



Llywodraeth Cymru  
Welsh Government

# Wood Kiln Investment Scheme Guidance

**Opens 15 April 2019**  
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## **INTRODUCTION and BACKGROUND**

1. These Guidance Notes explain the **Wood Kiln Investment Scheme (WKIS)** 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 see 'How to Apply' section below.
2. Wood Packaging Material (WPM), mainly pallets, being imported and exported to countries outside of the EU is subject to International Standard for Phytosanitary Measure No. 15 (ISPM15). ISPM15 provides a standardised approach that countries can use to reduce the risk of the introduction and spread of quarantine pests associated with the movement in international trade of WPM. The EU and most other third countries base their phytosanitary import requirements on this standard and require WPM to be treated (typically done using heat chambers) and stamped in accordance with ISPM15.
3. In a no deal scenario, where the UK is treated as a third country, all WPM moving between the UK and the EU would need to be ISPM15 compliant.
4. There is a risk that trade could be disrupted due to both increased WPM controls causing delays and non-compliant WPM being sanctioned
5. Wales has very few businesses capable of carrying out heat treatment to the ISPM15 standard at present.
6. The WKIS is a domestically funded scheme, which is designed to increase Welsh producer's capacity to produce ISPM15 standard wood packaging material, for wooden pallets in particular.
7. Proposed investments must show 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 would relate to individual circumstances and would always be the **minimum amount necessary** to allow the investment to go ahead.
8. The grant can be used to improve and develop the production of ISPM15 wood packaging material in Wales, e.g. to buy eligible new or second hand equipment (for second hand equipment certain conditions apply). More examples are shown in Annex A.
9. This is only an outline to the scheme and the way it is operated, the detailed rules for eligibility criteria may be subject to change.

## **WELSH GOVERNMENT – CONTACT DETAILS**

10. For all enquiries please send an e-mail to the following address:

[WoodKilnInvestmentScheme@gov.wales](mailto:WoodKilnInvestmentScheme@gov.wales)

## **WHO CAN APPLY**

11. The scheme is open to applications from Small and Medium Size (SME) enterprises that are involved in timber processing.

## **DEFINITION OF A SME**

12. A SME is an undertaking that employs less than 250 employees (based on full-time equivalents) and has an annual turnover not exceeding 50 million euros and/or an annual balance sheet total not exceeding 43 million euros. Part-time staff and seasonal workers should be treated as a fraction of a full time equivalent.

## **ELIGIBLE ACTIVITIES**

13. Support under this scheme covers tangible and/or intangible investments that will enhance the applicant's ability to produce ISPM 15 compliant wood packaging material.
14. Tangible investments means capital expenditure and associated installation costs. Capital expenditure in this context includes investments that are fixed, physical or non-consumable such as buildings, machinery and equipment.

## **ELIGIBLE COSTS**

15. Support under this scheme can cover tangible assets such as land, machinery and equipment:
  - 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
16. Second hand equipment is eligible (for SMEs only) where the applicant can demonstrate the following:
  - it complies with current health and safety legislation;
  - is fit for purpose;
  - has at least five years life expectancy remaining.

## **MAXIMUM GRANT RATE AND MAXIMUM GRANT THRESHOLD**

17. The maximum grant threshold per enterprise for any individual investment project is c.a. £160,000 per recipient.

18. The minimum grant threshold per enterprise for any individual investment project is **£10,000**.
19. The maximum grant rate for any individual investment project are as follows:
  - All sizes of enterprise – up to 100% of the total investment cost regardless of location

### **STATE AID**

20. Enterprises under this scheme are eligible for up to 100% of the total investment costs but limited to a maximum grant threshold of €200,000 over any period of three fiscal years regardless of location.”
21. Applicant will need to complete a declaration to confirm how much De minimis they have already received
22. Grant provided under this scheme will be compliant aid pursuant to Commission Regulation (EU) No 1407/20135 (General De Minimis Regulation).

### **SELECTING SUCCESSFUL PROJECTS**

23. To be selected a project must, as necessary, demonstrate:

#### Need for activity:

- the outputs are required and will deliver against the Measure outputs it adds to and does not displace and/or unnecessarily duplicate existing activity.

#### Need for funding:

- it cannot proceed now without support
- the costs are not excessive for the nature of the activity involved
- there is a market failure or funding gap, where applicable.

#### Ability to deliver:

- viability of the business
- legal compliance
- financial viability of project and sustainability, including exit strategy
- support and commitment of key stakeholders
- project management, monitoring and evaluation arrangements.

24. 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**

25. That the project offers direct or indirect benefits to primary producers in the wood packaging sector.
26. That there is a normal (viable) market outlet for the product(s) of the project.
27. That the project would not proceed without grant assistance.
28. Applications must also demonstrate that the following have been addressed:
  - outline planning permission has been obtained, where required
  - all other consents, licences and permissions have been granted, where required
  - for existing businesses the economic and financial 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
  - compliance with 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 and health and safety standards
  - availability of the necessary technical skills and competencies within the business
  - attain or exceed the 'Excellent' rating under the BREEAM environmental assessment framework, or equivalent where necessary
  - aspire to zero carbon emissions for all new buildings.

## **HOW TO APPLY**

29. Applications will be submitted in direct competition with one another and it is expected that there will be significant demand for the grant available. Businesses will be invited to submit outline proposals for new investments. Those proposals will be assessed against criteria that will demonstrate the expected value of the investment or project.
30. The applications will be scored and ranked in order of merit according to the published selection criteria. Project proposals will be selected in ranked order until either the funds available have been allocated or the maximum number of applications has been reached. There is no guarantee that all of the funds will be allocated or that the maximum number of projects will be invited.
31. The 1<sup>st</sup> tranche of projects will be selected with a line drawn at the point at which the window budget is fully committed.
32. After the 14 days a 2<sup>nd</sup> tranche of projects will be selected to maximise budget should any 1<sup>st</sup> tranche projects decline / not respond.

33. This will run for a maximum of three tranches if the budget allows.
34. The application 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. The appraisal process for full applications will normally take a maximum of three months from receipt of a fully completed application and all relevant information.
35. **You must not start any work until you have received written confirmation from the Welsh Government. Any projects which breach this rule will not be considered for a grant.**
36. You may use a consultant to prepare your application 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 acknowledge its receipt. If your project is ineligible, you will be told this as soon as possible. If your application is eligible, it will be subject to a detailed technical and financial appraisal. When the appraisal is complete, support for your application will then be evaluated against the extent to which it meets national and regional objectives and priorities, as described above.
38. There are two possible outcomes:
  - a) your project is not selected for the grant. You will be told as soon as possible
  - b) 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.

## **CONDITIONS OF GRANT**

39. The WKIS is subject to a range of relevant legislation. Both the Welsh Government and the applicant/recipient must act in accordance with that legislation.
40. The offer of a WKIS 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 fourteen (14) working 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 or misleading 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 law, including hygiene legislation.
5. No alterations may be made to the project, including the location of the activity, without the written approval of 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 Welsh Government during the project delivery and for five years from the project end date.
7. Any goods and/or services that are bought with grant aid must be purchased in a competitive and sustainable way, so as to demonstrate that you have achieved best value in the use of public funds. You must not award contracts to any business that you have a conflict of interest with.
8. The applicant is required to comply with the rules on eligible expenditure as detailed in the relevant Scheme Guidance Note.
9. 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.
10. Claims must be submitted in accordance with the agreed timetable. You cannot change the agreed timing and value of your claims without written agreement from Welsh Government.



11. The first claim must be submitted no later than **six months** from the date on the approval letter.

**If the first claim is not made within this period the grant offer could be terminated.**

12. Projects should be completed within the timetable agreed with Welsh Government. You cannot change this without written agreement from Welsh Government.
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 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 for at least seven years after the project end date as stated in this grant approval letter.
17. You must allow representatives of Welsh Government, the Auditor General for Wales, and Audit Commission 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 Data Protection Act 2018, the Freedom of Information Act 2000 and the Environmental Information Regulations 2004.
19. The information provided in the application is subject to the Privacy Notice. The Privacy Notice explains the Welsh Government's processing and use of your personal data and your rights under the General Data Protection Regulation (GDPR).

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

## **PAYMENT OF GRANT**

### **Claims**

41. You may make interim claims during the period of your project. Guidance notes on how to claim will be issued when the award is confirmed and subsequently the claim is invited. 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.
42. Final claims for payment of grant should be submitted as soon as possible after the physical work on the project has been completed. All final claims must be received no later than 31 March 2021 in order for the Welsh Government to be able to meet the payment. Failure to submit claims may result in the grant paid to date being recovered.
43. 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, Pest control records and any other statutory control records that are required to be maintained by the enterprise. The release of grant will be conditional upon adequate progress having been made.

## **MONITORING OF PROJECTS**

44. 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.
45. It will be a requirement of the grant award that equipment purchased with the aid of a Wood Kiln Investment Scheme grant and any buildings on which grant is paid, must be kept in situ, operational and in good repair, for five years from the project end date. This is to ensure the longevity of the project and to guarantee primary producers a lasting share of the project's benefits.
46. Site visits will be made on a percentage of the projects approved within five years from the project end date to ensure the applicant still has and is using the buildings and/or equipment purchased with the grant and that the business is performing as expected.

47. You must allow officials from the Welsh Government, or their representatives, to inspect the project at any reasonable time within this five year period.

### **END OF WELSH KILN INVESTMENT SCHEME**

48. All claims must be submitted to the Welsh Government by no later than 31 March 2021. 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.

### **COMPLAINTS PROCEDURE**

49. 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 the Welsh Government's Complaints procedure which is available by post or via the website at:

[http://gov.wales/contact\\_us/makeacomplaint/complaintspolicy](http://gov.wales/contact_us/makeacomplaint/complaintspolicy)

## **ANNEX A**

### **EXAMPLES OF POSSIBLE INVESTMENT PROJECTS**

Examples of the types of projects and activities that might be supported and are a priority under the WKIS are:

- Kilns and groundworks
- land purchase, including fees or other costs directly related to the purchase, where the total costs do not exceed 10% of the total investment;