

INDUSTRIAL DEVELOPMENT (FINANCIAL ASSISTANCE) ACT 2003

EXPLANATORY NOTES

INTRODUCTION

1. These explanatory notes relate to the Industrial Development (Financial Assistance) Act which received Royal Assent on 8 May 2003. They have been prepared by the Department of Trade and Industry in order to assist the reader in the understanding of the Act. They do not form part of the Act and have not been endorsed by Parliament.
2. The notes need to be read in conjunction with the Act. They are not, and are not meant to be, a comprehensive description of the Act. So where a section or part of a section does not seem to require any explanation or comment, none is given.

SUMMARY AND BACKGROUND

3. The Industrial Development (Financial Assistance) Act amends section 8(5) of the Industrial Development Act 1982. Section 8 contains the principal power of Ministers to give financial assistance to industry outside areas which have been granted Assisted Area status. Assistance may be given provided that:

- it will benefit the UK economy or any part or area of the UK;
- it is in the national interest; and
- 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 Reinvention Programme, and support to small businesses through measures such as the Small Firms Loan Guarantee and Regional Venture Capital Funds.

4. There is a financial ceiling on the exercise of the section 8 power. Section 8(5) contains a limit of £1,900 million on the amount of assistance which can be granted, and this may be increased by order made with the consent of the Treasury on not more than four occasions by a sum not exceeding £200 million. The ceiling has been raised four times by order, most recently on 25 March 2003, when it rose from £2,500 million to

*These notes refer to the Industrial Development (Financial Assistance)
Act 2003 (c.11) which received Royal Assent on 8 May 2003*

£2,700 million. The purpose of the Industrial Development (Financial Assistance) Act is to amend section 8(5) by substituting higher figures of £3,700 million as the initial ceiling and £600 million as the maximum amount by which the ceiling can be raised by each order. The other provisions of section 8 remain unaltered.

- The Act extends to the United Kingdom as the power in section 8 is used to set up UK wide schemes of financial assistance for industry. The devolved administrations may use section 8 as the statutory authority for their own activities and their expenditure counts towards the financial ceiling.

THE ACT

Commentary on Sections

Section 1: Increase in limit on selective financial assistance

- This section replaces subsection (5) of section 8 of the Industrial Development Act 1982. The section retains the structure of tranches in the existing legislation but replaces the numerical ceilings with new, higher ones. The initial ceiling on financial assistance has been increased from £1,900 million to £3,700 million and the subsequent four tranches from up to £200 million to up to £600 million each.

COMMENCEMENT

- The Act comes into force on Royal Assent.

HANSARD REFERENCES

- The following table sets out the dates and Hansard references for each stage of this Act's passage through Parliament.

<i>Stage</i>	<i>Date</i>	<i>Hansard reference</i>
House of Commons		
Introduction	18 November 2002	Vol 394 Col 384
Second Reading	24 February 2003	Vol 400 Col 47-91
Committee	25 March 2003	Hansard Standing Committee A
Report and Third Reading	7 April 2003	Vol 403 Col 60-86
House of Lords		
Introduction	8 April 2003	Vol 647 Col 139
Second Reading	1 May 2003	Vol 647 Col 831-841
Third Reading	6 May 2003	Vol 647 Col 972
Royal Assent – 8 May 2003		House of Lords Hansard Vol 647 Col 1187
		House of Commons Hansard Vol 404 Col 855