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Forestry Commission Wales Public Funding of Ffynone and Cilgwyn Woodlands



Forestry Commission Wales

Public Funding of Ffynone and Cilgwyn Woodlands

I have prepared this report for presentation to the National Assembly for Wales under the Government of Wales Act 1998.

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Report presented by the Auditor General for Wales to the National Assembly for Wales on 17 August 2010.

The funding to Calon met the high-level grant scheme conditions, but the scheme criteria and procedures for reviewing applications were not sufficiently robust, increasing the risk that this significant public investment may not be safeguarded.



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Summary

- 1** Forestry Commission Wales (FCW) provides grants to third party organisations under various programmes to help in delivering the objectives of the Assembly Government's Woodlands for Wales strategy.
- 2** Some of these programmes are funded from European Union (EU) schemes administered by the Welsh European Funding Office (WEFO), some by European Agricultural Fund for Rural Development and others funded from the Assembly Government's annual resource allocation.
- 3** Between 2003 and 2008, FCW initiated and operated the Cydcoed II Programme (Cydcoed) which supported community groups in improving local woodlands and people's lives through:
 - a** providing new jobs and opportunities;
 - b** empowering communities;
 - c** promoting healthy recreation, education and conservation; and
 - d** improving and creating woods.
- 4** The Cydcoed programme targets the most deprived communities in Wales and those where there is limited or no access to community green space. In these communities the programme aims to:
 - a** make existing woodland spaces more accessible;
 - b** develop additional woodland spaces; and
 - c** foster community involvement in the sustainable development of woodlands.
- 5** The programme offered grants of up to 100 per cent of costs to community groups in the European Objective 1 region helping them to use woodland areas for community development. Cydcoed, with £12 million funding from the EU under Objective 1 and the Assembly Government, was launched in January 2003 running until September 2008.
- 6** FCW submitted its final application to WEFO for the Cydcoed scheme on 28 January 2003. It included a detailed project description with key aims, priorities and measures.
- 7** WEFO approved the application in an offer letter dated 30 January 2003, awarding an Objective 1 grant totalling some £4.2 million against eligible expenditure of £13.7 million to be drawn down over the period of the programme. The Assembly Government's Pathways to Prosperity scheme was available to meet the balance of eligible expenditure. Applicants were therefore able to draw upon funding of up to 100 per cent of their eligible costs.
- 8** Ffynone and Cilgwyn Woodlands are in North Pembrokeshire. In July 2006, Calon yn Tyfu Cyf (Calon), a workers' co-operative and company limited by guarantee, submitted a full Cydcoed application to FCW. In September 2006, FCW approved a grant of £502,000, paying it in two instalments in October and November 2006.

- 9** Calon subsequently received approval for an additional £236,177 for improvement works under the Better Woodlands for Wales grant scheme. These funds are paid to Calon as work is completed in line with an approved management plan. Introduced in 2007, Better Woodlands for Wales replaced the UK-wide Woodland Grant Scheme and supports woodland improvements. The Assembly Government and European Agricultural Fund for Rural Development fund Better Woodlands for Wales and its criteria are clearly aligned to the objectives of the Woodlands for Wales strategy. We examined Better Woodlands for Wales as part of our value for money report on the *Operations of the Forestry Commission Wales* published in 2008. The recommendations of that report still apply and we will be following up progress during 2010.
- 10** We audited the EU Structural Funds grant claims for Cydcoed for 2005-06 to 2008-09. In line with the standard requirements of such claims, the audit was limited to ensuring that expenditure:
- a** complied with WEFO's offer letter;
 - b** was eligible, as per the offer letter;
 - c** had been defrayed¹; and
 - d** excluded VAT.
- 11** We were not required to review the procedures and underlying guidance for the Cydcoed scheme. The audit confirmed compliance with WEFO's requirements excepting that applicants had not defrayed expenditure before the award of the grant by FCW. We reported this variation to WEFO although we understood that WEFO accepted this failure to comply with the requirement due to the nature of the Cydcoed scheme (grants to small community groups without resources to make large payments to third parties prior to being awarded the grants).
- 12** In January 2009, the Assembly Government's Structural Funds Audit Team reported on a review of the governance of Cydcoed including a review of appropriate internal procedures. This review was after Cydcoed had ended in November 2008. The review tested a sample of Cydcoed applications and identified no significant issues. There is no evidence that the review team looked specifically at Calon's application.
- 13** In July 2009, we were approached by members of the local community and the Chair of the Petitions Committee of the National Assembly based on similar correspondence the committee had received. In summary, the main concerns were that there were serious failings in connection with the grant award to Calon such as:
- a** the awarding of a grant designed for community groups to a private company without community consultation prior to the grant award;
 - b** much of the information provided to support the funding bid was knowingly misleading, misrepresentative and inaccurate; and
 - c** the grant process lacked transparency.
- 14** In response to these concerns we have examined whether the award of public funds by FCW to Calon was appropriate, impartial and in accordance with the agreed criteria. The Director, FCW also expressed his eagerness for these concerns to be examined independently.

¹ Defrayed expenditure is expenditure that has been paid.



- 15** We have concluded that the funding to Calon met the high-level grant scheme conditions, but the scheme criteria and procedures for reviewing applications were not sufficiently robust, increasing the risk that this significant public investment may not be safeguarded. We came to this conclusion because:
- a** the project met the high-level conditions for EU funding but weaknesses in the specific requirements of the Cydcoed scheme increased the risk that the applicant would not truly represent the community;
 - b** some Cydcoed procedures were lacking and some of those in place were not robustly applied, resulting in the approval of an application that failed to satisfy all of the scheme requirements or to fully mitigate risks to a substantial public investment; and
 - c** progress against targets and intended outcomes is currently uncertain.
- 16** FCW should work with Calon to explore options for:
- a** greater community involvement in decision making for the woodland to include community representation on Calon's board eg, as non-executive directors; and
 - b** longer-term protection of the asset for the local community and public purse.
- 17** FCW has acknowledged a need for more robust project management of grant schemes using PRINCE2² methodology. Building on this methodology, FCW should ensure that processes are in place to provide assurance that these procedures are being applied effectively for all new and existing schemes at the earliest opportunity.
- 18** All FCW staff should be required to complete an Annual Declaration of Interest form which should be reviewed and authorised by a Management Board member to assess implications for future areas of working. Staff should be required to update these during the year when appropriate circumstances arise.
- 19** Guidance should be provided to staff on a periodic basis on the requirements for Declarations of Interest and for Gifts and Hospitality to ensure staff remain aware of their responsibilities.
- 20** Building on the recommendations raised in the Wales Audit Office's national report, FCW should ensure that all staff are given appropriate risk management training on a periodic basis.
- 21** FCW should ensure monitoring arrangements for the Cydcoed scheme are more robustly applied in the future.
- 22** Targets set for future schemes should be robust and challenging to ensure that appropriate value to the public purse is obtained from funds awarded.
- 23** FCW should ensure that risk ratings for Better Woodlands for Wales applications received pre April 2008 are reviewed and updated within the Better Woodlands for Wales system to ensure the risk ratings are relevant rather than at a default of 'low'.

² PRINCE2 is an industry standard generic, project management method that can be tailored to specific projects.

Main report

The project met the high-level conditions for EU funding but weaknesses in the specific requirements under the Cydcoed scheme increased the risk that the applicant would not truly represent the community

The grant to Calon met the high-level conditions for EU funding

- 1.1 FCW's application to WEFO for Cydcoed set out the high-level criteria and objectives of the scheme. WEFO approved the application for eligible expenditure of £13.7 million and awarded a grant of £4,210,077. The offer letter from WEFO describes the eligibility criteria, and in particular, sets out items of expenditure ineligible for grant.
- 1.2 In July 2006, Calon submitted a full Cydcoed application to FCW for £502,000 to support the purchase of Ffynone and Cilgwyn woodlands. FCW approved the application in September 2006 with grant being paid in two instalments in October and November 2006.
- 1.3 As the expenditure was for the purchase of a woodland and in North Pembrokeshire (within an Objective 1 area), the grant met the high-level requirements of the WEFO offer letter for EU funding.

The grant to Calon met the Cydcoed scheme conditions but the definition of a 'community group' was not clearly specified

- 1.4 FCW produced a number of guidance notes for use by potential applicants and internal procedures for use internally by its staff. This guidance stated that FCW would not offer grants to '*unitary authorities, government agencies, Wales-wide non-governmental organisations, profit-making organisations or individuals*'. It required that '*all community groups receiving Cydcoed funds have a formal structure and stated objects. As a minimum, the group must have a formal constitution. In some cases we will ask for the community group to be incorporated.*' However, in no documentation did FCW clarify what it considered a 'community group' against which to assess grant applications as it deliberately wanted to attract a broad range of applicants. FCW deemed Calon to be an eligible 'community group' on the basis that it is a not-for-profit organisation, limited by guarantee and based in the local community.
- 1.5 Therefore, Calon, a private company, in common with all other applicants, was able to obtain 100 per cent funding for the purchase of the woodland without contributing any of its own funds or sharing in any risks.



1.6 In addition, it has access to further funds through the sale of timber on the land and through additional approved grant funding via the Better Woodlands for Wales scheme. Calon's application states that its intention is to reinvest surpluses obtained back into the woodland.

1.7 We have seen no evidence to suggest that Calon's commitment to reinvest in the woodland is not being adhered to. However, whilst its articles of association specify Calon as being a not-for-profit organisation, this does not prevent the payment to its owners of reasonable remuneration and bonuses. As the company only has to submit abbreviated accounts to Companies House, it is not possible to review how much income generated by the company has been reinvested into the woodlands.

Project risks were increased because the scheme criteria allowed Calon to seek sufficient community involvement after the grant was awarded

1.8 FCW's approved application to WEFO for Cydcoed funding states that Cydcoed was designed to support 'community groups' and it requires that *'all people in the community should be able to enjoy woodlands. All people in the community should be able to participate in decision making about how they are used, and in their creation, improvement and management.'*

1.9 FCW issued supporting guidance to Cydcoed applicants, which provided further information to help completion of each section of their applications. The guidance on community participation and support states that *'you must demonstrate that the project meets the aspirations of local residents for their community and that they are participating in the project or that it includes work to gather more evidence or support and generate more participation'*.

1.10 Calon's application provides no evidence of community support at the time, but sets out activities that it intended to undertake to ensure community support and participation in the future. In addition, Calon's application actually highlights an expectation of some local resistance to its plans.

1.11 There was no public consultation prior to the grant award and FCW did not verify the extent of any local support before approving the application. However, letters of support were later received from four groups, mostly based in West Wales.

1.12 The Cydcoed Programme Manager has accepted that the lack of public consultation was a fundamental error and stated that this omission has been fully and openly acknowledged.

1.13 In 2008, FCW commissioned an independent consultant to review the project following concerns raised by the local community about their lack of involvement. The cost of this consultancy was £8,000 which was also paid from the Cydcoed budget.

1.14 The consultant concluded that overall there was a division of opinion, with the wider community less concerned with the works in the woodland, provided they remained able to walk there. Conversely, many of those living close to the woodland are unhappy with the works that have taken place. For these respondents there was a perceived lack of communication and transparency from Calon, as well as FCW, in many instances and they felt that they had not been effectively consulted or engaged. We understand that whilst attempts have subsequently been made to engage with the local community these have not proved particularly successful.

1.15 As a workers' co-operative, Calon's membership is limited to workers only and decisions regarding the management of the woodland are limited solely to the company's Management Board, which consists of only three people. Therefore, whilst the local community may be consulted on decisions in the future, it is ultimately unable to influence the outcome to the same extent as an elected community group.

Some Cydcoed procedures were lacking and some of those in place were not robustly applied, resulting in the approval of an application that failed to satisfy all scheme requirements or to fully mitigate risks to a substantial public investment

Procedures were in place but were inadequate for ensuring independence, evidential support of applications, risk management and the future protection of funding

Formal procedures for ensuring independence were in place for senior management in FCW, but were not applied to project officers

1.16 Members of the public have expressed concerns regarding the impartiality and independence of the project officer assigned by FCW to assess, process and monitor the Calon grant application. In addition, further concerns have been raised regarding Calon's offer to provide the officer with a training course at a price below its usual market rate.

1.17 We have seen email correspondence, which suggests a 'closeness' between the two parties. FCW maintains that the project officer had notified his line manager and other grant team members of his previous working

relationship before he became more involved with the application. There is, however, no formal evidence of this declaration.

1.18 Cydcoed procedures and guidance specified that project officers should work with community groups to help in the preparation of funding bids. However, there was no guidance on the appropriate level of assistance that should be provided to demonstrate equity to applicants. In addition, whilst a project manager was in place, there is no evidence of independent review to ensure that the level of assistance provided was appropriate for specific applications.

1.19 We have found no evidence that the project officer concerned had anything other than a professional relationship with Calon, building upon his previous contacts. However, we believe that the absence of formal procedures governing independence at the time exposed FCW to unnecessary risks. It has a register of interests for its Management Board members. However, until recently there was no similar arrangement for its wider staff base. FCW has now introduced a register for Grants and Regulations staff.

1.20 In addition, there is evidence that the procedures in place for gifts and hospitality have not been followed. FCW has a Gifts and Hospitality Policy for staff which specifies that:

- a** All offers of gifts and hospitality (except minor gifts detailed elsewhere in the policy) whether accepted or not, must be recorded in writing by the officer concerned.
- b** Reporting or recording the offer/acceptance of isolated gifts of trivial character such as pens, or minor seasonal gifts such as diaries or calendars, is not required. But all other offers of gifts must be recorded, whether accepted or not.



1.21 The project officer did not formally record Calon's offer of a training course as required by the Gifts and Hospitality Policy. In addition, there is no evidence that the project officer notified the offer to an appropriate line manager. We have confirmed that the offer was not accepted.

Procedures did not require FCW officers to ensure that funding applications were supported by appropriate evidence

1.22 Although the Cydcoed procedures do not require project officers to verify and substantiate statements made by applicants in their bids, we understand that FCW carries out verification in most cases. FCW has, however, confirmed that no such verification was undertaken in the case of Calon due to the land purchase nature of the application.

1.23 Concerns have since been raised by members of the public regarding some of the statements made by Calon in its application. These include Calon's previous woodland management experience and its failure to obtain appropriate planning permissions before proceeding with works.

1.24 FCW maintains that Calon's statements about woodland management experience and planning consents did not affect the awarding of the grant as the application was solely for the purchase of the woodland and did not cover any future works to be performed.

1.25 Given the size and nature of the application, we consider that relevant experience should have played a part in determining the eligibility of Calon's bid. It is disappointing that no formal checks were undertaken or references obtained.

1.26 FCW as the grant awarding body of £502,000 of public money has a role to ensure appropriate checks are in place prior to the awarding of funds. More robust scrutiny could have identified potential issues with the project and allowed risks to be managed more effectively.

Both corporate and project risk management procedures were underdeveloped

1.27 Our national value for money study on the *Operations of the Forestry Commission Wales* published in November 2008 referred to a need to improve the risk management culture across the organisation.

1.28 The Cydcoed scheme pre-dated that report and the risk management arrangements reflect the underdeveloped culture in place at the time. Specifically, for the Cydcoed scheme there was limited risk management guidance available to officers.

1.29 The risk assessment was prepared by the project officer assisting Calon in the preparation of its funding bid. There is no evidence of an independent review by another officer to ensure that the assessment was robust and all potential risks taken into account.

1.30 The risk assessment was extremely basic and brief and contained what we consider an inappropriate risk rating ('moderate') for a grant application of the nature and size of Calon's.

1.31 However, because Calon's application was over £250,000, the Cydcoed grants team escalated it to a delegated group of FCW's Management Board for review and approval in accordance with Cydcoed procedures. This provided a compensating control although we have found further issues regarding the robustness of this process as set out in paragraphs 1.42 and 1.43.

The terms of the contract agreed with Calon were not sufficiently specific to protect the public funding awarded and the community use of the woodland at the end of the project

1.32 A standard contract was in place for approved Cydcoed applications that required applicants to comply with the terms and conditions of the scheme for a period of 10 years (or 20 years for land purchases).

1.33 Contracts state that land must be used for the purposes described in the bid for a period of 20 years and that non-compliance with the terms and conditions may result in the repayment of all or part of the grant. However, FCW did not tailor the standard contracts to the specific circumstances of Calon. In particular, many of the terms and conditions were not relevant for land purchases and therefore those needing to be met were limited.

1.34 In addition, the standard contract agreed with Calon provides incomplete safeguards to protect the public investment in the following areas:

- a** There are no further restrictions placed on applicants beyond 20 years. As such, there is no guarantee of community use of this asset beyond this date. We understand, however, that Calon has made a commitment to dedicate the site under Countryside and Rights of Way (CRoW)³ which should allow public access to the woodland in perpetuity.
- b** Should Calon go into administration, there is no protection for the public ownership of the woodland, a weakness acknowledged by FCW in public meetings held with the community.

- c** Whilst contracts require repayment of grant funds should the asset be sold within the 20-year period, contracts do not provide any clauses regarding restrictions on any future sales proceeds which could be made on the sale of the asset. As such, Calon, and its members, could profit significantly from a future sale with no compensation to the public purse.

Procedures in place to assess grant applications, risk and value for money were not robustly applied

Specific evidence of value for money was not obtained as this is seen by FCW as implicit in the application

1.35 Cydcoed guidance required applicants to provide evidence of value for money being obtained. FCW did not undertake a value for money assessment of Cydcoed projects for individual applications or in comparison with other valid Cydcoed applications.

1.36 We are particularly concerned about FCW's failure to commission an independent land valuation to confirm the reasonableness of the valuation of the land or to verify the independent valuation obtained by Calon from a Chartered Forester via FCW's own qualified valuers.

FCW has overpaid grant to Calon by £6,000 by not adequately applying its own procedures

1.37 Cydcoed guidance states that FCW will '*fund the cost of buying land, including woodland up to market value determined by an independent qualified valuer*'.

³ The Countryside and Rights of Way Act 2000 applies to England and Wales only. The Act provides for public access on foot to certain types of land, amends the law relating to public rights of way, increases measures for the management and protection for Sites of Special Scientific Interest (SSSI) and strengthens wildlife enforcement legislation, and provides for better management of Areas of Outstanding Natural Beauty (AONB).



1.38 An independent valuation was obtained by Calon, which valued the woodland at £6,000 less than the sale price. However, FCW paid the grant based on the sale price, and not the independent valuation as required under its procedures. Therefore, FCW overpaid the grant to Calon by £6,000.

Project assessment arrangements were not robust

1.39 FCW established a subgroup of the Management Board to assess applications over £250,000. The subgroup consisted of four Heads of Service who were members of the FCW Management Board.

1.40 Consequently, the Cydcoed grants team escalated Calon's application to the subgroup for review and approval. However, the subgroup did not meet to discuss the application and all correspondence was undertaken via emails between the four members of the team.

1.41 This approach did not allow sufficient scrutiny, a fact that FCW acknowledges. FCW has stated that future projects will follow the PRINCE2 methodology and has a formal project board in place to meet regularly.

The Management Board subgroup identified risks that were not fully addressed before project approval

1.42 The Management Board subgroup identified a number of concerns/risks as part of its review of Calon's application. However, these risks were not adequately addressed before approval of the application. The issues raised by the Management Board subgroup include:

- a The potential future disposal of the asset and a need for appropriate safeguards in the contract with Calon.** The project officer indicated that Calon's articles of association cover this point. His response was accepted but the failure to deal with this risk in the contract was a fundamental weakness.

b Whether the grant provides value for money. Other than relying on the valuation obtained by Calon, no value for money assessment (actual or relative to other applications) was undertaken. No follow-up by the Management Board on this issue is evident.

c The need for FCW to obtain an independent valuation of the woodland as required by Cydcoed procedures either externally or via FCW's own qualified land agents. We have highlighted previously FCW's failure to secure its own independent valuation. The Management Board subgroup subsequently accepted the independent valuation obtained by Calon.

1.43 If the subgroup had followed up its concerns, several of the fundamental risks that have since materialised may have been addressed and managed earlier in the application process.

FCW did not define its specific requirements and accepted an inadequate business plan as meeting the special condition of grant

1.44 As a special condition of the grant award, FCW required Calon to submit a business plan by 31 March 2007. Whilst Calon met the deadline, FCW deemed the plan to be inadequate and required Calon to prepare a more robust plan. The plan was submitted to FCW in early 2009.

1.45 However, FCW did not define specifically what it required in the form of a business plan. It accepted Calon's first submission as meeting the grant condition by the required date, despite this plan originally being inadequate.

In common with other EU schemes, there was pressure to maintain the Cydcoed expenditure profile, but there is no direct evidence that this influenced the approval of Calon's application

- 1.46** WEFO's grant offer letter emphasises the need for FCW to spend its grant allocation or risk losing the funding awarded. This is a standard requirement across all schemes.
- 1.47** Members of the public have raised concerns that this offer letter placed pressure on FCW to maintain the budgeted position against the agreed WEFO funding profile. They contend that as the Calon application represented a large and relatively straightforward transaction (land purchase) that could be quickly processed, it was looked upon favourably to maintain the budget profile. In particular, they refer to an underspend of around £700,000 as at November 2008 as published on the FCW website.
- 1.48** As FCW monitored the Cydcoed budget on a rolling basis, there is now no specific budget information available for us to review. We are unable to confirm whether there were specific pressures to maintain the position against the funding profile at the time of Calon's bid.
- 1.49** However, we have seen correspondence from the Cydcoed Programme Manager dated 7 August 2007, which stated '*as many projects are falling behind in their progress, the rate of Cydcoed grant spend is well below that predicted to our funders. If slippage continues, we risk having the overall amount of grant reduced.*'

- 1.50** There was therefore pressure to maintain Cydcoed expenditure in line with the profile agreed with WEFO to prevent FCW losing grant funding. Calon's application in September 2006 represented the largest grant within Cydcoed and it was processed relatively quickly. This, along with the lack of robust scrutiny described previously, could suggest that the application was treated favourably. FCW officers have, however, strongly rejected any suggestion that the application was purposely processed in haste or without due consideration.

Progress against targets and intended outcomes is currently uncertain

FCW is now monitoring Calon's performance against agreed Cydcoed targets and outcomes, but to date the results are uncertain

- 1.51** There was no requirement from WEFO to monitor targets and long-term benefits beyond the end of the scheme. FCW has referred to a lack of guidance and additional financial support from WEFO to facilitate monitoring beyond the end of the scheme. In particular, whilst WEFO keenly monitored financial and out-turn targets during the grant period and required a completion report to finalise the scheme, there was no requirement to monitor outcomes or targets after the scheme ended, this being left to the discretion of grant recipient organisations.
- 1.52** FCW has put in place its own arrangements to monitor individual grants awarded to ensure compliance with targets set and terms and conditions included in the contract. In particular, FCW has specified in Cydcoed



contracts that grants will be monitored for a period of 10 years from completion (20 years in the case of land purchase applications) to ensure that terms and conditions set out in the contract including agreed targets are adhered to.

- 1.53** FCW's project completion report on Calon sets out a schedule for monitoring to be undertaken every two years from 2008 to 2020. This does not, however, cover the full 20-year period FCW has set for land purchase applications. FCW has since taken action to correct this administrative oversight.
- 1.54** Grant applications were required to include targets and long-term benefits against which outputs and outcomes could be monitored. The guidance issued to applicants for completion of the application stated that applicants should make long-term benefits 'simple and easy to monitor'. The targets set for this application reflect this:
- a** free public access to the woodland;
 - b** Woodland Management Plan in place and being implemented;
 - c** access paths and routes in place and being maintained; and
 - d** woodland business developing.
- 1.55** It is our view that, given the level of funding and characteristics of this grant, the targets and long-term benefits should have been robust and challenging as well as being just simple and easy to monitor. In response, FCW argues that the *'Cydcoed EU and Assembly Government funded capital programme was time-limited, as was the team established to deliver it and that it was known*

from the outset that all subsequent monitoring would need to be undertaken by existing FCW staff as an extra task. As a result, it was planned that the system would be as straightforward as possible, making it more likely to be done.'

- 1.56** FCW has commenced its monitoring programme and has covered six Cydcoed grants to date, including Calon. As Calon's grant was the largest in the Cydcoed scheme, the monitoring of this grant was prioritised and undertaken first in February 2010.
- 1.57** An independent contractor carried out the monitoring on FCW's behalf. This contractor is currently on FCW's list of approved Better Woodlands for Wales Management Planners and is an approved contractor for inspection of Better Woodlands for Wales schemes. FCW has informed us that it outsourced this work due to staffing shortages but that FCW staff will monitor the majority of Cydcoed grants.
- 1.58** Despite the fact that the contractor had no previous experience of the scheme, FCW did not provide any specific guidance on how to record the monitoring work. In addition, FCW has confirmed that it has not reviewed the work undertaken to ensure that the standard is consistent with that normally expected for scheme monitoring. However, FCW has reviewed the monitoring report provided by the contractor.
- 1.59** The monitoring report itself is brief and does not clearly link to the targets set for Calon. Consequently it does not provide a conclusion either on each individual target or overall. FCW's review of this first inspection recognised this failing and it has tightened up the process and developed a new inspection proforma.

1.60 The contractor's report makes some comments that do not appear to support a view that Calon has so far met its targets. In particular, the report makes the following comments in relation to access:

- a** *'It was noted that despite significant injection of public funding and the statement that 'increased access for the community and disabled' was part of the business plan, there was no signage at any of the entrances to inform the public of the facility or the fact that it was supported by public funds. Interpretation panels and way-markers were not evidenced.'*
- b** *'A public footpath had been blocked by wind-blown trees on the edge of one of the clearfell sites and this had not been reopened despite the damage having taken place some time ago.'*

1.61 In addition, the report appears to cover some elements relating to the Better Woodlands for Wales scheme. It refers to *'significant clearfell'* and *'significant element of track building and upgrading'* which appear to have been done to a high standard and permits lorry access to many areas of the property. This clearance work does not appear consistent with Calon's comments in its application, which stated *'with input of a large grant to help purchase the woodland, the need to generate vast quantities of cash to service loans would be reduced or eliminated allowing a much gentler clearance operation to be implemented'*.

1.62 FCW considers that Calon is meeting its targets to date and that issues such as one blocked path does not constitute a significant restriction to free access and that the degree of clearfell reflects woodland operations set out in the subsequent Better Woodlands for Wales Management Plan.

1.63 In our view, it is still inconclusive from the report that the Cydcoed targets to date have been met and so future monitoring should more clearly provide a conclusion against each target to avoid any misinterpretation of the results.

Calon met the eligibility criteria for further Better Woodlands for Wales funding, but a recent FCW inspection found that Calon had not fully complied with requirements and some of the funding will be reclaimed

Calon met the eligibility criteria for Better Woodlands for Wales funding

1.64 There are two key requirements for Better Woodlands for Wales funding:

- a** applicants must own the woodland; and
- b** an approved five-year management plan must be in place.

1.65 Owners wishing to enter the scheme are given grant-aided professional help from qualified management planners to prepare the initial application, a foundation plan, and subsequently a final five-year management plan.

1.66 Once a management plan is approved and signed by the owner, a contract is issued which sets out in detail the work to be performed each year and the grants payable for each piece of work. Better Woodlands for Wales permits the owner to add new operations provided they assist in delivering the owner's outcomes and to reschedule operations to a new year, at the discretion of FCW. The five-year plan is supported by a 20-year vision for the management of the woodland.



1.67 Calon subsequently received approval on 31 March 2008 for additional funding for improvement works under the Better Woodlands for Wales grant scheme following submission and approval of a management plan. Following amendments to the initial approval, the total grant approved was £236,117. FCW pays these funds to Calon as work is finalised in line with the approved management plan.

1.68 Calon therefore met the key terms and conditions required for Better Woodlands for Wales funding.

FCW intends to improve arrangements to measure and monitor Better Woodlands for Wales outcomes as we previously recommended

1.69 Our national report on FCW published in November 2008 referred to weaknesses in monitoring of the Better Woodlands for Wales grant scheme. Specifically, it stated that:

- a** Better Woodlands for Wales has only been operational since 2007 – the nature of woodlands means that scheme outcomes may take time to emerge. Nevertheless, FCW needs to develop a series of performance indicators for its grant schemes, which measure and report progress against outcomes, rather than performance against aspects of process, such as the area of woodland covered by schemes and expenditure on them. FCW acknowledged that it still needs to identify the most appropriate way to measure the outcomes of Better Woodlands for Wales, and determine relevant indicators.

- b** To ensure that it meets relevant key performance indicators, FCW needs to better understand the barriers experienced by applicants in moving towards submission of a fully worked up management plan and provide appropriate support.

1.70 Discussions with FCW confirm that these issues are still relevant, but it has already developed a number of grant scheme indicators in response to our earlier report. It has a three-year programme to implement the recommendations contained within the national report with Better Woodlands for Wales recommendations being included for full implementation by 2010-11. We have agreed as part of our routine audit work at FCW to follow up the recommendations raised in our national report over a period of three years commencing in 2010.

In response to public concern regarding the works undertaken at Ffynone and Cilgwyn Woodlands, FCW undertook a formal inspection resulting in some Better Woodlands for Wales grant being reclaimed from Calon

1.71 Better Woodlands for Wales grants are paid when applicants have confirmed that works in accordance with the plan of operations set out in Management Plans have been undertaken. The plan of operations sets out in detail the work to be performed each year and the grants payable for each piece of work. In addition, management plans include a long-term vision supported by desired characteristics and factors with target levels for each characteristic. Characteristics are defined as things in the woods which can be measured and monitored to ensure that management is succeeding. These will normally be monitored at plan review but in a small number of instances some monitoring work will be needed in the plan period.

- 1.72** FCW has confirmed that whilst no ongoing monitoring of management plans is undertaken, actions are assessed at the end of the plan.
- 1.73** FCW's review of whether work on a specific site complies with the management plan is covered by a programme of inspections undertaken on a sample basis as required by the Rural Development Regulations. FCW does not review the works before payment unless the claim falls within the sample selected for inspection.
- 1.74** FCW inspects five per cent of claims selected on a risk basis. The risk basis for sample selection was introduced in April 2008; however, applications received before this date have been set up in the Better Woodlands for Wales system with a default setting of 'low risk'. FCW has not reassessed these claims to ensure an appropriate risk rating is included within the system.
- 1.75** The risk-based approach to Better Woodlands for Wales' inspections therefore requires refinement to ensure that all claims prior to April 2008 are updated with an appropriate risk assessment for effective sampling.
- 1.76** As Calon's management plan pre-dated April 2008, risk ratings for its claims are set at the default of 'low risk'. Discussions with FCW's Woodland Officer confirmed that if Calon had applied post April 2008, its application would probably have been assessed as medium risk. However, this revised risk rating would not automatically lead to an inspection given that only a five per cent sample is taken and high-risk claims would be prioritised.
- 1.77** FCW had not formally inspected Calon's Better Woodlands for Wales grant/management plan given that its risk was recorded as low. However, given the level of public concern into the funding and works at Ffynone and Cilgwyn Woodland, FCW has decided it should carry out a formal inspection of the works.
- 1.78** FCW subsequently inspected the works in April 2010 to ensure that they were consistent with those set out in the agreed schedule of works in the approved Better Woodlands for Wales Management Plan.
- 1.79** The inspection found that the majority of the £193,681 works claimed for or paid to date had been undertaken. However, £20,010 of this is now subject to full or partial reclaim due to the failure of Calon to comply with all or part of the agreed schedule of works for these specific operations.