

FOREST RESEARCH QUINQUENNIAL REVIEW EXECUTIVE SUMMARY OF FIRST STAGE OF REVIEW

1. This is a summary of the report of Stage 1 of the Quinquennial Review of Forest Research (FR). The Review was carried out by a small FC team, overseen by a Steering Group including interested government departments, academic interests and a representative of the forestry industries.
2. FR was established in 1997 as an Executive Agency of the Forestry Commission (FC), responsible for carrying out forestry research and allied work and providing authoritative advice to support the development and implementation of forestry policy.

Setting the context

3. The current aim of Forest Research is to provide:-
 - research and development, surveys and related services relevant to the forest industry;
 - authoritative advice to support the development and implementation of the Government's forestry policy;

and its objectives are to:

- meet customers' needs and respond to changing customer demand (eg encourage and assist customers to identify their research needs and forecast future requirements and funding, respond to changing demands by recruitment, redeployment and retraining of staff, and make sure that support services are delivered in a flexible manner);
 - satisfy current standards for the quality of research (eg appoint well-qualified staff and provide appropriate training and development, publish peer-reviewed scientific papers in quality journals, and review the quality of research using external experts);
 - increase competitiveness and efficiency, and demonstrate value for money (eg ensure that there is a good fit between FR's capability and capacity and customers' requirements and funding, develop an integrated quality-assured approach to data management, and set standards for model development);
 - recover its full economic costs from customers (eg use accounting systems which readily identify costs and allow accurate costing before work is undertaken, and charge clients the full economic cost in line with Treasury guidelines).
4. FR is responsible to the Forestry Commissioners (an unusual statutory board overseeing the work of a government department) and, through

the Commissioners, to the Forestry Ministers in England, Scotland and Wales. Although forestry is a devolved subject, FR continues for convenience to be funded from Westminster.

5. FR's staffing includes experts in the scientific disciplines needed to research multi-benefit forestry topics. Its staffing has been reduced from 298 in April 1997 to 262 in April 2001. Total capital employed is £8.7 million; income in 2000-01 was £12.4 million and expenditure £11.8 million.
6. About 90% of FR's income comes from the FC, which buys **research** in accordance with a published Research Strategy and **specific services** including surveys of the FC's forests and assessment of the effectiveness of forest machinery. (The FC commissions most of its research work from FR but spends about 10% of its research budget with other providers). FR draws the remaining 10% of its income mainly from the EU and from government departments and agencies other than the FC. It also does a small amount of work for private-sector forestry interests, non-governmental organisations, universities and research councils. FR dominates forestry research in the UK, accounting for a little less than half of the total domestic expenditure.
7. FR has close policy links with the FC. It is increasingly working in partnership with other research bodies (75% of its current projects have involved such collaboration). Since 1997, the balance of its research programme has changed - with less work being carried out on economic forestry topics, and more work on environmental and/or social aspects of forestry.
8. Research results are disseminated through publications (in printed form and on the website), peer-reviewed papers in scientific journals and publicity in the media - as well as a wide range of seminars, workshops, conferences and advisory work. Commercialisation of research results is generally used as a vehicle for getting technical developments into widespread use in the forestry industry, rather than as a source of income.

Past performance

9. Section 3 of the Review Report reviews FR's past performance.
10. FR has been set annual targets for customer satisfaction; financial performance; quality of science; and efficiency - a total of 6 targets per annum. It has met or bettered every target and has actively sought to improve performance by refining the performance measures and by agreeing to higher targets wherever practicable.
11. There have been a range of other achievements. For example, 2 members of staff have been appointed to personal Chairs while 4 members of staff have been appointed OBE and 2 MBE. Particularly

successful research results include a computer model which calculates the wind-damage risk during the life of a forest, a computerised system for selecting the best tree species for different sites, work on the implications of climate change for forestry in Great Britain and ways of reducing the use of chemicals for the control of weevils and root and butt rot.

12. During the life of FR, there has been a clearer distinction between the researcher and the client who commissions the research work, a deeper but narrower relationship between researcher and end-user, different methods of technology transfer, changing research priorities, an improved business ethos, a down-sizing of the organisation, increased use of IT and improvement in personnel systems (including achievement of Investors in People status).

Views of stakeholders

13. Section 4 of the Review Report reports on the views of people and organisations who have an interest in the future of forestry research. Most of the views were obtained specifically for the Review; others were collected as part of regular monitoring of customers' opinions.
14. As a key part of the Review, over 80 stakeholders of FR, including government departments, non-departmental public bodies, universities, research establishments, forestry interests and other customers were consulted. Almost 60 responses were received. Their tenor was:-
 - A universal recognition of the high quality of FR's research, and of its published outputs;
 - Desire for improvement on 4 points:-
 - More input into research priorities;
 - More emphasis on environmental and (especially) social aspects of forestry;
 - More speculative research;
 - Better dissemination of research results;
 - General support for retaining FR as an executive agency of FC, and general opposition to privatisation.
15. Forest Enterprise, the FC executive agency responsible for managing the substantial government-owned forestry estate, was also consulted. It buys some services and research direct from FR - and, in these cases, finds FR responsive, producing high quality work which is good value for money. It is less happy with the arrangements for FR's general research work (despite the fact that, as Britain's largest forest

manager, it is a major potential user of that work). On that aspect, it made similar comments to those from other consultees.

16. The staff of FR and their trade unions were also consulted. In summary, their main comments were:-
- Better communication is needed between researchers and users;
 - Researchers should be more involved in drawing up the research strategy and commissioning individual research programmes;
 - More attention is needed to balance the strategic medium-term research, specific near-market projects and short-term research needs;
 - The system to charge full project costs needs to be simplified and the criteria for full cost recovery relaxed slightly;
 - Organisational change is unlikely to be the best way of tackling the main problems identified by stakeholders;
 - FR should continue as an executive agency, with detailed changes to aspects of its relationship with the parent department (for instance on HR issues).
17. The Review took into account the results of a feedback survey of customers carried out as part of FR's performance management system. In general, there was a very high level of customer satisfaction, with most programmes being rated at 100% and all over 90%.

The policy background

18. Section 5 (of the Review Report) notes that forestry research work over the next 5 years will need to take account of:-
- The UK's international commitments to sustainable forestry;
 - The three Forestry Strategies applying to England, Scotland and Wales;
 - The Government's policy on science and research, in England, Scotland and Wales;
- and the research priorities derived from these requirements, which are identified in the FC's Research Strategy.
19. Any government organisation carrying out forestry research in the next 5 years needs to take account of:-

- the requirements of the "Modernising Government" White Paper and "Civil Service Reform", including joined up policy-making, focus on user needs, stronger organisational leadership and business planning, sharper performance management and more diversity in staff, as well as better use of information technology;
 - the needs of the regions in England and the devolved administrations in Scotland and Wales, including applying the results of a current review of the post-devolution arrangements for forestry;
 - a Cabinet Office review of government policy on executive agencies.
20. The follow up to the World Summit on Sustainable Development at Johannesburg in September 2002, and an increasing emphasis on research into forests and society and on the environmental aspects of forestry, will be an important focus. The next 5 years are likely to be a fast-changing environment for forestry research.

Strengths, weaknesses and future needs

21. FR has considerable strength. It has:-
- Achieved all its targets;
 - An excellent reputation for quality research of direct relevance to the diverse forestry industry;
 - Great expertise in almost all sustainable forest management disciplines;
 - Strong formal links with the FC, particularly on policy matters;
 - Good links with its other "customers" and a good record in winning EU funding;
 - A large resource-base of information and experimental results for long-term research;
 - A strongly motivated workforce, with good relationships between researchers and field staff;
 - A more diversified research portfolio than when it was established, reflecting changes in sustainable forest management policy.
22. The weaknesses of FR (and of the forestry research system of which it forms part) are:-

- Many users feel distant from the process of setting FR's research direction;
- Its research is not disseminated widely enough;
- It has been slow to diversify its research portfolio;
- It is a little isolated in academic terms and could further improve its collaboration;
- It carries out little speculative research;
- It is very reliant on income from the FC;
- Post-devolution, it needs to attune its GB-wide remit more closely to the needs of all 3 administrations;
- It has contracted by about 10% since it was set up, at a time when science has been getting larger and more complex.

23. Against that background, this stage of the Review seeks an organisational structure which:-

- Does not prejudice the quality of the research work and outputs (and strengthens them if possible);
- Encourages stakeholders (including end-users) to be more involved in drawing-up the content and priorities of the research programme;
- Improves the dissemination of research results to users;
- Retains the strong support provided for FC's policy development and implementation;
- Exploits to the full the multi-disciplinary approach to research, which is necessary for the diverse requirements of sustainable forest management;
- Strengthens the capacity for long-term research.

Finding the best organisation

24. Section 7 of the Review Report examines 9 options for the future organisation of forestry research.

25. The Government could **cease funding forestry research and abolish FR**. A withdrawal of government funding would have a disastrous effect on the ability to develop and deliver government policy through forestry, and on all sectors of the forestry industry and its stakeholders.

26. The FC could **outsource** more of its research programme, 10% of which is presently outsourced. An increase would give a useful comparison of the cost and quality of FR versus other contractors. While wholesale change would be very harmful to the integrated approach which the FC requires and which FR provides, more projects could be put to open tender. Extra commissioning costs might be recouped by lower prices. Research quality should not diminish overall; the responsiveness to users is likely to diminish (but not to a serious extent); and efficiency is likely to rise. The remaining options would be compatible with increased outsourcing. For example, executive agency status could be retained, but with a target for the FC to place a progressively higher amount of its work following competitive tender.
27. It would obviously be possible to **retain executive agency status**. Amended arrangements could improve the link with users on the future direction of research and dissemination of research results. This would be a low-risk option giving a guarantee of continued high-quality research, a solid platform on which to build improved links with users with a capability to achieve further efficiency improvement.
28. FR could be **converted to a non-departmental public body** or "quango". Other government research establishments work satisfactorily on this model. The FR would still be valued by, and draw a great deal of work from, the FC - while at the same time it might be able to take on more external work. The quality of its research is unlikely to alter, but its research outputs would be seen as more independent. Responsiveness is unlikely to be affected. Efficiency is likely to decline - there would be no scope for savings, and overheads would probably rise. There would be a less clear focus on research which the Government wanted. In short, the change is unlikely to harm forestry research, but it would achieve no significant benefit over executive agency status.
29. FR could be **converted to a private-sector trading body**. This option has attractions in terms of independence, commercial orientation and administrative simplicity. But it would be less focussed on the priorities of forestry stakeholders (especially the FC). This is the highest-risk option, and the risks of making such a radical change to a high-performing research establishment may be disproportionate to the theoretical efficiency gains.
30. In theory, FR could **amalgamate with another research institution** with a similar environmental/land use portfolio. In practice, however, common research interests are limited and there would be little gain in synergy or in running costs. Closer co-operation with universities and other research institutions is much more likely to be fruitful than amalgamation.

31. FR could be **reintegrated with FC**, ending its executive agency status. This would not be a radical change because the FR is (as executive agencies go) close to its parent department. But, on balance, the change would be disadvantageous, blurring the customer/contractor distinction which has been a major gain from FR's executive agency status.
32. It would be possible to **split the FC's research funding among the 3 administrations** instead of funding it solely from Westminster. Alternatively, a part of the budget could be allocated to Scotland and Wales, to meet their distinctive needs. It would be feasible to do so and, though there would be administrative disadvantages, they would not be large. This option would better accord with the principles of devolution. The risk of under-recovering research costs could be met by a devolution concordat limiting the speed of change to what could be managed. But the fragmented research commissioning arrangements would inevitably be less purposeful, because the 3 countries have stronger **common** research interests than **distinct** research interests. So research quality would probably fall and efficiency would be reduced. Responsiveness to the needs of the 3 countries would probably improve - but better consultation on the research priorities would be an easier way of achieving that goal.
33. It would be possible to **split FR into three**. Again, this would accord with the principles of devolution. But fragmentation of FR would seriously limit the ability of any of the 3 components to carry out a research programme which met the needs of their individual countries. Economies of scale and shared overheads would be lost. Cross-border co-operation would be much more difficult. This option appears unattractive from the perspective of forestry **research**.

Conclusions and recommendations

34. The conclusions of this stage of the Review are:-
 - FR has achieved a lot in its first 5 years, meeting all its performance targets, achieving a high reputation for quality, with a greatly improved financial focus and a much clearer arrangement for the FC to commission research;
 - The present arrangements have shortcomings: there is too little involvement of users (including the devolved administrations) in deciding FR's research priorities, and technology transfer needs to be improved;
 - Executive agency status works, and should not lightly be discarded; if retained, it would be straightforward to tackle the weaknesses identified by the Review;

- The outsourcing of the whole FR research programme would risk fragmenting the already small integrated research organisation capable of looking holistically at research into multi-benefit forestry - but there is a case for testing the market for a greater proportion of FC's research work;
- A private sector trading body has some attractions in terms of independence, greater commercial freedom and administrative simplicity. But the change would carry big risks, in an industry such as forestry where, for reasons of market failure, the government plays a large role. It does not seem right to prejudice the generally-satisfactory present arrangement in the hope of betterment;
- The fact that FR's research is rarely applicable to only one country (or, indeed, carried out in only one country) makes its trisection into English, Scottish and Welsh components more theoretical than real. Trisection of the research budget is a feasible option - but would complicate commissioning, thereby increasing costs and prejudicing quality. There are easier ways of achieving the same end, by ensuring that the rural affairs departments in all 3 countries have a voice in deciding FR's research priorities.

35. Subject to the conclusion of the Forestry Devolution Review, this Review therefore recommends that:-

- FR's executive agency status should be confirmed for the next 5 years;
- Stage 2 of this Review should examine in more detail how to improve the involvement of stakeholders in setting its research priorities, and how to improve the arrangements for technology transfer;
- Stage 2 of the Review should consider whether a greater proportion of FC's research work should be commissioned on the open market, rather than directly with FR, and recommend how much extra work should be outsourced and how it should be done;
- Stage 2 of the Review should consider how to improve other aspects of FR's performance wherever practicable.

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