

**FORESTRY COMMISSION ENGLAND  
EIGHTY SECOND MEETING OF THE NATIONAL COMMITTEE  
NATIONAL OFFICE BRISTOL  
14 SEPTEMBER 2016 AT 12.30hrs**

**Minutes**

**Present:**

Sir Harry Studholme (Chairman)  
Mary Barkham  
Ian Gambles  
Richard Greenhous  
Simon Hodgson  
Steve Meeks  
Mark Pountain  
Tom Surrey  
Clive Tucker

**Also present:**

Meirion Nelson (Tax Project Lead) Item 5  
Tim Davies (PwC) Item 5  
Steph Rhodes Item 8

PK Khaira-Creswell (Secretary and England SIRO)  
Richard Barker (Minute Secretary)

**1. WELCOME AND APOLOGIES**

The Chairman welcomed everyone to the meeting. Shirley Trundle sent her apologies and Tom Surrey was attending.

**2. MINUTES OF THE MEETING ON 13 JULY MAY 2016**

The minutes of the previous meeting were agreed as a true record.

**3. MATTERS ARISING/UPDATES**

Plant Health

Richard Greenhous updated the Committee on current plant health matters:

Sweet chestnut blight had been found on a single tree in Kent, nurse tree back was being hampered by the supplying nursery having gone out of business but surveillance of trees in the surrounding area had not found any other cases.

*P. ramorum* had been identified in sweet chestnut in 70 locations in the South West, the individual trees, when the disease was confirmed, would be subject to a Plant Health Notice. The science of the infection and spread was not yet fully understood so area

felling was not being required at this stage. More detailed information on the issue would be sent to the Committee.

The OPM removal season was over and around 1500 pheromone traps have been placed around the periphery of the known outbreak areas to collect information on the male moth population and changes in the pest's distribution.

Oriental chestnut gall wasp had been identified on about 40 sites around London, some of which were at least two years old but had not been identified in previous surveys. The reason for this lack of findings at the same sites last year was not yet understood. The approach was now to accept and tolerate the pest.

Plane tree wilt and *Xylella fastidiosa* had not yet been identified as being present in Great Britain.

### Exiting the EU

The Chair emphasised the importance of the issue and for the forestry sector to make its views known. Tom Surrey advised that this would be a key issue for the Forestry Forum to consider on 18 October. Forest Services was aiming to ensure that any new incentive scheme for woodland creation and management would be an improvement on the current arrangements and that biosecurity measures were also improved.

Richard Greenhous reminded the Committee that until the UK had left the EU then all existing regulation continued to apply.

### Countryside Stewardship

The Treasury announcement that schemes agreed before the Autumn Statement would be funded to their conclusion had given some reassurance to applicants and agreement holders. It had also increased urgency to the processing of current applications which was well underway.

Forest Services had received 231 woodland creation applications covering 1,760 hectares although not all of them would result in the planting taking place. This was an improvement over the previous year. Woodland Improvement Grant applications had reached 369 covering 28,000 hectares.

Follow up issues, including some sustained complaints concerning the annual grant claim requirement, remained and these would take some time to resolve. Over 6,000 claims for the current year had been received.

The Forestry Innovation Fund had re-opened on 6 September with £880k remaining available to support the planning of woodland creation schemes in excess of 30 hectares. The grant had already been a success with the three largest schemes from the previous year now being taken forward to the next stage of development.

### Scottish Government's Legislative Programme

Ian Gambles advised the Committee that the Scottish Government's legislative programme for 2016-17, announced on 6 September, included a Forestry Bill which would complete the devolution of Forestry. A consultation on the Future of Forestry in

Scotland had been launched. The intention was for Forest Enterprise Scotland to become a land management body and for Scotland's equivalent of Forest Services to become an integral part of the Scottish Government. The Forestry Governance Project Board was overseeing the plans for change and future co-operation on plant health and issues including forestry standards. Changes in Scotland would inevitably have some impact in England.

In answer to questions on the Forestry Commission brand it was confirmed that this belonged to the Forestry Commissioners and would remain with them in their ongoing role in England.

#### **4. FINANCE REPORT**

**Paper 20/16**

Steve Meeks highlighted the key points in the paper including the planned and approved variances. It was noted that senior Defra officials had been notified of the tax issue, the next agenda item, and the impact this may have on the Forestry Commission's finances.

It was also noted that the RDPE budget and forecast figure (£26m) for 2016/17 is a known forecast reduction from the £30.5m in 2015/16.

#### **5. FE ENGLAND VAT REVIEW**

**Paper 21/16**

Meirion Nelson (Tax Project Lead) and Tim Davies (PwC) joined the meeting and confirmed that the audit on FC England, FC Scotland, Central Services including Forest Research was now complete and the focus had now moved to Forest Enterprise activities in England and Scotland.

The VAT Review report to HMRC was now almost complete and was due to be submitted on 21 September. HMRC were planning to visit the North England District on 28/29 September in order to see on the ground how the business operated. The key issue of business/non-business remained but HMRC's acceptance that partial exemption rules could be applied was a significant clarification. The review had concluded that there would be an ongoing increased potential liability and identified a requirement to implement and maintain robust systems to correctly account for VAT.

In answer to questions it was explained that the main cause of the potential VAT errors had been due to misclassification of VAT treatment in relation to exempt activities. There was a high level of confidence that the VAT review report would be accepted by HMRC, although there was likely to be some further clarification needed to satisfy HMRC. Once a ruling with HMRC was fully agreed and understood, relevant guidelines and procedures would need to be put in place to ensure a consistent approach across the country.

There was a significant risk that HMRC would seek a four year backdating of the potential liability and there would be an associated interest charge (a legal requirement). A penalty could be imposed by HMRC, but this was only likely if deliberate tax avoidance had been identified.

Concern was raised that any future payment under an ecosystems services agreement could be subject to VAT but this was considered unlikely as it was not a formal contract

for the provision of services, but an administrative agreement which supported the delivery of increased benefits from the business activities.

The Committee thanked Meirion and Tim for their contribution and agreed the recommendation to delegate the approval of the final report before submission to HMRC to Ian Gambles.

## **6. 25 YEAR ENVIRONMENT PLAN FRAMEWORK**

Tom Surrey updated the Committee on progress towards the publication of the plan's engagement framework which would now be a much better developed consultation document than had been produced on the original timescale. It would also take into account the impact of the vote to exit the EU, addressing what this would mean for the environment in the longer term.

The current timetable was for the engagement framework to come out in November the final plan published by the end of 2017.

## **7. FORESTRY APPRENTICESHIPS**

**Paper 22/16**

Richard Greenhous introduced the issue and explained the role of the Forestry Commission in supporting the sector, which was separate to the role of FE in providing apprenticeships. The Committee gave its full support for the continuing role in encouraging apprenticeships and the adoption of the new standards.

In answer to questions on the FC's role as an employer it was noted that the new apprenticeship levy could be drawn on for training and assessment, not for wages. Reassurance was given that apprentices were being employed on tasks that would develop their skills and enable them to progress into skilled employment, whether or not this was with the Forestry Commission. It was noted that the apprenticeships had, so far, been in forest management activities including recreation and not office based or administrative roles.

The Committee gave its support to the continued development of apprenticeships in the management of the public forest estate and suggested that a wider range of opportunities could be considered. The proposal to bring a career development and workforce planning paper to the Committee was welcomed.

## **8. EFRA COMMITTEE INQUIRY – FORESTRY**

**Paper 23/16**

Steph Rhodes joined the meeting and the motivation and drivers behind the inquiry were considered. The Committee acknowledged that this was a helpful opportunity for the sector to press its case for forestry and that the Forestry Commission and Defra should focus their attention in preparing the evidence to be submitted on the terms of reference, which had a clear commercial forestry perspective.

The Committee made a number of detailed comments on a range of issues; including benefits of wood as an energy source and the importance of tree improvement and resilience. These would be given further consideration by the Forestry Commission as work progressed on preparing evidence and briefing.

## **9. FWACs – WAY FORWARD**

**Paper 24/16**

Richard Greenhous reminded the Committee that the FWACs had not been realigned at the last reorganisation of the Forest Service areas. Given that the new NE/EA aligned areas would be the basis for local delivery plans under the 25 year Environment Plan the need to consider future alignment of Forest Services and FWACs with those areas must be recognised in the forthcoming appointment process. This was why the proposal for a two year maximum carry forward was proposed, allowing time for the future arrangements for Forest Services to be decided.

It was agreed that the prospect of change should be shared with the FWAC Chairs at their next meeting, but this would not include the consideration of any specific new area arrangements. It would simply provide background to why a maximum two year reappointment was being made where the total time served would be less than 10 years.

It was also recognised that re-appointment reduced the opportunity to change the composition and diversity of the Committees, on which continued efforts needed to be made, but this was not seen as a constraining factor at this time.

The Committee endorsed the proposal for two year extension where possible and the appointment of Professor Mackenzie to the North West FWAC.

## **10. ARBORETA ADVISORY COMMITTEE**

**Paper 25/16**

After a brief discussion of the role and composition of the Committee, including the proposal to broaden the expertise represented on the Committee and recognising its specialist nature, the recommendation for appointments and reappointments in the Paper was endorsed.

## **11. FOREST HOLIDAYS and CAMPING IN THE FOREST**

**Paper 26/16**

Simon Hodgson provided a brief update on trading conditions and drew the Committee attention to the submission of the Delamere planning application and the latest developments in the proposal for a third party site. It was also noted that Sherwood was the first new development by CITF and this was welcomed by the Committee.

## **12. MEETING DATES 2017**

**Paper 27/16**

The 2017 meeting dates were accepted as proposed. Any suggestions for future agendas items should be submitted to the Minute Secretary. Electronic invitations for the meeting dates would be sent out in the next few days.

## **13. AOB**

No other business was raised.

Next Meeting: 9 November – Bristol (after FE Strategy Board)

2 February – Bristol (after FE Strategy Board) -