

**THE REVIEW OF LAND MANAGED BY  
FORESTRY COMMISSION SCOTLAND**

**REPORT OF THE WORKING GROUP**

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# **REVIEW OF LAND MANAGED BY FORESTRY COMMISSION SCOTLAND**

## **Contents**

### **Summary of recommendations to Ministers**

#### **1. Introduction**

#### **2. The need for change**

- 2.1 Past development of estate
- 2.2 Messages from public consultation
- 2.3 Messages from consultants
- 2.4 Implementing Executive policy
- 2.5 Structure of report

#### **3. The way forward: the future role of national forests**

- 3.1 Vision
- 3.2 Promoting vibrant and healthy communities: community involvement
- 3.3 Promoting vibrant and healthy communities: quality of life
- 3.4 Enriching natural environments and our cultural heritage
- 3.5 Creating economic opportunities

#### **4. Achieving change**

- 4.1 Size and distribution of the estate
- 4.2 Management of the estate
- 4.3 Funding
- 4.4 Working in partnership

#### **5. Conclusions**

## **Annexes**

- 1. Terms of reference, Group membership and meetings
- 2. Summary of consultation responses
- 3. Summary of consultants' report
- 4. Community purchase
- 5. Criteria for selection of potential forest sales

## Summary of recommendations to Ministers

Our recommendations are that:

### Section 3.1: Vision

Ministers endorse the following vision statement:

*“Scotland’s national forests will benefit everyone in Scotland, promoting vibrant and healthy communities; enriching natural environments and our cultural heritage; and creating wide-ranging opportunities for economic development.”*

Forestry Commission Scotland (FCS) uses Forest District Strategic Plans as the primary vehicle for consulting on, and agreeing, how the vision should be realised at local level; and that national guidance is developed to help this process.

### Section 3.2: Community involvement

FCS continues to draw on advice from the Forestry for People Advisory Panel. The Panel should be consulted about the need to produce a new version of the booklets (first published in 1999) *Working with Communities*. This new publication could advise communities on FCS’ strategic direction, including its use of Forest District Strategic Plans; explain the role of local staff (and how to make contact with them); say what can be expected of staff; provide case studies illustrating successful community projects, and show how different partners can become involved.

Forest District Managers should engage with Community Planning Partnerships to explore how national forest land can be used to contribute to a wider breadth of local priorities.

Forest Enterprise Scotland (FES) should continue to pursue an active training programme in order to extend the range and depth of staff skills in this field. At least some staff from every Forest District should have undertaken appropriate training by the end of 2005.

The scope for community purchase of national forest land is extended through a preferred purchaser scheme, subject to the conditions set out in Annex 4.

FCS should explore with lawyers the scope for offering leases as an option for communities – and implications for the Scottish Forestry Grants Scheme; and if necessary put forward proposals for legislative change.

FCS, SEERAD and the Crofters Commission jointly examine whether and how national forest estate land might be used to create new crofts under the Crofting legislation.

### Section 3.3: Quality of life

FCS gives priority to working with partners to help provide new opportunities for recreation and landscape improvement in and around towns and cities.

It is recognised that any step increase in the urban forest programme can only be achieved through new funding.

Recreation business planning on the national forest estate is improved, drawing on market research, customer surveys, discussions with neighbours and other partners, to identify priorities for investment in recreation facilities and to identify new sources of partnership funding.

FCS identifies and publicises details of woodland recreation opportunities accessible from major cities by public transport, and dedicated cycle routes, and works with Community Planning Partnerships to identify the need for new public transport links.

FCS is proactive in making use of the national forest estate land for educational purposes, and that it facilitates this by using Community Planning Partnerships to explore opportunities and sources of funding.

FCS consider repeating Treefest Scotland, perhaps in 2006, in order to promote tourism, recreational and educational opportunities on the national forest estate.

#### Section 3.4: Natural environment and cultural heritage

FCS pursues opportunities for more ambitious environmental work. This should include Forest Landscape Restoration, re-creation of wilderness experiences, restoration of natural treelines and open ground habitats; restoration of PAWS to native woodland, in accordance with the principles set out in published FC guidance; native woodland conservation and expansion; and development of forest habitat networks and old growth forests. The Forest District Strategic Planning process should be used to assess options and consult locally on proposed projects. Working with Forest Research, FCS should develop guidance to help with this work.

FCS gives priority to achieving greater species and structural diversity in highly visible forests near human settlements and major transport corridors.

FCS works with Historic Scotland to examine the potential for further identification, management and interpretation of cultural heritage features within the national forest estate.

#### Section 3.5: Creating economic opportunities

FCS works with the private sector (growers and processors) to consider how best to use timber production from the national forests as a catalyst for development of this sector of the economy.

FCS should continue to look for ways to use the estate to promote local economic activity, using local economic forums and consultation on Forest District Strategic Plans to seek new ideas.

FCS works with partners to develop a strategic approach to improve, through joint working, the potential tourist value of the estate.

FCS continues actively to explore opportunities to develop new markets for woodfuel, including use of woodfuel to heat its own buildings.

FCS continues to take forward its social housing initiative, working closely with Communities Scotland.

#### Section 4.1: Size and distribution of the estate

FCS has flexibility to acquire land, including existing woodlands, where there is a strategic fit with its priorities, a case can be made and funds are available.

As part of its urban forestry programme, FCS explores the possibility for entering into management agreements in relation to woods owned by others, including particularly other public bodies where this would be beneficial.

SEERAD, SNH and FCS examine the land holdings of the three bodies with a view to identifying sensible opportunities for partnership agreements, leases or land transfers.

Ministers relax the current restrictive criteria on sales. This would give FCS flexibility to sell national forest estate land where the land does not contribute to the objectives of the national forest estate (see Annex 5 for suggested criteria) and this can be justified in terms of value for money. (Section 4.3 deals with the use of the proceeds from forest sales.)

#### Section 4.2: Management of the estate

The Forest District Strategic Planning process is used to identify areas that need a radical reappraisal of management objectives, to examine options and to set out proposals for future management.

The FC research programme should include examination and testing of different options for rehabilitating former plantations, together with associated sharing of ideas and best practice through field seminars and publications

#### Section 4.3: Funding

There is a transparent mechanism for managing receipts from additional forest sales and ensuring that they are used to develop public benefits in other parts of the estate, with at least some being re-invested in worthwhile projects locally.

FCS works with the Commission's economist to develop internal guidance on option appraisal.

#### Section 4.4: Working in partnership

FCS should investigate the legal constraints on joint ventures and Board membership by FCS staff, with a view to making recommendations for changes that allow more use of these important partnership mechanisms.

## 1. Introduction

In August 2003, Ministers announced a review of the long-term role of the national forest estate, managed by Forestry Commission Scotland (FCS). As explained in Annex 1, we were appointed as a Working Group to undertake this review. The FC National Committee for Scotland, acting as the review Steering Group, has overseen our work. To provide an evidence base, we undertook a consultation exercise and commissioned an economic analysis of the estate. This report should be read in conjunction with our Consultation Paper, since we do not repeat here all the background information that it provided.

The national forest estate covers 667,000 hectares, or 8.5% of Scotland's land area. It accounts for 36% of Scotland's woodland and forest.

Reasons for carrying out a review at this time are:

- Devolution. Since devolution, Scottish Ministers have owned the estate, on behalf of the people of Scotland. In 2003, the Forestry Commission established a National Committee for Scotland, and created a new Agency (Forest Enterprise Scotland - FES) which is responsible for day to day management of the estate. This is an opportune moment to examine the role of the estate, and the implications of this for the remit of the new Agency;
- Policy development. In 2000, the Scottish Executive published its *Scottish Forestry Strategy*. The Scottish Forestry Grants Scheme (SFGS) reflects decisions on how the private and voluntary sector can help deliver the Strategy. This review explores how the national forest estate can best contribute to delivery of the Strategy, and other Executive priorities (such as Land Reform, sustainable development and closing the opportunity gap);
- Finance. The major sources of finance for the national forest estate are funding from the Scottish Executive and income from the sale of timber. Timber prices have been at an all time low (in real terms) for the past five years. This has put financial pressure on the Commission, and raises questions about long-term objectives, especially for those parts of the estate that are less well suited for timber production. This review has been timed to help inform decisions that will be taken during the Executive's 2004 Spending Review (SR2004).

The national forest estate is an important national asset for Scotland. It allows Ministers to take policy initiatives forward in a direct way and provides opportunities for demonstration and testing of new approaches to sustainable forest management. It offers outdoor recreation for millions of people each year. It has played a big part in delivering on commitments to conservation and biodiversity. It is a major supplier of raw material for Scotland's wood processing industries. It is increasingly becoming a valued resource for delivery of community benefits. It can contribute to rural development and urban regeneration. This review provides an opportunity to establish

a clear long-term direction for the estate, so that it can continue to benefit future generations. Throughout this review, we have recognised the important, and often complementary, role of the other 64% of Scotland's woods and forests, owned by a wide variety of private individuals, corporate bodies, voluntary organisations and public agencies.

## 2. The need for change

### 2.1 Past development of estate

As the Minister explained in his preface to our Consultation Paper, the national forest estate has developed as a result of changing pressures and priorities:

- Immediately after the First World War, the priority was to make sure that we had timber for coal mining, without relying entirely on imports.
- Through the middle part of the twentieth century, the estate continued to expand, growing timber for industry and creating rural employment.
- The recreational potential was developed in the post-war era and, by the 1970s, there were hundreds of picnic sites, car parks and forest trails.
- A policy statement published in 1991 confirmed a strong commitment to multi-benefit forestry.
- Between 1979 and 1997, well over 100,000 hectares of public forest were sold. Large-scale disposals were stopped after the change of Government in 1997.
- With devolution, in 1999, Scottish Ministers assumed ownership of the national forests, on behalf of the people of Scotland.

Key achievements since 1999 have included securing certification (an international benchmark of sustainable forest management) from the Forest Stewardship Council, and a significant broadening of the community engagement agenda. Forest Enterprise has played a key role in integrating environmental objectives into traditional forest management and so demonstrating the complementarity between environmental and timber production interests.

The *Scottish Forestry Strategy* embraces all forest and woodland in Scotland. The Strategy recognised the special role that national forests had played in supporting the development of the UK market for round timber and in demonstrating good practice, setting an example in sustainable forest management. The Strategy said that:

“Public-sector ownership of forests is important where it can bring public benefits that could otherwise be lost.”

These public benefits can include community engagement, recreation, forest-related green tourism, implementation of Biodiversity Action Plans (BAPs), conservation of cultural heritage assets, regeneration of derelict land, creation of woodlands on the urban fringe, and support for fragile rural communities.

### 2.2 Messages from public consultation

The consultation period lasted 12 weeks, from early December 2003 until the end of February. We were pleased with the level of interest. Altogether, we received 403 responses to the Consultation Paper (179 from organisations and 224 from

individuals). These responses are summarised in Annex 2, and a fuller analysis has been published on the FC website. As part of the consultation exercise, public meetings were held during January in Oban, Dundee, Dingwall, Newton St Boswells, Newton Stewart, Glasgow and Inverurie.

Key messages from public consultation included:

- widespread support for the way in which our national forests are managed, particularly at local level, and concern about the prospect of a new disposals programme;
- a majority wish to go further in terms of developing the environmental and social value of the estate; but a significant minority argued strongly for retaining a clear focus on the historically core function of timber production;
- general recognition that managing the national forest estate will inevitably cost the taxpayer money, particularly at current timber prices. While the majority of responses indicate that, broadly speaking, this represents value for money, others suggested ways of reducing net financial costs to the tax payer, for example by concentrating purely on commercial activities or through privatisation;
- large numbers of specific proposals for improvement and changes in emphasis. These are considered further in the relevant parts of this report.

We are most grateful to all those who attended public meetings and to all those who responded to our Consultation Paper. In developing this report, we have benefited greatly from the time and thought that went into their submissions.

### 2.3 Messages from consultants

Following a tender exercise, CJC Consulting was invited to produce an *Economic Analysis of the Contribution of the Forest Estate Managed by Forestry Commission Scotland*. The team included an economist, staff from the land agents Bidwells and Dr George Peterken, a distinguished woodland ecologist. A summary of their report is provided in Annex 3.

Key messages from the consultants were:

- if account is taken of non-market benefits, then even using the limited techniques available for their valuation, estate still delivers the 3.5% return on assets required by public bodies. However, they also noted the uncertainty surrounding valuation of non-market benefits, and the fact that a dramatic fall in timber prices has led to a major financial deficit in timber operations;
- low timber prices mean that in some areas (for example with poor access, long distances to markets and/or poor quality) timber

harvesting to deliver broader management objectives can only be undertaken at a financial loss. A study is needed to examine likely future trends in prices, and implications for management of the estate;

- replanting primarily for timber production after felling requires careful appraisal. Even assuming that prices double, and taking account of the value of carbon sequestration, it is difficult to justify conventional replanting with species such as Sitka spruce on sites of lower fertility (yield class 10 or less). Other options, such as conversion to native woodland, creation of less productive “open woodland” or creation of open space, should be considered;
- the forest plantation market is small (around 10,000 hectares per year), and so the scope for forest sales is limited, unless a major promotional campaign is launched to “make” a market. In assessing the case for individual sales, risks to environmental and social outputs must be taken into account. A new and more flexible forest sales strategy should include provision for transferring forests to community and environmental groups;
- the estate is a major provider of recreation and contributes to tourism. A strategic study is needed to identify recreation deficits, in relation to current demand and likely increases in demand;
- developing woodlands in peri-urban areas is costly (especially if land has to be purchased), but can produce large benefits in terms of landscape, amenity and the associated attraction of these areas for inward investment;
- a new strategy for the public forest estate is needed to define its role in taking forward the *Scottish Forestry Strategy*. Within the context of existing commitments to sustainable forest management, this should focus on delivery of environmental and social outputs, including the development (where justified) of recreation, biodiversity and forestry in peri-urban areas. There should also be a greater emphasis on appraisal of options ;
- finally, the consultants suggested that, in practice, repositioning of the estate will take place over a long time scale so that, in the short or medium term, these changes will not have major impacts on the timber processing industry or employment in rural areas.

#### 2.4 Implementing Executive policy

In addition to their significant role in implementing the *Scottish Forestry Strategy*, the national forests can help deliver other Executive priorities:

- promotion of sustainable development, by demonstrating a commitment to the sustainable management of a natural renewable resource;

- helping to close the opportunity gap, by making the recreational and environmental benefits of woods and forests accessible to more people and, particular, groups that have not enjoyed such access in the past;
- well-being and health improvement, by creating opportunities for outdoor exercise and so helping to tackle health problems associated with physical inactivity;
- environmental justice, through improvement and restoration of derelict and damaged former industrial landscapes;
- contributions to the Scottish Biodiversity Strategy and enhancement of cultural heritage assets;
- economic development, by providing raw material for Scotland's wood processing industries, by providing attractions that benefit the tourist industry and by providing opportunities for local economic activity;
- strengthening communities, by offering scope for community-based forest projects and initiatives;
- education and lifelong learning, to promote environmental awareness and active citizenship;
- land reform, including promotion of greater diversity in land ownership and management, and the creation of a right of responsible access.

## 2.5 Structure of report

The role of Scotland's national forests has become more diverse, moving from an historical focus on timber production to wider delivery of economic, environmental and social benefits. The positive value of this change in direction was recognised by many consultees and borne out in the economic analysis. It has, however, meant that the national forest estate cannot be financially self-sufficient, especially when timber prices are at their current level. As the consultation exercise showed, there are differing views about the relative emphasis that should be placed on the various outputs from the forests, but, on the whole, respondees accepted the principle that the tax payer should bear the cost of producing non-market benefits.

This review gives Ministers the opportunity to consider these issues and determine the direction that FCS should take in its management of the national forest estate, within the context of the *Scottish Forestry Strategy* and other Scottish Executive policies. We make recommendations about the long-term role of the estate, and the implications of this for its future size, nature and geographical distribution.

Our Working Group report follows the structure of the Consultation Paper:

- we propose a vision for Scotland's national forests (section 3.1);
- we explain what this vision will mean in practice (sections 3.2 - 3.5);
- we make recommendations about ways of achieving change (sections 4.1 –4.5);
- we draw conclusions and identify priorities (sections 5.1 – 5.2).

In this report we use the abbreviation FCS (Forestry Commission Scotland) to mean the FC National Committee for Scotland and all FCS staff, including those in FES (Forest Enterprise Scotland). FES is the management agency responsible for managing the estate on a day to day basis. The abbreviation FES is only used where there is a need to avoid confusion with other FCS staff (and, in particular, Conservancy staff and their responsibilities for SFGS).

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### 3 The way forward: the future role of national forests

#### 3.1 Vision

There was broad support for the vision proposed in the Consultation Paper, although a number of people suggested that it should make explicit reference to the cultural heritage.

Accordingly, we recommend that Ministers endorse the following, slightly amended, vision statement:

*“Scotland’s national forests will benefit everyone in Scotland, promoting vibrant and healthy communities; enriching natural environments and our cultural heritage; and creating wide-ranging opportunities for economic development.”*

Clearly, this is a high level statement of aspiration. We asked whether consultees thought it would be helpful to try to express the vision in more detail, perhaps quantifying the size and geographical distribution of the national forest estate of the future. Reaction to this was mixed, and many of those in favour accepted that it could be a major challenge. Nevertheless, we recognise that more detail is needed to guide those responsible for translating the vision into practical action on the ground. In the rest of section 3 (and in section 3 of our Consultation Paper) we explain the different elements of the vision in more detail, and our recommendations include proposals for work that will help to flesh out important aspects (such as the strategic role in timber production).

In their submissions, a number of consultees commented on the need to clarify the distinct role of publicly-owned national forests, as opposed to those owned privately or by voluntary organisations. Benefits from having a significant national forest estate include the ability to operate on a large-scale, effectively zoning by priority in time and space to make trade-offs and optimise delivery of multi-benefit forestry. The estate also acts as an exemplar directly demonstrating the Executive’s commitment to delivery of policy and provides opportunities for research and widespread demonstration of new techniques and practices. . Whilst such benefits are not unique to the public sector (and the SFGS has been designed to help other owners deliver public benefits), they are strongly associated with the national forest estate. The relative cost-effectiveness of direct provision through the national forest estate and indirect provision through grant mechanisms is not susceptible to simplistic analysis: much depends upon local circumstances, and in particular, the pattern of land ownership and motivation of owners.

As explained in the Consultation Paper, the level of public forest ownership in Scotland is comparable with that in other European countries. While consultees did not seek to defend the status quo with regard to the size, nature and geographical distribution of the estate, many expressed caution or concern about the prospect of radical change. There was a strong sense of ownership in which the national forests are “their” forests – a valued public asset - and that public ownership should continue on broadly the same scale as at present, with any changes taking place only where there is a clear justification.

Consultees recognised that elements of the vision will be given varying degrees of priority according to local circumstances, and a significant number wanted to be involved to the process of determining this. An important challenge for FCS will be to realise the vision in an integrated way at local level, engaging interested parties in decisions on priorities and trade-offs. The District Strategic Plans, developed by each of the 15 FCS Forest Districts on the basis of local consultation provide a suitable vehicle for this, although their profile should be raised to promote greater understanding and awareness of them. It is important, however, that FCS prepares guidance at the national level to prevent these Forest District Strategic Plans being developed in an isolated “piecemeal” fashion. In addition to setting out the policy context (in terms of the *Scottish Forestry Strategy*, other relevant Executive priorities and the vision for the national forest estate), this national guidance should describe the role and distinct contribution that national forests can play. National guidance should also help ensure that, collectively, implementation of Forest District Plans will “benefit everyone in Scotland”, and not just those who live near national forests. Such guidance will benefit from use of geographic information system (GIS) tools to develop and present proposals.

We recommend that:

- FCS uses Forest District Strategic Plans as the primary vehicle for consulting on, and agreeing, how the vision should be realised at local level; and that national guidance is developed to help this process.

### 3.2 Promoting vibrant and healthy communities: community involvement

Community involvement in forestry ranges from consultation, through more active community engagement in management, to leasing and community ownership of woodland. Different communities have different aspirations, which can change over time. In this section, leasing and transfer of ownership are considered separately from more general encouragement of community involvement.

*Doing more to encourage local community involvement in the management of national forests*

There is strong support for the suggestion that more should be done to encourage local community involvement in the management of national forests. It is widely recognised that much progress has already been made, and that an important factor has been the willingness of FCS staff to attend evening meetings or run activities at weekends. Some consultees compared these efforts favourably with those of other public bodies. In developing this area of its work, FCS has received a lot of help and support from its Forestry for People Advisory Panel.

There is a need to build on these achievements. Successful community engagement requires a range of skills that did not form part of a forester’s traditional training and work ethic/culture. A good start has been made in organisation culture change and in staff development and training in such skills, and recruiting staff who already possess them. This needs to continue, drawing upon the experience of the 70 or so

community forestry initiatives already in place, and doing more to engage with a wider range of social groups. If it is to be effective, community engagement must be a properly resourced, main stream activity – and not an “add on extra”. In some Forest Districts, community facilitators are employed, sometimes with funding help from other partners.

It is also important that expectations are not raised in ways that cannot be fulfilled. A number of consultees pointed out that FES is primarily a land manager, and not (for example) an arm of the social services. This underlines the need for partnership working, with FCS making national forest estate land available, but not necessarily taking the lead in every activity. Community Planning provides a useful framework for exploring opportunities with potential partners.

Proactive community engagement is still a comparatively new activity for FES. It is important to maintain momentum, share experience and learn lessons about how best to take this agenda forward. Accordingly, we recommend that:

- FCS continues to draw on advice from the Forestry for People Advisory Panel. The Panel should be consulted about the need to produce a new version of the booklets (first published in 1999) *Working with Communities*. This new publication could advise communities on FCS’ strategic direction, including its use of Forest District Strategic Plans; explain the role of local staff (and how to make contact with them); say what can be expected of staff; provide case studies illustrating successful community projects, and show how different partners can become involved;
- Forest District Managers should engage with Community Planning Partnerships to explore how national forest land can be used to contribute to a wider breadth of local priorities;
- FES should continue to pursue an active training programme in order to extend the range and depth of staff skills in this field. At least some staff from every Forest District should have undertaken appropriate training by the end of 2005.

#### *Community acquisition/leasing of national forest land*

Diversity of land ownership is an important component of the Executive’s land reform programme. One way of helping to achieve this is through sale of national forest land to local communities. The consultation exercise revealed strong views for and against this. A good many respondents suggested that in many circumstances leasing, rather than sale, of national forest land to community groups might be a sensible option.

At present, community groups can only buy national forest land that FCS has already decided to sell. They can do this through the “sponsorship” arrangements that facilitate non-competitive sales to community or environmental bodies. In addition, they will shortly be able to exercise their pre-emptive “right to buy” under Land Reform legislation.

Consultees in favour of creating wider opportunities for community ownership argued that the community benefits from having full control over the land; and that, as the owner, communities would find it easier to get access to other sources of finance, including the SFGS. Those who urged caution said that there should be safeguards to protect the interests of wider communities of interest; to prevent “cherry-picking” (that might adversely affect the management of other areas); and to ensure that the community was genuinely committed to long-term sustainable management of the forest area.

The arguments in favour of leasing are that it could provide more flexibility for FCS and the community to set out rights and obligations, negotiated to fit local circumstances. Furthermore, as “landlord”, FCS would resume occupancy if the community interest evaporated in the future. On the other hand, there would be scope for friction if rights and obligations were not carefully defined. At present, there is also some uncertainty over the legal powers of Commissioners to lease land for forestry purposes, and the implications for the lessee’s ability to apply for SFGS. This needs to be clarified and, if necessary, a legislative opportunity taken to provide for leasing.

A related issue is that of purchase price (or lease rental). As noted by the consultants, there are circumstances where the land value is minimal and so this need not be a major issue. Where, however, the land does have an open market value, questions of public accountability arise. Sales (or leases) should take place at a value determined by the District Valuer. In certain circumstances, restrictions on the future use of land may be agreed, to protect or enhance public benefits, and such restrictions will need to be taken into account in the valuation. A further option would be allow a discount in those exceptional cases where this could be justified in terms of greatly increased public benefits; as explained in Annex 4, this would, however, require careful definition to prevent the “exception” becoming the “rule”.

A number of consultees, including the Parliament’s Cross Party Group on Crofting, have suggested that FCS explore the potential for establishing new crofts on the national forest estate, including the possibility of creating entirely new crofting townships, with both individual croft holdings and land in common. The Crofters Commission said that there are too few available crofts to satisfy current demand, and suggested the use of national forest estate land to create new crofts and new housing for crofters. Although the forthcoming Crofting Reform legislation will make it easier to create new crofts in this way, this is a complex area that will need careful examination. There will also be practical issues to address such as planning and the provision of services. Nevertheless, the proposal does merit further consideration.

We recommend that:

- the scope for community purchase of national forest land is extended through a preferred purchaser scheme, subject to the conditions set out in Annex 4;
- FCS should explore with lawyers the scope for offering leases as an option for communities – and implications for SFGS; and if necessary put forward proposals for legislative change;

- FCS, SEERAD and the Crofters Commission jointly examine whether and how national forest estate land might be used to create new crofts under the Crofting legislation.

### 3.3 Promoting vibrant and healthy communities: quality of life

#### *Providing new opportunities for recreation and landscape improvement in and around towns and cities*

Responses to the consultation exercise and to the consultants' report highlighted the importance of recreation, and the associated links with health improvement, as a key benefit from the national forests. There was also recognition that, at present, there is an inequitable distribution of opportunities for woodland recreation. In particular, some people (especially those who live in urban areas without cars) have limited access to forest recreation facilities.

This situation can be improved by creating more well-managed woodland and associated recreation opportunities in and around towns and cities. One way of doing this is to acquire land (including existing, mature woodland) as part of the national forest estate. This has been done successfully at Callendar Wood, near Falkirk. There is also considerable scope for creating attractive woodland on derelict or vacant land; the Forestry Commission has taken a leading role in pilot and demonstration projects of this sort in post-industrial areas and on land near conurbations in England and Wales.

Ministers do not, however, necessarily need to acquire land to make things happen. Another option is for FCS to work in partnership with existing owners, including local authorities, applying their expertise to the development and management of woodland resources and the realisation of their recreation potential. A number of consultees pointed out that in some circumstances FCS might not be the right organisation to lead, although it could provide valuable assistance in the development and management of greenspace. A third option need not involve FES at all: owners of urban and peri-urban woodlands can do this work themselves, making use of planning mechanisms and grant aid Organisations such as the Central Scotland Forest Trust (CSFT) and the Scottish Greenbelt Trust have a track record in encouraging this activity.

Effective use needs to be made of all three options. The urban environment is complex, and partnership working (including engagement with Community Planning Partnerships) is essential. There is a need to avoid duplication of effort. There is also need to work closely with voluntary bodies, and other players who have long experience of working in a peri-urban environment.

As part of the Woods in and Around Towns (WIAT) initiative, FCS is currently exploring potential demonstration opportunities for developing its role in and around towns and cities, including brownfield sites. Such work is likely to be relatively expensive, compared with more "traditional" rural woodland management. The cost of land can be higher than in rural areas; more effort may be needed to tackle threats

of vandalism and litter-dumping; and effective community involvement (often the secret to preventing vandalism etc) is time consuming and costly, with large numbers of stake-holders.

This is an important area of work for FCS. Current activity is focussing on west central Scotland. A step increase in this urban forest programme will need to be properly funded. Transparent funding will also help allay fears (expressed during the consultation) that money would be “taken away” from rural areas to pay for this work in urban areas.

We recommend that:

- FCS gives priority to working with partners to help provide new opportunities for recreation and landscape improvement in an around towns and cities;
- it is recognised that any step increase in the urban forest programme can only be achieved through new funding.

Management agreements and land acquisition are considered further in section 4.1.

#### *Recreation in rural areas*

Notwithstanding the importance of this new urban forestry agenda, sight should not be lost of recreation provision in rural areas. This is important as:

- a resource for the people who live in rural areas;
- an opportunity for the tourist industry. The extent to which national forests provide a resource for tourism businesses was highlighted when the forests were temporarily closed during the foot and mouth crisis. The consultants suggested that the greatest scope for new investment in recreation is likely to be in such growth areas as mountain biking, cultural heritage and nature-based tourism;
- an escape into rural Scotland for people who live in towns and cities – for simple activities such as walking and more specialist activities such as mountain biking.

Many hundreds of facilities have been developed over the past 30 years. These include visitor centres, car parks, forest walks and picnic places, including provision for people of all abilities. They are well used, and some that were not have been closed. Many are particularly appreciated because of the high quality of their landscape setting and of the associated interpretive material. Ongoing funding is required to maintain these facilities. More recent developments have included a rebuilding of the forest holiday cabin site at Strathyre, Perthshire, and the growth in facilities for mountain biking (typically funded by partnerships making use of EU funds). There is also scope to work closely with neighbours, for example in the development of core path networks or of extended cycling routes. The consultants identified the need to identify recreation deficits, in relation to current, and likely

increases in, demand. This will require market research as well as surveys of existing users; this focus on customers will help direct future investment in recreation infrastructure.

Rural recreation facilities are often difficult to access without a car. A number of consultees made the point that opportunities for urban dwellers to enjoy woodland recreation could be developed through making good use of (and if necessary extending) public transport networks.

We recommend that:

- recreation business planning on the national forest estate is improved, drawing on market research, customer surveys, discussions with neighbours and other partners, to identify priorities for investment in recreation facilities and to identify new sources of partnership funding;
- FCS identifies and publicises details of woodland recreation opportunities accessible from major cities by public transport, and dedicated cycle routes, and works with Community Planning Partnerships to identify the need for new public transport links.

#### *Education and lifelong learning*

Forests and woodlands can be a valuable educational resource. Through the Forest Education Initiative, FCS helps develop curriculum-related material for teachers. FES also offers facilities for visiting students of all ages, in the form of information and (in some locations) classrooms and rangers. In addition, FES has sometimes made surplus houses available to local education authorities and other organisations for use by youth groups.

Much does depend upon local initiative and the ability of teachers to overcome difficulties in finding the time or money needed for forest visits. Urban and peri-urban woodlands can provide a valuable resource for schools in towns or cities.

Linked to this is the general need to ensure that more people are aware of what Scotland's national forests have to offer. In response to a question on this point, consultees emphasised the importance of education, as well as working with other bodies such as tourist operators and VisitScotland.. A number highlighted the success of Treefest Scotland 2002 and urged that it be repeated.

We recommend that:

- FCS is proactive in making use of the national forest estate land for educational purposes, and that it facilitates this by using Community Planning Partnerships to explore opportunities and sources of funding;
- FCS consider repeating Treefest Scotland, perhaps in 2006, in order to promote tourism, recreational and educational opportunities on the national forest estate.

### 3.4 Enriching natural environments and our cultural heritage

#### *Becoming more ambitious in environmental work*

Consultees generally appreciated the leading role that FCS has played in taking forward the BAP and other conservation initiatives on the national forest estate. Many (though not all) felt that more could be done, given the necessary resources. Thus, there was support for ideas such as Forest Landscape Restoration, the recreation of wilderness experience, restoration of natural treelines and open ground habitats, and the development of forest habitat networks. There was also support for continued work to conserve and enhance BAP priority habitats and species; to improve native woodland condition; to restore native woodlands where there are plantations on ancient woodland sites (PAWS); and to make more use of alternative systems to clear felling.

Our consultants highlighted the value of restoring native woodland on PAWS. Sometimes, however, PAWS restoration may not represent the best conservation or landscape option, and a recent FC publication provides guidance on assessing priorities for this work. Provided that implementation is guided by the principles set out in that publication, we would advocate a long-term programme of restoring most PAWS areas within the national forest estate as part of a wider commitment to the conservation and expansion of native woodlands on the national forest estate.

While many spoke positively about changes in approach to forest management and the environment over recent years, others complained about the gap between “the pretty pictures in glossy publications” and the Sitka spruce around their houses. There were calls for greater diversity in the forests, with more broadleaves, more old trees, especially from “lay” people as opposed to conservation professionals.

A lag between policy change and change on the ground is inevitable in a long-term business like forestry. More explicit commitments to promoting diversity in the national forest estate would help counter this accusation, especially near human settlements and major transport corridors. There is a need to use Forest District Strategic Plans as a basis for advancing and communicating this work, establishing a strong commitment while recognising that results may take many years and will have financial implications. These Strategic Plans should include a “standing back” to ask what the forest should be like in 50 years time. They should be grounded in the principles underlying the *Scottish Forestry Strategy*, and other Executive agendas, including – in the environmental context – those relating to biodiversity, catchment management and implementation of the Water Framework Directive, and climate change.

Carbon sequestration helps offset the impact of carbon emissions in other sectors of the economy. The *Scottish Forestry Strategy* recognised carbon sequestration as a helpful output from forests (and its value was explicitly recognised in the economic analysis carried out by the consultants). While we do not propose that forestry projects are taken forward with the sole purpose of carbon sequestration, the impact of

different options on carbon sequestration needs to be taken into account in appraisals, making use of available research information. We return to the subject of option appraisal in section 4.3.

There was general agreement that there is scope for better co-ordination in relation to the management of land of potential conservation value, especially where properties are close to one another. FCS, SEERAD and SNH are all responsible for large areas of land. Sometimes a more “joined-up” approach might be able to achieve a more integrated, cost-effective solution to management of the entire area. We return to this issue in section 4.1.

We recommend that:

- FCS pursues opportunities for more ambitious environmental work. This should include Forest Landscape Restoration, re-creation of wilderness experiences, restoration of natural treelines and open ground habitats; restoration of PAWS to native woodland, in accordance with the principles set out in published FC guidance; native woodland conservation and expansion; and development of forest habitat networks and old growth forests. The Forest District Strategic Planning process should be used to assess options and consult locally on proposed projects. Working with Forest Research, FCS should develop guidance to help with this work;
- FCS gives priority to achieving greater species and structural diversity in highly visible forests near human settlements and major transport corridors.

*Doing more to recognise, enhance and promote the cultural heritage value of the estate*

Some consultees argued strongly that there should be explicit commitments to the cultural heritage as well as the natural environment. In practice, this reflects the current situation. FCS liaises closely with SNH and SEPA over natural environment, and with Historic Scotland over cultural heritage issues.

Cultural heritage features range from prehistoric settlements and monuments, through to medieval and later townships, historic landscapes and the historical record that is preserved in such places as former wood pastures and waterlogged areas. As well as their intrinsic value, these features – properly managed, presented and interpreted (for example as a part of a forest walk) – can become important visitor attractions, particularly when brought alive by dynamic interpretation and cultural events. There are already some examples of this, but there is scope for doing considerably more – for example through cultural arts and by making links between the national forests themselves and the oral history tradition of the men and women who helped create them.

This is another example of an area where FCS does not have particular expertise, but can do much to facilitate developments by those who do have the expertise. Community Planning Partnerships, and other partnerships (such as those associated

with EU and lottery funding), can be used to bring together the different skills and resources needed to take full advantage of these assets.

We recommend that:

- FCS works with Historic Scotland to examine the potential for further identification, management and interpretation of cultural heritage features within the national forest estate.

### 3.5 Creating economic opportunities

#### *Strategic role of the national forests in the supply of timber*

The importance of the timber supplied from the national forests in developing a major wood processing industry in Scotland is well recognised. One of the *Scottish Forestry Strategy's* five strategic directions is to maximise the value of the wood resource becoming available for harvesting over the next 20 years. This can only be achieved by maintaining and developing a competitive wood processing industry. At present, the national forests account for about 60% for wood supply, and the industry depends upon FCS providing reliable timber production forecasts and meeting supply commitments from national forests.

In our Consultation Paper, we recognised that it is unusual for the public sector to play such an important part in the market place. We noted, however, that the ability to be able to guarantee delivery of significant volumes of wood has been a critical factor in attracting new processing capacity to Scotland (with investments of over £1 billion in the past 20 years.)

Looking further ahead, however, the position will change and private sector supplies will become increasingly important. The present long term supply forecast suggests that from about 2050 onwards the national forests will produce about 2.5 – 3.5 million m<sup>3</sup>/year from 2050 onwards, or about 25% - 35% of potential total production. This assumes no change in the area of the national forest estate. It also assumes that current policies are followed in relation to the choice of species for restocking. This latter assumption may be need to be changed in the light of this report, and in particular the more ambitious approach to environmental work (recommended in section 3.4) and the recognition that some areas may not be suited for long-term timber production (discussed further in section 4.2).

The Consultation Paper asked the emphasis that should be given to the strategic role of national forests in the timber supply. In responding, the wood processing industries said that this strategic role was vital. On the other hand, some from the private growing sector advocated a reduced role for national forests in timber production, and an increased role for the private sector. Another group of respondents argued that there should be a change of emphasis (for example towards hardwood production, and promoting small-scale processing businesses, including wood fuel). Only a minority wanted the role of timber production reduced to the extent that it becomes a by-product from the estate. A common feature of most responses was a desire to see national forests produce quality timber.

In considering these responses, the consultant's view that there should be greater emphasis on delivery of environmental and social outputs from the estate, and the background of rising production, especially in the private sector, we concluded that:

- FCS and the private sector should work together to even out peaks and troughs in timber supply and to ensure a smooth transition as private sector supplies become increasingly important for Scotland's wood processing industries;
- continued production from national forests remains an important opportunity to promote further investment in competitive and innovative wood processing;
- it is important that the implications of changes in forest management practice on the national forest estate find expression in revised long-term production forecasts, to help the wood processing industry plan future investments – and that this should provide information on quality as well as volumes.

Accordingly, we recommend that:

- FCS works with the private sector (growers and processors) to consider how best to use timber production from the national forests as a catalyst for development of this sector of the economy.

#### *Sustaining and developing local economies*

There was general agreement on the need to sustain and develop local economies, especially in fragile rural communities. Consultees also suggested various ways in which the national forest estate could help. There is recognition of the long tradition of allowing a wide variety of activities (from firewood sales, through to mineral exploitation and car rallies) all of which help create local economic activity. There is, however, scope to take this further. Engagement with local economic forums and consultation over Forest District Strategic Plans provide vehicles for identifying just what the new opportunities are. Consultation may also stimulate dialogue that helps prevent conflict where neighbouring landowners or businesses are concerned about competition from commercial activity on national forest land.

FCS has considerable experience in structuring contracts and timber sales to help local businesses. Smaller contracts (or sales) may suit small businesses. Medium term (as opposed to short term) contracts can help contractors who need to borrow money for investment. Local businesses are given preference when awarding contracts if this can be justified in terms of benefits to the local economy and community and does not result in unfair competition.

Apart from employing local people in main stream forest operations, one of the most important contributions that the national forests can make to local economies is through forest-related recreation and tourism. The potential for such development is closely linked with the environmental value and attractiveness of forests, as well as the presence of recreation facilities themselves. Major growth areas are likely to

include mountain biking, adventure and nature-based and cultural heritage tourism. There would be value in examining and developing the tourism potential of the estate in a strategic way. This would mean looking at areas of growing demand against what the estate can offer, and considering such ideas as improving key infrastructure, developing a professional marketing capability and other key tourism service skills, with a view to becoming more customer focussed and responsive.

A good many consultees emphasised the important potential that lies in making more use of wood for fuel, and developing associated supply chains. Already, FCS is heavily engaged in this area – and this effort needs to continue. A Woodfuel Resource Study has now been fully tested and is available on the FC Web-site, along with a Woodfuel Projects database. FCS has also helped Scottish Enterprise organise a series of woodfuel seminars across Scotland. A Highlands Woodfuel Project Officer has been appointed, and information events for communities interested in woodfuel are taking place in south east Scotland. The installation of a wood chip heating system has begun at the FCS Huntly office. Energy audits have been carried out at a number of other offices in the north of Scotland to ascertain their suitability for woodfuel heating systems. A survey will be carried out at Ae to explore the potential for a “district” woodfuel heating system that will include Ae village community buildings as well as the FC complex.

While consultees were keen to see more use of wood for fuel, the use of the estate for windfarm development was more controversial. There were concerns, in particular, about the impact on local amenity. Nevertheless, windfarm development is an important element in the Executive’s renewables policy and the national forest estate can offer good locations. We consider that individual applications continue to be scrutinised under the statutory planning process.

A social housing initiative, recently launched by FCS, was warmly welcomed by a significant number of consultees. This involves FCS making land available for housing, and there is scope to consider other areas where a proactive approach of this sort would be welcome.

We recommend that:

- FCS should continue to look for ways to use the estate to promote local economic activity, using local economic forums and consultation on Forest District Strategic Plans to seek new ideas;
- FCS works with partners to develop a strategic approach to improve, through joint working, the potential tourist value of the estate;
- FCS continues actively to explore opportunities to develop new markets for woodfuel, including use of woodfuel to heat its own buildings;
- FCS continues to take forward its social housing initiative, working closely with Communities Scotland.

## 4 ACHIEVING CHANGE

### 4.1 Size and distribution of the estate

#### *A more dynamic approach*

Consultees recognised that the size and distribution of the current estate is largely a consequence of twentieth century policy priorities. They accepted that there should be scope for change, in response to changing circumstances, but consultees also expressed caution about any radical change, preferring a more gradual approach that could be adjusted over time. (To illustrate the danger of a radical approach, it was pointed out that some of the woods sold in the 1980's and 1990's would have fitted well with today's agenda of providing woodland recreation near centres of population.)

We have discussed whether or not it is possible to develop a "blueprint" mapping the future geographical distribution of the estate, and concluded that it would not be sensible to attempt this sort of centrist approach. As discussed in sections 4.2 and 4.3, there will be a variety of opportunities for adding to the estate and for selling land. In these sections we also outline the criteria and processes that should guide individual decisions.

#### *Adding land to the estate*

Few consultees argued that FES should play a major role in taking forward the *Scottish Forestry Strategy* priorities for expanding Scotland's forest area. Such expansion will take place largely on privately owned land and land owned by voluntary bodies. Nevertheless, they did not rule out the purchase of land for the national forest estate, where this would bring benefits that could not be obtained so cost-effectively in other ways. This situation is most likely to arise in or around towns and cities, or in some wild-land areas of great value for native woodland and associated open habitats. Given the high cost of land acquisition, this should, however, only take place where it is an essential means of securing public benefits, so that money can, in general, be spent on action rather than land purchase itself.

Indeed, land purchase is not the only mechanism for adding land to the estate. Just as FCS encourages communities to enter partnership agreements for management of national forest land, so FCS can enter partnership with others for management of their land. FCS should actively seek opportunities for using its skills to promote urban and peri-urban woodland recreation through management agreements and other partnership arrangements with existing landowners. This would bring advantages where FCS could offer particular expertise. In practice, the most likely opportunity for this sort of approach is through the management of local authority owned woodland in and around towns

As discussed in section 3.4, there may also be advantage in closer collaboration between FCS and bodies such as SNH and SEERAD in managing large, publicly owned rural estates. This is most likely to be the case where they are close to each

other and there are advantages in operating over a larger scale, in terms of more integrated and cost-effective management.

We recommend that:

- FCS has flexibility to acquire land, including existing woodlands, where there is a strategic fit with its priorities, a case can be made and funds are available;
- as part of its urban forestry programme, FCS explores the possibility for entering into management agreements in relation to woods owned by others, including particularly other public bodies where this would be beneficial;
- SEERAD, SNH and FCS examine the land holdings of the three bodies with a view to identifying sensible opportunities for partnership agreements, leases or land transfers.

#### *Selling national forest estate land*

The issue of forest sales remains a sensitive subject. While not necessarily opposed in principle, a lot of people expressed a range of concerns, including:

- worry that public benefits would be lost (quoting such examples as the purchaser who dug a ditch between the road and a sea-side picnic place to prevent access to former national forest land);
- fear that such sales would be driven by cash targets;
- a desire that proceeds should be re-invested locally;
- the need to ensure that management standards (for example in relation to deer) are maintained, and to avoid creating management problems (for example through loss of access for timber traffic);
- the fact that, in current markets, prices would be low and that sales on an “acceptable” scale would make little impact on FCS funding needs;
- concern that sales income, derived from rural areas, would be used to pay for an urban forestry initiative.

(Sales to community bodies are viewed differently from open market sales; they are discussed separately in section 3.2.)

Thus, the case for any sale – like any purchase – would need to demonstrate clear public benefits, or at least a negligible loss in public benefit offset by income that could be reinvested elsewhere. Most consultees thought that this would be apply in only relatively restricted circumstances, but a few private sector forestry organisations advocated a major sales programme.

The consultants' land agents assessed the state of the market for forest sales. They concluded that the forest plantation market is small (about 10,000 hectares per year), consisting largely of well-located "commercial" forests with good access and potential for future timber harvesting. Their analysis showed that average prices had fallen from £1,700 per hectare in 1995/97 to £1,350 per hectare in 2000/02. These were mainly privately owned forests. In recent years, the average price for sales of "surplus" forest land by FCS has been considerably less, at £600-£700 per hectare, reflecting such factors as their small size and remoteness.

Options for the future include:

- (1) the status quo, under which sales only take place if they can be justified in terms of rationalising the estate, or are of sites where development has been approved. In recent years sales have run at 3,000 hectares per year, but this is falling as the surplus land has been sold. Assuming future sales of 1000-2000 hectares per year, and an average price of £700/hectare, this option would yield £0.7 - £1.4 million per year;
- (2) a lightening of this existing constraint – but a cautious approach, based on selling individual properties where there are good reasons, including clear value for money and negligible loss of public benefit. Thus the concept of "surplus" land would fall away. Assuming future sales of 2000-3000 hectares per year, and an average price of £700/hectare, this option would yield £1.4 - £2.1 million per year;
- (3) an approach aimed at securing a particular level of forest sales income. The target would need to be based on an assessment of what is feasible in the current market. Anything more ambitious would, according to the consultants, require a major promotional effort to "make the market". Assuming future sales of 4000-5000 hectares per year, and an average price of £700/hectare, this option would yield £2.8 - £3.5 million per year;

Moving beyond option 1 would undoubtedly give rise to some opposition, both nationally and local to the areas that are put on the market. Nevertheless, the responses to the consultation exercise suggest that option 2 would help the transition required to meet current and future objectives in an acceptable way, provided that receipts were made available for projects that would improve the social or environmental value of other parts of the national forest estate.

Option 3, on the other hand, would give rise to considerably more public concern. In their responses to the Consultation Paper question about the sale national forest estate land, few were in favour, and most were cautious. In general, individuals were more strongly opposed to forest sales than organisations.

We recommend that:

- Ministers adopt option 2, relaxing the current restrictive criteria on sales. This would give FCS flexibility to sell national forest estate land where the land does not make a significant contribution to the objectives of the national forest estate (see Annex 5 for suggested criteria) and this can be justified in terms of value for money. (Section 4.3 deals with the use of the proceeds from forest sales.)

#### 4.2 Management of the estate

In our Consultation Paper, we asked about circumstances where people thought that there should be a radical re-appraisal of management options. The general reaction was that there should be a better balance of objectives, underpinned by having a broader range of management skills. Particularly within the individual responses there was a marked dichotomy between those (the majority) who wanted much greater emphasis on conservation and recreation, and those (a significant minority) who thought that there should be a clearer focus on timber production. As recommended in section 3.1, Forest District Strategic Plans should be used to set local objectives and priorities.

For their part, the consultants concluded that there is a need to shift the emphasis away from timber production (especially in areas where its economics is questionable) and towards recreation and biodiversity (provided that expansion of these activities can be justified on a particular site). Increased emphasis on non-timber benefits can be compatible with the production of quality timber. Many of our recommendations elsewhere in this report deal with aspects of these shifts in emphasis. In this section we focus on the problem of what to do with those difficult areas that were originally planted for timber production, but where there is no longer any realistic prospect of realising an acceptable return.

The question of what is an “acceptable” return is a complex one. In some areas, it is currently impossible to harvest mature timber without incurring a financial loss, and here it may be difficult to justify replanting with timber production as a primary objective. Even where harvesting does not incur a loss, questions may need to be asked about replanting for timber production, and there is a need to consider the costs and benefits of different options.

The Consultation Paper suggested a number of options, including restoration of native woodland, creation of “open woodland” and creation of open habitats.. Consultation responses suggest that a radical approach to the management of such areas would be welcomed; but others warned of the need not to cause problems for the local economy or the wood processing industry. All the options set out in the Consultation Paper were seen to be appropriate in particular circumstances, although “abandonment” or “opt-out” was unpopular. While some suggested sale of these difficult areas, others said FCS should be leading the way with imaginative rehabilitation.

We have recommended that every effort is made to develop the potential for woodfuel, and this may help the economics of some forests. Nevertheless, we do not believe that this problem is going to “go away” and so we consider that the various

options for rehabilitation need to be tested on the ground to assess their practicality, environmental impact and cost. It is too soon to be able to put a figure on the overall cost of treating former plantations no longer considered suitable for timber production, but there is a job to be done. (The task of rehabilitating these areas can be compared in some ways with that of decommissioning coal mines that are no longer required in today's economy.)

We recommend that:

- the Forest District Strategic Planning process is used to identify areas that need a radical reappraisal of management objectives, to examine and appraise options and to set out proposals for future management.
- the FC research programme should include examination and testing of different options for rehabilitating former plantations, together with associated sharing of ideas and best practice through field seminars and publications;

### 4.3 Funding

The results from the consultation exercise demonstrated an enthusiasm for a more ambitious approach towards the development of the national forest estate. There was widespread recognition of the benefits this can bring. Equally, the realists pointed out the funding constraints, the dangers of "raising expectations" that cannot be fulfilled, and the constraints of organisational capacity.

In this report it is assumed that there will be no rapid and significant increase in timber prices, although it would be welcome if this assumption were proved wrong. It is also assumed that there will be no significant fall in prices. Income from other sources (such as windfarms) and savings through efficiency will all help, but have either already been factored in, or will only make a marginal difference to the overall need for financial support. Income generated through partnerships (see section 4.4) may be important but is always uncertain.

The current financial provision for 2004/05 includes:

- |   |  |         |
|---|--|---------|
| - | Provision to meet net operating cost:            | £16.2 m |
| - | Provision for environmental & social activities: | £ 8.9 m |

The provision to meet the net operating cost funds the mainstream programmes necessary to maintain the estate. Management efforts to reduce these costs are outwith the scope of this report, but we are aware that operational expenditure within FES is under review. The Commission will also be looking at ways to reduce the cost of central services, especially in the context of the Treasury's drive for efficiency (the "Gershon" proposals).

Some responses to our Consultation Paper suggested that significant savings might be made through letting contracts to the private sector for management of substantial forest areas. This is not a new idea, and we understand that there are legal constraints,

which prevent the Commissioners from delegating management of the forests in their care. Even if the legal constraints were removed, there is no evidence that private sector management of national forests would be significantly cheaper, especially once transaction costs are taken into account. On the other hand, the private sector already plays a major role in operational work: for example private operators carry out about 80% of timber harvesting operations.

Continued support for social and environmental activities is vital if public expectations, as confirmed by our consultation exercise, are to be met. Cutting social and environmental programmes would mean, for example:

- curtailing such activities as the conservation of key species and habitats (under the Scottish Biodiversity Strategy and the UK Biodiversity Action Plan programme);
- the closure of recreation facilities (where, for example, health and safety requirements mean that certain standards must be maintained);
- reduction in the management of important cultural heritage assets;
- reducing the amount of staff time devoted to community involvement.

As explained in section 4.1, there may be some scope for increasing revenue from forest sales. If our suggested relaxation in the constraints on forest sales is agreed, there will be scope to sell more national forest estate land. As we also point out, however, the public acceptability of this (option 2) will depend very much on having a transparent process for reinvesting the proceeds in improvements to the social and environmental value of the estate. Such investments could be in land purchase (or if it could be accepted as “capital expenditure” development of recreation infrastructure and native woodland restoration.) Our consultation exercise also revealed a desire for revenue from forest sales to be invested locally.

The Consultation Paper suggested a challenge fund as a way of channelling limited funds into the best projects. Reaction to this proposal was mixed. We have no strong views about the precise mechanism that is used. Nevertheless, we consider it important to have a transparent way of demonstrating that income from forest sales is not being “siphoned off” but is being spent on developing public benefits in other parts of the estate.

The consultants said that greater emphasis should be placed on the appraisal of options. We agree with this approach, within the overall context of the Executive’s commitment to sustainable forest management. The Commission has already produced internal guidance on how to apply the Treasury “Greenbook” on investment appraisal. We consider that this guidance should be developed to help those involved in appraising the options likely to arise from implementation of the recommendations in this report. It should expand upon the basic principles of cost benefit analysis by showing how account can be taken of non market benefits. It should also draw together the best information that there is on the value of non-market benefits, including (for example) the implications of different management options for carbon

sequestration. This guidance should also illustrate what types of appraisal are appropriate to different circumstances, so that time spent on appraisal is proportionate to the need, and similar work is not duplicated.

We recommend that:

- there is a transparent mechanism for managing receipts from additional forest sales and ensuring that they are used to develop public benefits in other parts of the estate, with at least some being re-invested in worthwhile projects locally;
- FCS work with the Commission's economist to develop internal guidance on option appraisal.

We have already recommended, in section 3.3, that new work by FCS to create urban woodland recreation opportunities is explicitly funded.

#### 4.4 Partnership

The value of partnerships was widely recognised, as a source of funds, of ideas and of expertise. While partnership working is valuable in many situations throughout Scotland, it is essential in the complex urban and peri-urban environment. A strong message from the consultation exercise was the need for FCS to recognise that it did not always need to lead partnerships. Given its limited organisational resources, it could often play its part by making national forest estate available, and so assisting other partners. There are of course already many good examples of this, but consultees made suggestions about how this could be taken further – for example by taking advantage of changes in EU funding streams post 2007. The availability of match funding is often a constraint on securing partnership money, and it would be helpful if additional funds derived from sales of land were used to help lever in additional resources.

Consultees also recognised that FCS is constrained by its inability to engage in joint ventures with private sector partners. Legal advice has suggested that joint ventures would fall outwith the scope of the current Forestry Act. This has meant, for example, that a proposal for a joint venture to develop new holiday cabins on the national forest estate could not be taken forward. As a result, there are constraints and some uncertainty about the scope for gaining access to private sector finance and expertise.

The Forestry Act also prevents FCS staff from being Directors of companies whose objectives extend beyond forestry. This can also be a constraint on effective partnership working.

We recommend that:

- FCS should investigate the legal constraints on joint ventures and Board membership by FCS staff, with a view to making

recommendations for changes that allow more use of these important partnership mechanisms.

## 5 CONCLUSIONS

The role of national forests today is very different from what it was 50 years ago when, for example, efforts to encourage public recreation were focussed on the three Forest Parks in Argyll, Glenmore and the Trossachs. If the way forward we are proposing in this report is adopted, then we would expect to see a very different picture again in 50 years time. By about the middle of the century – we would expect to see:

- national forests making an important contribution to the quality of life in Scotland, with wider use of the national forest estate by people from every part of Scotland, and visitors to Scotland;
- community forestry projects as well recognised feature of Scottish civic life, with a good distribution of community forests throughout the country, many of them in national forests;
- significant parts of the national forest estate which are managed primarily for environmental benefits, contributing to biodiversity providing strategic habitat networks. Many of these areas, and associated cultural features, will be recognised as major visitor and tourist attractions, managed sustainably to a high standard;
- timber production being focussed on more productive sites, with good access and close to markets (for large-scale industrial or local processing) and an emphasis on quality;
- FCS staff with diverse skills and experience, responsive to local needs and working comfortably with a wide range of partners, to manage Scotland's national forests for the benefit of all.

Such a picture would fit well with that envisaged in the *Scottish Forestry Strategy*. There would be a more diverse forest resource; it would make a positive contribution to the environment, creating more opportunities for recreation and benefiting communities. On the other hand, the private sector would increasingly become the dominant force in timber production for the wood processing industry. Thus, the focus for the publicly owned national forests would be delivery of goods and services to generate public benefits.

The size and geographical distribution would be easily recognisable as having evolved from today's pattern, but there would be a greater diversity of tenure. FCS would be involved in management of more woodland in and around towns; there would be better integration of the management of national forest and other public lands currently held by SEERAD and SNH; some areas will have been sold; and communities will lease significant areas.

We were asked to review the long-term role of Scotland's national forest estate. Our recommendations are aimed at taking forward the ideas that have been developed from the consultation exercise and the work of the consultants. Important as these recommendations are, we are also keen that the ideas set out in our Consultation Paper – and endorsed during the consultation exercise – form part of the fabric of “unwritten” rules that in practice determine many management decisions within FES. Indeed, when asked where the main priority for change lay, many consultees mentioned the need for a change in attitude and a more flexible and open approach. Much has changed in recent years, but there is more to do, and we hope that this report will provide a mandate for change. Staff will of course continue to face difficult choices, but the Forest District Strategic Planning process will provide a vehicle for consultation and discussion of local priorities, within the context set by national guidance.

Review Working Group

May 2004

## ANNEX 1 Terms of reference, membership of Working Group and meetings

### Terms of reference

*“To review the long term role of Scotland’s national forest estate, making recommendations to Ministers about changes that can improve its ability to deliver the priorities set out in the Scottish Forestry Strategy, together with other Scottish Executive policies.”*

### Membership of the Working Group

David Henderson-Howat (Chair), Forestry Commission

Alan Hampson, Scottish Natural Heritage

Simon Hodge, Forestry Commission Scotland

Bill Mason, Forestry Commission Research Agency

Ian Melville, Countryside and Natural Heritage Unit, Scottish Executive Environment and Rural Affairs Department

Pat Snowdon, Economist, Forestry Commission

Frank Strang, Head of Land Use and Rural Policy Division, Scottish Executive Environment and Rural Affairs Department

Peter Weston, Forestry Commission Operational Support Unit

Peter Wilson, Forest Industries Development Council

Kenny Murray\* (Secretary). Forestry Commission Scotland

\* for part of the time. Due to Kenny’s illness, John Cummings acted as Secretary during the latter part of the review.

### Meetings

The group held six meetings, between September 2003 and April 2004.

## ANNEX 2

### Summary of responses to consultation exercise

*This annex summarises the analysis the responses received in response to the Consultation Paper. A copy of the full analysis, together with reports from the public meetings, is published on the FC website.*

There were 403 responses to the Consultation Paper, of which 224 came from individuals and 179 from organisation. All the responses came from Great Britain with the vast majority from Scotland.

Given the number of responses the analysis relied on codification as much as possible. This has been supplemented with a more qualitative analysis of the main points that were raised.

*Q1. We propose a vision for Scotland's national forests. This is that they will benefit everyone in Scotland, promoting vibrant and healthy communities, enriching natural environments and creating opportunities for economic development. Do you agree with this proposed vision? If not, what changes should be made?*

(%)	Yes	No	No Response
Organisations	65.4	21.2	13.4
Individuals	70.1	17.9	12.1

There was strong support for the vision, although cultural heritage was seen to be a missing element. Some said that the vision was possibly too broad and vague. Some suggested that timber production should be moved higher up the order of priorities and include visitors to Scotland. Several alternatives were suggested.

*Q2. Should Forestry Commission Scotland do more to encourage local community involvement in the management of national forests? If so, how?*

(%)	Yes	No	No Response
Organisations	81.0	7.3	11.7
Individuals	71.9	13.8	14.3

There was strong support, although Organisations are more in favour than Individuals. (Responses from twenty five Community Councils were 74.3% in favour, 14.3% not in favour and 11.4% no responses.) Some consultees advised caution that management might be a potential burden to the community and warnings that the community might not be a stable group. There is a need for capacity building for both

the community and FCS staff. The “No” response noted that a national resource should be managed nationally.

*Q3. Should local communities be able to purchase or lease woodland (or other national forest assets) that are not identified as “surplus”? If so, what criteria should apply?*

(%)	Yes	No	No Response
Organisations	53.6	28.5	17.9
Individuals	50.0	35.7	14.3

Leasing is more popular than selling. Community Councils expressed the strongest “No” among the organisations, with 45.7% saying “yes” and 42.9% saying “no”. Safeguards were needed for sale in order to protect public benefits. The “No” response mentioned that the public already owns the land and that public money should not be used to buy it. FCS should still maintain its commitment to supply timber.

*Q4. Should Forestry Commission Scotland seek to provide new opportunities for recreation in national forests in and around towns and cities? If so, how should priorities be set?*

(%)	Yes	Caution	No	No Response
Organisation	70.9	14.5	1.1	13.4
Individuals	62.5	14.3	6.3	17.0

There was a similar range of response between organisations and individuals. Recreational groups were very positive. Partnership approach was mentioned as important and it was noted that sometimes others might be better placed to lead. Other suggestions were the need to consider the potential role of the private sector and the use of grants to deliver the same benefits. Concerns were raised about potential abandonment of rural areas; and about being seen to be involved in social engineering. The importance of brownfield and peri-urban sites was highlighted, as was the need to consider transport links and social deprivation.

*Q5. Should Forestry Commission Scotland undertake a number of large-scale, long-term environmental projects (such as forest landscape restoration, or water catchment or wilderness projects) on the national forest estate? If so, how should priorities be set?*

(%)	Yes	No	No Response
Organisations	70.4	6.7	22.9
Individuals	73.2	12.5	14.3

There was strong positive support, and – of the organisations - only Forestry Organisations had any significant level of objections; (of fifty Forestry Organisations responding, 64% said “yes”, but 14% said “no”). Partnerships were considered important. Organisations suggested basing work on existing policies, increasing natural habitats and doing more in water catchments. Individual responses were similar but those in favour advocated a more ambitious approach: larger scale, and some suggesting reintroductions of lynx, boar and beaver. “No” respondees felt that this was outside core functions and a costly drain on resources leading to repercussions on timber supply.

*Q6. Should Forestry Commission Scotland become more ambitious in its environmental work on the national forest estate, including – in particular – delivery against Biodiversity Action Plans, improving the biodiversity of conifer forests and enhancing the contribution that national forests make to Scotland’s landscapes? If so, how should priorities be set?*

(%)	Yes	No	No Response
Organisations	67.6	6.1	26.3
Individuals	72.3	12.1	15.6

Organisations suggested delivering BAPs, SAPs, and HAPs. Individuals suggested more native woodland, continuous cover forestry and PAWS restoration. Some felt enough was being done already. Working in partnership and employing or training more specialist staff was recommended. The “No”s preferred a more gradual approach that did not detract from the core business.

*Q7 Should Forestry Commission Scotland do more to recognise and conserve the cultural heritage value of the national forest estate? If so, how should priorities be set?*

(%)	Yes	No	No Response
Organisations	52.5	7.8	39.7
Individuals	55.4	14.7	29.9

A number expressed concern that “cultural heritage” was not in the vision statement, and so were strongly in favour. For others, there was a wide interpretation of cultural heritage and many found this a difficult question to answer. Local Authorities were keen to work in partnership and increase tourism benefits. The potential to work with local communities and volunteer groups was identified. The “No”s preferred a more

gradual approach and better publicity for work already being undertaken. Some suggested that FCS should promote its own history of creating and managing the forest.

*Q8 What emphasis should be given to the strategic role of national forests in the supply of timber to Scotland’s wood processing industries? What are the priorities?*

(%)	High	Yes, but different	Lower	No Response
Organisation	33.5	24.6	8.9	33.0
Individuals	42.4	25.4	11.2	21.0

There was a strong call for the production of quality timber. “High”s were concerned to maintain supply of timber to downstream businesses. “Yes, but different” want quality but want to see an increase in hardwoods, promoting local processing and developing new markets. “Lower” fell into two categories: those that see timber as a by-product of forestry, and those that believe that FCS should sell commercial plantations to the private sector to manage.

*Q9 Should sustaining and developing local economies be a key objective for the management of national forests? If so, how should this be done?*

(%)	Yes	Caution	No	No Response
Organisation	65.9	7.8	3.4	22.9
Individuals	62.9	14.3	4.0	18.8

There was a similar response from Organisations and Individuals in support of increasing direct and indirect benefits such as local processing, woodfuel, tourism and other business opportunities connected to the presence of the forest. Those expressing “Caution” pointed to the difficulties associated with an overt job creation role, suggesting that this might lead to unsustainable subsidies. There was also concern about the potential to stifle private sector initiatives.

*Q10a Should there be a more dynamic approach to the size and distribution of the national forest estate?*

(%)	Yes	Caution	No	No Response
Organisation	43.0	17.9	5.0	34.1
Individuals	49.6	12.9	9.4	28.1

Some respondents struggled with the meaning of this question. Individuals had strong support for an expansion of the estate, whereas Organisations were supportive if it helped to increase the sustainability of the estate. Increased forest near urban areas was suggested. The “No”s recommended concentrating on improving management of the current estate or were strongly against selling.

*Q10b In what circumstances should land be added to the national forest estate? What criteria might be applied?*

(%)	Favour	In some circumstances	Last resort	No response
Organisation	35.2	26.8	8.9	29.1
Individuals	38.8	26.3	8.5	26.3

Most argued that any buying of land should provide increased public benefits, either social, environmental or economic. Moreover, purchases of land should not favour one region over another. The “Last resort” response stressed that FCS should concentrate on better, more profitable, management of the existing estate and consider using grants to deliver the benefits rather than buying.

*Q10c In what circumstances should national forest estate land be sold? What criteria might be applied?*

(%)	Favour	In some circumstances	Against	No response
Organisation	17.3	42.5	15.6	24.6
Individuals	12.1	40.6	24.6	22.8

Again, most argued that any sales would need to demonstrate clear public benefits, but there was a stronger feeling against selling compared to buying. Sales to local communities or with local community agreement were supported, but it was pointed out that public money should not be used to buy public land. Some private sector forestry organisations suggested widespread selling to the private sector.

*Q11 In what circumstances should there be a radical re-appraisal of management options in national forests, for example in relation to wood production objectives?*

60.9% of Organisations and 65.2% of Individuals responded. Minimal intervention was not a popular option. Concentrating management objectives for production, amenity and biodiversity into separate areas, was suggested. Management aimed at increasing quality timber, planting more hardwoods and the adoption of continuous cover forestry were also common suggestions. Others noted the need for revenue and

warned against radical change. Transferring ownership to other public bodies was also mentioned.

*Q12a Do you have any views on the creation of a challenge fund for special projects aimed at significantly increasing public benefits from the national forest estate?*

(%)	Favour	Caution	Against	No response
Organisation	30.7	17.3	16.8	35.2
Individuals	30.4	16.1	18.8	34.8

The “Caution” response pointed out that this might not be an efficient method of funding and is potentially demoralising. It also implies that such work is unusual and underfunded. There was a preference to see a funded action plan. Those in favour pointed out that it would generate ideas and galvanise the organisation. There were suggestions that funding should be based on an area allocation to ensure a fair spread.

*Q12b Should this [challenge fund] be funded in part by any ring-fenced income derived from the sale of national forest estate assets?*

(%)	Yes	No	No Response
Organisations	24.0	31.3	44.7
Individuals	24.6	34.4	41.1

There was a relatively large “No” response linked to resistance to land sales, particularly amongst individuals. It was thought that it would create an incentive to sell and potentially asset strip the forest. However, it is commonly thought that any money derived from the forest estate should remain within the estate. Other comments noted that ring fencing should operate at a regional level and that the Executive should provide the bulk of the funding.

*Q13 How should Forestry Commission Scotland take forward its approaches to working in partnership in order further to develop the national forest estate?*

Response levels were 64.8% (Organisations) and 59.8% (Individuals). There was very strong support for partnership working with a large range of other bodies. There was support for the amendment of legal restraints if needed. The Scottish Forest Industries Cluster was seen as a good model to follow. Staff were seen as being key to this, and should be trained and encouraged.

*Q14 How should the national forest estate be used to take forward wider Executive priorities, for example in relation to renewable energy, rural housing, health and tourism?*

Response levels were 74.3% (Organisations) and 71.4% (Individuals). Woodfuel was supported as were tourism and health. Windfarms were not popular and there were some strong negative reactions. Housing was a split issue. There were warnings against becoming involved in fulfilling political objectives. This was an area suitable for working with other organisations and the private forest sector. Care should be taken not to stifle initiatives with subsidies.

*Q15 How should we ensure that everyone is aware of what Scotland’s national forests have to offer?*

Response levels were 72.9% (Organisations) and 71.9% (Individuals). There were common messages from Organisations and Individuals. In order of frequency, suggestions were making more use of the media, education, working with tourist boards and events (such as Treefest) and increased local community/stakeholder involvement. Individuals also suggested more staff on the ground. Increased transport links was also mentioned. Those against questioned the value of the exercise versus the potential costs.

*Q16 Given the long-term nature of forestry, the proposed vision will largely be delivered through gradual, evolutionary change. Is there a need for a more rapid approach to bring about some elements of the vision and, if so, what are they?*

(%)	Yes	No	No Response
Organisations	43.6	19.0	37.4
Individuals	40.6	29.0	30.4

A change in attitude, with a more flexible and open approach, was commonly mentioned. Increased devolution to the Forest Districts was suggested as a mechanism. Other potential priorities included more urban forests, an increasing commitment to environmental projects and developing woodfuel and new markets with the private sector. Those against were worried about politically driven change and short-termism.

*Q17 Is it useful to try to express the proposed vision in more detail, perhaps quantifying the size, mapping the geographical distribution and describing the nature of Scotland’s national forests at some date in the future (say 2025, or 2050)? If so, how should this be done?*

(%)	Yes	No	No Response
Organisations	42.5	14.5	43.0
Individuals	39.7	24.6	35.7

There was a majority “Yes” response but many advised caution. Although it was seen as a way to create debate, energise the vision and capture the public imagination it could also impose rigidity and drive target setting. It was seen by the “No”s as potentially expensive and bureaucratic. Recommendations for the time-scale varied from 5 years rolling to 100 years. The web and computer simulations, or public meetings were mentioned as means of delivering the information.

*Q18 What approaches might be adopted to strike a balance between local and national interests?*

Response levels were 52% (Organisations) and 45.1% (Individuals). This was a difficult question for most to answer. Dialogue and consultation at all levels was seen as important by many with suggestions that power should be devolved to a lower level to assist relationships at a local level. A more participatory approach was called for and increased training for staff was recognised as being needed to deal with this.

### ANNEX 3. Summary of consultants' report

This study is a contribution to the review of the public forestry estate in Scotland announced in August 2003. The public estate consists of 659,883 ha, of which 439,945 ha is classified as high forest.

The objectives of the study were to:

Identify the cost and benefits of forest and woodland managed by the Forestry Commission across Scotland, reviewing and applying where appropriate existing studies that examine the economic rationale for government intervention in forestry;

Identify typologies of forest and woodland and their cost and benefit (such typologies could include a woodland near major population centres, a Forest Park and an area of forest in a remoter area where issues of peripherality arise);

Consider innovative approaches to increasing the net value of the output from the Forestry Commission Scotland estate;

Review and propose methodologies for appraising major proposals aimed at increasing the overall contribution of the estate.

#### Methods

The study was undertaken within the framework of sustainable forest management as identified in the UK Forestry Standard and the UK Woodland Assurance Scheme. The public costs and benefits of the estate were assessed and alternative options for the development of the estate investigated. An email enquiry was undertaken with 27 organisations. They were asked for their views on how to increase the net output from the estate.

#### Current position

Recent accounts for Forest Enterprise Scotland (FES), combined with estimates of the value of the non-market benefits produced, revealed that the estate broadly delivers a 3.5% return on assets, the minimum requirement for public investment. This takes into account an estimated £40m per year in environmental and social benefits, including £14m attributed to benefits from sequestered carbon. There is some uncertainty about the estimate of recreational value. Timber prices and revenues have fallen dramatically in the last six years and the timber operations are in major financial deficit. Some increase in the total value of non-market benefits is expected with increasing incomes and some population growth. The evidence suggests that demand for wildlife conservation will be more responsive to rising incomes than demand for recreation.

#### Email enquiry

The responses were diverse. Whilst there was widespread support for the current broad focus and achievements some found the purpose of the estate not well defined.

Many respondents felt that the estate should concentrate much more on the delivery of environmental and social benefits. However, arguments were also presented for maintaining FE's role in the forestry and timber sector. Many respondents supported a stronger role in urban areas. Changes to silvicultural management to increase benefits to conservation and landscape were widely proposed. Some concerns were expressed over the loss of benefit that might follow adoption of a vigorous disposals policy.

#### Returns within the estate

A proportion of the estate is financially unprofitable to harvest at current prices. Our analysis suggests that only Yield Class >16 forests are economic to re-stock (after accounting for changes in environmental benefits). The pivotal Yield Class for economic restocking falls to 12 when timber prices are set at twice the current level. This suggests that the much of the current timber activity is uneconomic. The scope for cost savings in FES operations and overheads needs to be examined. Options for converting uneconomic forests were explored, including the creation of open woodland, native species woodlands and woodlands with greater open space.

#### Disposals

Disposal of uneconomic forests is appropriate where the public sector gains from the disposal. Any risks to environmental and social outputs need to be factored into the decision, as do possible liabilities from SFGS grant aid after sale. There is no economic reason why there should be restrictions on the size of plantations sold. However, the plantation market is small (c 10,000 ha per year) and it seems probable that disposals cannot represent a major option. Disposal is a publicly contentious policy because numerous interests receive negative impacts. However, there is a case for selective acquisition of land to deliver specific environmental and social benefits. Recycling of revenues into new FCS woodlands may reduce some of the concerns about disposal.

Woodlands may be valuable to communities as a local asset that they may develop to meet local needs. FCS has around 70 agreements in place or under discussion.

#### Access and recreation

The estate is a major provider of recreation benefits and contributes to tourism. The number of users is the best proxy measure of benefit but benefits from additional facilities will be overestimated if displacement of use from existing sites is not taken into account. A strategic study is needed to identify recreation deficit areas in Scotland. The greatest scope for new FE investment is likely to be in growth areas for leisure (mountain biking and nature-based tourism).

#### Biodiversity

A number of options for enhancing biodiversity were investigated: these ranged from greater open space in existing forests, restoring native woodlands, restructuring of woodlands and creation of 'wildwoods'. Costs varied substantially: native species planting was one of the more costly options. There was evidence that this could produce net benefits on PAWS sites but elsewhere establishment costs have to be constrained if net benefits are to occur.

## Urban amenity and environmental improvement

Developing woodlands in peri-urban areas is costly especially if land has to be purchased. However, landscape and amenity benefits are higher per hectare than elsewhere. There may be additional benefits from economic development in deprived areas where urban greening improves environmental quality and attracts inward investment. The benefits appear to be sufficiently large for FES to engage with local authorities to develop suitable brownfield sites.

## Impacts on the processing sector

The processing sector benefits from the stability of supply provided by state forestry. The question is whether the estate should be managed so as to maintain long-term output over and above the requirements for sustainable management in order to provide forecast supply to the processing sector. This may mean harvesting crops considered unprofitable to harvest, and restocking sites when conversion offers greater public benefit. We were unable to fully answer this question but note that processors are facing a period of increasing supply, and that they have a long adaptation period to any changes in supply. The option is also open for them to buy into production to provide increased security.

## *Main conclusions*

### Strategic planning

The fall in timber prices and its pervasive effects on the management and finances of the estate indicate that a new strategy for the public estate is needed. Re-focussing has to take account of where the public estate is most competitive in service delivery. It also has to define the roles of both the state and private sector forests in public policy.

Within the framework of UKFS/UKWAS we recommend that FES identifies forests delivering unsatisfactory returns, establishes priorities for disposal and conversion of uneconomic sites, and integrates this with defined priorities for biodiversity, recreation and peri-urban development. This is best done initially at national level rather through individual projects or district level plans.

### Repositioning

The estate in the future should be repositioned towards the delivery of environmental and social outputs for the Scottish population, and as a mechanism for delivering benefits from tourism. This particularly applies to those parts of the estate where the expected returns from timber and associated carbon fixing are low. It could also have a larger urban and peri-urban role by providing amenity and enhancing areas with low environmental quality. Activities need to be well coordinated with those bodies that have the prime responsibility for the relevant policy agendas. There may be a greater role for FES as a managing body for assets held by local authorities and other partners.

## Recreation

The clearest case for expansion in recreation is where public/tourist demand appears to be growing, where the interest has mass appeal, and where sites are most readily accessible. Little growth is expected in informal recreation (walking) but there may be a case for more mountain biking and this needs to be explored in the strategy.

## Biodiversity

There is a case for concentrating expansion of biodiversity outputs on aspects that generate use benefits to the public and through tourism (such as nature-based tourism), and on low cost options such as increasing open space and improving plantation structures. However, options that create more open space have to be justified on ecological grounds, and make a positive contribution to open space habitat. In addition, valuation and sustainability principles support the further restoration of PAWS sites as a priority, and there is a case for restoring higher yield class PAWS sites if costs can be contained (see section 4.7).

Investment in landscape and amenity should be related to the benefits generated (using visibility and the number of users as proxy measures). The case for 'wildwoods' is unclear and needs further investigation.

## Timber and commercial outputs

A sizeable part of the estate appears financially unprofitable to re-stock at current timber prices. An external study of future timber prices is needed in order to provide a sounder basis for investment and conversion strategies on the estate. Leasing of wind power sites is the main 'new' commercial output apart from timber. Development of opportunities by FES is well advanced.

## Cost reduction

The FES timber operations need to be reviewed to identify the scope for reducing costs. There may be a greater role for outsourcing of services and scope for reducing overheads. Competitive tendering for major blocks of services will identify cost savings (e.g. for nursery stock and forest operations). We understand that a review of the delivery and management costs associated with operations is in progress, and that this is likely to lead to significant restructuring and cost reduction.

## Uneconomic forests

Dealing with 'uneconomic' forests is a major issue and one where the public good impacts of forest conversion are not well quantified. A distinction is drawn between those that are *unprofitable* on pure financial grounds and those that remain *uneconomic* when broader range of outputs is considered. The emphasis has to be on converting forest management to reduce long-term costs without negative impacts on the environmental outputs. The scope for change will be constrained by the criteria set for sustainable management. Clearer guidelines on acceptable limits for forest conversion may be needed.

## Disposals

A new and more flexible disposals strategy is required as a mechanism for transferring land that is more valuable outside the estate than within it. There is no case for restricting sales to small plantations. Whilst there are arguments for selling off 'uneconomic' forests there should be opportunities for the processing sector to secure supply. FES should keep forests in public ownership where significant public good benefits might be at risk. Income from sales should be available for re-investment to increase public good benefits from the estate.

## Community groups

Transfers to community and environmental groups should be facilitated where there is no loss of national interest. But the costs to FES in partnerships can be high and these need to be factored into the equation.

## Criteria for appraisal of proposals

FCS should place a greater emphasis on the economic appraisal of investments (e.g. re-stocking, conversion to native species, new systems of open forestry) so that the costs and benefits from alternatives can be compared. Proposals should be assessed following Treasury guidelines and identify costs and public benefits, taking account of available data on benefit valuations and displacement effects (especially in recreation provision). There is a strong case for further economic valuation research to support investment in specialised recreation/tourism facilities and to provide more information on the public's preferences with regard to conversion options for the estate.

Cash flow will remain important given FE's financial position. But this should not mean that cash flow alone determines decisions on the services that the estate provides. FES should aim to maximise the net benefit from its activities within its cash limits. Conversion options to open space or more open woodland systems will generally reduce net cash demands. However, there have to be corresponding environmental gains from habitat creation. FES will be able to generate cash flow from disposals but major recreation or urban investments will need additional external funding.

## External effects of proposals

We do not consider that the changes proposed will have major impacts in the short and medium term on either the timber processing industry or employment in remoter areas. Changes can only take place slowly and the time frame for adaptation is long.

## ANNEX 4 Community purchase

This Annex sets out principles that should be incorporated within the proposed preferred purchaser scheme.

Communities that wish to purchase national forest estate land that has not been declared surplus will need to demonstrate that their bid meets a set of criteria, developed from the following principles. FCS staff will assess applications against these criteria. There will also need to be a mechanism to resolve disputes.

### *Status of applicants*

Applicants must:

- demonstrate that the proposal is in the interests of the whole local community. Criteria, including the definition of a community, will be based on those used in Land Reform Act;
- demonstrate their ability and capacity to provide long-term management of the land on a sustainable basis. (One way of demonstrating this might be to have managed the area successfully under a partnership agreement with FCS for a period of, say, 3 years.)

### *Increasing public benefit*

Applicants must :

- show that the project is financially viable and how community ownership will bring increased public benefits in the long-term: such benefits may include recreation, biodiversity, local economic activity and building community capacity.
- satisfy FCS that community acquisition does not prejudice the effective management of other parts of the national forest estate.

### *Achieving best value*

Transactions will take place at market value, as determined by the District Valuer. The sale agreement may include a pre-emptive right to re-buy the land if the community wishes to sell (or the community body is wound up); and an associated right for FCS to benefit from windfall gains, if (for example) some land is sold for development. Where restrictions on the future use of land are agreed, to protect or enhance public benefits, such restrictions will need to be taken into account in the valuation.

A further option would be allow a discount in those exceptional cases where this could be justified in terms of greatly increased public benefits. This would, however, require careful definition to prevent the “exception” becoming the “rule”, and individual cases would probably need to be referred to Ministers.

## ANNEX 5. Criteria for assessing potential forest sales

This Annex proposes criteria to be used in assessing potential forest sales, in order to prevent land sales that would lead to loss of public benefit.

### *Recreation*

In general, there should be a presumption against the sale of land with recreation facilities such as car parks, way-marked trails, picnic places and bike routes, unless such provision is minimal.

(Once the access provisions of the Land Reform Act come into effect, loss of access in itself will not normally be a consideration.)

### *Community Interest*

There will be a presumption against sale (other than to the community) where there are strong community interests and involvement in the wood through a management agreement.

### *Employment*

There will be a presumption against sales that are likely to lead to an immediate loss of local jobs in fragile rural communities.

### *Environmental*

There will be a presumption against sales of land in National Parks or NSAs.

Sales of land containing SSSIs or scheduled ancient monuments will only be considered if SNH or Historic Scotland confirm that they have no objection.

In other cases, the presence of features of conservation or cultural heritage interest will not necessarily preclude sale, provided that there is good evidence that transfer of ownership will not adversely affect these interests.

### *Efficiency*

Sales should not reduce the management efficiency of FES, or cause problems – such as future loss of access for timber traffic.