STATUTORY INSTRUMENTS

1987 No. 1949

AGRICULTURE

The Farm Diversification Grant Scheme 1987

Approved by both Houses of Parliament.

Made - - - -	*16th November 1987*
Laid before Parliament	*18th November 1987*
Coming into force -	*1st January 1988*

The Minister of Agriculture, Fisheries and Food, the Secretary of State for Scotland and the Secretary of State for Wales, acting jointly, in exercise of the powers conferred on them by sections 28 and 29 of the Agriculture Act 1970**(a)**, and of all other powers enabling them in that behalf, with the approval of the Treasury, hereby make the following Scheme:

Citation, commencement and extent

1.—(1) This Scheme may be cited as the Farm Diversification Grant Scheme 1987 and shall come into force on 1st January 1988.

(2) This Scheme shall apply to Great Britain.

Interpretation

2.—(1) In this Scheme, unless the context otherwise requires–

"agriculture" and cognate expressions shall be construed, except in relation to Scotland, in accordance with section 109 of the Agriculture Act 1947**(b)** and, in relation to Scotland, in accordance with section 86 of the Agriculture (Scotland) Act 1948**(c)**;

"agricultural business" means a business consisting in, or such part of any business as consists in, the pursuit of agriculture, and includes any ancillary farm business;

"ancillary farm business" means any business of a type specified in the Schedule to the Farm Business Specification Order 1987**(d)** where that business is carried on by a person also carrying on a business consisting in or partly in the pursuit of agriculture on the same or adjacent land;

"the appropriate Minister means–

(a) in relation to England, the Minister of Agriculture, Fisheries and Food;

(a) 1970 c.40. Section 28 was amended by section 22 of the Agriculture Act 1986 (c.49).
(b) 1947 c.48.
(c) 1948 c.45.
(d) S.I. 1987/1948. The list of farm businesses specified in the Schedule to that Order is the same as items 1–9 in column 1 of the Schedule to this Scheme.

(b) in relation to Scotland, the Secretary of State;

(c) in relation to Wales, the Secretary of State;

"approved" means approved by the appropriate Minister and "approve" and "approval" shall be construed accordingly;

"contractor" means any person who enters into an agreement to supply agricultural work or services in connection with agricultural land;

"designated maps" means–

(a) in relation to England, the 3 volumes of maps numbered 1 to 3, each such volume being marked "volume of maps of less-favoured farming areas in England" and with the number of the volume, dated 3rd April 1984, signed and sealed by the Minister of Agriculture, Fisheries and Food and deposited at the offices of the Ministry of Agriculture, Fisheries and Food at Great Westminster House, Horseferry Road, London SW1P 2AE;

(b) in relation to Wales, the 2 volumes of maps numbered 1 and 2, both volumes being marked "volume of maps of less-favoured farming areas in Wales" and with the number of the volume, dated 29th March 1984, signed by the Secretary of State for Wales and deposited at the offices of the Welsh Office Agriculture Department at Plas Crug, Aberystwyth, Dyfed SY23 1NG;

(c) in relation to Scotland, the 4 maps numbered 1 to 4, each such map being marked "map of less-favoured farming areas in Scotland" and with the number of the map, dated 2nd April 1984, signed by the Secretary of State for Scotland and deposited at the offices of the Department of Agriculture and Fisheries for Scotland at Chesser House, Gorgie Road, Edinburgh EH11 3AW;

"eligible person" has the meaning assigned to that expression in paragraph 3;

"farm-based industry" means–

(a) the manufacture of craft items and tourist souvenirs;

(b) food processing and the purification, carbonation and bottling of spring water;

(c) the processing of timber;

(d) the processing of agricultural produce for purposes other than human or animal consumption; or

(e) the repair and renovation of agricultural machinery;

"farm diversification plan" has the meaning assigned to that expression in paragraph 4;

"farm shop" means a shop primarily used for the sale of the produce of the agricultural business of which the shop forms part;

"food processing" means the application of any process or treatment to agricultural produce for the purposes of human consumption but does not include–

(a) the cleaning and trimming of raw fruit and vegetables to which no further process or treatment is applied and the packaging of such fruit and vegetables;

(b) the slaughter of livestock and the skinning and gutting of animal carcases;

(c) any process or treatment applied for the purposes of the manufacture of wine; or

(d) any process or treatment applied to cow's milk for the purposes of the liquid consumption of that milk or for the purposes of the manufacture of any milk-based drink as defined in regulation 3 of the Milk-based Drinks (Hygiene and Heat Treatment) Regulations 1983**(a)** and regulation 3 of the Milk-based Drinks (Scotland) Regulations 1983**(b)**, and any process or treatment applied to any such milk-based drink;

"less-favoured area" means land which is within the area shaded blue or pink on the designated maps;

(a) S.I. 1983/1508.

(b) S.I. 1983/1514; the relevant amending instrument is S.I. 1986/790.

"livery" means the provision of accommodation and care for horses and ponies;

"provision of accommodation", in relation to persons, includes provision of facilities for camping and caravanning;

"sports" means any game or exercise other than field sports, horse riding and sports involving the use of motor vehicles, firearms or crossbows.

(2) Any reference in this Scheme to a numbered paragraph or "the Schedule" shall, unless the context otherwise requires, be construed as a reference to the paragraph bearing that number in this Scheme or the Schedule to this scheme.

Eligible persons

3.—(1) Subject to the provisions of this paragraph, the following classes of person shall be eligible for grant under this Scheme–

(a) an individual carrying on an agricultural business if the appropriate Minister is satisfied that that individual or, as the case may be, the farm manager or other person through whom the business is carried on–

(i) derives more than half of his annual income calculated in accordance with sub-paragraph (2) below from that business; and

(ii) spends not less than 1,100 hours per year in agricultural activities relating to that business; and

(iii) possesses sufficient agricultural skill and competence, in that he holds an appropriate certificate issued by a teaching establishment recognised for this purpose by that Minister or has been engaged in agricultural activities for not less than five years,

and if the individual carrying on that agricultural business submits a farm diversification plan in accordance with paragraph 4, and undertakes, if that plan is approved, to carry it out;

(b) any person representing a body carrying on an agricultural business if–

(i) the appropriate Minister is satisfied that the main purpose of that business is the pursuit of agriculture and that the farm manager or other person through whom the business is carried on satisfies the requirements as to income, hours spent in agricultural activities and as to agricultural skill and competence, as specified in sub-paragraph (1)(a) above, and

(ii) the said person representing the said body submits on behalf of the said body a farm diversification plan in accordance with paragraph 4 and undertakes, if that plan is approved, to carry it out;

(c) persons carrying on an agricultural business in partnership if–

(i) the appropriate Minister is satisfied that the farm manager or other person through whom the business is carried on satisfies the requirements as to income, hours spent in agricultural activities and as to agricultural skill and competence as specified in sub-paragraph (1)(a) above, and

(ii) a farm diversification plan is submitted in accordance with paragraph 4 and the undertaking required of an individual by sub-paragraph (1)(a) above is given on behalf of the partnership;

(d) the owner of land occupied for the purposes of the pursuit of agriculture who submits a farm diversification plan relating to such land or to adjacent land jointly with one of the kinds of person eligible for grant under sub-paragraph (a), (b) or (c) above.

(2) For the purposes of this paragraph, a person's annual income shall be calculated in each case by reference to such year or years within the three years immediately preceding the day on which the farm diversification plan is submitted as the appropriate Minister shall determine, being a year or years which he is satisfied gives or give a fair indication of the normal amount of income of that person and the normal amount of income derived by that person from the agricultural business.

(3) Where a person eligible for grant under sub-paragraph (1) above is a contractor, it shall be a further condition of eligibility that he has entered into a written agreement with the occupier of the land in connection with which the contractor supplies agricultural work or services which is expressed to continue in force for a period of not less than

seven years from the day immediately preceding the day on which the farm diversification plan is submitted.

Farm diversification plans

4.—(1) The appropriate Minister shall not approve any proposed expenditure for the purposes of grant under this scheme unless a farm diversification plan relating to that expenditure is submitted for the approval of that Minister and is approved by him.

(2) A farm diversification plan submitted for approval shall be set out in such form as the appropriate Minister may from time to time require and the person submitting it shall furnish all such particulars and information relating thereto as the appropriate Minister may require, and in particular–

(a) sufficient information to show that the person undertaking to carry out the plan is an eligible person and that the plan relates to the carrying on or establishment of an ancillary farm business;

(b) details of the agricultural business of which the ancillary farm business forms or will form part at the time of submission of the plan for approval and of any other business carried out on the same land as the agricultural business;

(c) a description of the land and buildings to which the plan relates;

(d) an indication of the measures to be taken, and in particular of the investments to be made and the timing of such investments in order to achieve the aim of the plan;

(e) a description of the ancillary farm business to which the plan relates on completion of the plan in the form of an estimated budget and an estimate of the implications of the completion of the plan for the economic situation of the agricultural business of which that ancillary farm business forms or will form part, including the number of persons gainfully employed in the carrying on of that agricultural business.

(3) The duration of a farm diversification plan shall be such period as is specified in the plan, being a period not exceeding six years from the date of approval of the plan.

Restrictions on approval of farm diversification plans

5.—(1) The appropriate Minister shall not approve a farm diversification plan under this Scheme unless he is satisfied that in the absence of financial assistance under this Scheme the plan could not, or could not appropriately, be realised and that–

(a) on completion of the plan the ancillary farm business to which the plan relates will be capable of being carried on as a profit-making enterprise; or

(b) the completion of the plan will bring about a lasting improvement in the economic situation of the agricultural business of which the ancillary farm business forms or will form part.

(2) The appropriate Minister shall not approve for the purposes of grant a farm diversification plan in so far as it includes–

(a) proposed expenditure amounting in aggregate to less than £750 or more than £35,000;

(b) proposed expenditure which, in the opinion of the appropriate Minister, would in any six-year period exceed £35,000 when added to other expenditure which has been incurred in the six-year period in question in relation to the same agricultural business and which is included in any previous farm diversification plan approved under this scheme;

(c) proposed expenditure in relation to the provision of horses and ponies for hire outside a less-favoured area;

(d) proposed expenditure in relation to the purchase of land or buildings.

(3) The appropriate Minister shall not approve a farm diversification plan under this Scheme in relation to any ancillary farm business where the agricultural business of which that ancillary farm business forms or will form part–

(a) is affected by a current farm diversification plan approved under this Scheme, or

(b) is affected by a current improvement plan approved under the Agriculture

Improvement Regulations 1985(a) and that improvement plan includes proposed expenditure in connection with any work, facility or transaction of a kind specified in paragraph 12 or 13 in column 1 of the Schedule to those Regulations.

(4) The appropriate Minister may make the approval of a farm diversification plan under this Scheme subject to such conditions as he sees fit and in particular may require that the person undertaking to carry out the plan shall for the duration of the plan furnish to that Minister in such form as he may determine accounts relating to the ancillary farm business to which the plan relates and to the agricultural business of which that ancillary farm business forms or will form part.

Closing date for approval of farm diversification plans

6. The appropriate Minister shall not approve any farm diversification plan for the purposes of grant under this Scheme after 30th November 1994.

Variation and withdrawal of farm diversification plans

7.—(1) The appropriate Minister may, on the written request of the person currently responsible for carrying out a farm diversification plan, vary or withdraw the approval of that plan.

(2) The appropriate Minister shall not vary a farm diversification plan more than once in the period of twelve months following the approval of that plan or more than once in any subsequent period of twelve months.

Farm diversification grants

8.—(1) Subject to the provisions of this Scheme, the appropriate Minister may make to any eligible person a grant towards expenditure incurred by him for the purposes of, or in connection with, the carrying on or establishment of an ancillary farm business, being expenditure which–

(a) has been incurred in respect of any work, facility or transaction of a kind specified in column 2 of the Schedule in relation to an ancillary farm business of a kind specified in column 1 of the Schedule; and

(b) appears to the appropriate Minister to be of a capital nature or to have been incurred in connection with expenditure of a capital nature, and

(c) is included in, and appears to the appropriate Minister to be necessary or appropriate for the purposes of, an approved farm diversification plan in respect of that business and to be the responsibility of that person.

(2) The appropriate Minister may make the payment of grant under sub-paragraph (1) above subject to such conditions as that Minister sees fit, and in particular may require that the person currently responsible for the carrying on of the ancillary farm business in respect of which expenditure has been incurred shall furnish to that Minister copies of the accounts relating to that business and of the agricultural business of which it forms part in such form as that Minister may determine for a period not exceeding two years after the completion of the farm diversification plan.

(3) Where it appears to the appropriate Minister that expenditure in respect of which grant is claimed under sub-paragraph (1) above has been incurred partly for purposes which are eligible for grant under that sub-paragraph and partly for purposes which are not so eligible, that Minister may for the purposes of grant under that sub-paragraph treat as having been incurred for the purposes which are so eligible so much of that expenditure as appears to that Minister to be referable to those eligible purposes.

Amounts of grant

9.—(1) Subject to the provisions of this paragraph and to paragraph 12, the amount of any grant payable under paragraph 8(1) towards expenditure in respect of any work,

(a) S.I. 1985/1266.

facility or transaction of a kind specified in column 2 of the Schedule, shall be twenty-five per cent of that expenditure.

(2) In the case of expenditure which is incurred by–

(a) a young farmer who fulfils the requirements specified in sub-paragraph (3) below; or

(b) a young farmers' partnership in respect of which the requirements specified in sub-paragraph (4) below are fulfilled;

the amount of grant so payable shall be thirty-one and one quarter per cent.

(3) The requirements in relation to a young farmer are that he–

(a) is less than forty years of age on the date on which he submits a farm diversification plan to the appropriate Minister;

(b) is at that date the sole owner or sole tenant of the land on which he carries on his agricultural business, including the land on which he carries on or intends to carry on the ancillary farm business to which the plan relates;

(c) submits a farm diversification plan to the appropriate Minister within five years of the date on which he became sole owner or sole tenant of the land on which he carries on his agricultural business, including the land on which he carries on or intends to carry on the ancillary farm business to which the plan relates;

(d) has not previously been responsible for carrying out a farm diversification plan under this Scheme as an individual carrying on an agricultural business or a person carrying on an agricultural business in partnership or an owner of land occupied for the purposes of the pursuit of agriculture; and

(e) holds an appropriate certificate relating to the possession of agricultural skill and competence issued by a teaching establishment recognised for that purpose by the appropriate Minister.

(4) The requirements in relation to a young farmers' partnership are that–

(a) a partner in that partnership fulfils the requirements set out in sub-paragraph (3) (d) and (e) above and submits a farm diversification plan to the appropriate Minister within five years of the date on which he became sole or joint owner or sole or joint tenant of the land on which he carries on an agricultural business in partnership, including the land on which he carries on or intends to carry on the ancillary farm business to which the plan relates;

(b) all the partners in the partnership are less than forty years of age on the date on which the farm diversification plan is submitted to the appropriate Minister; and

(c) the partnership exists for the purposes of carrying on the agricultural business of which the ancillary farm business to which the plan relates forms or will form part.

Standard costs

10. In such cases, and subject to such conditions as the appropriate Minister may from time to time determine, the cost of any work, facility or transaction or the amount of any other cost or expenditure shall, if the claimant so elects, be taken for the purpose of determining the amount of any grant payable under this Scheme as such standard cost or amount as that Minister may from time to time fix with the approval of the Treasury.

Claims for grant

11. Any claims for grant under this scheme shall be made in such form and manner and at such time as the appropriate Minister may from time to time require, and the claimant for grant shall furnish all such particulars and information relating to the claim and copies of such documents and records relating thereto as that Minister may require.

Reduction or withholding of grant

12.—(1) The appropriate Minister may reduce or withhold any grant payable under this Scheme in any case where–

(a) assistance in respect of expenditure towards which such grant is claimed has been given otherwise than under this Scheme, or

(b) the carrying out or provision of the work, facility or transaction towards the expenditure on which such grant is claimed appears to that Minister to frustrate the purpose served by assistance previously given out of money provided by Parliament or the European Economic Community, or

(c) he considers that the expenditure towards which such grant is claimed is excessive having regard to the work, facility or transaction carried out or provided to which the claim relates, or

(d) the carrying out of the work, facility or transaction towards the expenditure on which such grant is claimed has been effected in a way which appears to that Minister to have destroyed or damaged the natural beauty and amenity of the countryside to an extent which cannot be justified by any resulting benefit to any agricultural business.

(2) Before reducing or withholding any grant under the provisions of sub-paragraph (1)(c) or (d) above the appropriate Minister shall–

(a) give to any person whose grant it is proposed to reduce or withhold a written notification of the reasons for the action proposed to be taken by that Minister, and

(b) afford that person an opportunity of appearing before and being heard by a person appointed for the purpose by the appropriate Minister, and

(c) consider the report by a person so appointed and supply a copy of that report to the person mentioned in sub-paragraph (a) above.

In Witness whereof the Official Seal of the Minister of Agriculture, Fisheries and Food is hereunto affixed on 10th November 1987.

L.S.

John MacGregor
Minister of Agriculture, Fisheries and Food

10th November 1987

Sanderson of Bowden
Minister of State, Scottish Office

13th November 1987

Peter Walker
Secretary of State for Wales

We approve,

16th November 1987

Mark Lennox-Boyd
David Lightbown
Two of the Lords Commissioners of Her Majesty's Treasury

Paragraphs 8(1) and 9(1)

SCHEDULE

Column 1	Column 2
Kind of ancillary farm business.	*Kind of work or facility or transaction for which grant may be paid.*
1. Farm-based industry.	1. Provision, alteration, enlargement or reconditioning of permanent buildings. **2.** Works of a capital nature relating to workshops, office accommodation, stores and processing rooms, including the provision or improvement of toilet and washing facilities. **3.** Provision, replacement and installation of fixed equipment and machinery. **4.** Provision or improvement of facilities for the supply of gas, electricity, heating oil and water. **5.** Provision or improvement of drainage, including facilities for the disposal of rain and surface water and facilities for the treatment and disposal of foul waste. **6.** Provision or improvement of roads, paths, fences, hard standings and car parks.
2. Farm shops.	1. Provision, alteration, enlargement or reconditioning of permanent buildings. **2.** Works of a capital nature relating to shop premises, office accommodation and stores, including the provision or improvement of toilet and washing facilities. **3.** Provision or improvement of facilities for the supply of gas, electricity, heating oil and water. **4.** Provision or improvement of drainage, including facilities for the disposal of rain and surface water and facilities for the treatment and disposal of foul waste. **5.** Provision or improvement of roads, paths, fences, hard standings and car parks.
3. Direct sale to farm visitors of fruit and vegetables which the visitors pick themselves.	**1.** Provision or improvement of roads, paths, fences, hard standings and car parks. **2.** Provision or improvement of toilet facilities.
4. Provision of accommodation, food and drink.	**1.** Provision, alteration, enlargement or reconditioning of permanent buildings. **2.** Works of a capital nature relating to tourist accommodation, including the provision or improvement of catering, drying, washing and toilet facilities. **3.** Provision and installation of fixed equipment and machinery. **4.** Provision or improvement of facilities for the supply of gas, electricity, heating oil and water. **5.** Provision or improvement of drainage, including facilities for the disposal of rain and surface water and facilities for the treatment and disposal of foul waste. **6.** Provision or improvement of roads, paths, fences, hard standings and car parks.

Column 1	Column 2
Kind of ancillary farm business.	*Kind of work or facility or transaction for which grant may be paid.*
5. Provision of facilities for sports and recreation.	**1.** Provision, alteration, enlargement or reconditioning of permanent buildings. **2.** Works of a capital nature relating to office and clubhouse accommodation, including fixed seating and shelter for spectators, and the provision or improvement of drying, washing and toilet facilities. **3.** Provision and installation of fixed equipment. **4.** Provision or improvement of facilities for the supply of gas, electricity, heating oil and water. **5.** Provision or improvement of drainage, including facilities for the disposal of rain and surface water and facilities for the treatment and disposal of foul waste. **6.** Provision or improvement of roads, paths, fences, hard standings and car parks. **7.** Works of a capital nature relating to the establishment of sports grounds and recreational areas, including– (a) field drainage; (b) land levelling and grading; (c) re-seeding and regeneration of amenity grassland; (d) laying of turf and of hard surfaces; (e) the establishment of ponds for recreational fishing.
6. Provision of educational facilities relating to farming and the countryside and to farm-based industry.	**1.** Provision, alteration, enlargement or reconditioning of permanent buildings. **2.** Works of a capital nature relating to lecture hall accommodation and the establishment of display and exhibition areas, including fixed seating and shelters, viewing galleries, notices and signs, and the provision or improvement of toilet and washing facilities. **3.** Provision or improvement of facilities for the supply of gas, electricity, heating oil and water. **4.** Provision or improvement of drainage, including facilities for the disposal of rain and surface water and facilities for the treatment and disposal of foul waste. **5.** Provision or improvement of roads, paths, fences, hard standings and car parks. **6.** Works of a capital nature relating to the establishment of nature trails, including– (a) the establishment of ponds and wet areas; (b) the clearance of obstacles (other than trees or shrubs); (c) the re-grading of land; (d) the provision and planting of trees, shrubs and other plants.

Column 1	Column 2
Kind of ancillary farm business.	*Kind of work or facility or transaction for which grant may be paid.*
7. Provision of livery.	**1.** Provision, alternation, enlargement or reconditioning of permanent buildings.
8. Provision of horses and ponies for hire*.	**2.** Provision and installation of fixed equipment. **3.** Provision or improvement of toilet facilities and facilities for the supply of electricity and water. **4.** Provision or improvement of drainage, including facilities for the disposal of rain and surface water and facilities for the treatment and disposal of foul waste. **5.** Provision or improvement of car parks, hard standings and associated fences.
9. Letting of any land, building or buildings for the purposes of the carrying on of any business of a type specified above.	Any work, facility or transaction of a type specified above in respect of which grant is payable in relation to the type of business for the purposes of which the land, building or buildings is or are to be let.
10. Any business of a type specified above.	**1.** Any work, facility, or transaction (including conservation or amenity works) incidental to the carrying out of any work, facility or transaction specified above or necessary or proper in carrying it out or providing it or securing the full benefit thereof. **2.** Preparation of farm diversification plans.

* In accordance with paragraph 5(2)(c), grant in relation to the provision of horses and ponies for hire is only available in a less-favoured area.

EXPLANATORY NOTE

(This note is not part of the Scheme)

This Scheme, which applies to Great Britain and operates from 1st January 1988, makes provision for aid for the diversification of agricultural businesses in the form of grants in respect of expenditure of a capital nature incurred in connection with the establishment or carrying on of ancillary farm businesses (paragraph 8(1)). The works, facilities or transactions eligible for grant, and the types of ancillary farm business in relation to which those works, facilities or transactions may be performed or provided, are set out in the Schedule.

The rate of grant payable generally under the Scheme is twenty-five per cent, and a higher rate of thirty-one and one quarter per cent is available in relation to agricultural businesses carried on by young farmers or young farmers' partnerships (paragraph 9). Grant in relation to the provision of horses and ponies for hire is only available in less-favoured areas (paragraph 5(2)(c)). Less-favoured areas are defined by reference to designated maps which are available for inspection during normal office hours at the addresses specified in the definition of designated maps (paragraph 2(1)). Copies of the maps may also be inspected during normal office hours at any Regional or Divisional Office of the Ministry of Agriculture, Fisheries and Food, at any Divisional Office of the Welsh Office Agriculture Department and at any Area Office of the Department of Agriculture and Fisheries for Scotland.

The classes of person which may benefit from grant are defined (paragraph 3). To benefit from assistance, an applicant must submit a farm diversification plan for approval by the appropriate Minister (paragraph 4). The plan must show that on its completion the ancillary farm business to which it relates will be capable of being carried on as a profit-making enterprise, or that its completion will bring about a lasting improvement in the economic situation of the agricultural business of which the ancillary farm business forms part (paragraph 5(1)).

The Scheme also–

(a) imposes certain restrictions on approval of farm diversification plans (paragraph 5);

(b) provides for the variation and withdrawal of plans (paragraph 7);

(c) provides for standard costs (paragraph 10);

(d) provides for the reduction or withholding of grant in certain circumstances where it would otherwise be payable (paragraph 12);

(e) sets a closing date of 30th November 1994 for the approval of farm diversification plans (paragraph 6).