



Ein cyf/Our ref: CX19-GC032
Eich cyf/Your ref:

Ty Cambria,
29 Newport Road,
Cardiff,
CF24 0TP

Ebost/Email:
ChiefExecutivesOffice@cyfoethnaturiolcymru.gov.uk
Ffôn/Phone: 0300 065 4453

Nick Ramsay AM
Chair of Public Accounts Committee

By email: seneddPAC@assembly.wales

09/12/19

Dear Nick

Progress in implementing the recommendations of the review into timber sales

I am writing to update you on our progress in implementing the recommendations of the Grant Thornton review into timber sales governance.

The Timber Sales Governance Project was established in January 2019 in response to the review undertaken by Grant Thornton in late 2018. The Grant Thornton report identified several key areas for NRW to improve and a project team was established to deal with these recommendations and those from the WAO management letter and the PAC report (November 2018).

The project has been structured into two phases, with workstreams established to ensure the effective delivery of the actions at pace. These workstreams are: Wider Organisation; Policies and Process; Compliance; Communications; Finance; Contract Management; ICT and Contractual Issues.

Phase 1 - the Recovery Phase

Phase 1 has seen good progress being made across all the workstreams.

Wider Organisation: we have improved integrated working across corporate services through Organisation Design, recruiting to the new structure, restructuring of the internal audit function and how it works with our Audit and Risk Assurance Committee (ARAC), as well as training all staff in public law, state aid and governance.

Policies and Process: the project team has worked closely with the operational teams in the business to review policies and processes across the timber sales and marketing, and land management remits. This includes producing and training all forestry staff on a new set of Timber Sales Governance Standards.

Compliance: the team are working with staff to ensure the new policies and processes become embedded in our ways of working and are supporting staff to ensure they are

compliant with the new ways of working, as well as working closely with internal audit to implement and pursue new recommendations.

Communications: internal communications of the changes being made are critical to achieving the change in culture across the business. This includes the introduction of new intranet pages, internal newsletters and fortnightly briefings with staff. External communications are focused on building trust and improving relationships with the timber trade, including trade liaison sessions, bi-monthly newsletters, regular customer visits and regular meetings with Confor.

Finance: we have made considerable progress in developing financial forecasts based on coupe and contract level felling and marketing plans for income, harvesting costs, restocking costs and harvesting infrastructure costs. These have been incorporated into NRW's overall mid-year budget review and will be further refined during the remainder of the year. We are currently developing contract-level financial reporting of actual against forecast income and harvesting costs and expect this to be available before the end of the calendar year.

Contract Management: new timber sales and marketing terms and conditions have been written and introduced in the September 2019 timber e-sale for the first time. We have provided high level training on the implications of these new terms and conditions to both NRW staff and our timber customers. We have also initiated a contract management project to support with this and the Project Manager is currently scoping and scaling the project. The intention is to introduce new contract management guidance for all staff and deliver a robust training programme to improve contract management standards across all commercial contracts.

ICT: we have addressed the recommendations from the Grant Thornton report in the early parts of the plan and further improvements are planned for phase two of the project.

The changes already delivered include:

- Extra controls on who can approve certain sales types
- Introduction of a financial scheme of delegation structure within the system, enabling multi-level sale approval (depending on value)

Upcoming changes

- Enhancements to terms and conditions being sent automatically from the system
- More granular financial reporting

Contractual Issues: this workstream primarily led on the resolution of the Standing Sales Plus (SS+) concerns and the ongoing Long-Term Contracts (LTCs).

There are 34 Standing Sales Plus contracts with a restock liability. Agreements have been reached on 30 of these to terminate them and for the customers to buy themselves out of their restocking obligations. Work is ongoing to resolve the remaining 4.

There are three LTCs with issues remaining and agreements have been reached on two of these with negotiations continuing on the third.

Timber Sales and Marketing team: in addition to delivering the action plan, good progress has been made on recruitment to the new team structure, redesigned by the project team to provide more strategic support, working to effectively provide good governance in all areas of decision making in this area.

Phase 2 – the Embedding Phase

Phase two commenced on 1 December 2019 and is focusing on ensuring that the business and cultural changes are embedded within the business teams for when the formal project ends in March 2020.

The work undertaken by the Policies and Process workstream and the Compliance workstream as part of Phase 1 have been handed over to the newly appointed governance role in the commercial team, and a new Skills workstream has been set up which will further look to embed the changes introduced.

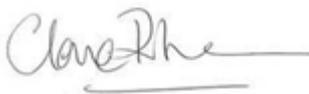
Overview and Governance

During this process an NRW Board oversight group has provided advice, scrutiny and challenge to the project. The project has also reported regularly to ARAC and the main NRW Board. We believe that we have made good progress in delivering the business changes required in the Recovery Phase of the project.

We have also had regular external reviews of progress, by Grant Thornton in July 2019 and more recently by Wales Audit Office. Both have concluded that we have made good progress on delivering our action plan, but that it will take time for all the improvements to fully embed throughout the business. Phase 2 is now focused on embedding these changes within the new teams in the business to ensure that the timber sales governance issues are not repeated in the future and robust frameworks to include tight compliance and checking are maintained.

I look forward to updating you further at our next evidence session on 20 January 2020.

Best wishes



Clare Pillman
Prif Weithredwr, Cyfoeth Naturiol Cymru
Chief Executive, Natural Resources Wales