

EXPLANATORY MEMORANDUM TO

THE FINANCIAL ASSISTANCE FOR INDUSTRY (INCREASE OF LIMIT) ORDER 2007

2007 No. [XXX]

1. This explanatory memorandum has been prepared by the Department of Trade and Industry and is laid before Parliament by Command of Her Majesty.

2. Description

2.1 This order increases the limit of the aggregate assistance provided under section 8 of the Industrial Development Act 1982 by £600 million to £4,300 million.

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

3.1 None

4. Legislative Background

4.1 Section 8 of the Industrial Development Act 1982. Section 8 provides the principal power of the Secretary of State to give financial assistance to industry outside areas which have been granted Assisted Area status. Assistance may be given provided that:

- a) it will benefit the UK economy or any part or area of the UK;
- b) it is in the national interest; and
- c) assistance cannot appropriately be provided in any other way.

The purposes for which assistance may be granted are set out in section 7(2) of the Act. They include:

- the promotion of the modernisation or efficiency of an industry;
- creating, expanding or sustaining productive capacity in an industry;
- promoting the reconstruction, reorganisation or conversion of an industry;
- encouraging the growth of an industry; and
- arrangements for ensuring an orderly contraction of an industry.

Financial assistance may take the form of investment, loans, grants or guarantees. Examples of uses of section 8 are the urban post office network reinvention programme, the UK Coal Operating Aid Scheme, and support to small businesses through measures such as the Small Firms Loan Guarantee Scheme and Regional Venture Capital Funds.

4.2 There is a financial ceiling on the exercise of the section 8 power. Section 8(4) provides that the aggregate of—

- a) the sums paid by the Secretary of State under this section or section 8 of the Industry Act 1972 (c.63), other than sums paid in respect of foreign currency guarantees, and
- b) the liabilities of the Secretary of State under any guarantees given by him under either of those sections (exclusive of any liability in respect of interest on a principal sum so guaranteed and of any liability under a foreign currency guarantee),

less repayments in respect of loans or guarantees (other than foreign currency guarantees) under either section shall not exceed the limit specified in section 8(5).

4.3 Section 8(5) which was amended by section 1 of the Industrial Development (Financial Assistance) Act 2003 provides that the limit shall be £3,700 million but the Secretary of State may, on not more than four occasions, by Order made with the consent of the Treasury increase or further increase that limit by a sum not exceeding £600 million. The other provisions of section 8 were not altered.

4.4 This order increases the limit of the aggregate assistance provided under section 8 of the Industrial Development Act 1982 by £600 million to £4,300 million. This is the first occasion that this limit has been increased under section 8(5) of the Industrial Development Act 1982 as amended by the Industrial Development (Financial Assistance) Act 2003.

5. Territorial Extent and Application

5.1 This Order extends to the whole of the United Kingdom.

6. European Convention on Human Rights

6.1 The Parliamentary Under-Secretary of State for Employment Relations and Postal Services has made the following statement regarding Human Rights:

In my view the provisions of the Financial Assistance for Industry (Increase of Limit) Order 2007 are compatible with the Convention rights.

7. Policy Background

7.1 Recent spending commitments require that the aggregate assistance permitted under section 8(5) of the Industrial Development Act 1982 be increased in order for the Department, should the need arise, to provide further financial assistance in accordance with its powers under the Act

8. Impact

8.1 A Regulatory Impact Assessment has not been prepared for this instrument as it has no impact on business, charities or voluntary bodies.

9. Contact

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