

Farming & Forestry: Forestry Grant Scheme



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The Forestry Grant Scheme (FGS) is funding from the Scottish Government, available through the Scottish Rural Development Programme to support (a) the creation of new woodlands to contribute towards meeting the Scottish Government's target of 10,000 hectares of new woodland per year and (b) the sustainable management of existing woodland in a bid to create environmental, economic, and social benefits including mitigating climate change, supporting sustainable forestry industry with a reliable timber supply, and supporting rural development. FGS will, for the period 2014-2020, make available £252 million to eligible FGS applicants.

Why invest in forestry?

Forestry is considered a safe asset in the current economic and political climate and benefits include:

- tax incentives such as no inheritance tax paid (on land and trees) if held for more than two years, income from timber sales is free from income and corporation tax, and increasing timber values are free from Capital Gains Tax;
- higher demand for timber;
- increasing timber prices;
- higher agricultural land values by putting unproductive or low-yielding land to better use;
- grants available for new planting, fencing, infrastructure, maintenance, improvements and management;
- low management costs;
- ecosystem and wildlife conservation benefits;
- shade and shelter for livestock and windbreak for crops;
- drought and water conservation benefits;
- soil erosion, water quality and flooding prevention benefits; and
- Basic Payment Entitlement is unaffected.

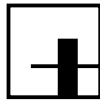
Funding packages

There are different funding packages available falling within several categories and are generally split into an initial planting payment and a five year annual maintenance payment. Capital grants are also available for fencing, tree protection and other similar operations. Payments fall under either the woodland creation category or the woodland improvements and sustainable management of forests category, and all applicants must meet eligibility standards set for each funding package available.

Example Categories

Woodland Creation: There are nine creation categories depending on the type of tree, with varying payment rates. Higher payment rates are available if the woodland or forest falls within certain target areas and is of the type required for each such as a Local Authority Woodland Strategy area; an area identified by the Cairngorms National Park Authority; an area identified by FCS-SEPA as likely to provide multiple benefits for natural flood management and water quality; or an area identified as Highland Native Woodland target area.

Sheep and Trees Grant Package: Upland livestock farmers, where sheep comprise the majority of their livestock, can benefit from the Sheep and Trees grant package which allows them to apply for grants for both woodland creation and forest infrastructure. New



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woodland in these areas should not affect grazing as, once the trees are mature enough to avoid browsing damage, the applicants will be able to graze their livestock on this area. Woodland creation under this grant will not affect the applicant's Basic Payment Entitlement. This package is offered under a partnership initiative with the Scottish Government, National Farming Union, Forestry Commission Scotland and the National Sheep Association (Scotland).

Central Scotland Green Network Contribution: This is a capital payment which applies to eligible FGS woodland creation planting option. This is only available within the Central Belt. The grant is offered at two rates: £2,500 per hectare within the core areas, and £750 per hectare in the fringe areas, both up to a maximum of 40 hectares per application. This payment is made on top of the standard or target area initial planting payment rate offered under FGS.

Farm Woodlands: Funding is available for new woodland and the management of existing woodlands. Early engagement with the local Forestry Commission Scotland conservancy office is recommended to start the application process and ring-fence the funding package available.

Considerations

- Harvesting and access – how is the timber to be extracted and what improvements are required to existing access tracks? Where is the nearest public road and are there any Local Authority transport restrictions? Consideration must be given to existing fencing, waterways, sharp bends, third party rights and access, and any burdens, restrictions and conditions in the title deeds which will require an examination of the title deeds.
- Habitat and environmental impact assessment – this will form part of the application process and early engagement with the appropriate bodies is

recommended.

- Use of the timber – is this to be used for fuel, commercial resale, sporting use, habitat improvement such as shelter belts or to improve drainage?
- Initial outlays – these can be significant and will involve ground and site preparations, cost of materials, fencing, labour, planting costs, tree protection and professional land agent costs.

Downside/risks

- Foreign exchange rates impact on timber/pulp prices and the effect of Brexit is an unknown factor.
- Prices and demand fluctuate but demand is currently very strong.
- Pest and disease control may be an issue but advances in this area limit the risk.
- Windblow and fire risk are always a hazard, but are insurable.
- Initial capital contribution against a longer term return, but grant funding and tax planning can help manage this more efficiently.
- Long term investment requiring compliance with grant scheme conditions which if breached may be repayable subject to an opportunity to rectify the breach.

Conclusion

Forestry is a key policy objective of the Scottish Government with significant funding currently available. Landowners and farmers looking to other opportunities to diversify and get a better return from their land may do well to consider the value and benefits of FGS as an attractive option to give some certainty and added value in particular to the long term sustainability of their business.



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