

An Evaluation of the

**Woodland Harvesting,  
Processing and  
Marketing  
Grant Scheme**

on behalf of  
The Forestry Commission

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## Evaluation of The Woodland Harvesting, Processing and Marketing Grant Scheme

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## Summary

The Woodland Harvesting, Processing and Marketing Grant Scheme was introduced by the Forestry Commission under the England Rural Development Programme in 2005. Two rounds of applications have been invited, with total funding available of £600000.

The scheme was developed by the Forestry Commission with the assistance of an Advisory Group consisting of stakeholders from the sector. Experience of other England Rural Development Programme Project Based Schemes was extensively drawn on in developing the scheme.

It was decided that the scheme should be introduced on a pilot basis, with one pilot in the South East Region and the other taking in contiguous areas of the North East and Yorkshire & The Humber Regions.

The Forestry Commission worked with the Rural Development Service to implement the scheme, and also with two woodland initiatives, Northwoods and Yorwoods, to facilitate the scheme in the northern pilot.

Twenty applications were received for the first round (thirteen of which were deemed eligible), with a total value in excess of 98% of the funding available to that round. Following technical appraisal and consideration by the Appraisal Panel, six applications were approved, with one further application approved after reconsideration.

Four full time equivalent jobs will be created by the approved schemes at an average net cost of £6469. Further economic analysis of outputs is not possible given the stage at which schemes were at the time of preparation. In addition, timescale and the small number of approved applications have limited investigation of the wider outcomes of the grant scheme.

Interviews with applicants and other sector stakeholders have indicated broad satisfaction with the scheme as implemented. Primary issues for consideration include the requirements of the business planning process, especially for applications of a lower value, the effectiveness of the facilitation of the scheme, and the high level of ineligible or rejected schemes. In addition, the Appraisal Panel will require greater support in order to ensure that its decisions are reflective of the schemes stated purposes.

There is strong demand for ongoing public sector support for harvesting, processing and marketing of primary forest products. Two significant issues that arise from this are the benefits or otherwise of targeting particular activities within the sector, and the capacity within the industry to bring forward proposals of a sufficiently robust nature. The ability to relate to public sector business development providers will be a major determinant of the latter. Whilst the focus of such support will be economic development, it will be important to develop mechanisms that recognise the strong contribution of the sector to achieving environmental and social public benefits.

Valuable experience and analysis of similar measures operating elsewhere within the UK should be drawn on in developing any successor scheme.

## 1.0 Introduction

### Background

- 1.1 The Woodland Harvesting, Processing and Marketing Grant Scheme (WHPMGS) was introduced by the Forestry Commission (FC) in 2005. It forms part of a suite of schemes operating under the England Rural Development Programme (ERDP).
- 1.2 The WHPMGS was enabled through Article 30 of the European Union Rural Development Regulation (RDR) (Council Regulation (EC) No: 1257/1999). In particular, the 3<sup>rd</sup>, 4<sup>th</sup> and 5<sup>th</sup> indents of Article 30 outlined the eligible activities: -

**Table 1.1 RDR Article 30 Indent & WHPMG Activity**

<b>Article 30 Indent</b>	<b>WHPMG Measure</b>	<b>Eligible Activities</b>
3 <sup>rd</sup>	A	Investment to improve and rationalise the harvesting, processing and marketing of forestry products; investment, related to the use of wood as a raw material shall be limited to all working operations prior to industrial processing
4 <sup>th</sup>	B	Promotion of new outlets for the use and marketing of forestry products
5 <sup>th</sup>	C	The establishment of associations of forest holders that are set up in order to help their members to improve the sustainable and efficient management of their forests

- 1.3 The exact meaning of 'forest product' and 'industrial processing' is defined in Council Regulation (ECC) 867/90, which states '(Para. 2). For the purpose of paragraph 1, development or rationalisation of the marketing and processing of wood shall mean investments relating to the operations of felling, dismembering, stripping, cutting up, storage, protective treatment and drying of indigenous woods and to all working operations prior to the industrial sawing of wood at a "sawing mill" '.
- 1.4 The need for the WHPMG was emphasised in the response by the sector to the consultation paper 'Sustaining England's Woodlands' (Forestry Commission 2002) and was accepted by the FC in their response to the Steering Group's Report.

## Scheme Development

- 1.5 The WHPMGS was subsequently developed by the FC, supported by staff seconded from the Department for Environment, Food and Rural Affairs (DEFRA), and guided by an Advisory Group made up of representatives from the public and private sectors.
- 1.6 As a result of the work undertaken during the development phase, it was proposed to initially introduce the WHPMGS in defined pilot areas only. This decision was undertaken for a variety of reasons, primarily: the need to test the introduction of the scheme in terms of the administration of the scheme and the industries response to it; to assess the need for facilitation of the scheme; and to make optimum use of the limited funding available.
- 1.7 Choice of pilot areas was undertaken following consultation with FC Conservancies and use of a matrix to assess the case they put forward for the piloting of the grant scheme in their region. An additional criterion in selecting the pilot areas was the potential impact that could be achieved against DEFRA's PSA4 target for areas of low rural productivity.
- 1.8 The need for facilitation of schemes was to be tested by piloting the scheme within two contrasting areas, one with the means of providing sector specific facilitation, the other without. Facilitation was to include promotion to potential applicants, initial guidance to interested parties, and assistance with the preparation of business plans and applications. It was to be provided through organisations which had an understanding of the forest industry and, given timescales, would be able to rapidly identify potential applicants and assimilate the required knowledge.
- 1.9 Following acceptance of the principles outlined in 2.6 and 2.8, two pilot areas were selected in which to initially introduce the WHPMGS. They were (a) the northern area of the Yorkshire & The Humber and the southern area of the North East Regions, and (b) parts of the South East region to include Kent, parts of Sussex, Hampshire and the Isle of Wight (see Appendix I).

**Table 1.2 Area of Woodland & Related Jobs by Region (Forestry Commission)**

Area		Woodland Area (ha.)	Jobs in Forestry & Primary processing
Pilot	Region		
North	North East	101000	2050
	Yorkshire & The Humber	91000	1840
South	South East	270000	2360

- 1.10 In the northern pilot area facilitation was provided through the, Northwoods (North-East – <http://www.northwoods.org.uk>) and Yorwoods (Yorkshire and The Humber – <http://www.yorwoods.org.uk>) woodland initiatives, both of which are partnership based non profit making organisations providing a range of business development services to the forestry sector.
- 1.11 The South East pilot area had no sector specific facilitation, although a range of general business support opportunities (Small Business Service, Business Link etc.) were available to applicants. In this region, promotion was undertaken by the FC.
- 1.12 Scheme development work also identified applicable grant rates and minimum and maximum grant levels. The grant rates were set at 30% for indent 3 and 4 (WHPMGS Measures A and B) and 50% for indent 5 (Measure C). Given minimum levels of support for each of £2000, this equated to minimum spends of £6670 and £4000, respectively. A maximum grant level of £50000 per application was set for all scheme types, regardless of scheme value. Both capital and revenue expenditure were eligible for support.

### Implementation

- 1.13 Following further development of scheme processes and materials, two rounds of applications were opened, with closing dates of 31<sup>st</sup> October 2005 and 30 April 2006. The second round was still open at the time of writing of this report.
- 1.14 A total budget, including scheme development and administration, of £300000 per annum (05/06 & 06/07) was set for the pilot phase. Facilitation was not specifically allowed for within this budget as the organisations concerned were in receipt of existing FC partnership funds.
- 1.15 Reflecting the piloting nature of the scheme, promotion was focussed on regional and sub-regional, rather than national, methods of communication. This was considered necessary in order not to raise expectations in areas where the pilot was not running. The forestry sector is a small one and thus most potential applicants in any given area will be known to the promoters of the scheme. The FC and facilitating organisations undertook initial promotion of the scheme through targeted mailing and hosting of a series of 'clinics' and awareness raising seminars.
- 1.16 As a project based business development grant scheme, WHPMG is fundamentally different to any previous grant scheme operated by the FC in England, which focus on woodland creation and stewardship, and thus it was decided that a third party needed to undertake application processing and technical appraisal. The Rural Development Service (RDS) of DEFRA was identified as being the most logical provider of this service, given their experience of other ERDP

Project Based Schemes (PBS), such as the Rural Enterprise Scheme (RES) and the Processing and Marketing Grant (PMG), for which only primary agricultural products are eligible.

- 1.17 During the development phase the need for a 'fast track' approach for schemes of a lower financial value was discussed. This would apply to both the application requirements and the appraisal and decision making process and following initial experience is operated under other ERDP schemes. However, given that one of the purposes of the pilot scheme was to learn lessons regarding the nature of applications forthcoming from the industry and its capacity to develop and deliver such proposals, it was decided that all applications would be the subject of a full appraisal and decision process.
- 1.18 Following eligibility checks and technical appraisal, applications were referred to an Appraisal Panel, consisting of FC, Government Office, Regional Development Agency (RDA) and RDS staff, for decision on the outcome of each scheme.
- 1.19 Applicants whose schemes were rejected were given opportunity to request reconsideration of their application, in the case of incomplete information, or to appeal against the decision of the Appraisal Panel.

#### Evaluation

- 1.20 Evaluating the outcome and impact of the WHPMGS was identified as being essential in the initial phases of scheme development. A number of areas for evaluation were outlined in papers submitted to the Advisory Group
- 1.21 Evaluation of the WHPMGS was undertaken in March and April 2006 using a variety of methods, including: -
  - a review of scheme information, including background papers, applicant guidance and Appraisal Panel minutes
  - telephone interviews and in-person discussions with personnel involved in the implementation of the scheme, trade associations and organisations involved in the forestry sector
  - telephone interviews with both actual and aspiring applicants and their agents or representatives
  - attendance at a meeting of FC/RDS staff to review round one of the scheme
  - attendance at a 'clinic' held for potential applicants in the Yorkshire and The Humber Region
  - a review of similar support mechanisms operating elsewhere in the UK

## Further Information

1.22 Further papers providing more detailed background information relating to the enabling, development and implementation of the WHPMGS are available from the FC England National Office.

## 2 WHPMGS 1<sup>st</sup> Round Results

2.1 Under the first round of the WHPMGS, a total of 20 applications were submitted, with the following breakdown by outcome: -

**Table 2.1 Application Numbers by Outcome**

Outcome	Number
Approved	6
Approved on Appeal	1
Rejected	6
Ineligible	2
Withdrawn	4
Other (incomplete application)	1
<b>Total</b>	<b>20</b>

2.2 The regional breakdown by outcome was as follows: -

**Table 2.2 Outcome by Region**

Area		No. by Outcome of Application (% of region)			
Pilot	Region	Approved	Rejected	Ineligible/Withdrawn	Total
North	NE	1 (20%)	1 (20%)	3 (60%)	5
	Y&H	3 (33%)	2 (22%)	4 (45%)	9
South	SE	3 (50%)	3 (50%)	0 (0%)	6

2.3 The Article 30 indent (see 1.2) under which applications were submitted was as follows. Some applications were submitted under more than one indent, thus the total adds up to more than the total number of applications submitted. In addition, one scheme was withdrawn before the indent number was assessed: -

**Table 2.3 Outcome by RDR Indent**

Indent No.	No. by Outcome of Application			
	Approved	Rejected	Ineligible/Withdrawn	Total
3 <sup>rd</sup>	7	4	6	17
4 <sup>th</sup>	0	3	1	4
5 <sup>th</sup>	0	0	2	2

- 2.4 The financial profile of applications submitted and approved was as follows (by grant value applied for). Two applications were withdrawn without financial values being ascertained and these have been excluded from the following: -

**Table 2.4 Outcome v. Value**

£	Value by Outcome of Application			
	Approved	Rejected	Ineligible/Withdrawn	All Schemes
Minimum	£2265	£2790	£273	£273
Maximum	£37704	£50000	£50000	£50000
Average	£11100	£18958	£14821	£15537
Total	£77705	£113747	£103748	<b>£295200</b>

### 3 Findings

#### Methodology

- 3.1 The small number of applications to the 1<sup>st</sup> round of the WHPMG makes quantitative analysis of the results of limited value, thus the following findings concentrate on the experiences of those involved in the scheme, both as applicants and organisers.
- 3.2 All applicants contacted were asked a series of questions relating to: promotion of the scheme; contact with scheme officers; guidance materials; eligibility; facilitation; business planning; application and appraisal; notification of outcome; % grant aid available; minimum and maximum grant amounts; future need and targeting. Other interested parties were asked about the same topics. All correspondents were given opportunity to raise other issues.

#### Scheme Information & Promotion

- 3.3 With one exception, all applicants contacted reported that they had first been made aware of the WHPMG through direct contact with the Forestry Commission or another sector specific organisation, Northwoods and Yorwoods being the most commonly cited. The one exception had been made aware of the scheme by a forest machinery dealer who he had approached regarding potential purchase of a machine.
- 3.4 Obtaining scheme information was equally divided between applicant download from the FC website and supply of paper copy by a third party. The latter was prompted primarily by inadequate internet connectivity (e.g. no broadband availability) necessitating extended download periods.
- 3.5 Access to scheme information on the Internet, and a lack of comprehensive record keeping, means it is not possible to state the proportion of enquiries converted to applications. Some advisors estimated that it was in the region of 1 in 10.

- 3.6 Applicants reported broadly satisfactory experience of reading the scheme information, with no evidence of a lack of understanding or unnecessary complexity. A number indicated that they considered the quantity of information excessive, although strength of opinion on this tended to be in inverse proportion to the financial value of the proposed application.
- 3.7 The short deadlines imposed by the application windows did not allow for significant awareness raising of the scheme and its potential benefits to be undertaken. Thus a significant proportion of applicants were those who had already identified a need or opportunity but had not previously had the means to address it.
- 3.8 Timescales were thought to be primary reason for the low number of applications for collaborative working or marketing, where experience gained through other schemes (e.g. Bio-Energy Infrastructure Scheme) indicates that long lead in periods are required in order to develop proposals. The forest industry has a poor record for co-operation and collaboration but advisors and sector representatives considered it important that this was encouraged, as most companies within the sector are thought to be too small to serve many markets or benefit from the business efficiencies brought through scale.

#### Facilitation & Liaison

- 3.9 The majority of applicants raised a variety of queries, the most common type being regarding eligibility of proposed application, with FC and RDS staff. Both were reported as being helpful and informative, although in a significant minority there was a delay in response due to the need for staff to confirm answers to queries.
- 3.10 Applicants frequently expressed confusion over why two agencies (FC & RDS) were involved in scheme administration, unlike other ERDP schemes they were familiar with. However no defined problems arose during the application stage as result of this situation.
- 3.11 FC staff were considered to be knowledgeable about the industry and understanding of proposals brought forward by applicants, being able to identify the rationale behind many applications, and how proposals fitted into applicants wider business operations. Evidence from some applicants indicated that RDS staff had less knowledge of the sector and thus greater difficulty in assimilating the necessary information. In a number of cases this was caused, and compounded, by a number of applications being incomplete in terms of rationale or core business case. Conversely, RDS staff were more familiar with the demands of a scheme investing public funds in economic development, whereas for some FC staff it was a new experience and required new skills and approaches.

- 3.12 Facilitation of schemes produced mixed results. Many more schemes arose in the pilot area where facilitation existed, but the success rate was lower. Possible causes of this may be that whilst facilitation increased awareness of the scheme (and thus, applications), resources were inadequate for actual assistance with the preparation of the business case, or alternatively that in the case of non-facilitated schemes only those with more developed business practices (and thus better planned proposals) brought forward applications.
- 3.13 Facilitation was also of limited value in the pilot due to the timescales involved. Evidence from other ERDP schemes suggests that many more complicated schemes, for example of a collaborative nature, only arise after extensive periods of awareness raising.
- 3.14 A view was expressed that facilitation provided through a network of 'champions' acting as peer mentors would be more appropriate to the sector than 'institutional' providers. Potential applicants may identify better with such people and in turn knowledge would be embedded in the industry.

#### Business Planning

- 3.15 All applications regardless of value required a supporting business plan. For many in the forestry sector this would be the first time they had undertaken such a plan, given the micro nature of most businesses and the organic nature of their instigation and growth. All applicants found this a challenging exercise, although again opinion on the necessity and value of doing so was in inverse proportion to the proposed scheme value.
- 3.16 Broadly, business plan preparation was undertaken in one of three ways: (a) by the applicant with limited or no assistance, (b) in conjunction with a third party who guided the process and undertook significant parts of the plan, or (c), by a third party who wrote the plan in its entirety, referring only to the applicant for specific information (e.g. accounts) or verification.
- 3.17 Breakdown between these three methods was primarily by pilot areas – where facilitation was provided in the northern pilot area, applicants tended towards (b) indicating that a 'partnership' type approach was taken to plan preparation. This is important in building the capacity of the sector to undertake such business planning processes, regardless of whether they are publicly grant aided or not.
- 3.18 In the southern pilot area applicants generally prepared their own business plan, although in one case a private sector business advisor was engaged to do so (at a cost of approximately 9% of the scheme value). Whilst the skills base can be improved through such activity, if an applicant is starting from a very low knowledge base there is potential for best practice not to be followed and/or the skills learnt not to be embedded within the company.

- 3.19 No applicants interviewed had utilised, or considered doing so, Business Link or Small Business Service providers. This was due largely to a lack of awareness of these organisations or what services they offered. Applicants who were aware of such providers did not consider them relevant to their needs due to a perceived lack of understanding on the part of these organisations of the land/rural based sectors in general. In most cases this was based on anecdotal evidence rather than direct contact.
- 3.20 There was extensive evidence of applicants not having adequate available information, including financial reports, to support business planning. This also extended to evidence of need and market research, and in some cases a clear rationale for the proposed investment.
- 3.21 Amongst those responsible for the development and implementation of the WHPMGS there was a view that preparing business plans would be a useful exercise for applicants to undertake, regardless of the outcome of the application. Perhaps not surprisingly, applicant's views on this matter broadly reflected the outcome of their application. This was compounded by the view amongst applicants, and some advisors, that business plans were driven by the needs of the funders rather than the business concerned. However, it may be that lessons were learnt which were not immediately apparent or valued by the applicant but would assist with the management of other enterprises. A number of applicants considered that the networking arising from the exercise had been more useful than the business planning itself.

### Scheme Requirements

- 3.22 Applicants and advisors were united in considering the extent of business plan requirements excessive for smaller schemes, and out of step with other ERDP PBS (e.g. RES) or comparable grant values available to the sector (e.g. EWGS, ELS). It was thought that this had led to a considerable number of applications not being brought forward by smaller enterprises, despite initial enthusiasm. A range of £10 - £15k was cited by most as a value (total scheme) under which more streamlined applications should be acceptable. The Rural Enterprise Scheme has a level of £15000 under which a fast track approach is taken, which is reflected in the application requirements. Conversely, applicants agreed with the need for such processes when the grant applied for reached higher levels.
- 3.23 The % grant aid offered was considered to be about the minimum necessary to generate the necessary interest and private sector investment. Most applicants considered that there was an undefined cost involved in applying for a grant and, taking this into account, a lower % would have been unlikely to have been adequate to bring forward their scheme. A number suggested that there should be a range of %'s, with a higher level being offered where a proposal delivered lesser or longer term economic benefit but significant wider environmental or social benefits.

- 3.24 The maximum grant level was thought to be broadly correct, but a number of applicants and advisors considered that a lower minimum level would have been appropriate for some businesses in the forestry sector, given that total investment of £4 - £5k could move an operation (e.g. firewood processing) from a manual to a semi-automatic process thus resulting in significant efficiency improvements. This would also have significant health & safety benefits and could make the sector more attractive to other sections of the workforce currently under-represented in the forest industry.
- 3.25 Ineligibility of equipment acquired through Hire Purchase was considered to be a significant issue for many. Forestry businesses, especially contractors, generally have a low capital asset base (compared to agricultural landowners especially) and therefore have limited access to alternative finance.
- 3.26 The ineligibility of the arboricultural sector was also raised as a limiting factor. The arboricultural and forestry sectors are intricately linked and often share labour, machinery and markets, and there are many businesses operating on the margins between the two. Arboricultural businesses were considered to be more entrepreneurial, customer facing and familiar with modern business practice, all of which could result in potentially more viable and sustainable proposals.

#### Appraisal & Decision Making

- 3.27 Technical appraisal by RDS staff achieved the desired benefit of utilising existing skills and expertise gained through other ERDP schemes. There was evidence of shortcomings in appraiser's knowledge of the industry but in the majority of instances this was easily resolved by reference to FC staff or the applicant. In one case this did lead to a partial breakdown in communication between applicant and technical appraiser.
- 3.28 The minutes of the Appraisal Panel indicate that there was some unfamiliarity with the business environment within which applicants worked, the technical appraisal process and scoring systems, and the overall context in which WHPMGS had been introduced. In particular this related to the eligibility of some applications, the nature of certain proposals and how they fitted with an applicants existing business, and the core purposes of the WHPMGS. This may have been due to the absence from the Appraisal Panel of any staff involved in the technical appraisals (due to sick leave).
- 3.29 Applicants were advised in writing of the outcome of their application after the Appraisal Panel met, although some had made telephone enquiries prior to receipt of the letter. Applicants whose schemes had been rejected reported difficulty in obtaining further information on the reasons for this. In some cases this led to delays in deciding whether to request a reconsideration, appeal, or to reapply under the second round.

### Analysis of Outcomes

- 3.30 Assessment of the overall economic impact of the WHPMG Pilot is affected by the nature of schemes submitted, in that, unlike RES funded projects, they frequently relate to new working practices or new markets accessed by existing business operations rather than entirely new enterprises. This resulted in difficulties in calculating accurate internal rate of return estimates during technical appraisal, given the inability to precisely allocate additional income flows to the elements of the business funded through the scheme.
- 3.31 Notwithstanding the above, applicants have confirmed that four new jobs (Full Time Equivalent) will have been created as a result of investment secured through WHPMGS. For the particular schemes concerned, this amounts to a net cost of £6469 per job created.
- 3.32 An original purpose of WHPMG had been to foster economic opportunities arising from DEFRA/FC PSA targets relating to soil conservation, the management of woodland bird habitats, and improvement in the condition of woodland SSSIs. There was also an intention to assess the impact on different types of woodland and the impact on public access woodlands on the urban fringe via support for methods of harvesting and processing such as coppicing. Given the limited number and range of approved applications, and the early stage at which they stand at the time of writing, it has not been possible to undertake this assessment. However, it is possible to say that none of the approved schemes specifically targeted these outcomes, although one application relating to a horse logging business does have potential to secure such benefits.

### Ongoing Need

- 3.33 Applicants and representatives of the forest industry were asked about their opinions on the ongoing need for public sector intervention in the harvesting, processing and marketing of primary forestry products. All considered that there remained a very significant need for such assistance and that whilst recent improvements in timber prices had helped businesses, there were still many supply chain and market inefficiencies where intervention was required.
- 3.34 Within the funding and administrative bodies there was greater opinion that the scheme needed to be more focussed and targeted at specific parts of the sector, such as businesses working with emerging markets (e.g. woodfuel) or those capable of delivering outputs specifically relating to relevant PSA targets. It was proposed that such outcomes would be more likely to arise if a proactive approach was taken rather than setting broad eligibility criteria and responding to subsequent interest.

- 3.35 Targeting on a geographic basis was considered to be undesirable by potential applicants and sector representatives. Most highlighted the peripatetic nature of the industry, with businesses frequently working not just across a region but around the country depending on where opportunities arose. In many areas the forest resource is too small and fractured to present sufficient reason for a business to make a decision on location on that basis.
- 3.36 Targeting on a thematic basis brought greater acceptance, with a number citing regional priorities as identified through the Regional Forest Frameworks as being appropriate basis for determining the focus of attention. Nevertheless, the need for flexibility was emphasised by all respondents, given the volatile nature of the market and that new opportunities and markets emerged at a much more rapid pace than grant schemes were reviewed and amended.
- 3.37 Implementation of a successor scheme through the Regional Development Agencies (RDA's) was discussed. RDA involvement in the preparation of the Regional Forest Frameworks was cited as being important in this context. Applicants did have concerns regarding the ability of the industry and RDA's to identify areas of mutual benefit and that cultural issues may produce barriers to effective engagement. Although most considered it not important who undertook the administration of the scheme as long as they had a broad understanding of the sector, it was thought vital that those involved in its promotion, facilitation and appraisal had a thorough appreciation of the industry.
- 3.38 Operators of other schemes offering similar support to the sector have valuable information and experience which supports many of the above findings. In particular the recent evaluation of the South West Forest and Forest Futures projects undertaken by PACEC (<http://www.pacec.co.uk>) on behalf of the Forestry Commission and the Countryside Agency provides valuable economic rationale

## 4 Conclusions

### Scheme Information & Promotion

- 4.1 Although only 20 applications were forthcoming, the pilot has provided useful evidence for future development of the scheme whilst enabling structured investment in the industry in key sectors. Initial interest shown in the 2<sup>nd</sup> round indicates a comparable level of activity which will have similar consequential benefits.
- 4.2 Despite the very restricted timescales available, and that the forestry sector does not have experience of such schemes, the financial value of applications under the 1<sup>st</sup> round of WHPMGS amounted to over 98% of the total amount of funding available. That only a small amount of funding was actually allocated reflects on issues to do with eligibility and thoroughness of business case preparation, rather than need or opportunity.

- 4.3 Promotion of the scheme was effective, reflecting the nature of the industry and ability to identify and target potential applicants. A national scheme would provide more extensive opportunity for initiatives to promote awareness of the scheme, including working with sector specific representative bodies.
- 4.4 Scheme literature was considered to be appropriate and understandable, but this is contradicted by the high proportion of schemes deemed to be ineligible or withdrawn. Consideration should be given to providing greater clarity on scheme eligibility and core requirements at an early stage of the explanatory process.

#### Facilitation & Business Planning

- 4.5 The purpose, means and benefits of facilitation need to be better understood. Adequate resourcing and appropriate timescales are likely to be essential ingredients of successful facilitation. A combination of means, varying across regions, may be appropriate rather than a common system nationwide.
- 4.6 There is evidence of poor connection between the industry and agencies providing advice to small businesses. Further consideration needs to be given on how to overcome this lack of provision, whether it be via sector specific advisory bodies or the use of individuals or organisations able to act as intermediaries. Significant relationships with such organisations, capable of having meaningful and sustained impact, need to be fostered.
- 4.7 There is extensive evidence that the industry has little understanding of the business planning process and its value in maintaining ongoing business health. Techniques appropriate to the scale and needs of the sector need to be identified, promoted and facilitated.
- 4.8 The benefits and means of encouraging collaborative working, possibly through further pilots, should be investigated. This has particular implications for scheme facilitation and timescales. Technical appraisal and scoring mechanisms may need to be adjusted to reflect this.

#### Scheme Requirements

- 4.9 The application requirements for schemes of a lower value were out of proportion to the investment involved. A fast track approach, involving streamlined application requirements and quicker decision making, would be likely to generate much greater interest. For schemes of a higher value, more frequent application windows akin to other ERDP schemes should be adopted.
- 4.10 Consideration needs to be given to the eligibility of hire purchase as a means of raising private sector investment and options generated to offset the problems of doing so.

- 4.11 The appropriateness of extending eligibility further into the arboricultural sector should be reviewed in order to reflect the broad working environment of the industry.
- 4.12 The % grant aid offered is about correct, although consideration should be given to introducing higher levels for certain types of proposals where identifiable business need is present. These levels should be in line with similar schemes available to the rural/land based sector.
- 4.13 The minimum level of eligible scheme value aid should be adjusted downwards in order to accommodate a greater range of suitable schemes. The actual level will be partially determined by the requirements of any fast track approach introduced, however it is suggested that a figure within the range of £4000 - £5000 should be considered.

#### Appraisal & Decision Making

- 4.14 The role of the Appraisal Panel requires clarification and measures put in place to ensure adequate representation by key personnel. Consideration should be given to the panel including an observer(s) from the private sector, possibly from a representative body.
- 4.15 The timing and nature of feedback to unsuccessful applicants needs to be improved in order to enable informed decisions regarding amendment of proposals and resubmission of applications.
- 4.16 The high proportion of applications ruled ineligible or rejected by the panel indicates a disconnect between the scheme purposes, its facilitation, and the workings of the Appraisal Panel. Greater common understanding of the core purposes, opportunities presented by, and limitations of, the WHPMG needs to be achieved.

#### Future Needs

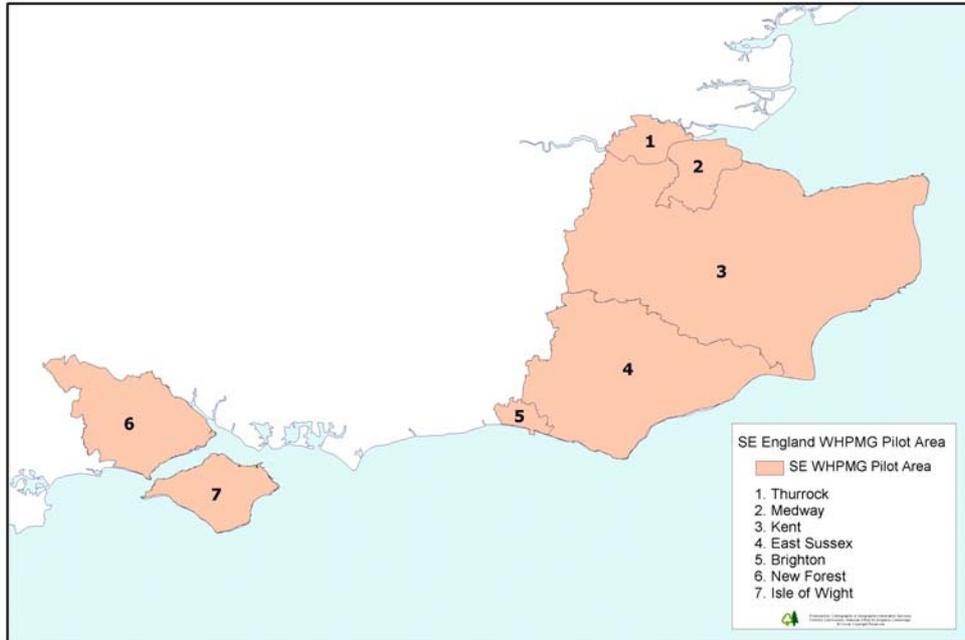
- 4.17 The benefits, rationale and means of proactive public investment (as opposed to broad based, essentially reactive, grant provision) in the sector, through targeting of particular outcomes, should be carefully considered. If decided appropriate, the emphasis should be on working with and supporting existing targeting statements (e.g. Regional Forest Frameworks) rather than compiling ones particular to WHPMG or successor scheme(s).
- 4.18 Analysis of the economic and wider impacts of the WHPMG, including business survival and Gross Value Added, should be considered once schemes have been in operation for an appropriate period.
- 4.19 Introduction of a successor scheme via another agency will require both the industry and those agencies to create and foster better understanding if both are to achieve significant gain. The private sector in particular needs to understand better how it can deliver public goods and construct mutually beneficial relationships.

- 4.20 The forestry sector needs to continue to provide evidence of, and highlight, its potential role in regional rural development and the wider socio-economic benefits that accrue from public investment in the industry.
- 4.21 The forest industry has significant potential to deliver environmental and social elements of sustainable development. The means to recognise and aid this, whilst placing a scheme within an economic development context, will be an important consideration in designing and implementing a future scheme.
- 4.22 The experience gained from similar schemes within the forestry sector, both within England and the other UK nations, should be taken into account in the design of any successor scheme.

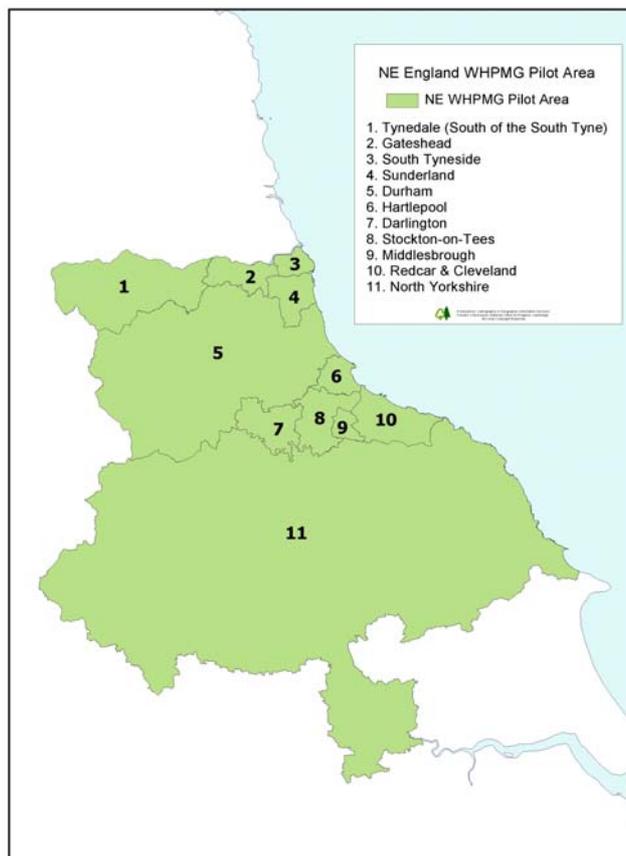
## Appendix I

### Map of Pilot Areas

#### South East England Pilot Area



#### North East and Yorkshire & The Humber Pilot Area



**Appendix II**

## WHPMG Applicant Questionnaire

1. How did you first become aware of the WHPMGS?
2. How did you obtain the scheme information?
3. Did you find the information easy to understand and relevant to your interest?
4. At what point did you first contact FC/RDS staff?
5. Did you find FC/RDS Staff informative and knowledgeable about WHPMGS?
6. What is the minimum % grant aid that could have been offered that would have enabled you to proceed with your scheme?
7. Was the minimum spend level in line with your initial aspirations for your scheme?
8. Did you complete the Application Form and prepare the Business Plan yourself or did you receive assistance, if so from whom?
9. Did you find preparing the Business Plan a difficult task and did you consider the requirements in proportion to the amount of grant aid you were requesting?
10. If you had not been applying for grant aid for your scheme would you have still prepared a business plan?
11. If your scheme was rejected, do you consider completing a Business Plan a useful process regardless?
12. If your scheme was rejected were you made aware that there was a process for the reconsideration of schemes or an appeal against the decision?
13. Do you believe there is an ongoing need for such a scheme within the forestry industry, if so why?