (equivalent) would need resolution and there will be an increase in the administrative burden on Parliament and officials.					
BENEFITS (£m)	Total Transition (Constant Price) Years		Average Annual (excl. Transition) (Constant Price)		Total Benefit (Present Value)
Low	0		N/A		N/A
High	0		N/A		N/A
Best Estimate	0		N/A		N/A
Description and scale of key monetised benefits by 'main affected groups'					
No monetised benefits associated with revision of the IDA.					
Other key non-monetised benefits by 'main affected groups'					
Relative to the do nothing case, this option will reduce the resource burden on officials preparing cases for Parliamentary approval and reduce the burden on Parliament itself. Alleviating this burden for expenditure in the range £10-27m will also assist government in making timely interventions under s.8. Closing the loophole in relation to foreign currency transactions will increase Parliamentary control and reduce the risk of sub-optimal decision-making.					
Key assumptions/sensitivities/risks					Discount rate (%)

Upgrading the threshold in line with GDP at market prices (deflator) implies a shift from £10m to £27m. The number of cases expected in this expenditure bracket going forward is not clear, however, by means of proxy, in the last 5 years there have been 28 RDA expenditure approvals in the £10-27m bracket. Whilst such economic development expenditures would revert to IDA s.8 in future, the fiscal environment dictates that the actual number of affected cases would be much lower.

Reduced Parliamentary scrutiny for expenditures of £10-27m and any increased risk of sub-optimal decision-making will be offset, at least in part, by increased scrutiny for all non-Sterling transactions.

Direct impact on business (Equivalent Annual) £m):			In scope of OIOO?	Measure qualifies as
Costs: 0	Benefits: 0	Net: 0	Yes/No	IN/OUT

Enforcement, Implementation and Wider Impacts

What is the geographic coverage of the policy/option?	United Kingdom				
From what date will the policy be implemented?	01/01/2014				
Which organisation(s) will enforce the policy?	BIS				
What is the annual change in enforcement cost (£m)?	0				
Does enforcement comply with Hampton principles?	Yes/No				
Does implementation go beyond minimum EU requirements?	Yes/No				
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)	Traded: 0	Non-traded: 0			
Does the proposal have an impact on competition?	No				
What proportion (%) of Total PV costs/benefits is directly attributable to primary legislation, if applicable?	Costs: 100		Benefits: 100		
Distribution of annual cost (%) by organisation size (excl. Transition) (Constant Price)	Micro N/A	< 20 N/A	Small N/A	Medium N/A	Large N/A
Are any of these organisations exempt?	No	No	No	No	No

Specific Impact Tests: Checklist

Set out in the table below where information on any SITs undertaken as part of the analysis of the policy options can be found in the evidence base. For guidance on how to complete each test, double-click on the link for the guidance provided by the relevant department.

Please note this checklist is not intended to list each and every statutory consideration that departments should take into account when deciding which policy option to follow. It is the responsibility of departments to make sure that their duties are complied with.

Does your policy option/proposal have an impact on...?	Impact	Page ref within IA
Statutory equality duties ¹ Statutory Equality Duties Impact Test guidance	No	
Economic impacts		
Competition Competition Assessment Impact Test guidance	No	

¹ Public bodies including Whitehall departments are required to consider the impact of their policies and measures on race, disability and gender. It is intended to extend this consideration requirement under the Equality Act 2010 to cover age, sexual orientation, religion or belief and gender reassignment from April 2011 (to Great Britain only). The Toolkit provides advice on statutory equality duties for public authorities with a remit in Northern Ireland.

Small firms Small Firms Impact Test guidance	No	
Environmental impacts		
Greenhouse gas assessment Greenhouse Gas Assessment Impact Test guidance	No	
Wider environmental issues Wider Environmental Issues Impact Test guidance	No	
Social impacts		
Health and well-being Health and Well-being Impact Test guidance	No	
Human rights Human Rights Impact Test guidance	No	
Justice system Justice Impact Test guidance	No	
Rural proofing Rural Proofing Impact Test guidance	No	
Sustainable development	No	
Sustainable Development Impact Test guidance		

Summary: Analysis and Evidence Policy

Option 3

Description:

Option 2b - Uprate amount for Parliamentary resolution in line with GDP to £50m and close loophole for non-Sterling expenditure

Price Base Year 2011	PV Base Year 2011	Time Period Years	Net Benefit (Present Value (PV)) (£m)		
			Low: N/A	High: N/A	Best Estimate: N/A

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	0	N/A	N/A
High	0	N/A	N/A
Best Estimate	0	N/A	N/A

Description and scale of key monetised costs by 'main affected groups'

No monetised costs associated with revision of the IDA.

Other key non-monetised costs by 'main affected groups'

Foreign currency expenditures above £50m (equivalent) would need resolution and there will be an increase in the administrative burden on Parliament and officials.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	0	N/A	N/A
High	0	N/A	N/A
Best Estimate	0	N/A	N/A

Description and scale of key monetised benefits by 'main affected groups'

No monetised benefits associated with revision of the IDA

Other key non-monetised benefits by 'main affected groups'

This option will reduce the resource burden on officials preparing cases for Parliamentary approval and reduce the burden on Parliament itself - this benefit will be greater than option 2a. Alleviating this burden for expenditure in the range £10-27m will also assist government in making timely interventions under s.8. Closing the loophole in relation to foreign currency transactions will increase Parliamentary control and reduce the risk of sub-optimal decision-making

Key assumptions/sensitivities/risks

Discount rate (%)

Uprating the threshold in line with GDP at market prices (deflator) implies a shift from £10m to £50m. The number of cases expected in this expenditure bracket going forward is not clear, however, by means of proxy, in the last 5 years there have been 47 RDA expenditure approvals in the £10-50m bracket. Whilst such economic development expenditures would revert to IDA s.8 in future, the fiscal environment dictates that the actual number of affected cases would be much lower. Reduced Parliamentary scrutiny for expenditures of £10-50m and any increased risk of sub-optimal decision-making will be offset, at least in part, by increased scrutiny for all non-Sterling transactions.

Direct impact on business (Equivalent Annual) £m):			In scope of OIOO?	Measure qualifies as
Costs:	Benefits:	Net:	Yes/No	IN/OUT

Enforcement, Implementation and Wider Impacts

What is the geographic coverage of the policy/option?		United Kingdom			
From what date will the policy be implemented?		01/01/2014			
Which organisation(s) will enforce the policy?		BIS			
What is the annual change in enforcement cost (£m)?		0			
Does enforcement comply with Hampton principles?		Yes/No			
Does implementation go beyond minimum EU requirements?		Yes/No			
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)		Traded: 0		Non-traded: 0	
Does the proposal have an impact on competition?		No			
What proportion (%) of Total PV costs/benefits is directly attributable to primary legislation, if applicable?		Costs: 0		Benefits: 0	
Distribution of annual cost (%) by organisation size (excl. Transition) (Constant Price)	Micro N/A	< 20 N/A	Small N/A	Medium N/A	Large N/A
Are any of these organisations exempt?	No	No	No	No	No

Specific Impact Tests: Checklist

Set out in the table below where information on any SITs undertaken as part of the analysis of the policy options can be found in the evidence base. For guidance on how to complete each test, double-click on the link for the guidance provided by the relevant department.

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Statutory equality duties ¹ Statutory Equality Duties Impact Test guidance	No	
Economic impacts		
Competition Competition Assessment Impact Test guidance	No	
Small firms Small Firms Impact Test guidance	No	
Environmental impacts		
Greenhouse gas assessment Greenhouse Gas Assessment Impact Test guidance	No	
Wider environmental issues Wider Environmental Issues Impact Test guidance	No	
Social impacts		
Health and well-being Health and Well-being Impact Test guidance	No	
Human rights Human Rights Impact Test guidance	No	
Justice system Justice Impact Test guidance	No	

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Rural proofing Rural Proofing Impact Test guidance	No	
Sustainable development Sustainable Development Impact Test guidance	No	

Summary: Analysis and Evidence Policy

Option 4

Description:

Option 3 - Add broadband to list of basic services

Price Base Year 2011	PV Base Year 2011	Time Period Years	Net Benefit (Present Value (PV)) (£m)		
			Low:	High:	Best Estimate: N/A

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	0	Optional	Optional
High	0	Optional	Optional
Best Estimate	0	N/A	N/A

Description and scale of key monetised costs by 'main affected groups'

No monetised costs associated with revision of the IDA.

Other key non-monetised costs by 'main affected groups'

This revision gives Government the option to pursue expenditure in relation to broadband coverage to support industrial development - it does not obligate Government (either legally or morally) to any future expenditure. Any future expenditure decision would be subject to affordability and value for money constraints.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	0	Optional	Optional
High	0	Optional	Optional
Best Estimate	0	N/A	N/A

Description and scale of key monetised benefits by 'main affected groups'

No monetised benefits associated with revision of the IDA.

Other key non-monetised benefits by 'main affected groups'

The option to pursue expenditure in relation to broadband coverage gives Government the capability to address a modern equity issue relating to the fixed costs of broadband infrastructure. Any future expenditure decision would be subject to affordability and value for money constraints.

Key assumptions/sensitivities/risks

Discount rate (%)

It should be noted that the Act currently applies to "any other services on which the development of the area...depends"; whilst this could be interpreted to include broadband, its explicit inclusion is intended to increase legal certainty.

This power would only be used in future where the solution is affordable to government and where the solution offers good value for money.

The scale and nature of any future use of this power cannot be forecast at the current time.

Direct impact on business (Equivalent Annual) £m:			In scope of OIOO?	Measure qualifies as
Costs: 0	Benefits: 0	Net: 0	Yes/No	IN/OUT

Enforcement, Implementation and Wider Impacts

What is the geographic coverage of the policy/option?			United Kingdom		
From what date will the policy be implemented?			01/01/2014		
Which organisation(s) will enforce the policy?			BIS		
What is the annual change in enforcement cost (£m)?			0		
Does enforcement comply with Hampton principles?			Yes/No		
Does implementation go beyond minimum EU requirements?			Yes/No		
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)			Traded: 0	Non-traded: 0	
Does the proposal have an impact on competition?			No		
What proportion (%) of Total PV costs/benefits is directly attributable to primary legislation, if applicable?			Costs: 0	Benefits: 0	
Distribution of annual cost (%) by organisation size (excl. Transition) (Constant Price)	Micro N/A	< 20 N/A	Small N/A	Medium N/A	Large N/A
Are any of these organisations exempt?	No	No	No	No	No

Specific Impact Tests: Checklist

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Statutory equality duties ¹ Statutory Equality Duties Impact Test guidance	Yes/No	
Economic impacts		
Competition Competition Assessment Impact Test guidance	Yes/No	
Small firms Small Firms Impact Test guidance	Yes/No	
Environmental impacts		
Greenhouse gas assessment Greenhouse Gas Assessment Impact Test guidance	No	
Wider environmental issues Wider Environmental Issues Impact Test guidance	No	
Social impacts		
Health and well-being Health and Well-being Impact Test guidance	No	
Human rights Human Rights Impact Test guidance	No	
Justice system Justice Impact Test guidance	No	

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Rural proofing [Rural Proofing Impact Test guidance](#)

Yes/No

Sustainable development

[Sustainable Development Impact Test guidance](#)

Yes/No

Summary: Analysis and Evidence Policy

Option 5

Description:

Option 4 - Extend ability to manage land to that acquired under the Public Bodies bill

Price Base Year 2011	PV Base Year 2011	Time Period Years 2011	Net Benefit (Present Value (PV)) (£m)		
			Low:	High:	Best Estimate: N/A
COSTS (£m)	Total Transition (Constant Price) Years		Average Annual (excl. Transition) (Constant Price)		Total Cost (Present Value)
Low	0		Optional		Optional
High	0		Optional		Optional
Best Estimate	0		N/A		N/A
Description and scale of key monetised costs by 'main affected groups'					
No monetised costs associated with revision of the IDA.					
Other key non-monetised costs by 'main affected groups'					
This revision gives Government the option to acquire and develop land outside of assisted areas - it does not obligate Government (either legally or morally) to any future expenditure. Any future expenditure decision would be subject to affordability and value for money constraints.					
BENEFITS (£m)	Total Transition (Constant Price) Years		Average Annual (excl. Transition) (Constant Price)		Total Benefit (Present Value)
Low	0		Optional		Optional
High	0		Optional		Optional
Best Estimate	0		N/A		N/A
Description and scale of key monetised benefits by 'main affected groups'					
No monetised benefits associated with revision of the IDA.					
Other key non-monetised benefits by 'main affected groups'					
The option to pursue acquire and develop land outside of assisted areas gives Government the capability to make commercial decisions regarding the management of land assets and projects - particularly those associated with the closure of RDAs. This will enable government to make decisions that maximise the value of the assets and avoid the sub-optimal disposal of assets. Any future expenditure decision would be subject to affordability and value for money constraints.					
Key assumptions/sensitivities/risks					Discount rate (%)
This power would only be used in future where the acquisition and/or development of land assets by government represents the most favourable commercial option. Any such decisions will also be subject to tests of affordability and value for money.					
The scale and nature of any future use of this power cannot be forecast at the current time.					
Direct impact on business (Equivalent Annual) £m:			In scope of OIOO?	Measure qualifies as	
Costs: 0	Benefits: 0	Net: 0	Yes/No	IN/OUT	

Enforcement, Implementation and Wider Impacts

What is the geographic coverage of the policy/option?			United Kingdom		
From what date will the policy be implemented?			01/01/2014		
Which organisation(s) will enforce the policy?			BIS		
What is the annual change in enforcement cost (£m)?			0		
Does enforcement comply with Hampton principles?			Yes/No		
Does implementation go beyond minimum EU requirements?			Yes/No		
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)			Traded: 0	Non-traded: 0	
Does the proposal have an impact on competition?			No		
What proportion (%) of Total PV costs/benefits is directly attributable to primary legislation, if applicable?			Costs: 0	Benefits: 0	
Distribution of annual cost (%) by organisation size (excl. Transition) (Constant Price)	Micro N/A	< 20 N/A	Small N/A	Medium N/A	Large N/A
Are any of these organisations exempt?	No	No	No	No	No

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Competition Competition Assessment Impact Test guidance	No	
Small firms Small Firms Impact Test guidance	No	
Environmental impacts		
Greenhouse gas assessment Greenhouse Gas Assessment Impact Test guidance	No	
Wider environmental issues Wider Environmental Issues Impact Test guidance	No	
Social impacts		
Health and well-being Health and Well-being Impact Test guidance	No	
Human rights Human Rights Impact Test guidance	No	
Justice system Justice Impact Test guidance	No	

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Rural proofing Rural Proofing Impact Test guidance	No	
Sustainable development Sustainable Development Impact Test guidance	No	

Enforcement, Implementation and Wider Impacts

What is the geographic coverage of the policy/option?	Options				
From what date will the policy be implemented?	01/01/2010				
Which organisation(s) will enforce the policy?					
What is the annual change in enforcement cost (£m)?					
Does enforcement comply with Hampton principles?	Yes/No				
Does implementation go beyond minimum EU requirements?	Yes/No				
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)	Traded:		Non-traded:		
Does the proposal have an impact on competition?	Yes/No				
What proportion (%) of Total PV costs/benefits is directly attributable to primary legislation, if applicable?	Costs:		Benefits:		
Distribution of annual cost (%) by organisation size (excl. Transition) (Constant Price)	Micro	< 20	Small	Medium	Large
Are any of these organisations exempt?	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No

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Economic impacts		
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Small firms Small Firms Impact Test guidance	Yes/No	
Environmental impacts		
Greenhouse gas assessment Greenhouse Gas Assessment Impact Test guidance	Yes/No	
Wider environmental issues Wider Environmental Issues Impact Test guidance	Yes/No	
Social impacts		
Health and well-being Health and Well-being Impact Test guidance	Yes/No	
Human rights Human Rights Impact Test guidance	Yes/No	
Justice system Justice Impact Test guidance	Yes/No	

¹ Public bodies including Whitehall departments are required to consider the impact of their policies and measures on race, disability and gender. It is intended to extend this consideration requirement under the Equality Act 2010 to cover age, sexual orientation, religion or belief and gender reassignment from April 2011 (to Great Britain only). The Toolkit provides advice on statutory equality duties for public authorities with a remit in Northern Ireland.

Rural proofing Rural Proofing Impact Test guidance	Yes/No	
Sustainable development Sustainable Development Impact Test guidance	Yes/No	

4

Evidence Base

The Problem

The IDA (1982) provides for financial support to be provided by the government to industry in the UK. The government proposed updating this Act so that it reflects current economic realities. There are four components to the proposed revision;

1. Due to the political situation at the time it was passed, the IDA mandated the automatic inclusion of 100% of the Northern Ireland (NI) population in the UK regional aid map. This resulted in more prosperous areas of NI (higher per capita GDP) being able to receive regional aid irrespective of GDP per capital as applied to the rest of the UK.

The continued automatic designation of NI as an assisted area would limit the UK's flexibility to renegotiate the aid map with the Commission in advance of 2014 as it will indiscriminately use up a proportion of the UK's assisted area allocation. The situation is exacerbated because the Commission also is likely to seek to reduce the total population that can reside in an assisted area (currently 23.9%) in line with the principles of less and better targeted aid.

2. In addition to regional aid under section 7 the Secretary of State may also provide financial assistance under s.8 of the IDA. The total amount that can be expended on such aid is capped, as is the sum that can be applied in respect of any one project. The per project limit has been set at £10 million since 1982. Where the government considers that this per project limit should be exceeded a resolution of the House of Commons has to be obtained. This limit has remained unchanged for almost thirty years despite the effects of economic growth and inflation causing an effective real increase in the threshold over this period. The government considers that the threshold per project should reflect modern industrial investment requirements to allow the UK to remain competitive.

Furthermore, the threshold is specified in GBP Pound Sterling and remains silent on foreign currency transactions. This represents a loophole through which interventions may currently bypass the requirement for Parliamentary resolution.

3. The IDA allows a Minister to make grants or loans towards the cost of improving "basic services" in a development area where this would contribute to the development of industry in that area. The list of basic services in s.13(2) of the IDA currently includes transport, power, lighting, heating, water or sewerage or "any other service on which the development of the area ... depends." This list of basic services does not explicitly include broadband, which is now considered by the government and much of the private sector as an essential tool for commercial activity.

4. The IDA only allows the Secretary of State's powers to acquire and develop land and buildings where this is in an assisted area (as defined in the IDA) or through the Local Employment Act 1972. The Government foresees that there may be cases where land and buildings are acquired outside such areas; this issue is becoming increasingly pertinent in relation to land owned by the Regional Development Agencies (RDAs), who it is proposed will be abolished by legislation.

Rationale for Intervention

The rationale for intervention that underpins the IDA will remain unchanged by this revision. The Act appeals primarily to the equity rationale by facilitating the stimulation of economic activity in more deprived areas of the UK.

The revision relating to Northern Ireland's status as an assisted area will directly facilitate a more effective targeting of regional aid in the future. Likewise, the addition of broadband to the list of basic services may be used as a tool to stimulate commercial activity in less-densely populated areas where the costs of establishing broadband infrastructure are prohibitive to provision by the market.

Policy Objective

The proposed revision should i) address the four problems identified above; and ii) receive Royal Assent by the end of the Parliamentary session in Spring 2013 in order for the government to be able to negotiate a new Assisted Areas map with the European Commission before this enters force in 2014.

Options

Options 1, 2, 3 and 4 presented below are modular in nature. This means that they can be pursued independently or in parallel (either in whole or in part) and should not be considered mutually exclusive. The exception to this is option 2, where the sub-options 2a and 2b provide alternative approaches for addressing the same problem.

Option 0 – Do Nothing

Make no amendments to the IDA.

Option 1 - Remove the automatic assisted area status for Northern Ireland

To amend s.7(6) of the IDA and remove the automatic inclusion of Northern Ireland in the definition of assisted areas meaning that from 2014 such areas will be determined throughout the UK according to the revised Regional Aid Guidelines.

Option 2a - Uprate amount for Parliamentary resolution to £27m in line with inflation and close loophole for non-Sterling expenditure

Revise the amount to £27 million to reflect the effect of (GDP price) inflation between 1982 and 2010. This option will also specify the threshold in such a way as to close the loophole on foreign currency transactions. This option takes no account of economic growth and the associated increase in national wealth since 1982.

Option 2b - Uprate amount for Parliamentary resolution in line with GDP to £50m and close loophole for non-Sterling expenditure

Revise the amount to £50 million to reflect the increase in UK GDP, as well as the increase in GDP price inflation, between 1982 and 2010. This option will also specify the threshold in such a way as to close the loophole on foreign currency transactions.

Option 3 - Add broadband to list of basic services

To update the IDA to include broadband among basic services so as to permit suitable investment to promote growth in areas of digital exclusion.

Option 4 - Extend ability to manage land to that acquired under the Public Bodies bill

To extend the powers in s.14 of the IDA to land acquired by the Government under the proposed Public Bodies Act or similar legislation that transfers assets currently held by other public bodies. This would, for example, allow the Secretary of State to manage out partially completed projects on such land.

Costs and Benefits

All costs and benefits in the table below are expressed relative to the “do nothing” option, where no revision is made to the IDA. It should be noted that resource costs (officials’ and Parliamentary time) associated with receiving Royal Assent for the proposed revisions are excluded from the table; however, these are expected to be negligible.

Option	Costs	Benefits
Option 1	Potential for increased complexity of negotiation amongst England and the devolved administrations when defining the Regional Aid map.	Government able to more effectively target regional aid to the most deserving areas of the UK.
Option 2a	Increased administrative burden on officials and Parliament for foreign currency expenditures	Reduced burden on Parliament and reduced administrative burden for officials for s.8 expenditures of £10-27m. Reduced bureaucratic requirements enables government to make more timely interventions under s.8
Option 2b	Increased administrative burden on officials and Parliament for foreign currency expenditures	Reduced burden on Parliament and reduced administrative burden for officials for s.8 expenditures of £1—50m; impact larger than option 2a. Reduced bureaucratic requirements enables government to make more timely interventions under s.8
Option 3	Nil - costs are realised only if the power is exercised.	Option to subsidise basic services that form a barrier to industrial development – option only exercised if benefits

Option	Costs	Benefits
		exceed costs and optimises value for money.
Option 4	Nil - costs are realised only if the power is exercised.	Option to acquire and develop land assets - option will only be exercised where benefits exceed costs and optimises value for money.

Risks and Assumptions

The assumptions and risks associated with each option are presented in the table below and expressed relative to the “do nothing” option.

Option	Assumptions	Risks
Option 1	Option to reduce the level of coverage in NI may be exercised from 2014 onwards. Scale and nature of future use of this power cannot be forecast at the current time	Threat of legal challenge from devolved administration will be reduced.
Option 2a	Future stream of cases falling into the £10-27m category is difficult to forecast (X in last Y years) GDP price inflation measure	Increased scrutiny for all foreign currency interventions, but reduced scrutiny for Sterling interventions £10-27m.
Option 2b	Future stream of cases falling into the £10-50m category is difficult to forecast (X in last Y years) GDP price inflation measure	Increased scrutiny of all foreign currency interventions, but reduced scrutiny for Sterling interventions £10-50m.
Option 3	Creates an option that may be exercised subject to affordability and VfM constraints. Scale and nature of future use of this power cannot be forecast at current time.	Future VfM analysis must be rigorous to ensure power is used only where appropriate.
Option 4	Creates an option that may be exercised subject to affordability and VfM constraints. Scale and nature of future use of	Future VfM analysis must be rigorous to ensure power is used only where appropriate.

Option	Assumptions	Risks
	this power cannot be forecast at current time.	

Direct Costs and Benefits to Business

The proposed amendments to the IDA will not impose any direct costs or benefits on business.

Wider Impacts

The proposed amendments to the IDA are not associated with wider costs or benefits.

Summary and Preferred Option

None of the costs or benefits associated with revising the IDA are quantifiable; however, it is considered that there is a strong case for making revisions to the IDA. Implementing the four options is associated with minimal cost, but a range of unquantifiable future benefits.

All four of the options presented aim to address specific aspects of the IDA that have become out of touch with economic realities since the current Act was passed almost thirty years ago. At that time, it would not have been reasonable to anticipate the changes in the economic and political environment that have given rise to the proposed amendments contained in options 1, 3 and 4.

Options 1, 3 and 4 do not obligate the government (either legally or morally) to any future expenditure; they do however provide government with the option to intervene where other conditions are met i.e. rationale for intervention, affordability and value for money.

The proposed revision at option 2 is designed to reverse the effects of inflation and national GDP growth. Inflation and increasing national wealth since 1982 have effectively lowered the threshold for Parliamentary resolution through time; it is clear that £10m in 1982 was a much more significant expenditure for government than it is today. The proposed amendment at option 2 merely reverses this implicit increase in the requirement for Parliamentary resolution.

By taking account of both inflation and growth in national income through time, option 2b is considered to represent the more appropriate and economically complete amendment to the resolution threshold.

The preferred approach is to pursue in parallel options 1, 2b, 3 and 4. These options are associated with negligible up-front costs, but create future options for government intervention. The scale of these future benefits are not quantifiable at the current time, but use of the powers will be disciplined by public affordability and value for money constraints.