

**CONSULTATION DOCUMENT**

Revision of Industrial  
Development Act 1982

20<sup>TH</sup> JULY 2011

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## 1. Revision of Industrial Development Act 1982

The Industrial Development Act 1982 (“IDA”) provides for financial support to be provided by the government to industry in the United Kingdom. The government proposes updating this Act so that it more accurately reflects current economic realities.

Issued: 20th July

Respond by: 19th October

Enquiries to: David Francis, Department for Business, Innovation and Skills, 1 Victoria Street, London SW1H 0ET | 0207 215 5000 | [IDArevision@bis.gov.uk](mailto:IDArevision@bis.gov.uk)

This consultation is relevant to: The devolved administrations of Scotland, Wales and Northern Ireland, English Local Enterprise Partnerships, businesses in receipt of regional aid, other interested parties.

## 2. Executive Summary

This consultation aims to gather views on the desirability of revising the IDA to update some of its provisions to more accurately reflect current economic realities. In the government's view there are several outdated requirements in the IDA, which have stood unchanged since 1982. We are asking for comment on the following four proposed amendments to the IDA.

The full text of the act can be found at: <http://www.legislation.gov.uk/ukpga/1982/52>

Comments are invited from stakeholders on four aspects of the proposed changes to the IDA:

- i) the removal of the automatic assisted area status of Northern Ireland,
- ii) an increase in the per project limit for aid (from the current £10 million) after which a parliamentary resolution is required; and removing the distinction that excludes payments under foreign currency guarantees from that increased limit,
- iii) the inclusion of telecommunications and broadband in the definition of the “basic services” that the Government can contribute towards in a development area,
- iv) widening the basis on which the Government can develop land it acquires.

Comments will be collated and summarised for the Secretary of State to review. A response will then be published online at [www.bis.gov.uk/IDArevision](http://www.bis.gov.uk/IDArevision)

As a result of devolution legislation (the Scotland Act 1998, the Government of Wales Act 1998, the National Assembly for Wales (Transfer of Functions) Order 1999 (SI 1999/672) and the Government of Wales Act 2006) some powers under the IDA have been exercised from 1 July 1999 in Scotland by the First Minister of Scotland and from 25 May 2007 in Wales by the Welsh Ministers. These powers were exercised concurrently throughout the UK from June 2009, by the Secretary of State for Business, Innovation and Skills (BIS). Discussions have taken place with the devolved administrations, territorial offices and other government departments before this consultation has been launched.

See Annex 3 for draft impact assessment. A separate Impact Assessment, including an Equality Impact Assessment for Northern Ireland, will be produced in 2012 on the implementation of the new Regional Aid Guidelines to draw up the post 2013 Assisted Areas Map.

### 3. How to respond

When responding, please state whether you are responding as an individual or representing the views of an organisation. If you are responding on behalf of an organisation, please make it clear who the organisation represents by selecting the appropriate interest group on the consultation response form and, where applicable, how the views of members were assembled.

You can [reply to this Consultation online](#)

Alternatively a copy of the Consultation Response form is available at [www.bis.gov.uk/IDArevision](http://www.bis.gov.uk/IDArevision) and can be submitted by letter, fax or email to:

IDA Consultation Response  
Economic Development Directorate  
Department of Business, Innovation and Skills  
1 Victoria Street. London SW1H 0ET  
Tel: 0207 215 5000  
Email [IDArevision@bis.gov.uk](mailto:IDArevision@bis.gov.uk)

If you are using a hard copy of this consultation document please respond by using the detachable Consultation Response Form in Annex 4.

A list of those organisations and individuals consulted is in Annex 2. We would welcome suggestions of others who may wish to be involved in this consultation process.

As this is a largely technical issue with specialist interests, following discussions with the devolved administrations of Scotland, Wales and Northern Ireland, this consultation will be a purely written exercise.

This consultation complies with the Code of Practice on Consultation. Please refer to Annex 1 if you have any queries about the way the consultation is being run.

### 4. Additional copies

You may make copies of this document without seeking permission. Further printed copies of the consultation document can be obtained from:

BIS Publications Orderline  
ADMAIL 528  
London SW1W 8YT  
Tel: 0845-015 0010  
Fax: 0845-015 0020  
Minicom: 0845-015 0030  
[www.bis.gov.uk/publications](http://www.bis.gov.uk/publications)

An electronic version can be found at [www.bis.gov.uk/IDArevision](http://www.bis.gov.uk/IDArevision). Other versions of the document in Braille, other languages or audio-cassette are available on request. A Welsh version can be found at [www.bis.gov.uk/IDArevision](http://www.bis.gov.uk/IDArevision)

## 5. Confidentiality & Data Protection

Information provided in response to this consultation, including personal information, may be subject to publication or release to other parties or to disclosure in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000 (FOIA), the Data Protection Act 1998 (DPA) and the Environmental Information Regulations 2004). If you want information, including personal data, that you provide to be treated as confidential, we will endeavour to respect your wishes, however please be aware that this legislation can operate so as to override confidentiality.

In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Department.

## 6. Other UK Government consultations

The UK Government also recently ran a consultation on 'Rebalancing the Northern Ireland Economy' [http://www.hm-treasury.gov.uk/consult\\_rebalancing\\_ni\\_economy.htm](http://www.hm-treasury.gov.uk/consult_rebalancing_ni_economy.htm), which considers the particular economic circumstances of the Northern Ireland economy. This consultation closed on 8 July 2011. Her Majesty's Treasury is now considering responses to that consultation and will aim to publish the UK Government's response in the autumn.

## 7. Help with queries

David Francis  
Economic Development Directorate  
Department for Business, Innovation and Skills,  
1 Victoria Street. London SW1H 0ET  
020 7215 5000  
Email: [IDArevision@bis.gov.uk](mailto:IDArevision@bis.gov.uk)

A copy of the Code of Practice on Consultation is at Annex 1.

## 8. The proposals

### 8.1 Assisted Areas Map (IDA section 7)

<http://www.legislation.gov.uk/ukpga/1982/52>

**Background:** The Assisted Areas Map allows the provision of legally permitted state aid for regional development purposes in certain areas to undertakings looking to expand, modernise or locate in specified parts of the UK. The European Commission currently allocates a population ceiling on total assisted area coverage to Member States on the basis of objective metrics of deprivation - currently up to 23.9% of the UK population can be covered with assisted area status.

Certain areas, namely Cornwall & the Scilly Isles and West Wales and the Valleys, are mandated for inclusion in the map in the light of their relative deprivation compared to other parts of the EU. In addition, Member States have the freedom to designate other areas for assisted area status up to the population ceiling based on their relative deprivation and providing they meet criteria set out by the Commission in the regional aid guidelines. The ensuing assisted area map must be approved by the Commission. The map is implemented in domestic UK legislation via section 7 of the IDA.

**Current situation:** due to the political and economic situation at the time it was drafted, the IDA mandated the automatic inclusion of 100% of the Northern Ireland population in the UK regional aid map (the current version of which covers 2007-2013). This has resulted in relatively prosperous areas of Northern Ireland being eligible for aid when less well off areas in the rest of the UK (measured in terms of GDP per capita) have not.

The continued automatic designation of 100% of Northern Ireland as an assisted area, irrespective of GDP per capita assessment, would limit the UK's flexibility to renegotiate the aid map as a whole with the Commission in advance of 2014, as it will indiscriminately use up a proportion of the UK's total assisted area allocation. The situation is exacerbated because the Commission 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.

**Proposed option:** To amend s.7(6) of the IDA and remove the automatic inclusion of Northern Ireland in the definition of an assisted area meaning that from 2014 all such areas will be identified on an equal basis throughout the whole of the UK according to the revised Regional Aid Guidelines.

**Question:** Should Northern Ireland's automatic inclusion as an assisted area in the UK be removed?

**Costs & Benefits:** The removal of Northern Ireland's automatic inclusion would not necessarily result in the total omission of Northern Ireland from the assisted area classification. Northern Ireland would still be eligible for aid if it met the UK wide GDP per capita criteria. However it would provide more flexibility to allocate regional aid map coverage throughout the UK as a whole.

Regardless of Northern Ireland's final assisted area coverage, following implementation of the new Regional Aid Guidelines and agreement of the post 2013 Assisted Areas map, all areas of Northern Ireland would still be eligible for other forms of aid such as Research & Development and training aid. An Equality Impact Assessment will be conducted on the implications of the revised allocation for Northern Ireland post-2013 when the new Regional Aid Guidelines are implemented to draw up the post 2013 Assisted Areas Map.

## 8.2. Per Project Financial Limit >£10m and alignment of per project foreign currency guarantees (IDA section 8(8))

<http://www.legislation.gov.uk/ukpga/1982/52>

**Background:** 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.

The government considers that the threshold per project should reflect modern industrial investment requirements to allow the UK to remain competitive. The proposal is that the limit (in section 8(8) of the IDA) be increased to £50 million - although this consultation seeks opinions on, whether that is the correct amount. The requirement for a resolution for per project expenditure in excess of the new limit will remain.

### Options:

1. Revise the amount to £27 million to reflect the effect of inflation between 1982 and 2011
2. Revise the amount to £50 million to reflect the increase in UK GDP between 1982 and 2011
3. Leave the amount unchanged at £10million

**Question:** Which of the above options should be adopted?

**Costs/Benefits:** The preferred option is to revise the amount linked to the increase in GDP since 1982, meaning the new figure would be £50 million. This would reflect the scale of national resource that could be deployed for industrial development. There is no direct cost to Government from this change as it permits increased funding to respond to economic circumstances but imposes no duty on Government to engage in such funding. If and when Government does decide to make grants this would be subject to Treasury Green Book cost benefit analysis.

The cap in section 8(5) restricts overall expenditure under s.8 to £12,000 million. The amount of the cap in s. 8(5) will not be altered under these proposals.



Linked to the proposed change to the per project limit in s. 8(8) is a proposal to further amend s.8 of the IDA so that no distinction is drawn between aid paid in the form of sterling or foreign currency transactions when applying the financial caps. If unchanged, uncapped per project foreign currency guaranteed transactions could be carried out (subject to the overall total cap of £1,000 million special drawing rights). The government proposes that the revised per project cap should apply irrespective of what currency is used. The aim is to give greater transparency and oversight of aid for industrial development.

**Question:** Should the ability to provide uncapped per project foreign currency guarantees be removed and instead aligned with the revised sterling limit?

**Costs/Benefits:** The analysis relevant to the proposed increase in the sterling limit is equally applicable.

### 8.3. Add Telecommunications and Broadband to “basic services” (IDA section 13(2))

<http://www.legislation.gov.uk/ukpga/1982/52>

**Background:** 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.” Government policy is that the list should be expanded so that telecommunications and broadband are explicitly included.

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

**Question:** Should the IDA be updated to include telecommunications and broadband in the list of basic services?

**Costs/Benefits:** There is no direct cost to Government from this change. The benefit is that Ministers would have the flexibility to directly fund broadband services in areas of inadequate provision to promote industrial development.

## 8.4 Ability to manage government owned land (IDA section 14(3))

<http://www.legislation.gov.uk/ukpga/1982/52>

**Background:** The IDA gives the Secretary of State powers to develop land and buildings acquired by him in an assisted area under the IDA or under the Local Employment Act 1972. The Government foresees that there may be cases where land and buildings are acquired by the SOS outside such areas (for example land owned by the Regional Development Agencies (RDAs) who it is proposed will be abolished by legislation). The proposal is that s.14 of the IDA be amended to extend the SOS' powers to land that the government may acquire under the Public Bodies Act or the Localism Act or any similar legislation that transfers assets currently held by other public bodies such as the RDAs. This would, for example, allow the Secretary of State to manage out partially completed projects on such land.

**Option:** To extend the powers in s.14 of the IDA to land acquired by the Government under the proposed Public Bodies Act, the Localism Act or similar legislation.

**Question:** Should the IDA be amended to extend the Secretary of State's powers relating to the acquisition and development of land to land acquired other than under the IDA or the Local Employment Act 1972?

**Costs/Benefits:** Making this amendment will enable the Government to appropriately manage out land assets and liabilities (such as half developed land or buildings) acquired, for example, through the dissolution of the RDAs. The cost of not doing this would be that government would be unable to realise the full value of such land.

## 9. Consultation questions

Should Northern Ireland's automatic inclusion as an assisted area be removed?

Which of the options listed for uprating the per project financial limit for section 8 financial assistance should be adopted?

Should the ability to provide per project foreign currency guarantees without a financial cap be removed and instead aligned with the sterling limit?

Should the IDA be amended to include telecommunications and broadband in the list of basic services the improvement of which can be funded in a development area?

Should the IDA be amended to extend the Secretary of State's powers relating to land acquisition and development?

A draft Impact Assessment is available on our website [www.bis.gov.uk/IDArevision](http://www.bis.gov.uk/IDArevision) . Please comment on the above proposals – with supporting evidence - to make further recommendations for change. Please identify any unintended consequences or other implications of our proposals. We also welcome comments on the analysis of costs and benefits.

## 10. What happens next?

After the closing date of 19th October responses will be collated and summarised for the Secretary of State to review.

A response will then be published online within 3 months of the close of consultation at [www.bis.gov.uk/IDArevision](http://www.bis.gov.uk/IDArevision)

## 11. Links

- Link to consultation website [www.bis.gov.uk/IDA82revision](http://www.bis.gov.uk/IDA82revision)
- Link to the IDA 1982 <http://www.legislation.gov.uk/ukpga/1982/52>
- IDA annual report <http://www.bis.gov.uk/assets/biscore/economic-development/docs/i/10-74-ind-dev-annual-report-2009-2010>

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## Annex 1: The Consultation Code of Practice Criteria

Formal consultation should take place at a stage when there is scope to influence policy outcome.

Consultation should normally last for at least 12 weeks with consideration given to longer timescales where feasible and sensible.

Consultation documents should be clear about the consultation process, what is being proposed, the scope to influence and the expected costs and benefits of the proposals.

Consultation exercise should be designed to be accessible to, and clearly targeted at, those people the exercise is intended to reach.

Keeping the burden of consultation to a minimum is essential if consultations are to be effective and if consultees' buy-in to the process is to be obtained.

Consultation responses should be analysed carefully and clear feedback should be provided to participants following the consultation.

Officials running consultations should seek guidance in how to run an effective consultation exercise and share what they have learned from the experience.

### Comments or complaints

If you wish to comment on the conduct of this consultation or make a complaint about the way this consultation has been conducted, please write to:

Tunde Idowu,  
BIS Consultation Co-ordinator,  
1 Victoria Street,  
London  
SW1H 0ET

Telephone Tunde on 020 7215 0412  
or e-mail to: [Babatunde.Idowu@BIS.gsi.gov.uk](mailto:Babatunde.Idowu@BIS.gsi.gov.uk)

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## Annex 2: List of Individuals/Organisations consulted

We would particularly like to hear from the devolved administrations of Scotland, Wales and Northern Ireland and English Local Enterprise Partnerships. However the consultation is not limited to these groups, anyone is free to respond and their views will be taken into account.

We welcome suggestions on the names of other individuals or organisations who should also receive the consultation.

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## Annex 3: Impact Assessment

A draft impact assessment is available at [www.bis.gov.uk/IDArevision](http://www.bis.gov.uk/IDArevision). A full impact assessment will be developed as part of a separate consultation run on the post 2013 Regional Aid Map.

## Annex 4: Revision of Industrial Development Act response form

You may respond online or by using this response form. The online version is linked to the consultation website [www.bis.gov.uk/IDArevision](http://www.bis.gov.uk/IDArevision)

The Department may, in accordance with the Code of Practice on Access to Government Information, make available, on public request, individual responses.

The closing date for this consultation is 14/10/2011

Please return completed forms to:

IDA Consultation Response, 4Spur, Dept for Business, Innovation and Skills, 1 Victoria Street  
or by email to [IDArevision@bis.gov.uk](mailto:IDArevision@bis.gov.uk)

Name:

Organisation (if applicable):

Address:

Please tick a box from the list of options below that best describes you as a respondent. This allows views to be presented by group type.

<input type="checkbox"/>	Business representative organisation/trade body
<input type="checkbox"/>	Devolved Administration
<input type="checkbox"/>	Central government
<input type="checkbox"/>	Charity or social enterprise
<input type="checkbox"/>	Individual
<input type="checkbox"/>	Large business (over 250 staff)
<input type="checkbox"/>	Legal representative
<input type="checkbox"/>	Local Government
<input type="checkbox"/>	Medium business (50 to 250 staff)
<input type="checkbox"/>	Micro business (up to 9 staff)
<input type="checkbox"/>	Small business (10 to 49 staff)
<input type="checkbox"/>	Trade union or staff association
<input type="checkbox"/>	Other (please describe)

**Question 1: Should Northern Ireland's automatic inclusion as an assisted area be removed?** *(para 8.1 in consultation document)*

☐ Yes

☐ No

☐ Not sure

Comments:

**Question 2: Which of the options listed for uprating the per project financial limit for section 8 financial assistance should be adopted?** *(para 8.2 in consultation document)*

Revise the amount to £27 million to reflect the effect of inflation between 1982 and 2011 ☐

Revise the amount to £50 million to reflect the increase in UK GDP between 1982 and 2011 ☐

Leave the amount unchanged at £10million ☐

Comments:



**Question 3: Should the ability to provide per project foreign currency guarantees without a financial cap be removed and instead aligned with the sterling limit? (para 8.2 in consultation document)**

☐ Yes      ☐ No      ☐ Not sure

Comments:

**Question 4: Should the IDA be amended to include telecommunications and broadband in the list of basic services the improvement of which can be funded in a development area? (para 8.3 in consultation document)**

☐ Yes      ☐ No      ☐ Not sure

Comments:

**Question 5: Should the IDA be amended to extend the Secretary of State's powers relating to land acquisition and development? (para 8.4 in consultation document)**

☐ Yes      ☐ No      ☐ Not sure

Comments:

**Do you have any other comments that might aid the consultation process as a whole?**

Please use this space for any general comments that you may have, comments on the layout of this consultation would also be welcomed.

Thank you for taking the time to let us have your views. We do not intend to acknowledge receipt of individual responses unless you tick the box below.

Please acknowledge this reply ☐

At BIS we carry out our research on many different topics and consultations. As your views are valuable to us, would it be okay if we were to contact you again from time to time either for research or to send through consultation documents?

☐ Yes

☐ No

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This publication is also available on our website at <http://www.bis.gov.uk>

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Department for Business, Innovation and Skills  
1 Victoria Street  
London SW1H 0ET  
Tel: 020 7215 5000

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