

Agenda Item 8iii**Forestry Commission England
Audit & Risk Committee
29 February 2012****ARC 09/12****GOVERNANCE AND RISK – RDPE TRANSITION AND GRANT INTEGRATION****Purpose**

1. To highlight to the ARC the various risks and issues arising from the Rural Development programme transition and the integration of land management grants.

Background

2. The Rural Development Programme for England 2007-13 (RDPE) is a 7-year £3.5 billion Defra managed fund providing support for the rural sector. In broad terms responsibilities and delivery arrangements are:
 - o Defra – managing authority and budget holder;
 - o Rural Payments Agency (RPA) – paying agency and compliance authority;
 - o Natural England – delivery of ~£400m/year agri-environment grants, primarily via Environmental Stewardship (ES) and various legacy schemes;
 - o Forestry Commission (FC) – delivery of ~£33m/year forestry grants, currently via the English Woodland Grant Scheme (EWGS) and various legacy schemes;
 - o RDPE Delivery Teams (RDTs)* – delivery of ~£80m/year socio-economic support [*formerly part of 8 Regional Development Agencies and now part of Defra].
3. Rural Development is known as ‘Pillar 2’ of the EU Common Agricultural Policy (CAP). ‘Pillar 1’ of the CAP is the basic agricultural support known as ‘Single Farm Payment’ (SFP) and delivered in England by RPA with a value of ~£1.7 billion/year. CAP is governed by EU regulations and all of Pillar 1 and ~75% of Pillar 2 are funded by EU. Nonetheless the ~£125m/year of exchequer co-finance for RDPE and the associated delivery body costs make it one of Defra’s largest single exchequer programmes.
4. At a planned £33m/year for the current and next two financial years the FC administered RDPE funds represent approximately three times the value of the direct FC funding for Forest Services (FS). In addition forestry benefits from other parts of RDPE delivery, notably around £4m per year for smaller woodlands funded by ES and several socio-economic projects - the largest being the £4m Wood Fuel East (a project delivered by FS via RDT funds). Overall RDPE therefore represents around three quarters of the direct public funding for forestry activity outside the Public Forest Estate. It should be noted that the PFE also benefits from RDPE most notably via the £m New Forest ‘Higher Level Stewardship’ agreement and some smaller RDT funded socio-economic projects, including supply chain support.
5. In the next three years or so we are facing two distinct but interlinked issues in terms of RDPE delivery:

- the transition from one 7-year EU programming period to the next;
- integration of land management grant schemes.

Both taken separately have the potential to fundamentally affect delivery of RDPE resources and the outcomes that flow from them, also the future corporate direction of Forest Services. The risks and issues arising are interlinked and therefore covered together in this paper.

RDPE transition

6. Each seven year CAP programming period is subject to a new set of EU regulations and associated budget. A new development for the 2014-20 period is the intention to link five major EU funds under a single Common Strategic Framework (CSF) – the funds are Pillar 2 of the CAP, European Maritime and Fisheries Fund (EMFF), European Regional Development Fund, European Social Fund and Cohesion Fund. BIS lead on the CSF with Defra having key interest in CAP and EMFF. New budgets are negotiated at EU, member state and domestic level. New country level Rural Development Plans have to be produced and alongside this delivery mechanisms (i.e. grant schemes) have to be adjusted or replaced to comply with the regulations, to reflect the new outcomes sought and to match the available budgets.
7. Whilst posing many risks programme transition provides important opportunities to:
 - Refresh delivery to make it relevant to current context (outcomes sought, objectives pursued, revised delivery structures, revised/new schemes and payment rates)
 - Re-state the case for forestry in the overall envelope of available resources

Land management grant integration

8. Within RDPE there are two primary grant schemes that deliver grants focussed on land management – the English Woodland Grant Scheme (EWGS) administered by the Forestry Commission and Environmental Stewardship (ES) administered by Natural England. As part of the outcome of the review of Arms Length Bodies in 2010 FC and NE were asked to consider the potential for joining up these two schemes.
9. Following a presentation to the National Committee in March 2011 the Defra RDPE Programme Board agreed an initial phase of work to investigate options. We reported back to Defra in December (Annex B) indicating that full integration was the appropriate direction of travel, but that to achieve this successfully would not necessarily be a quick process and outlining a 3 stage approach to achieve it. Defra have accepted that integration is the correct approach but challenged us to attempt to achieve it in conjunction with the start of the next Rural Development Programme period in 2014.
10. As noted in Annex B a single land management grant scheme would potentially provide opportunities for:
 - enhanced outcomes
 - simplified delivery for customers
 - efficiency savings in delivery costs.

11. In theory the transition and integration changes need not be concurrent (the last change of agri-environment and forestry grants schemes occurred in the latter half of the last programme (ERDP), not at programme transition). Ultimately it will come down to the art of the possible – balancing risks and benefits of one large and ambitious change versus a two stage but more protracted series of changes.

Risks, issues and current mitigations

12. In the following discussion issues are identified as relating to either ‘transition’ or ‘integration’, if not specified they apply to both.

- Mitigations are noted as bullet points.

Governance

13. As a result of an OGC review in 2011 Defra has introduced revised governance arrangements for RDPE delivery from 2012 (Annex A, figure 1). This is a complex environment and compared to the position pre-2007 FC no longer has the same autonomy with regard to budget and delivery decisions. To date the integration work has been carried forward by a small standalone FC/NE project team. As we enter the transition period and more detailed work on integration the decisions taken will have more profound effects on FS and our delivery to the sector.

- FS to review FC attendance at RDPE governance meetings in light of revised FC and Defra structures – likely that FS Director to replace Andrew Smith on Programme Board ensuring EB level presence/engagement; Andrew Smith with RDPE officer to focus on Executive Group and Grant integration work streams; Head of Local Delivery to continue on Programme Monitoring Committee (stakeholder forum); FS Sustainable Forest Management staff to deal with Finance and Business Reviews and Delegated Authority Reviews.
- Ensure EWGS/ES integration work is formally embedded in the emerging transition work streams (Annex A, figure 2)

14. The recent change of Defra ministerial and director responsibilities for forestry adds a new dimension. Mr Paice previously had responsibility for forestry alongside RDPE, agri-environment and RPA. With forestry responsibility sitting with another Minister there is a risk that decisions will (even more) be driven by agricultural considerations. A similar arrangement under the last administration was partly responsible for forestry getting less favourable treatment during 2007 transition, i.e. all EWGS approvals were suspended for 12 months whereas ES continued. Defra Forestry Policy colleagues are represented on both the Programme Board and Executive Group – but Programme Board attendance is routinely delegated to junior team members.

- FC to ensure new Defra Forestry Policy lead engages appropriately with governance meetings and ensures join up between Defra officials and Ministers.

EU Regulations

15. The detail of these directly influences the scope of activity that can be funded. For 18 months Mike Render (FS RDPE officer) has been engaged with Defra feeding in UK comments to EU on the emerging drafts, leading the co-ordination with

forestry colleagues in UK devolveds and engaging the sector via workshops. Mike is now accompanying Defra officials to negotiating meetings in Brussels when forestry matters are on the agenda. With one exception (loss of income foregone payments for afforestation) we are satisfied that the current draft regulations allow for the continuation of all current activity, and potentially improvements with regard to forest and water protection and greater flexibility regarding funding of forestry SMEs. This is a continuation of the general expansion of opportunities achieved for forestry under the current programme.

- Mike Render to continue UK forestry official and stakeholder co-ordination and support to Defra on EU negotiations.
- In England we believe we can mitigate the loss of income foregone payments (farm woodland payments) by maximising our contribution to the establishment payment and making maximum use of the provision for maintenance payments up to year 10. In all but arable areas this would appear to allow us to maintain or increase payment rates. In relevant parts of arable areas it may be possible to utilise provisions allowing for income foregone payments for water quality improvement actions. Having directly administered income foregone payments for 5 years we are also painfully aware that 15 year+ annual payments are administratively onerous.
- We are taking legal advice on the emerging transitional arrangement regarding cessation of FW payments. There is an outstanding risk that this will lead to loss of momentum on woodland creation towards end of the current programme as any planting not started by 31/12/13 (as opposed to simply being approved) will cease to be eligible. Dialogue on this point continues with Defra, Devolveds and EU.

16. A new requirement will be for all forestry support to be based on a woodland management plan. This risks being seen as an extra burden by applicants and the same requirement in our recently launched Woodfuel WIG has caused concern.

- This requirement is consistent with the tenor of the new UK Forest Standard, and a recommendation from the Regulatory Task Force. It is an opportunity to embed appropriate management planning in the wider sector, and we are committing as part of the Regulatory Task Force response to develop appropriate management plan templates for English conditions. We will need to devote adequate resources to supporting staff and applicants in embedding the new requirements.

17. The CSF regulations will potentially allow for LEADER groups (Local Action Groups – currently a community delivery strand of RDPE) to act across rural development and structural funds. This may potentially be an opportunity to provide a delivery and funding route for future urban greening aspirations e.g. continuation of Big Tree Plant, Mayors Trees and Releaf projects.

- We need to identify how best to pursue these opportunities

Appropriateness of scheme objectives and design

18. Assuming the EU regulations allow for it, appropriate scheme objectives and design are essential to ensure delivery of desired outcomes. This takes two parts: (transition) the way the next 7-year England programme document is phrased in terms of objectives and detailed implementation of the EU measures chosen to be adopted and (integration) the way the new/revised grant scheme package is

designed/adapted to operate. Because an integrated scheme has to cater for other agri-environment priorities (and may ultimately be achieved by shoe-horning into the existing ES) there could be considerable restrictions on the way it is designed. We know that ES is likely to have to be subject to other radical changes to accommodate 'greening of pillar 1' – this is likely to result in many existing ES grant options from the 'Entry Level Scheme' (ELS) becoming a mandatory requirement for farmers receiving pillar 1 SFP support, thus ELS element of ES will have to be redesigned.

- To help frame high level objectives - urgent need for clarity on forestry policy priorities and associated evidence emerging from Independent Panel Report, to combine with known Natural Environment White Paper, Biodiversity 2020 commitments etc.
- Mike Render agreed with Defra and NE to be lead author for forestry elements of next programme. Mike accomplished for the current programme and has necessary knowledge of associated state aid issues.
- Engagement of relevant FC/NE staff and stakeholder input in future scheme design, changes and operation.
- To be prepared to state from forestry perspective that there would be preference to continue with stand-alone forestry scheme (and for FC to continue to deliver it) if it becomes obvious forestry delivery will be too compromised by the restrictions imposed on an integrated scheme (not yet clear where the point of no-return is).

Resource availability – grant budget

19. The start of a new programme gives rise to risk of changes in size of the overall RDPE budget and the forestry share of it. The total size of the 2014-20 RDPE budget is highly uncertain and is subject to seven variables none of which are in the control or direct influence of FC: total size of Pillar 2; the UK share of the Pillar 2 pot; England's share of the UK pot; funds transferred from Pillar 1 to Pillar 2; Exchange rates (variable throughout the programme); Level of Exchequer co-financing; the impact of greening.

- Although we can do little about the total size of the pot – the better evidence we have for the contribution forestry outcomes can make the better the forestry share is likely to be.

20. Grant integration also gives rise to the concern that 'ring-fenced' forestry funds could evaporate within a larger delivery envelope.

- This risk will be controlled by fact the forestry 'measures' are separately referenced in the EU regulation will require a discrete budget allocation in the programme document and be separately reported. Any subsequent transfer of funds between measures will have to be fully justified. In practice an integrated scheme may well enable forestry to benefit by having more direct access to a larger pool of funds. Also where equivalent operations are funded at present the ES rates are more favourable and integration could result in a 'levelling up' of payment rates etc.

Resource availability – delivery budget

21. A significantly reduced or increased grant budget gives rise to risk of misaligned delivery (staff) resource as this is funded separately via FC. Equally we need to

be mindful that at present a very high proportion of FS staff capacity is focussed on RDPE delivery – possibly up to 75%. We need to conclude if this is best value for money in delivery terms, especially as delivery budgets have been reduced by 30% and face further pressures. There is evidence that our ability to draw on multiple levers including grants in an integrated fashion is a unique attribute and often allows us to punch above our weight. We need to be cautious about changes that limit this flexibility.

- In reality a reduction of grant budget (transition) is the more likely outcome at this stage. From an FS perspective this would potentially free up Woodland Officer capacity to focus more on partnership, advice and protection work as desired by our Enabling Framework.
- Ensure (transition and integration) discussions retain ability of FC delivery staff to utilise grants alongside other mechanisms such as regulation and advice in a seamless way.

22. A significant part of the delivery costs are the IT development and maintenance costs. The England share of the grants and regulations (G&R) IT asset value is approaching £10m. Defra/NE have probably spent £100-200m on the IT platform for ES (GENESIS). Forecast running costs for our key FC IT delivery platform (GLOS) are £442k/year for the duration of SR10. There are acute pressures on the capital budget allocation this is taken from and we cannot be certain if this will continue to be affordable. Even if we move to an integrated IT system (presumably supported/funded by Defra/NE) the FC support costs will not immediately diminish – we have existing grant commitments beyond 2020 that will have to be managed out on existing FC systems as ‘legacy’ commitments (present assumption). Currently most of our G&R systems are managed by FC Information Services and funded/used on a three country basis. As a result of previous decisions for Scotland and Wales to move to country based IT solutions the overhead cost of GLOS support is likely to increase as it becomes an England only platform. Implications of Devolution and potential trisection of FC IT systems will further exacerbate this.

- Continue to recognise IT maintenance costs in forward budgets and impacts of FC devolution decisions.

Resource availability – change costs

23. Handling change work associated with transition and integration has substantial staff impacts. Our underlying new FS structures provide the necessary platform to provide appropriate skills and expertise. However, we have a large number of vacant/newly filled posts and also substantial amounts of other known and unknown tasks to embed SR10 changes, respond to Task Force commitments, Panel and devolution requirements. The transition work is more of a known quantity – we achieved it in 2007 – if we simply rolled EWGS over into the new programme with minimal changes to scheme design and organisational delivery responsibilities this is probably achievable within current resources – but may not on its own meet with political expectations.

24. The nature of integration and potentially more radical grant scheme changes is less well evaluated at this stage. E.g. while it is clear there will need to be FC input into the design of the new components the precise split of responsibilities and costs between Defra, NE and FC have not been agreed. At the moment the

assumption has to be that Defra/NE will bear the extra costs of providing a future integrated IT solution.

- Be realistic and clear about overall FS change programme and priorities.
- Through RDPE governance arrangements and transition workgroups establish greater clarity on integration resource implications.

IT resilience and capacity for change

25. A key delivery and change issue is the resilience of IT systems and their capacity for change. As noted already the underlying costs of the systems are substantial. Both NE and FC have experienced challenges in maintaining viable systems. The introduction of GLOS and migration of FWPS legacy schemes onto it were traumatic. As ARC are aware FS has spent 335k on a GLOS 'recovery' project this year following performance issues last year end. The move to a single IT platform maintained by another body, and thus the longer term reduction in reputational and finance risk of FC having to maintain an independent platform, is a major attraction of an integrated scheme.

26. As noted earlier, capital funding for IT is limiting. It seems unlikely that Defra will be able to contemplate funding a wholly new IT system for an integrated grant scheme. Increasing fiscal constraints in future years is a key reason why Defra officials appear to prefer earlier changes and costs. Current Defra RDPE officials have limited experience of previous grant and programme transitions and the costs, timescales and risk surrounding them. Incorporation of forestry elements into the existing ES scheme and Genesis IT system is a likely possibility. As noted earlier this system may have to accommodate other substantial changes. Limitations on budgets, capability of existing schemes, scale of changes required, and/or insufficient time to properly specify and deliver changes could all severely compromise any end product designed for forestry.

- Defra have recently established a 'CAP systems group' to gain an overview of all IT supporting Defra's CAP systems and advise on related matters. FC is represented on this and is collaborating with associated analysis is being led by Defra's information division. Defra agreed the need for IT expertise from this group to be included on the RDPE Executive Group. Taken together this should result in Defra and Delivery bodies being better informed on both the bigger picture and practicalities of IT issues.

Continuity

27. EU transition processes are already behind schedule and the equivalent stage they were at during the last transition. Previously the core regulation had already been published (it is still some months away) and the RDPE was approved 12 months after the start of the programming period. Furthermore, some aspects of scheme/IT design and change cannot take place with certainty until after the domestic programme is approved. EU currently maintain there will be no delays, Defra are expecting that 12 month delay is likely and delivery bodies expect it to be longer. The lack of an approved programme potentially results (as last time for forestry) in the inability to approve new agreements for a period of time. The farming and forestry sectors are both aware there are real risks here. In their report the Forestry Regulation Task Force called for specific measures to avoid a loss of continuity of funding.

- There are currently no substantive mitigations for this risk. Defra continue to be engaged in negotiations with EU on the 'transitional' regulation and this may ultimately recognise a funding continuity issue. Scenarios based on different transition timings have started to be developed by Defra in the last month or so in conjunction with revised governance. Defra officials have noted that the Minister has commented to the farming sector that 'the more a crisis is talked about the more likely it is to happen'.

28. The change of forestry grant schemes from a GB (WGS) to England (EWGS) basis in the period 2004-2005 is also remembered as the cause of significant hiatus to the industry. In some ways this was more significant than the 2007 RDPE transition because two issues combined. Firstly, budget pressures on the FC schemes led to a sudden closure of WGS. Secondly, delays in preparing the EWGS extended the period new applications were unavailable.

- EWGS budgets are now isolated from wider FC budget and the systems to monitor them are very substantially improved over those for WGS – so a failure to manage the forestry element of current budgets is less likely.

However, as noted earlier, budgets for the future programme and the route map for IT delivery are currently highly uncertain. Thus similar conditions exist for the same historic impact to occur, but due to different causes.

FC corporate status and role as a distinct delivery body

29. Changes to corporate status are out of scope of the current integration project. It is believed that FC and NE can collaborate in operating a single integrated scheme and IT system. This is the model adopted in the current Scottish programme. It will give rise to a different set of issues and opportunities than we currently have.

- FC and NE already have a track record of working in alignment as current schemes were designed to be complimentary. Our three phase integration proposals were designed to build on current alignment and use this to ease the path to fully integrated delivery.

30. Despite being out of scope of the current integration project, the establishment of a fully integrated grant scheme and associated IT increases the logic for institutional merger. This is particularly so if the current scale of RDPE delivery as a proportion of overall FS activity continues – i.e. more than 50%.

31. Transition is also a point at which roles of delivery bodies can change. They did so with the introduction of the 2007 RDPE when FC lost its 'paying agency' status and came under RPA oversight regarding compliance. Similarly the Regional Development Agencies were awarded a delivery role in 2007. Delivery responsibilities for the next programme have yet to be determined. It should be noted that the EU regulations generally prefer more integrated arrangements with fewer delivery bodies.

- Loss of FC paying agency status has proven to be less problematic than was initially feared. Despite some unwelcome aspects closer alignment and co-ordination with other Defra delivery bodies under RDPE has probably improved effectiveness and compliance with EU regulations.

Forestry's profile within RDPE and flexibility to meet its unique needs

32. Full integration with the agri-environment scheme (as opposed to the current alignment with it) does give rise to concerns over loss of profile and flexibility. Issues in delivering IT have been rehearsed above. Agri-environment delivery is likely to remain around ten times larger than forestry, therefore under any integrated delivery arrangements the considerations affecting agri-environment risk taking precedence when priorities are set.

- It will be important forestry and FC retains a distinct seat in all the relevant governance arrangements. (Note: this could be the substantive difference between joint delivery of an integrated scheme as opposed to integration of delivery into a single body).
- In event of an integrated scheme FC will need to retain sufficient capacity and expertise to ensure that it can continue to adequately represent the unique requirements of forestry in future delivery with NE, Defra and RPA.

Communications

33. The issues discussed in this paper present a complex set of communications needs. Because of the broader scale and political profile of both the whole programme and forestry at present, the FC is unable to act unilaterally on many of the communication needs. Many of the obvious questions currently and likely to be asked by stakeholders do not yet have answers.

- The new RDPE governance arrangements have included the establishment this year of a communications group. FS delivery and FC communications staff are represented and engaged on this.

Conclusions

34. Successfully managing forestry and FC's interests through RDPE transition and integration will be a very substantial piece of work for FS. There are many opportunities but equally significant risks. The results of some decisions could have profound impacts on delivery to the sector and the corporate future of the FS element of FC. If we believe that continuing to deliver a substantial package of Rural Development support to the sector is a worthwhile activity we will have to be prepared to devote a high proportion of FS effort to managing this work. Based on the discussion at ARC the Executive will construct a new risk for the risk register on RDPE transition and grant integration.

Recommendation

35. To note the paper for discussion and to make recommendations for the Executive to consider if appropriate.

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February 2012

ANNEX A: RDPE 2012 Governance structure charts

Figure 1: revised RDPE Governance structure, terms of reference agreed [FC engagement in green]

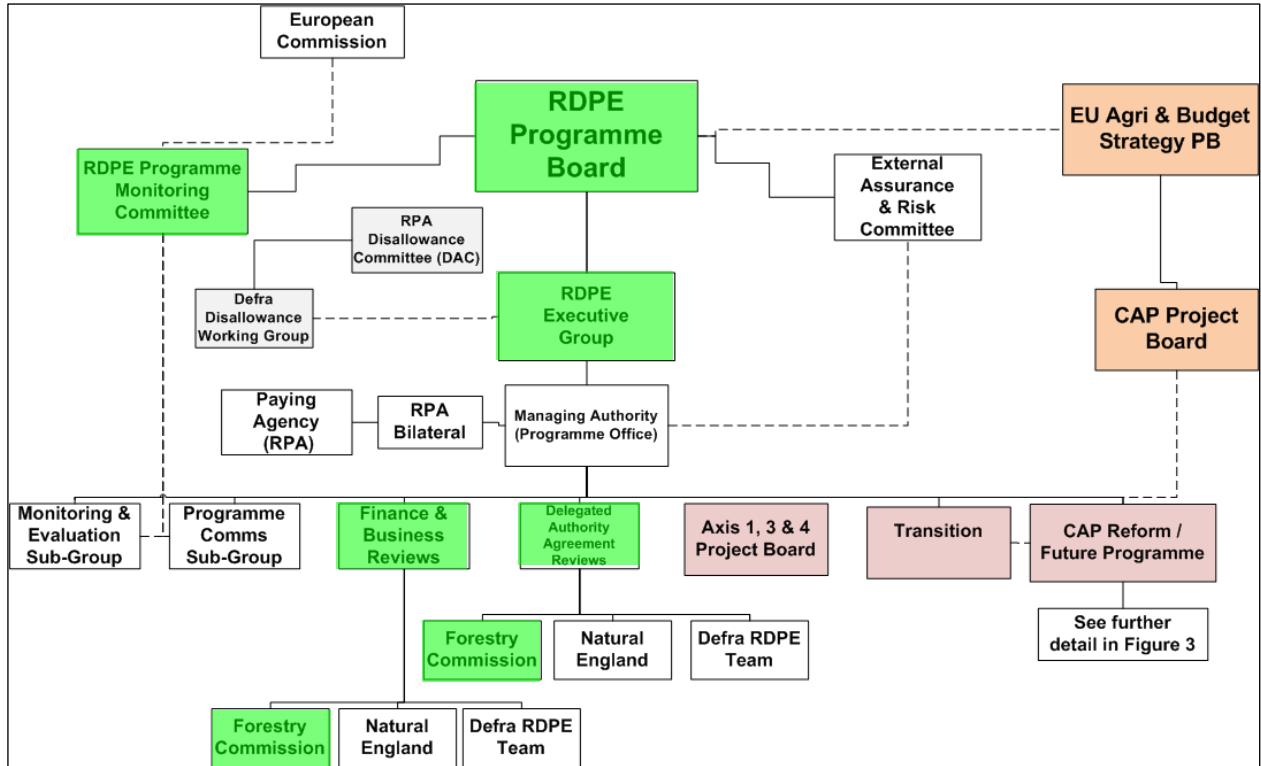
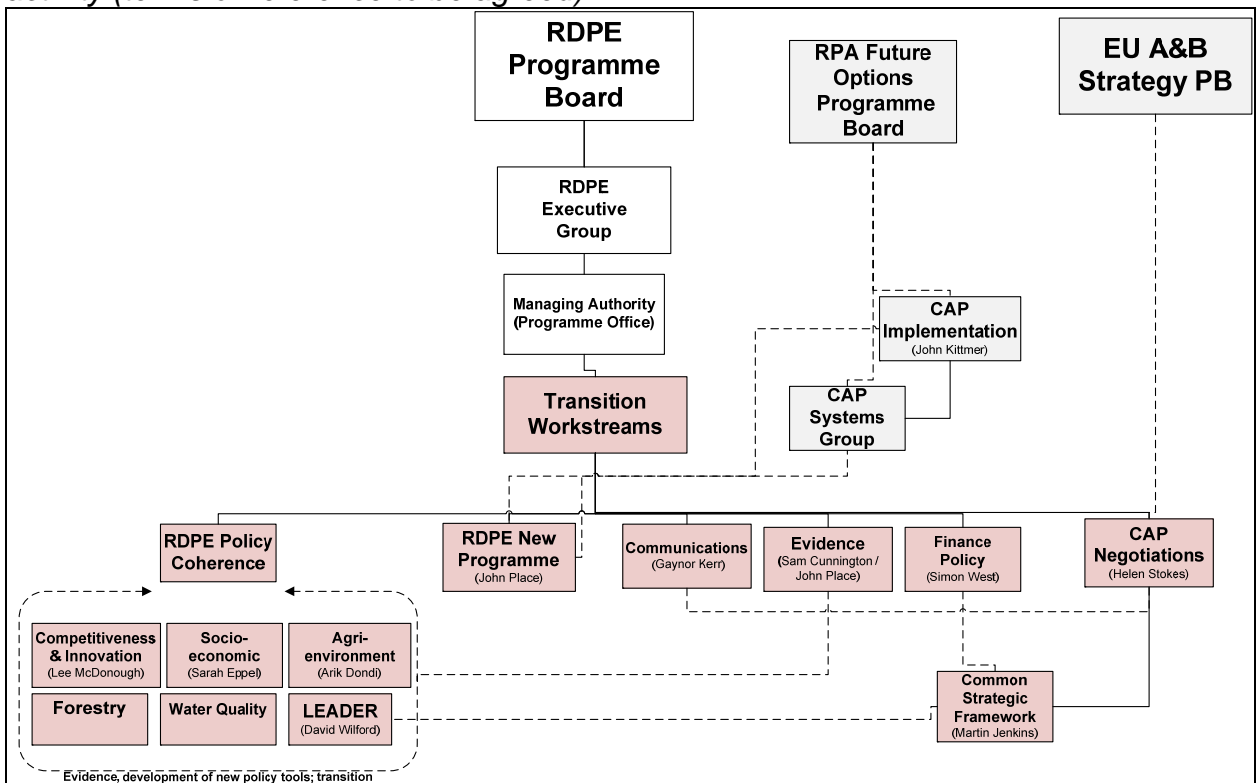


Figure 2: RDPE transition workstream activity and linkages to other Defra wide activity (terms or reference to be agreed)



Annex B

Agenda Item X

RDPE programme Board

Paper XX/11

5 December 2011

EWGS/HLS GRANT ALIGNMENT AND INTEGRATION

Purpose

1. To report back to the RDPE Programme Board on progress and to seek approval for the direction of travel in taking this work forward, now until the end of the current programme, and beyond.

Summary

2. Our work to-date has captured a wide range of views, making it clear that there are significant benefits to be had from both aligning and integrating the grant schemes. A consensus has developed that while useful steps can be taken relatively easily to align the schemes, the further along the direction of travel to full integration we go the greater the benefits are, especially in our ability to deliver the challenging enhanced environmental outcomes that will be required of us, for example:
 - A single integrated scheme is required to fully deliver policy outcomes from Natural Environment White Paper, Biodiversity Strategy, National Ecosystem Assessment, and to secure value for money by ensuring integration between scheme elements
 - A single integrated scheme would probably be better for customer experience (but with risks).
3. Delivering a single integrated scheme won't be a quick exercise, even starting now it is not possible by 2014. With further planned staff cuts and drawing on lessons from Scotland and Wales we don't think it realistic to consider implementation before mid-term of the next Programme. There are some quicker wins though that align the schemes over the next two years will be both beneficial in their own right and help progress the integration journey.

Background

4. This work was triggered by the SoS request on Arms Length Body working and the relevant text is at Annex 1. In May 2011 the Defra RDPE Programme Board approved a project with a first phase of evidence gathering and analysis to report back in December. The agreed 'success' criteria are:
 - Improvement in customer relations and services
 - Enhanced environmental and social outcomes
 - Deliverability and organisational structure of the two delivery bodies
 - Costs, both one-off change costs (particularly in relation to IT requirements) and ongoing running costs.

5. A joint NE/FC project group was set up and, since May 2011, has undertaken:
- An analysis comparing the overlap between the two schemes
 - 6 regional workshops with FC and NE staff and external stakeholders
 - Interviews with Scottish and Welsh forestry and agri-environment colleagues
 - England Woodland and Timber Partnership session with national stakeholders
 - National workshop with 40 Defra, FC and NE staff, and external stakeholders
 - Session with FC's Applicants Focus Group
 - Presentation and discussion at FC's England Executive Board, National Committee and with Grants and Regulation Managers.

Timescales and options

6. From our analysis and consultations we have identified potential activities that would deliver gains to the customer and in the environmental and social outcomes sought. These have been grouped into three time periods according to how quickly we believe change can be introduced. Key deliverables are shown in the tables below with an early analysis of benefits, gains, risks, costs and how to make it happen.

- During 2012& 2013: items that can be pursued immediately to align the areas of overlap between the schemes. They are mostly about improved working between Forestry Commission and Natural England. These are items the two delivery bodies are likely to want to (and should) undertake as part of the ALB collaboration agenda, have popular support from the feedback received and are unlikely to require any further mandate from Defra.
- By 2014: Parallel activity that will enable partial integration developments and progression toward development of the next programme. In view of timescales these stop short of full integration – but might include elements of partial integration (e.g. of woodland creation).
- Beyond 2014: these are generally the activities required to achieve full integration. From the feedback received, we do not believe it is possible to introduce a fully integrated scheme at the start of the next programme without major disruption to customers. To deliver this option would require its introduction mid term in the next programme and by 2020 at the latest.

During 2012 & 2013: remainder of RDPE

Deliverable	Benefits/Gains	Risks/Costs	How to make it happen?
Provide joint FC & NE access to IT systems and map data	Better visibility for staff and better landscape outcomes	Costs not thought to be significant	Technical survey
Seek opportunities for NE advisors and FC woodland officers to share office accommodation	Improved technical and cultural understanding leading to better outcomes	Insignificant, met within existing overheads	Underway as part of structural reorganisations (e.g. York, Penrith)
Enhanced internal FC/NE communications e.g. pipeline process	Improved scheme targeting	Minor additional staff commitment	Roll out and development of existing practice that has started in one or two regions.

			Set up task and finish group to coordinate
Focus enhanced joint working within the 12 selected NIA's	Ideal opportunity to both deliver against SoS commitment and develop integration (organisational/ cultural and scheme) approaches	Failure to do so risk's full benefit of NIA's	SoS NE & FC (EA?) statement alongside launch of the 12.
Provide clearer guidance to applicants on the appropriate grant scheme e.g. through flow chart	Avoids confusion and scheme competition. Supports Forestry Regulation Task Force recommendation to simplify complex application process	Slight risk of investing time improving guidance for current schemes if schemes change short time later	In-house review of current internal guidance and revise to make this accessible and relevant to applicant decision making process. Requires testing with stakeholders
Improvement in awareness of scheme processes	Improved customer experience (know what to expect)		Part of wider RDPE communications project
Improve co-ordination of consents processes	Improved customer experience. Supports Forestry Regulation Task Force recommendation to reduce customers' administrative burden	Often discussed in past. Potential to be more complicated than it appears	Working group needs to be established with clear management support.
Establishment of common targeting and standard's for woodland creation in line with the UK Forestry Standard	Improved resilience of woodland creation and strengthens potential for green growth	Fuzzy edge between genuine woodland/scrub habitats	Covers a mix of issues that require definition and development into a project in its own right. Includes improved staff awareness and training for NE advisors and has links to the Forestry Regulation Task Force recommendation concerning the production of a simplified guide to UKFS.

By 2014: preparation for start of next programme

Deliverable	Benefits/Gains	Risks/Costs	How to make it happen?
Align payment rates	Avoids confusion and scheme competition. Supports Forestry Regulation Task Force recommendation to simplify complex application process	Align up or down. May impact on other ES rates	RDPE14 preparation. Working group needs to be established that includes stakeholders
Review scheme design to facilitate action at the	Better and more resilient habitats	Maybe seen as adding complexity.	Ditto

interface between woodland & other land uses and the ability to manage pests and diseases at the landscape scale e.g. phytophthora, deer	created		
Develop joint monitoring and evaluation of ES and EWGS	More robust evidence base		Ditto
Improve sharing of expertise between FC and NE	Improved technical and cultural understanding leading to better outcomes		
Further develop closer working between FC, NE and stakeholders	Ditto		

Beyond 2014: beyond the start of next programme

Deliverable	Benefits/Gains	Risks/Costs	How to make it happen?
Develop single grant scheme based on an ecosystem services approach, including the provisioning services of woodland.	Better policy outcomes. Whole holding agreements possible. Improves consistency of approach and clarity for customer.	Potentially very complex process. Need to retain standalone woodland applications otherwise it would disenfranchise those applicants who only have woodland. Risk of loss of focus of resources on woodland issues.	Major project, subject to wider Defra context and decisions etc
Develop new IT system to support new grant scheme	Single grant scheme best supported by a single IT system. Reduces long term risk/cost of maintaining a standalone forestry IT system.	Costly. Potentially very complex. Problems with system likely to impact on whole grant scheme rather than individual components.	Ditto
Continue to develop closer working between FC, NE and stakeholders.	Improved technical and cultural understanding leading to better outcomes	Risk of loss of woodland technical expertise long term.	

7. The most obvious example of why integration offers the best option in the longer term is illustrated by a current case study from Cumbria (Annex 2). In a woodland creation context it has been found that the two schemes operating side by side, but as independent entities, are unable to maximise opportunities for landscape scale outcomes and secure best value from the funding available. Woodland creation is the most obvious element of activity to place into the agri-environment scheme (because it usually takes place on agricultural land) and this could be the basis of an earlier partial integration option. We expect similar problems to arise as we collaborate on delivery of landscape scale approaches via Nature Improvement Areas and catchment planning.

A more radical option

8. A broader challenge arises from the analysis: are the current schemes fit for purpose? The ideal single scheme might not be a simple blend of the existing two schemes. Should we take the opportunity this presents to pursue more radical change based on an ecosystem services approach to benefits and priorities for limited funding? Looking at future woodland priorities for example, they are:
- Woodland protection/health
 - Across landownership and land use
 - The need for monitoring
 - Adaptation and resilience
 - Alternative silvicultural systems (e.g. Continuous Cover Forestry)
 - Closer integration of land management at the landscape scale
 - Woodland creation for resource protection – soils, water, carbon etc.
 - Landscape scale approaches
 - Green growth – both scheme's should seek to enable or at least maintain (along with Axis 1 & 3 and their successors) green growth and sustainable land management.

The existing EWGS is not necessarily well placed to deliver this. Similar challenges could be made of Environmental Stewardship.

9. The next Rural Development Regulation looks set to permit support for prevention and restoration of damage to forests from pests and diseases and allow for much greater co-operative action, both of which could be used to deliver against the above priorities. To make full use of these opportunities will necessitate a significant review of EWGS rather than just allocating existing activity to new measure codes.

Next steps

10. While proposing full integration and consideration of more radical scheme redesign we are well aware this ambition is subject to many constraints and other factors such as:
- Staff resource at NE, FC and Defra, especially in light of structural reorganisations. Further work on EWGS/HLS Alignment is not programmed into current resource calculations in either FC or NE.
 - IT strategy and costs of procurement
 - Budget potentially giving limited headroom for new applications at start of next programme
 - Need to consider ecosystem services delivery and other policy agenda
 - Other work to implement next programme especially impacts of greening of pillar 1.
11. It was envisaged that phase 2 of this work would examine in more detail the costs and design of the preferred option. Thus the cost elements of the table are not fully evaluated at this stage. We have identified a preferred option but this is not costed up and doesn't take account of wider context which we're asking the Programme Board to advise on. In this context the stepped approach we're proposing works well. As a minimum the delivery bodies would expect to take forward the 2012-13 items in the next phase. However, we are reliant on guidance

from Defra as to the level integration they desire us to pursue and speed of travel, particularly:

- process and terms of reference for developing the next programme
- long term vision for land management scheme delivery.

12. It is clear that the longer a decision is delayed to progress on the long term direction, the longer it will be before the final destination can be successfully reached. Evidence from Scotland and Wales, and previous English experience, is that significant scheme redesign can take 3 years to achieve.

Other considerations

13. We are mindful that the SoS instruction required consideration of wider join up of land management delivery. These were out of scope of this project and we have not specifically considered Catchment Sensitive Farming, advice initiatives and delivery of socio-economic measures. Some stakeholder feedback supported improved alignment of these. However, we note that the Scottish experience of fully integrating socio-economic measures along with woodland and agri-environment has been painful.

Communications

14. As a result of the evidence gathering stakeholders are now well aware that consideration is being given to the future shape of land management scheme delivery. Ongoing dialogue will be necessary. We are not aware of the Minister having received a submission on this work.

Recommendation

15. The board is invited to comment on the proposed direction of travel and agree next steps (paragraph 10).

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Forestry Commission England

David Whelon
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