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Evaluation of the Food Processing, Marketing and Co-Operation Fund 2014-2020



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Evaluation of the Food Processing, Marketing and Co-Operation Fund 2014-2020

Rural and Environmental Science and Analytical Services
division

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September 2019

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Executive summary

Background

The Food Processing, Marketing and Co-Operation (FPMC) grant scheme aims to support the development of food and drink processing businesses throughout Scotland by partially funding capital and non-capital projects. It has to date awarded almost £60 million to 119 projects.

FPMC aims to be a last resort fund, accessible to those whose projects could not proceed without it. It also aims to support small and large businesses across dairy, meat, fruit and vegetable, cereal, alcohol, and eggs sectors in all regions of Scotland.

In light of the planned EU-exit on October 31st 2019, it is important to assess EU-funded schemes such as FPMC to help inform decisions as to whether funding should be continued or modified.

Purpose

This report evaluates FPMC's 2014-2020 programme period.

It focusses on applicants' and experts' experiences of application and assessment procedures, and assess how the applicants projects adhered to the objective of the scheme and those of the Scottish Government. Broadly those objectives centre around helping Scotland to become a wealthier, healthier, and more environmentally sustainable nation.

Mixed-methods analyses of recorded project data alongside stakeholder surveys and interviews were used. Most of the projects are ongoing and therefore this evaluation is indicative not absolute.

Key Findings: Meeting the FPMC Objectives

There is evidence to show that FPMC is having a positive impact on the Scottish economy, population health, and environmental sustainability. However, these contributions were not evenly spread between different sectors, indicating possible areas for improvement.

The meat sector contributed the most to the job market and cost efficiencies (grant cost per job, turnover, pre-tax profits). The alcohol sector meanwhile contributed least to jobs, cost efficiencies, population health, and the environment.

Evidence shows that high proportion of businesses benefitted from multiple FPMC awards over several funding rounds. Successful applicants were also more likely to have used an agent to help them in their application, and were less likely to approach FPMC as a last resort fund. This could be counter to the aims of the fund as a 'last resort' programme.

Key Findings: application and assessment procedures

Most applicants were satisfied with the application process overall. The main desires for achievable change were:

- better and more transparent guidance;
- more flexibility;
- targeted support for smaller businesses;
- revision of the current rules preventing projects' to begin before the application outcome is confirmed

There was also consistent concern around the use of agents which was perceived as inequitable especially for smaller businesses that were less able to afford agents' fees.

Experts were generally content with the assessment panel's function. However they echoed concerns about use of agents, and that smaller businesses may be disadvantaged.

Recommendations

- To improve applicants' **guidance materials**, including more information on the application process, such as what to expect and when to expect it and what makes projects more or less likely to be successful.
- To better support **smaller businesses**, for example by enhancing flexibility to take account of their lack of resources (records, agents/administrative staff, financial capital) available to boost an application, relative to larger and more experienced competitors.
- To consider the suitability of **alcohol and non-capital projects** on the scheme.
- To consider the possibility of additional support for the **grants team** to assist them in tasks including grant recovery from projects that fail to meet their conditions.
- To improve **monitoring** in order to provide future evaluations with better quality and quantity of data for analysis.
- **Further research** in order to help minimise current limitations of data informing this evaluation.
- To consider the opportunity for **changes post Brexit**, namely to:
 - allow projects to commence at their own risk before confirmation of their application to **reduce delays** that currently impact business' functionality
 - To explore suitable **EU-replacement funding** sources

List of Abbreviations

CAP	Common Agricultural Policy
EC	European Commission
EU	European Union
FPMC	Food Processing, Marketing, and Co-operation grant
FTE	Fulltime Equivalent
LEADER	Liaisons Entre Actions de Développement de l'Economie Rurale
NPAC	National Projects Assessment Committee
RESAS	Rural and Environmental Science and Analytical Services
RoW	Rest of World (beyond EU borders)
rUK	Rest of UK (UK excluding Scotland)
SRDP	Scottish Rural Development Programme
UK	United Kingdom

1. Introduction

This report presents the findings from an evaluation of the performance of the Food Processing, Marketing, and Cooperation grant scheme (FPMC). The scheme has been in existence since the 1970s, however this evaluation is of the FPMC's most recent 2014-2020 programme.

The findings are intended to inform policy decision makers regarding suitability of FPMC's continuation after the current programme expires. The evaluation focussed on assessing how the scheme contributes to key aims of the Scottish Government and its Food and Drink policy subdivision which distributes FPMC grants. It assessed whether the FPMC's objectives have been achieved and make recommendations looking forward.

Given that the FPMC current 2014-2020 cycle is due to end and the scheme is set to lose 45% funding from the European Union this represents a particularly relevant time to conduct such an evaluation

1.1. Background

1.1.1. *Policy context*

The scheme's aims and processes have remained broadly consistent since its inception, whilst the wider aims of the Scottish Government have evolved. How FPMC fits with the wider policy agenda has therefore changed. As it stands, the programme is aimed at helping Scotland become a wealthier, healthier, and more environmentally friendly nation through supporting Scottish food and drink processing businesses.¹ FPMC is supposed to be regarded a last resort funder. That means projects should only be considering FPMC once they have no alternative.

For the purpose of this evaluation, the core aims of the programme can be generalised into three broad themes:

- 1) **Economic** security and growth. For example through local and international trade of Scottish produce, jobs created, business resilience.
- 2) Reduced **environmental impact** at local and global levels. For example more sustainable practice.
- 3) Improved **health and wellbeing** of individuals and communities. For example through better knowledge and consumption of healthy and local food.

¹ https://www.ruralpayments.org/publicsite/futures/topics/all-schemes/food-processing--marketing-and-co-operation/?_ga=2.29926585.742443407.1506413148-1278850180.1491292475

Economic security and growth

“A decade ago, food and drink had a low profile in the Scottish economy, with growth in the industry flat. It has now emerged as one of Scotland’s best performing domestic and fastest growing export sectors.” Scottish Government Ambition 2030²

Between 2007-2017, growth of food and drink manufacturing in Scotland rose to twice the UK’s average rate¹. The food and drink industry is a major contributor to this with a 44% increase in turnover to £14 billion since 2007¹.

The Ambition 2030 agenda intends to double economic value of Scotland’s fishing, aquaculture, and food and drink industries to £30 billion by 2030. This will be generated from both local and international trade. In the decade following 2007, exports rose 56% to £5.5 billion, including food exports which rose 111% to £1.5 billion with salmon and seafood exports performing particularly well (*ibid.*: pp 3). Sustaining export market growth will be central to the Scottish Government’s ambition of becoming *A Trading Nation*³. International supply of Scottish products also supports the economy in secondary effects of increased tourism through promotion of Scotland’s proud past and present heritage in its produce.

Increased demand requires greater supply and this creates opportunities in the industry’s job market, boosting the economy. By 2017, farming, fishing, food, and drink provided 119,000 jobs in Scotland, with another 27,000 opportunities anticipated over the following decade¹.

As FPMC’s core aims are to support and grow existing and start-up companies in Scotland, the fund can potentially play a significant part in meeting these policy aims.

Environmental impact

In April 2019 the Scottish Government declared a climate change emergency, making local and global environmental health an official priority. Scotland’s climate change policy endeavours to become a cleaner, fairer, healthier nation by 2032⁴.

² <https://foodanddrink.scot/resources/publications/ambition-2030-industry-strategy-for-growth/>

³ <https://www.gov.scot/publications/scotland-a-trading-nation/>

⁴ <https://www.gov.scot/policies/climate-change/>

Climate change and environmental sustainability strongly interlink and cover an array of contributing elements, notably to:

- reduce waste;
- protect biodiversity;
- reduce emissions;
- reduce water and energy consumption;
- develop efficient and renewable energy production.

Engagement with food and drink production will be paramount to achieve these intentions. For example, agriculture is estimated to contribute to around a quarter of Scotland's total greenhouse gas emissions⁵ and so to achieve targets of net-zero greenhouse emissions by 2045 and a carbon neutral Scotland by 2040⁶, tackling emissions associated with food and drink manufacture will be crucial.

Climate is intrinsically linked to agriculture and its food and drink production. The relationship is two-way because as well as some practices potentially adversely impacting the environment, agricultural production may in turn be impacted by climate change. Agriculture and its productivity are therefore one of the most vulnerable sectors to the consequences of climate change (e.g. adverse weather conditions, land loss from rising sea levels).

LEADER is a grant scheme with a number of similarities and shared aims with FPMC. A recent evaluation of LEADER⁷ found some of the projects it help funds managing to balance agricultural support that promoted environmental sustainability. This demonstrates that growth and sustainability are not mutually exclusive for programmes such as FPMC grants should be capable of contributing to wider environmental agendas by supporting businesses that harness environmentally friendly and innovative principles and practices.

Health and wellbeing

Scotland aims to become *A Good Food Nation*⁸. Key to this is improving access, understanding, and benefit from local healthy foods. Provision and appreciation of healthy foods will be especially key for combating Scotland's obesity burden. Two-thirds of Scotland's adult population are obese, placing Scotland 5th highest country

⁵ <https://www.gov.scot/policies/agriculture-and-the-environment/>

⁶ <https://www.gov.scot/news/climate-change-action-1/>

⁷ <https://www.gov.scot/binaries/content/documents/govscot/publications/research-and-analysis/2018/11/process-evaluation-leader-2014-2020/documents/process-evaluation-leader-2014-2020/process-evaluation-leader-2014-2020/govscot%3Adocument/00542937.pdf>

⁸ <https://www.gov.scot/binaries/content/documents/govscot/publications/consultation-paper/2014/06/recipe-success-scotlands-national-food-drink-policy-becoming-good-food/documents/00453219-pdf/00453219-pdf/govscot%3Adocument/00453219.pdf>

worldwide for obesity. Reducing obesity will simultaneously reduce associated morbidity and mortality ranging from cardiovascular to mental health conditions and reduce the £3 billion cost projected for Scotland by 2030 if obesity remains unchecked⁹.

Fresh healthy produce can only improve the wellbeing of Scotland's population through its nation-wide consumption. Health inequalities are also inextricably linked to deprivation; targeting the eating and knowledge of food in these sectors of society are a priority.

1.1.2. The FPMC Fund

The Scottish Government invests in agri-business through multiple pathways including financial grant schemes, which are divided into two Pillars. Pillar 1 encompasses standardised subsidies for agricultural businesses from money that comes directly from the EU and is administered by national governments (in this case funds are channelled through the Scottish Government). Pillar 2 awards grants that require co-financing from member state governments and is governed by the Scottish Rural Developments Programme (SRDP). The EU describes the purposes of this as:

- fostering the competitiveness of agriculture;
- ensuring the sustainable management of natural resources;
- combating climate change;
- achieving a balanced territorial development of rural economies and communities including the creation and maintenance of employment.¹⁰

FPMC has been a part of the Pillar 2 stream since it began in 1973. Its role is to distribute a budget via grants to support development of capital (physical assets) and non-capital projects of existing small, medium, and large Scottish food and drink businesses and the establishment of new ones.

Appendix A provides a detailed overview of the FPMC application process. Eligibility is tested at various stages but is in the first instance restricted to businesses using Annex 1 (agricultural products identified by the EC) inputs and producing either Annex 1 or non-Annex 1 outputs. Eligible products¹¹ can be categorised as:

⁹ <https://www.gov.scot/binaries/content/documents/govscot/publications/consultation-paper/2014/06/recipe-success-scotlands-national-food-drink-policy-becoming-good-food/documents/00453219-pdf/00453219-pdf/govscot%3Adocument/00453219.pdf>

¹⁰ <https://www.instituteforgovernment.org.uk/explainers/common-agricultural-policy>

¹¹ <https://www.ruralpayments.org/publicsite/futures/topics/all-schemes/food-processing--marketing-and-co-operation/food-processing--marketing-and-co-operation-full-guidance/fpmc-list-of-eligible-agricultural-products/>

- Sector 1: Fruit and Vegetables;
- Sector 2: Cereal;
- Sector 2a: Alcohol;
- Sector 3: Meat;
- Sector 4: Eggs;
- Sector 5: Dairy;
- Sector 6: Other

Grant size is decided as a percentage of the total project costs. The percentage is determined by business size, whether the project is capital or non-capital, and the type of output (table 1). By the first quarter of 2019, the scheme closed to new applications having exhausted its £66 million budget on 119 projects spanning all categories (figure 1).

Project type	Business/enterprise size		
	Large	Medium	Small/micro
Capital			
Annex I output	40%	40%	40%
Non-Annex I output	Ineligible	10%	20%
Non-Capital			
Co-operation	40%	50%	60%
Feasibility	50%	60%	70%
Consultancy	-	50%	50%
Fairs/shows (national events)	-	50%	50%
Innovation	15%	50%	50%
Training	50%	60%	70%

Table 1. Grant limits by type and size of business/project ¹²

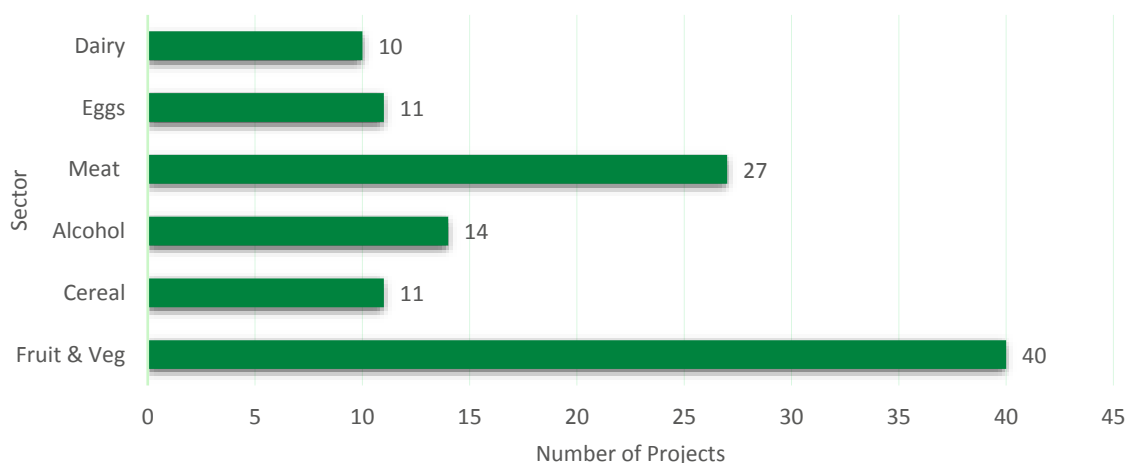


Figure 1. Number of FPMC grant projects by sector for 2014-2020 phase¹³

FPMC-funded projects are located throughout Scotland, although the majority are located in the central belt and to the East of mainland Scotland, where the main population centres are. There is no remarkable difference in geo-spatial distribution of projects belonging to different sectors. Appendix B gives images of locations for all successful and unsuccessful projects by sector.

1.2. Methods

Aligning to core agendas of the Scottish Government and its Food and Drink division (see *Policy Context*), this research evaluates the 2014-2020 FPMC programme.

Two broad approaches were taken, combining quantitative and qualitative techniques. This mixed-methods approach is sometimes referred to as data triangulation, which refers to data on the same phenomenon that has been extracted in multiple different ways. The advantage of data triangulation that uses qualitative and quantitative techniques is that one data source works to neutralise inherent bias in the other¹⁴. This should improve comprehension and accuracy when it comes to drawing conclusions from the combined data, which is important for research validity. Methodology for this report was four-fold:

- Review of all existing project materials and relevant ‘grey’ literature;
- Surveys of successful and unsuccessful applicants;
- Semi-structured interviews with:

¹² <https://www.ruralpayments.org/publicsite/futures/topics/all-schemes/food-processing--marketing-and-co-operation/food-processing--marketing-and-co-operation-full-guidance/fpmc-grant-rates/>

¹³ Internal FPMC data file, Food and Drink policy, Scottish Government

¹⁴ Jick, T. D. (1979). Mixing qualitative and quantitative methods: Triangulation in action. *Administrative science quarterly*, 24(4), 602-611.

- applicants from a range of businesses and grant statuses, and
- experts from the assessment panel process and an independent application consultant.

Recorded project data

The existing project materials provided by the Scottish Government's food and drink division and included application and monitoring forms. Additionally, summaries and forms relating to project assessments were reviewed. Assessments were conducted by staff external and internal to the Scottish Government, whom populated the National Projects Assessment Committee (NPAC) panel that approved and declined projects, seconded by Ministerial approval. A review of relevant 'grey' literature that pertained to relevant legal and policy development was also conducted.

Surveys

Two separate surveys were conducted online, one for successful applicants (n=112) and another for unsuccessful applicants (n=102). Questions were kept broadly similar between the two but it was necessary to make some adjustments so that they were relevant to each group. A copy of the survey questions can be found in Appendix C.

For clarity, consistency, and ease of use, most of the questions provided multiple-choice answers and generated categorical quantitative data. Some questions harvested additional qualitative feedback where more information was necessary.

Interviews and site visits

Qualitative data also came from semi-structured interviews conducted with applicants and 'experts' (professionals who processed the applications).

Applicant interviews aimed to address three main themes:

- Understanding and opinion of the scheme's objectives
- Experiences of the application process
- The future of FPMC

Three applicants were interviewed for an average time of forty minutes. One represented a large fruit & veg business; one represented a small alcohol business; and one represented a declined alcohol business.

'Expert' interviews aimed to address three main themes:

- Understanding and opinion of the scheme's objectives
- The Assessment process
- The future of FPMC

Four experts were interviewed for an average of one hour. Two were experienced NPAC members; one was professionally associated with NPAC committee members; and one was an agent with over a decade's experience of assisting a range of businesses submit their applications. Interviewees were all given anonymity and audio recordings of the interviews were deleted after notes were transcribed for the purposes of this report.

Table 2 (overleaf) summarises the measurement criteria and resource/s for each objective domain.

1.3. Report Structure

Findings have been grouped thematically and into two sections. The first section is the more conceptual, regarding how the FPMC scheme links to the Scottish Government's key objectives to make Scotland a wealthier, healthier, and more environmentally sustainable nation. The second section is concerned with practicalities, focussing on how well the scheme works in terms of stakeholders' experiences of the application and assessment processes. Due to the rarity of non-capital projects, all results refer to capital projects unless explicitly identified as cooperative.

Objective domain	Sub-measures	Sub sub-measures	Resource/s
Wider economic benefits	Innovation	New products, new technologies	Monitoring forms
	Multipliers		Surveys; interview
	Exports		
	Tourism		
Benefit to the business	Jobs created	Full time, part-time, seasonal	Monitoring forms, surveys
	Jobs safeguarded		
	Turnover		
Health	Type and quality of output product		Monitoring forms; surveys
	Accessibility	Market reach, affordability	
	Socioeconomic statuses	Jobs created, job security, staff morale	
Environmental sustainability	Type of output product	Packaging, emissions	Application and monitoring forms; surveys; interview
	Processing methods	Water, energy	
	Culture	Knowledge, attitudes, principles,	

Table 2. Measurement criteria and resources

Summary

- **Food and drink processing plays an important part in helping Scotland become a wealthier, healthier, and more environmentally sustainable nation.**
- **This evaluation aims to assess whether and in what ways FPMC demonstrates its contribution to this core triad of objectives of the Scottish Government.**
- **It will assess how effective the scheme has been and whether its continuation is supported on a total or partial basis, particularly given the pressing context of substantial shift in political and economic landscapes post-Brexit.**
- **FPMC should play a role in helping Scotland achieve its wider objectives by supporting the development of Scottish food and drink processing businesses through partially funding suitable projects.**

2. Section 1: Objectives

Overall, FPMC's main objectives were perceived by experts as clear and aligned to the programmes stated aims of Scotland become a wealthier, healthier, and more environmentally friendly nation through supporting Scottish food and drink processing businesses.

The application, assessment, and monitoring forms examine environmental and health impacts but prioritised economic analysis. At assessment, measures of employment and turnover are used in economic analysis whilst health and environmental impact were each allocated a score from 1 (lowest) to 5 (highest).

This section will examine the programme's success in achieving these objectives.

2.1. A wealthier Scotland

Economic performance is key measure of business functionality, and whilst stakeholders appreciated a general imperative around health and environment, they mostly were of the opinion that it was necessary to place economy as the dominant priority. The economic bias was reinforced in surveys when respondents were asked to rank what they believed FPMC should prioritise between economic, health, environment, and other metrics. Given that FPMC targets businesses, this is an unsurprising finding.

Combining all responses, figure 2 shows how economic metrics rank higher than environment and health. Despite tourism's link to economic benefit, it scored poorly relative to other economic indicators. However, tourism holds a less overt benefit to processing businesses - with the exception of the alcohol sector, processing businesses do not tend to be visitors' attractions which may explain this.

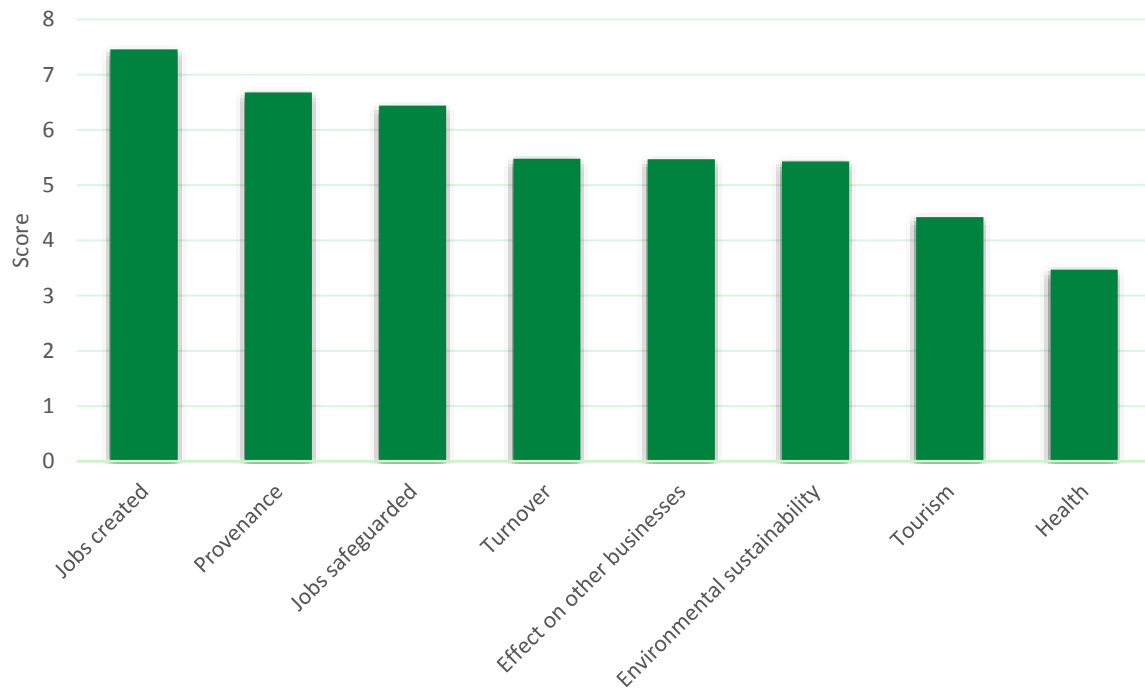


Figure 2. Which metrics respondents wanted prioritised more by FPMC.

The following is an economic assessment of the top four metrics ranked: jobs created and safeguarded, provenance, and turnover. The aim is to assess the performance of the scheme according to projects awarded throughout the 2014-2020 programme. Figures are representative of projects at the point of monitoring. The majority of projects are still ongoing and the figures therefore have scope to change prior to and at the point of the end of the scheme.

Jobs created and safeguarded

Over all eight rounds, the predicted total number of jobs safeguarded from capital projects across all sectors was 5,784, and the total number of jobs created was 1,200, totalling 6,984. The figure is unequally distributed between sectors (figure 3) with meat creating and safeguarding substantially more jobs than all other sectors combined. Alcohol is the only sector to create more jobs than it safeguards, however combining all jobs this sector contributes the least to employment figures.

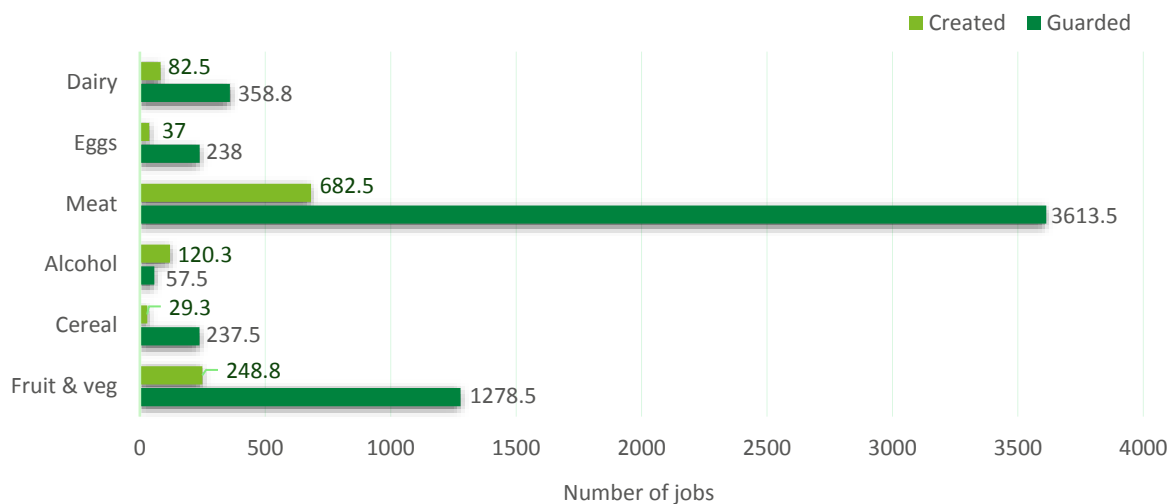


Figure 3: Number of jobs safeguarded and created¹⁵

The shape of performance generally remains the same having adjusted for the different number of projects awarded per sector (figure 4 overleaf). Adjustment involved applying fulltime equivalents (FTE) values, weighting jobs according to whether they were fulltime (1.0 FTE), part-time (0.5 FTE), or seasonal (0.25 FTE)¹⁶. Following this, the meat sector remained the clear leader for generating new and safeguarding existing jobs, and showed particular proficiency in safeguarding jobs. The alcohol sector remains the worst performer for safeguarding jobs and whilst it does create more jobs than all sectors apart from meat, the difference to those it outperforms is relatively marginal.

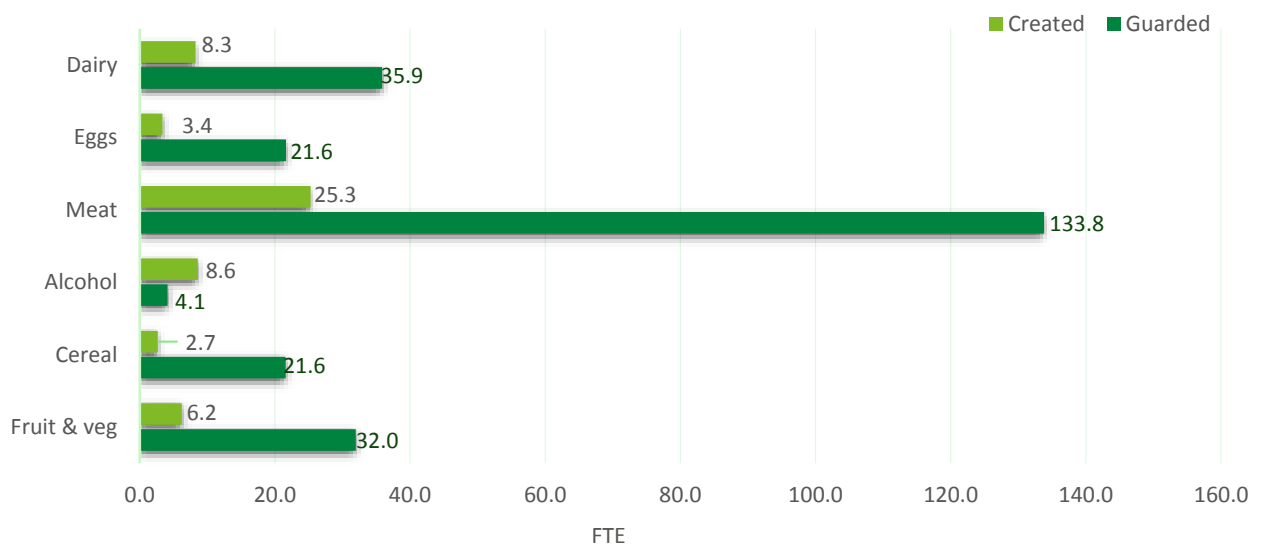


Figure 4: Average number of jobs safeguarded and created per project

¹⁵ Self-reported by applicants

¹⁶ These values are based on assumption made for purposes of this analysis and do not necessarily mean that, for example, a part-time position is equivalent to half the hours of a fulltime position

Combining all sectors, the average cost per job (FPMC expenditure divided by jobs) created or safeguarded (FTE-adjusted) was £12,614. Thus anything below this value performs better than expected and anything above performs below expected (figure 5). Only the eggs sector closely adheres to the predicted value. The meat sector once again performs very well, alongside dairy, costing only about a third of the predicted cost. Alcohol is the only sector to exceed the predicted cost (+/- 5% error margin) and it does so substantially by almost 300%, costing as much as cereal, meat, eggs, and dairy sectors combined and eight times that for jobs in the meat and dairy sectors.



Figure 5: Cost per job safeguarded/created

FPMC offers up to 40% of the total estimated project cost. Adjusting for this proportion, FPMC has contributed more in the region of 2800 jobs. However, if the projects would not have gone ahead without the grant then its contribution is arguably higher. FPMC is supposed to be regarded a last resort funder. That means projects should only be considering FPMC once they have no alternative.

The proportion of successful applicants who applied to FPMC as last resort was three times lower (21%) than unsuccessful applicants (61%). Nevertheless, 86% of successful applicants believed their project could not have gone ahead without FPMC, compared to half (50%) of unsuccessful projects, which contradicts the previous indication that the scheme was not accessing the intended claimants. Although the picture is therefore muddy, it suggests that in most cases jobs created and/or safeguarded would not have been without FPMC.

Perhaps a more realistic claim to FPMC's employment contribution is to adjust by the proportion of projects that proceeded only because of the fund (86%). This estimates FPMC's total contribution to number of jobs as 6,020.

Provenance

Provenance scored the second highest priority metric when ranked against other economic and non-economic measures (figure 2).

From an economic perspective, provenance can work as a partial but useful indicator because it alludes to trade pathways. While total provenance is unrealistic (i.e. all inputs sourced from Scotland), it is still desirable to maximise this to the optimal level.

There is potential added effect of provenance from tourism when food and drink products with strong Scottish branding are sold abroad, helping promote the region and attract visitors to Scotland.

Tourism was too indirect to measure for this report. Nevertheless it was possible to gather data about origins and destinations of products processed by businesses. FPMC projects are performing relatively well with 89% of projects sourcing inputs from Scotland, half (50%) are sourcing inputs from the rest of the UK (rUK), a third (32%) from EU and less than a sixth (14%) from beyond the EU (RoW).

Unsuccessful projects meanwhile predicted greater local provenance of input sources; all projects predicted or went on to achieve sourcing their inputs from Scotland. For regions outwith Scotland, the shape of the graph is similar to that of successful applicants, although the proportions are around 10% lower for rUK and RoW (figure 6).

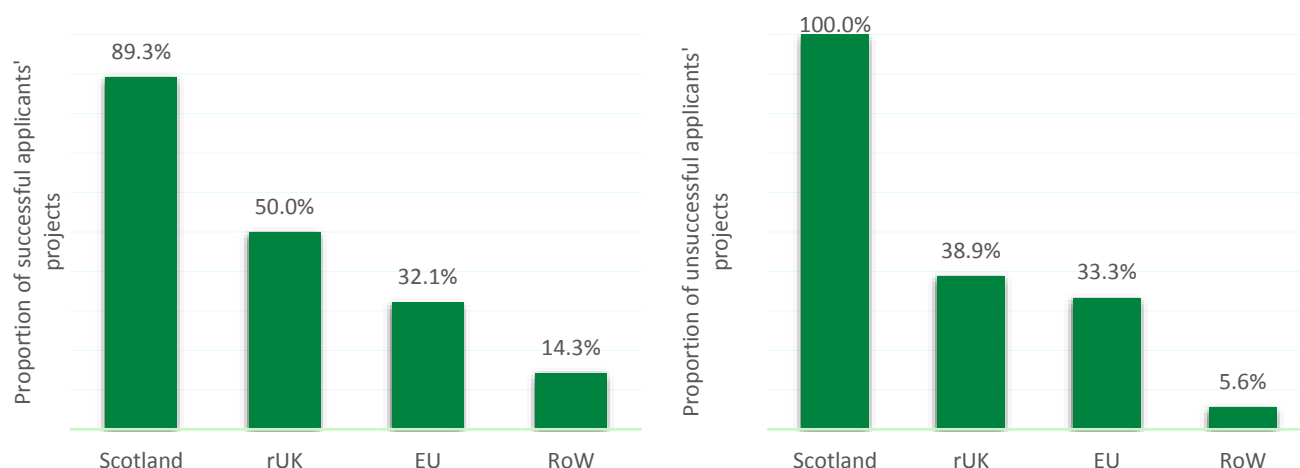


Figure 6: Source of input products. Self-reported for successful (left) and unsuccessful (right) applicants.

Most (86%) successful projects reported their outputs going to Scotland and rUK. Less than half (43%) to the EU, and a quarter (25%) go to RoW. Unsuccessful projects predicted better performance, with 89% supplying Scotland, even more (94%) to the UK, and provisions to EU and beyond averaged 20% higher than successful projects (figure 7).

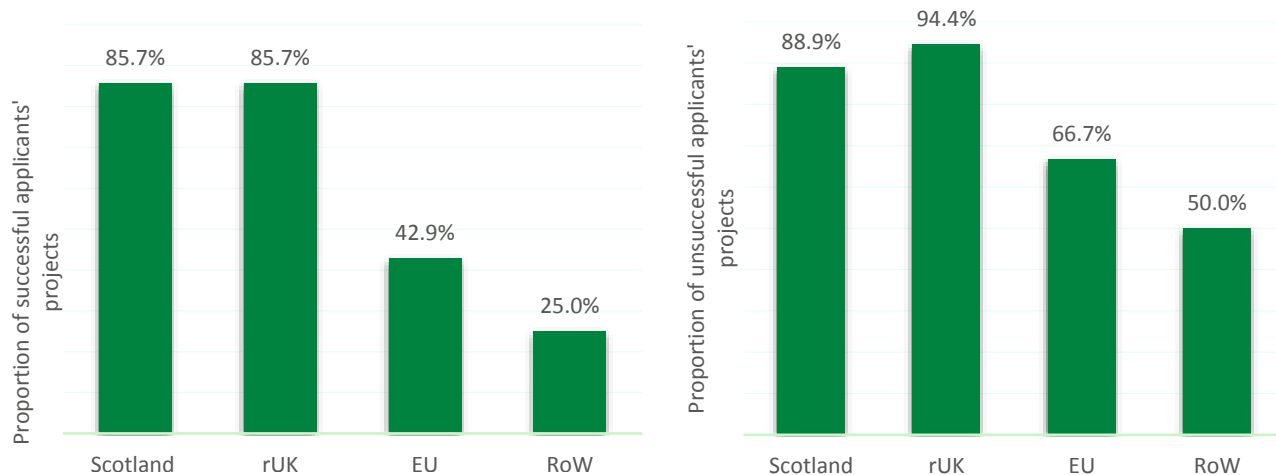


Figure 7. Destination of output products self-reported for successful (left) and unsuccessful (right) applicants.

For both inputs and outputs, results suggest that the FPMC assessment process is effective at selecting projects with high local provenance and international destination of outputs, but is more effective at selecting out projects with even higher rates. At face value this suggests there is room for improvement, although this should be caveated (see *limitations p22*).

Turnover

Turnover targets make up a part of the conditions set out to successful applicants. Of the 43 projects assessed, 40 had available turnover data. Together, the projects represented all sectors and all of the 8 funding rounds throughout the 2014-2020 programme. Generally projects were achieving (n=3) or exceeding (n=16) their targets (figure 8) at point of monitoring (within first 5 years of award).



Figure 8. Turnover targets and achievements at point of monitoring

Fruit & vegetables, eggs, and dairy sectors were exceeding their targets. The fruit and vegetable sector had the most projects (n=13), making its result the more reliable of the sectors. Two fruit and vegetable businesses reported slightly exceeding their final targets whilst the rest had achieved theirs.

An alternative measure to turnover is pre-tax profits, which gives a clearer indication of performance after costs excluding tax are accounted for. Cumulative pre-tax profits were reported as almost £28 million. The meat sector was responsible for over a third of that and was the largest contributor overall, followed by the fruit and vegetable sector. Cereal made the smallest profits overall but outperformed alcohol which was the only sector to make a loss of almost a quarter of a million pounds (figures 9 and 10).

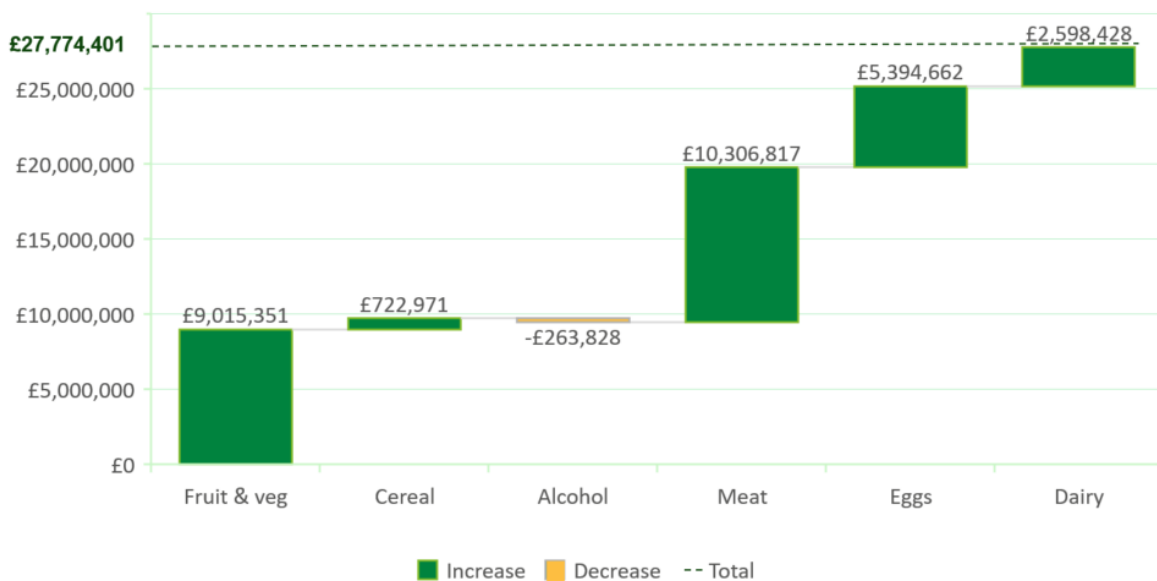


Figure 9. Cumulative pre-tax profit by sector

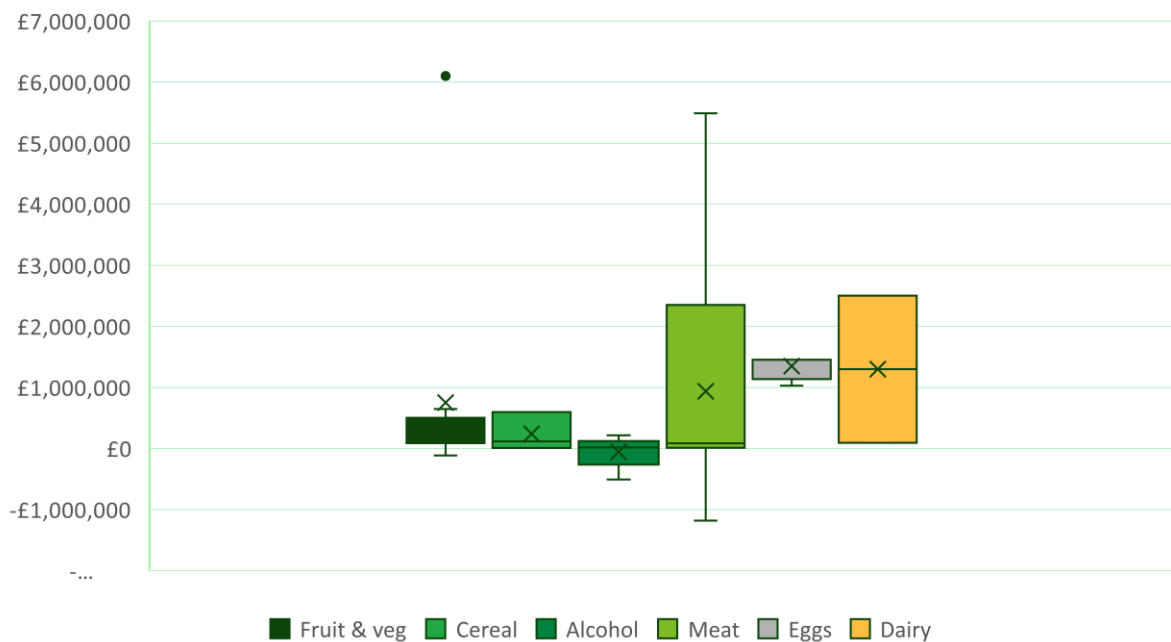


Figure 10. Distribution of pre-tax profit/loss by sector

Limitations

There are a few limitations to this economic analysis that are worth highlighting. Turnover and pre-tax profits figures are tend to reflect values for the business as a whole but FPMC only partially contributes to a business. This, plus lack of imputation of displacement and additionality, and self-report of achieved and predicted figures (by applicants) usually some months or years prior to project-completion, mean this data cannot be an absolute or specific reflection of FPMC's impacts. Whiskey has an especially long lead time to reach markets, which is overlooked by turnover figures.

Some sectors are only represented by a few projects for which data was available. Overall results for dairy and eggs, which both had small sample sizes (n=2 and 4, respectively), were therefore more sensitive to effects of a single under/ over-performing project.

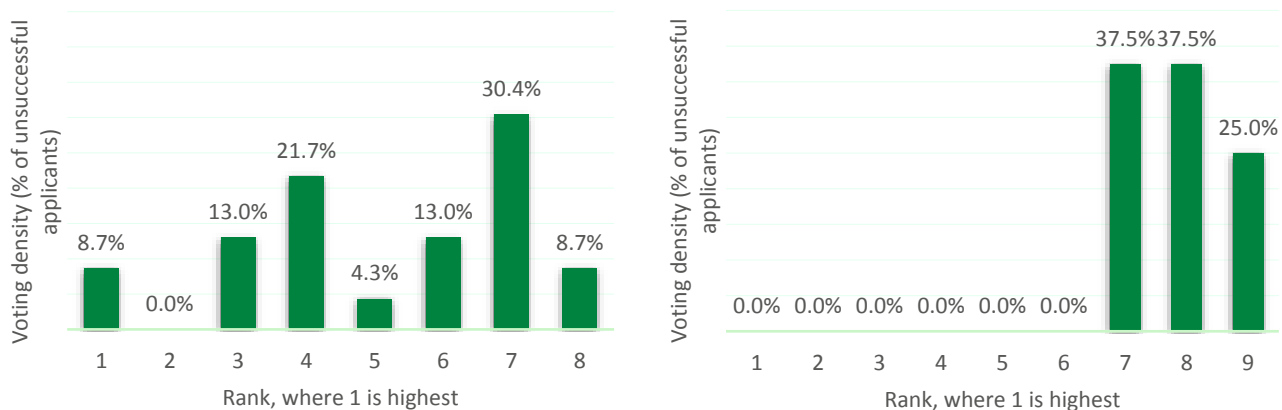
For measuring provenance it was not realistic to ask about proportions of input/output products coming from/going to different regions in the survey, and recorded data was not consistent enough to be able to provide this information. True density of inputs and outputs may therefore change with a proportional study.

Summary

- Approximately 6000 jobs are supported by FPMC’s latest programme.
- The meat sector performs best overall across the different economic measures, contributing the most to jobs created and safeguarded, scoring equal best for grant cost per job created/safeguarded, and having the highest turnover and pre-tax profits.
- The alcohol sector performs the least well, contributing the smallest increase to jobs created and safeguarded (combined), costing the most grant per job created/safeguarded, and having the lowest turnover and the only pre-tax loss figures of all sectors. However alcohol exports may be the most beneficial of the sectors for promoting tourism through a strong Scottish branding.
- Provenance and destination of inputs and outputs for successful projects is generally good. It could be better although this is complicated by the need to balance against other sometimes economic and non-economic impacts.
- It is not always clear about whether economic figures provided by grant recipients refer to the business as a whole or the effects of the FPMC-funded component specifically. Being able to draw conclusions about the contributions of FPMC is therefore difficult given that FPMC only partially supports a single non-exclusive component of the total business.

2.2. A healthier Scotland

Of metrics prioritised, health¹⁷ was ranked lowest by applicants in the survey (see figure 2). This isn’t to say that applicants did not see health as a priority, but that it was perceived as least important when compared to the other metrics. There was



¹⁷ As perceived generally the applicant, i.e. not specified further at this stage

clear polarity of response amongst unsuccessful applicants, none of whom ranked health above the bottom three of all metrics (figure 11.).

Figure 11. Spread of health rankings relative to alternative metrics by successful (left) and unsuccessful (right) survey respondents.

As well as health being perceived lower priority, most applicants believed that the type of output product/s, their nutritional quality, or the cost to consumers would have or did see any change as a result of the FPMC-funded project. Increase in the range of markets supplied was the only health measure to have improved for the majority. Market reach was also the most economically related measure, which may have motivated this outcome.

Range of markets accessed can be regarded a health indicator because it is likely that where the range increases, the range of consumers accessed also increases. Only when healthy or healthier (e.g. fresher) produce is accessed by a broader range of people is there more nation-wide consumption of these products and thereby more broad impact of potential health benefits.

Some FPMC-funded businesses are simultaneously supplying their product/s to both middle (e.g. Morrisons) and lower priced (e.g. Aldi) supermarkets as well as independent suppliers such as high street butchers, demonstrating this broad market reach. Further research into type of markets, products, and consumers would help to build better understanding about the extent and nature of health benefits from increased market reach.

2.2.1. Regulating the health objective in FPMC

Health is central to public interest, the Scottish Government's wider agenda, and FPMC's main objectives. Applications are already assessed by experts for their contribution to health at point of application (see Appendix A), awarded on a scale between 1 (lowest) and 5 (highest). Some sectors are more inherently healthy than others when considering their products' association with healthy consumption.

Figure 12 shows the spread of scores for projects assessed over rounds 7 and 8. It reveals eggs as the highest scoring sector and the sector sharing the narrowest variation in scores alongside fruit and vegetable (second highest scoring) and dairy (third highest) sectors. Average scores for projects of the cereal, meat, and dairy sectors are similar to one another. Cereal has the largest variation in scores but alcohol performs worst and its average is skewed towards the lower end of its range, at 1.0, which is the lowest score possible.

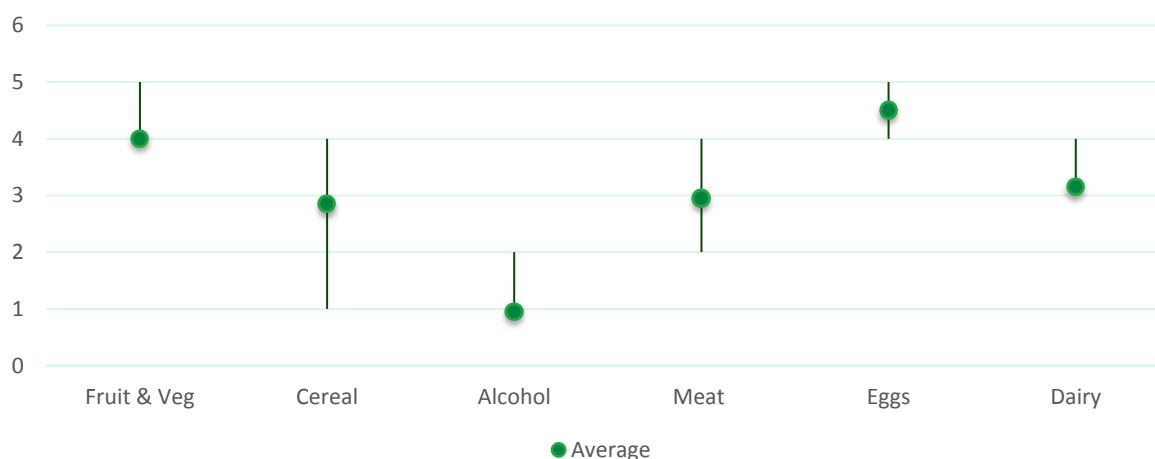


Figure 12. Average and range of health assessment scores for round 7 and 8 projects by sector

The survey asked all applicants about whether and how they would like FPMC to change in its application and assessment processes to reflect the importance of health. Generally it was felt that assessment was adequate enough as it is and that enforcing stricter criteria would be more problematic. It was expressed that making eligibility more contingent upon demonstrable health measures conflicts with the purpose of this grant to access businesses needing financial assistance, because the costs of incorporating the required changes may override the grant's benefits.

Interviewees welcomed stricter requirements for health but only given they were required of all food and drink processing businesses through generalised upstream policy in order to secure a 'level playing field'.

Without a level playing field, interviewees felt that the special measures applicants must undertake to receive the grant would not make an application a viable business decision. Furthermore, market pressures to improve healthiness of products are already active, driven by consumer preferences for example towards lower fat and vegan products. Overall, the opinion was that enforcing health regulations should not and need not be regarded as FPMC's responsibility.

2.2.2. Rethinking the health objective

Despite the apparent lack of focus upon health improvement as a key driver for businesses applying to FPMC, there is data suggesting that the grant is already having incidental benefits upon health. Market range (outlined above) is one example, but health is increasingly understood as an holistic entity not limited to physical health alone. There is therefore room to consider the broader, less obvious but equally important, health impacts. A broader perspective of health has been formally recognised by the World Health Organisation for over 80 years, which

defines health as “state of complete physical, mental and social well-being and not merely the absence of disease or infirmity”¹⁸.

Following this, meaningful health impacts can be found in measures more directly or traditionally affiliated with economic gain. Outlined below, jobs created, job security, and staff morale are examples for which data was collected as part of this report.

- **Jobs created**

Employment is linked to better health outcomes than unemployment due in part to financial assets with which to buy essential provisions, but also due to better mental and social health¹⁹. As it implies membership to a group, employment may boost people’s sense of worth, purpose, and belonging²⁰. Many positions allow for relationships to form between colleagues or even clients, building social capital which describes the emotional (support), informational (advice), and sometimes physical (material) resources derived from sustained inter-person relationships (*ibid.*). All of these indicators have been repeatedly and significantly linked to better social, mental, physical, and thereby all-round wellbeing (*ibid.*). A substantial majority (82%) of businesses reported a positive impact on their staffing numbers as a result of the FPMC-funded project. No business reported decrease in staffing numbers.

- **Job security**

“[the scheme] has given staff a huge boost over job security”
Survey respondent (successful)

Stable employment supports mental health, reducing stress, anxiety, and depression²¹. An overwhelming majority of FPMC-funded projects (82%) reported enhanced job security. A small minority (4%) reported reduced job security, although there was no further information to understand the forces behind this, which may have resulted from wider problems emanating from outside the project.

- **Staff morale**

“[the scheme] gives confidence to our staff and our customers.”
Survey respondent (successful)

¹⁸ <https://www.who.int/about/who-we-are/constitution>

¹⁹ Paul, K. I., & Moser, K. (2009). Unemployment impairs mental health: Meta-analyses. *Journal of Vocational behavior*, 74(3), 264-282.

²⁰ Kawachi, I., & Berkman, L. (2000). Social cohesion, social capital, and health. *Social epidemiology*, 174(7).

²¹ Paul, K. I., & Moser, K. (2009). Unemployment impairs mental health: Meta-analyses. *Journal of Vocational behavior*, 74(3), 264-282.

Morale improves the quality and experience of the work environment, helping reduce stress and boost mental health. Chronic stress adversely affects physical health²² and therefore improving staff morale may help to protect general wellbeing. Morale very likely goes hand in hand with other contextual factors including job security and so there is likely to be an interdependence between factors. The majority of businesses (82%) agreed that staff morality had improved as a result of the FPMC-funded project. Once again, a small minority (4%) believed staff morale had been damaged, though the data cannot indicate the reasons for this and, because 4% represents one individual, the same individual may account for the negative result across staff morale and job security.

Beyond financial and social statuses, human health links to broader environmental conditions in numerous and important ways. Pesticide use, pollution, and climatic conditions, for example, are linked to a host of physical health disorders – from cancers, cardiovascular disease, respiratory conditions, and malnutrition - via multiple pathways²³. One pathway is that climate affects the quality and quantity of agricultural food production that in turn directs dietary health. Human health is not always the first association made to environmental sustainability, though they are so inextricably linked that health depends upon serious and committed global efforts to

Summary

- **The eggs sector scored highest for health at assessment. The alcohol sector scored lowest.**
- **Health is not actively prioritised for FPMC by applicants. Nevertheless there is widespread agreement that health should remain as important to FPMC as it already is in order to stay compliant with wider Scottish Government policy.**
- **Although not actively pursued, health is still partially, if inadvertently, benefitted from FPMC through potentially increasing the range of customers accessed secondary to a wider range of markets supplied.**
- **There may be room for a more flexible understanding of health that extends beyond its traditional notion as merely physical, towards a more updated and comprehensive understanding that regards physical, social, and mental wellbeing simultaneously.**

reverse the climate change emergency by all nations.

²² Juster, R. P., McEwen, B. S., & Lupien, S. J. (2010). Allostatic load biomarkers of chronic stress and impact on health and cognition. *Neuroscience & Biobehavioral Reviews*, 35(1), 2-16.

²³ <https://www.who.int/news-room/fact-sheets/detail/climate-change-and-health>

2.3. A more environmentally sustainable Scotland

Evidence of environmental sustainability is scored by the assessors in a similar way to health, from 1 (lowest) to 5 (highest). The fruit and vegetable sector held the highest average score across round 7 and 8 projects. Score variation was narrowest for the eggs sector. Cereal had the largest variation and was the only sector with projects being awarded the lowest possible score of 1, although its average score was still higher than alcohol, which was on average the lowest scoring sector (figure 13).

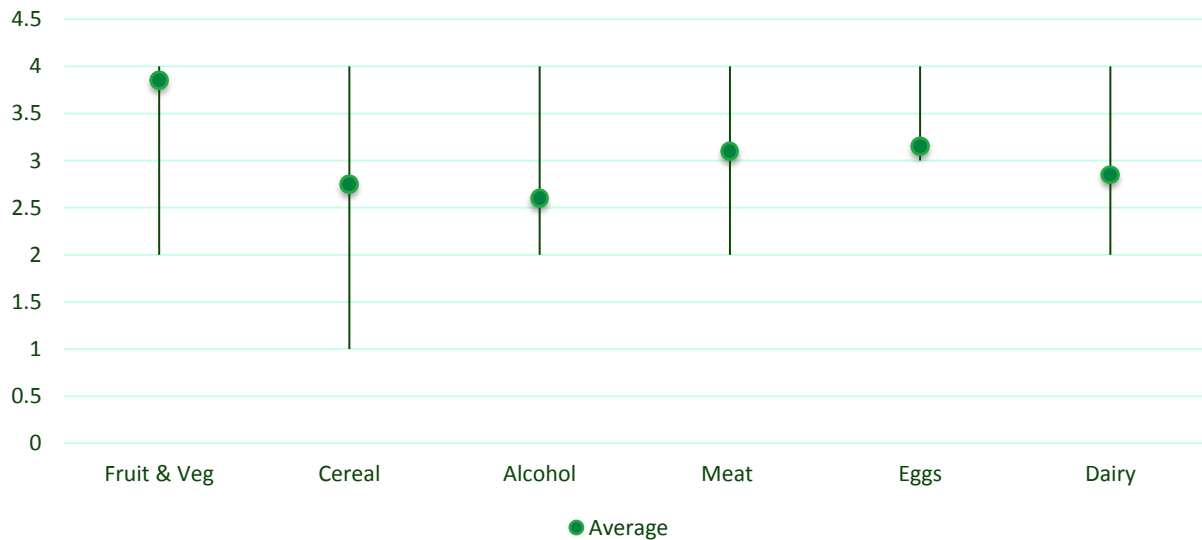


Figure 13. Average and range of environmental sustainability assessment scores for round 7 and 8 projects by sector

When ranked by applicants against other priorities, environmental sustainability occupied a middling position overall, scoring higher than health. Opinion was also less variable across both applicant groups (figure 14) than it was for health (figure 11).

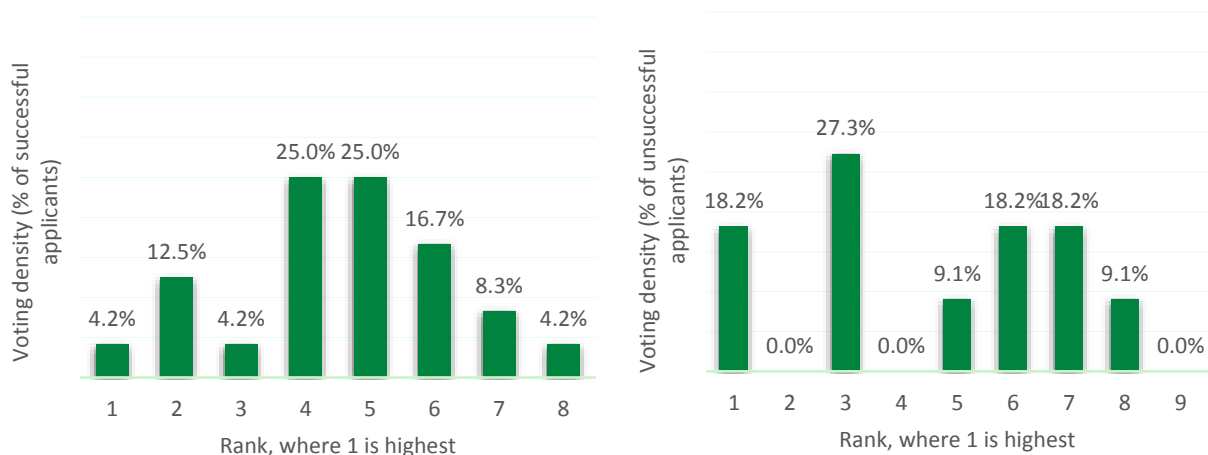


Figure 14: Spread of environmental sustainability rankings relative to alternative metrics by successful (left) and unsuccessful (right) survey respondents.

Less than a third of grant recipients (29%) believed that the nature of the output products became more environmentally sustainable as a result of the grant; the majority (64%) believed there was no change. Nevertheless there were indications of

some positive impacts for the environment where the majority believed that processing methods (54%) and people’s perceptions (57%) had become more environmentally sustainable as a result of the grant-assisted project. No business reported that the project had reduced their environmental sustainability across any measure.

2.3.1. Regulating environmental sustainability in FPMC

Improving environmental sustainability can involve expensive modifications and does not tend to accelerate output compared to non-environmentally sustainable processes. Therefore, sustainability efforts are more likely to be systematically implemented. As for health, market pressures originating from consumer preferences are likely to incentivise these implementations because markets respond to customer demand and this in turn determines the behaviours of processing businesses that supply those markets.

Customers are increasingly literate about environmental sustainability and this affects the types of products they buy, which trends increasingly towards vegan, recyclable or minimised packaging, and local provenance. Provenance supports environmental sustainability by reducing food miles.

Grant recipients reported high provenance of input products, 89% sourcing from within Scotland. A clear minority (14%) sourced products from RoW (figure 16). Therefore, FPMC is supporting environmental sustainability through reducing emissions by funding projects with generally more localised provenance. However the data does not allude to proportions of inputs by region, which would be more informative. Additionally, provenance generally indicates lower food miles but there are exceptions whereby, for example, transporting between the Scottish borders in the South and the outermost Scottish islands to the North can be farther than the distance between some Scottish and EU regions.

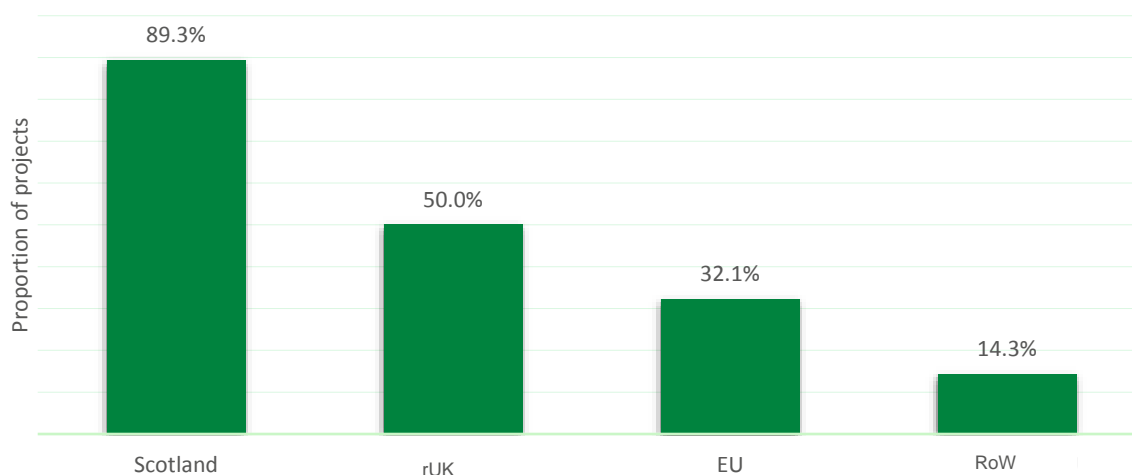


Figure 16: Geographical source of input products for grant-assisted projects

Whether and how environmental sustainability should be more strictly regulated as part of FPMC assessment was met with similar logic to that described for health: firstly, stricter regulations are welcomed but only when asked of all businesses rather than those in need of grant assistance and, secondly, incentives for environmental sustainability were already in place from other directions, namely market pressures from consumer demand. Therefore once again FPMC was not perceived as an appropriate place to enforce stricter regulation for environmental sustainability.

“Environmental sustainability involves many factors of which power consumption and mileage are only two factors. Packaging design, recycling of materials and heat generated by processes, design of processes, and changing to green power will all contribute to environmental sustainability. In our opinion unless a grant application is specific to an environmental sustainability project, the time taken to monitor and measure the various factors we have outlined would be both complex, time consuming and could create additional costs which could make it very onerous for small businesses and so deter them from making a grant application which could important to the development of the business and the employment that business creates.”

Interviewee (successful)

Summary

- **The fruit and vegetable sector scored highest at assessment of environmental sustainability. The alcohol sector scored lowest.**
- **Processing methods and perceptions of environmental sustainability improved as a result of the grant-assisted project.**
- **Environmental sustainability should remain as important as it currently is for FPMC.**
- **FPMC is not considered an appropriate or effective place to enforce stricter environmental assessment criteria than it currently is. Instead this was seen to be the role of blanket government policy that effects all businesses equally, wherein applicants welcomed reform.**

2.4. Special case: the alcohol sector

Given FPMC’s core objectives of health and environment alongside economy, the inclusion of alcohol projects has been a source of split opinion and sometimes contention amongst interviewees.

Alcohol is a relatively new addition to FPMC’s eligible businesses, having only been considered since 2014. There is general confusion as to why this happened but the assumption from experts and applicants alike is that economic benefit was the driving factor. However, most did not believe this justified supporting production of a

class of products perceived as largely if not totally devoid of benefit to health and environment.

Alcoholism in Scotland is a persistent problem, attributed to 3705 deaths and cost £3.6billion in Scotland in 2015²⁴. Health aside, experts commented that alcohol businesses tended to generate profit relatively fast and therefore questioned the true need of the sector to be supported by FPMC when it seems they are more capable of self-sufficiency than other sectors. Note, however, that economic assessment (*section 1*) of 36% of the alcohol business awarded FPMC found turnover and pre-tax profits to be lowest of all sectors.

Contention was evident in comments about funds being detracted from projects in other sectors that were inherently healthier and/or environmentally friendly, when they were rejected in favour of alcohol projects.

There is however counter argument that to the contrary suggests alcohol can complement all of FPMC's objective triad:

(a) Health - alcohol is not going to confer immediate and direct health advantage to its consumers and may instead be damaging. It is only once we look beyond consumption that we build a more comprehensive understanding (see section 2.2.2.). In brief we see that: (1) alcohol exports are high, though this is only beneficial to Scotland by redirecting consumption elsewhere, and even minimal national sales still contribute to potential Scottish consumption. (2) Economic benefits to the business can have wider local community benefits. Some of these relate to tourism; strong branding in products sold internationally can help to attract visitors and whisky is likely to perform well amongst other food and drink products because it is sold widely in high quantity; breweries and distilleries often function as visitor attractions. Other benefits include (3) jobs and (4) improved sense of place within the local region. One alcohol business was awarded primarily because of its anticipated benefits for the otherwise very remote local region.

(b) Environmental sustainability - (1) there are examples of non-FPMC-funded projects that are powered by renewable energy. (2) Supporting the alcohol sector relies upon and therefore supports the cereals sector which is arguably more environmentally sustainable than some alternative practices and in any case supports cereal sector economy.

Having to look much wider for benefits makes alcohol's obvious alignment to FPMC's objectives something to consider looking forward (see recommendations).

²⁴ <https://www.alcohol-focus-scotland.org.uk/alcohol-information/alcohol-facts-and-figures/>

3. Section 2: Processes

There is a formally identified strategy for processing applications. This section unpacks this process and examines how those who are involved in it, as experts and applicants, perceive the various process stages.

3.1. The application

Figure 17 (overleaf) summarises the key stages in the application process (see Appendix A provides more detailed information available to applicants online²⁵). Overall experience of the application was rated good (79%) by successful applicants (figure 18). Somewhat unsurprisingly, unsuccessful applicants were less pleased, although still the majority rated their experience as satisfactory (50%) or good (28%).

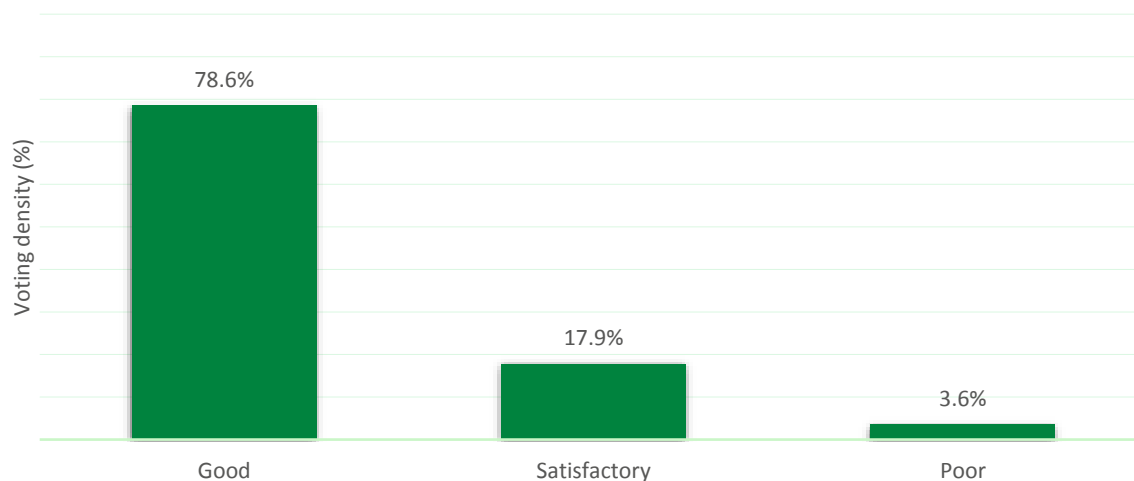


Figure 18. Successful applicants' experience of the application process.

²⁵ <https://www.ruralpayments.org/publicsite/futures/topics/all-schemes/food-processing--marketing-and-co-operation/food-processing--marketing-and-co-operation-full-guidance/fpmc-application-and-approval-process/>

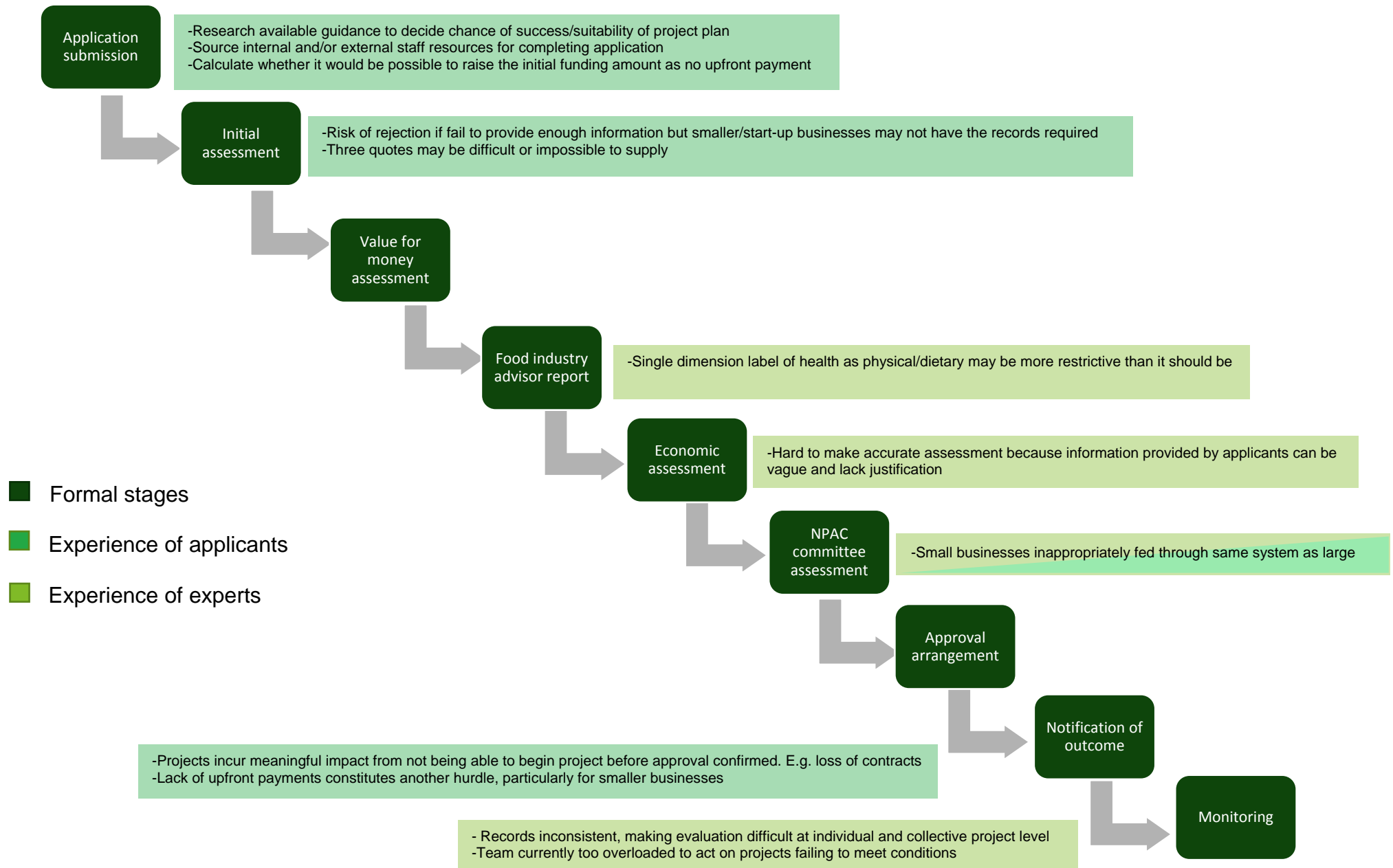


Figure 17. Application process annotated with conflicts of stakeholder's actual experience

Most (54%) successful applicants did not believe that any part of the application process needed to change. The most popular change amongst successful (29%) and unsuccessful (39%) applicants was for better guidance, which was reinforced consistently across interviews. It was felt that there should be more clarity about what to expect from the process, and transparency about how risk of applications generally varies over time, increasing towards the end of programme cycles as funds dry up. There was also demand for transparency about timelines owing to unpredictability of continually shifting deadlines; one applicant described it as having to navigate between “moving goal posts”.

“It was not made clear on what basis our application would be successful. If we had known how little chance we had of gaining funding, we would not have spent £4120 with an agent.”

“I think that it needs to become clearer as to how the applications are assessed to help inform the information provided within the application.”

“it was a very strenuous, stressful process”

Survey respondents (unsuccessful)

Transparency around timelines and risk was perceived to be instrumental for businesses to be able to weigh up whether applying to FPMC would in the first instance be an appropriate decision and thereafter how they planned business activities according to restrictions of the application, the most commonly identified of which are outlined below:

- 1) **Waiting for approval.** A condition of FPMC is that the applicant must not begin their project until the outcome of their application is confirmed. This was a source of confusion and frustration because applicants did not understand the logic behind this rule and felt it negatively impacted their business. The application process could roll on for several months and in that time applicants lost out on contracts and production. Having to raise funds to cover project costs (FPMC works by retrospective claims) meant that being unable to recover those costs quickly or commence production was a double financial strain. Interviewees did not understand why they could not commence the project at their own risk, especially when other Scottish grant schemes already work successfully in this way.
- 2) **Making amendments** could take months, adding to delays before being able to begin their project. The more delayed a project’s start was, the more likely an amendment would become necessary, fuelling somewhat of a self-fulfilling prophecy. One applicant described how demand changed in the time elapsed since submitting their application so they needed to

upscale proposed equipment but replacing quotes costed their application several-months more delay.

- 3) **Quotation requirement.** Having to source three separate quotes for any one piece of equipment proved problematic. It was especially difficult when equipment was bespoke or second hand because very few or no other models existed to quote, or businesses were so remote that supplying quotes beyond the most local supplier was difficult and futile. More flexibility was desired.
- 4) **Payment regime.** Businesses must raise funds to cover costs before claiming grant. Lack of upfront payments was considered contradictory given that eligible applicants were only eligible because they were in financial need to start with. Raising funds for even temporary cover of project costs was often a struggle, particularly for smaller businesses for whom even small additional costs could incur undesirable knock-on effects for the rest of their business. Upfront payments is prevented by EU regulations, hence EU-exit may provide opportunity for a more suitable system. This issue is recognised by other rural grant schemes such as LEADER.

“A project that requires a grant should be applying because financially it couldn't go ahead without the funds. In which case, having to find the money to pay the invoices up front is always going to be difficult and prompt payment of the grant award vital for the project to progress throughout.[Due to delays in FPMC payments] I have been unable to purchase some of the equipment which was part of the project and therefore was unable to put in a claim for all of the grant funds which were available.”

“[O]nly criticism is that after having funded, [the] grant payment was very slow to be paid.”

“Our company ended up with a serious cash flow problem as the grant was never forthcoming, even though we had spent considerable sums of money on the project”

Survey respondents (successful)

- 5) **Use of agents.** The majority of successful (79%) and unsuccessful (67%) applicants used agents. Despite this, there was widespread concern about the role of agents - even by those who used them – about the expense, disadvantage to smaller or start-up businesses, and the sense that projects would be unfairly assessed based on the quality of the agent more than the project.

Agents' disproportional success was commonly associated with their being well versed in how to portray projects best under the assessment criteria, especially through use of 'buzz words'. The agent interviewed echoed this, speaking of their familiarity with the system from more than a decade's experience with FPMC.

Start-up or small businesses are most disadvantaged because they are more likely to be rejected by agents as too high risk, or the agents' fees are too much to afford especially when applicants are already stretched to raise funds required to cover upfront project costs, outlined above. The agent interviewed as part of this project outlined a strategy of adapting their costs according to project size and so either this is still unaffordable for smaller businesses, or this agent was not representative of others who did not adjust costs according to business size.

Agent use was amongst the most commonly identified issues with application. Regulating use of agents was a popular idea, but how to implement this realistically proved a challenging concept.

- 6) **Feedback** is already a part of information relayed when unsuccessful applicants are informed of their outcome. The feedback is regarded by applicants as important to understand why their project was rejected and how to improve subsequent applications. However the satisfaction and/or receipt of this feedback was reported as inconsistent and there was demand for a more standardised quantity and quality of feedback.

“when I speak to fellow distillers who have been successful I do still wonder why we were unsuccessful!”

“ I know that there was at least one very similar application from a local business that was successful so would be good to know why that (and others) were successful and ours was not”

Survey respondents (unsuccessful)

- 7) **All-inclusiveness.** All sectors, locations, and sizes of businesses are put through one process. With very few exceptions, neither business sector nor location was regarded as inappropriately handled under the current all-inclusive model. However there was clear consensus that changing the application according to businesses of different size would be advantageous. Being small or start-up affected business' resources and experience which could disadvantage them against larger businesses.

Quantitative response data revealed a high proportion of repeat success amongst applicants. Almost half (43%) of successful applicants had made previous successful

FPMC applications. Some very large businesses have received several FPMC grants over multiple funding rounds and programmes. Part of this may be linked to use of agents but either way this data could be a red flag as to whether the current system may be inadvertently biasing a selection of businesses that do not necessarily represent those most in need. Projects that have previously submitted an application and particularly those that have submitted several successful applications will have opportunity to increase their success rate just through familiarity with the system.

Generally there was a sense that the application process was “clunky”, “outdated”, and “onerous”. One business noted the additional delay and financial cost from having to post several documents, which seemed unnecessary and inconsistent when the rest of the process was largely computerised. In contrast, one small business felt “discriminated” against because of the extent that the current process was computerised, which may affect smaller business disproportionately. Taken together, there is room to extend the computerised platform, but also to develop an alternative paper application option so long as there are businesses struggling to use computers or access the internet.

Although the scheme has several issues, there was also specific and widespread positive feedback. The claimants process was by some regarded as performing particularly straightforwardly, especially relative to other schemes. There was also widespread support for the existence of the scheme, which fills an important and unique role not met by other grant schemes. Several applicants left very positive feedback about the genuine difference the scheme had made to their businesses, some of which are given overleaf.

“The system has been a great help to our company.”

“We have been willing to keep reinvesting in ourselves and with your help its allowed us to expand .”

“[G]ood scheme which provided us with a leg up on a project which without some level of support we would might not have done.”

“We have greatly appreciated the grant we received and it has made a big difference to our business.”

“I like the scheme because it is an in depth form which makes small businesses like myself to think fully about the project. Look at the market place and risk profile. Without the support we would not have moved on[...]. It shows a commitment in the business.”

“We appreciate the support of the Scottish Government particularly in supporting the industry against the background of the potentially very damaging impact of Brexit. The investment would not have happened without this support”

Survey respondents (successful)

3.2. The assessment

There were few issues identified with the current assessment process by the experts and it was expressed that the system worked well.

Those interviewed were happy with the constitution and function of the assessment committee, noting that the panel benefited from its wide diversity of members who brought good breadth and depth of knowledge to the NPAC meetings.

The length of time members were on the panel can be seen as being indicative of their commitment of the scheme and the team they were a part of. Although they thought the current membership served the purpose of the scheme well, there was support for adding representatives of the scheme’s key areas. A Highlands and Islands, food standards, and environmental specialist were identified as examples of such representatives and which speak to the core objectives of FPMC. The few issues raised echoed those identified by applicants:

- 1) **Use of agents.** Panel members recognised that many businesses used agents and that access to agents was not necessarily equitable. Those able to afford agents were potentially advantaged. There is irony in that those unable to afford agents’ fees were ipso facto more likely to be the businesses in most need of grant assistance.
- 2) **All-inclusiveness.** Generally it was not felt necessary to provide different assessment criteria for different business sectors. There was a vague question

as to whether it would benefit very remote businesses by having a separate Highlands and Islands administration of a portion of the funds, but this was not stressed as imperative. The size of business was again what wanted different procedures to better support smaller enterprises.

One member noted that in over a decade of working on the NPAC panel, they had never seen an application form. This will limit experts' understanding of what applicants have to do, how it might differentially affect types or sizes of businesses, and how this affects committee's approach in the subsequent assessment process.

Another member outlined that they believed the current assessment criteria was designed for projects valued at over £100,000, illustrating the potential lack of suitability for much smaller projects which may apply for only a few thousand pounds.

Much of the feedback about the position of businesses of different size could be seen as questioning the appropriateness of larger businesses under FPMC. But it is worth noting that interviewees (one expert and two applicants) stressed that larger businesses should continue to be supported as they are import for Scotland's food and drink processing industry generally and the size of the business does not necessarily correlate to its cash flow, hence it could be a mistake to regard larger businesses as self-sufficient purely because of their size.

- 3) **Alcohol.** Opinion about suitability of alcohol projects in FPMC was again varied. Everyone shared the belief that they generated profit quickly, but nobody agreed that the sector aligned well to health and environment objectives. Furthermore, even though they were regarded a lucrative sector, their rapid profitability put their true need of the fund into question compared to other sectors. (See *section 2.4*)
- 4) **Non-capital projects.** These were so rare to FPMC (n=5) that all discussion automatically regarded capital projects until interviewees were specifically asked about them.

There was variable opinion on what to do for the lack of cooperative projects applying. One expert supported more promotion via FPMC may help encourage applications. Another said there simply lacked supply of non-capital projects, in which case promotion would be an ineffective use of resources. Another believed that it could be worthwhile to drop cooperative projects altogether to streamline the scheme's objectives and redirect funds to the more popular capital projects, however, another expert believed it was necessary for FPMC to accommodate

cooperative processing projects because there was no alternative grant scheme for them to turn to and the portion of FPMC already allocated was small enough that it would not make a huge difference to capital projects.

This feedback is more pertinent nowadays given the substantial increase in capital applications. On the one hand this is a good sign that there is demand for the fund and that FPMC functions well enough to be increasingly popular. On the other hand, competition for funding is now higher than ever so that only lately have projects begun to be pitched against each other. If certain types of projects are unfairly disadvantaged then there is need to update the scheme to ensure it continues to meet its objectives whilst treating businesses fairly.

Summary

- **There is widespread support for the existence of the FPMC grant scheme, which is perceived as fulfilling a unique and important purpose in supporting capital projects of food and drink processing businesses and which interviewees were keen to see protected going forward.**
- **Experts perceived the assessment process to generally work well, and specifically regarding the abilities of the panel members as individuals and as a group to make well-informed decisions about awarding grants.**
- **There was however agreement with applicants that the scheme would benefit from revising how it treats businesses of different size in order to better support smaller ones.**

4. Looking ahead: Conclusions and recommendations

The evidence gathered for this evaluation found strong support for the continuation of FPMC. The scheme has been demonstrably valuable to many businesses and fulfils important purposes not covered by any other single scheme available.

Some parts of the scheme perform particularly well, including the straightforwardness of the claims process and perceptions of the committee's functionality. FPMC's increasing popularity amongst new and familiar applicants across all sectors, sizes and locations within Scotland is testament to its effectiveness.

There are nevertheless some issues such as increasing competition for the grant, applicants' permitted but unequal use of agents, and an upward trend of repeat applicants.

Based on the findings from this research, the below recommendations have been developed to offer straightforward and inexpensive ways forward²⁶.

1. MINIMISE DELAYS TO APPLICANTS STARTING PROJECTS

Applicants would benefit from being allowed to commence projects at their own risk before confirmation of outcome of their application.

Delays would be further reduced by improving efficiency of application amendments procedures.

2. UPFRONT PAYMENTS

EU regulations do not permit upfront payments. This can be particularly burdensome for smaller businesses having to temporarily cover project costs.

A recent Scottish Government report of LEADER identified a similar recommendation and suggested that a way forward, post-Brexit, could be to replicate The Lottery Fund framework which distinguishes between small (<£10k), medium (£10-100k), and large (>£100k) organisations, paying the smaller upfront and the larger on a graduated basis (50% upfront, 40% after first instalment, 10% at end).

²⁶ Some issues are part of EU funding regulations, including complicated categorisations of annex 1 and annex 2 products, delays in starting projects (R1), and the payment regime (R2). Although these are not issues that can be solved under the current system, EU-exit could present an opportunity to look at amending this.

3. BETTER GUIDANCE

There is desire amongst applicants for more online and telephone guidance.

Improvements to guidance would likely reduce inequity by helping smaller businesses unfamiliar with the application and unable to afford agents.

Applicants want to see honest more reliable timelines to avoid the current sense of unpredictability which makes it hard to plan business activities and can have consequences for business functionality.

Making appropriate and realistic changes towards better flexibility and transparency would not only serve to improve applicant experience, but also help target businesses most relevant to the scheme's objectives and ensure grants are awarded to those truly in need.

Development of these guidance materials would benefit from more specific input from applicants to identify the most useful changes.

4. TARGETING BUSINESSES EQUITABLY

Larger business are more likely to be able to commission help with their application. Steps should be taken to ensure that smaller businesses are not disadvantaged because of their size. Smaller businesses also find it harder to cope without up-front payments.

There was desire for more consistent and better quality feedback on failed projects to help them towards reapplication.

Supporting smaller businesses could include a better feedback strategy to improve experience of submitting or resubmitting applications.

5. JOINED-UP THINKING

A tool for flexibility will be to think about and assess projects as holistically as possible. This means, for example, not restricting the assessment of 'health' to physical wellbeing, or the understanding of economic effects as isolated to the projects' immediate capital activities.

Economic, health, and environment metrics are not mutually exclusive and their interrelations are important for making accurate assessments of projects' impacts. It is worthwhile ensuring that assessors are resourced for thinking holistically. Training, if available, may help, but adding representatives who specialise in key areas such as environment, health, and economics may be a more achievable step towards this. Ensuring assessors are familiar with the application process would be a useful step.

6. REVISION OF ELIGIBLE APPLICANTS TYPES

An holistic approach may prove especially helpful when revising eligibility of applicant groups. This evaluation reveals a desire to scrutinise the position of non-capital and alcohol sector projects. Insights into the perception and performance of alcohol sector projects have been provided, which may help to inform decisions if ever there is need to streamline the scheme.

7. FURTHER RESEARCH

Generally there is scope for more research to counter limitations of depth of evidence due to time and resource restrictions of this report. For example research may strengthen understanding about net value-for-money effects through factoring in measures of deadweight, leakage, displacement, and multipliers against gross effects.

This evaluation is limited by inconsistencies and incompleteness of available data. At assessment, proper evaluation of a project's economic viability needs less vague data about current and projected figures, which applicants should evidence with justified calculation.

8. MONITORING AND RECORDING PROJECT INFORMATION

To inform further research, there needs to be more consistent and complete monitoring data.

Part of this should involve enforcement of applicants supplying correct and justified data in assessment and monitoring forms. This will require applicants to be clear about whether they are to provide figures for the project specifically or the business as a whole.

It may however be unrealistic to expect applicants to perform the more rigorous and consistent calculations required to assess effects upon upstream and downstream jobs, which would need professional input.

9. EXTRA SUPPORT FOR THE GRANTS TEAM

Much of this may be for one-off assistance with improving current processes. Other elements such as acting on grant recovery processes may need longer-term contribution.

10. TO DECIDE UPON AN APPROPRIATE REPLACEMENT FUND

FPMC receives almost half of its funding from the EU. Post-Brexit, it is still unclear from where this will be replaced. A new Rural Economy Framework to embed the rural economy within the broader National Performance Framework has been

proposed²⁷. One of the key actions is to “ensure equitable access to finance for rural communities and businesses, including a simplified grants system” (*ibid.*). By incorporating these recommendations, FPMC would be an example of this.

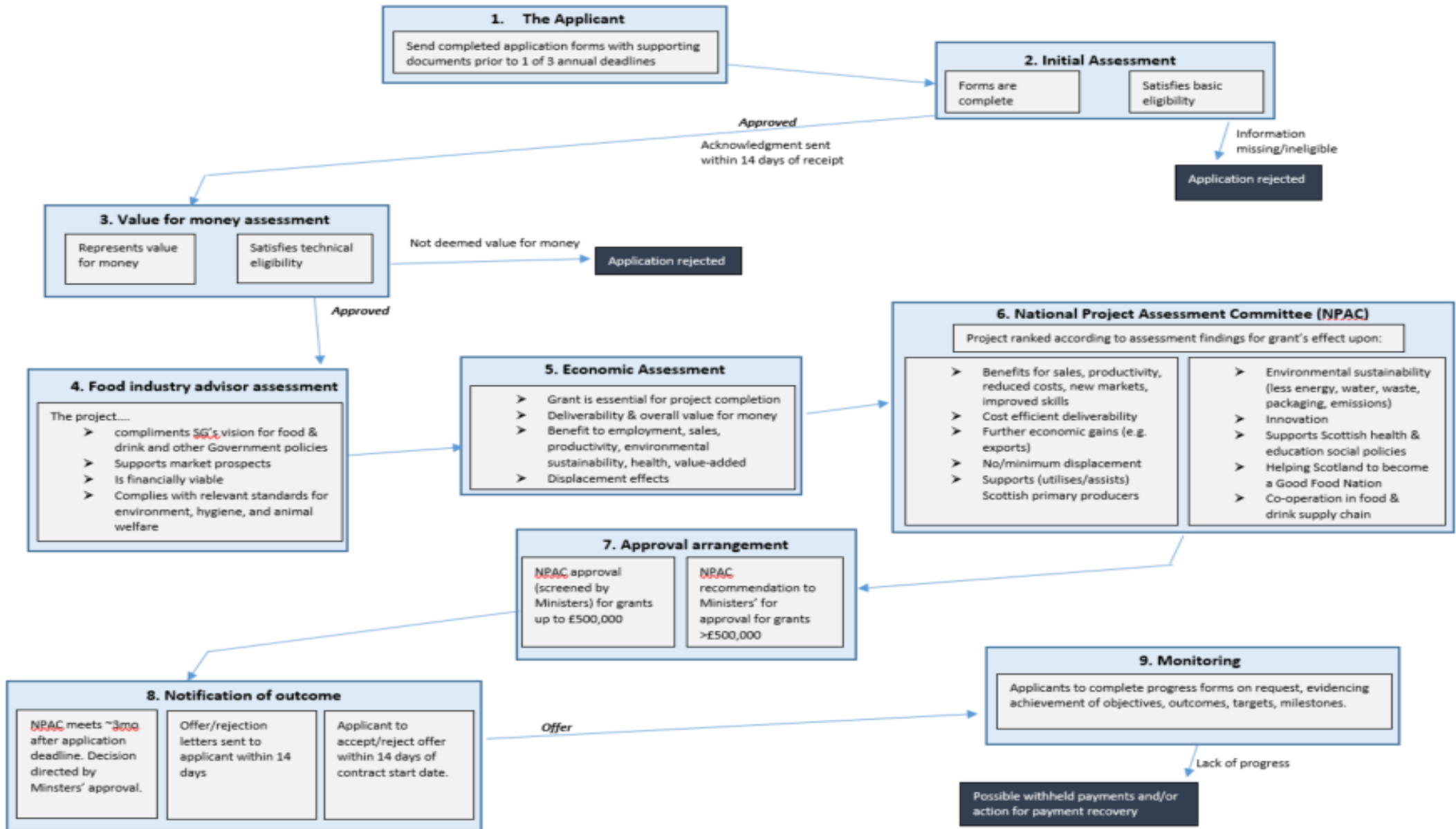
Given the significant role of the rural economy for Scotland, and given the risk of disadvantage to the rural Scottish community from lost EU funds, the proposed UK Shared Prosperity Fund could be an appropriate alternative source. The Fund aims to replace EU structural funding for the purpose of reducing inequalities between communities by “strengthening the foundations of productivity[...]to support people to benefit from economic prosperity”²⁸. Parts of England are already preparing to “prioritise long-term opportunities and challenges to increasing local productivity” (*ibid.*). The devolution settlement in Scotland will be respected by the Shared Prosperity Fund and thereby should suitably accommodate FPMC. The advantages of improved flexibility and simplified management of funding is recognised in The UK Shared Prosperity Fund briefing paper and this speaks directly to earlier recommendations for FPMC. Without replacing lost funds, FPMC will be forced to change radically or be withdrawn altogether.

The UK Shared Prosperity Fund is outlined as an example route for replacement funds but is likely to be in high demand and so further alternatives need to be explored.

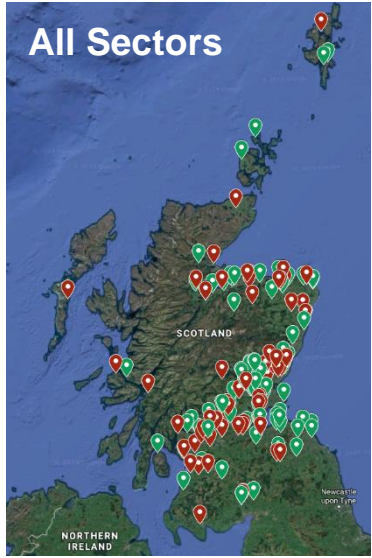
²⁷ <https://www.gov.scot/publications/new-blueprint-scotlands-rural-economy-recommendations-scottish-ministers/> pp. 15

²⁸ . <https://researchbriefings.files.parliament.uk/documents/CBP-8527/CBP-8527.pdf> pp.8-17

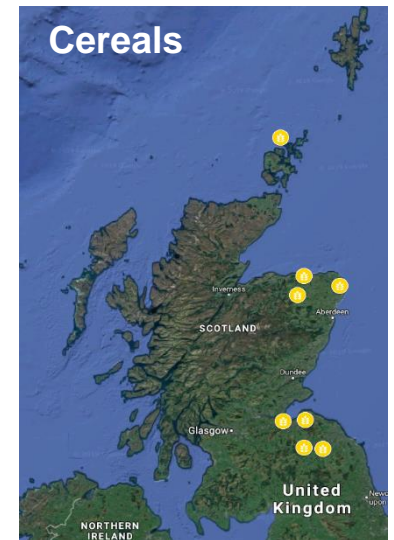
Appendix A: Application process



Appendix B: Geolocation of FPMC-funded projects



- Successful applications
- Unsuccessful applications



Appendix C: Survey questions

Survey 1: FPMC Evaluation - successful applications

Questions

1. Did this project receive funding from another grant scheme?
2. Did you/your business approach the FPMC scheme as a last resort funder (i.e. you had explored other possible funders before choosing FPMC)?
3. Would this project have proceeded without the FPMC grant?
4. From what provision/s would this project have proceeded without the FPMC grant?
5. Had you made any previous applications to FPMC?
6. Please rate your experience of the application process.
7. Did your business receive external assistance to help with the application, for example from a consultant or agent?
8. Looking ahead, would you like to see any changes to the application process?
9. Was the payment regime suitable for your business' needs? (i.e. how and when you received the grant money)
10. Approximately what percentage of the funds you applied for were you awarded?
11. Looking ahead, what would you like to see from the FPMC monitoring process?
12. Where do the inputs come from? Select all that apply [Scotland/UK/EU/Beyond EU].
13. Has the project affected other Scottish businesses by:
 - (a)raising the profile of your business above similar businesses
 - (b)collaborating with similar businesses
 - (c)collaborating or trading with more supplier/buyer businesses
 - (d)raising the profile of Scottish businesses in this sector generally?
14. Has the grant increased or decreased:
 - (a) staffing numbers
 - (b) job security
 - (c) staff morale in your business?
15. Has the project affected environmental sustainability of your business in terms of
 - (a)the type of output product
 - (b) the processing method
 - (c)of People's perceptions, including that of the workforce?
16. Has the project affected healthier consumption by the Scottish population by changing:
 - (a) how healthy the type of output product is
 - (b) the nutritional quality of the output product
 - (c)cost to the consumer
 - (d) the range of markets reached by the output product?
17. Where is the output product traded to? Select all that apply [Scotland/UK/EU/Beyond EU].
18. How does the project make a difference to retaining or returning young people to rural regions in Scotland?
 - It doesn't
 - It creates jobs for them
 - It creates opportunities for gaining skills and - training
 - It creates a sense of pride in the region
19. Looking ahead, please select and rank in order (most important first) what you would like to see the FPMC give more attention to?
 - Jobs created

- Jobs safeguarded
 - Turnover
 - Effects on other Scottish businesses
 - Environmental sustainability
 - A healthier Scottish population
 - Tourism
 - Provenance (e.g. Scotland-sourced inputs)
20. Are there any comments you wish to add?

Survey 2: FPMC Evaluation - unsuccessful applications

Questions

1. How useful did you find the guidance information provided by the Scottish Government when making your application?
2. Please rate your experience of the application process.
3. Did your business receive external assistance to help with the application, for example from a consultant or agent?
4. Did you come to FPMC as a last resort funder (you had already explored alternative funding sources)?
5. Looking ahead, would you like to see any changes from application process?
6. Were you satisfied with the explanation about why your application was unsuccessful?
7. Looking ahead, how would you like to see the FPMC change?
8. [Condition: checked option "The assessment criteria needs to change" in question 7] Why do you think the assessment criteria needs to change?
9. Did this project proceed without the FPMC fund?
10. [Condition: checked option "Yes" in question 9] How did you fund the project without the FPMC grant?
11. Looking ahead, please select and rank (with most important at the top) what you think the future FPMC should prioritise when choosing projects.
 - Jobs created
 - Jobs safeguarded
 - Turnover
 - Effects on other local businesses
 - Environmental sustainability
 - A healthier Scottish population
 - Provenance (e.g. sourcing inputs from Scotland only, branding)
 - Tourism
 - Getting young people into rural areas
12. Where would the inputs have been sourced from? Select all that apply [Scotland/UK/EU/Beyond EU].
13. Would the project have affected other Scottish businesses by...
 - (a) raising the profile of your business above similar businesses
 - (b) collaborating with similar businesses
 - (c) collaborating or trading with more supplier/buyer businesses
 - (d) raising the profile of Scottish businesses in this sector generally?
14. How would the project have increased or decreased:
 - (a) Staffing numbers
 - (b) Job stability
 - (c) Staff morale of your business?

15. Would the project have increased or decreased the environmental sustainability of your business by changing the:
- (a) Output product type
 - (b) Processing method
 - (c) People's perceptions (including that of the workforce)?
16. Would the project have affected healthier consumption by the Scottish population by increasing or decreasing:
- (a) How healthy the type of the output product is
 - (b) Nutritional quality of the product
 - (c) Cost to consumer
 - (d) Provision to range of markets?
17. Which regions would the product have been traded to? Select all that apply [Scotland/UK/EU/Beyond EU].
18. Are there any other comments you wish to add?



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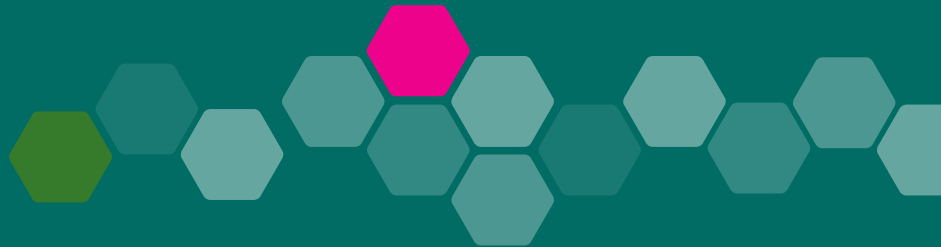
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This document is also available from our website at www.gov.scot.
ISBN: 978-1-83960-137-8

The Scottish Government
St Andrew's House
Edinburgh
EH1 3DG

Produced for
the Scottish Government
by APS Group Scotland
PPDAS632630 (09/19)
Published by
the Scottish Government,
September 2019



Social Research series
ISSN 2045-6964
ISBN 978-1-83960-137-8

Web and Print Publication
www.gov.scot/socialresearch

PPDAS632630 (09/19)