

**SCOTTISH EXECUTIVE
RURAL AFFAIRS DEPARTMENT**

PROCESSING AND MARKETING GRANT SCHEME (PMG)

AGRICULTURAL PRODUCE

Guidance Notes



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General

This brochure explains the purpose of the Agricultural Processing and Marketing Grant Scheme. It provides applicants with guidance on the terms of the scheme to enable them to prepare an application and explains the selection procedures. This grant scheme is competitive and not all eligible applications will receive assistance. It should be noted that these notes are for guidance only and do not represent a statement of the law.

You are strongly advised to read these notes and the application form carefully before taking any further action. If you are unsure of any point, or require further details, please contact the person named at 'How to Apply' on page 7.

Careful reading now can save time and effort which would otherwise be wasted preparing an application for a project ineligible for assistance.

Legislation

Processing and Marketing Grants are made under Scottish Statutory Instrument, which has its basis in the terms of Articles 25-28 of Council Regulation (EC) 1257/1999,¹ which provides for support towards capital investments which improve the conditions under which agricultural produce is processed and marketed, Council Regulation (EC) 1260/1999,² which lays down general provisions on the Structural Funds, and Commission Regulation (EC) 1685/2000³ laying down detailed rules for the implementation of Council Regulation (EC) 1260/1999 as regards eligibility of expenditure of operations co-financed by the Structural Funds.

Grant Rates, Project Cost

The maximum amount of public assistance for Processing and Marketing is 40% of the total eligible costs (50% in the Highlands and Islands Special Transitional Plan Area). The level of grant will be based on need and it is unlikely that the maximum level will be awarded to all projects. There is no minimum or maximum project cost. Funds are, however, limited and you should discuss the application with the contact given at 'How to Apply' on page 7.

Who Can Apply?

The grant is open to a wide range of applicants including individuals, partnerships, groups of producers and private or public companies that process or market primary agricultural produce. It is also open to those who invest in an eligible project, e.g. a Public Sector Organisation, for others to use for the processing and marketing of agricultural produce.

1 *Council Regulation (EC) 1257/1999 of 17 May 1999*, published in OJ L160 dated 26 June 1999.

2 *Council Regulation (EC) 1260/1999 of 21 June 1999*, published in OJ L161 dated 26 June 1999.

3 *Commission Regulation (EC) 1685/2000 of 28 July 2000*, published in OJ L193 dated 29 July 2000.

Copies of Official Journals are available from most public libraries or HMSO.

Priorities for Grant Aid

The Scottish Executive, through the consultation exercise and the appropriate Rural Development Regulation Plan Team, have determined the priorities for grant assistance. The overriding priority is to ensure that the structural and marketing difficulties existing in the agri/food sector are addressed. All projects should, therefore, be consistent with the aims and objectives of the Strategic Action Plan for the Scottish Food and Drink Industry.

In selecting projects, consideration will be given to:

Whether the application:

- ◆ demonstrates that grant is needed in order for the project to proceed;
- ◆ complies with minimum standards regarding the environment, hygiene and animal welfare;
- ◆ shows that an adequate and lasting share of the benefits of the project will accrue to primary producers;
- ◆ demonstrates the economic viability of the project and the business;
- ◆ provides sufficient evidence that normal market outlets can be found.

Whether the project:

- ◆ leads to the production of new products, new markets or innovative packaging or branding;
- ◆ involves the use of organic produce;
- ◆ increases the value derived from by-products or waste;
- ◆ involves products designed for export markets;
- ◆ shortens the food chain, by linking producers with processors;
- ◆ involves collaborative marketing;
- ◆ will result in value being added to farm produce;
- ◆ creates or safeguards employment;
- ◆ makes a significant contribution to the local economy;
- ◆ results in healthier foods or products;
- ◆ increases the consumption of healthy foods and improves the Scottish diet.

What Help Is Available?

Eligible expenditure within projects

Expenditure within projects which is eligible for assistance includes:

- ◆ Construction and acquisition of immovable property.
- ◆ Purchase of new machinery and equipment, including computer software.
- ◆ General costs, such as fees relating to planning, building and works.
- ◆ Purchase of second-hand equipment, under the following conditions:
 - the seller of the equipment must provide a declaration stating its origin, and confirm that at no point during the previous 7 years has it been purchased with the aid of national or community grants;
 - the price of the equipment must not exceed its market value and must be less than the cost of similar new equipment;
 - the equipment must have the technical characteristics necessary for the operation and comply with applicable norms and standards.
- ◆ Purchase of Land not already built on, under the following conditions:
 - there must be a direct link between the land purchase and the objectives of the project;
 - the cost must not exceed 10% of the total eligible expenditure on the project;
 - a certificate must be obtained from an independent qualified valuer confirming that the purchase price does not exceed the market value.

Ineligible expenditure within projects

The following items of expenditure are ineligible for grant aid. Inclusion of any of these items in an application will not normally render the whole project ineligible, but their costs would not be included in the amount upon which grant is calculated:

- ◆ Purchase of buildings intended for demolition or which have been used for the same purpose previously.
- ◆ Working capital.
- ◆ Vehicles for external transportation (forklift trucks, or similar, are eligible).
- ◆ Harvesting equipment.
- ◆ The company's own labour and equipment costs.
- ◆ Consumables (items normally written off within 1 year).
- ◆ Repair and maintenance costs.
- ◆ One-for-one replacement.
- ◆ Office equipment and other furniture (telephone equipment, computers, software are eligible).
- ◆ Landscaping and ornamental work.
- ◆ Technical charges exceeding 12% of the total capital cost of the project.

Projects Ineligible for Consideration

The following types of project will not be considered for award:

- ◆ Projects at retail level.
- ◆ Projects where more than 20% of the volume of inputs comes from non-European Union countries.
- ◆ Projects for the production of processed goods for which no realistic potential outlets have been demonstrated.
- ◆ Research or pilot projects.
- ◆ Investments to replace items purchased with a previous processing and marketing grant.
- ◆ Products imitating milk or milk products: no consideration can be granted to investments which involve the manufacture and marketing of products which imitate or substitute for milk and milk products.
- ◆ Sugar Sector: assistance towards investments in processing and marketing activities in the sugar sector are, in general, prohibited by the Common Organisation of the market.
- ◆ Projects in receipt of other European Structural Fund Grants.
- ◆ Intervention stores.

Additionally, projects will be ineligible if any work on them (including site clearance, preparation, foundation works or delivery of equipment) is started before the date advised by the Department as the earliest starting date.

The only exceptions to this condition are:

- ◆ Site purchase.
- ◆ Architect's/consultant's work.
- ◆ Obtaining planning permission.
- ◆ Obtaining quotations and ordering equipment.

How to Apply

Lowland Scotland

Detailed below is a list of Area Project Managers located throughout Lowland Scotland who will be available to discuss your application. You should contact them in the first instance for advice.

The original, plus one copy of the application form and its supporting documentation, should be submitted to your local project officer who will forward it to SEERAD. Once received by SEERAD your application will be checked for completeness/eligibility. A written acknowledgement will be sent to you within 4 weeks, indicating the earliest date at which you may start work and still remain eligible for consideration.

Eligible projects will be considered by the Project Assessment Committee on a tranche basis. The number of tranches held throughout the year will depend on the number of applications received and the availability of funding. However, it is intended to hold a tranche, if necessary, at least once every 3 months.

Lowland Scotland Area Project Managers

Highlands and Islands Area

The scheme is delivered by the Scottish Executive Environment and Rural Affairs Department (SEERAD) in conjunction with the Scheme Project Co-ordinator, who is based in Inverness.

Application forms and advice are available from the Project Co-ordinator at the address given on the following page. You should contact the Project Co-ordinator in the first instance with any questions relating to your application and completed application forms should also be submitted to the Project Co-ordinator.

Once a final application has been received, a Project Assessment Committee will assess the project and a decision made on the outcome of your proposal. Projects with eligible capital costs seeking grant assistance of up to £10,000 will be assessed by a sub-group to ensure an early decision on the outcome of the application.

In all cases you will be advised of the decision in writing. If the project was successful and awarded grant, the date of the letter detailing the award will be your notified start of work date.

An application form and detailed advice on the scheme is also available from:

Lowland Scotland:

The Scottish Executive
Rural Affairs Department
Room 257
Pentland House
47 Robb's Loan
Edinburgh EH14 1TY
Tel: 0131 244 6253/6389/6388
Fax: 0131 244 3110
E-mail: stephen.malcolm@scotland.gsi.gov.uk

Highlands and Islands Area:

Scheme Project Co-ordinator
Mo Shepherd
Highland Area Office
Longman House
28 Longman Road
Inverness IV1 1SF
Tel: 01463 253065
Fax: 01463 714697
E-mail: mo.shepherd@scotland.gsi.gov.uk

If you do decide to apply, please bear in mind the following points:

- ◆ Each application must refer to a complete project or a viable separate part of a project.
- ◆ You will be expected to have obtained planning permission and any other consents required before applying. You will also be expected to meet any requirements in respect of the environment or animal welfare. Public Sector Organisations must follow the EC directives on tendering.
- ◆ All applications will be treated 'Commercial-in-Confidence'. However, we reserve the right to publish brief details of successful projects, including the applicant's name, brief description of the project, and any award of grant. Successful applicants will be asked to acknowledge our role in the funding of the project in any publicity it receives.
- ◆ Once an application has been submitted, you should notify us immediately should you wish to make any changes to the project.
- ◆ We can only give general advice on the completion of the application form. Should you wish to employ a consultant to help prepare the application you should ensure that they are wholly familiar with the rules of the scheme and all aspects of your proposed project. Responsibility for the content of your application and any subsequent information rests with you and cannot be transferred to the consultant.

How to Claim

Claim forms are available from SEERAD. Claims should be submitted according to the timetable given in the application and relate only to expenditure that has already been made. Claims will only be paid when we are satisfied the relevant expenditure has taken place and that work has been completed according to plan.

Verification of Expenditure

All claims must be accompanied by the original invoices and evidence that the expenditure has been made (cleared cheques or an accountant's certificate). These will be returned to you and must be retained by you until 2012.

Inspection of the Project

The project may be inspected at any reasonable time and all documentation relating to the grant award and claims should be available.

Payment of the Grant

When all checks have been completed satisfactorily, we will pay the grant by BACS to your bank account.

Hire Purchase

You should note that we can only pay grant on Hire Purchase deposits and instalments paid to date. The final instalment of grant will be released when all HP agreements are complete.

Grant can only be paid on Hire Purchase agreements where the final instalment will be paid before 31 December 2008, as this is the final date for payments under the scheme.

When Will the Grant be Paid?

Provided that there are no problems with your claim, we will aim to pay the grant within 6-8 weeks of receiving the claim.

Monitoring and Evaluation

It is important that we monitor the progress of your project and evaluate its success following completion. We may ask you for an update on progress at any time and/or a report on the project's performance at any time after completion.

Equipment purchased with the aid of a Processing and Marketing Grant must be kept operational and in good repair for a period of 6 years from the date of the completion of the project. The corresponding period for buildings is 10 years.

You must allow any officials from the Scottish Executive, the European Commission, or their representatives, to inspect the project at any reasonable time after its completion.

Appeals

The scheme is highly competitive and not all applications can receive aid. However, should you have a complaint about any aspect of the administration of the scheme, or wish to appeal against the non-selection of your project for assistance, please contact:

The Scottish Executive Environment and Rural Affairs Department
Room 257
Pentland House
47 Robb's Loan
Edinburgh
EH14 1TY
Tel: 0131 244 6253/6389/6388
Fax: 0131 244 3110
E-mail: kirsten.buckler@scotland.gsi.gov.uk

Scottish Public Services Ombudsman

You, or a representative authorised by you to complain on your behalf, may also ask the Scottish Public Services Ombudsman for your complaint to be investigated. Your representative may be an MSP, local councillor or any person you consider suitable to represent your interests. Your complaint must be submitted within 12 months after the day on which you first had notice of the matter.

Scottish Public Services Ombudsman
23 Walker Street
Edinburgh
EH3 7HX
Tel: 0870 011 5378
Fax: 0870 011 5379
E-mail: enquiries@scottishombudsman.org.uk
<http://www.scottishombudsman.org.uk/>

Conditions of Award

Should you be awarded a Processing and Marketing Grant you will be asked to sign and return a 'Conditions of Grant' leaflet which will include the conditions set out below. We may also impose special conditions pertaining to individual cases. Failure to meet any of these conditions may result in the withdrawal of the offer of grant.

- ◆ The award is made on the basis of statements made by you or your representatives in the application form and subsequent correspondence. Use of the assets which are grant aided must not depart to any significant degree extent from those set out in this documentation. Any modifications to the project as described in the application must be notified to the Scottish Executive before any modifications are begun.
- ◆ You must meet legal obligations imposed under EC or UK Law to obtain any necessary consents, rights and wayleaves, give any necessary notices and meet any specific rules, regulations and/or standards which may be applicable to the project.
- ◆ Claims in respect of projects where work commenced before the notified start of work date are ineligible for grant. The only work which may be undertaken before that date is site purchase (not including the purchase of any buildings to be grant aided), planning permission, design and consultants costs, seeking quotations and ordering equipment.
- ◆ Before any payments are made, a claim must be submitted on the appropriate form. No claim in any other form will be considered. Claims must be accompanied by originals of all relevant documents, invoices, etc. These will be returned to claimants and must be retained by you until 2012. Any further information requested by the Scottish Executive must be supplied as required.
- ◆ Claims may be for the full amount of the award or for part of it and may be submitted in up to three instalments. The final claim must be for at least 20% of the award.
- ◆ The grant is time-limited and will only be paid if claimed within the timetable set out at the time of the award.
- ◆ No final claims can be paid unless you as the applicant have full and unfettered rights of ownership to the items concerned. All Hire Purchase agreements, etc. must be paid in full.
- ◆ All appropriate UK and EC hygiene, environmental and animal welfare regulations and directives must be met on completion of the work.
- ◆ When requested, you must provide an update on progress of the project and/or a report on the project's performance after completion. Any equipment which is grant aided must remain in place, be kept in good repair, and used for its intended purpose for at least 6 years after the completion of the project. The corresponding period for buildings is 10 years.
- ◆ You must confirm that none of the items in the application are replacements under an insurance scheme.
- ◆ You must provide confirmation that no other EC grant has been secured. Repayable loans from the European Coal and Steel Community or the European Investment Bank may be permitted.
- ◆ Any publicity given to the project must make reference to the part played by the European Commission and Scottish Executive in funding.

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