



# National Audit Office

Comptroller and Auditor General  
Sir Amyas Morse KCB

Rt. Hon Sir Desmond Swayne TD MP  
House of Commons  
London  
SW1A 0AA

## Helping the nation spend wisely

Telephone +44 (0)20 7798 7777  
Facsimile +44 (0)20 7798 7990  
Email amyas.morse@nao.gsi.gov.uk

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*Dear Sir Desmond,*

## NEW FOREST HIGH LEVEL STEWARDSHIP SCHEME

Further to my original letter of 28 October, I am writing to update you on our enquiries regarding the New Forest Higher Level Stewardship Scheme (HLS) following your original correspondence. I have also been informed by the additional correspondence provided by you, Dr Fiona Macdonald, Professor John Shepard and information provided to me by the Burley Parish Council. Many of the items of correspondence were on points of scientific detail or sourcing and efficacy of materials used, where I do not have the expertise to comment or evaluate. The focus of my work is to confirm:

- Whether this arrangement gives rise to any issues of dual funding given the Forestry Commission's existing statutory obligations for which it already receives government funding;
- whether the New Forest Verderers are eligible to lead this HLS Scheme; and
- whether procedures are in place to ensure that work performed under the HLS scheme is appropriately controlled and monitored.

### Dual Funding

The email correspondence you originally attached from 2008 and 2009 details a number of concerns that Forestry Commission employees and Verderers had regarding potential regularity and dual funding issues relating to proposed HLS agreements. This correspondence was in advance of the final version of the HLS Agreement and alluded to potential risks.

Under the HLS agreement terms, funds should not be used for existing work programmes or for work required under a partner's statutory duty. It is also clear within the agreement terms that no other EU funding must be used to match fund the HLS grant or enter into another agreement that applies to the same land that does not permit more than one source of EU funding for the same activity. The funds may contribute to additionality, or enhanced delivery of services or access.

We have reviewed the HLS agreement that came into effect on 22 February 2010 between the Verderers of the New Forest, the Forestry Commission and the New Forest National Park Authority. This is the basis of the implementation and management of the HLS scheme. We have reviewed the partnership agreement and having held discussions with Natural England and the Forestry Commission can confirm the activities taking place under the partnership agreement do not form part of the Forestry Commission's statutory obligations for which it is already funded. The Forestry Commission has stated that there is no statutory obligation to undertake works on a Site of Special Scientific Interest (SSSI) unless there was a pre-existing Management

Agreement under the Conservation of Habitats and Species Regulations 2010. Additionally the Forestry Act places no obligation on the Forestry Commission to undertake wetland restoration. Based on this, I have concluded that there are no issues of dual funding in relation to the New Forest HLS as the monies voted by Parliament are not intended to fund these works, and other than through the HLS, there is no budgetary provision for such works.

The partnership agreement sets out that the Verderers, Forestry Commission and the New Forest National Park Authority will share equal financial liability for any repayments/overspends demanded by Natural England, unless any overspend has arisen as a result of the maladministration of one of the partners, as determined by either the relevant Ombudsman or the London Court of Arbitration. I have confirmed that neither Natural England nor Forestry Commission have issued any additional indemnities and the Verderers have confirmed to me that they have received no such undertaking in respect of the scheme.

### **Eligibility**

Your correspondence of 14 March 2017 raised the concern that the New Forest Verderers are ineligible to lead this HLS Scheme, as they do not have the authority of ownership or delegated management of the New Forest Crown Lands which make up this HLS Scheme, which is required by the terms of the HLS.

As you are aware, Natural England put in place a mechanism of a Partnership to provide oversight of the use of these funds by the Verderers, due to the complex ownership and legal basis of the New Forest., I am unable to form a view on the eligibility of this arrangement due to the complex legislation associated with ownership of New Forest Crown Lands and the associated administration arrangements. I instead reviewed the process and supporting evidence to arrive at this judgement.

Under the HLS Scheme Handbook, Commoners such as the New Forest Verderers, are deemed eligible to receive the funding, and as per the Partnership Agreement, provide this funding to the Forestry Commission and the New Forest National Parks Authority as delivery bodies in order to achieve the objectives of the HLS. I am satisfied that this is in line with the European Commission scheme guidelines. The Rural Payments Agency has inspected work carried out under the scheme in both 2010/11 and 2013/14 and has not raised any issue regarding the eligibility of bodies to undertake the work funded by the HLS scheme, nor has it identified any failures in the delivery of the Scheme.

### **Procedures in place to monitor and control work performed under the HLS scheme**

The Partnership Agreement binds the partners together in delivery of the HLS Scheme, in order to utilise their expertise to achieve the optimal outcomes under the scheme. Scheme activities are delegated to lead partners on the basis of their particular specialisms, and this is set out within the agreement with relevant partners being:

Verderers: Grazing Management

Forestry Commission: Wetland Restorations; Terrestrial Restorations; Ecological Monitoring

New Forest National Park Authority: Education and Access; Historic Environment

The agreement also establishes a Partnership Board which oversees and monitors the implementation of the HLS projects. Its membership consists of representatives of senior officers of the three partner organisations - Verderers, Forestry Commission, and New Forest National Park Authority. In addition a representative of Natural England and the chairman of the Commoners Defence Organisation attends, allowing them to provide informal guidance and formal advice, but no voting rights. I have also seen evidence of local Forestry Commission teams monitoring visits to various projects under the HLS that evidences on-going engagement with site contractors and reviews of work undertaken, including remediation. The selection process for contractors followed a defined selection process based on a number of performance criteria, including previous performance and the capacity and capability of contractors tendering for the work.

Under the agreement the Rural Payments Agency undertakes routine compliance monitoring in accordance with the EU regulations through physical inspections. This includes ensuring that capital works are completed in accordance with the scheme prescriptions and standards. This particular agreement was randomly

inspected in 2010 and 2014 and no specific concerns were raised. Through my audit of the Rural Payment Agency as well as audits completed directly by the European Commission, I am satisfied that there are suitable processes in place to ensure inspectors are independent of any of the partnership participants and inspectors are suitably qualified to assess compliance with the scheme rules.

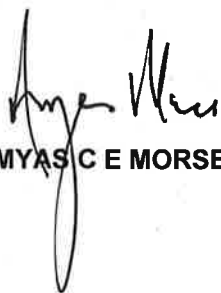
We have also reviewed the results of other work undertaken by Natural England to assess the compliance with scheme rules and use of funding. This work involved Natural England's Chief Scientific Advisor compiling a report drawing upon the work of external parties to validate the work undertaken. Taken together the monitoring and reporting undertaken by Natural England has not identified any instances where work has failed to meet the standards expected for the Scheme. Given that the New Forest HLS is subject to monitoring by Natural England and Rural Payments Agency as well as the internal processes in place at the Forestry Commission, the procedures in place are suitably designed and implemented to monitor and control the work performed under the New Forest HLS and to comply with the requirements of the European Commission, as evidenced by the inspections of this work in 2014.

While suitable procedures to monitor and control the work performed are in place, I have made two recommendations to the Forestry Commission to further strengthen its processes. Firstly, the Forestry Commission need to improve local communications on planned schemes, their impact and the remediation of sites with the community. The recent refusal of planning permission in respect of Latchmore Brook is indicative of this need and has been accepted by the Forestry Commission.

Secondly, the scheme has lacked detailed evaluation evidence to inform its effectiveness. This concern has also been highlighted by various consultancy reports which reviewed the New Forest HLS. The Forestry Commission has cited that schemes of this nature can take time to fully demonstrate the habitat benefits, and require solid baseline data. This baseline data did not exist at the inception of the scheme to measure early projects, and work is now being undertaken to obtain this. It is important that scheme benefits are measured and evaluated against baselines to inform the design of future projects and that sufficient attention is given to post-project evaluations to assess value for money.

I understand that the Forestry Commission has appointed a new Monitoring Officer and developed a new Monitoring Plan and guidelines to improve these aspects of the scheme. I consider these to be important measures to enable all parties to more clearly measure and report on the delivery of objectives and to more specifically assess the benefits of the works over time. It will be important for these monitoring plans to be followed and I would encourage the parties to include these results in its public reports on the scheme.

In light of my findings I do not propose to take any further action. I thank all correspondents for bring these matters to my attention.



AMY S C MORSE