

*Woodland Policy Enabling Programme*

# Cross-Border Functions Project

*Phase 2 (Stage 1) Report to the WPEP programme board*

October 2014

## ***FCE WPEP Cross-Border Functions Project Report***

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### ***Version Control***

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## **1 Summary**

This report summarises the work undertaken within phase 2 (stage 1) of the WPEP Cross-Border Functions (CBF) project. The CBF project board includes representatives from all three GB Administrations and phase one of the project determined the range of CBF that the Administrations wish to continue to deliver on a collaborative basis for the foreseeable future. Phase two of the project is now considering the most appropriate organisational model for delivering those functions.

### **Scenarios**

In order to ensure that the selection of a future operating model can respond to a range of external processes which might individually or collectively impinge on the operating environment of any future model the project has developed four potential scenarios which might arise and explored what the implications of these might be for the FC. The four scenarios, described in table 1 on page 9 are; Retained CBF, Devolved CBF, Independent Enterprise and Multiple Forestry Bodies.

### **Evaluation Criteria**

The project has identified a set of fourteen criteria which can be used to evaluate the suitability and viability of potential delivery models. The criteria are bespoke to the anticipated requirements of the project but are based on a number of established models including HM Treasury guidance on *Appraisal and Evaluation in Central Government* and the Cabinet Office's *Guidance on Reviews of Non-departmental Public Bodies*. The criteria cover four areas of; strategy, finance, operations and transition and are detailed in table 2 on page 11.

### **Models and Assessment**

Based on the guidance mentioned above the project has drawn-up a long-list ten possible delivery models, which it has then evaluated against the fourteen criteria, under each of the four scenarios. The evaluation has resulted in a shortlist of six possible models which might be suitable for delivering the functions under certain scenarios. These are summarised in the table overleaf.

The analysis therefore indicates that so long as all three administrations wish to continue to collaborate on the delivery of the cross-border functions (as agreed in phase one of this project) then a viable and stable model can be found to take this forward irrespective of which scenario comes to pass. However there is no one model that can cover the contingencies of all scenarios so a final recommendation on a future model can only be made once the future scenario is known.

<b>Model</b>	<b>Scenario</b>
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	Retained CBF	Devolved CBF	Independent Enterprise	Multiple Forestry Bodies
<b>Non-Ministerial Department + FR Agency</b>	✓✓	✓✓	✓✓	
<b>Non-Ministerial Department + refreshed Executive Agency</b>	✓✓	✓✓	✓✓	
<b>Company limited by guarantee</b>		✓	✓	✓
<b>Company limited by shares</b>		✓	✓	✓
<b>Government / Research Establishment Merger</b>				✓
<b>University Institute</b>				✓

### Next Steps

One of the alternative delivery models which is potentially applicable to a range of scenarios is the non-ministerial department (i.e. FC) with a refreshed research agency. Depending on the scenario which comes to pass this refreshed agency model is plausible either as a possible end in itself or potentially as a stepping point to one of the other models, such as a research company or university institute. It is therefore proposed that the next stage of this phase of the project should examine the options and implications of moving to the refreshed agency model. It is proposed that this piece of work will be progressed as a separate FC internal project.

The project has identified a short-list of six models that warrant further analysis. Alongside the separate development of the refreshed agency model the project will undertake further evaluation of the six short-listed models in order to better understand their likely implications and transition requirements. This evaluation will take into account the emerging analysis on the possible future purpose of a refreshed agency, which can help to inform the rationale for any new body or arrangements that might be proposed.

### **2 About the Project**

On 16th May 2013, Ian Gambles (Director FCE) instigated the Woodland Policy Enabling Programme (WPEP) – a joint programme of work between FCE and Defra – to consider how best to deliver the Westminster Government’s forestry policy as set out in the [Forestry and Woodlands Policy Statement](#)<sup>1</sup> published on 31st January 2013. The programme had three main projects to consider the future of:

- Forest Services
- The Public Forest Estate
- Cross Border Functions

The Government’s Forestry and Woodland Policy states that *we will ... work with the devolved nations to ensure that vital cross-border functions in areas such as research, standards and tree health can continue to be delivered centrally, where this is appropriate.... [W]e are working closely with the devolved administrations to establish a refreshed basis for future cross-border working.* The WPEP programme board therefore agreed that the Cross-Border Functions project should:

- Review and where possible validate the current arrangements for cross-border working within the FC with a view to establishing a refreshed basis for working with the devolved administrations.
- Make recommendations on the future of collaborative cross border activities to be undertaken in partnership with Scotland and Wales.
- Consider impacts of any changes on shared services and corporate functions.

The full terms of reference and scope for the project are at annex A and the members of the project board are listed at annex B.

Although the project has been instigated at the behest of FC England and forms part of the FCE/Defra WPEP programme, any recommendations for changes to cross-border functions will need to be discussed by the Forestry Commissioners and agreed by Ministers from all three administrations. The project board therefore includes representatives from all three administrations.

Phase 1 of the project, which ran during 2013, determined the range of cross-border functions that all three GB Administrations wish to continue to deliver on a collaborative basis for the foreseeable future. A full report of this phase of the project<sup>2</sup> was accepted

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<sup>1</sup> <https://www.gov.uk/government/publications/government-forestry-policy-statement>

<sup>2</sup> [http://alpacorn.forestry.gov.uk:7777/portal/page?\\_pageid=33,2167268&\\_dad=portal&\\_schema=PORTAL](http://alpacorn.forestry.gov.uk:7777/portal/page?_pageid=33,2167268&_dad=portal&_schema=PORTAL)

by the Programme Board in October 2013 and a summary of the agreed CBF is at annex C.

### ***Phase 2 Overview***

Phase 2 of the project is now considering the most appropriate model for delivering those functions. To date this phase of the project has covered three main areas of work:

- Future Scenarios: The project has identified a number of possible scenarios (e.g. the creation of a separate PFEMO) under which the CBF might need to be delivered.
- Evaluation Criteria: The project has developed a set of 14 criteria which will be used to evaluate the suitability and viability of potential future delivery models.
- Delivery Models: The project has identified 9 potential future delivery models. The project has used the criteria to evaluate each of the models under each of the scenarios and from this drawn up a short-list of up to 6 models which require further consideration and analysis as part of the next stage of the project's work.

### **3 Future Scenarios**

Early consideration of the operating models which might be suitable for the future delivery of cross-border functions highlighted a number of external processes which might, individually or collectively, impinge on the wider environment in which any future organisational model might have to operate. The most significant of these are:

- Although forestry has been devolved for over ten years there has been renewed impetus for the greater autonomy in the delivery of functions and services, both through the creation of Natural Resources Wales and the potential for legislative change in Scotland.
- In Scotland, the appointment of a joint Director with the Scottish Government and the increasingly close working with other partners in the Environment and Forestry Directorate (ENFOR) will have a bearing on the pace and direction of change.
- The Science and Innovation Strategy (SIS) has now been published and represents the current view of the 3 administration on their future evidence requirements. In developing the SIS, we have worked with evidence policy leads in each country to ensure that it aligns with the evidence strategies currently in development for their broader rural and environmental evidence needs.
- The final report of the Tree Health and Plant Biosecurity Task Force has been accepted by the Westminster Government which, along with the appointment of a new Chief Plant Health Officer, will lead to some changes in the governance of plant health which may impact on the CFS Plant Health service and/or Forest Services in England. The Government and Defra Chief Scientists have commissioned a review of capacity in animal and plant health science which is due to report later in 2014.
- The Defra 'one business' strategy aims to develop a future business model that is more strategic, flexible and resilient. FC are part of the second phase of the Defra Network Corporate Services project and any changes in England may impact on some of the work undertaken by the CBF. As part of this, the one-evidence programme is seeking a more effective approach to evidence commissioning and delivery across the Defra family; FC and FR are engaged with this process to ensure that synergies and opportunities for collaboration are realised. FR are mapping the current provision of research by FR and other providers in science areas provided by FR to the FC and other key stakeholders such as Defra, Welsh and Scottish governments.
- The Boyd/Walport review into the future needs and capabilities around animal and plant health is expected to report around the end of 2014. This will cover aspects such as; the development of a new culture around plant and animal health, the establishment of a new UK Science Partnership. Any new arrangements arising out of the review are likely to have a future impact on some FC CBF.



- There is on-going significant pressure to reduce costs across government and although there are no specific targets for a future CBF operating model, any future model will need to demonstrate value for money in the delivery of functions as well as be affordable for the organisations which will fund it. The model should maintain and enhance the benefits for both efficiency and/or effectiveness identified from continuing to deliver those functions on a cross-border basis.

Consideration of these dependencies has led the project to conclude that if it is to identify a future delivery model that is both resilient to external changes but also responsive to the developing needs of all three administrations then the outcomes and implications of some of these dependencies will need to be better understood. In the interim therefore the project has outlined a number of possible scenarios which might arise and explored what the implications of these might be for the Forestry Commission. A summary of the four scenarios considered by the project is given in table 1 below.

**Table 1: Summary of Possible Future Scenarios and their implications for FC**

External Characteristics	Implications for FC
1. Retained CBF	
None of the current 'known unknowns' develop to the point that they necessitate a fundamental review of the current arrangements.	<p>FC can consider a number of internal administrative changes that support the wider move toward further devolution and help to address any existing concerns.</p> <ul style="list-style-type: none"> <li>• <b>Governance:</b> The current governance arrangements remain broadly unchanged although there may be opportunity to streamline some governance processes, especially around FR, and line of sight over some functions.</li> <li>• <b>Accountability:</b> The current arrangements remain unchanged with formal accountability remaining toward Westminster. Additional accountability for any SLA funded work follows the money.</li> <li>• <b>Funding:</b> Core CBF functions continue to be funded by Westminster on behalf of all three administrations. Additional projects and programmes are funded by each administration through SLA.</li> </ul>
2. Devolved CBF	
<p>None of the current 'known unknowns' develop to the point that they necessitate a fundamental review of the current arrangements. However there is sufficient political will and momentum to take all possible steps to devolve as much accountability and delivery as possible.</p> <p>This is the 'Devo-max' option.</p>	<p>FC remains as a single cross-border organisation but the cross-border functions (and shared services) are devolved to the maximum possible extent consistent with good business sense and maintaining the integrity of FC.</p> <ul style="list-style-type: none"> <li>• <b>Governance:</b> The current governance arrangements remain broadly unchanged although there may be opportunity to streamline some governance processes, especially around FR, and line of sight over some functions.</li> <li>• <b>Accountability:</b> Cross Border functions are formally accountable to each administration for the functions they provide and shared services are largely fully devolved.</li> <li>• <b>Funding:</b> The funding of CBF is fully devolved. Each administration is responsible for defining and procuring its</li> </ul>

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External Characteristics	Implications for FC
	own requirements with coordinated procurement / delivery maintained where it is sensible to do so.
<b>3. Independent Enterprise</b>	
<p>Legislative opportunities or changes in the wider public land management arrangements provide an opportunity to review the current PFE management arrangements in either England or Scotland. These changes impact on the current arrangements for CBF</p> <p><i>Note that this scenario could develop alongside either scenario 1 or scenario 2 above. Characteristics are based on option 1.</i></p>	<p>Although FC might remain a single entity the arrangements for managing the public forest estates in either England or Scotland might evolve (e.g. along the lines of a PFEMO or FEE+) to a point that the on-going requirement for cross-border functions changes significantly.</p> <ul style="list-style-type: none"> <li>• <b>Governance:</b> The core FC governance arrangements remain broadly unchanged. One or more independent bodies are created that are not part of the FC governance framework.</li> <li>• <b>Accountability:</b> The current arrangements remain unchanged with formal accountability remaining toward Westminster. Additional accountability for any SLA funded work follows the money.</li> <li>• <b>Funding:</b> Core CBF functions continue to be funded by Westminster on behalf of all three administrations. Additional projects and programmes are funded by each administration and independent enterprise through SLA.</li> </ul>
<b>4. Multiple Forestry Bodies</b>	
<p>A legislative opportunity arises which allows for the full devolution of the forest policy and delivery arrangements between England and Scotland.</p> <p><i>Could be residual FC in England only or a legislative clean-sheet in each country.</i></p>	<p>One logical extension of the momentum to repatriate forestry activities is that Scotland and/or England will eventually decide to form separate delivery bodies. These could take many forms, such as the new arrangement between Welsh Govt and NRW, but each one would probably necessitate new structures for managing any functions on which the countries still wished to collaborate</p> <ul style="list-style-type: none"> <li>• <b>Governance:</b> Current governance arrangements cease to exist and new governance arrangements will be required.</li> <li>• <b>Accountability:</b> Cross Border functions are formally accountable to each administration for the functions they provide and shared services are largely fully devolved.</li> <li>• <b>Funding:</b> The funding of CBF is fully devolved. Each administration is responsible for defining and procuring its own requirements with coordinated procurement / delivery maintained where it is sensible to do so.</li> </ul>

## 4 Evaluation Criteria

The second part of the project’s work has been to identify a set of criteria which can be used to evaluate the suitability and viability of potential delivery models. The project has identified a set of fourteen criteria in four categories, which were agreed by the Programme Board in August 2014, and which are summarised in table 2 below.

**Table 2: Evaluation Criteria**

Criteria	Description
<b>Strategy</b>	
1. Strategic Impact	The new organisational arrangements are consistent with Cabinet Office’s <i>Guidance on the Classification of Public Bodies</i> as well as each administration’s forestry and environmental policies; e.g. natural capital accounting and integration with ecosystem services.
2. Clear Governance	The governance of the organisation(s) is clear and proportionate to the operational need. Decision making and political accountability to the devolved administrations are clear and streamlined. The ownership and customer roles for each of the functions are appropriately separated.
3. Resilience and Flexibility	The organisation is able to respond to changes in demand and is ready to react to support future changes in requirement.
4. Collaboration	The functions are delivered in a manner that leverages skills and capacity in other public and private sector organisations and maximises opportunities for collaboration.
<b>Financial</b>	
5. Value for Money	The quantifiable benefits of the new arrangements outweigh the cost of change. The functions being delivered are recognised by the devolved administrations as adding value to their work and there is a specified requirement for the functional outputs within the business models.
6. Affordability	The cost of providing functions is affordable to the bodies which fund them. The organisation will be responsible for ensuring and demonstrating that functions are delivered in the most cost-effective manner.
7. Transparency and Accountability	The cost of providing each of the functions is transparent and the accountability for functions is clearly aligned to the bodies which fund it.
8. Commercial Partnering	The vires and institutional arrangements enable the organisation to take advantage of any commercial opportunities which might be available, including access to EU funding.
<b>Operational</b>	
9. Viability	The organization has the capacity and capability to operate ‘independently’ and to maintain and grow the current business.

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Criteria	Description
10. Environmental	The organisation is designed to operate with the minimum possible impact on the environment; minimising travel, sharing resources (including buildings) and delivering services electronically where this is appropriate to do so.
11. Quality	The organisation delivers functions to agreed standards (external standards or agreed KPIs).
Transition	
12. Complexity	The process and effort required to implement the new model are proportionate to the benefits to be gained from it; e.g. is legislative change required?
13. Cost of Change	The cost of implementing the new model is proportionate to the benefits to be gained from it.
14. Impact on Staff.	The change process maximises the opportunity for staff retention and opportunities for career and skills development.

The criteria are bespoke to the anticipated requirements of the CBF and the Administrations, but are based on a number of established models:

- HM Treasury guidance on *Appraisal and Evaluation in Central Government*<sup>3</sup>, commonly known as 'The Green Book', includes a range of generic issues that may need to be considered as part of any assessment. Although the Green Book is primarily concerned with investment appraisal the issues which it outlines are sufficiently generic and robust to be applied to a range of other options-appraisal situations. The HMT issues cover aspects such as; strategic impact, financial arrangements and affordability, achievability and commercial & partnering arrangements. A number of the HMT issues have been incorporated directly into our criteria (see table 2 below), for example criterion '1 - Strategic Impact' and '8 - Commercial Partnering' and others are more generally aligned, such as HMT 'achievability' with our criteria category on 'transition'.
- Although not directly applicable to the WPEP process the Cabinet Office's *Guidance on Reviews of Non-departmental Public Bodies*<sup>4</sup> contains a number of principles of good governance which it is helpful to consider at this early assessment stage. These include; Ministerial and financial accountability, and clarity over roles and responsibilities. These principles have been incorporated into our criterion '2 - Clear Governance' and '7 - Transparency and Accountability'. A number of other principles from the guidance may also be helpful at later stages of the project.

<sup>3</sup> <https://www.gov.uk/government/publications/the-green-book-appraisal-and-evaluation-in-central-government>

<sup>4</sup> [http://resources.civilservice.gov.uk/wp-content/uploads/2011/09/triennial-reviews-guidance-2011\\_tcm6-38900.pdf](http://resources.civilservice.gov.uk/wp-content/uploads/2011/09/triennial-reviews-guidance-2011_tcm6-38900.pdf)

- In developing the criteria we have also taken into consideration the notion of the *Triple Bottom Line*<sup>5</sup> for incorporating sustainability into business decisions. These social, financial and environmental dimensions (which were also used as the basis for the draft objectives for the PFEMO<sup>6</sup>) helped to inform our early thinking on three of the categories of criteria (now Strategy, Financial and Operational) as well as into individual criterion, with the obvious example being '10 - Environmental'.
- We have also born in mind the assessment processes used by a number of other recent reviews such as the Triennial Review of the JNCC.

We have also ensured that the relevant feedback from phase one of the project is also incorporated into the criteria; such as the need to ensure a clear line-of-sight between decision making and Ministers in all three Administrations and the need for any future model to be affordable to the bodies which will fund it.

It is possible that if the above criteria are used to help further evaluate the shortlist of possible delivery models (see below) then it may be desirable to apply a weighting against each of the criteria. The relative importance (and therefore weighting) of each criteria may depend on the type of models, and the range of functions, being evaluated.

### ***Further Assessment***

In addition to the evaluation criteria summarised above the project has identified a number of other factors which it will need to consider before making a final recommendation on any future delivery model. These will include:

- Cabinet Office guidance on Categories of Public Bodies<sup>7</sup>.
- Alignment of proposals with the Boyd/Walport review.
- Input from the Expert Committee on Forest Science.
- The views of FC staff and trade unions.
- Deeper analysis of existing skills and capacity especially within research areas.
- Any requirements and constraints imposed by future spending settlements.

Some of these factors are implicit within the criteria, such as the relationship between skills & capacity and the impact on staff and others will form further steps within the analysis.

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<sup>5</sup> [http://en.wikipedia.org/wiki/Triple\\_bottom\\_line](http://en.wikipedia.org/wiki/Triple_bottom_line)

<sup>6</sup> Public Forest Estate Management Organisation

<sup>7</sup> <https://www.gov.uk/government/publications/public-bodies-information-and-guidance>

## **5 Models and Assessment**

### ***Current Arrangements***

A detailed analysis of the rationale, development and current arrangements for delivering the cross-border functions was undertaken during the first phase of the project and included within the project's Phase 1 Report. The current arrangements can be summarised as follows.

### **Central Services**

In January 2013 a post of Director Central Services was established with the remit to:

- Provide oversight and leadership of cross-border functions and shared services.
- Ensure governance, service level agreements (SLAs) and funding are in place.
- Ensure contractual arrangements are in place and being actively managed with NRW.
- Lead and manage the continued devolution of services and functions to the countries
- Implement a sustainable business model for those services that will continue at a GB or UK level.

FC's cross-border functions, along with most of the shared services, now form part of the Central Services directorate. Central Services (CS) are currently described under three main headings: Corporate and Forestry Support, Forest Research and Shared Services<sup>8</sup>.

### **Corporate and Forestry Support**

Corporate and Forestry Support (CFS) has responsibility for delivering the Cross Border Activities Corporate Plan with an overall budget of £11.7m<sup>9</sup>. CFS has around 30<sup>10</sup> staff and is managed by a Director who is accountable (through Director Central Services) to the FC Executive Board, the Forestry Commissioners and the Defra Minister on behalf of all three Administrations.

### **Forest Research**

Forest Research (FR) is an Executive Agency of the Forestry Commissioners which exercises the Commissioners' power to undertake research across the UK and to disseminate the results of such research. FR currently has around 190 members of staff and is headed by a Chief Executive who is also the designated Agency Accounting Officer; operational oversight is by a Management Board. It is financially accountable to the Westminster Government, whilst politically accountable to Westminster and the

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<sup>8</sup> The Shared Services are out of scope for this project – see annex A of this report.

<sup>9</sup> This figure is for 14/15 and includes the funding for research commissioning.

<sup>10</sup> This figure includes Commissioners who are office holders and not staff. It includes Director CFS but excludes IFOS staff who are part of CFS but operate as a shared service.

devolved administrations. FR has a budget of £12m.<sup>11</sup> of which approximately two thirds is funded by the CFS element of the Westminster vote for delivery of the main part of the Science and Innovation Strategy (SIS) on behalf of all three administrations. As described above the remainder of FR's funding comes from sources such as the EU, the devolved administrations or directly from other parts of the FC and NRW.

### ***Alternative Models***

In developing a long-list of possible alternative delivery models the project has drawn on two key references:

- The Cabinet Office's *Guidance on Reviews of Non-departmental Public Bodies*<sup>12</sup> contains a checklist that sets out a range of delivery options that Departments must consider when reviewing the functions of their NDPB's. Although neither FC nor FR are a NDPB and therefore the guidance is not directly applicable to the WPEP process, elements of the guidance are helpful in ensuring that the project covers the necessary ground in a manner that is both robust and consistent with other review processes. The checklist includes<sup>13</sup>:
  - *Move out of Central Government.* Why does central government need to deliver this function?
  - *Bring In-House.* Why does the function need to be delivered at arms-length from Ministers?
  - *Merge with another body.* Are there any other areas of central government delivering similar or complimentary functions?
  - *Delivery by a new Executive Agency.* Could the function be delivered by a new Executive Agency? What would be the costs and benefits of this?
- The Cabinet Office's guidance on *Categories of Public Bodies*<sup>14</sup> sets out a classification of public bodies. It also outlines some of the characteristics of each type of body and provides some guidance on the circumstances when it might be appropriate to establish a particular type of body. Some of these, for example Special Health Authorities, are patently inappropriate for delivering FC cross-border functions and are not worth including in even a long-list of options, but a number of others are worthy of inclusion if only to present an early rationale of why they might not be appropriate for our purposes.

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<sup>11</sup> Taken from 2013-14 Corporate Plan

<sup>12</sup> [http://resources.civilservice.gov.uk/wp-content/uploads/2011/09/triennial-reviews-guidance-2011\\_tcm6-38900.pdf](http://resources.civilservice.gov.uk/wp-content/uploads/2011/09/triennial-reviews-guidance-2011_tcm6-38900.pdf)

<sup>13</sup> The checklist includes other options such as 'abolish' which has been fully covered by the first phase of the project and 'continued delivery by NDPB' which is not applicable to the CBF.

<sup>14</sup> <https://www.gov.uk/government/publications/public-bodies-information-and-guidance>

### ***The Long List***

Therefore taking account of the above guidance the project has drawn up a 'long-list' of ten possible delivery models which it considered were worthy of analysis against the criteria.

**Table 3: Long List of Generic Models**

	<b>Model</b>	<b>Description</b>
1	New Ministerial Directorate/Department	A new Scottish Directorate or Westminster Department is created to deliver the existing CBF on behalf of all three administrations. (This could still include an arms-length delivery body.)
2	Existing Ministerial Directorate/Department	CFS and FR functions are absorbed into, and delivered by, core Defra or the Scottish Government.
3	Non-Ministerial Department (FC)	The FR Agency is divested and core capability absorbed into the FC. All FR and CFS functions are delivered from within FC 'Central Services'. Retain sponsoring Ministers from each Administration.
4	Non-Ministerial Department + FR Agency	Retain CFS in FC and a separate FR agency. Retain sponsoring Ministers from each Administration.
5	Non-Ministerial Department + refreshed Executive Agency	Selected CFS functions and all existing FR functions are combined into a refreshed Executive Agency. Retain sponsoring Ministers from each Administration.
6	Company limited by guarantee	A new company limited by guarantee is created either by the FC or in collaboration with each of the devolved administrations as stakeholders. All FR and some CFS functions are transferred into this new company. This company could also be a not for profit operation and registered charity reinvesting any surpluses into research. Some ministerial control via officials from each administration.
7	Company limited by shares (e.g. Public/Private Joint Venture and/or mutual / cooperative)	Government and the devolved administrations establish a new company limited by shares and retain either a majority or minority share within it. All FR and some CFS functions are transferred into this new company. Shareholders or JV partners could include the private sector, government, University sector, research institutes and/ or staff. Limited, ministerial control via any shareholding held and contracts awarded.



	Model	Description
8	Merger with another Government body or research establishment	All FR and some CFS functions are merged into another government body or associated research provider (for example a Scottish main research provider or Defra agency). Joint Ministerial oversight and funding through agreed arrangements.
9	Merger with a University to become a University Institute.	All FR and some CFS functions are transferred into a 'new' University Institute. Very limited Ministerial accountability other than via contract conditions as University core business objectives will differ significantly from Governments'.
10	New NDPB	All FR and CFS functions are transferred into a new NDPB. NDPBs are generally directly accountable to Ministers , staff are not civil servants and NDPBs have greater autonomy and freedom than Executive agencies or departments

### ***The Analysis***

As a first step of analysing the suitability of the potential delivery models the project held an internal workshop which considered each of the 4 scenarios outlined in table 1. For each scenario it scored all 9 models against each of the 14 criteria on the basis of:

- ✓✓ = Likely to meet criteria well, few or moderate risks.
- ✓ = Moderate fit with criteria, significant risks.
- X = Unlikely to meet criteria, very significant risks

Para 6.4 of Cabinet Office's *Guidance on Reviews of Non-departmental Public Bodies* states that in many cases some delivery options can be quickly rejected. Although not covered by this guidance, the same logic can be legitimately applied to the CBF. The Cabinet Office's guidance on *Categories of Public Bodies* also contains a number of helpful statements which can be used to help guide this quick analysis, such as:

- 'It will be exceptional for new Non-Ministerial Departments to be created ... and will require an exceptionally strong business case...'
- 'New NDPBs should only be established as an absolute last resort'.
- 'Bodies are usually classed as Public Corporations where ... operating commercially ... and recovering most of their costs from fees charged to customers.'

The project board's initial assessment of the models is given in table 4 overleaf.

**Table 4: The Assessment of Models**

Model	Criteria Group	Scenario			
		1. Retained CBF	2. Devolved CBF	3. Independent Enterprise	4. Multiple Forestry Bodies
1. New Ministerial Dept	Strategy	X	X	X	X
	Financial	X	X	X	X
	Operational	X	X	X	X
	Transition	X	X	X	X
	Departments are headed by a Secretary of State or other senior Minister and this is highly unlikely for area as small as FC CBF. Model is not compatible with current political trends and direction of travel for closer cooperation within administrations.				
2. Existing Ministerial Dept	Strategy	X	X	X	X
	Financial	X	X	X	X
	Operational	X	X	X	X
	Transition	X	X	X	X
	This option does not retain the split between policy development and service delivery. Policy and commissioning currently sits with Departments <sup>15</sup> within each Administration but delivery is moving further out. One country providing functions to another is not considered to be a stable solution.				
3. Non-Ministerial Dept	Strategy	X	X	X	X
	Financial	X	X	X	X
	Operational	X	X	X	X
	Transition	✓	✓	✓	✓
	Moving all functions in to FC proper would lack transparency for the Administrations to prioritise and monitor contribution. Ministerial line of sight is less transparent and arrangements would be more complicated.				
4. Non-Ministerial Dept + FR Agency	Strategy	✓✓	✓	✓	X
	Financial	✓	✓	✓	✓
	Operational	✓✓	✓✓	✓	X
	Transition	✓✓	✓✓	✓✓	✓✓
	Rejected under scenarios 4 as likely to be unstable. This is the 'status quo' baseline for comparison				
5. Non-Ministerial Dept + refreshed executive	Strategy	✓✓	✓	✓	X
	Financial	✓	✓	✓	✓
	Operational	✓✓	✓✓	✓	✓
	Transition	✓✓	✓✓	✓✓	✓✓

<sup>15</sup> Or their equivalent in the case of the Scottish Government

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Model	Criteria Group	Scenario			
		1. Retained CBF	2. Devolved CBF	3. Independent Enterprise	4. Multiple Forestry Bodies
Agency	Could allow business to group functions and to clarify roles and responsibilities. SIS remains valid. If most functions go to 'FR' then research commissioning could go to the countries. Need central home for PH and FC governance.				
6. Company limited by guarantee	Strategy	X	✓	✓✓	✓✓
	Financial		✓	✓✓	✓✓
	Operational		✓	✓	✓
	Transition		✓	✓	✓
	Staff would no longer be Civil Servants and the new company would require significant funding or guaranteed contract(s). Scenarios 2-4: Would work and create degree of ownership and partnership between administrations.				
7. Company limited by shares	Strategy	X	✓	✓	✓
	Financial	X	✓	✓	✓
	Operational	X	✓	✓	✓
	Transition		✓	✓	✓
	Staff would no longer be Civil Servants and the new company would require significant funding or guaranteed contract(s). Scenarios 2-4: Keep JV as an option but need business model to attract private sector finance. Highly unlikely to go directly to this due to high risk of commercial viability.				
8. Government or research establishment Merger	Strategy	X	X	X	✓✓
	Financial	X	✓	X	✓
	Operational	✓	✓	✓	✓
	Transition	X	X	X	✓
	Staff would no longer be Civil Servants and the new merged body would require significant funding or guaranteed contract(s) in relation to forest research activities to make it attractive. Parent body is unlikely to be fully focused on the needs of the forestry sector and depending on the location of the merged body one country providing functions to another may not be considered as an appropriate solution.				
9. University Institute	Strategy	X	X	X	✓✓
	Financial	X	✓	X	✓
	Operational	✓	✓	✓	✓
	Transition	X	X	X	✓

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Model	Criteria Group	Scenario			
		1. Retained CBF	2. Devolved CBF	3. Independent Enterprise	4. Multiple Forestry Bodies
		Staff would no longer be Civil Servants and the new company would require significant funding or guaranteed contract(s) in relation to forest research activities to make it attractive. Parent body is unlikely to be fully focused on the needs of the forestry sector and depending on the location of the new institute one country providing functions to another may not be considered as an appropriate solution.			
10. New NDPB	Strategy	X	X	X	X
	Financial	✓	✓	✓	✓
	Operational	✓	✓	✓	✓
	Transition	✓	✓	✓	✓
		Creation of a new NDPB is unlikely to be politically acceptable and could only cover part of the current CBF.			

### The Short List

Based on the analysis above the project has identified six models which might be suitable for the delivering the cross-border functions under certain scenarios. These are shown alongside the overall summary assessment in table 5 below.

**Table 5: The short-list of models for further evaluation**

Model	Scenario			
	1. Retained CBF	2. Devolved CBF	3. Independent Enterprise	4. Multiple Forestry Bodies
1. New Ministerial Department	X	X	X	X
2. Existing Ministerial Department	X	X	X	X
3. Non-Ministerial Department	X	X	X	X
<b>4. Non-Ministerial Department + FR Agency</b>	✓✓	✓✓	✓✓	X
<b>5. Non-Ministerial Department + refreshed Executive Agency</b>	✓✓	✓✓	✓✓	X
<b>6. Company limited by guarantee</b>	X	✓	✓	✓
<b>7. Company limited by shares</b>	X	✓	✓	✓

Model	Scenario			
	1. Retained CBF	2. Devolved CBF	3. Independent Enterprise	4. Multiple Forestry Bodies
<b>8. Government / Research Establishment Merger</b>	X	X	X	✓
<b>9. University Institute</b>	X	X	X	✓
10. New NDPB	X	X	X	X

The analysis therefore indicates that so long as all three administrations wish to continue to collaborate on the delivery of the cross-border functions (as agreed in phase one of this project) then a viable and stable model can be found to take this forward irrespective of which scenario comes to pass. However there is no one model that can cover the contingencies of all scenarios so a final recommendation on a future model can only be made once the future scenario is known.

Again it is worth reiterating that the final evaluation will also need to take account of a number of other factors including:

- Cabinet Office guidance on *Categories of Public Bodies*.
- Alignment of proposals with the Boyd/Walport review and further analysis of existing skills and capacity especially within research areas.
- Input from the Expert Committee on Forest Science.
- The views of FC staff and trade unions.
- Any requirements and constraints imposed by future spending settlements.

### **6 Next Steps**

#### ***Phase 2 (stage 2)***

As indicated above the fact that no one model is suitable for delivering the cross-border functions for all scenarios means that it will not be possible to make a firm recommendation on a future model until the outcome and implications of a number of external processes are known. In reality this means that the project is unlikely to be able to make a recommendation until after the General Election in May 2015.

In the meantime as FR is an agency of the Forestry Commissioners, they have requested an opportunity to discuss and agree any proposals relating to FR at their meeting in December. Subject to the agreement of the FC Executive Board and the Commissioners the project is proposing to progress two areas of work:

#### **Refreshed Research Agency**

One of the alternative delivery models which is potentially applicable to a range of scenarios is the non-ministerial department (i.e. FC) with a refreshed research agency. Depending on the scenario which comes to pass this refreshed research agency model is plausible either as a possible end in itself or potentially as a stepping point to one of the other models, such as a research company or university institute. It is therefore proposed that the next stage of this phase of the project should examine the options and implications of moving to the refreshed agency model. This would include:

- The purpose of the refreshed agency.
- Which functions should be included within a refreshed agency?
- What are the implications, if any, for the remaining CBF - such as research commissioning?
- What benefits are there from moving to the refreshed agency model and what changes are required to deliver these?
- What are the costs and other impacts of moving to the model – for example the cost of change and the impacts on staff?

It is proposed that this piece of work will be progressed as a separate FC internal project.

#### **Short-list Models**

The project has identified a short-list of six models that warrant further analysis. Alongside the separate development of the refreshed agency model the project will undertake further evaluation of the six short-listed models in order to better understand their likely implications and transition requirements. This evaluation will take into account the emerging analysis on the possible future purpose of a refreshed agency,

which can help to inform the rationale for any new body or arrangements that might be proposed.

### ***Phase 2 (stage 3)***

Once the future operating environment is sufficiently clear the third stage of this phase of the project can:

- Draft an appropriate business case.
- Consultation with FC staff, trade unions.
- Seek the views of the Expert Committee on Forest Science.

The final decision on the future delivery model will require the agreement of officials from all three Administrations. Depending on the scale of change being recommended the Administrations may also decide that they wish to individually or collectively seek the agreement and support of Ministers. We will also need to ensure that any changes have the agreement of the Forestry Commissioners.

### ***Phase 3***

Phase 3 of the project will cover the implementation of the new delivery model.

## **Annexes**

### ***A: Terms of Reference***

The terms of reference for the cross-border project are to:

- Review and where possible validate the current arrangements for cross-border working within the FC with a view to establishing a refreshed basis for working with the devolved administrations.
- Make recommendations on the future of collaborative cross border activities to be undertaken in partnership with Scotland and Wales.
- Consider impacts of any changes on shared services and corporate functions.

### **Scope**

In phase 2 the project will consider all of the cross-border functions currently undertaken by Central Services (Corporate and Forestry Support and Forest Research):

1. Forest Research:
  - 1.1. The organisational model for FR is **in** scope.
  - 1.2. Specific bilateral agreements between FR and the devolved administrations or other bodies are **out** of scope<sup>16</sup>.
  - 1.3. The external income generated by FR is **out** of scope<sup>17</sup>.
2. Corporate and Forestry Support:
  - 2.1. The structure and composition of CFS are **in** scope
  - 2.2. CFS Analysts (inc. Plant Health) and IFOS Inventory and Forecasting are **in** scope.
  - 2.3. CFS Corporate Services; IFOS Operational Support and Mapping & Geodata are **out** of scope.
  - 2.4. The priorities for centrally funded research programmes (as purchased by CFS on behalf of the countries) are determined by the agreed Science and Innovation Strategy and are **out** of scope. However the options that CFS has to purchase centrally funded research from different research bodies is **in** scope.
3. Phase 1 of the project noted that any change to the current funding arrangements for CBF would need to be agreed by all three administrations and is therefore **out** of scope for this phase.
4. Any functions delivered through the FCE and FCS National Offices are **out** of scope. (FCE National Office is being reviewed by a separate WPEP workstream).

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<sup>16</sup> It is possible that decisions on the status and purpose of FR might impact on the scope for bilaterally and externally funded work. In this event it may be necessary to extend the scope of the project to include these elements.

<sup>17</sup> As 1 above.



5. The shared services are currently being reviewed through the Business Strategy Working Group which includes representatives from each country and FR. They are therefore **out** of scope for this project.

In developing new organisational models the project will only consider options for which the FC currently has vires (taking into account any new legislation which may be developed through the wider programme).

### **Project Structure**

The overall WPEP programme will be undertaken in two phases; design and implementation. This project, under the current terms of reference, is initially concerned with the design phase of the programme and will operate within the overall programme timetable once this is known. The broad stages of the project are to:

- Define the current scope and composition of cross-border activities as set out in the current Corporate Plans for cross border activities and for Forest Research; clarifying what activities and functions they comprise and the rationale for the current organisational and funding arrangements.
- Agree what cross border functions will continue to be required by England, Scotland and Wales in the future and agree the basis and rationale on which future cross-border working should be undertaken.
- Make recommendations on how the agreed future cross-border functions should be delivered from both an organisational and funding perspective.

### **Constraints, assumptions and dependencies.**

- Any recommendations for change in cross-border functions and funding will require agreement from the Welsh and Scottish Governments. The project will liaise with FCS, Welsh Government and Northern Ireland officials to coordinate any necessary engagement.

### ***B: The Project Board***

For phase 2 (stage 1) of the project the Project Board comprises;

- Jean Lindsay (SRO)
- Wilma Harper
- Paul Snaith
- James Pendlebury
- Nicol Sinclair
- Richard Greenhous – FCE
- Simon Hodgson – FEE
- Jo O’Hara - FCS
- Huw Thomas – Defra (Forestry)
- Julie Hitchcock – Defra (Plant Health)
- Chris Lea – Welsh Government
- FC Trade Unions – Allan MacKenzie

### **Project Manager**

Edward Shephard

**C: Current Cross-Border Functions**

Function	Description from Phase One Report
Strategic Engagement	CFS Provides leadership and high-level engagement on a wide range of key strategic issues, such as the UK Forestry Standard. The requirement for the role is likely to remain as long as the other analyst functions are required. The role is consistent with supporting the common needs of the devolved administrations as well as providing important technical input and leadership capacity. <i>The proposal is that this should be kept and continue as a CBF.</i>
Horizon Scanning	This work includes horizon scanning on proposed EU directives and bringing together evidence and standards - working across the countries to coordinate input to proposed changes to legislation where these can impact on the forest sector across the UK. However given the on-going divergence of policy and the importance of policy coordination within countries the board did consider that the lead role on providing intelligence on EU directives ought to be led by the countries - providing that the necessary expertise and inter-country communication was in place. However, there are examples (such as guidance on legal compliance on chemical use) where a pan-Britain approach makes sense. <i>The proposal is that this should be kept and continue as a CBF but that CFS should explore a process for supporting the transfer of EU directive horizon scanning to countries to inform any future consultation.</i>
Research Commissioning	The draft of the Science and Innovation Strategy, currently out for consultation, serves to articulate the shared priorities of the countries for forestry research. CFS acts on behalf of the countries in commissioning the research programmes in the areas outlined below and linking FC research into wider Defra and other Government programmes. The board agreed that the requirement for this function would continue at about the same level of intervention and rated it highly against common outcomes, specialist professional support and sectorial leadership. <i>The proposal is that this should be kept and continue as a CBF.</i>
Forest Biodiversity, Ecosystems and Environment	CFS provides impartial, expert and robust evidence to support UK Government and devolved administration on their policy decisions, and on the implementation of European Directives and initiatives. It commissions research on biodiversity, ecosystems, soil and water to provide the evidence base to support policy development and operational practice. This evidence is used to support both the

Function	Description from Phase One Report
	public and private sector. CFS also provides woodland managers with guidance on species and provenance selection, and different management options. This ensures that Britain’s forests remain productive, bio-diverse, and resilient into the future. It allows them to obtain best value for society from the precious ecosystem services delivered by forests, woodlands and trees and ensure that forests and woodlands play their full part in maintaining and enhancing soil carbon resources. <i>The proposal is that this should be kept and continue as a CBF.</i>
Sustainable Forest Management	CFS provides evidence and advice for the devolved administrations and the wider forestry sector on new methods of silviculture, species choice and genetics, use of pesticides and techniques for the development of more resilient forests for the future. <i>The proposal is that this should be kept and continue as a CBF.</i>
Forests and Society	CFS provides a skills base in social research issues that is key to better policy delivery. CFS aims to achieve greater integration between social and physical science programmes in line with the FC response to the External Independent Review Group of science quality in Forest Research. The social scientists in forest Research are increasingly working to support the research from other teams. By taking account of the social dimension when undertaking research, future policy will deliver greater impact when the research is implemented. <i>The proposal is that this should be kept and continue as a CBF.</i>
Publications and Knowledge Transfer	High quality publications make a significant contribution to ensuring the results of evidence work and agreed standards are made easily accessible to end users. The Strategic Publications Group, which is made up of policy and communications representatives from the countries and CFS, coordinates this work. Specific areas of focus are producing guidance to encourage the adoption of The UK Forestry Standard (generally UK and GB in scope), and publishing research in line with the aims and objectives set out in the Science and Innovation Strategy for British Forestry. <i>The proposal is that this should be kept and continue as a CBF.</i>
Plant Health	Board members all agreed that the requirement for a Plant Health Function is most likely to increase in the coming years. In addition to commissioning research, CFS’ Plant Health Service currently provides a single point of expertise on Plant Health and Forest Reproductive Materials legislation and international agreements. It also coordinates the contractor resource which provides a cost effective port inspection service. It is the single point of contact for

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<b>Function</b>	<b>Description from Phase One Report</b>
	<p>business across GB on phytosanitary certificates and import notifications.</p> <p>There are strong links with those responsible for dealing with broader plant health issues in Defra and Fera, and with those responsible for dealing with plant health in the countries. However the board noted that the Tree Health and Plant Biosecurity Expert Taskforce had recently recommended that plant health governance should be reviewed and simplified, and that Defra Ministers had initiated this process with the proposed appointment of a new UK Chief Plant Health Officer. Accordingly, there was likely to be further change in this area. It was also noted that whilst individual countries were likely to have to further develop their own capacity to act in the face of emerging and developing threats, having a strong, shared evidence base and understanding of the legislative framework would continue to be important. <i>The proposal is that this should be kept and continue as a CBF for the time being, pending wider decisions about tree and plant health governance at UK and country level.</i></p>
Economic Analysis and Advice	<p>The board agreed that the function is an important component of the 'shared evidence base' contributing to both internal policy and wider sectorial planning. The economists, who are members of the Government Economics Service, provide a level of professional expertise which gives an essential credibility when providing information and appraisals to external stakeholders. They also commission research (both in Forest Research and externally) on economic aspects of woodland planting and management, forestry's role in tackling climate change and its wider contribution to delivering ecosystem services. <i>The proposal is that this should be kept and continue as a CBF.</i></p>
Climate Change	<p>By agreement with the countries, CFS leads and supports a range of initiatives which help woodlands tackle climate change. These include the development and management of UK standards through the Woodland Carbon Code and the development and co-ordination of data and information systems including a carbon accounting "framework". The work also contributes to the shared evidence base used by each of the countries including; producing scenarios of above-ground future carbon production, including using data from the National Forest Inventory and continuing research and analysis of forestry's role in helping to tackle climate change, from natural science and socio-economic perspectives, including the cost</p>

Function	Description from Phase One Report
	effectiveness of woodlands in abating CO2 emissions. CFS also commissions research (in Forest Research and externally) into the contribution of woodlands to climate change mitigation and adaptation, in both rural and urban areas. <i>The proposal is that this should be kept and continue as a CBF.</i>
Statistics	The board noted that the statisticians who are members of the Government Statistical Service provide important data and analysis and underpinning evidence into a wide range of FC work as well as a validation of the quality of information produced for external stakeholders. It is an important technical function ensuring that forestry statistics can meet the standards set by the Office of National Statistics and is most efficiently delivered on a cross-border basis. The board agreed that the requirement for the function is likely to continue at about the same level. <i>The proposal is that this should be kept and continue as a CBF.</i>
International Forestry	<p>Defra has the policy lead on international forestry policy with division of responsibilities with FC defined by a MoU. CFS provides the support and evidence to develop UK positions in EU and international draft policy and legislation and to ensure they are aligned with domestic policy and do not disadvantage or over burden the sector. The FC has, by agreement, retained some specific areas of competence, such as UK representation on the EU Standing Forestry Committee.</p> <p>The UK Forestry Standard, which has been developed and is maintained by CFS, is central to defining how the UK meets various international commitments to sustainable forest management; it also builds on the evidence base to maintain a common approach to the practice of sustainable forest management across the UK.</p> <p>The board considered whether or not having both Defra and the FC undertake international forestry work represented a duplication of effort. However, given the MoU and recognising that it is not uncommon for one Department to lead on international negotiations with another Department/Agency providing technical expertise, the board agreed that it is important that FC retains this expertise so that it is available to all three administrations. <i>The proposal is that this should be kept and continue as a CBF.</i></p>
Governance	The board noted that the core work in this area is to support FC governance functions, e.g. support for the Commissioners, which are required by statute and unless these are amended by

Function	Description from Phase One Report
	<p>Parliament there will be an on-going requirement for the functions. This governance function also includes support for other mandatory initiatives such as Better Regulation, FOI and Data Protection and the management of departmental records and liaison with the countries. The board agreed that other processes may change the requirements for some elements of this work but whilst they continue to be required, they are best delivered on a cross-border basis. <i>The proposal is that this should be kept and continue as a CBF although their requirement may reduce over time dependent on any future organisational changes.</i></p>
National Forest Inventory	<p>The delivery of the National Forest Inventory (NFI) programme which includes both inventory (the assessment of the woodland resource in GB) and forecasting, which provides reports on how the countries' woodland resources might change in response to a range of scenarios.</p> <p>The board agreed that the NFI is an important element on the shared evidence base which is widely used to inform strategic planning and investment both internally by the FC and other parts of Government as well as the wider industry. Operating to agreed international standards on forest inventory, allows for consistency of reporting. The board agreed that the requirement for the National Forest Inventory is likely to remain at broadly the current level and that it met the criteria of shared outcomes, technical expertise and sectorial leadership. <i>The proposal is that this should be kept and continue as a CBF.</i></p>
Provision of forestry research	<p>As noted above, CFS commissions the research to deliver the Science and Innovation Strategy – principally from the FC Research Agency, Forest Research. The board agreed that there are powerful reasons for maintaining a single centre for forest research expertise within the UK, able to provide expert advice in all the countries. The requirement for forestry specific research is likely to at least remain at the current level and may increase to support developing policy and emerging challenges. While the research landscape across government continues to evolve to ensure that optimal use is made of all research facilities including the university network, the board agreed that Forest Research was able to provide institutional continuity and the capability to link scientific understanding to practical application and problem solving in the field. Accordingly, the board agreed that the common evidence base, technical expertise, applied research skills, forestry specific focus and</p>

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<b>Function</b>	<b>Description from Phase One Report</b>
	advisory services provided by Forest Research are critical to forestry across the UK. <i>The proposal is that this should be kept and continue as a CBF.</i>