

GD 2016/0094



**The Enterprise Act 2008**  
**Annual Report for 2015/2016**  
**Department of Economic Development**  
**February 2017**



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## **1. Introduction**

**To: The Hon S 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 of Economic Development (DED) 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. Legal advice has previously been taken as to the extent of the information that can be disclosed and the contents of the report have been based on such advice.

This is the seventh annual report to Tynwald concerning the operation of the Act and covers the year to 31 March 2016. The information contained relates to payments made under the Financial Assistance Scheme. The report would also include payments made under the former Economic Development Fund in the year to 31<sup>st</sup> March 2016; however no such payments have been made during the year.

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

The annual report does not include details of payments through other Department support schemes of more minor nature, including the Small Business Start-up Scheme, the Business Support Scheme and the Vocational Training Financial Support Scheme. Typically the amounts paid under these schemes are much smaller and are in many cases paid to individuals.

During the period covered by this report the Enterprise Development Scheme 2015, which makes available to businesses £50 million over five years for loans or investment, was approved by Tynwald. In addition existing Schemes have been updated by the Department: the Small Business Start Up Scheme was rebranded the Micro Business Grant Scheme and the Small Business Grant Scheme was created to help accelerate the growth of small businesses. In the future information on support provided under the Enterprise Development Scheme 2015 will be included in this report.<sup>1</sup>

The Act requires that the Department includes in the Enterprise Act 2008 Annual Report a statement specifying the number of such authorisations in the year, and the reasons for them

The Financial Assistance Scheme remains an important driver for inward investment and the expansion of local businesses with an export focus. Our policy level of business risk will lead on occasion to financial assistance being 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 Economic Development**

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<sup>1</sup> The Manager of the Enterprise Development Scheme, SPARK Impact, was appointed in March 2016 and no payments were made out of the Scheme in the period covered by this report.

## 2. Background to the Financial Assistance Scheme

The principal purpose of providing assistance is to attract both inward investment to the Isle of Man and encourage existing businesses to grow and become more efficient. 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 incentives to both new and existing Isle of Man registered businesses. Support is directed to those sectors and businesses which can provide evidence of the likely attainment of the benefits sought.

Under the Enterprise Act 2008, DED 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 and these 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 DED. 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 on the Isle of Man.

Business where there is a significant element of import substitution and the service is not available from another business may also be considered for support.

Support is offered to businesses which generate economic benefit for the Island and the main considerations are:

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

There are a number of other factors that DED 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 sector may attract more support);
- sectoral diversification (new sectors which help to reduce overall economic risk to the economy as a whole may attract more support);
- diversification of employment base (help 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 project which will generate only 1 job locally will not receive the full 40%.
- *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 DED 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.
- *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 DED'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.

### 3. Financial Assistance Scheme statistics for year ended 31<sup>st</sup> March 2016

#### Grants offers

During the year ended 31<sup>st</sup> March 2016 the Department made 34 grant offers to 33 companies, compared to the previous year when 36 offers were made to 35 companies. Comparable figures for year ended 31<sup>st</sup> March 2014 have been included in the below tables.

	2013/14		2014/15		2015/16	
	Number of offers	Amount £'000	Number of offers	Amount £'000	Number of offers	Amount £'000
Number of offers to new companies	23	2,503	9	758	11	317
Number of offers to existing companies	34	5,041	27	4,690	23	5,453
Totals	57	7,544	36	5,447	34	5,770

The offers totalled £5.77 million and the average percentage of support offered was 37%, compared to the previous year when the average percentage of support offered was 32.5%. This equates to a proposed investment from the private sector of £8.57 million by local businesses compared to £9.85 million in the previous year. Although the number of offers made was 2 less than in the previous year, the amount of offers actually slightly increased by around 5%.

Amount of Grants offered to New and Existing businesses						
Type of Grant	2013/14		2014/15		2015/16	
	New £'000	Existing £'000	New £'000	Existing £'000	New £'000	Existing £'000
Building	172	439	13	742	16	382
Plant & Machinery	1,332	2,397	351	3,514	114	4,288
Marketing	374	199	121	195	114	200
Rent	206	51	12	31	59	45
First Year Expenses	346	385	100	38	10	525
Training	23	45	11	17	4	13
Efficiency Measures	0	10	0	7	0	0
Loan	50	1,515	150	145	0	0
Totals	2,503	5,041	758	4,690	317	5,453

Potential Company Spend by New and Existing businesses linked to the Grant offers above						
Type of Grant	2013/14		2014/15		2015/16	
	New £'000	Existing £'000	New £'000	Existing £'000	New £'000	Existing £'000
Building	396	698	113	1,295	37	614
Plant & Machinery	2,052	6,142	935	5,695	227	6,033
Marketing	1,039	610	756	516	236	334
Rent	275	113	41	51	80	68
First Year Expenses	718	845	300	57	32	884
Training	36	68	23	25	7	19
Efficiency Measures	0	22	0	48	0	0
Totals	4,516	8,498	2,168	7,687	621	7,952

### *Loan offers*

On occasion the Department offers alternate types of assistance to business, the most common being working capital loans. However, no offers of loans were made in the period covered by this report. In the previous year loans totalling £294,750 were offered.

### *New business offers*

In the year ended 31<sup>st</sup> March 2016, 11 of the 34 offers were made to new companies, compared to 9 in the previous year. At the same time the number of applicants under the Department's Small Business Start-up Scheme (which was rebranded as the Micro Business Grant Scheme in October 2015) remains high and this is often a more suitable Scheme for new businesses.

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

	2013/14	2014/15	2015/16
Engineering	3	1	0
General Manufacturing including Food and Drink,	1	4	4
Financial Services	3	2	1
ICT (including e-gaming & e-business)	3	1	2
Other	12	1	4
<b>Total</b>	<b>22</b>	<b>9</b>	<b>11</b>

### *Total amount of financial assistance offered*

The total amount of financial assistance offered this year amounted to £5,770,005, compared to £5,447,870 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 2016 amounted to £2,613,160 compared to £3,512,228 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, businesses take up to an average 80% of the value of the amount offered. If the Department receives a written request from a business, the period in which the assistance can be claimed will be extended. As at 31<sup>st</sup> March 2016, the value of offers amounted to £8.9 million. Based on the historical claim percentage this represents an accrual value of £7.1million this is an increase £0.2 million in the value of the accrual (the 14/15 accrual figure was £8.6 million).

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 to single person operations.

#### **4. Businesses that received payments Under the Financial Assistance Scheme**

##### **For the period 1 April 2015 to 31 March 2016**

Annexio Ltd	Manx Engineers Ltd
Ardan International Ltd	Manx Ices Ltd
Assystem (IOM) Ltd	Manx Powder Coating Ltd
Berries Ltd	Manx Precision Optics Ltd
Bodystat Ltd	Marketsttheworld Ltd
Dalewood Craft Designs	Nasaleze International Ltd
David Couch Consulting	Nasaleze Ltd
Fromanteel Ltd	Noa Bakehouse Ltd
Global Mobile Transactions (Isle of Man) Ltd	Noa Roast House Ltd
Greenlight Ltd	Okell & Son Ltd
I-Bos Ltd	Panacea Pharma Projects Ltd
Iforium Ltd	Plan Communications Ltd
IOM Creamery Ltd	Priest Mr M. t/a Lily Bank Cottages
IOM Fatstock Association	Progress Shaving Brush (Vulvix) Ltd
Island Seafare Ltd	Prometic Biosciences Ltd
Island Shellfish Processing Ltd	Ramsey Shipping Services Ltd
Kiartys Ltd	Robinsons Ltd
Lancaster, Mrs Eva t/a Time and Spaces	Ronaldsway Aircraft Co. Ltd
Larrosa Mr J. t/a Segway (IOM)	SEQ Ltd
Live and Work Ltd	SLS Optics Ltd
Lloyds Bank International Ltd	St Helier's Hotel Ltd
M.R. Ltd	Strix Ltd
Macro Metal Services Ltd	Swagelok Ltd
Mann Link Travel Ltd	The Needle Online (IOM) Ltd
Mannin Media Ltd	Trackshack Ltd
Manx Educational Foundation	Triumph Actuation Systems - IOM Ltd

The total of the assistance paid to the above businesses through the Financial Assistance Scheme in the period 1<sup>st</sup> April 2015 to 31<sup>st</sup> March 2016 amounted to **£2,613,160**.

#### **5. Businesses that ceased trading during the year**

No businesses that are still subject to the Department's terms and conditions as the result of receiving financial assistance ceased to trade in the period covered by this report.

#### **6. 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. The Act requires that the Department includes in the Enterprise Act 2008 Annual Report a statement specifying the number of such authorisations in the year, and the reasons for them.

There have been no national interest exemption authorisations for the year ending 31<sup>st</sup> March 2016.



**Isle of Man**  
**Government**  
*Reiltys Ellan Vannin*

