



Llywodraeth Cymru
Welsh Government

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Welsh Government Rural Communities – Rural Development Programme 2014- 2020

CO-OPERATION AND SUPPLY CHAIN DEVELOPMENT SCHEME

Measure 16.5 Sustainable Management Scheme

Guidance Notes



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



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INTRODUCTION

1. These Guidance Notes explain the **Sustainable Management Scheme (SMS)** and the kind of projects that may qualify for grant aid. Please read it carefully. If you then consider your project plans may qualify for grant and you want to apply for support under this scheme, please see 'How to Apply' section below.
2. The Sustainable Management Scheme (SMS) is part of the **Co-operation and Supply Chain Development Scheme (CSCDS)** delivering under Measure 16 (Article 35 of Regulation (EU) 1305/2013). The CSCDS is an important element of the Welsh Government Rural Communities - Rural Development Programme 2014-2020. The Sustainable Management Scheme delivers under sub Measure 16.5 of the Welsh Government Rural Communities - Rural Development Programme 2014-2020. Support available under the other CSCDS sub-measures is set out in the separate CSCDS Guidance Notes.
3. The SMS aims to support collaborative landscape-scale projects delivering action that improves our natural resources in a way that delivers benefits to farm and rural businesses and rural communities. It will also support and facilitate co-ordination with other schemes to undertake the vital action needed to improve the resilience of farm and rural businesses and rural communities to climate impacts.
4. The SMS is designed to support the delivery of the Welsh Government's commitment to sustainable development as set out in the Well-being of Future Generations (Wales) Act 2015¹ and the implementation of the future requirements, pending Royal Assent, of the Environment (Wales) Bill², ("the Bill") that will enable Wales' resources to be managed in a more proactive, sustainable and joined-up way and to establish the legislative framework necessary to tackle climate change.
5. Wales' natural resources are among our most valuable assets. In providing essential services – from the air we breathe to the food we eat, to the land we farm or develop, the seas we fish to the water we use for drinking or cooling heavy industry – Wales' natural resources are as fundamental to the long-term success of our economy as they are to the quality of our natural environment and the well-being of our communities.
6. The need to tackle inter-generational challenges, such as climate change and declining biodiversity, means that interventions and actions need to be undertaken to enable Wales to grow, to improve resilience and to manage our natural resources sustainably and efficiently.
7. The Welsh Government recognises that by supporting joined-up, collaborative action at the right scale, we can maximise opportunities to improve the services

¹ <http://gov.wales/topics/people-and-communities/people/future-generations-bill/?lang=en>

² <http://gov.wales/topics/environmentcountryside/consmanagement/natural-resources-management/environment-bill/?lang=en>

our natural resources provide. It will also reduce the very real risks of climate change to our rural businesses, infrastructure and communities, and meet our international responsibilities and obligations, while taking full advantage of the economic opportunities available to the agricultural sector and rural businesses.

8. The Bill sets out the principles of sustainable management of natural resources³, based on the ecosystem approach principles endorsed by the UN's Convention on Biological Diversity. These are recognised as international good practice, which are needed to deliver the sustainable management of natural resources. This scheme draws on these principles and expects projects applying to adopt this approach.

Details of the principles of sustainable management of natural resources are found at Annex B – Sustainable management of natural resources.

9. All projects supported through the SMS will need to be able to show how they will apply the principles of sustainable management of natural resources.
10. Our natural resources and ecosystems have an important role in climate change adaptation and mitigation. The latest CCRA - Climate Change Risk Assessment identifies flood risk, stresses on water resources and threats to biodiversity and natural habitats as some of the main threats to the UK. Ecosystems are highly vulnerable to climate change, therefore action is needed now to help improve the resilience of our ecosystems and the services they provide, such as clean water, food production, control of disease and recreational and tourism benefits so that these services may continue in the future.
11. Agriculture, which plays a vital role in food security, rural socio and economic development and the sustainable management of natural resources, is vulnerable to the effects of climate change because changes in temperature and rainfall, more frequent weather extremes, loss of soil and the predicted spread of diseases can all impact negatively on productivity.
12. The Kevin Roberts Report⁴ identifies there are real opportunities for the agricultural industry to adapt and thrive and by taking at the earliest opportunity actions that can build climate change resilience will also improve business resilience and reduce the risk to our wider society.
13. The SMS draws on the Welsh Government's current Natural Resources Policy Statement⁵ which illustrates some of the key challenges and emerging priorities (summarised in Annex B - Sustainable management of natural resources). Action on these national level emerging priorities will help support building the resilience of our ecosystems and deliver across the key challenges identified in the Statement.

³ <http://www.assembly.wales/laid%20documents/pri-ld10201-em/pri-ld10201-em-e.pdf>, pp15-19

⁴ <http://gov.wales/topics/environmentcountryside/farmingandcountryside/cap/ruraldevelopment/wales-rural-development-programme-2014-2020/documents-2014-2020/independent-review-resilience-farming-wales/?lang=en>

⁵ <http://gov.wales/docs/desh/publications/150914-natural-resources-policy-statement-en.pdf>

14. As well as addressing these key challenges and emerging priorities; to be successful, projects will also need to show a good understanding of the opportunities and challenges of the local area covered by the project. This knowledge will need to be gained through the collaborating parties, local evidence sources and through engagement and involvement of local communities. The SMS aims to encourage new innovative approaches and identification of emerging markets that will help the longer term viability of rural communities and individual farm holdings and local businesses within the project area.

Complementing Glastir and other Welsh Government Rural Communities - Rural Development Programme 2014-2020 schemes

15. The SMS is designed to complement and work alongside Glastir funding opportunities. Whilst Glastir targets a variety of outcomes on a farm holding basis, SMS can be used to co-ordinate local efforts by enabling co-ordination with Glastir participation and engaging with other landowners not participating or ineligible for Glastir so that the combined schemes are able to deliver a large scale and landscape impact.
16. For example, we would expect that larger collaborative projects applying to the Sustainable Management Scheme may also apply to Glastir Advanced or Glastir Small Grants to fund individual activities at farm level which will contribute to the overall aims of the wider project. Where this is the case, projects will need to ensure clear separation of accounting to avoid risk of double funding. Similarly projects could apply for funding to be used to co-ordinate participation in other elements and schemes of the Welsh Government Rural Communities - Rural Development Programme 2014-2020, such as the Sustainable Production Grant or Timber Business Investment Grant, to gain the combined benefits of productive and environmental activities. In this regard it is an important requirement for all projects funded through the Sustainable Management Scheme to be able to provide mapping data of the proposed project activities at the full application stage. These should be compliant with industry standards. This is to ensure there is due diligence on duplication of funding⁶.
17. 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.
18. Examples of possible project activities are shown at Annex A – Examples of possible project activities.

Strategic and Thematic Objectives

19. The SMS has been designed to specifically contribute to the European Union's overarching rural development policy that is designed 'to meet the challenges faced by our rural areas, and unlocking their potential'. The SMS is also aligned with other relevant EU policy such as the Göteborg Strategy for sustainable development and EU policies covering climate change adaptation and mitigation.

⁶ A FAQ will be published online to provide further detail.

20. The SMS will address a number of the European Commission’s rural development priorities and focus areas for 2014-2020 objectives.

Focus Area 2: Enhancing the competitiveness of all types of agriculture and enhancing farm viability
<ul style="list-style-type: none"> (a) Facilitating restructuring of farms facing major structural challenges (notably farms with a low degree of market participation or market-orientated farms active in particular sectors or farms in need of agricultural diversification). (b) Facilitating a balanced age structure in the agricultural sector.
Focus Area 4: Restoring, preserving and enhancing ecosystems dependent on agriculture and forestry
<ul style="list-style-type: none"> (a) Restoring and preserving biodiversity, including in Natura 2000 areas and high nature value farming, and the state of European landscapes. (b) Improving water management. (c) Improving soil management. (d) Fostering carbon sequestration in agriculture and forestry.
Focus Area 5: Promoting resource efficiency and supporting the shift towards a low carbon and climate resilient economy in agriculture, food and forestry sectors
<ul style="list-style-type: none"> (a) Increasing efficiency in water use by agriculture. (b) Increasing efficiency in energy use in agriculture and food processing. (c) Facilitating the supply and use of renewable sources of energy, of by-products, wastes, residues and other non-food raw material for purposes of the bio-economy. (d) Reducing nitrous oxide and methane emissions from agriculture. (e) Fostering carbon sequestration in agriculture and forestry.
Focus Area 6: Promoting social inclusion, poverty reduction and economic development in rural areas
<ul style="list-style-type: none"> (a) Facilitating diversification, creation of new small enterprises and job creation. (b) Fostering local development in rural areas.

WELSH GOVERNMENT - CONTACT DETAILS

21. For all enquiries please email the following address:

sustainablemanagementscheme@wales.gsi.gov.uk

WHO CAN APPLY

22. This scheme is open to applications from SME and large businesses, education or research establishments, farmers, foresters, community or voluntary groups (inclusive of all non government organisations) that operate principally in a rural area and are engaged in agriculture, forestry or other land management. This includes associations of owners and community woodlands, trusts and local authorities.

23. Applicants cannot be undertakings in difficulty as defined in the guidelines on State Aid for rescuing and restructuring (2014/C 249/01).

DEFINITION OF A SME

24. 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.

- SMEs consist of 3 sub-categories of enterprises: micro, small and medium
- micro enterprises employ less than 10 employees, small enterprises less than 50 employees, medium enterprises less than 250 employees
- the size of the enterprise also refers to the annual turnover and annual balance sheet total in certain situations.

For a full definition please refer to the European Commission user guide and model declaration: 'The new SME definition'.

ELIGIBLE ACTIVITIES

25. **Development and co-ordination of collaborative groups and management of projects** to take forward activities for the sustainable management of natural resources, improvement of ecosystem services and mitigation of and adaptation of climate change.

26. **Collaborative actions** undertaken with a view to mitigating or adapting to climate change and/or co-ordinated, landscape-scale, land management activities for the sustainable management of natural resources and delivery of ecosystem services and multiple benefits.

27. **Communication and dissemination** of project approaches, lessons and outcomes; dissemination of information amongst communities and other

interested parties; ongoing communication within and between collaborative partners and the final dissemination of the project outcomes of the collaboration.

28. **Research, technical advice and feasibility studies** – a good idea for co-ordinated action can need technical assessments of the area involved, or understanding of the new market being targeted. It is important to ensure that the right activity is located in the right place to have the best results. Therefore modelling, technical advice and feasibility studies are eligible for funding to support this.
29. **Monitoring and Evaluation** – activities to demonstrate the outcomes of the collaborative actions, by monitoring the impacts, ensuring a baseline assessment is in place before action is taken and measuring the subsequent changes. Activities related to the development of key lessons and recorded experiences of the participants that have been engaged in the collaboration to help to shape future programmes and projects. The cost of an independent, external evaluation of the collaborative activities is an eligible activity.

INELIGIBLE ACTIVITIES

30. There are a number of activities and investments that are not eligible for aid under this measure:
- payments to landowners, farmers or foresters for capital works carried out on their own land
 - payments to landowners, farmers or foresters for ongoing land management activities
 - investment in the primary production of agricultural or timber products. Such as actions that would be eligible for funding under the Sustainable Production Grant Scheme (SPG) or the Timber Business Investment Scheme (TBIS).

ELIGIBLE COSTS

31. Capital Costs

Support under SMS can cover tangible assets such as, machinery and equipment and intangible assets such as computer software, and licences and technical and consultancy fees:

- The purchase of items associated with land management activities, such as trees, hedge plants, fencing and capital works items required to deliver the outcomes.
- General costs incurred in installing the capital works, which include contractor costs for labour and use of equipment.
- The purchase of machinery and equipment up to the market value of the asset.

- Acquisition or development of computer software and acquisitions of patents, licenses, copyrights and trademarks.
- Consultant's and architect's fees, other technical design costs, site surveys and professional fees such as fees related to environmental and economic sustainability; planning application fees and costs; fees incurred for statutory permissions, licences and consents are also eligible even if they have been completed and paid for prior to approval; provided they are essential for the delivery of the project.

32. Revenue Costs

- Revenue costs for the administration of setting up and running a collaborative group.
- Revenue costs to support the communication of the proposed collaborative activities.
- Running costs of a project, including staff costs and rent for premises.

INELIGIBLE COSTS

33. The following items or types of expenditure are **not eligible**:

- the purchase of land
- the purchase of buildings
- the purchase of cars, vans, motorcycles, bicycles and any other form of personal transport (for whatever purpose)
- the purchase of vehicles for external transportation (such as lorries, buses, vans, minibuses or any other kind of vehicle used to transport goods or people)
- payments to land managers for undertaking activities on their land
- recurring management payments to land managers for ongoing land management
- any physical site work or other expenditure incurred before the project start date without prior written approval from the grantor
- temporary works not **directly** related to the execution of the project
- maintenance costs for existing buildings, plant or equipment
- like for like replacement
- costs connected with a leasing contract such as the lessor's margin, interest financing costs, overheads and insurance charges
- costs of arranging loans, VAT and other taxes recoverable by the beneficiary, administrative and staff costs or compensation paid to third parties for expropriation, etc.
- overheads allocated or apportioned at rates materially in excess of rates for similar costs incurred by other comparable delivery mechanisms

- notional expenditure
- payments for activity of a political nature
- depreciation, amortisation and impairment of assets purchased with the help of a European grant
- provisions
- contingent liabilities
- contingencies
- dividends to shareholders
- 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 commercial company
- payments for unfunded pensions
- compensation for loss of office
- 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
- personal entertainments (including alcohol)
- statutory fines and penalties
- statutory taxes (excluding irrecoverable VAT)
- criminal fines and damages
- legal expenses in respect of litigation
- reclaimable VAT
- computer software and apps for hosting of systems for general business management / accounts / marketing and promotion / websites / online sales.

MAXIMUM GRANT RATE AND MAXIMUM GRANT THRESHOLD

34. The grant amount is made up from the total public sector contribution to the funding of the project which includes; monies from the EU; co-finance to the EU funds from Welsh Government; monies from other government departments and agencies, non-departmental public bodies and local authorities; monies from governmental controlled bodies such as the Small Business Service and the National Lottery; and, monies from parafiscal taxes (levies).

If other EU or UK public funds are obtained to support the costs of a project they will be discounted against the grant awarded.

35. The maximum grant threshold per enterprise for any individual project is **£5,000,000**.

36. The minimum grant threshold per enterprise for any individual project is **£10,000**

37. The maximum grant rate is 100%.

STATE AID

38. The Sustainable Management Scheme will be delivered on a No Aid basis.

SELECTING SUCCESSFUL PROJECTS

39. Selection of projects will be done over two separate stages. In the first stage an outline of a proposed project shall be submitted as an Expression of Interest (EOI) The timetable for the closing dates for each round of EOIs will be published on the Welsh Government website. This will be a competitive process. These EOI proposals will be considered and a selection of proposals will be invited to the second stage which will be to prepare and submit a full application.

40. To be selected; a project must, as necessary, demonstrate the following (normally at second stage full application but also where appropriate at first stage EOI):

Need for activity:

- the outputs are required and will deliver against the EC strategic priorities and the Welsh Government priorities
- it adds to and does not displace/unnecessarily duplicate existing activity
- is not already funded by another source (Dual funding).

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 all collaborators.
- project management, monitoring and evaluation arrangements.

41. The greater the importance and contribution that the project can make to the appropriate policy priorities and strategic focus areas the more likely it is to be recommended for selection.

42. Projects are more likely to be recommended for support where projects are able to show match funding or 'in kind' support or commitment from participants.

KEY REQUIREMENTS

43. The maximum period of a project would not usually exceed three years.

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44. That the project would not proceed without grant assistance.
45. That the amount of grant being asked for is the minimum gap funding necessary for the project to go ahead.
46. Second stage full 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 organisations or associations the economic viability of the project and the organisation, through the provision of accounts for three consecutive years immediately preceding the date of the second stage full application and financial forecasts for the period of the project
 - New organisations or associations will be required to supply full details about the background and experiences of the directors along with other evidence necessary to validate the 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; where appropriate and/or necessary
 - availability of the necessary technical skills and competences within the business or organisation
 - the capability to capture activity data in the required format, particularly land management activity on a GIS system and be able to protect and share this data with Welsh Government and other bodies with compliance to data
 - protection legislation.

CROSS CUTTING THEMES

47. 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.
48. 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.
49. The cross cutting themes are intended to add value, raise awareness and understanding while ensuring maximum participation and mitigating adverse

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impacts. This should help operations move beyond compliance and develop systems which support best practice.

50. Further guidance is available at:

<http://wefo.gov.wales/publications/guidanceandpublications14-20/crosscutting1/?lang=en>

HOW TO APPLY

51. 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.

52. The Application process for Welsh Government Rural Communities – Rural Development Programme 2014-2020 socio-economic schemes will be in two stages. The first stage will be an EOI. Applicants that are successful at EOI stage will be invited to the second stage which is to submit a full application.

53. EOI applications will be submitted in direct competition with one another and it is expected that there will be significant demand for the grant available. Proposals will be assessed against criteria set out in the EOI selection criteria and guidance documentation.

54. Details of the consecutive EOI application windows will be published on the Welsh Government website. This will give the opening and closing dates, the indicative budget available for each window and the expected maximum number of EOIs that will be invited to submit a full application.

55. The EOI 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.

56. Full details of how to apply are set out in the generic Expression of Interest Guidance Notes, and accompanying Scheme specific EOI criteria and application form.

<http://gov.wales/topics/environmentcountryside/farmingandcountryside/cap/ruraldevelopment/wales-rural-development-programme-2014-2020/?lang=en>

57. Once a project proposal has been selected at the EOI stage, the applicant will be invited to prepare and submit a full Scheme application for their proposed project, along with supporting documentation such as project plan, previous accounts (where appropriate); financial projections and cash flows and other information as may be necessary.

58. Full applications must be submitted through the WEFO Online portal. Guidance will be provided to all applicants.
59. Second stage applications must be consistent with the proposal outlined in the approved EOI.
60. 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. There is no guarantee that a project proposal will be approved for a grant. We aim to complete the appraisal of full applications within 90 working days of receipt of the full application. Appraisal of complex projects, or applications with eligibility issues may take longer. If you delay in replying to requests for further information this will extend the time.
61. **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.**
62. 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.**
63. 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.**
64. When you submit the application form, the Welsh Government will acknowledge its receipt. If a project is ineligible, you will be told this as soon as possible. If an application is eligible, it will be subject to a detailed technical and financial appraisal. When the appraisal is complete, support for the application will then be evaluated against the extent to which it meets EC and Welsh Government priorities, as described above.

There are three possible outcomes:

- Your project is not eligible for the grant. Applicants will be told as soon as possible.
- Your project is eligible for consideration but is not approved for an award. Applicants will be informed of the reasons why the application was not successful. Applicants may apply again with the same project (amending the application if required) **but only if they have not started**

work.

- Your project is eligible and is approved for an award. An approval letter will be issued to the applicant setting out the terms and conditions of the award which will require signing as an agreement and acceptance of the terms and conditions therein. The letter will also provide the authority to start work.

CONDITIONS OF GRANT

65. The Sustainable Management Scheme is subject to a range of relevant legislation (see separate guidance on legislation). Both the Welsh Government and the applicant/recipient must act in accordance with that legislation.
66. The offer of a Sustainable Management 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 an 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 EU and UK 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. The applicant is required to comply with the rules on eligible expenditure as detailed in the relevant Scheme Guidance Note.
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 agreed timetable. You cannot change the agreed timing and value of your claims without written agreement from Welsh Government.
10. 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 will be automatically terminated.

11. Projects should be completed within the timetable agreed with Welsh Government. You cannot change this without written agreement from Welsh Government.
12. You must confirm that none of the items covered by the application are replacements under an insurance claim.
13. You must provide confirmation that no other public funding (whether from EU or UK sources) has been sought.
14. Any publicity given to the project must make reference to the part played by both the European Union and Welsh Government in funding it.
15. 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.
16. You must allow representatives of 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.
17. 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, Welsh Government and the EC 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.

18. The information provided in the expression of interest application and full applications 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).

Competitive Tendering and Public Procurement

67. The EC Procurement Directives apply to contracts that are financed or part financed by EU Funds. The full procurement rules apply to all public bodies and commercial enterprises in the private sector who receive grant support of 50% or more of total project costs exclusive of VAT.
68. Third sector organisations that are not financed or supervised by public sector bodies and commercial enterprises in the private sector who receive grant support of less than 50% of the total project costs may not be covered by the European Community (EC) Procurement Directives but are still expected to use fair and open practices, including competitive tendering, when buying goods or services as part of project activities that are being supported through EU funded Programmes.
69. For guidance on the requirements that must be followed by all applicants please see WG Competitive Tendering and Public Procurement Technical Guidance Notes:

<http://gov.wales/docs/drah/publications/160704-competitive-tendering-and-public-procurement-technical-guidance-notes-en.pdf>

PAYMENT OF GRANT

Claims

70. You may make interim claims during the period of the 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.
71. 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 30 June 2023 in order for Welsh Government to be able to meet the payment. Failure to submit claims may result in the grant paid to date being recovered.
72. 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.

Incorrect claims and penalties

73. You have a responsibility to make sure that each claim submitted is arithmetically correct; that all actual costs are evidenced as defrayed expenditure (the payment has gone from the bank account); that all the items and costs are eligible and that the claim is on time.
74. If the claim is incorrect then the 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.
75. 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.
76. 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 SMS in the remainder of the current EAFRD year or for the following EAFRD year.
77. If you have any doubts about the eligibility of any expenditure you must check **before you incur the costs.**

Offences

78. 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 SMS. 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

79. 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.
80. It will be a requirement of the grant award that equipment purchased with the aid of a Sustainable Management 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 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.

81. A further monitoring form will be required to be completed two years and again five years following completion of the project. 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.
82. You must allow officials from the Welsh Government and the European Commission, or their representatives to inspect the project at any reasonable time within this five year period.

END OF SUSTAINABLE MANAGEMENT SCHEME

83. All claims must be submitted to the Welsh Government by 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

84. If an application is rejected, the reasons for rejection will be explained. We will be prepared to discuss any modifications which might be needed to make the project acceptable.
85. 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

86. 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

ANNEX A

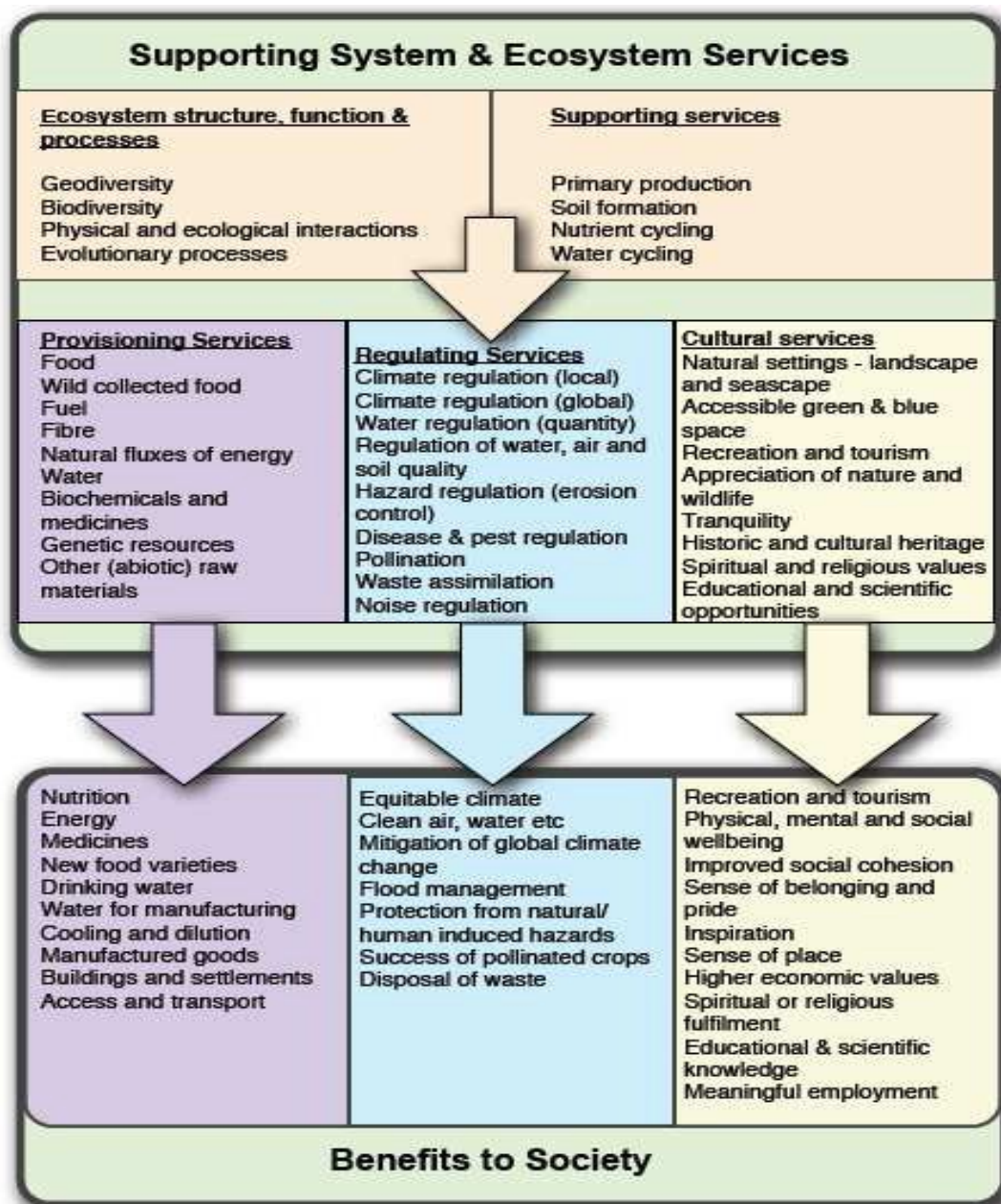
EXAMPLES OF POSSIBLE PROJECT ACTIVITIES

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

- Cooperative actions that improve the delivery of identified ecosystem services through appropriate land management and land use. These include land management actions and capital works such as:
 - strategic hedge and tree planting that leads to better flood risk management
 - better located and managed woodlands and trees that lead to improvement in air quality in both rural and urban settings
 - co-ordinating good soil management practice through good tillage and sustainable grazing practices together with hedge and tree planting that lead to water quality and quantity improvements by controlling the source or movement of potential pollutants and sediments (including nutrients from fertilisers and manure, sediment from run-off, bacteria from manure and livestock and pesticides from treatment application and disposal) and improving drainage and reducing surface water run-off
 - rewetting and restoration of peat soils in order to mitigate or adapt to climate change e.g. by reducing greenhouse gas emissions from agriculture, reduce water run off and help purify water and enhance biodiversity
 - the planting of individual or small groups of trees for parkland, hedgerows and orchards to increase connectivity between habitats to directly benefit wild pollinators and increase resilience of our biodiversity
 - improve and/or create habitats and improve biodiversity and connectivity of our designated sites, including removal of invasive species and the control of scrub and bracken
 - the restoration and protection of sand dunes and creation of intertidal habitat to provide natural flood protection and provide an increase in biodiversity
 - the facilitation of sustainable grazing measures to assist the reversion of land to heathland or species-rich grassland to benefit wildlife and biodiversity
 - fencing and other measures to improve biosecurity and animal health and welfare.
- Collaborative approaches to forest management planning as part of a wider plan of landscape scale activities
- Collaborative actions to increase resource efficiency and more local, renewable energy generation

- Collaborative actions of a primarily social nature that use farming to deliver various benefits to society through joint action, and thus also to offer new income opportunities to farm households
- Collaborative actions and works to improve the features of a landscape to add to an area's sense of place e.g. hedgerows, trees, earth banks and historic features or landscape character
- Collaborative actions to improve local environment quality
- Collaborative action to identify, map and use areas of land for flood storage and alleviation purposes
- Collaborative action to trial new products and identifying new markets – using Payments for Ecosystem Services including:
 - a catchment based approach to reduce flooding
 - biomass energy mechanisms using the surplus from habitat management
 - carbon offsetting projects for woodland and peat lan;
 - nutrient offsetting schemes for water quality improvements
 - reduction or re-use of waste materials in ways that support sustainable land management
 - collaborative action to improve diversity and extent of outdoor recreation facilities.
- Developing relationships to enable joint decision making and coordination of activities to strengthen collaboration across an area/landscape
- Activities that help address landscape crime – including arson and fly-tipping
- Actions to ensure the long term survival of historic environment features (e.g. waterways, water meadows), archaeological features and historic building (planning costs)
- Development of interpretation materials and visitor information (e.g. habitats and species, ecosystem services and historic environmental features)
- Actions and works to improve permissive public access including the upkeep and introduction of additional permissive access (not existing statutory rights of way network)
- Deliver training and information dissemination to make others aware of new innovations or best practice techniques.

When a collaboration is considering the local challenges and opportunities in the focal area it may be useful to consider the ecosystem services that addressing these challenges or opportunities may benefit. The following diagram illustrates a non exhaustive list of the relationships of ecosystem services with potential benefits.



ANNEX B

SUSTAINABLE MANAGEMENT OF NATURAL RESOURCES

The Environment (Wales) Bill, ‘the Bill’ introduces proposals for a new legislative approach to the way in which we manage our natural resources in a more sustainable, collaborative and joined up way.

What are we trying to achieve?

The objective of sustainable management is to ensure that **the way we manage** and **the rate of use of our natural resources**, and the **multiple benefits** that they provide to us, is done in such a way that does not lead to the long-term decline of these resources and supporting ecosystems.

The intention is to reduce adverse impacts on ecosystems to avoid undesirable impacts on our economy, society, culture and environment. At the core of this objective is the concept of a resilient ecosystem. A resilient ecosystem is healthy, and functions in a way that is able to cope with the pressures and demands placed upon it. It is able to deliver benefits over the long-term to meet current and future social, economic, cultural and environmental needs. In seeking multiple benefits through our management and use of natural resources, we are looking for opportunities to enhance well-being, but also new uses and ways to help sustain our ecosystems in the long term.

What are we managing?

Sustainable management applies to the management of **natural resources** which includes all living organisms, (excluding people), and non-living components and materials of the natural environment. It includes all of the **components** of the natural environment, for example, biological and geological resources, environmental media (air, water and soil) and also flow resources (such as tide, wind and solar). From these raw ingredients, all other facets, services and benefits of the environment can be derived.

Principles of Sustainable Management of Natural Resources

The Bill also introduces a number of principles which underpin the sustainable management of natural resources:

Principles of Sustainable Management of Natural Resources:

- a) **Manage adaptively** by planning, monitoring, reviewing and where appropriate, changing action.
- b) Consider the appropriate **spatial scale** for action.
- c) Promote and engage in **collaboration and cooperation**.
- d) Make appropriate arrangements for **public participation** in decision-making.
- e) Take account of all relevant **evidence**, and gather evidence in respect of **uncertainties**.
- f) Take account of the **benefits** and intrinsic value of natural resources and ecosystems.
- g) Take action to **prevent** serious or irreversible damage to ecosystems
- h) Take account of the **short, medium and long term consequences** of actions.
- i) Take account of the **resilience of ecosystems**, in particular:
 - Diversity within and between ecosystems;
 - The connections between and within ecosystems;
 - The scale of ecosystems;
 - The condition of ecosystems;
 - The adaptability of ecosystems.

Natural Resources Policy Statement

Key Challenges

The Welsh Government's Natural Resources Policy Statement illustrates the current environmental, social and economic evidence from which we have identified some key challenges for the sustainable management of our natural resources at a national level. In particular, it illustrates the risks to the benefits that our natural resources provide. The emerging key challenges for the sustainable management of our natural resources are:

- Safeguarding our carbon stores to mitigate against climate change and protect against further carbon emissions
- Maintaining our productive capacity for food, timber and fibre supplies
- Reducing the risk of flooding
- Improving our health and social equity, which may be delivered in part by improving access to good quality blue and green space
- Improving the quality and maintaining the availability of water
- Improving the quality and connectivity of our habitats
- Retaining the distinctiveness of our places and historic landscapes.

Emerging priority areas for action

- **Better lowland soil, water, planting and habitat measures** – the careful management of soils and farm slurry and manures, together with a range of planting and habitat management measures, can address the multiple pressures on our ecosystems and in doing so, provide a wide range of benefits for land managers and society – water quality, flood risk management and carbon stores
- **More good quality, urban green infrastructure and sustainable drainage** – A good distribution of green infrastructure across communities can provide health and well-being benefits for communities as well as biodiversity
- **Better coastal habitat flood management** - The better management of coastal habitat in this context includes the restoration and protection of sand dunes, together with the creation of new intertidal habitat in managed retreat areas to replace those that may be lost through coastal squeeze
- **Improved diversity and extent of outdoor recreation facilities** - The outdoors provides opportunities for a wide range of activities which, when carried out responsibly, co-exist with each other and with land uses such as farming and forestry
- **Better management and use of designated sites** - Sites designated for nature conservation play an important role in connectivity across the landscape, and in many cases, as reservoirs of a diverse range of habitats and species
- **Better located woodlands and trees** - An increase in the species richness and structural diversity of our trees and woodland, together with connecting

fragmented woodland and scrubland habitats, is key to increasing its resilience and can help support biosecurity, water quality and water quantity management and enhance biodiversity networks

- **More upland peat management** - Activities, such as the rewetting and restoration of peat soils, regulate carbon and slow down the run-off of water to reduce flooding downstream. Healthy peat soils also help purify our water.