



Cronfa Amaethyddol Ewrop ar
gyfer Datblygu Gwledig;
Ewrop yn Buddsoddi mewn Ardaloedd Gwledig
European Agricultural Fund for
Rural Development;
Europe Investing in Rural Areas

Llywodraeth Cymru
Welsh Government



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Welsh Government Rural Communities – Rural Development Programme 2014- 2020

Rural Business Investment Scheme

FOOD

Guidance Notes

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INTRODUCTION

1. These Guidance Notes explain the **Rural Business Investment Scheme - FOOD (RBISF)** and the kind of projects that may qualify for grant aid. Please read it carefully. If you then consider your investment plans may qualify for grant and you want to apply for support under this scheme, please contact the RBISF mailbox. RBISFood@gov.wales
2. The RBISF covers capital investments costs and supports projects that offer clear and quantifiable benefits to the food and drink industry in Wales. The scheme is open to existing and start up micro & small food and drink processor's and manufacturers throughout Wales.
3. Projects will be required to demonstrate that a viable market has been identified for their product(s) and that the project would not proceed without the grant. The scheme is discretionary and the amount of grant offered will relate to individual circumstances and would always be the **minimum amount necessary** to allow the investment to go ahead.
4. The grant can be used to improve and develop processing facilities, e.g. to erect new buildings and to buy eligible new equipment.
5. This is only an outline to the scheme and the way it is operated and the detailed rules for eligibility criteria may be subject to change.

STRATEGIC AND THEMATIC OBJECTIVES

6. All projects supported through the RBISF must make a contribution to the overarching Food Strategy Action Plan - Towards Sustainable Growth: An Action Plan for the Food and Drink Industry 2014 – 2020 and one or more of the following thematic objectives;
 - promoting and developing a growing and vibrant food and drink sector in Wales
 - continuing to develop a green image based on sustainable production methods
 - further building resilience into the industry to withstand market changes
 - driving improvements in food safety and security
 - promoting technological innovation in both product and processes
 - providing career opportunities at varying skill levels.

WHO CAN APPLY?

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7. The scheme is open to applications from a wide range of Micro and Small businesses (micro enterprises employ less than 10 employees, small enterprises less than 50 employees) involved in food and drink processing and manufacture such as:

- Sole traders
- Voluntary sector organisations
- Private and public limited companies
- Businesses that want to process agricultural products, but do not meet the criteria for Food Business Investment Scheme.
<http://gov.wales/topics/environmentcountryside/farmingandcountryside/cap/ruraldevelopment/wales-rural-development-programme-2014-2020/food-business-investment-scheme/?lang=en>
- New businesses, including start-up businesses.

ELIGIBLE ACTIVITIES

8. Support under this scheme covers capital investment in food and drink processing and manufacturing activities currently not eligible under the Food Business Investment Scheme.

INELIGIBLE ACTIVITIES

9. There are a number of investments and products that are not eligible for aid:

- investments at the retail level – defined as the purchase of goods for re-sale or the delivery of an added-value service at the point of delivery such as restaurants, cafes, fast food outlets (including mobile outlets);
- investments to replace items previously purchased with EU or Welsh Government grant assistance (within the same business);
- investments in warehousing, transport and/or distribution logistics;
- fisheries and aquaculture products;
- those concerning inputs of products covered by Annex 1 TFEU;
- contract processing where the value being added is not realised by the applicant and/or the applicant does not own the product being processed;
- projects involving the production, processing, distribution and usage of biomass crops;
- projects involving the production of food based biofuels;
- products for which no realistic normal market can be demonstrated;
- intervention stores;
- warehousing and/or freezer and cold stores for finished products as a separate investment that does not include processing activities;

- upgrades to premises and/or equipment to meet requirements arising from statutory enforcement action;

ELIGIBLE COSTS

10. Support under this scheme can cover tangible assets such as land, buildings, machinery and equipment and intangible assets such as computer software, patent rights and licences and technical and consultancy fees;
- (a) the construction, acquisition, or improvement of immovable property, with land only being eligible to an extent not exceeding 10 % of the total eligible costs of the investment project;
 - (b) the purchase of machinery and equipment up to the market value of the asset;
 - (c) general costs linked to expenditure referred to in points (a) and (b), such as architect, engineer and consultation fees, fees relating to advice on environmental and economic sustainability, eligible to an extent not exceeding 10% of the total eligible costs.
 - (d) acquisition or development of computer software and acquisitions of patents, licenses, copyrights, trademarks.

INELIGIBLE COSTS

11. The following items are examples of expenditure which are **not eligible** for grant aid. This is not a definitive list and all items of expenditure will be considered on a case by case basis.
- purchase of land, including associated expenses, where the costs exceed 10% of the total investment
 - purchase of buildings which have previously been used for the same purpose
 - any physical work on site carried out before the authorised start of work date (**any such work carried out renders the whole award liable to cancellation**)
 - temporary works not **directly** related to the execution of the project
 - purchase of vehicles for external transportation (forklift trucks, or similar, used for internal transportation and handling are eligible)
 - working capital
 - reclaimable VAT
 - maintenance costs
 - own labour and equipment costs
 - like for like replacement of existing machinery and equipment
 - consumables (items which are normally written off within a year)
 - recreational equipment (though televisions, projectors etc for educational or business purposes may attract grant)

- landscaping, ornamental work, and provision of leisure amenities
- general office equipment and furniture
- revenue costs such as salaries for key staff; training for directors and key staff; attendance at trade fairs; expenses of outside directors
- costs connected with a leasing contract such as the lessors margin, interest financing cost, overheads and insurance charges
- costs of arranging overdraft facilities, loans or other financial support instruments including any associated fees or other charges
- overheads allocated or apportioned at rates materially in excess of those used for any similar work carried out by the applicant
- notional expenditure
- payments for activity of a political nature
- depreciation, amortisation and impairment of assets purchased with the help of a grant
- provisions
- contingent liabilities
- contingencies
- profit made by the applicant
- dividends
- interest charges (unless under an approved State Aid scheme)
- service charges arising on finance leases, hire purchase and credit arrangements
- costs resulting from the deferral of payments to creditors
- costs involved in winding up a company
- payments for unfair dismissal
- payments into private pension schemes
- payments for unfunded pensions
- compensation for loss of office
- compensation paid to third parties for expropriation, unharvested crops, etc
- bad debts arising from loans to employees, proprietors, partners directors, guarantors, shareholders or a person connected with any of these
- payments for gifts and donations
- entertainments
- statutory fines and penalties
- criminal fines and damages
- legal expenses in respect of litigation

12. Costs related to the purchase and/or refurbishment and/or adaptation of any building must be appropriate to the scale, nature and intention of the project. Grant must be primarily focused on food or drink processing and manufacturing for a commercial market and so cannot be used for the purpose of the acquisition of

capital assets that are not essential for the delivery of the proposed activity.

13. Costs related to the purchase of equipment are only eligible for grant aid when the cost has been correctly defrayed by the claimant. Therefore the full costs of any equipment secured under a hire purchase or lease hire agreement or any other form of financial arrangement is not eligible for grant aid.

MAXIMUM GRANT RATE AND MAXIMUM GRANT THRESHOLD

14. The maximum grant rate for any individual investment project is 40% of the total eligible costs.
15. The maximum grant threshold per undertaking for any individual investment project is £50,000.
16. The grant amount is made up from the total public sector contribution to the investment project which includes monies from the EU and co-finance to the EU funds from Welsh Government.
17. If other EU or UK public funds are obtained to support the costs of a project they will be discounted against the Rural Business Investment FOOD grant.

SELECTING SUCCESSFUL PROJECTS

18. Each case is assessed on its potential value to the economy, the degree to which the investment will support the sector that it is focussed on and the potential for longer term sustainability of the market and/or the business.
19. The initial selection process will confirm that:
- all the eligibility criteria have been satisfactorily met, including evidence of need for the activity and funding, viability to implement and sustainability of delivery and,
 - that the project will deliver outputs and outcomes that contribute towards the aims and objectives of the strategy and / or action plan for the sector
20. Projects will as necessary need to demonstrate:
- Viability of the business
 - Legal compliance
 - Financial viability of project and sustainability
 - Support and commitment of key stakeholders
 - Project management, monitoring and evaluation arrangements

21. The greater the importance and contribution that the project investment can make to the appropriate strategic and thematic objectives the more likely it is to be recommended for selection.

Key requirements

22. The applicant will usually have only one business development investment project running at any given time.

23. The maximum period of an investment project will not usually exceed 18 months.

24. That there is a normal (viable) market outlet for the product(s) of your project.

25. That the project would not proceed without grant assistance.

26. That the amount of grant being asked for is the minimum gap funding necessary for the project to go ahead.

27. Applications must also demonstrate that the following have been addressed:

- Full planning permission has been obtained, where required;
- All other consents, licences and permissions have been granted, where required;
- for existing businesses the economic viability of the project and the business, through the provision of accounts for three consecutive years immediately preceding the date of the application and financial forecasts for the period of the project.

New businesses will be required to supply full details about the background and experiences of the directors along with other evidence necessary to validate the business plan and project proposals:

- compliance with UK and EU Law on equal opportunities and projects should promote and encourage equal opportunities and combat social exclusion
- key staff must be recruited through fair and open competition
- compliance with minimum standards and legislative requirements regarding the environment, hygiene, animal welfare and health and safety standards (to include approvals from the Meat Hygiene Service and the local Environmental Health Officer)
- Availability of the necessary technical skills and competences within the business;
- Attain or exceed the 'Excellent' rating under the BREEAM environmental assessment framework, or equivalent, for all new buildings;
- Aspire to zero carbon emissions for all new buildings built from 2011 onward.

CROSS CUTTING THEMES

28. The Regulations governing the European Programmes stipulate that all projects funded through the Common Strategic Framework must integrate the Cross Cutting Themes (CCT's) of Equal Opportunities and Gender Mainstreaming and Sustainable Development. These mandatory CCT's need to be integrated into the design and development of the European Structural and Investment Funds (ESIF) and the activity supported through the funds. This includes the Welsh Government Rural Communities – Rural Development Programme 2014-2020.
29. In addition to the two CCT's mandated by the European Commission, Tackling Poverty and Social Exclusion will also be a mandatory CCT for the Welsh Government programmes.
30. The cross cutting themes are intended to add value, raise awareness and understanding while ensuring maximum participation and mitigating adverse impacts. This should help operations move beyond compliance and develop systems which support best practice.
31. Further guidance is available at:
<http://wefo.gov.wales/publications/guidanceandpublications14-20/crosscutting1/?lang=en>

HOW TO APPLY

32. It is a European Commission requirement that projects in the Welsh Government Rural Communities – Rural Development Programme 2014-2020 are not selected on a first past the post system. To meet this requirement it is intended that the Welsh Government Rural Communities – Rural Development Programme 2014-2020 schemes will open and close for applications periodically through the life of the new programme, dependent upon available programme financial allocations.
33. The Application process for RBISF will be in two stages. The first stage will be an Expression Of Interest (EOI). Applicants that are successful at EOI stage will be invited to the second stage which is to submit a full application.
34. The full application will be appraised in accordance with the Scheme Guidance and eligibility rules. They will be subject to full due diligence appraisal and eligibility checks and only at that point will a final decision be taken to offer a grant or reject the application. There is no guarantee that a project proposal will be approved for a grant.
35. **You must not start any work until you have received written confirmation from the Welsh Government that your application has been successful. Any projects which breach this rule will not be considered for support.**

36. You may use a consultant to prepare your application and business plan if you wish **but the application form must be signed by you and not by the consultant. It is your responsibility to ensure that the application is correctly completed and that the information provided in support of your project is accurate.**
37. When you submit your application form, the Welsh Government will write to you acknowledging its receipt. If your project is ineligible, you will be told this in writing as soon as possible. If your application is eligible, it will be subject to a detailed appraisal.
38. There are three possible outcomes:
- (a) Your project is not eligible for the grant. You will be told as soon as possible.
 - (b) Your project is eligible for consideration but is not approved for an award. You will be informed of the reasons why your application was not successful. You may apply again with the same project (amending the application if you wish) but only if you have not started work.
 - (c) Your project is eligible and is approved for an award. An approval letter will be issued to you setting out the terms and conditions of the award which you will be asked to sign as agreement that you accept the terms and conditions therein. The letter will also provide you with the authority to start work.
39. Subject to the requirements of the Welsh Government's Code of Practice on Public Access to Information, the Freedom of Information Act 2000 and the Environmental Information Regulations 2004: all information given to the Welsh Government will be treated in strict confidence. You should be aware that if successful, the Welsh Government and the EC reserve the right to publish the name of your company, the amount of grant you were awarded and a summary of your project.

CONDITIONS OF GRANT

40. The Rural Business Investment Scheme FOOD is subject to a range of relevant legislation (separate guidance notes) Both the Welsh Government and the applicant/recipient must act in accordance with that legislation.
41. The offer of a RBISF grant is made subject to terms and conditions, including those set out below. **Failure to meet the terms and conditions of the award could result in the cancellation of your award and/or the recovery of sums already paid, or a reduction of the amount of grant payable.**

Conditions:

1. Acceptance of the grant awarded must be made within 14 days of the date on the approval letter.

2. The award is made on the basis of statements made by you or your representatives in the application form and subsequent correspondence.

The making of false statements is an offence.

3. You must not begin any work on the project without first obtaining written authority to do so from Welsh Government.
4. You must meet any legal obligations imposed under EU and UK law, including hygiene legislation.
5. No alterations may be made to the project, including the location of the activity, without the prior written approval of the Welsh Government.
6. No equipment and/or buildings purchased with grant aid must be disposed of, transferred or sold without the prior written consent of the Welsh Government.
7. You must comply with the rules on eligible expenditure.
8. Claims must be submitted in the correct format and accompanied by all necessary documentation. If not, they will not be accepted and will be returned to the claimant.
9. Claims must be submitted in accordance with the timetable set out in the offer letter. You must not deviate from the agreed timing and value of your claims without prior written agreement from Welsh Government.
10. The first claim must be submitted within three months of the date of acceptance of the grant.

If the first claim is not made within this period the grant offer will be automatically terminated.

11. Projects should be completed within the timetable agreed with Welsh Government. You should not deviate from this without prior written agreement from Welsh Government.
12. Grant can only be paid on expenditure that has been defrayed, that is, on payments that have cleared from a bank account.
13. You must confirm that none of the items covered by the application are replacements under an insurance claim.
14. You must provide confirmation that no other public funding (whether from EU or UK sources) has been sought.
15. Any publicity given to the project must make reference to the part played by both the European Union and the Welsh Government in funding it.

16. Records concerning the activity of the business and the delivery of the project, including all original invoices and other related documents such as competitive tenders or quotes, must be retained until 2030. Details of these requirements are at Annex D.
17. You must allow representatives of the Welsh Government, the Auditor General for Wales, Audit Commission and the European Court of Auditors to inspect the project. On request, you must provide them with information and/or access to original documentation in relation to the project.
18. The information provided in the application and any supporting documentation is subject to the requirements of the Welsh Government's Code of Practice on Public Access to Information, the Freedom of Information Act 2000 and the Environmental Information Regulations 2004.

You should be aware that if successful, the Welsh Government and the EC reserve the right to publish the name of your company, the amount of grant you were awarded and a summary of your project.

PAYMENT OF GRANT

Claims

42. You may make interim claims for up to 80% of the value of your award. Claim forms and guidance notes on how to claim will be issued when the award is confirmed. Claims will only be paid when the Welsh Government is satisfied the relevant expenditure has taken place and that the work has been completed according to plan. Payment will be made by electronic transfer to your bank account.
43. Final claims for payment of grant should be submitted as soon as possible after the physical work on the project has been completed and within 12 months of grant approval. Failure to submit claims may result in the grant paid to date being recovered.
44. During the lifetime of the grant, when claims are submitted, they may be scrutinised to ensure expenditure is eligible and in line with that approved in the original application. On completion of the physical works, the project site will be visited and a detailed assessment of the project undertaken. The information that will be required at the visit includes original invoices; serial/plant numbers; Building Regulations completion certificate (where appropriate); Health & Safety system including risk analysis; Fire Risk Assessment documents in accordance with the Regulatory Reform (Fire Safety) Order 2005; Cleaning Regime records; Pest control records and Quality Control records. The release of grant will be conditional upon adequate progress having been made.

Incorrect claims and penalties

45. You have a responsibility to make sure that each claim submitted is arithmetically correct; that it is only for defrayed expenditure (the money has gone from your bank account); that all the items and costs are eligible and that the claim is on time.
46. If the claim is incorrect then your claim will be reduced to the amount that is eligible and the grant to be paid will be calculated accordingly. However, if the error is more than 10% of the total amount claimed then a financial penalty will be applied as described below.
47. The amount of eligible expenditure will be reduced by the amount of the error and so the final amount of grant to be paid will be lower than expected. You will have to make up the difference because the lost grant cannot be included in later claims.
48. The penalty may, in certain circumstances, be increased and all of the grant paid to date might be recovered. If that happens you will not be able to submit an application under the Food Business Investment Scheme in the remainder of the current EAFRD year or for the following EAFRD year.
49. It is essential that if you have any doubts about anything that you need for your project that you written confirmation of its eligibility before you incur the costs.

Offences

50. Regulation 13 of the Rural Development Programmes (Wales) Regulations 2014 (No. 3222 (W.327)) establishes criminal offences and penalties in relation to certain aspects of rural development funding. That Regulation and those offences are applicable to the Food Business Investment Scheme. Examples of offences include; knowingly or recklessly providing false or misleading information in relation to rural development funding; obstructing an inspector or official; and refusing to provide information when requested to do so.

Monitoring of projects

51. It is a European Commission requirement that the progress of your project is monitored and its success evaluated following completion. You will be asked to provide regular updates on its progress and three months following completion, a final report on its performance, when the project will be evaluated against the objectives and targets set out in the approved application. If the project should fail to meet these targets and, on the basis of progress actually made, would not have qualified for grant aid under the scheme, action may be taken to recover the grant paid.
52. It will be a requirement of the grant award that equipment purchased with the aid of a RBISF grant and any buildings on which grant is paid, must be kept in situ, operational and in good repair, and used for the same purpose as set out in the original application, for at least five years from the date of completion of the project as set out in the approval letter. This is to ensure the longevity of the project and

to guarantee primary producers a lasting share of the project's benefits.

53. A further monitoring form will be required to be completed two years following completion and again five years following completion. Site visits will be made on a percentage of the projects approved within five years following final completion (Project End Date) to ensure the applicant still has and is using the equipment purchased with the grant and that the business is performing as expected.
54. You must allow officials from Welsh Government and the European Commission, or their representatives, to inspect the project at any reasonable time within this five year period.

END OF RURAL BUSINESS INVESTMENT SCHEME FOOD

55. All claims must be submitted to the Welsh Government according to the agreed payment profile but no later than 30 June 2023. All project activity must be completed in time for accounts and records to be audited and claims to be prepared and submitted by this date.

APPEALS PROCEDURE

56. If an application is rejected, the reasons for rejection will be spelt out clearly. We will be prepared to discuss any modifications which might be needed to make the project acceptable.
57. If an application is still rejected an appeals procedure will be established which will take the form of an oral or written submission to persons appointed by and independent of the Welsh Ministers.

COMPLAINTS PROCEDURE

58. If you consider that we have failed to follow the correct procedure in the handling of your request you may wish to make a complaint in accordance with Welsh Government's Complaints procedure which is available by post or via the website at:
http://gov.wales/contact_us/makeacomplaint/complaintspolicy/?lang=en