

Support structures for Forestry under the Rural Development Programme 2014-20.

1. Purpose

1. The purpose of this paper is to provide an update on the development of the next Rural Development Programme (RDP) with particular reference to forestry and to seek input to inform the decision making process.

2. The Forestry and Woodland Policy Statement

2. The Government Forestry and Woodland Policy Statement was published in January 2013, it stated:

“England’s trees, woods and forests are a vital national asset providing multiple economic, social and environmental benefits. Our objective is to ensure that this asset is protected, managed and enhanced so that these benefits can be both maximised now and realised in the future. Our forestry policy is, therefore, based on resilience. This means a forestry sector and woodland resource that keep growing, providing these multiple benefits; are financially sustainable and affordable; and are well equipped to respond to existing and future threats.

To achieve this, everything we do must be focused on achieving the following key objectives, in priority order:

- *Protecting the nation’s trees, woodlands and forests from increasing threats such as pests, diseases and climate change,*
- *Improving their resilience to these threats and their contribution to economic growth, people’s lives and nature,*
- *Expanding them to increase further their economic, social and environmental value.*

3. And:

The Rural Development Programme currently plays a key role in supporting forestry. We want all elements of the Common Agricultural Policy to deliver greater environmental benefits at an overall reduced cost. We are actively negotiating in Europe over the future Rural Development Regulation to ensure that it enables positive action by rural land managers and communities and is able to help deliver a resilient woodland resource in England. We are considering how best to use funding available under the next Rural Development Programme (2014-2020) across the range of possible uses and will consult on it in late spring 2013.

The next Rural Development Programme could support woodland protection, management and creation as well as measures to support the supply chain to drive economic growth from our forests. We will provide more information over the coming months as the regulatory framework and available budget become clearer. In addition, we have commissioned research to help us further assess what interventions are most likely to achieve our ambitions for England’s woodlands and forests.”

4. In order to help deliver the policy a suite of support structures will be required as illustrated in Figure 1¹ and .

Figure 1 Suite of forestry support

<p>Skills development and knowledge exchange</p> <p>Knowledge transfer Skills Disease monitoring Facilitation Advice Co-operation</p>	<p>Competitiveness</p> <p>Business support Supply chain development Innovation Product and market development</p> <p>Investment in forest infrastructure</p>
<p>Woodland creation</p> <p>Enhanced biodiversity Water quality and flooding Carbon sequestration Additional access Future timber production</p>	<p>Woodland management</p> <p>Management planning Protection and recovery from pests and diseases Deer management Increased resilience Improved biodiversity Enhanced recreational experiences Improved water quality and reduced flooding</p>

5. This suggests that four, closely-interconnected aspects need to be addressed. The next RDP could provide very useful support in all cases although it may be more appropriate to seek to fund those items in black text through alternative mechanisms as highlighted later in this paper.
6. Relating this suite of support to policy priorities can be found at Annex 2.
7. The aspects of forestry support identified in Figure 1 that could be included in New Environmental Land Management Scheme (NELMS) (see later) are those in white type.

3. The Rural Development Programme 2014-20

8. There is still considerable uncertainty over the next RDP, not least because regulations have not yet been finalised nor have budgets at European, UK and England levels been agreed (this includes the split between the two Pillars of the CAP). Also we are awaiting a steer from Ministers as to what they wish to prioritise.
9. Irrespective of this uncertainty a number of decisions have been taken:
- There will be a single New Environmental Land Management Scheme (NELMS) that will combine Environmental Stewardship and EWGS;

¹ The list of the applicable articles in the draft Rural Development Regulation can be found at Annex 1.

- The LEADER approach to delivery will continue as required by the regulation but will probably be extended to cover all rural areas of England; and
 - A proportion of the Pillar II fund of the CAP (the European Agriculture Fund for Rural Development – EAFRD) will be allocated to the Structural and Investment Fund (SIF)² for use in rural areas to deliver against the priorities of innovation, a low carbon economy, Small and Medium Sized Enterprise (SME) development and skills.
10. Whilst these high-level decisions have been taken, the percentage of EAFRD that will be allocated to the SIF and the remit of LEADER have not been agreed.
11. Also whilst it has been decided that there will be a land management scheme, other components of the RDP are still being discussed. There may be:
- an overarching skills/knowledge transfer ‘scheme’;
 - a scheme to support farming and forestry competitiveness, innovation and improved resilience;
 - a scheme to encourage new entrants into the agricultural sector; and
 - Some form of support to the uplands.
12. Support to forestry will be only one aspect of the next RDP. It cannot be expected that stand-alone forestry support will be available (other than for the forestry specific aspects of NELMS) but rather it will be a component of most of the proposed/possible schemes.

4. Skills development and knowledge transfer

13. This could include skills development, knowledge transfer, training programmes and, provision of advice, disease monitoring and facilitation of co-operative projects.
14. Whilst it is agreed that there is a need for a significant investment in skills development it has not yet been decided whether this should be addressed as a cross-programme scheme or subdivided into the various sectors. Arguments can be and have been made for either approach.
15. Whatever approach is followed there will be a need to ensure forestry-specific aspects, both technical and professional with a particular emphasis on climate change adaptation, are properly included. Conversely issues such as generic business skills do not need to be sector-specific.
16. It has been suggested that where support is provided to improve competitiveness through investment in new machinery it would be dependent on applicants being able to demonstrate they have or will obtain the necessary skills to operate it. If this approach is followed support for appropriate training may be required.

² How the SIF will be spent will be dependent on strategies produced by Local Enterprise Partnerships. Administration of the various funds included in the SIF will however remain with the Managing Authorities for those funds, in the case of EAFRD this will be Defra.

4.1. Advice

17. The extent to which advice, in line with the results of a review of Environmental Advice, Incentives and Partnership Approaches for the Farming Sector in England³, will be supported is still unclear. It has been suggested that advice be an integral part of other grant support, for example applicants for support under NELMS to bring SSSIs up to target condition would also receive dedicated advice on appropriate management.
18. There is a regulatory requirement⁴ for a Farming Advisory System to be available to all farmers and land managers in receipt of support under the CAP. The minimum scope of this system is also included with the regulation and includes advice on afforestation and woodland management in relation to biodiversity and climate change mitigation and adaptation. It may be developed as an on-line service in keeping with the Government's 'Digital by Default' approach. However this system may be established it will be important to ensure the forestry content is appropriate and it is available not just to farmers but also to woodland owners.
19. There may be the potential to support forest disease monitoring through the RDP but activity on the Public Forest Estate would not be eligible. To ensure a consistent approach to monitoring it may be wise to seek to fund this work separately.
20. If there is a move towards more collaborative projects in relation to both improved competitiveness and land management at the landscape or catchment scale there is likely to be a need for skills and support to facilitate such projects. There is anecdotal evidence that many applicants for support related to improved forestry competitiveness require assistance in the preparation of applications and associated business plans. This could therefore be a very important component of a skills package.

4.2. Co-operation

21. There are opportunities within the new Rural Development Regulation to support extensive co-operative activity but it has not been decided if the applicable measure will be included in the England Programme.
22. The potential to use co-operative activity to support deer management at the landscape scale, in both woodland and agricultural land should be highlighted and used as an argument for the inclusion of the appropriate measure in the programme.
23. Other potential areas of co-operation could include the 'Ward Forester' approach being trialled in North Devon and the development of woodfuel supply chains.

³ (https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/181835/pb13900-review-incentives-partnership-approaches.pdf) "to deliver a more integrated, streamlined and efficient approach, which will be more accessible, clearer and easier for farmers, land managers and agents"; "Government should only provide advice where there is a compelling need to do so"; and "Government will support the provision of quality advice from the private sector through improved coordination and open sharing of information".

⁴ Article 12 of the Horizontal Regulation

4.3. Questions

- i. Would an over-arching or sector-specific skills package be the most appropriate to meet the needs of the forestry sector?
- ii. What particular areas of skills development should we be seeking to ensure are available?
- iii. To what extent is specific advice to the forestry sector required?
- iv. Would an on-line advice service be an adequate level of government funded provision or is there a need for a funded 'on-site' package?
- v. Should we be seeking to get disease monitoring included with the next RDP or seek alternative funds?
- vi. Is there a need to provide publicly funded facilitation services to enable potential beneficiaries to access RDP funds?
- vii. Can deer management, or other aspects of forestry, be facilitated through co-operative activity and if so should we be pressing for the inclusion of the appropriate measure in the next programme?

5. Forestry competitiveness

24. To support the sustainable management of England's woods without ongoing dependency on grant aid, and to ensure home-produced timber can feed developing markets for woodfuel and other products there is a need to improve the competitiveness of the sector.
25. This may need: investments to improve forest infrastructure (roading) for management purposes; investments in new forest technologies (including GIS capacity) and machinery; the development of improved and innovative supply chains; and product and market development.
26. All of this activity could be supported through the Rural Development Programme but it may be more appropriate for product and market development to be funded through the SIF.
27. Support for forestry competitiveness will need to tie particularly closely with the outputs from 'Grown in Britain'.
28. The improvement of forest infrastructure would be a continuation of the Woodfuel WIG that is a component of EWGS. Support should be available throughout England wherever the Forest Management Plan for the holding identifies lack of appropriate access as a major constraint to economic management. The rules that apply to WWIG will continue i.e. use of actual costs and receipted invoices.
29. As indicated above there is no clear decision yet on how other activity to improve competitiveness may be supported. Ideas that have been promulgated to date include: only supporting co-operative projects (such as Woodfuel East), making more use of loans rather than grants, having different geographical priorities or changing priorities through the period of the programme. There is some evidence that small-scale grants (less than £20k) have minimal impact on improving competitiveness. Initial analysis of the current RDPE is that support to the forestry sector primarily comprises levels of grant on less than £20k per beneficiary.

It is expected that the forestry competitive component of the RDP (with the exception of improvement of forest infrastructure) will be administered by the Rural Development Delivery Team (RDT) in Defra.

5.1. Questions

- viii. Is there a need to continue Woodfuel WIG type activity?
- ix. Are there any other key areas in forestry supply chain that need support to improve the competitiveness of the sector?
- x. Is there a need for a 'small-grant' programme and if so can we provide evidence of the effectiveness of this type of support?

6. Woodland Management

30. Forest Management Plans, compliant with the UKFS, will be a prerequisite for forestry grant support under the next RDP. Support for the preparation of such plans could be available to woodland owners. There may be a minimum size below which it will not be viable to offer grant aid. It is suggested this support should be available throughout the country and not targeted to specific woodland types or geographic areas as such plans provide a much wider role than just a basis for grant support:

- Management plans are the basis of sustainable forest management;
- They provide evidence of compliance with the UKFS;
- They link to felling licences;
- The area of coverage of approved plans may provide a pragmatic proxy indicator for the area of woodland being managed as detailed in the Forestry and Woodland Policy Statement.

31. As under EWGS there is scope to support a wide range of activities associated with the management of existing woodlands. Two different approaches are available:

- multi-annual revenue payments (WMG in EWGS) to undertake ecosystem service or climate mitigation/adaptation commitments; and
- capital investments (WIG and WRG in EWGS) for preventative actions against natural disasters, pests and diseases, and restorative actions and for improvements to environmental, climate change or recreational aspects.

32. Due to likely budgetary limitations there will be a need to limit those woodlands eligible for support. As this component of grant support will form part of NELMS there is likely to be a common targeting approach and comparable payment rates (some capital items are likely to be applicable to agricultural land as well as woodland).

33. It is expected that the primary target will be designated sites (Natura 2000⁵ and SSSIs) to ensure they are brought up to, and maintained in, target condition, followed by Biodiversity 2020 and Natural Environment White Paper (NEWP)

⁵ SPAs and SACs

priorities (priority habitats including ancient and native woodland and cited geographic areas, such as Nature Improvement Areas) and areas to meet the requirements of the Water Framework Directive (priority catchments or areas of high flood risk). The area of priority woodlands by type are at Annex 2.

6.1. Multi-annual payments

34. Multi-annual payments can be much more 'outcome' focussed than capital investments. Provided the outcomes which form the basis of the agreement are achieved within the agreed timescale there is no requirement to identify specific activities that will be undertaken. To enable adequate monitoring and ensure progress is being made there may be a need to identify intermediate 'milestones'. There will however be a need to justify the level of payment received based on additional costs incurred.
35. As multi-annual payments will form part of the agri-environment component of NELMS, they should also be available for woodlands. However the mid-term evaluation of the current RDPE highlighted a very high level of dead-weight in this component of EWGS (beneficiaries stated they would have undertaken the same activity without grant aid) which is probably due in the main to the very low payment rate accompanied by limited requirement to make changes to existing management practices or woodland condition. To overcome this, we need to support significant changes to woodland structure or management practices which may require a commensurate increase in the rate of grant (i.e. it should not be a payment to merely continue existing management practices, likewise once the changes have been made continuing support would not be applicable). The rate of payment may be in the order of £100/ha/annum for five years which would be equivalent to payments for similar agricultural habitats (scrub management) supported by agri-environment components.
36. With the revised UKFS and the requirement for management plans the need to be able to demonstrate sustainable management through certification for larger woodland areas is no longer necessary and should not therefore be a prerequisite for support.
37. Within the overall targeting for NELMS, individual eligibility will be limited to those woodlands where the management plan clearly identifies:
 - on designated sites and other priority habitats - significant ongoing activity to reach target condition;
 - in PAWS - its gradual restoration to native species;
 - in red squirrel reserves and associated buffers - protective activity and monitoring;
 - other woodlands - a change in silvicultural system to make them more resilient to climate change.
38. Part of the payment could be to undertake regular monitoring to determine whether the stated changes being sought are being achieved. The management of deer, where required and identified as an issue in the Forest Management Plan, could also be covered by the annual payment.

6.2. Capital payments

39. Capital payments must be associated with clearly identified individual investments that can be verified and controlled and, to enable proper budgetary control, be undertaken in the year identified. They cannot fund ongoing activity.
40. As detailed above general targeting will be in accordance with NELMS however to ensure the woodland resource as a whole is properly protected support for small-scale preventative measures should be available wherever a threat from pests and diseases has been identified. Appropriate activities will depend on the specific threat but could, for example, include removal of rhododendron where Phytophthora is an issue.
41. Support for woodland regeneration should be available where felling has been required under a Plant Health Notice or where PAWS restoration is to be achieved through clear felling of the previous crop rather than through gradual removal of non-native species under a multi-annual grant. In these cases a change in species would be required and therefore would not contravene the State Aid rule that prevents the support of like-for-like restocking.
42. Eligibility for other capital items will be dependent on their clear identification and justification within a Woodland Management Plan.
43. Where appropriate capital payments could also be used to provide infrastructure to facilitate the management of pest species. The consensus from stakeholder workshops is that where high deer populations present a real threat to woodlands, grant support for any purpose should be predicated on deer management.
44. It is unlikely that enhanced recreational provision will be an objective of NELMS, and therefore not specifically targeted, but is more likely to lie with Local Action Groups to pursue through LEADER. If this is the case there may be the need to be able to respond to local priorities. Alternatively all support for recreation could be delivered through LEADER without any forestry specific aspects.
45. A wide range of capital items are already included in EWGS and most of these could be taken forward into the new programme with minimal change, except to ensure consistency in definition and standard costs with agri-environment components. There may be the need to identify some new items, particularly to address water quality and flood mitigation measures.
46. With a strengthening of the need to ensure controllability and verifiability of support structures there is need to reassess the inclusion of some of the capital items (such as hourly rates). This analysis will need to be undertaken in co-operation with the RPA. There may be the possibility to support bespoke activity based on estimates and invoices (in the same way as for Woodfuel WIG).

6.3. Questions

- xi. Should support for the preparation of management plans be universally available and if so should there be a minimum area and level of grant?
- xii. Are there are specific interventions needed to address forest protection, and if so what would these be?
- xiii. Is it appropriate to utilise both multi-annual revenue payments and capital investments to support woodland management?

- xiv. What should be the primary approach to targeting support, e.g. woodland type, or objective e.g. water quality?
- xv. Can a payment of £100/ha/annum be justified bearing in mind the need to substantiate costs or income foregone to at least this level?
- xvi. Should support for regeneration be made more or less widely available than suggested?
- xvii. Is there a need to support investments to improve recreational infrastructure through NELMS in woodlands if similar support is not available on agricultural land?

7. Woodland Creation

- 47. The new RDR will continue to allow support for afforestation, albeit with some significant changes. The ability to make income foregone payments associated with the afforestation of agricultural land is removed⁶ but the length of time for which early maintenance payments can be made is increased from five to ten years and eligible activity has been significantly broadened⁷.
- 48. The requirement for Forest Management Plans applies to afforestation proposals but it is accepted that a woodland creation plan would suffice. This would in effect be the information that would be required to make an EIA determination and include a planting plan and details of protection methods. The only possible addition would be a statement of the objectives of the afforestation.
- 49. Initial calculations have indicated that it would be quite feasible to offer a similar overall level of payment for woodland creation to that available under EWGS, even with the loss of income foregone, through an enhanced intervention rate and the use of separate and increased, but justifiable, maintenance payments.
- 50. This revised approach to support would probably be no more complex to administer than the current establishment grant and Farm Woodland Payments.
- 51. Agricultural land that is afforested will maintain eligibility for the Basic Payment Scheme (the replacement of the Single Payment Scheme) for the duration of the agreement.
- 52. It is suggested that woodland creation grant could be available throughout England but targeted to delivery of key ecosystem services such as biodiversity enhancement, water quality improvement and flood risk mitigation, which will be part of the general targeting of NELMS, or improved public access provision which is unlikely to be an aim of NELMS but may be part of the LEADER approach.
- 53. In order to reduce the likelihood of newly created woodland needing payment support for subsequent management economic resilience should be a key consideration in its design.

⁶ It should be noted however that there is a proposed amendment to the draft regulation by the European Council that would reinstate such payments, but this is not currently supported by the European Parliament. There is however the potential to make payments for income foregone where land-use change is required to meet the WFD but it is not clear whether this option will be utilised in England.

⁷ Early maintenance has not been paid separately in EWGS but incorporated within the basic establishment grant.

54. To facilitate the creation of a broad range of woodland types the rate of grant support should be based on the number of trees per hectare (probably subject to minimum and maximum numbers) rather than the single grant rate irrespective of stocking density that is currently the case.
55. To more adequately reflect the actual costs of woodland creation the cost of fencing or other protection should be subject to a separate payment⁸. Fencing is the greatest variable in the cost of woodland creation as it is highly dependent on woodland size and shape. It is assumed that the basic protection would be rabbit/vole guards and tubes or fencing would be identified as additional costs. For simplicity it is suggested there be a single rate for tubes and three different fencing specifications; rabbit, stock and deer.
56. The costs associated with weeding and early maintenance, including early and late cleaning, would be the subject to separate annual payments for up to 10 years. Alternatively these could be included within the basic establishment grant as is currently the case but could not include 'cleaning' costs (the EC does not consider such activities to be part of 'establishment'.
57. The alternative would be to continue with the current single grant rate based on a clearly defined specification that would cover the vast majority of agreements; for example a square 10 hectare block at 1,100 trees per hectare, 10% open space and with rabbit fencing. This would be necessary to ensure there is no over-compensation through grant payment.
58. The rate of grant should be such that carbon financing and other possible Payments for Ecosystem Services can be accommodated⁹.

7.1. Questions

- xviii. What should be the priorities for woodland creation to inform the targeting of NELMS?
- xix. Is there a need to offer different grant rates for conifer and broadleaves?
- xx. Should there be separate payments for planting and protection?
- xxi. Should we make use of the ability to pay early maintenance payments and if so what activities should be included?
- xxii. Is there a need for differing rates of grant depending on priority being addressed?
- xxiii. What would be an appropriate maximum intervention rate?

8. Summary

59. At this stage in the development of the next Rural Development Programme there is the potential to influence what may be included to assist in the implementation of the Forestry and Woodland Policy Statement. Nothing, however, is entirely at the discretion of the Forestry Commission or Defra's forestry policy unit.

⁸ The Woodland Creation Grant in EWGS is a single rate based on a standard cost for establishment to year five and incorporates layout, plant supply, planting costs, weeding and early maintenance.

⁹ To be able to claim credits the carbon financing must account for at least 15% of the establishment costs.

60. In areas such as knowledge exchange, skills development, advice provision and forestry competitiveness some quite fundamental decisions are yet to be taken so there is the opportunity to inform basic thinking.
61. It has been decided that there will be a single environmental land management grant scheme in the next programme but whilst recommendations have been presented as to how this may be structured Ministers have not yet responded.
62. Time is relatively short if a new Programme document is to be submitted to the EC by very early 2014. Proposals for the content of support schemes need to be developed with the expectation that details will need to be amended in the light of agreement of legislative texts and ministerial and other decisions.

8.1. Major continuity

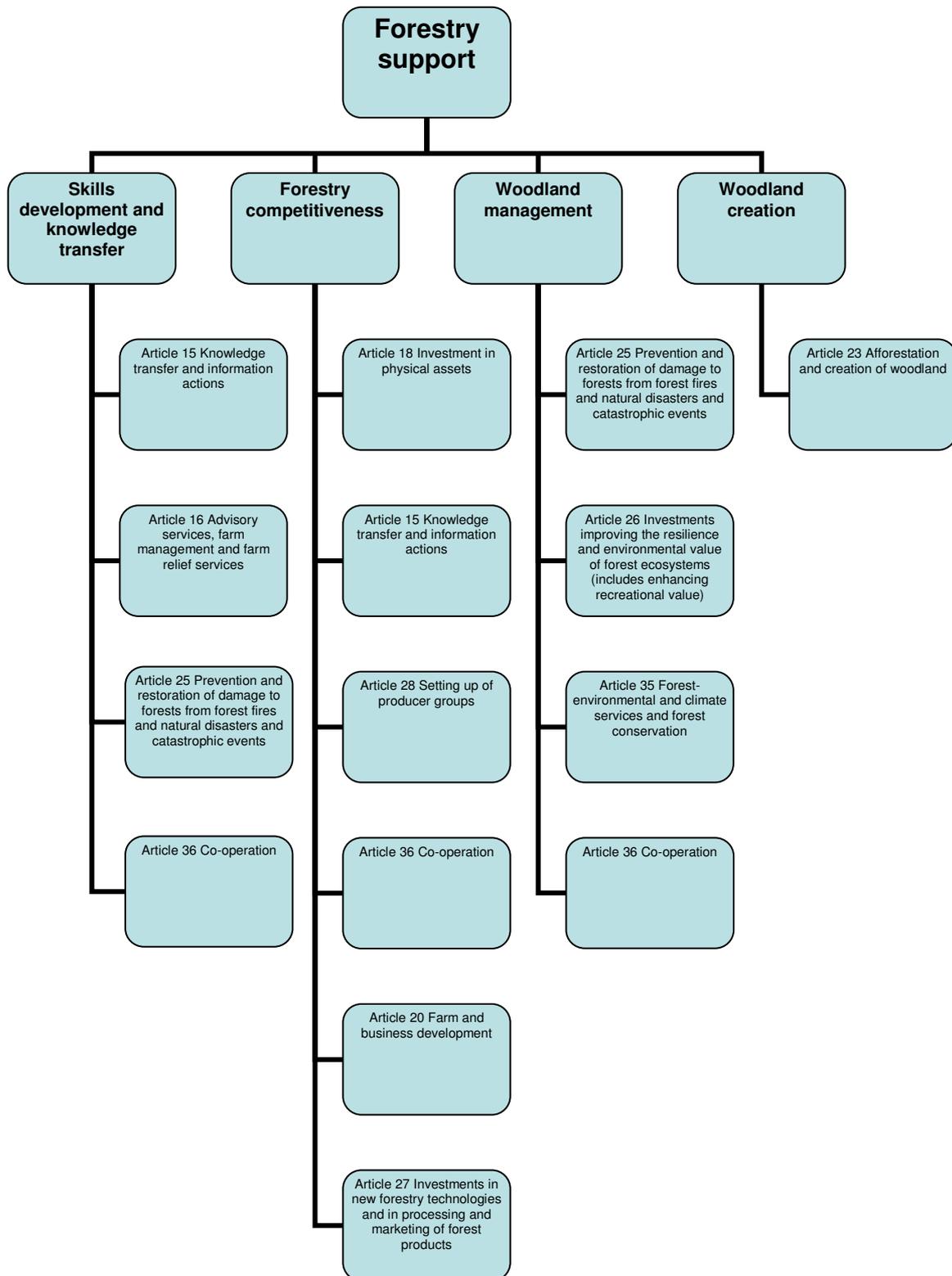
63. From a forestry perspective, very similar activities will be eligible for support within the next regulation albeit with some relatively minor, although potentially significant, amendments to intervention rates and eligible beneficiaries.
64. At the programme level there is likely to be continued support for knowledge transfer, skills development, advice provision, enhancing competitiveness, woodland management and woodland creation.
65. Although dependent on the outcome of the triennial review of NE and EA and the review of forestry functions, it is likely that responsibility for the delivery of the next RDP will continue to be split between Defra, NE, FC and Local Action Groups.

8.2. Major change

66. The most significant difference at the regulatory level is the inability to make income forgone payments (except perhaps when related to requirements of the Water Framework Directive) and the increased period for which early maintenance payments can be made associated with woodland creation.
67. At the programme level the increased emphasis on achievement of the requirements of the Water Framework Directive and raised importance of economic growth are major changes to the purpose of the programme.
68. The merger of agri-environment and forestry support into a single grant scheme will present a significant challenge.
69. At the delivery end the decisions to allocate a percentage of the EAFRD to the Growth and Innovation fund and to extend LEADER coverage to the whole of rural England could have significant impacts on competitiveness and social interventions as targeting for these will become more locally driven.
70. A major change not considered in this paper is the decision to develop a single IT system to manage all CAP funded programmes, including the RDP.

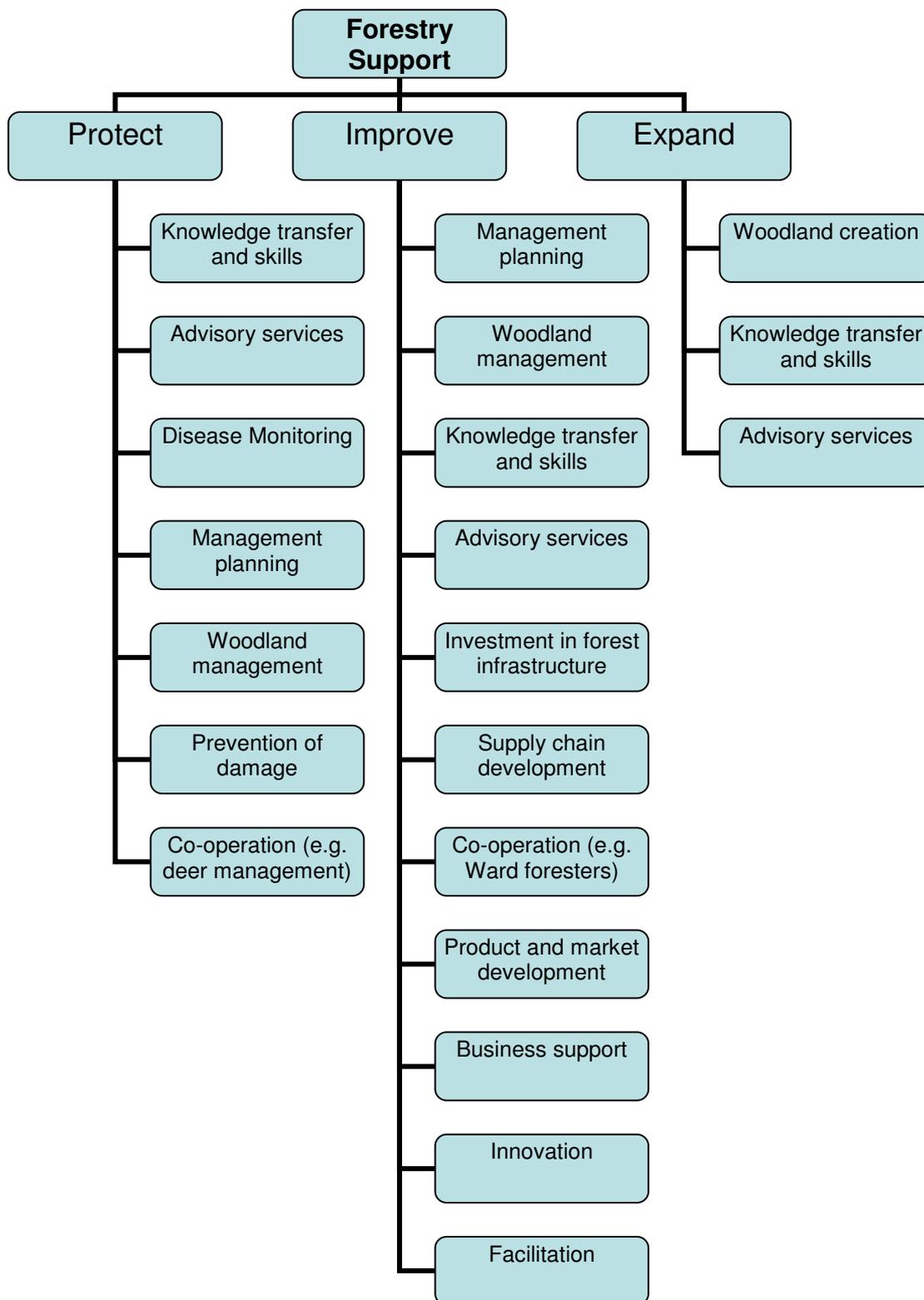
Annex 1

Suggested suite of forestry support and associated Articles in the draft RDR



Annex 2

Suggested suite of forestry support to meet policy objectives of: Protect; Improve; Expand.



Annex 3

Percentage of non-PFE woodland by priority type

