

## Forestry Finance and Funding Breakout Session – Summary

Two presentations were given by Amanda Bryan and Andrew Leaver of Aigas Community Forest; these were followed by discussion. During the session the following points were made:

1. Most forestry purchases are taking place through Forestry Commission Scotland's National Forest Land Scheme which commenced in 2005 with a leasing option introduced in 2011. To date there have been 25 successful purchases through the scheme but not all of these are community purchases as there are strands for affordable housing open to housing associations and also to NGOs. There are a number of strands under NFLS including renewable energy, community purchase, ngo purchase, affordable housing, woodland crofts and also surplus land sales. Surplus land is where an NFLS purchase by communities or NGOs is triggered by the FCS selling off land that it deems to be surplus at which time stricter timescales come into force. NFLS follows a CRtB style process requiring DVS setting of a value and a community ballot with an 'independent' arms length committee taking decisions. An important issue is that there have been no successful sales in 2013/14.
2. A key factor to be aware of in relation to purchase of forestry through the NFLS is that FCS is bound by the Scottish Public Finance Manual which is often referred to as 'Treasury Rules'. This 'guidance' states that a full open market value must be obtained when disposing of publicly held assets. This is a full commercial valuation and does not take into account any of the public benefits that might be delivered by a community group including those that they have had to stipulate to delivering as part of their case for community ownership and which may reduce their scope to achieve full commercial income from the forest. However a recommendation has been made in the recent LRRG Report which asks for this to be changed to enable below market valuations to be accepted.
3. The open market valuation of forestry is particularly problematic as it does not just reflect the value of the timber that could be extracted from the site. The valuation comprises two parts – the land and the trees. The 'tree' value comprises two parts the first relating to timber which will depend on the tree species, age, growth rate (Yield Class), quality, proximity to market and accessibility. The second element of the 'tree' bit of the valuation is the 'investment value' associated with forestry which relates to a wide range of tax benefits that can be achieved by the private sector (not necessarily by the community sector), forestry land's financial performance in contrast with that of other investments, a status element and also the fact there is limited supply which increases demand. The valuation undertaken for Raasay provides a really good example of these points where 290 Ha of forestry land around half of which was recently felled has been valued at £410,000. In comparison the Carloway Estate which is in the region of 4500 Ha recently was bought by the community there for less than £210,000. Numerous examples from forestry management advisers promoting the investment angle of forestry in 2013 and 2014 were shared with the group.
4. A further issue that seems to relate specifically to forestry is the application of State Aids rules as timber is a product that is traded across member states and any public support could potentially skew the market. This has caused significant problems for many groups within NFLS and has accounted for the stalemate to date as a maximum grant of 200,000 Euros is all that was available to groups under '*de minimus*'. It appears however that a solution to this may have been found and this was discussed at some length during the workshop. All affected groups now

need to seek a ruling on whether their individual case may fall out with the scope of state aids. This assessment will be undertaken by HIE but must be specifically requested by the community group.

5. A specific case study was supplied by Aigas Community Forest:

Community Land Scotland Chair, David Cameron identified 4 factors that if they all come together can lead to successful community land ownership: **Desire, Support, Funding and Policy**. The ACF case study was presented in the context of these factors.

**Desire** – definitely present in the community from the turn out at the first public meeting and the unanimous support for progressing the purchase, through formation of a Board for Aigas Community Forest and the 97% ‘Yes’ vote in the community ballot. Even as the project struggled through difficulties securing funding over the next 5 years turn out at ‘Forest Open Days’ and attendance by the Board remained healthy.

**Support** – Aigas was fortunate enough to have a Chair with direct experience of community buy-outs as well as a number of other Board members with valuable skills. But we also received vital financial support for feasibility studies, business plans and expert support from The Highland Council, FCS, LEADER and HIE. The support given by the public agencies to develop plans was without fault. CLS and Community Woodlands Association also provided advice and helped with lobbying for changes in policy. At no time did the Board feel isolated despite the problems it faced.

**Funding** – Aigas started at just the wrong time. The SLF had closed with no schedule for being re-started, Growing Community Assets wouldn’t fund purchase from the public sector. There was no substantial purchase funding available but we remembered the advice of seasoned campaigner Cllr Margaret Davidson at our first public meeting. Just do it anyway – maybe things will change in the future. So we hung in there and in 2012 when the land fund was re-launched. The funding landscape for ACF was poor to start but has greatly improved due to changes in factor 4.

**Policy** – In 2009 Scottish Government policy seemed to be ignoring community ownership of land. Gradually this changed and different mechanisms were suggested to facilitate ours and similar projects. Perhaps we could lease the forest from FCS – not financially viable under either lease scheme suggested to date. The policy is fine, the practice is unworkable. Perhaps we could buy the forest using the new Land Fund – not enough money on offer when State Aid rules were applied to funding of forestry purchase. Ministers seemed to be issuing the right instruction but somehow implementation by bodies like FCS, HIE and BIG Lottery wasn’t making it work. We continued to lobby for change direct to these bodies, through CLS and by attending and participating in Scottish Affairs Select Committee investigations. Ultimately ACF secured a grant below the State Aid restriction to purchase part of Aigas Forest. More recently it has been confirmed that purchase of the whole forest would be deemed non-State Aid and so we are going back to SLF for more money.