**Rural Development Programme**

#### **Appendix 7E**

**Rural Development Programme 2014-2020**

**Revised Final Version 10/10/2016**

The Rural Business Investment Scheme (£27M) will provide investment support for the creation and development of micro and small enterprises (including farm diversification and private tourism businesses) in rural areas. All businesses applying will require a business plan to support their application at time of applying. The level of funding will be dependent on the businesses’ potential for growth in the short to medium term. The funding will primarily provide capital grants with some resource funds towards bespoke training and marketing. Support is primarily targeted at rural areas i.e. excluding towns with a population of more than 5,000. However where need and benefit is proven in the Interim Local Development Strategy and at the discretion of the LAG this can be extend to include towns with a population of up to 10,000.

### Description of the Operation

Support is provided for capital investments in creation and development of non-agricultural activities in rural areas for all micro and small enterprises. The programme is not designed to sustain jobs, because its primary objective is to create new jobs. This might be either an activity which is new for an existing enterprise[[1]](#footnote-1)1 (or an expansion of an existing activity leading to job creation) or a new business start up. The following is a list of the types of activity which might be supported.

* Rural tourism activities, including some types of rural accommodation, tourism service provision, craft retail unit in front of a production unit, restaurants;
* Construction, re-construction or establishment of workshops, factories, plants, premises and facilities for various activities such as repair of machinery; production and/or processing of non-agricultural goods and materials, plastics, sewage and refuse disposal, sanitation and similar activities;
* Processing and marketing of some agricultural products (referred to as Annex 1) where the output is non food, not fit for animal consumption or a processed wood product;
* Social service provision including construction, re-construction and/or modernisation of premises and area for carrying out the activities (childcare, eldercare, healthcare, care for disabled people, educational farms, etc.);
* Development of crafts and handicraft activities;
* Investments in leisure, recreational and sport activities developed by private businesses or social economy enterprise as an economic activity i.e. the business will be funded at the same intervention rate as private business (50%), any projects relating to sport must fit with DCAL’s (now part of Department for Communities) investment strategy on sport;
* IT activities, computer-based and electronic activities, e-commerce, online warehouse, etc;
* Provision of services e.g. Architectural and engineering activities, accounting, book keeping and auditing services, technical services, industrial cleaning, veterinary and animal welfare activities, etc.
* Marketing element which would include website development and information leaflets/ brochures.
* Bespoke training is defined as any training not currently provided by a statutory body such as colleges, Invest Northern Ireland, Local enterprise Agencies or other council funded scheme.

### Type of Support

Support will be provided through grant aid. No advance payments will be available. Only one application per business (which includes linked businesses) per call will be accepted.

### Eligible Costs

The following costs are eligible for support;

1. The construction, or improvement of immovable property;
2. The enhancement (**not including additional bed space)** of existing bed and breakfast, self catering accommodation with less than 10 rooms, hostels with less than 10 rooms, guest house accommodation with less than 10 rooms;
3. Construction or development of caravan sites, campsites, pod sites or bunkhouse accommodation;
4. The purchase of new machinery and equipment, up to the market value of the asset;
5. The processing of agricultural products (known as Annex 1 products) that lead to an output that is not for human or animal consumption; (see list of Annex 1 products at Appendix 7F(i) on page 253).
6. Manufacturing/processing of items or products from wood/timber (see ineligible items (v) in respect of energy production and wood fuel);
7. General costs linked to the expenditure such as architects, engineers and consultation fees, fees relating to advice on environmental and economic sustainability, including feasibility studies, the acquisition of patent rights and licences, up to a total maximum of 10% of the eligible project grant amount. Feasibility studies are eligible expenditure even if there is no expenditure under points (a) and (b) as long as the activity was capable of being supported;
8. Intangible investments such as acquisition or development of computer software and acquisitions of copyrights, trademarks;
9. Marketing element which would include website development and information leaflets/ brochures;
10. Bespoke training i.e. any training not currently provided by a statutory body such as colleges, Invest Northern Ireland, Local Enterprise Agencies or other council funded scheme. To be eligible for grant aid, the claim for payment must be supported by a certificate confirming completion of the course;
11. The purchase of second-hand equipment by micro or small sized enterprises will only be eligible in circumstances where:

* It is identified at time of application.
* The equipment has not been grant aided in the previous 7 years.
* The second-hand equipment is fit for the proposed project activity.
* The equipment is in good quality and with enough working life to be able to meet the 5 year asset durability test.
* It represents a sufficient advantage in terms of value for money when compared with new equipment.
* Where a project promoter disputes a market value assessed by the above method, they may obtain, at their own expense, an independent valuation from a competent engineer or plant auctioneer. In such cases the LAG must decide which market valuation should apply.

**Ineligible Costs**

Examples of costs that are **not** eligible for support under LEADER include the following;

1. Costs connected with the leasing contract, such as lessor’s margin, interest refinancing costs, overheads and insurance charges or anything deemed to be a running cost;
2. Investments which are considered by the LAG to have an unacceptable negative effect on the environment (or proposed investment fails to meet environmental regulations);
3. The purchase of buildings and/or land, including through leasing of property as part of a project;
4. Replacement investments i.e. new for old/like for like and maintenance costs for existing buildings, plant or equipment, including kitchens in existing buildings;
5. Investments in new build bed and breakfast, self catering accommodation, hotel accommodation, guest houses or hostels or additional bed space in existing ones;
6. Lease-purchase/hire purchase of new machinery and equipment,
7. Purchase and installation of renewable energy technologies;
8. The purchase of cars, vans, motorcycles, bicycles, light aircraft and any other form of transport 2 (for whatever purpose);
9. The purchase of vehicles[[2]](#footnote-2)3 for transportation (such as lorries, buses, vans, minibuses or any other kind of vehicle used to transport or move goods or people);
10. Tractors and Agricultural machinery;
11. Expenditure incurred or work commenced/goods purchased before the letter of offer project start date or after the letter of offer project end date;
12. Payments for gifts and donations or personal entertainments (including alcohol);
13. Training i.e. any training currently provided by a statutory body such as colleges, Invest Northern Ireland, Local Enterprise Agencies or other council funded scheme;
14. Reprinting of marketing materials;
15. No aspect of an activity being funded should be party political in intention, use or presentation, or likely to be perceived as discriminatory on grounds of religion, colour, race, gender or disability;
16. Statutory fines and penalties, criminal fines and damages;
17. Legal expenses in respect of litigation;
18. Any cost associated with meeting a legislative or statutory requirement for the business;
19. Reclaimable VAT;
20. Improvement/refurbishment/installation of all assets associated with a residential property, including attics, garages, extensions and gardens;
21. Feasibility studies for renewable energy;
22. Costs associated with agricultural products (known as Annex 1 products) where the output is for human or animal consumption, i.e., anything associated with food storage, preparation and processing; or is a wood processed product for energy production or wood fuelled heating systems;
23. Any form of retail business;
24. Standalone equipment e.g. generators, compressors etc. (However, these may be eligible if part of a wider suite of equipment needed for the project to be funded);
25. Livestock Markets.

**Beneficiaries**

Beneficiaries under this support option are:

* Private Individuals (18 years of age or over) in rural areas
* Micro or Small enterprises\* (performing non-agricultural activity)
* Social Economy Enterprises engaged in economic activities in rural areas Eligibility conditions

Supported enterprises should be operational in rural areas (i.e. excluding towns with a population of more than 5,000) and must contribute to the objectives and priorities outlined within the LAG Local Development Strategy. However where (and at the discretion of the LAG) the need and benefit is proven in the Local Development Strategy this can be extended to towns with a population of up to 10,000. Eligible applicants must have a business plan for the proposed operation, and business interest within the focal rural area.

Applicants failing to achieve LOO targets and outputs in previous applications to Priority 6 may be debarred from applying until achieved.

**Only one application per business per call will be accepted**.

### Amounts and Support Rates

* Support (including existing farm diversification businesses) minimum grant level of £5,000 (£500 minimum for technical support, bespoke training and marketing) and a m**a**ximum of £90,000, depending on the [[3]](#footnote-3)4size of the business either a Micro Enterprise or a Small Enterprise.
* Technical assistance support will be available up to 50% at a maximum of £5,000. Marketing will be paid up to £5,000 and website development to encourage e-commerce/on-line trading will be paid up to £10,000. Bespoke training will be paid up to maximum grant of £5,000.
* Please note any application for grant must not exceed the maximum level of funding available (set within the Local Rural Development Strategy by the LAG) which may include any funding towards technical assistance.

**Intervention Rates**

|  |  |  |  |
| --- | --- | --- | --- |
| Activity | Min Grant per project application | Max Grant per project application | Level of support |
| New micro business Capital Grant | £5,000\* | £30,000 | Up to 50% for the private sector  and social economy enterprises |
| Existing micro enterprise Capital Grant | £5,000\* | £50,000 | Up to 50% for the private sector  and social economy enterprises. |
| Existing Small Enterprise Capital Grant | £5,000\* | £90,000 | Up to 50% for the private sector  and social economy enterprises. |
| Technical support and bespoke training | £500\* | £5,000 | Up to 50% for all applicants |
| Marketing support web based | £500\* | £10,000 | Up to 50% for all applicants |
| Marketing support non web based | £500\* | £5,000 | Up to 50% for all applicants |

\* These are minimum grant levels.

An Enterprise is considered to be any entity engaged in an economic activity, irrespective of its legal form.

Marketing and bespoke training can be included in an application for full grant aid but will reduce the amount of grant available by the amount of the marketing within the limits above.

**State Aid**

All funding will be paid as de minimis aid in accordance with Regulation (EU) 1407/2013 i.e. no one applicant can receive more than €200,000 in any 3 fiscal year period. A de minimis aid checklist must be completed in respect of each application. be made.

**Payments**

All grant payments will be made retrospectively by claim and no advances will be available.

#### Projects can avail of phased payments with no more than five; these must be linked to tangible outputs on the Letter of Offer schedule of eligible expenditure.

*Where the total project cost is greater than £10K Community/Voluntary groups must be registered as Community Interest Company, Limited Liability Partnership or Company limited by guarantee. Where the total project cost is £10K or less the Community/Voluntary group must have a constitution in place. In all cases a lease must be in place to cover the duration of the project (1 year, 2 years etc).*

*For those groups which function under the conditions of a parent body and therefore cannot amend their constitution to become a company limited by guarantee and who wish to avail of funding in excess of £7,500 a letter must be submitted to the cluster from the parent body as per* [*Appendix 7Bii*](#APPENDIX_26) *attached.*

1. 1**An existing business operating continuously for a period of at least 1 Year prior to the date of** **application verifiable on presentation of annual business accounts.** [↑](#footnote-ref-1)
2. **2 Used to transport people for any reason.**

   **3 Vehicle is something used as an instrument of conveyance. It can include any conveyance used for transporting passengers or things by land, water, or air.** [↑](#footnote-ref-2)
3. 4 **Within the SME category, a small enterprise is defined as an enterprise which employs fewer than 50 persons and whose annual turnover total does not exceed EUR 10 million.**

   **A micro enterprise is defined as an enterprise which employs fewer than 10 persons and whose annual turnover total does not exceed EUR 2 million.**

   **\*Linked Businesses**

   **The business will be treated as one legal entity if it is linked with one or more other businesses. The applicant therefore needs to take into consideration the FTE employees and financial information of any other businesses to which they are formally connected.**

   **Further guidance on what is deemed as a formal connection is provided within the guidance ‘The new SME definition – user guide and model declaration’ at**

   **http://ec.europa.eu/DocsRoom/documents/10109/attachments/1/translations/en/renditions/native .**  [↑](#footnote-ref-3)