



House of Commons
Environment, Food and Rural
Affairs Committee

**The National Forest:
Government Response
to the Committee's
Fourth Report of
Session 2009–10**

**First Special Report of Session 2010–
11**

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Environment, Food and Rural Affairs Committee

The Environment, Food and Rural Affairs Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Department for Environment, Food and Rural Affairs and its associated bodies.

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The current staff of the Committee are Richard Cooke (Clerk), Joanna Dodd (Second Clerk), Sarah Coe (Committee Specialist—Environment), Clare Genis (Senior Committee Assistant), Jim Lawford and Mandy Sullivan (Committee Assistants) and Hannah Pearce (Media Officer).

Contacts

All correspondence should be addressed to the Clerk of the Environment, Food and Rural Affairs Committee, House of Commons, 7 Millbank, London SW1P 3JA. The telephone number for general enquiries is 020 7219 5774; the Committee's e-mail address is: efracom@parliament.uk. Media enquiries should be addressed to Hannah Pearce on 020 7219 8430.

First Special Report

The Environment, Food and Rural Affairs Committee reported to the House on The National Forest in its Fourth Report of Session 2009–10, published on 19 March 2010 as HC 281. The Government's response to the Report was received on 14 July 2010 and is published as an annex to this report.

Government response

Introduction

The Government welcomes the report of the Environment, Food and Rural Affairs Committee into The National Forest. The report is a constructive and timely review of the progress of the creation of The National Forest. This response is provided by Defra on behalf of the Government and the National Forest Company reflecting the partnership approach we have adopted in order to deliver The National Forest.

Response to the Committee's Conclusion and Recommendations

Progress in new forest creation

Recommendation 1: Despite recent challenges and the consequent relatively slow pace of planting, steady progress is being made in creating new woodland within The National Forest. It is essential that Defra continues to give the project sufficient financial support to enable the creation of at least 200 hectares a year of new woodland so that progress towards the target of around a third woodland cover is maintained and woodland corridors linking different sections of the Forest can be developed.

The Government agrees that the National Forest Company should continue to make progress towards the target of new woodland. This is important for completion of The National Forest, as well as contributing to wider policy aims such as adapting to and mitigating climate change.

The National Forest Company has, like other Defra Arm's Length Bodies, contributed to reducing the fiscal deficit in 2010–11 as part of the Government's £6.2bn savings this year. Defra has discussed with the National Forest Company the effects of the 5% reduction in its 2010–11 budget. The National Forest Company has confirmed that it will limit the impact on woodland creation and believes that by exploring efficiency savings and considering the delay of other peripheral activities, it will be able to deliver a target of 195 to 245 hectares of new woodland in 2010–11. The Government will be considering future funding of the National Forest Company as part of this year's spending review.

The next Spending Review settlement will be challenging and no organisation will be exempt. Defra will work through the impacts of grant reductions with the National Forest

Company and other partners. However, we recognise that the National Forest Company is adept at bringing other non government funding to help facilitate woodland creation and we expect them, to continue to focus efforts in this area.

Grant schemes

Recommendation 2: The Changing Landscapes Scheme plays a central role in new forest creation so it is important that the incentives it provides are attractive to landowners. However, grant levels must be set so as to deliver value for public money and schemes should not aim to deliver extra hectares at any cost. It is important therefore that the success of forest creation is measured over the medium to long term, when any short-term impact on the uptake of grants caused by market fluctuations in land and commodities prices will have been evened out.

Recognising the volatility of the land market, the National Forest Company now adopts a balanced and flexible approach to forest creation, using a full range of mechanisms as appropriate, including the Changing Landscapes Scheme (CLS).

Per hectare, CLS has so far been slightly less expensive than recent acquisitions, (c£14,000 compared with c£16,000); but the potential to offset the costs of acquisitions via private sector sponsorship, green infrastructure and Section 106 receipts should also be taken into account. Both mechanisms entail ongoing responsibilities for the National Forest Company, in overseeing CLS contracts or developing and then disposing of acquisitions.

Whilst both land acquisition and CLS can deliver big areas and opportunities to plant for productivity, landscape scale change and carbon abatement, CLS also enables many landowners to be engaged in planting smaller areas and can be used to connect larger areas. It has particular benefits in achieving Higher Level Stewardship objectives in addition to tree planting per se.

Applications for CLS are evaluated by the Board and are considered against a set of criteria (including access, biodiversity, climate change, landscape value and connectivity). The National Forest Company seeks maximum benefit from land under the CLS and Defra believes the current grant levels are set appropriately. They use standard costs followed by the Forestry Commission and Natural England, but unlike the England Woodland Grant Scheme are paid at 100% of costs as allowed under state aid rules and agreed by the European Commission, due to the ecological and public benefit of the scheme. Preliminary analysis of the costs and benefits of public spending in The National Forest suggests a positive ratio, because on the back of forest creation the entire environmentally-led regeneration of 200 square miles is achieved.

Inheritance tax regime

Recommendation 3: The complexity of the inheritance tax regime could deter those wishing to take up grants to plant woodland. It might also lead some landowners to remove trees as a precaution against their assets becoming liable to inheritance tax. We therefore recommend that HM Revenue and Customs, in liaison with Defra, publishes a clear and comprehensive guide on the inheritance tax relief available for woodland for dissemination within The National Forest and beyond. Although beyond the scope of

this inquiry, we further recommend that Defra examines with HM Revenue and Customs whether the existing inheritance tax regime deters individuals from taking up or continuing woodland schemes or other long-term, environmentally-beneficial government schemes.

The Government does not believe there is a need to publish a guide on inheritance tax relief available for woodland as the HM Revenue and Customs publish a customer guide to “woodland relief” on the HMRC website at

<http://www.hmrc.gov.uk/cto/customerguide/page18.htm>

and further information on inheritance tax at

<http://www.hmrc.gov.uk/inheritancetax/pass-money-property/iht-reliefs.htm>

The National Forest Company will ensure that HMRC advice is available to current and prospective landowners.

Land acquisition

Recommendation 4: We recognise that the National Forest Company's role is not to build up a significant land-holding on its own. However we consider the current 300 hectare limit on the amount of land it may hold at any one time to be unnecessarily restrictive. We recommend that Defra's next review of the National Forest Company's Financial Memorandum should include consideration of a higher limit for land holdings, as well as the provision of more flexibility over the purposes for which the company may acquire land.

To date, the current 300 hectare ceiling has not served to impinge the progress of the National Forest. In appropriate circumstances Ministers would consider raising the ceiling, on a case-by-case basis if the value for money and justification arguments are strong.

Delivering environmental, economic and social benefits

Recommendation 5: We welcome the success of the National Forest Company in not just simply increasing The National Forest's land area but in delivering in parallel multiple environmental, economic and social benefits. We look forward to the early publication of Defra's comprehensive assessment of the full value of the project's benefits.

Defra has commissioned a first-cut analysis of the costs and benefits of The National Forest covering all aspects of public value. This will inform assessment of the value for money to the taxpayer of the grant paid to the National Forest Company, by comparing it to the environmental and social benefits of the work and the economic impacts on the immediate and surrounding area. The work will also inform assessment of the key gaps in the data and methods available for the analysis, in terms of the impacts of The National Forest, and the economic evidence on the value of those impacts, and the coverage of the framework used.

Defra anticipates publishing the findings of this work in July 2010.

Combating climate change

Recommendation 6: The National Forest's direct role in helping to mitigate climate change will, in proportion to its size, be relatively small. However, if English forests and woodlands are to have a significant impact on mitigating climate change there will need to be national tree planting on an unprecedented scale. The National Forest can play a key role in this by passing on the benefits of its experiences to others contemplating National Forest style projects. Defra must ensure that work to implement the Government's Low Carbon Transition Plan builds on lessons learnt by the National Forest Company, including enshrining broad environmental objectives such as enhanced biodiversity in any forest projects aimed at reducing carbon emissions.

The Government agrees that the National Forest Company has a key role in sharing its expertise regarding multipurpose forestry. Although focussed on delivery, the National Forest Company also engages proactively in promotional activities to share its learning such as publishing summaries of all its research on its website. It is also one of the first case studies in the UK for the European Landscape Convention. Lessons learnt will be fed into work taken forward to examine the contribution that England's trees and woodlands can make to the achievement of climate change goals. The Read Report¹ has given us a clear message on the potential of forests and trees to help us mitigate and adapt to climate change. Defra and the Forestry Commission are working with civil society groups, industry and landowners to understand how to stimulate better forest management (including enhancing biodiversity), increase planting rates and stimulate markets for wood products. We expect the National Forest Company to play a full part in developing new approaches to increase tree planting and engage all sectors in utilising forests to help tackle climate change adaption and mitigation.

Recommendation 7: We welcome work by the Forestry Commission and others to develop a robust model for ensuring that investment in UK woods and forests delivers consistent carbon reduction outcomes. The development of such assurance regimes strengthens arguments that wider use could be made of UK tree planting in carbon offsetting schemes. We therefore recommend that Defra reviews with the Department of Energy and Climate Change the impact of the Code of Good Practice for Forest Carbon Projects, within one year of its inception, on the potential for tradable carbon credits to be developed for UK forestry projects.

The Government agrees the Code of Good Practice for Forest carbon Projects should be evaluated for its impact at some stage in the future but not necessarily within one year of its inception. However, the Government will continue to work with civil society groups, industry and landowners to explore the full-range of mechanisms that could help to stimulate increased investment in woodland management and creation.

Development of wood fuel resources

Recommendation 8: There are environmental and economic benefits to be gained from using locally-sourced wood for fuel. However, this requires the development of a stable

¹ The Read Report can be downloaded from <http://www.tsoshop.co.uk/bookstore.asp?FO=1159966&Action=Book&ProductID=9780114973513&From=SearchResults>

supply to meet growing demand. We recommend that the National Forest Company publishes, with Defra and other partners, a strategy for developing a sustainable market which balances supply and demand for wood fuel within The National Forest.

The Government agrees that the National Forest Company should develop its strategy for developing a sustainable market which balances supply and demand for wood fuel within The National Forest. The National Forest Company has calculated its wood resource and the installed capacity (KW) of woodfuel installations it will support into the future. It focuses on the local woodchip market and has seen a marked increase in commitments to installations in The National Forest over recent years.

The 2009 EU Renewable Energy Directive², places a requirement on the UK to source 15% of its energy—across heat, electricity and road transport—from renewables by 2020. Analysis³ carried out to consider how this target might be achieved when considering important constraints including costs, suggest that around 30% of our EU target—or 4.5% of the UK's energy needs—could be delivered by biomass heat and electricity. In April 2009, the Renewables Obligation⁴, the main UK support mechanism for renewable electricity was 'banded' to provide improved rewards for dedicated biomass power and biomass combined heat and power (CHP) plants.

Delivering social benefits

Recommendation 9: We urge the National Forest Company, in conjunction with its partners, to continue work to extend access to The National Forest to all segments of society, particularly to reflect the diverse make-up of its catchment area, and to work to balance the needs of all types of user. Improved transport provision, particularly to make facilities more readily accessible by public transport, should be a priority.

The Government agrees that the National Forest Company should continue to work on making The National Forest as accessible as possible to all segments of society. Visitors and participants in activities and programmes already include c15% who are at risk of exclusion in some way, a significantly higher percentage than that resident in the Forest. This includes children and young people, Asian walking groups and others, including from the major urban areas surrounding the Forest.

The National Forest Company will continue to encourage improved public transport and will seek to ensure that the proposed Long Distance Trail is connected by public transport to major urban centres.

Recording precisely the make-up of users of the Forest is very complex, as many partner organisations lead a multitude of activities. However the National Forest Company's commitment remains to continue to broaden access, whilst recognising that residents' use is key to the Forest's success.

2 EU (2009) Directive 2009/28/EC of the European Parliament and of the Council on the promotion of the use of energy from renewable sources <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2009:140:0016:0062:en:PDF>

3 DECC analysis based on Redpoint/Trilemma (2009), Element/Poyry (2009) and Nera (2009) and DfT

4 www.decc.gov.uk/RO

The role of the National Forest Company

Recommendation 10: The National Forest Company has proved to be a highly effective vehicle for leading the creation of The National Forest, delivering good value for public money. It has demonstrated how a small, non-bureaucratic body can bring significant impetus to a partnership of organisations working together to deliver national and local strategies. While the National Forest Company's success is due in no small part to the vision and commitment of its board, staff and partners which are not easily replicable by formula, we recommend that Defra considers whether the National Forest Company model can be applied to forestry projects in other locations. To ensure that the full benefits of the project are realised more widely nationally, Defra should also set out a detailed plan in the next 18 months for disseminating the lessons learned in The National Forest across England.

The Government notes the Committee's recommendation on applying the National Forest Company model to forestry projects in other locations. The Government is committed to policies that encourage woodland creation and will be launching later this year a national tree planting campaign to increase tree cover in urban areas. Defra and Forestry Commission are working with the National Forest Company and civil society groups to consider how tree planting can be encouraged throughout England and will ensure that this builds on the lessons learned from the National Forest and other successful schemes. It is unlikely, given current fiscal pressures, that new forestry projects of a similar scale to The National Forest could be publicly funded in the near future, but we are working with the Forestry Commission and others to develop an operational model for our carbon markets to attract new income streams for woodland creation.

Conclusion

The Government welcomes the attention the Committee has given to the creation of The National Forest and the issues surrounding its delivery. The Government agrees that The National Forest has acted as a very useful test-bed for a range of policy objectives and that lessons learned should be exploited across England. The National Forest Company has been particularly successful in engaging local communities and fostering a new level of civic pride in an area that was largely despoiled by years of industrial activity. This has been blended with major landscape change, carbon abatement and the development of a new economy, which constitute the wider value of the forest.

The Government recognises that although a great deal has been achieved over the last 15 years, new challenges continue to arise and need to be met. The National Forest Company working in partnership with all its delivery partners, inside and outside Government, is critical, and the National Forest Company is dedicated to maintaining these relationships to ensure the efficient continuation and completion of the creation of the forest, for local and national benefit.

Department for Environment, Food and Rural Affairs

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