

GD 2019/61



**The Enterprise Act 2008**  
**Annual Report for 2018/2019**  
**Department for Enterprise**  
**November 2019**



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## **1. Introduction**

**To: The Hon S C Rodan MLC, President of Tynwald, and the Honourable Council and Keys in Tynwald assembled;**

Under section 6 of the Enterprise Act 2008 ("the Act") the Department for Enterprise (DfE) is required to lay an annual report before Tynwald as to the provision of assistance under the Act including a list of the names of those businesses which have received financial assistance from the Department during the previous financial year ended on the 31<sup>st</sup> March. This is consistent with Government's intent to act transparently by providing information as to the use of the public funds for Tynwald scrutiny where possible.

The annual report includes details of grants offered and payments made under the Financial Assistance Scheme (FAS) as well as details of loans and investments made to businesses under the Enterprise Development Scheme. The report does not include details of payments through other Department support schemes of more minor nature, including the Micro Business Grant Scheme, the Business Improvement Scheme (formerly the Business Support Scheme), Investors in People, Town and Village Regeneration Scheme, STEP Scheme and the Business Energy Saving Scheme (formerly Green Business Loans). Typically the amounts paid under these schemes are much smaller and are in many cases paid to individuals. The Department have included some statistical information within this report that highlights the other schemes including the Employee Relocation Incentive which forms part of the Financial Assistance Scheme.

The Department's Financial Assistance Scheme currently has an annual budget of £3,500,000.

The Financial Assistance Scheme remains an important driver for inward investment and the expansion of local businesses with an export focus. Placing an emphasis on job creation, this provides Government with a return on the grant paid, via Income Tax and National Insurance contributions.

Our policy level of business risk will lead on occasion to financial assistance given to businesses which do not progress beyond the start-up phase. Other jurisdictions also accept that there will be a level of loss if new sectors are to become a major part of their economies. If we wish to develop the areas of the economy which exploit newer technologies then there has to be an acceptance that with any risk based reward model, not all business which receive assistance will develop as forecast in the original plan.

**Minister for Enterprise**

## 2. Background to the Financial Assistance Scheme

The principal purpose of providing assistance is to encourage existing businesses to grow and become more efficient and attract inward investment to the Isle of Man. This in turn provides economic benefits (for example, revenue, jobs, profits, expenditure in the local economy) and associated fiscal benefits (direct and indirect taxes) which exceed the cost of the support provided.

The Department's Financial Assistance Scheme is a discretionary support scheme which offers grants and other forms of assistance to both existing and new Isle of Man registered businesses. The focus of the support is on those sectors and businesses which can provide evidence of the likely attainment of the benefits sought.

Under the Enterprise Act 2008, DfE may provide assistance to an eligible business where, in its opinion:

- the eligible business undertakes or will undertake economic activity in the Island;
- the assistance is likely to encourage sustainable economic growth in the Island; and
- the form and amount of the assistance is reasonable having regards to all the circumstances.

"Eligible business" is defined in regulations made under the Act which set out the standard requirements all businesses must meet.

In addition to meeting the environmental and commercial criteria imposed by the regulations, a business must fall within the current policy of DfE. In this regard, support may be considered in respect of businesses that meet the following definition:

*"Any business providing products and / or services for export in sectors where support is not available through other Departments"*

This includes partial export where the percentage of grant support offered would be linked to the export benefits and import substitution where the products or services are not currently available in the Isle of Man.

Support is offered to businesses which generate economic benefit for the Island, the main considerations as to whether support should be offered being:

- Job growth/creation
- Salary levels
- Spend in the local economy
- Range of jobs

There are a number of other factors that DfE applies when considering an application for financial assistance in order to meet other economic, social and wider Government objectives. These include:

- geographical diversification (jobs created outside Douglas and the rest of the Eastern area may attract more support);
- sector diversification (new sectors which help to reduce overall over reliance on the economy as a whole may attract more support);
- diversification of employment base (applications which seek to provide a range of jobs to aid full employment may attract more support); and
- protection of historic businesses/sectors (where a particular business is considered to have made an important, long standing contribution to the Isle of Man).

The discretionary nature of the Scheme, which is intended to provide the Department with a high degree of flexibility, has already been mentioned. In terms of the likely rates of support available the following factors are also taken into consideration:

- *Additionality* – projects which grow the business and the economy are supported. In general, the owners of the business are expected to replace redundant equipment at their own expense, whereas a grant application for new equipment which will expand the product range, generate new revenue and thus increase jobs and taxes would be considered more likely to receive support.
- *Proportionality* – the level of support in relation to the economic and fiscal benefits forecast and likelihood of the project's success. For example, a business seeking £1m grant for a project which will generate only 1 job locally will not receive the maximum level of assistance of 40%. This is reflected in the wording of the guidelines; "The level of financial assistance offered is proportionate to the economic and fiscal benefits forecast, the number and value of jobs being created and perceived likelihood of success".
- *Risk* – the likelihood of the project's success. Where a project is perceived to be high risk, grant support may be conditional upon the business achieving specified levels of growth based on the applicant's business plan. Furthermore, security may be required in order to mitigate the risk of losses to DfE in the event of a business failing by enabling the Department to recover any grants paid or portion of grants paid. Security may take the form of fixed charges upon land and buildings, floating charges or Directors Guarantees. Also, where projects are judged to be high risk, stage payment of grants may be conditional upon achieving specified levels of turnover, profit, salaries, local spend or employment numbers based on the applicant's business plan.
- *Sector* – support is primarily directed at export-earning sectors as these are key to the growth of the economy. While secondary, domestically-focussed sectors (such as construction, retail and miscellaneous services such as hairdressing and cleaning) also play an important role in ensuring the Isle of Man is an attractive place to work and live, aiding such sectors is less likely to increase economic growth and may also create competition issues in that assisting one local business may be at the expense of another. Consequently, it is DfE's policy that secondary sectors are not usually eligible for support under the Scheme with the exception of certain circumstances in relation to leisure-type activities.

The Department has recently added two new factors to its consideration of financial assistance, these include:

- *Living Wage* – businesses that pay its employees at least the living wage are more likely to receive a higher level of grant assistance (up to 40%) than those who only pay the minimum wage.
- *Single Use Plastics and Recycling* – Single use plastics represents an unsustainable use of resources and makes a significant contribution to global greenhouse gas emissions. Businesses are more likely to achieve a higher rate of assistance if it has an internal sustainable sourcing and recycling policy or is working towards an ISO 14001 standard.

The additions to the factors in the scheme were part of a review that the Department undertook for the schemes it administers. Within the Financial Assistance Scheme, Nurseries/Child Care and Media were added as eligible sectors for support.

The infographic on page 6 summarises the changes to all of the schemes administered by the Enterprise Support Division:

## 9 SCHEMES... Refined and improved, the key changes include:

20% increase in financial assistance for new start-up businesses	Introduction of flexible training provisions and mentoring periods for start-ups	Enhanced financial assistance for start-ups in child care and exporting sectors	Longer and flexible grant claim periods for new start-ups and businesses	Further financial assistance to support job creation and employee relocations
Introduction of financial support for more disciplines including R&D, Brexit and digital marketing	Increase in financial assistance for business improvement projects	Expansion of eligibility criteria to make schemes more accessible to a broader range of businesses	Wider access to EDS through private sector sources, more responsive admin and coordination with other Department support	Significant reduction in the application to approval processing times

**START**

- Micro Business Grant Scheme

**GROW**

- Financial Assistance Scheme
- Enterprise Development Scheme

**DEVELOP**

- Business Improvement Scheme
- STEP Programme
- Business Energy Saving Scheme
- Town and Village Regeneration Scheme
- Investors in People

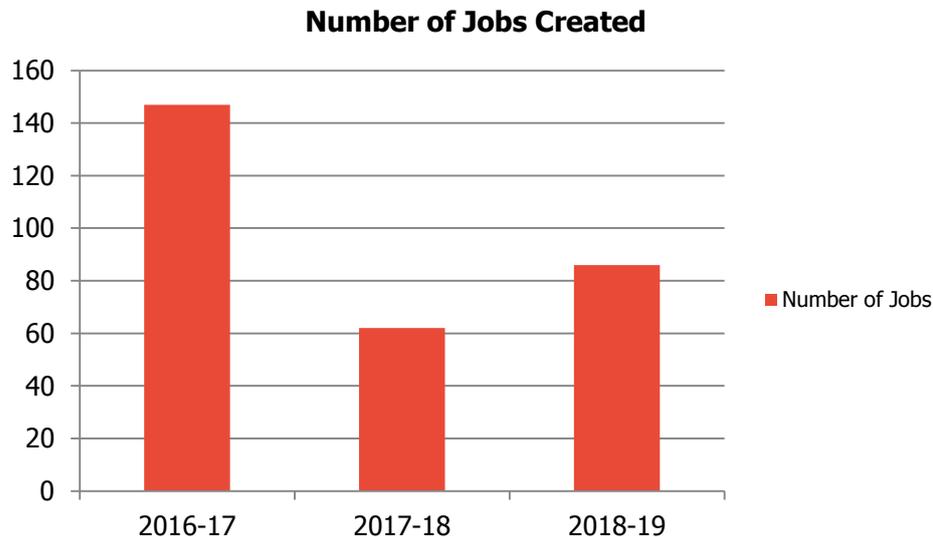


The aim of this review was to refine and develop the schemes to ensure they are more effective. Over the past financial year the schemes have achieved the following:



### 3. Employee Relocation Incentive

The Department launched the Employee Relocation Incentive in November 2016 following policy discussions with the National Strategy Group and Council of Ministers. It was one of a number of initiatives considered which were designed to quickly accelerate economic growth and, more specifically, growth of the working population. Since inception it has been very successful as it has assisted with the creation of over 290 jobs.



Businesses that apply for the Employee Relocation Incentive can claim the grant after 12 months of the employee being in situ. The incentive is net positive to Government as the grant amount is exceeded by the exchequer benefit derived from the new jobs prior to any payment being made. The table below shows a comparison.



The Employee Relocation Incentive has been extended several times due to its popularity and impact. The Department’s website keeps the deadlines for employees up to date.

#### 4. Financial Assistance Scheme statistics for year ended 31<sup>st</sup> March 2019

##### *Grants offers*

During the year ended 31<sup>st</sup> March 2019 the Department made 65 grant offers to 59 companies, compared to the previous year when 47 offers were made to 46 companies. Comparable figures for the previous five years ending 31<sup>st</sup> March have been included in the below tables.

	2014/2015		2015/16		2016/17		2017/18		2018/19	
	No. of offers	Amount of offers £	No. of offers	Amount of offers £	No. of offers	Amount of offers £	No. of offers	Amount of offers £	No. of offers	Amount of offers £
<b>Offers to new Companies</b>	9	758,082	11	317,289	12	450,248	12	447,975	12	531,301
<b>Offers to existing Companies</b>	27	4,689,788	23	5,452,716	28	2,010,167	35	7,204,701	53	2,731,140
<b>Totals</b>	<b>36</b>	<b>5,447,870</b>	<b>34</b>	<b>5,770,005</b>	<b>40</b>	<b>2,460,415</b>	<b>47</b>	<b>7,652,676</b>	<b>65</b>	<b>3,262,441</b>

The number of offers made during the year total 100 across the grant categories. This figure has marginally decreased when compared to the previous year of 104. The table below is split into offers made across the grant categories to new and existing businesses.

Number of applications across grant categories										
Type of Grant	2014/2015		2015/16		2016/17		2017/18		2018/19	
	New	Existing								
<b>Building</b>	1	13	6	13	4	7	4	7	2	6
<b>Plant &amp; Machinery</b>	9	20	11	22	11	16	9	15	8	17
<b>Marketing</b>	6	15	8	16	11	14	8	10	5	7
<b>Rent</b>	3	5	8	3	7	4	6	2	5	1
<b>First Year Expenses</b>	7	3	4	8	5	8	6	7	5	7
<b>Training</b>	5	3	2	5	4	4	2	5	0	1
<b>Relocation Incentive</b>	0	0	0	0	2	8	3	18	4	32
<b>Efficiency Measures</b>	0	2	0	0	0	0	0	0	0	0
<b>Loan</b>	1	1	0	0	0	0	0	0	0	0
<b>Repayable Grant</b>	0	0	0	0	0	0	0	0	0	0
<b>Totals</b>	<b>32</b>	<b>62</b>	<b>39</b>	<b>67</b>	<b>44</b>	<b>61</b>	<b>38</b>	<b>64</b>	<b>29</b>	<b>71</b>

The offers totalled £3.26 million<sup>1</sup> and the average percentage of support offered was 31%, this being 2% higher than the previous years' level of 29%. The level of support is measured through the exchequer benefit created from forecasted new jobs, new construction work and the Department's aim is to see any investment made returned within a maximum five year period. On average, the number of jobs created for this financial year was around 175. For the £3.26 million that was offered to businesses, the Department expect an estimated £1.80 million per annum from newly created jobs returned to the exchequer, which over a five year period equates £9 million.

<sup>1</sup> The number that is shown is rounded

The £3.26 million equates to a proposed investment from the private sector of £6.79 million<sup>2</sup> by local businesses compared to £22.44 million<sup>3</sup> in the previous year.

Amount of grants offered to new & existing businesses										
Type of Grant	2014/2015		2015/16		2016/17		2017/18		2018/19	
	New £'000	Existing £'000								
Building	13	742	16	382	53	405	14	3,498	85	949
Plant & Machinery	351	3,514	114	4,287	137	864	147	1,658	152	1,099
Marketing	121	196	114	200	138	104	134	127	84	89
Rent	12	31	58	45	40	46	44	22	74	2
First Year Expenses	100	38	10	525	26	81	32	252	86	86
Training	11	17	5	13	8	22	4	213	0	2
Relocation Incentive	0	0	0	0	48	486	73	971	50	504
Efficiency Measures	0	7	0	0	0	0	0	0	0	0
Loan	150	145	0	0	0	0	0	0	0	0
Repayable Grant	0	0	0	0	0	0	0	0	0	0
<b>Totals</b>	<b>758</b>	<b>4,690</b>	<b>317</b>	<b>5,452</b>	<b>450</b>	<b>2,010</b>	<b>448</b>	<b>7,260</b>	<b>531</b>	<b>2,731</b>

Potential company spend by new and existing businesses linked to the grant offers above										
Type of Grant	2014/2015		2015/16		2016/17		2017/18		2018/19	
	New £'000	Existing £'000	New £'000	Existing £'000	New £'000	Existing £'000	New £'000	Existing £'000	New £'000	Existing £'000
Building	112	1,294	37	613	97	1,462	39	10,598	233	1,660
Plant & Machinery	935	5,694	227	6,033	285	1,474	430	3,170	251	1,568
Marketing	755	516	237	334	249	215	320	372	199	250
Rent	41	52	80	68	75	62	85	38	21	3
First Year Expenses	300	57	33	883	51	133	82	571	176	175
Training	23	25	7	19	14	35	10	636	0	2
Relocation Incentive	0	0	0	0	192	1,946	370	5,714	202	2,046
Efficiency Measures	0	48	0	0	0	0	0	0	0	0
Loan	0	0	0	0	0	0	0	0	0	0
Repayable Grant	0	0	0	0	0	0	0	0	0	0
<b>Totals</b>	<b>2,166</b>	<b>7,686</b>	<b>621</b>	<b>7,950</b>	<b>963</b>	<b>5,327</b>	<b>1,336</b>	<b>21,099</b>	<b>1,082</b>	<b>5,704</b>

#### *Loan offers*

On occasion the Department offers alternative types of assistance to businesses, the most common being working capital loans. However, no loan offers were made in the period covered by this report and no loans were offered in the previous year.

<sup>2</sup> The number that is shown is rounded

<sup>3</sup> Ibid

### *New business offers*

In the year ended 31<sup>st</sup> March 2019, 12 of the 65 offers were made to new companies, this being the same level as the previous year. At the same time the number of applicants under the Department's Micro Business Grant Scheme remains high as this is often a more suitable Scheme for new businesses of a smaller size.

The sector breakdown of offers made to new businesses is as follows:

	2014/15	2015/16	2016/17	2017/18	2018/19
Engineering	1	0	0	0	1
General Manufacturing (incl. Food & Drink)	4	4	4	3	2
Financial & Professional Services	2	1	1	2	3
ICT (incl. E-Gaming & E-Business)	1	2	4	4	4
Other	1	4	3	3	2
<b>Total</b>	<b>9</b>	<b>11</b>	<b>12</b>	<b>12</b>	<b>12</b>

### *Total amount of financial assistance offered*

The total amount of financial assistance offered this year was £3,262,441, compared to £7,652,676 in the previous year.

### *Total amount of assistance paid*

The total amount of assistance paid out in the year ending 31<sup>st</sup> March 2019 was £4,574,759, compared to £2,351,243 in the previous year. The value of payments made varies from year to year because grant payments, excluding loans, are paid retrospectively and projects can take a significant time to complete.

Offers normally remain open for two years and, based on historical information, 76% of the value of grant assistance is ultimately claimed. If the Department receives a written request from a business providing compelling reasons, the period in which the assistance can be claimed may be extended. As at 31<sup>st</sup> March 2019, the value of outstanding offers amounted to £11.04 million. Based on the historical claim percentage of 76% this represents a value of £8.39m that the Department may be expected to grant to businesses over a number of years. The outstanding liability at the end of March 2019 is covered by an accrual.

The Department made offers to businesses from a wide range of sectors. The size of the businesses was also diverse and ranged from companies employing over one hundred people to single person operations.

## 5. Businesses that received payments under the Financial Assistance Scheme

### For the period 1 April 2018 to 31 March 2019

A & B Metal Fabrications Ltd	Kiartys Engineering Ltd
Ms M. Warwick t/a Alma Legal	Laxey Glen Mills Ltd
Apple Orphanage Co. Ltd	Mann Link Travel Ltd
Appleby (IOM) LLC	Manx Business Solutions Ltd
Berries Ltd	Manx FX Ltd
Bodystat Ltd	Manx Precision Optics Ltd
Bramden Ltd	Nasaleze Ltd
Canada Life International Ltd	Nimbus Medical Holdings Ltd
CoCo Cushions Ltd	Noa Bakehouse Ltd
Comis Holdings Ltd t/a Comis at Mount Murray	Pacific Fund Systems Europe Ltd
Cortech Healthcare Ltd	Petrolink International Ltd
David Couch Consulting	Plan Communications Ltd
Derivco Ltd	Prometic Bioseparations Ltd
Dot Performance Ltd	Quad Bike Mania Ltd
EIP Ltd	Ramsey Park Hotel Ltd
Ellanstone Ltd	Raybon Putters Ltd
Equiom Group (Europe) Ltd	Riela Yachts Ltd
E-Sign Ltd	Roger W Smith Ltd
Garland, Paula t/a Paula's Kitchen	Ronaldsway Aircraft Co. Ltd
Glen Helen Glamping Ltd	Salex Ltd
Gourmet Foods Ltd	Seaboard Overseas Ltd
Greenlight Ltd	SES Satellite Leasing Ltd
Hamblin Ltd	SLS Optics Ltd
Heron & Brearley Ltd	Strix Ltd
Intellect Solutions Ltd	Swagelok Ltd
IOM Chamber of Commerce (Barclays Eagle Lab)	Taverner Mr N. t/a Ballawyllin Farm Cottages
IOM Creamery Ltd	Trackshack Ltd
IQE Ltd	Treehouse Nursery Ltd
Island Optics Ltd	Vali Dating Ltd
Island Shellfish Processing Ltd	VirtualSystems Ltd
Isle of Man Teas Ltd	Xela Holdings Ltd
Itex (Isle of Man) Ltd	XLabs Ltd
J5 International Ltd	

The total of the assistance paid to the above businesses through the Financial Assistance Scheme in the period 1<sup>st</sup> April 2018 to 31<sup>st</sup> March 2019 amounted to £4,574,759.

## 6. Businesses that ceased trading during the year

During the year ended 31<sup>st</sup> March 2019, the following business which previously received assistance and the assistance remained under terms and conditions, had ceased to trade.

The Department's terms and conditions give the period under which assistance is repayable to the Department. The Department policy calculates any repayable amount on a reducing balance basis i.e. the amount repayable on a business ceasing to trade reduces over the time linked to the terms and conditions.

Any amount shown below relates to the amount repayable to the Department under the terms and conditions, not the amount paid out to the business by the Department. After investigating the recovery of the amount and based on advice to the Department by the Attorney General's Chambers, the Department has written down the outstanding debt.

<b>Business</b>	<b>Amount Due Under T&amp;C's</b>
Isle of Man Teas Limited	£112,907.31

The assistance to Isle of Man Teas Limited was paid in June 2016, September 2016, December 2016 and March 2017 under the Company's 2016 offer. Further assistance was paid in October 2018 under the Company's 2018 offer; the amount listed above is the sum outstanding under the terms and conditions, not the amount actually paid to the business. It should be borne in mind that while the Company was operational, exchequer benefit created is estimated to be approximately £57,000.

## **7. Authorisations of employment in the national interest**

Under section 7(5)(a) of the Control of Employment Act 2014 the Department may exempt a person from the requirement for a work permit if the Department is satisfied that the employment is necessary in the national interest. That Act requires that the Department includes in this report a statement specifying the number of such authorisations in the year, and the reasons for them.

Between 1st April 2018 and 31<sup>st</sup> March 2019 the Department approved no requests for national interest exemptions from the requirements for Work Permits.

## **8. Loans and investments via the Enterprise Development Scheme (EDS)**

The Enterprise Development Scheme 2015 (and the 2018 Scheme which replaced it) requires that the Department includes in this report information in respect of payments made to businesses under the Scheme.

Cortech Healthcare Limited	Investment
E-sign Limited	Investment
Lawbit Limited	Investment
Nimbus Medical Holdings Limited	Investment
Scout 4 Limited	Investment
Coco Cushions Limited	Loan
Taxa Genomics Limited	Loan

In total the above businesses obtained £1.44 million of assistance through the EDS during the financial year ending 31<sup>st</sup> March 2019.

The Scheme provides economic benefits to the Island through job creation and growing the diversity of businesses on Island.



**Isle of Man**  
**Government**

*Reiltys Ellan Vannin*

