



Cronfa Amaethyddol Ewrop ar  
gyfer Datblygu Gwledig:  
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European Agricultural Fund for  
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# Welsh Government Rural Communities – Rural Development Programme 2014- 2020

## Timber Business Investment Scheme Frequently Asked Questions

**Q1. If I am buying equipment using a hire purchase arrangement, will I be eligible for grant under the scheme?**

A1. You may be eligible for grant support of up to 40% of the capital investment element under a hire purchase agreement. You would not be eligible for any financing charges or interest payments. If a grant were awarded to you, it would be paid in arrears after you provide evidence of the payment detailing the eligible capital cost. We may decide to limit the term of grant payments so these may not cover the full term of any hire purchase arrangement. You will need to discuss your proposal for financing in detail with us at the second stage of your application if you are successful at the EOI stage.

**Q2. Following an approved EOI, would the cost of putting an application together by a consultant be eligible for the 40% funding and can it be incorporated into the application?**

A2. No, the Timber Business Investment Scheme does not provide grant aid for putting applications together and submitting them. The reference to 'consultancy costs and technical/professional fees' has a limited meaning. It only covers those costs that are necessary for the delivery of the proposed project.

The kind of costs that would be eligible are architect's fees, engineer's plans, structural engineering assessments and advice, legal advice, securing planning permission (including planning fees), getting any other licences/consents/permissions necessary for the project such as abstraction and discharge consents, environmental assessments but not full Environmental Impact Assessments (as they would make the project ineligible).

**Q3. Is there any limit on the consultancy or advisory fees that will be eligible for support.**

A3. There is a limit of 12% of the total project costs for consultancy and/or advisory fees that are directly related to the investment.

**Q4. If a company is buying second hand equipment from another business, are there any limits on the degree of relatedness between the two entities that would affect eligibility.**

A4. Purchase of second hand equipment is eligible if the project applicant is a Small or Medium Enterprise.

The other conditions are:

- a) the price of the equipment must not exceed the open market value
- b) the equipment must be fit for purpose and can deliver the project requirements

c) the equipment has an expected life of at least five years beyond the term of the grant agreement

Companies may purchase the equipment from any company or seller but there is a presumption against the creation of artificial arrangements between the two companies. The seller must be able to demonstrate that a fair and realistic price has been achieved by having openly advertised the equipment and followed an acceptable arrangement for the sale such as an auction or closed tender bidding.

**Q5: Can I get funding for a feasibility study through the Timber Business Investment Scheme?**

A5: No, the Timber Business Investment Scheme is intended for tangible or intangible capital investments as described in the guidance notes. While some consultancy fees are eligible, these must be in support of a capital investment. Standalone feasibility studies are not eligible. For clarity, an example of an eligible intangible investment would be purchase of an item of computer software linked to the operation of a timber business. I would suggest that you refer to the guidance notes for the Co-operation and Supply Chain Development Scheme as it would appear that your proposal would be more appropriately funded through this Measure (16.2).

**Q6: I am looking to buy some land to build a processing building and yard, is this something that the Timber Business Investment Scheme would support? If so, what level of support would be offered?**

A6: Support under Timber Business Investment 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. The construction, acquisition, or improvement of immovable property, with land only being eligible to an extent (including fees or other costs directly related to the purchase) not exceeding 10% of the total eligible costs of the investment project.

**Q7: What ratio of land would be deemed acceptable within an application?**

A7: We cannot give a firm answer on what ratio will be considered acceptable because the Expression of Interest (EoI) is a competitive process. If other schemes offer a better ratio, it is possible that schemes offering smaller areas may lose out. There is no minimum woodland area but there is both a minimum and maximum total investment amount. It is not necessary for the area to be linked only to woodland in the applicant's direct ownership, if the investment works across a wider area of woodland which will benefit then these areas should be included in the EoI.

**Q8: Can more than one area be included in an application to maximise the scope of the project and managed areas? Would such a proposal be acceptable?**

A8: If the investment benefits more than one area then these can be included as the benefiting area in the Expression of Interest (EoI). At the EoI stage we are asking the applicant to declare all the areas of woodland which will benefit from the investment and also to tell us what evidence of that benefit the applicant will be able to provide if they are successful at the EoI stage and subsequently invited to the second stage of application.

**Q9: Is it acceptable to have a representative identified as the project applicant on the Expression of Interest and to also hold title to the project assets? If there is management agreement in place in respect of all parties involved in the Scheme.**

A9: We need to be clear who the applicant is and who will own the investment that the grant supports. Providing this is clear, there is no problem with the equipment being used to benefit wider woodland indeed, this is what the grant is intended to do.

**Q10: If I am looking to expand my hardwood supply business and would be looking for assistance to purchase additional equipment to support this, would it be eligible for consideration under the Scheme?**

A10: The investment needs to benefit Welsh Woodlands. There is not a hard and fast rule on how much but you will be in competition with others so the more woodland in Wales that you can show benefit to, the better chance you will have.

**Q11: What percentage of the timber processed would need to be Welsh sourced, and what evidence would they be expected to provide of this?**

A11: The investment can also benefit other woodland in England but only the Welsh woodland area counts. We are asking for a statement up front about the evidence to be presented at stage 2 if successful. We are not saying prescriptively what is required but this could include a range from working entirely in woodland owned by the applicant, working as a contractor with existing contracts or letters of intent or even just evidence based on being an established business.

**Q12: If I am buying equipment using a hire purchase arrangement, will I be eligible for grant under the scheme?**

A12: You may be eligible for a share up to the intervention limit of 40% of the capital investment element under a hire purchase agreement. You would not be eligible for any financing charges or interest payments. If a grant were awarded to you, it would be paid in arrears after you provide evidence of the payment detailing the eligible capital cost. We may decide to limit the term of grant payments so these may not cover the full term of any hire purchase arrangement. You will need to discuss your proposal for financing in detail with us at the second stage of your application if you are successful at the EOI stage.

**Q13: If a company is buying second hand equipment from another business, are there any limits on the degree of relatedness between the two entities that would affect eligibility.**

A13: Purchase of second hand equipment is eligible providing a) that the equipment has not been grant aided by Welsh Government previously and b) that the equipment is sold at fair market value and c) that the equipment has an expected life of at least five years beyond the term of the grant agreement. The purchase of second hand equipment means that the business buying the equipment cannot do the usual tendering arrangements (3 quotes and advertise on Sell2Wales if required) so it is important to have a clear document trail for the transaction.

The business buying the equipment must ensure that the price has not been exaggerated and this must be clear if there are is any kind of relationship between the seller and the buyer.

**Q14: Are biomass boilers eligible in the scheme?**

A14: This largely depends on what the project objectives are and what the outputs from the biomass boiler would be used for. An example where a biomass boiler installation would not be eligible is where the boiler was put in by the forestry business, but the heat output was used for a grain dryer – here the forestry business would be selling the heat to someone else who would be using it for a farming activity. The output from the TBIS investment would be the sale of heat which is not a ‘processing activity’ that is adding value to timber products.

An example where a biomass boiler installation would be eligible is where the boiler was put in by a timber mill and the heat output was used to heat the mill building, run a kiln drier or run a wood chip drying facility and none of the heat was sold. Here the forestry business is the timber mill and the heat generated from the biomass boiler would be used to support processing activities and, therefore, it would be eligible.

If you can clearly demonstrate why the biomass boiler is necessary to support the processing activity because of the investments to be made within the project then it would be eligible.

**Q15: Will receiving the TBIS grant affect the Renewable Heat Incentive (RHI) payment?**

A15: Yes, you cannot under any circumstances claim RHI if you receive a capital grant towards a biomass boiler installation.

For example, if you claim RHI then the biomass boiler and installation costs would sit outside of the rest of the project should you have sufficient investments in processing activities for there to still be a viable project.

**Q16: Does the project need to meet all 4 EOI priority criteria?**

A16: No. Please refer to the TBIS EOI guidance notes for details of the requirements in each priority criteria, together with the scoring criteria and weighting factors.