

GD 2020/70



**The Enterprise Act 2008
Annual Report for 2019/2020
Department for Enterprise
December 2020**

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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 31st 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, 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:

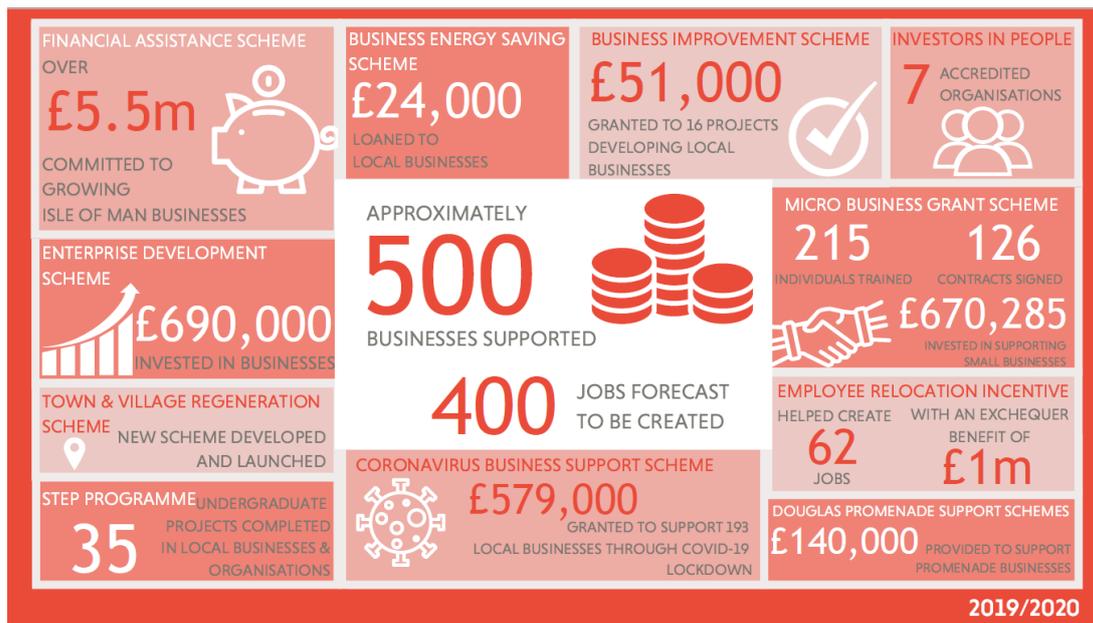
- geographical diversification (jobs created outside Douglas and the rest of the Eastern area may attract more support);
- sector diversification (new sectors which help to reduce overall over reliance on the economy as a whole may attract more support);
- diversification of employment base (applications 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.
- *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 infographic on page 6 summarises the achievements across all of the schemes administered by the Enterprise Support Division.

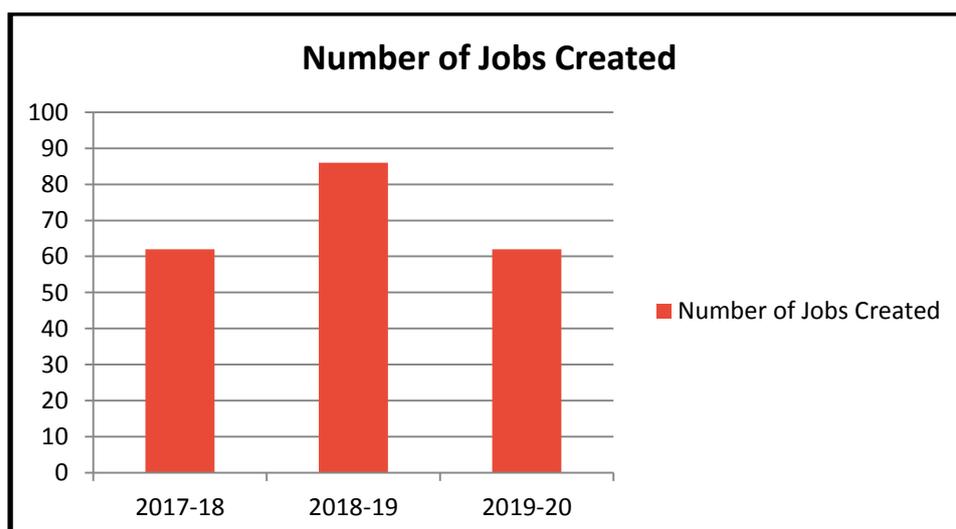
Over the past financial year the schemes have achieved the following:



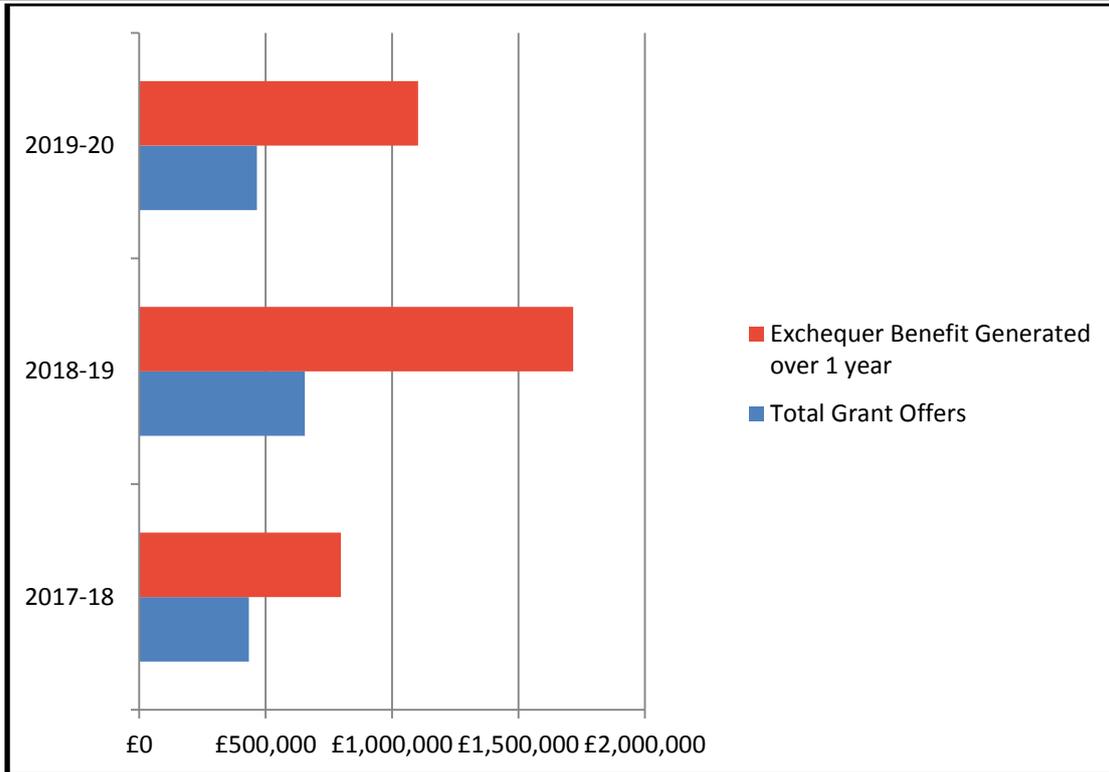
Changes introduced to the Financial Assistance Scheme during the 2019-2020 year were limited to the removal of the cap of financial assistance of £100,000 to E-Gaming companies and the addition of support of up to 100% towards renting commercial premises in Douglas where the property has undergone a comprehensive renovation since 2014.

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 the Division have processed applications for over 350 roles.



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 31st March 2020

Grants offers

During the year ended 31st March 2020 the Department made 67 grant offers to 57 companies, compared to the previous year when 65 offers were made to 59 companies. Comparable figures for the previous five years ending 31st March have been included in the below tables.

	2015/16		2016/17		2017/18		2018/19		2019/20	
	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 £
Offers to new Companies	11	317,289	12	450,248	12	447,975	12	531,301	18	1,381,713
Offers to existing Companies	23	5,452,716	28	2,010,167	35	7,204,701	53	2,731,140	49	4,153,756
Totals	34	5,770,005	40	2,460,415	47	7,652,676	65	3,262,441	67	5,535,469

The number of offers made during the year total 119 across the grant categories. This figure has increased when compared to the previous year of 100. The table on the following page is split into offers made across the grant categories to new and existing businesses.

Number of applications across grant categories										
Type of Grant	2015/16		2016/17		2017/18		2018/19		2019/20	
	New	Existing								
Building	6	13	4	7	4	7	2	6	5	5
Plant & Machinery	11	22	11	16	9	15	8	17	11	14
Marketing	8	16	11	14	8	10	5	7	9	7
Rent	8	3	7	4	6	2	5	1	7	2
First Year Expenses	4	8	5	8	6	7	5	7	9	4
Training	2	5	4	4	2	5	0	1	1	2
Relocation Incentive	0	0	2	8	3	18	4	32	8	35
Efficiency Measures	0	0	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
Totals	39	67	44	61	38	64	29	71	50	69

The offers totalled £5.54 million¹ and the average percentage of support offered was 33.6%, this being 2.6% higher than the previous years' level of 31%. 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 270. For the £5.54 million that was offered to businesses, the Department expect an estimated £1.36 million per annum from newly created jobs returned to the exchequer, which over a five year period equates to £6.8 million.

The £5.54 million equates to a proposed investment from the private sector of £9.28 million² by local businesses compared to £6.79 million³ in the previous year.

¹ The number that is shown is rounded

² As above

³ As above

Amount of grants offered to new & existing businesses										
Type of Grant	2015/16		2016/17		2017/18		2018/19		2019/20	
	New £'000	Existing £'000	New £'000	Existing £'000						
Building	16	382	53	405	14	3,498	85	949	202	1,182
Plant & Machinery	114	4,287	137	864	147	1,658	152	1,099	530	2,318
Marketing	114	200	138	104	134	127	84	89	236	165
Rent	58	45	40	46	44	22	74	2	77	15
First Year Expenses	10	525	26	81	32	252	86	86	153	42
Training	5	13	8	22	4	213	0	2	1	148
Relocation Incentive	0	0	48	486	73	971	50	504	183	283
Efficiency Measures	0	0	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
Totals	317	5,452	450	2,010	448	7,260	531	2,731	1,382	4,153

Potential company spend by new and existing businesses linked to the grant offers above										
Type of Grant	2015/16		2016/17		2017/18		2018/19		2019/20	
	New £'000	Existing £'000	New £'000	Existing £'000	New £'000	Existing £'000	New £'000	Existing £'000	New £'000	Existing £'000
Building	37	613	97	1,462	39	10,598	233	1,660	206	1,791
Plant & Machinery	227	6,033	285	1,474	430	3,170	251	1,568	819	2,834
Marketing	237	334	249	215	320	372	199	250	449	331
Rent	80	68	75	62	85	38	21	3	80	23
First Year Expenses	33	883	51	133	82	571	176	175	229	64
Training	7	19	14	35	10	636	0	2	1	222
Relocation Incentive	0	0	192	1,946	370	5,714	202	2,046	1,101	1,133
Efficiency Measures	0	0	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
Totals	621	7,950	963	5,327	1,336	21,099	1,082	5,704	2,885	6,398

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.

New business offers

In the year ended 31st March 2020, 18 of the 67 offers were made to new companies, this being slightly higher than the previous year, being 12 offers to new companies out of 65 offers.

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

	2015/16	2016/17	2017/18	2018/19	2019/20
Engineering	0	0	0	1	0
General Manufacturing (incl. Food & Drink)	4	4	3	2	3
Financial & Professional Services	1	1	2	3	3
ICT (incl. E-Gaming & E-Business)	2	4	4	4	9
Other	4	3	3	2	3
Total	11	12	12	12	18

Total amount of financial assistance offered

The total amount of financial assistance offered this year was £5,535,469, compared to £3,262,441 in the previous year.

Total amount of assistance paid

The total amount of assistance paid out in the year ending 31st March 2020 was £3,017,751, compared to £4,574,759 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 31st March 2020, the value of outstanding offers amounted to £10.14 million. Based on the historical claim percentage of 76% this represents a value of £7.7 million that the Department may be expected to grant to businesses over a number of years. The outstanding liability at the end of March 2020 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 2019 to 31 March 2020

3FM Ltd	MAC Financial Ltd
A & B Metal Fabrications Ltd	Macro Metal Services Ltd
Ableton Prestige Global Limited	Mann Link Travel Ltd
Actiphons Productions Ltd	Manx Business Solutions Ltd
Annexio Services (IOM) Ltd	Manx Precision Optics Ltd
Apple Orphanage Co. Ltd	Maritime, Oil & Gas Consulting Services Ltd
Appleby (IOM) LLC	MAS Property Advisors Ltd
Astrea Bioseparations Ltd	Mediatech Ltd
Auldyn Construction Ltd	Nasaleze Ltd
Bodystat Ltd	Noa Bakehouse Ltd
Bramden Ltd	Noa Roast House Ltd
Canada Life International Ltd	Old Mutual International Ltd
Close Leece Farm Ltd	Optimus Pension Administrators Ltd
CoinCorner Ltd	Pacific Fund Systems Europe Ltd
Collins Steel Ltd	Plan Communications Ltd
Comis Holdings Ltd t/a Comis at Mount Murray	PriceWaterhouseCoopers LLC
Cortech Healthcare Ltd	Progress Shaving Brush (Vulfix) Ltd
Counton Global Mobility Solutions Ltd	Quinn Legal Advocates Ltd
Dot Performance Ltd	Ramsey Park Hotel Ltd
EIP Ltd	Riela Yachts Ltd
Equiom Group (Europe) Ltd	RL360 Management Services Ltd
E-Sign Ltd	Robinsons Ltd
Flix Facilities (IOM) Ltd	Roger W Smith Ltd
Furbate Ltd t/a Hubb	Scout4 Ltd t/a Jobhawk
Gander Ltd	Seaboard Overseas Ltd
Glen Helen Glamping Ltd	Seven Kingdom Ltd
Hamblin Ltd	SLS Optics Ltd
Hansard Global PLC	SP Services Ltd
Hopes & Dreams Ltd	Standard Bank (IOM) Ltd
Intellect Solutions Ltd	Strix Ltd
IOM Chamber of Commerce (Barclays Eagle Lab)	Swagelok Ltd
IOM Creamery Ltd	Symless Ltd
IOM Fatstock Association	The Engine Ltd
IQE Ltd	Travel Tech Group Ltd
Island Shellfish Processing Ltd	Treehouse Nursery Ltd
Isle of Man Meat Company Ltd	Triumph Actuation Systems - IOM Ltd
Kiartys Engineering Ltd	Unikrn Services Ltd
Laxey Glen Mills Ltd	Vali Dating Ltd
Wedgwood Mr C. t/a GMA Engineering	

The total of the assistance paid to the above businesses through the Financial Assistance Scheme in the period 1st April 2019 to 31st March 2020 amounted to £3,017,751.

6. Businesses that ceased trading during the year

During the year ended 31st March 2020, the following business which previously received assistance and the assistance remained under terms and conditions 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.

Business	Amount Due Under T&C's
MarketstheWorld Limited	£78,658.03

The assistance to MarketstheWorld Limited was paid in November 2015, under the Company's 2011 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 at £155,812.

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 2019 and 31st March 2020 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 2018 requires that the Department includes in this report information in respect of payments made to businesses under the Scheme.

Nimbus Medical Holdings Limited	Investment
E-sign Limited	Investment
Flix Facilites IOM Limited	Loan

In total the above businesses obtained £690,000 of assistance through the EDS during the financial year ending 31st March 2020.

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

