

19 June 2014

Update on relationships with Wales

1. Purpose

This paper is to update the Commissioners on the working relationships with Natural Resources Wales (NRW) and Welsh Government (WG) and progress with plans for migrating NRW and WG off FC systems.

2. Background/Introduction

On 29th November 2011 the Welsh Government announced the creation of a NRW which would incorporate the functions of the CCW as well as the Wales related functions of the Environment Agency and Forestry Commission. The new organisation was created using the Public Bodies Act (PBA), 2011 and transferred powers from what was FC Wales to NRW and WG. The FC agreed to continue to deliver functions at a GB level, the principal ones being research and plant health. The FC also agreed to continue to supply the Welsh Government and NRW with most of the services which were being supplied to FCW at that time. A phased withdrawal period of at least 3-5 years was agreed in order to allow NRW to determine its future requirements, to minimise the risk to FC's business continuity and to help coordinate any change with the emerging requirements of FCE and FCS.

3. Details

Shared Service Co-operation Agreement (SSCA)

The services with NRW have been managed under the SSCA and there is also a change control protocol that has been agreed to ensure that any changes to service or investment in new systems/services is being managed properly. There have been regular meetings at all levels between FC and NRW, and in particular there have been three high level meetings between Jean Lindsay and Emyr Roberts to consider strategic issues. There is general agreement that the first year has gone well with no issues of significance to report.

Charging for Services and Returning Savings

The partial withdrawal of services by NRW, most notably from HR made the Business Planning process in 2013 difficult and complex and as a result a new method of

charging for services was developed and agreed with all 3 countries. The basis for this agreement is outlined in Annex 1 along with some high level principles that customers have agreed to adhere to when withdrawing from a service. There is a clear understanding amongst customers that variable costs are small, and so immediate savings are generally not significant to fund a new service in the country. There is now general agreement that it is better for all service users to work together to agree a step change in services so that more significant savings can be made, shared and used to fund any new service in the country. Furthermore, timing changes to coincide with fixed cost break points will minimise the costs of change to all users.

Transition Plan

NRW has shared its high level plan for installing its own IT network in former FCW offices and for withdrawing from FAS services (although they are continuing to utilise some FAS systems as a managed service). NRW will be exiting from most 'desktop' services over the summer and agreement has been reached with NRW that a new remote access solution ('Gateway') will be built in order to allow on-going access to enduring FC systems. This will be built by NRW contractors working to FC's specifications. There are a number of other services due to be decommissioned this year, including internet, intranet and publication storage. Transitioning these services is a significant piece of work and requires the input of key FC personnel but the risks of change remain with NRW.

Branding

Progress with ceasing use of the FC brand is on-track with our licence, although significant further work, especially on forest signage, is needed over the coming year to ensure compliance with the agreement at the end of this FY.

Reciprocal Land Management

No issues with the land management arrangements have been experienced and the agreement is working as expected.

Memoranda of Understanding (MoU) with WG

The first year arrangements with WG have gone well with no major issues to report. Head of Plant Health provided an End of Year report on work undertaken on behalf of WG which has been well received by all involved. In addition WG has been represented and fully engaged in both the RSMB (and are a signatory to the Science and Innovation Strategy), and the WPEP led work looking at the future of Cross-Border Functions. The key message from WG is that they want to continue collaborative work with Scotland and England and that this will be the case for the

foreseeable future. The WG take a small number of services, mainly GIS related and discussions are taking place about whether we can move this to an internet based service to remove the small number of staff (<5) from the FC network over the coming FY.

4. Resource Implications

All of the changes to NRW service requirements require input from FC staff. Most of this cost is covered by the current service charges, but where necessary additional project costs are being agreed. The most significant resource requirement is in building the IT Gateway which will require extensive testing.

5. Risk Assessment

There are no major risks on the FC side of the programme as in essence FC will be switching off NRW access to systems. We are mindful though that if issues arise within NRW it could raise PR and political issues for them and we are maintaining a clear audit trail of key decisions to ensure any media communications can be handled quickly and effectively.

6. Communications Issues

The communications teams are involved in transition arrangements and staff are being regularly updated through both the e-connect bulletin and staff meetings.

7. Actions

The Commissioners are asked to note and comment on progress to date.

Annex 1 – Charging Mechanisms

- Services will be configured on the basis of existing demand and not on the notional basis of the pre-vesting state i.e. Services and costs will be presented based on the current needs and in the case of IS and FAS the changing need.
- Following on from this and in order to better follow the premise of the HM Treasury Statement of Funding Policy we will where applicable demonstrate that the other countries/FR are incurring extra costs and that will be done against the 12/13 baseline in conjunction with what steps have been put in place to reduce NRW liabilities.
- Indirect services that shared services provides to itself will need to be properly accounted for and presented as an overhead. The Staff Costs Ready Reckoner will be used and will avoid the need for cross charging
- The cost base of Shared Services is better described as fixed and variable. This is not a new concept to the FC and MECS have used this for some years. The countries have asked to have better information on demand drivers and describing costs in this way will enable service users to understand what reducing or withdrawing from a service will mean for their cost liabilities i.e. they will not necessarily save all of the costs charged by withdrawing from a service.
- Contract liabilities and termination dates should be part of the BP process to clarify with NRW (and other users) what cash liabilities exist and when they will be due for review.
- Shared Services will manage any savings brought about by staff churn or through cash savings in an equitable manner. Agreement is required with the countries on how savings should be distributed and consider options to minimise and manage out additional costs of any change but with an early focus on NRW.

Withdrawing from a Service – The Principles

- Refund of variable costs
- An examination of semi-variable costs to assess savings
- A look at work allocations to see if shared services can reorganise to achieve savings
- If change can be attributed to one customer then they will receive savings
- General efficiency savings will be shared by all customers
- **NB** - Any additional costs to remaining customers are paid by withdrawing customer