



Forest Research
The research agency of the Forestry Commission

Forest Research

Corporate Plan 2007–2010



INVESTOR IN PEOPLE

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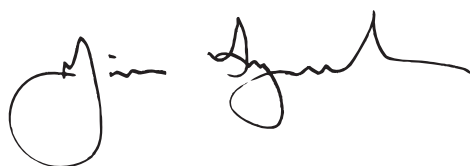
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Executive summary

This 2007–2010 Corporate Plan presents the strategic focus for Forest Research (FR), the research agency of the Forestry Commission (FC), over the next three years. It considers both scientific and business development of the organisation, in the context of current external influences. This year's plan is unusual in that it straddles a period of significant change for Forest Research as detailed in the FR Development Strategy (2006). The FR Development Strategy was agreed by the FR Executive Board and the Forestry Commission Commissioners in September 2006. At the time of preparation of this Corporate Plan, details of implementation of the Development Strategy are being formulated by the FR Executive Board and a Change Consultant, in consultation with staff and other stakeholders. At the heart of the Development Strategy is the understanding that FR must grow into a more sustainable organisation, with a more diverse range of funding sources in order to survive in a competitive world. For this reason, this Corporate Plan is built around the priorities identified in the Development Strategy and introduces steps towards its implementation. The Strategy will be implemented in a sequence of actions – and this is reflected in the understanding that this Corporate Plan presents “work in progress”.

The main objective of the UK government and the devolved administrations acting through the Forestry Commission continues to be the promotion of sustainable forest management within Great Britain and internationally. Research and development provide an essential component of the way the FC acts on behalf of England, Scotland and Wales, to provide the benefits of sustainable forestry in a multi-functional landscape. Increasingly scientific research is also gaining prominence as one of many routes to address the challenges of climate change and this is welcomed by FR, the FC and the wider sector. In 2005, the FC and the Northern Ireland Forest Service published the Science and Innovation Strategy for British Forestry (S&I Strategy) following consultations with stakeholders in England, Scotland, Wales and Northern Ireland. The S&I Strategy gives an enhanced role to the devolved administrations in determining the research priorities of the FC and specifying programmes to meet their needs via Programme Advisory Groups reporting through the Research Strategy Management Board.

Forest Research (FR) already has an impressive reputation for the quality and relevance of its research based on the technical expertise, scientific acumen and collaborative work of FR staff. This Corporate Plan focuses effort during this transitional phase on Key Performance Indicators (KPIs) at a higher strategic level than in previous years. Above all, implementation of the Development Strategy will emphasise the quality of science alongside much greater focus on working with the forestry and land use sectors to generate new ideas and transferring the knowledge to end users, both in the forestry sector and to an increasingly broad range of other stakeholders.



Professor Jim Lynch
Chief Executive

Introduction

This 2007–2010 Corporate Plan presents the strategic focus for Forest Research (FR), the research agency of the Forestry Commission (FC) over the next three years. It considers both scientific and business development of the organisation, and places these activities in the context of current and future external influences. This Corporate Plan builds on the Forest Research Development Strategy which gives details how FR will achieve increased relevance and sustainability through improved alignment and linkages, increased innovation, scientific and business excellence and strong governance over the next five years. The FR Development Strategy was agreed by the FR Executive Board and the Forestry Commissioners in September 2006. As this Corporate Plan is launched, some details of implementation of the Development Strategy have been agreed and are in progress. Others are still in development by the FR Executive Board and a Change Consultant, in consultation with staff and other stakeholders.

Forest Research Vision: to be a world class research provider in areas relating to sustainable forestry and land use

Forest Research already has an impressive reputation for the quality and relevance of its research based on the technical expertise, scientific acumen and collaborative work of FR staff. This Plan details how emphasis will be on maintaining the quality of science alongside greater focus on working with the forestry and land use sectors to generate new ideas and transfer the knowledge to end users, both in the forestry sector and to an increasingly broad range of other audiences. The main objective of the UK government and the devolved administrations acting through the FC continues to be the promotion of sustainable forest management within Great Britain and internationally. Research, technical development and support to operations provide an essential component of FC activities on behalf of England, Scotland and Wales to provide the benefits of sustainable forestry in a multi-functional landscape. Increasingly scientific research is gaining prominence as one of many routes to address the challenges of climate change and this is welcomed by FR, the FC and the wider forestry and land use sectors.

The FC and the Northern Ireland Forest Service published the Science and Innovation Strategy for British Forestry (S&I Strategy) in 2005 following consultations with stakeholders in England, Scotland, Wales and Northern Ireland. The Strategy gives an enhanced role for the devolved administrations in determining the research priorities of the FC through the Research Strategy Management Board (RSMB) supported by Programme Advisory Groups (PAGs) which specify programmes to meet their needs. Application of the Strategy by the FC, guides how research purchased from FR and other bodies fit into the total FC research and development spend.

For the years 2007–2010, it is still planned that the Forestry Commission will fund most of FR's research. Although forestry is devolved, Ministers agreed that research should be delivered across GB. Funding for the S&I Strategy comes from Corporate and Forestry Support (CFS) the GB element of the Westminster vote and FR is a GB Agency. CFS represents the needs of England, Scotland and Wales by commissioning research to deliver the S&I Strategy, but the country offices also commission research in their own right. In addition Operational Support Unit (OSU) purchases research and other services from FR to support forestry in Britain.

Implementation of the FR Development Strategy is moving forward quickly. It requires significant changes to the agency and this Corporate Plan reflects its aspirations. However, this period of transition will cause turbulence in certain ongoing activities and in recognition of this, the Corporate Plan for 2007–10 only sets large strategic Key Performance Indicators (KPIs), and relaxes temporarily the focus on the more mechanistic targets set in previous years. Throughout the period covered by this Corporate Plan, implementation of the Strategy will continue to evolve.

A key priority of the Development Strategy is to widen FR's funding base and to increase substantially income from sources other than the FC. FR will do this by winning funding from two main streams. FR will continue to bid for research funding from bodies such as the EU, commercial organisations and public sector research-users. Funding from the Public Sector Research Establishment 3 is allowing FR to build its commercialisation and innovation skill base in order to pursue the government agenda of exploitation of science. The £495,000 fund spread over three years, accompanied by funding from the FC and the FR Innovation Fund already in place, give FR significant momentum to work more closely with industry to ensure that innovative ideas are brought into commercial use. FR remains a public sector research agency and will continue to provide information and services at public expense where it is in the public interest to do so.

FR is recognised internationally as a centre of excellence in the scientific understanding of sustainable forest management in keeping with the current emphasis in British forestry. However, it is also extending this reputation in areas of research into all aspects of the environment relevant to trees, woodlands and forests, and on their value to society.

A key component of the FC Science and Innovation Strategy (2005) was an increased focus on knowledge transfer. It achieves this by introducing Research Liaison Officers (RLOs) for each country to provide a mechanism to link end users of research, country offices and FR and provide a valuable feedback and evaluation route. The posts are funded by the FC. There will also be increasing analysis of the existing routes for knowledge transfer including publications, conference presentations, seminars and the FR website.

During 2006, the Director General of the FC and the Commissioners led a review of the options open for the Alice Holt site. It has been explicitly agreed that implementation of the Development Strategy will address this issue and make recommendations for the most appropriate next steps.

FR responded to the Guidelines on quality control set out in the Joint Code of Practice for Research issued in 2003, by developing and rolling out a Quality Assurance process across the organisation. This formal process is underway and will deliver the needs of both the Forestry Commission and external customers.

Strategic Aims and Objectives

The aims and objectives of Forest Research have been set to assist the Forestry Commission achieve its GB objective:

- On behalf of all three administrations, to take the lead in development and promotion of sustainable forest management and to support its achievement nationally

The long term aim of Forest Research is:

- To support and enhance forestry and its role in sustainable development, by providing high-quality research and development in a well run organisation

Sustainable development is defined as development which meets the needs of the present without compromising the ability of future generations to meet their own needs.

Forest Research does this by means of its top-level objectives:

- To inform and support forestry's contribution to the development and delivery of the policies of the UK government and the devolved administrations
- To provide research, development and monitoring services relevant to UK forestry interests; to transfer knowledge actively and appropriately

To achieve these objectives, Forest Research will:

- Be an internationally recognised centre of excellence in forestry research
- Act in partnership with other organisations where appropriate
- In its operations, be efficient, cost-effective and commercially and environmentally aware
- Maximise income and recover full economic costs from research purchasers
- Be a caring and fair employer

This Corporate Plan reflects the aspirations of the FR Development Strategy. In this both FR and Corporate and Forestry Support recognise that there will be a period of transition. Explicit in this understanding is that there will be some disturbance of existing activities and allowances will be made by both parties for such situations. This Corporate Plan focuses on only 5 top-level Key Performance Indicators (KPIs). It relaxes temporarily the focus on the more mechanistic targets, as have been set in previous years. The top level KPIs are noted here and described in context at the appropriate place in this Plan.

Key Performance Indicators

- 1. FR will establish Priority Area Working Groups (PAWGs) as mechanism to develop business cases for 6 priority areas of research identified in the FR Development Strategy. PAWGs to report to FR CEO by June 2007. FREB to report on action to develop areas by September 2007. Implement new business targets by March 2008.**
- 2. FR will develop a clear framework setting out how FR intends to generate income by exploiting IP, R&D contracts, knowledge transfer and asset utilisation. To report to FR CEO by August 2007.**
- 3. FR will agree with FC Wales geographic locations and partnership mechanisms to increase its presence in Wales, building on current strengths and opportunities for the future. A proposal and implementation plan will be put to the Wales National Committee by September 2007.**
- 4. FR will undertake an audit of staff skills to provide details of business skills, flexibility, and development needs to report to FR CEO. An action plan to achieve the required staff resources will be produced by March 2008.**
- 5. FR will review its finance system. A fit for purpose system will be recommended to the FR CEO by July 2007. This will be rolled out and in operational use by March 2008.**
- 6. FR will grow its external income from £2.4 million in 2006–2007 to £2.7m in 2007–2008.**

The period until the end of September 2008 will account for Phase 2 of the Development Strategy. The period beyond that will represent Phase 3 (implementation).

Delivering the Development Strategy

In September 2006, Commissioners agreed FR's Development Strategy 2007–2010. FR's research knowledge is in increasing demand to address some of the issues challenging the world's scientists, such as climate change, the sustainable management of renewable resources, threats from invasive pests, the health of the population and social inclusion. The Strategy gives details of how FR will extend further into these areas by focusing resources where they achieve direct results.

FR will achieve its Vision by intensifying and extending its collaborations with industry; with public, private and voluntary agencies; and with other researchers in strategic national and international partnerships.

Five main elements will deliver the FR Vision:

- Alignment** - with customers' policy mandates, priorities and programmes
- Linkages** - collaboration with government bodies, research providers and the land use sector
- Innovation** - working with partners to stimulate creative, leading edge approaches
- Excellence** - of science, grounding in practical forestry, cost-controls, ethics and transparency
- Governance** - acting on effective systems and risk management processes

Successful engagement with other funding bodies and consortia-working will benefit the FC as it gains access to a wider spectrum of advice and support, partly resourced by others. FR understands the value of both responding to the needs of each FC Country Office and retaining the wider GB viewpoint where this is useful. Additional research and innovation will help stimulate economic, social and environmental benefits for the forest industry, urban communities and rural economy. For example, involving private sector companies in research could provide field trial opportunities at lower cost to the FC.

In order to realise the Development Strategy vision, FR has identified six priority areas for growth important to each of the countries and of significant public interest and concern:

- Biosecurity – protecting our forests and woodlands from pests and diseases
- Wellbeing
- Urban greening
- Climate change
- Biomass energy
- Sustainable management of the Forest Industry woodchain

Key Performance Indicator 1

FR will establish Priority Area Working Groups (PAWGs) as mechanism to develop business cases for 6 priority areas of research identified in the FR Development Strategy. PAWGs to report to FR CEO by June 2007. FREB to report on action to develop areas by September 2007. Implement new business targets by March 2008.

FR is clear that its research priorities will substantially comprise and complement the priorities given in the S&I Strategy including alternative silviculture and soil and water management. In order to achieve growth in these areas, it is anticipated that FR will need to reduce resources in some existing research areas which are no longer of such high priority.

Forest Research is part of the Forestry Commission. While recognising the stability and constructive working relationship with the FC, the Development Strategy gives details of the plan to grow additional income streams. Each year specific performance targets will be agreed to encourage the growth of external income to benefit both FR and the broader FC. FR is fortunate in having the FC as a major stable client. This puts FR in a strong position to win other project or programme-based funding. The FC supports such “matched” funding where it satisfies customers’ objectives. The FC has also agreed to consider such support in the future where it helps FR realise its Development Strategy objectives without detrimental impact on FC requirements. The outcome of the Spending Review will determine the absolute level of the programmes to be funded by the FC. However, it has been agreed that to meet the aims of both the S&I Strategy and the Development Strategy will require realignment of approximately 20% of the S&I Strategy expenditure. Over the period covered by the Corporate Plan, FR intends to grow its external income from £2.7 million to £3.4 million whilst assuming that FC support reduces in real terms. In doing so, external income will increase from 17% to 21% of total income.

FR intends to increase the profile and capacity of its Business Development function, so that the Business Development Manager can progress initiatives already underway and assist FR’s management team to deliver the income targets. The Development Strategy gives details of the plan to grow new income streams. Essentially, three main types of income are sought:

- research and development contracts
- income arising from IP exploitation
- income arising from the intensification of FR’s asset utilisation

FR will work with FC to develop and agree clear procedures for spin out companies and joint ventures.

Key Performance Indicator 2

FR will develop a clear framework setting out how FR intends to generate income by exploiting IP, R&D contracts, knowledge transfer and asset utilisation. To report to FR CEO by August 2007.

FR has a strong track record in winning research and development (R&D) contracts. We expect these collaborative arrangements to increase. All contracts are won by competition in response to open calls for tenders and legal agreements govern all R&D that FR undertakes for external organisations. During recent months, FR has won new contracts from DTI Technology Programme, the Environment Agency, the Scottish Forestry Trust, the EU, UK Research Councils, Defra and the Department for International Development. In the UK, funders are increasingly combining forces to work across sectors and encourage inter-disciplinarity. A prime example of this is the Rural Economy and Land Use (RELU) Programme, in which FR has recently been successful in winning two new contracts. During the period covered by this Corporate Plan, the EU's Framework 7 Research Programme will be commissioned and FR will be involved in bids for funding, both as coordinator and partner. In Europe, 2007 sees the launch of a number of new funding programmes, notably under Framework 7, the EU Competitiveness and Innovation Programme (CIP) and Interreg. Work is already underway to develop projects under these funding schemes. FR will continue to seek opportunities to win such funding and several significant new initiatives are already underway. For example, FR is working with UCCA, Reading and Surrey Universities to establish a Rural Research Strategy Partnership (RRSP). FR is also exploring the potential to develop a capability to bid for, and deliver international donor aid contracts such as World Bank contracts. FR has identified a number of areas where preliminary analysis of its strengths against market requirements suggests there is scope for growth. Further investigation of these will be required to assess their viability.

FR is increasingly focusing on winning applied research contracts, which stimulate the levels of innovation and economic growth in both traditional forestry industries and in the environmental services sector. This is consistent with EU and UK policy, which itself increasingly requires positive economic impact from R&D investment. FR has been successful in becoming an eligible knowledge based organisation for DTI Knowledge Transfer Partnerships and during the period of the Corporate Plan it hopes to successfully put in place a number of KTPs with its industrial partners.

As mentioned above, over the longer term, another source of income to FR will be achieved by successful commercialisation of FR's intellectual property (IP). The strong ground work started in 2006–2007 following FR's PSRE3 funding award, and ongoing, will begin to deliver financial rewards over the medium to long term as licensing deals are established or spinout companies established. However, the PSRE3 funding is enabling FR to build the resources, processes and infrastructure needed to manage its intellectual property (IP) and has enabled FR to recruit an IP Manager, who will be key in pushing forward this area.

The FR Development Strategy will be challenging to all involved in its implementation. It will require a focus on the big picture.

Organisational Structure

FR's Executive Board (FREB) comprises:

- Chief Executive
- Research Director
- Heads of Science Divisions (5)
- Human Resources Director
- Finance and IT Services Director
- Communications Director

Assurance on risk management, control and governance with FR is provided by the FC's Internal Audit unit via a formal Service Level Agreement.

Following an internal review in 2006/07 the Board of Commissioners is establishing an FR Audit and Risk Committee (ARC) to advise on the comprehensiveness, reliability and integrity of assurances in meeting the needs of the Board and the FR Chief Executive, in his role as Agency Accounting Officer. Membership of the ARC is non-executive.

The FR Audit Committee deals with high level issues concerning risk, control and governance. The FR Chief Executive, acting in his capacity as Agency Accounting Officer, is responsible to the FR Audit Committee.

In 2004, the Agency was re-organised into five research divisions to enhance cross-functional working and provide a streamlined management structure. It was planned to review the structure in summer 2006, but this review has been superseded by Development Strategy process.

<p>The five research divisions are:</p> <ul style="list-style-type: none">• Tree Health• Biometrics, Surveys and Statistics• Ecology• Forest Management• Environmental and Human Sciences	<p>The science divisions sit alongside:</p> <ul style="list-style-type: none">• Technical Services Unit• Communications Group• Finance and IT Services Group• Human Resources and Administration Group
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The Agency employs 270 staff across England, Scotland and Wales. The majority of staff are located at two main research centres, Alice Holt Lodge in Hampshire and the Northern Research Station outside Edinburgh. FR has expressed an aspiration to expand its presence in Wales. There is also a network of five main fieldstations operated by the Technical Services Unit. The Technical Development Group, part of the Forest Management Division has three offices located in south Scotland, the Midlands and Wales. The total value of the physical assets, buildings and equipment in the control of the Agency is valued at £11.8 million (2006–2007).

Key Performance Indicator 3

FR will agree with FC Wales geographic locations and partnership mechanisms to increase its presence in Wales, building on current strengths and opportunities for the future. A proposal and implementation plan will be put to the Wales National Committee by September 2007.

Science and Research Excellence

The Advisory Committee on Forest Research (ACFR) provides independent advice to the FC and FR on the quality and direction of FR research. The Committee oversees the peer-review of the FR research programmes purchased by the FC and other funders. This process works through the appointment of Visiting Groups of external / international scientists and through consideration of their reports and implementation of action points derived.

Forest Research's science strategy builds upon the S&I Strategy but also balances the demands of other funding sources. The UK government is strongly committed to increasing spending on research and technology and in particular encouraging exploitation and commercialisation of research outputs. The Executive Board of FR will ensure a balance which continues to satisfy fully its major customer, the FC, while building other business linkages as described in the Development Strategy.

FR provides the scientific evidence base for innovation in sustainable forest management and environmental sustainability in a multi-functional landscape. The excellence of the science is monitored and evaluated by:

- Internal processes including QA
- Examination by Expert Visiting Groups
- The rigour of publishing in peer-reviewed journals
- Input and feedback from the Advisory Committee on Forest Research

FR seeks to increase its regional, national and international partnerships, profile and reputation in order to encourage high level collaboration and recruitment. Co-funding of research projects is expected to increase, building on the organisation's considerable experience of collaborative research. Recent instances include co-funding through the Rural Economy and Land Use (RELU) Programme. This is a cooperative initiative between Defra, SEERAD, the Economic and Social Research Council (ESRC), the Biotechnology and Biological Sciences Research Council (BBSRC) and the Natural Environment Research Council (NERC).

FR provides the secretariat for the Forestry Research Coordination Committee (FRCC) - an inter-organisational committee of UK funders of forestry research. Its objectives are to co-ordinate forestry and tree-related research and ensure appropriate integration and synergy in the research purchased by a range of UK funders.

FR is highly valued within the forestry and land use sector as a source of practice-based practical information. High-quality research enables and responds to high-quality science collaboration which is achieved by maintaining existing relationships and establishing new linkages. FR plans to support its centres of excellence in each country ("central hubs") by a network of regional hubs.

The FC and other customers are assured of the quality of research delivered by FR through formal literature peer review processes. Research excellence is also formally assessed by means of peer review through the Advisory Committee on Forest Research. Currently the Committee appoints 'Visiting Groups' of three or four experts (usually scientists, including international experts) to scrutinise particular areas of research and report on scientific quality to the Committee.

The system of annual divisional Visiting Groups will be reviewed and an alternative system of whole-agency review every 5 years will be considered. Recommendations will be made to the FR CEO by June 2007.

Human Resources and Investors in People

Forest Research has a permanent staff of 232 full-time equivalents and a total staff of 270 including fixed-term and short-term temporary appointments and sandwich students (Table 4). It employs around 120 research scientists and technical development staff supported by 85 staff providing technical support and surveys. Other staff provide administrative support and specialist services. Forest Research staff are employees of the FC, sharing Human Resources management systems and policies with the rest of the FC.

FR will continue to place strong emphasis on safe working practices and to call upon the services of the Forestry Commission Health and Safety Officer. The Agency also has its own Health and Safety Advisers. FR will continue to comply with all relevant safety legislation and act as a responsible employer. The FC and FR are accredited under the Investor in People initiative. There is a well-developed mechanism for collective discussion with relevant trades unions and staff relations in FR are generally good. Reportable accidents have averaged around one per hundred employees per year in recent years. The level of absence in the Agency currently averages 4.9 days per employee per year with 72% of staff absent for five days or less per year.

FR will continue to provide a working environment which attracts high quality staff, both from the forestry and environmental sectors and in support functions. FR will strive to recruit and retain staff with the qualities, skills and expertise required. Staff must feel they are treated fairly and supported by the organisation to motivate them to deliver on their objectives.

Key Performance Indicator 4

FR will undertake an audit of staff skills, to provide details of business skills, flexibility, and development needs to report to FR CEO. An action plan to achieve the required staff resources will be produced by March 2008.

Communication, Knowledge Transfer and Innovation

FR seeks to improve its processes and routes to communicate outputs of research and technical development and support to operations to key target audiences. Longstanding audiences include the forestry sector, the wider environmental community, policymakers, conservationists and scientists. Newer audiences include those interested in the outputs from FR's social and climate research and in the role of biomass in renewable energy.

Developing stronger links will build the already strong 'brand' reputation of FR, as a source of scientific excellence with practical understanding of the forestry and environmental sectors. For example, FR's establishment of the national Biomass Energy Centre (BEC) during 2006 has generated a new knowledge transfer hub for biomass which is already answering over 100 enquiries per month. Coupled to this, FR's Research Liaison Officers based in the countries are establishing their roles, which includes sharing awareness of FR research and development activities with end-users and, just as importantly, feeding back the needs of audiences to both FC and FR staff.

As detailed in the Development Strategy, FR will develop further its knowledge transfer activities. The UK government continues to be strongly committed to increasing spending on research and technology and in particular encourages exploitation and commercialisation of research outputs. The Regulatory Reform Order allows the FC and FR freedom to develop commercial revenues. FR will take advantage of such opportunities, working with other organisations when appropriate and actively looking for opportunities to develop partnerships, widen its customer base and evaluate the commercial potential of its work with a view to exploitation.

The PSRE3 bid document includes specific and demanding milestones which will be achieved. To enhance its communication and knowledge transfer activities, FR will actively develop new internal processes to support the culture change towards greater emphasis on fully communicating and exploiting results of its research.

PSRE3 funding has enabled FR to recruit an Intellectual Property Manager. This combined with the "Innovation Fund" managed directly by FR's CEO provides the opportunity to explore creatively new areas of interest through a variety of routes.

Customer Satisfaction

The FC and other FR customers seek outputs which meet their needs in terms of quality, timeliness and cost. Charges for work undertaken are agreed in advance and the nature and timing of outputs are specified while recognising the need for flexibility in the development of knowledge transfer activities themselves. Understanding that customers don't experience the mean, they experience the variation, FR will renew its emphasis on customer care, manifested as improved communication and responsiveness. This will be coupled with effective project management following further agreement of priority activities for researchers.

FR will work with customers over the course of the year to review the measures of customer satisfaction to ensure they meet current and future needs.

Financial Targets, Winning Business and Facilities

The Forestry Commission has set the activities of Forest Research within a Financial Framework. The Agency is required by its Framework Document to achieve full cost recovery from selling services to customers, including a 3.5% return on capital employed. FR manages its finances and prepares annual accounts on the accruals basis (see Table 1, page 19; Table 3, page 20). Total capital employed in the Agency is £13.7 million of which £11.8 million are fixed assets and the balance net current assets (Table 2, page 19).

Forest Research operates an internal market system in order to maintain financial discipline and ensure accurate costing of projects and programmes. Each Division is required to pay market rates for services received and make a net contribution to the Agency's overall financial target. Monthly reports of income and expenditure to date are provided and detailed monitoring reports are available at project level. Forecasts of income and expenditure are updated regularly and corrective action taken where necessary.

Analysis during Phase 1 of the Development Strategy implementation has shown that the current financial and project management system will no longer be suited to an environment with a wider range of customers and a more rapidly changing customer base. There is a need for front line managers to be provided with the information which allows them to take full responsibility for the projects they manage and for a system of summarising and reporting financial data to give senior managers a strategic view of resourcing in the Agency.

Key Performance Indicator 5

FR will review its finance system. A fit for purpose system will be recommended to the FR CEO by July 2007. This will be rolled out and in operational use by March 2008.

In February 2006, FR and FC submitted a joint response to the Office of Science and Innovation Report Into Public Sector Sustainability (RIPSS). It considered how the nature of FR research, the policy environment, the relationship between FR, the FC and other customers and other broad environmental factors affected FR's sustainability. It focused on how FR's research activities fit in with other business objectives. The sustainability of aspects of each Public Sector Research Establishment is measured as traffic light colours and FR's responses were all in the green or amber-green categories which reflects well on FR's sustainability.

FR's response to the 2005 – 2006 RIPSS survey identified two areas of concern (rated amber green)

- FR's physical infrastructure - recognising that additional work is required to develop an explicit capital asset strategy for FR's estates, to upgrade certain estate facilities and to increase the flexibility to create reserves against such expenditure
- FR's dependence on a single customer, further accentuated by the requirement for FC to provide 'matched funding' support for EU contracts

The Development Strategy confronts these realities head on and undertakes to improve the position in both these areas. To achieve this, FR will include a capital asset strategy in the details of its implementation of the Development Strategy and is focusing on increasing the income earned from clients other than the FC. The income target for 2007–2008 is challenging and when achieved will represent considerable growth due in great part to FR's investment in business development activities.

Development Consultants will be employed to scope the Alice Holt site potential by liaison with local planning authorities and potential interested parties.

Key Performance Indicator 6

FR will grow its external income from £2.4 million in 2006–2007 to £2.7m in 2007–2008.

An important driver for environmental sustainability is the UK government's 'Securing the Future' initiative, which seeks to maximise the impact which government can make to the UK's overall environmental performance through the improvements to the carbon footprint of the government estate and government procurement activities. FR is working actively with the wider FC 'Greenerways' project on a number of related environmental initiatives, moving towards the overall target of making FR's operations carbon neutral by 2012.

Key Financial Information: Establishing FR's Business Plan 2007–2010

Table 1: Income and Expenditure 2005–2010

	05/06 Actual	06/07 Forecast	07/08 Planned	08/09 Planned	09/10 Planned
Income	£M	£M	£M	£M	£M
CFS	10.6	10.6	10.6	10.6	10.6
OSU	0.6	0.6	0.6	0.6	0.6
OTHER FC	1.2	1.2	1.8	1.8	1.8
Non FC	2.0	2.4	2.7	3.1	3.4
Total Income	14.4	15.2	15.7	16.1	16.4
Expenditure	£M	£M	£M	£M	£M
Staff Costs*	8.9	9.4	9.7	9.9	10.0
Depreciation	0.6	0.5	0.6	0.7	0.7
Other Costs	4.4	4.9	4.9	5.1	5.2
Total Expenditure	13.9	14.8	15.2	15.6	15.9
Operating Surplus	0.5	0.3	0.5	0.5	0.5
Exceptional Item	0.4				
Cost of Capital	0.4	0.4	0.5	0.5	0.5
Net Surplus/(-)Deficit	0.0		0.0	0.0	0.0

Table 2: Balance Sheets at 31 March 2007

	05/06 Actual	06/07 Forecast	07/08 Planned	08/09 Planned	09/10 Planned
Fixed Assets	£M	£M	£M	£M	£M
Land & Buildings	9.4	9.5	9.8	9.8	9.8
Other assets	1.5	1.6	2.2	2.4	2.6
Total Fixed Assets	10.9	11.1	12.0	12.2	12.4
Current Assets	2.7	2.2	2.5	2.6	2.7
Current Liabilities	0.8	0.8	0.6	0.6	0.6
Net Current Assets	1.9	1.4	1.9	2.0	2.1
Total Assets less current liabilities	12.8	12.5	13.9	14.2	14.5
Taxpayers Equity	12.8	12.5	13.9	14.2	14.5

Table 3: Cash Flow 2005–2010

	05/06 Actual	06/07 Forecast	07/08 Planned	08/09 Planned	09/10 Planned
	£M	£M	£M	£M	£M
Operating Surplus	0.5	0.3	0.5	0.5	0.5
Depreciation	0.6	0.5	0.6	0.7	0.7
Bank balance movements	-0.3				
Changes in working capital	-0.1	0.8	0.2		
Cash inflow/(-) outflow from operating	0.7	1.6	1.3	1.1	1.2
Less: Capital Expenditure	-0.5	-0.5	-1.1	-1.1	-0.1
Net Cash inflow/ (-)outflow	0.2	1.1	0.2	0.0	0.2

Table 4: Trends in Staff Numbers (full time equivalents)

	05/06 Actual	06/07 Forecast	07/08 Planned	08/09 Planned	09/10 Planned
Permanent staff	238	232	232	232	232
Other staff	35	38	38	38	38
Total	273	270	270	270	270



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