

GD 2017/0071



**The Enterprise Act 2008**  
**Annual Report for 2016/2017**  
**Department for Enterprise**  
**December 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 for Enterprise (DfE) previously the Department for 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.

For the first time this report includes details of loans and investments made to businesses under the Enterprise Development Scheme (EDS).

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

The report would also include payments made under the former Economic Development Fund in the year to 31<sup>st</sup> March 2017; however there have been no such payments made during the year.

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. 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 Enterprise**

## 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, 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 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 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 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 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 sector may attract more support);
- sector 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 a project which will generate only 1 job locally will not receive the full 40%. Accordingly the guidelines have been amended and now include the following wording "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. 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. Furthermore, security may be required in order to mitigate the risk of failure in order to enable the Department to recover any grants paid. Security may take the form of fixed charges upon land, buildings and machinery and/or floating charge". This amendment made for the purpose of clarity.
- *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.
- *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.

### 3. Financial Assistance Scheme statistics for year ended 31<sup>st</sup> March 2017

#### Grants offers

During the year ended 31<sup>st</sup> March 2017 the Department made 40 grant offers to 38 companies, compared to the previous year when 34 offers were made to 33 companies. Comparable figures for previous five years ending 31<sup>st</sup> March have been included in the below tables.

	2012/2013		2013/2014		2014/15		2015/16		2016/17	
	No. of Offers	Amount of Offers £								
Offers to New Company's	17	1,642,490	22	2,502,566	9	758,082	11	317,289	12	450,248
Offers to Existing Company's	29	2,150,400	34	5,041,069	27	4,689,788	23	5,452,716	28	2,010,167
Totals	46	3,792,890	56	7,543,635	36	5,447,870	34	5,770,005	40	2,460,415

The number of offers made during the year total 105 across the grant categories. This figure is marginally down on the previous year of 106.

Number of Application Across Grant Categories										
Type of Grant	2012/2013		2013/2014		2014/15		2015/16		2016/17	
	New	Existing	New	Existing	New	Existing	New	Existing	New	Existing
Building	7	4	8	6	1	13	6	13	4	7
Plant & Machinery	14	16	16	23	9	20	11	22	11	16
Marketing	10	21	16	13	6	15	8	16	11	14
Rent	8	3	14	4	3	5	8	3	7	4
First Year Expenses	12	8	16	12	7	3	4	8	5	8
Training	4	3	4	4	5	3	2	5	4	4
Relocation Incentive	0	0	0	0	0	0	0	0	2	8
Efficiency Measures	0	0	0	2	0	2	0	0	0	0
Loan	1	1	1	3	1	1	0	0	0	0
Repayable Grant	0	1	0	0	0	0	0	0	0	0
Totals	56	57	75	67	32	62	39	67	44	61

The offers totalled £2.46 million and the average percentage of support offered was 39%, compared to the previous year when the average percentage of support offered was 37%. This equates to a proposed investment from the private sector of £6.29 million by local businesses compared to £8.57 million in the previous year. The number of offers made was 6 more than in the previous year.

Amount of Grants offered to New & Existing										
Type of Grant	2012/2013		2013/2014		2014/15		2015/16		2016/17	
	New £'000	Existing £'000								
Building	142	96	172	439	13	742	16	382	53	405
Plant & Machinery	261	1,059	1,332	2,397	351	3,514	114	4,287	137	864
Marketing	196	219	373	199	121	196	114	200	138	104
Rent	143	16	206	51	12	31	58	45	40	46
First Year Expenses	648	249	346	385	100	38	10	525	26	81
Training	32	21	23	45	11	17	5	13	8	22
Relocation Incentive	0	0	0	0	0	0	0	0	48	486
Efficiency Measures	0	0	0	9	0	7	0	0	0	0
Loan	220	450	50	1,516	150	145	0	0	0	0
Repayable Grant	0	40	0	0	0	0	0	0	0	0
<b>Totals</b>	<b>1,642</b>	<b>2,150</b>	<b>2,502</b>	<b>5,041</b>	<b>758</b>	<b>4,690</b>	<b>317</b>	<b>5,452</b>	<b>450</b>	<b>2,010</b>

Potential Company Spend by New and Existing businesses linked to the Grant offers above										
Type of Grant	2012/2013		2013/2014		2014/15		2015/16		2016/17	
	New £'000	Existing £'000								
Building	462	144	396	698	112	1,294	37	613	97	1,462
Plant & Machinery	537	1,254	2,052	6,142	935	5,694	227	6,033	285	1,474
Marketing	486	604	1,038	610	755	516	237	334	249	215
Rent	252	34	275	112	41	52	80	68	75	62
First Year Expenses	1,340	433	717	845	300	57	33	883	51	133
Training	49	32	36	68	23	25	7	19	14	35
Relocation Incentive	0	0	0	0	0	0	0	0	192	1,946
Efficiency Measures	0	0	0	22	0	48	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>3,126</b>	<b>2,501</b>	<b>4,514</b>	<b>8,497</b>	<b>2,166</b>	<b>7,686</b>	<b>621</b>	<b>7,950</b>	<b>963</b>	<b>5,327</b>

### *Loan offers*

On occasion the Department offers alternate types of assistance to business, 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.

### *New business offers*

In the year ended 31<sup>st</sup> March 2017, 12 of the 40 offers were made to new companies, compared to 11 in the previous year. At the same time the number of applicants under the Department's Micro Business Grant Scheme and Small Business Start-up Scheme remains high and this is often a more suitable Scheme for new businesses.

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

	2012/13	2013/14	2014/15	2015/16	2016/17
Engineering	0	3	1	0	0
General Manufacturing (incl. Food & Drink)	3	1	4	4	4
Financial Services	2	3	2	1	1
ICT (incl. E-Gaming & E-Business)	6	3	1	2	4
Other	6	12	1	4	3
Total	17	22	9	11	12

### *Total amount of financial assistance offered*

The total amount of financial assistance offered this year amounted to £2,460,415 compared to £5,770,005 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 2017 amounted to £3,177,086 compared to £2,613,160 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 2017, the value of offers amounted to £8.81 million. Based on the historical claim percentage this represents an accrual value of £7.04 million this being a marginal decrease in the value of the accrual (the 15/16 accrual figure was £8.9 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 people to single person operations.

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

##### **For the period 1 April 2016 to 31 March 2017**

3FM	McCavana Timber Frame Homes IOM Ltd
Adoptit Publishing Ltd	Myzone Ltd
Ardan International Ltd	Nasaleze Ltd
Assystem (IOM) Ltd	Noa Bakehouse Ltd
Berries Ltd	Okell & Son Ltd
Buffalo Bowling & Leisure Ltd	Pacific Funds Systems Europe Ltd
Caldere, Mrs Z. t/a Loaghtan & Gansey IOM	Panacea Pharma Projects Ltd
Corlett Bolton Administration Services Ltd	Plan Communications Ltd
David Couch Consulting	Progress Shaving Brush (Vulvix) Ltd
David Roberts Joinery Ltd	Promenade Shirts & Embroidery Ltd
Elite Communications Group Ltd	Prometic Biosciences Ltd
Gourmet Foods Ltd	Riva Financial Services Ltd
Henson Ceramics Ltd	Roger W Smith Ltd
Iforium Ltd	Ronaldsway Aircraft Co. Ltd
Infinity Gaming Software Ltd	SEQ Ltd
Ingenuity Gaming Software Ltd	SES Satellite Leasing Ltd
IOM Creamery Ltd	SLS Optics Ltd
Island Optics Ltd	Strix Ltd
Island Seafare Ltd	Sub Aquatic Technical Systems Ltd
Island Shellfish Processing Ltd	Swagelok Ltd
Isle of Man Teas Ltd	Taverner Mr N. t/a Ballawyllin Farm Cottages
Kiartys Ltd	Trackshack Ltd
Knockaloe Beg Farm Ltd	Travel Tech Group Ltd
Knox Capital Solutions Ltd	Triumph Actuation Systems – IOM Ltd
Mann Link Travel Ltd	Twilight Customer Services Ltd
Manx Engineers Ltd	Vali Dating Ltd
Manx Precision Optics Ltd	
McCavana Timber Frame Homes 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 2016 to 31<sup>st</sup> March 2017 amounted to **£3,177,086.**

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

During the year ended 31st March 2017, the Department became aware that the following businesses which previously received assistance and the assistance remains 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 amounts repayable to the Department under the terms and conditions not the amount paid out to the business by the Department.

The Department continues to seek recovery of the outstanding amounts.

Business	Amount Due Under T&C's
Doghouse Brewery	£12,209.35
IM Kesefim Ltd (formerly Tailorbet Ltd)	£60,218.21

## **6. Exemptions in the national interest from the requirement for a work permit under section 7(5) of the Control of Employment Act 2014**

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.

Between 1st April 2016 and 31st March 2017 the Department approved two requests for National Interest exemptions from the requirements of Work Permits.

The first exemption issued was to a major financial institution which had a choice of jurisdictions to which it could relocate a portion of work. In this case dialogue with the Department resulted with the individual overseeing the work being exempted from work permit controls meaning the organisation could relocate that portion of work to the Isle of Man. Thereby creating approximately 25 positions on the island and increasing opportunities for Isle of Man workers, aiding in growing the economy. This also helps those businesses ensure that the other work was undertaken, thus the existing positions remained viable on the Island.

The second exemption issued was to a medical care provider for a Chief Executive position which had been difficult to recruit to, and for which there were no Isle of Man worker applicants. The exemption was granted so that the role could be offered immediately at recruitment to a successful candidate, because there could not be a break in the work undertaken.

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

The Department must include in the annual report under section 6(1) and 6(2) of the Enterprise Act 2008 information in respect of payments made to businesses under the Scheme

Nimbus Medical Holding Limited	Investment
E-Sign Limited	Investment
XLabs Limited	Loan

In total the above businesses obtained £1.23 million of assistance through the EDS



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

*Reiltys Ellan Vannin*

