

# **INDUSTRIAL DEVELOPMENT (FINANCIAL ASSISTANCE) ACT 2003**

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## **EXPLANATORY NOTES**

### **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 £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.
5. 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.