

FORESTRY
COMMISSION

*73rd Annual Report
and Accounts
1992-1993*



Forestry Commission



FORESTRY COMMISSION

*73rd Annual Report
and Accounts
for the year ended
31 March 1993*

together with the
**Comptroller and
Auditor General's Report
on the Accounts**

*Presented to Parliament in pursuance of Section 45 of the
Forestry Act 1967 and Section 5 of the Exchequer and
Audit Departments Act 1921*

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FORESTRY COMMISSION

231 Corstorphine Road
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15 December 1993

To:

The Rt Hon IAN LANG, MP,
Secretary of State for Scotland

The Rt Hon GILLIAN SHEPHARD, MP
Minister of Agriculture, Fisheries and Food

The Rt Hon JOHN REDWOOD, MP,
Secretary of State for Wales

In pursuance of Section 45 of the Forestry Act 1967, I have the honour to transmit the 73rd Annual Report of the Forestry Commissioners which covers the year ended 31 March 1993.

(Sgd) RAYMOND JOHNSTONE
Chairman

Forestry Commissioners, Heads of Divisions, Chief Conservators and Regional Directors at
31 March 1993

Forestry Commissioners

Sir Raymond Johnstone CBE *Chairman*
Mr T. R. Cutler *Deputy Chairman and Director General*
Mr R. T. Bradley
Mr I. D. Coutts CBE
Mr D. L. Foot
Mr R. B. Grove-White
Mr D. S. Grundy
Mr G. H. Laird CBE
Mr T. S. Mallinson
Sir Michael Strang Steel Bt
Mr C. R. Woosnam

Mr P. J. Clarke *Secretary*

Heads of Divisions

The Department of Forestry
Policy and Resources Group
Director, Business Systems: Mr E. K. Arthurs
Director, Policy Studies: Dr S. Harding
Director, Personnel: Mr J. McGough
Head of Public Information Division: Mr J. F. Lindsay
Head of Parliamentary and Policy Division: Mr T. J. D. Rollinson
Head of International Relations Division: Mr W. F. Sheridan
Head of Internal Audit Division: Mr J. F. McSorley
Head of Parliamentary Finance Division: Mr W. G. Prest

The Forestry Authority

Director, Research: Mr D. A. Burdekin
Head of Forestry Practice Division: Mr J. G. S. Gill
Head of Grants and Licences Division: Mr R. C. Herbert

Forest Enterprise

Director, Engineering: Mr R. M. Hay
Director, Estate Management: Mr P. C. Ranken
Director, Business Enterprise: Mr S. E. Quigley
Director, Finance: Mr C. T. Spillane
Head of Forest Management Division: Mr J. Dewar

Chief Conservators

England: Mr R. O. Smith
Scotland: Mr J. Atterson
Wales: Mr D. M. Hughes

Regional Directors

England, North and East: Mr G. R. Hatfield
England, South and West: Mr R. J. N. Busby
Scotland, North: Mr G. J. Hamilton
Scotland, South: Mr G. M. Cowie
Wales: Mr J. F. Morgan

Note: The addresses of the main Forestry Commission offices appear on the inside back cover.

Contents

	<i>Page</i>
Names of Forestry Commissioners, Heads of Divisions, Chief Conservators and Regional Directors	5
Report for the Year ended 31 March 1993:	
Chairman's Foreword	9
The Department of Forestry	
<i>I. Policy and Resources Group</i>	
Management Reorganisation	12
Finance - New Forms of Account	12
Grant-in-Aid	12
Operating Receipts	13
Operating Payments	13
Other Net Payments	13
Net Surplus for the Financial Year	13
Forestry Review Group	13
Welsh Forestry Group	13
Environment Committee Report	13
Public Accounts Committee	14
International Forestry	14
United Nations Conference on Environment and Development	14
Cap Reform Package	15
Plant Health and the Single Market	15
Pine Wood Nematode	16
Global Forestry Conference, Indonesia	16
Overseas Consultancy Service	16
Legislation	16
Strategies for Forestry Expansion	16
Indicative Forestry Strategies	17
The New Forest	17
Report on New Forest Grazing	17
Sherwood Forest Initiative	18
Development of Geographic Information Systems	18
Public Register of Grant Applications	18
Grant Review	19
Research Station Arson Attack	19
Public Information	19
Media Interest	19
Exhibitions	19
In-house Communications	19
Visits	20
Awards	20
Commission Appointments and Staffing	20
Senior Staff	20
Employment	21
Employee Participation	21
Disabled Persons	21
Equal Opportunities	21
<i>II. The Forestry Authority</i>	
General Review	22
Aims and Objectives of the Forestry Authority	22
Private Woodlands	22
National Offices	22
Research Strategy	22
Amalgamation of Safety and Training Councils	22
New Health and Safety Arrangements	22
Transfer of Plant Health Responsibilities	22

	<i>Page</i>
Grants, Licences and Regulation	23
Planting and Management Grants	23
Streamlining the Woodland Grant Scheme	23
Clearer Contract Terms	23
Customer Representative Group	23
Partial Release from Dedication	23
Felling Controls	23
Reference Committees	24
Regulation of Forest Enterprise	24
Highland Birchwoods Initiative	24
Urban and Community Forestry Advisory Panel	24
Advisory Panel on Highland Native Woodlands	24
Centres of Excellence Awards	24
Forestry Research Coordination Committee	25
Forestry Commission Research	25
Overview	26
Community Forestry Research	26
Dendroctonus micans	26
Restocking Pests	26
Biodiversity	26
Damage to Nursery Stock	27
Sitka Spruce Improvement Programme	27
Plant Health	27
Dendroctonus micans	27
New Plant Health Controls	27
Dutch Elm Disease	27
Import Controls	27
Education, Safety and Training	27
Training Activity	27
Training for the Private Sector	28
Safety Seminars	28
Education	28
 <i>III. Department of Forestry Finance</i>	
New Form of Accounts	29
Grant-in-Aid	29
Future Commitments	29
Salient Facts	30
 Forest Enterprise	
General Review	32
Trading Climate	32
Finance	33
Forest Enterprise Accounts	33
Open Market Valuation	33
New Financial Information Systems	34
Managing the Whole Forest	34
Forest Design Plans	34
New Planting and Restocking	34
Environment Panels	34
Forest Protection	34
Timber Production	35
Direct Production	36
Standing Sales	36
Civil Engineering	36
Forestry Contracting Association	36
Safety	36
Industrial Accident Statistics	37
Wildlife Stewardship	37
Native Pinewoods	37
SSSI Management	37
Birds in Galloway	37
Promoting Recreational Use	37
Visitor Surveys	38
Forest Holidays	38

	<i>Page</i>
Community Role.....	38
Woodland Parks	38
Welsh Valleys Forest Initiative	38
Community Forests and the National Forest	38
Managing Property	39
Land Acquisitions	39
Sale of Plantations and Other Properties	39
Disposals and Continued Public Access	39
Management of the Estate	39
Agreement with Orienteers	39
Sites for Alternative Energy	39
Support Services.....	39
Mechanical Engineering Services	39
Radio and Electronics Services	40
Seed Supply	40
Plant Supply	40
Salient Facts	42
Financial Statements and Accounts 1992-93	44
Appendices.....	see separate index after page 77
Addresses of the Main Offices of the Forestry Commission	inside back cover

FOREWORD

by
The Chairman

The year under report was notable for the introduction of our new management organisation. This clearly separated our functions both as a Government department and as managers of the nation's publicly-owned forests. This separation is reflected in the new format of this report which is in two parts: the first covers the Department of Forestry, which comprises the Policy and Resources Group and the Forestry Authority; the second covers the Forest Enterprise. I am delighted to say that the reorganisation has been well received by the many forestry, countryside and environmental bodies with whom we deal. That the new organisation has settled in so well in its first year is due to the efforts of our staff, and I should like to place on record my appreciation of all that they have done to ensure a smooth transition.

I believe that we have strengthened considerably our ability to implement the Government's forestry policy, both through our statutory and regulatory functions, and in managing the national forestry estate efficiently and effectively. These changes have enabled me to set Forest Enterprise the target of becoming self-financing by 1995-96. Our aim is that the cost of managing our national forests - including the investments we make in recreation and conservation, and in restructuring and landscaping the first rotation forests - should be achieved without any net cost to the Exchequer.

Towards the end of the year, the Secretary of State for Scotland, the Rt Hon Ian Lang MP, announced the appointment of an inter-departmental group of officials to review the effectiveness of the current incentives for forestry investment, and options for the ownership and management of the Commission's woodlands. The Review Group has also been asked to make proposals for changes which would improve the effectiveness of the delivery of the Government's forestry policy objectives. The review of the ownership and management of our woodlands attracted a great deal of interest among the wider public and in the media, and has naturally resulted in speculation among the Commission's staff about their future. Ministers have said there is no predetermined outcome to the review and that it will have to take full account of the need to safeguard the important public benefits provided by our management of the woodlands and forests.

In March 1993, the Minister of State for Wales, the Rt Hon Sir Wyn Roberts MP, announced the setting up of a Welsh Forestry Group to report to him on ways of promoting the future development of forestry in Wales. Our Chief Conservator for Wales, Mr David Hughes, was invited to chair the Group, which has been asked to report in the spring of 1994.

Also in March, the House of Commons Environment Committee published the report of its enquiry into *Forestry and the Environment* which had begun the previous July. I was particularly pleased that the Committee gave its wholehearted support for multi-purpose forestry - which is central to the Government's forestry policy - and for the continued expansion of tree cover.

Throughout the year, forestry has featured highly on the international political agenda. The United Nations Conference on Environment and Development (UNCED) in Rio in June 1992 agreed a Statement of Forestry Principles, which is the first political agreement to apply to all the world's forests. The Forestry Commission has a pivotal role in preparing the United Kingdom's national plan setting out the Government's policies and programme for implementing the Forestry Principles.

Sir Raymond Johnstone CBE

THE
DEPARTMENT
OF FORESTRY

THE DEPARTMENT OF FORESTRY

I. Policy and Resources Group

MANAGEMENT REORGANISATION

- 1 In our last report we noted that the arrangements for implementing the reorganisation of the Commission's management structure had been settled and had come into being on 1 April 1992. Our aim has been to put in place a structure better able to achieve our statutory and policy objectives through a clear separation of the Commission's departmental, regulatory and management functions. The new structure is shown in schematic form at Appendix XI.
- 2 The benefits of the reorganisation have quickly become apparent. The Policy and Resources Group within the Department of Forestry has been active in the development and monitoring of forestry policy and in providing support to Forestry Ministers on Parliamentary matters. It has taken an increasingly leading role in its responsibilities for European and international forestry questions, and provides central services across the Commission in such areas as public information, personnel management, computer support, and internal audit. The Forestry Authority arm of the Department, through its new national and local offices, has dealt with a significantly increased number of applications for grant aid, simplified the application forms, and introduced a public register of grant applications and a computerised system for processing them. It has also increased its profile in promoting forestry in Great Britain through a number of special forestry initiatives. Forest Enterprise has established an effective and efficient management team committed to delivering multi-purpose benefits from our forests. It published its first corporate plan (*Corporate Agenda 1993-1994*) in March 1993.
- 3 The reorganisation has provided a clearer focus for staff in each part of the new management structure which has resulted in a number of opportunities for staff to strengthen their contacts with their client groups. We are pleased that the changes we have introduced have been widely welcomed by forestry, countryside and environmental interests. The separation of the Commission's staff between each of the distinct parts of the organisation has inevitably resulted in staff transfers and considerable administrative upheaval. We should like to record our thanks to our staff for their positive contribution in successfully setting up the new structures and for their efforts and commitment in making them effective.

FINANCE - NEW FORMS OF ACCOUNT

- 4 The Forestry Fund, constituted under the Forestry Act 1967, is the account which covers all the sums received and expenditure incurred by the Commission. The Commission is financed partly from the Grant-in-Aid voted by Parliament, partly by EC reimbursements of eligible expenditure, and partly from monies received from the Commission's operations, in particular from the sale of timber. Following our internal reorganisation on 1 April 1992, the layout of the Forestry Fund account has been revised to bring it into line with Treasury Guidelines for Government Departments. It is to be found at pages 45 to 48.
 - 5 In addition to the Forestry Fund account, we now have new, separate accounts for the Department of Forestry and for Forest Enterprise which show their income and expenditure in more detail. The Department of Forestry account appears on pages 52 to 56, with a commentary on its key features at paragraphs 120 to 122. The Enterprise account appears on pages 58 to 66, with a commentary at paragraphs 132 to 139.
- Grant-in-Aid*
- 6 The Forestry Commission drew down Grant-in-Aid of £97.5 million into the Forestry Fund during the year ended 31 March 1993. Of this sum, £46.1 million was allocated to the Department of Forestry and £29.0 million to Forest Enterprise; the remaining £22.4 million was applied to the Forestry Commission Pension Scheme. Reimbursement by the EC of eligible expenditure under the Forestry Action Programme amounted to £2.2 million in 1992-93, compared with £1.4 million in 1991-92.
 - 7 The Grant-in-Aid of £97.5 million was £21.0 million more than the net Grant-in-Aid of £76.5 million received the previous year. Of this increase, £10.1 million was taken up

by the Department of Forestry and £9.7 million by Forest Enterprise. The remaining £1.2 million was accounted for by an addition to the Grant-in-Aid allocated to the Forestry Commission Pension Scheme. Explanations for the additional expenditure requirements of the Department of Forestry and Forest Enterprise are given later in this report, at paragraph 121 and paragraphs 135 to 139 respectively.

- 8 Total operating receipts in 1992-93 were £91.2 million compared with £89.0 million in 1991-92, an increase of £2.2 million. These included receipts of £73.8 million from timber sales (£71.9 million in the previous year). *Operating Receipts*
- 9 Total operating payments amounted to £151.3 million in 1992-93 compared with £138.8 million the previous year. These largely comprised salaries and wages and other administrative costs, together with grants to private woodland owners. The latter totalled £21.9 million, an increase of £4.6 million as against the previous year's figure of £17.3 million. *Operating Payments*
- 10 Other net payments amounted to £30.0 million in 1992-93 compared with £13.3 million the previous year, an increase of £16.7 million. The increase was made up of capital expenditure of £7.5 million, net payments to Customs and Excise of £3.0 million and net pensions payments to retired staff of £1.1 million, coupled with a reduction in the income from sales of assets of £5.1 million. *Other Net Payments*
- 11 As a consequence of the movements in receipts and payments, the net surplus for 1992-93, at £9.6 million, was £10.5 million below the £20.1 million surplus in 1991-92. However, payments to the Consolidated Fund in 1992-93 were much the same as in 1991-92 (£15.2 million as against £15.7 million) largely because the excess Grant-in-Aid of £5.1 million for 1991-92, which was paid into the Consolidated Fund in 1992-93, offset the shortfall in the receipts from land sales. *Net Surplus for the Financial Year*

FORESTRY REVIEW GROUP

- 12 The Secretary of State for Scotland, the Rt Hon Ian Lang MP, announced in Parliament on 30 March 1993 that Ministers had decided to establish a small group of officials to review the effectiveness of the current incentives for forestry investment, to review options for the ownership and management of Forestry Commission woodlands and to make proposals for changes which would improve the effectiveness of the delivery of the Government's forestry policy objectives. Mr Lang's statement is reproduced in full at Appendix VI. The Forestry Review Group held its first meeting on 31 March 1993 and is expected to report to Ministers early in 1994.

WELSH FORESTRY GROUP

- 13 On 3 March 1993, the Minister of State for Wales, the Rt Hon Sir Wyn Roberts MP, announced the setting up of a group of experts to examine ways of promoting the future development of forestry in Wales, having regard to Government forestry policy, with its recognition of the importance of environmental issues, and to the incentives available for private forestry. The Group brings together forestry, farming, environmental and development interests, under the Chairmanship of Mr David Hughes, the Commission's Chief Conservator for Wales. The Group held its first meeting on the day of the announcement and has been asked to report to the Minister, via ourselves, by the spring of 1994. Sir Wyn Roberts' statement is reproduced in full at Appendix V.
- 14 Much of the work of this Group will be complementary to that of the inter-departmental Forestry Review Group described above, and its report will assist in taking forward in the Welsh context those proposals stemming from the wider review.

ENVIRONMENT COMMITTEE REPORT

- 15 The House of Commons Environment Committee began an enquiry into *Forestry and the Environment* in July 1992. With the Department of the Environment and the Ministry of Agriculture, Fisheries and Food, we prepared a memorandum of evidence which was submitted to the Committee in October. Forestry Commission, environment and agriculture officials were invited to give oral evidence on 4 November. Commission and environment officials again appeared before the Committee on 19 November following a morning visit to the Forest of Dean, when we were pleased to act as hosts. The Committee also visited German forests and the Thames Chase community forest area in January 1993.

- 16 The Committee's report was published on 24 March 1993* and the Government's response on 15 June 1993**. Although falling outside the year covered by the present report, we feel that it would be helpful, in the interests of completeness, to cover this response.
- 17 The Committee's report was comprehensive and made over fifty recommendations. Although their enquiry was restricted to England, many of the recommendations had implications for British forestry as a whole. The Committee recognised forestry as an effective means of satisfying a wide range of environmental, economic and social objectives and gave their whole-hearted support for multi-purpose forestry - which is central to the Government's forestry policy - and for the continued expansion of tree cover. The Government's response was also wide-ranging, and we have provided a summary, at Appendix VIII to this report, of those aspects which appear to us to be of particular importance.

PUBLIC ACCOUNTS COMMITTEE

- 18 A National Audit Office study covering all aspects of our harvesting and marketing activity was started in September 1991, the findings of which were published in March 1993 in the Comptroller and Auditor General's report *Forestry Commission: Timber Harvesting and Marketing*†. The summary and conclusions section of the report is reproduced at Appendix VII. The Director General, as the Commission's accounting officer, was examined on the report by the Committee of Public Accounts on 24 March 1993. The Committee's conclusions were expected to be presented to the House of Commons later in the year and together with the Government's response will be covered in our 1993-94 report.

INTERNATIONAL FORESTRY

United Nations Conference on Environment and Development

- 19 The United Nations Conference on Environment and Development (UNCED) took place in Rio de Janeiro in June 1992. Forestry Commission officials played an active part in the negotiations that preceded the conference and at the conference itself. Over 100 Heads of State or Government took part. The conference confirmed the importance of environmental issues on the political agenda and produced a number of historic agreements, which we describe briefly below.
- 20 *The Rio Declaration* was a short statement about balancing the need to protect our environment with the need for development. It contains 27 principles for environment and development which should underpin Governments' actions in all areas. *The Climate Change Convention* which was agreed at the conference aims at reducing the threat of global warming, by committing countries to the development of programmes showing how they will limit emissions of greenhouse gases and protect forests which reduce the greenhouse effect. *The Convention on Biological Diversity* aims at the protection of the variety of plant and animal species and their habitats.
- 21 Of more direct importance for forestry was the forestry action plan contained in Chapter 11 of *Agenda 21*, which sets out a framework of objectives and activities for environmental protection and sustainable development through to the next century, and the accompanying *Statement of Forest Principles*‡. The latter is the first political agreement to apply to all of the world's forests, and as a result of an initiative by the Prime Minister all G7 and EC countries have committed themselves to publishing national plans for its implementation. The Forestry Commission is co-ordinating the preparation of the UK's national plan, which will set out the Government's policies and programmes for forestry in the UK and in respect of forestry in other countries. The aim is to publish this in January 1994.

*First Report of the House of Commons Environment Committee: *Forestry and the Environment*, Session 1992-93, HMSO, £18.15.

**The Government's Response to the First Report from the House of Commons Select Committee on the Environment, Cm 2259, HMSO, £3.55 net.

†Report by the Comptroller and Auditor General, *Forestry Commission: Timber Harvesting and Marketing*, HC526 (1992-93), HMSO, £8.15 net.

‡Non-legally binding authoritative statement of principles for a global consensus on the management, conservation and sustainable development of all types of forests.

- 22 G7 and EC countries have also committed themselves to seeking the establishment of an international process for keeping the *Statement of Forest Principles* under review. The UK successfully pressed for such a process to be included in the terms of reference of the new United Nations' Commission on Sustainable Development.
- 23 In May 1992, EC Agriculture Ministers reached agreement on a package of reforms to the Common Agricultural Policy. The main thrust of these reforms was to reduce market support prices and increase the role of direct payments in respect of agricultural products. One of the "accompanying measures" was a new regulation on *Forestry Measures in Agriculture* (Regulation (EEC) No 2080/92). *CAP Reform Package*
- 24 Regulation 2080/92 enables the EC to make a financial contribution of 50 per cent (or 75 per cent in some special regions) towards the cost of certain types of forestry grants offered by national Governments. In this way, the Regulation is intended to ensure that forestry grants are available from the Government in every EC Member State. The Regulation does not provide for grants to be paid directly from the EC to farmers, but specifies the types of assistance which will qualify for a contribution from the EC, and the upper limits on that contribution. It also obliges Member States to offer at least some of the grants described in the Regulation. However, national Governments have considerable freedom in deciding the precise type and level of grant-aid appropriate in their own territory.
- 25 In order to receive the EC contribution, the national Government has to provide sufficient information to demonstrate that the grants it has decided to offer are eligible under the rules and conditions specified by the European Commission. In some Member States, including the UK, grants are already available for forestry. In these cases, the Member State simply has to demonstrate that the existing grants are eligible for an EC contribution.
- 26 Regulation 2080/92 expands upon previous EC measures for promoting afforestation on agricultural land. Under those previous measures, the Forestry Commission has, in each year since 1990, claimed a partial reimbursement from the EC of grants which have satisfied the conditions of eligibility. We shall continue to claim partial reimbursements of those grants which meet the new criteria.
- 27 A revised EC Plant Health Directive was due to be implemented, along with other single market measures, on 1 January 1993. It became clear in November 1992, however, that the full range of measures would not be adopted in time, because of the protracted and difficult nature of the negotiations. The Council of the European Communities therefore agreed to defer the implementation date until 1 June 1993. *Plant Health and the Single Market*
- 28 During the year, we held discussions with timber trade interests about the new plant health controls. These discussions proved mutually beneficial and assisted Forestry Commission officials in formulating the UK's negotiating position in the EC Plant Health Standing Committee. Following the removal of Customs barriers on 1 January 1993, we had to introduce temporary measures to ensure that forestry material entering Great Britain from other parts of the Community continued to meet plant health requirements. These interim arrangements proved effective in maintaining high standards of control.
- 29 The principal change to plant health controls within the single market involves the application and monitoring of quarantine standards at the place of production and not, as previously, at the point of entry into a Member State. This entails the registration of those who trade in or produce controlled forestry material and, where appropriate, authorising them to attach "plant passports" to their goods before marketing them. We opened a register of applicants in August 1992 and publicised the new arrangements in the trade press and elsewhere.
- 30 Controls on imports from third countries remain largely unaffected, although we planned to introduce a new system of direct trader notification on 1 June 1993. This proposal was well received by the trade and should provide a more effective plant health service better suited to both importers and the Forestry Commission.
- 31 Further details of the controls to be applied under the single market plant health regime to the movement of wood and bark within Great Britain are given in paragraph 113.

- Pine Wood Nematode* 32 Following a two-year joint research programme involving EC and Canadian scientists, including the Commission's Principal Entomologist, the EC Plant Health Standing Committee agreed new requirements for wood imports of coniferous species susceptible to this pest. These stipulate that conifer wood (except *Thuja* (cedar) which has been shown not to be susceptible to either the nematode or its vector) originating in countries where the nematode is known to occur (Canada, China, Japan, Korea, Taiwan and the USA) should be heat treated to a minimum of 56 °C for 30 minutes before it is shipped to the EC. The new arrangements, which were due to come into effect on 1 June 1993 as part of the single market plant health controls, proved controversial and involved lengthy discussion, in that North American exporters took the view that the plant health risks posed by the nematode or its vector were minimal and did not justify more rigorous controls. The EC Plant Health Standing Committee was satisfied, however, that the risks were very real ones, particularly in relation to woodlands in the southern Member States of the Community, and that common phytosanitary provisions would be needed with the advent of the single market.
- Global Forestry Conference, Indonesia* 33 In February 1993, the Commissioner for Policy and Resources, Mr David Grundy, represented the UK at the first international forestry conference after UNCED. The conference, hosted by the Government of Indonesia, discussed a wide range of issues relating to the sustainable development of forests. Of particular note was the launching of a proposal for a World Commission on Forests and Sustainable Development.
- Overseas Consultancy Service* 34 We established an Overseas Consultancy Service during the year aimed at selling our expertise more widely, contributing to overseas development and generating some revenue. The Commission has been accepted as a member of the Edinburgh Centre for Tropical Forests (ECTF). This is an association between the School of Forestry and Ecological Sciences at Edinburgh University, the Institute of Terrestrial Ecology, Land and Timber Services International and the Royal Botanic Gardens, Edinburgh. Membership of ECTF will help establish our new service and increase our capability to undertake and share in larger consultancies.

LEGISLATION

- 35 With the completion of the European single market on 1 January 1993 and the consequent removal of barriers to trade within the Community, HM Customs and Excise no longer required to see or endorse phytosanitary or similar certificates accompanying the import of trees, wood or wood products from other EC Member States. We therefore introduced an amendment to our Plant Health (Forestry) Order 1989 to comply with the new requirements*.
- 36 At the end of the year under report, we were also well advanced with the preparation of a replacement for the 1989 Order** to reflect the new single market plant health import requirements due to come into effect on 1 June 1993, and with the preparation of an Order to control the movement of spruce bark from and within certain parts of England and Wales (see paragraph 113)†.

STRATEGIES FOR FORESTRY EXPANSION

- 37 As foreshadowed in last year's report, we invited a number of forestry industry and environmental groups to comment on some of the ideas put forward at our conference *New Forests for the 21st Century* held in March 1992. Many of those who responded to this informal consultation exercise considered that there was a need to draw up a strategy for forestry expansion. A similar view was expressed by the House of Commons Environment Committee in their report on *Forestry and the Environment* which called for the drawing up of a national forestry strategy by the Government (see paragraphs 15-17 above). We will be considering these views in the course of preparing the UK's national forestry plan for the implementation of the UNCED Statement of Forest Principles (see paragraph 21).

*The Plant Health (Forestry) (Amendment) Order 1992 (SI 1992/3235), which came into force on 1 January 1993.

**The 1989 Order was superseded by the Plant Health (Forestry) (Great Britain) Order 1993 (SI 1993/1283), which came into force on 1 June 1993.

†The Treatment of Spruce Bark Order (SI 1993/1982) came into force on 1 June 1993.

INDICATIVE FORESTRY STRATEGIES

- 38 In our report for 1991-92, we noted that the Government had issued draft guidance to County Councils and National Park Authorities wishing to prepare indicative forestry strategies in England and Wales. After consideration of the many constructive comments received, a Joint Circular on the subject was issued by the Department of the Environment and the Welsh Office in December 1992*. This circular was agreed with ourselves and the Ministry of Agriculture, Fisheries and Food.

THE NEW FOREST

- 39 In our last report we noted that, in its response to the National Parks Review, the Government had concluded that the New Forest was a uniquely valuable area in terms of its landscape and nature conservation value and that it therefore deserved the strongest protection in keeping with its national and international importance. The Government accepted, however, that it would not be appropriate to designate the New Forest as a National Park. Instead, the Government declared its intention to take steps to designate the wider New Forest Heritage Area as one of national significance within which the strongest protection of landscape and scenic beauty would apply.
- 40 In September 1992, the Government issued a consultation paper setting out its proposals for taking these arrangements forward. It recognised that the New Forest should enjoy the same degree of protection as a National Park but that it should have its own institutional arrangements tailored to the local situation. The Government therefore proposed to give statutory status to the New Forest Committee to reflect its role in co-ordinating the conservation and management of the wider Forest area.
- 41 The comments received on the consultation paper were being considered at the end of the year under report.

REPORT ON NEW FOREST GRAZING

- 42 In previous reports we have referred to the inter-departmental working party which had been set up to consider the important question of the future of grazing in the New Forest. Following consultation with interested bodies and individuals, we presented the working party's report to Ministers and published the Government's response to its recommendations in September 1992**. The response incorporated a letter from the Minister of Agriculture, Fisheries and Food, the Rt Hon John Gummer MP, setting out the conclusions reached by Ministers. Mr Gummer's letter is reproduced at Appendix IV.
- 43 The working party's report contained some 51 recommendations covering the mechanisms for deciding the number of grazing animals in the Forest, the administration of commoning, animal welfare and husbandry, and a number of measures related to commoning, including recreational use of the Forest and the problems of housing. The Government accepted the following general conclusions which the working party had followed in framing their recommendations:
- a. that the continued grazing of the New Forest is vitally important to the maintenance of its special character;
 - b. that the desirable number of grazing animals must be arrived at as a consensus of the various interests involved;
 - c. that the commoners' ponies and cattle are by far the most practical and cost-effective means of providing this grazing; and
 - d. that whilst there is no evidence of a sustained decline in commoning at the present time, the continued grazing of the New Forest will be put at serious risk if its problems are not addressed now.
- 44 The Government's response noted that implementation of the recommendations would depend upon appropriate initiatives being taken, either individually or in co-operation,

*Circular 29/92 (Department of the Environment); Circular 61/92 (Welsh Office).

***Grazing in the New Forest: Government response to the Illingworth Working Party*, free publication.

by the various bodies making up the New Forest Committee, and noted that this must be viewed in the context of the Government's proposals for the Committee (see paragraphs 39 to 41).

- 45 We should like to place on record our appreciation of the work undertaken by the working party under the able chairmanship of our former Chief Land Agent, Mr Richard Illingworth. As noted in Mr Gummer's letter, the working party's report has offered a sound basis for conserving the special character of the New Forest - which so crucially depends upon the maintenance of traditional commoning - for future generations.

SHERWOOD FOREST INITIATIVE

- 46 Plans to revitalise Sherwood Forest were announced by the Minister of Agriculture, Fisheries and Food, the Rt Hon John Gummer MP, in July 1992 at a ceremony in the Forest. Sherwood is one of Britain's most popular tourist attractions drawing some 800,000 visitors from around the world every year, but it has been in decline due to various pressures. The revitalisation plans will include environmental improvements, better visitor facilities and a significant expansion of the existing forest. We shall be redesigning our own woods to recreate heathlands and reintroduce oaks and other broadleaved species.
- 47 A Project Director, Mr Austin Brady (previously Forest District Manager at Sherwood) was appointed in October 1992, and a Steering Group was set up in January 1993 comprising representatives of the Forestry Commission, the local authorities, local landowners and environmental and countryside interests.
- 48 A tree planting ceremony was held at the end of February 1993 in a joint event with Nottinghamshire County Council and the Society for Mucopolysaccharide Diseases (MPS). One hundred and fifty trees were planted, each in memory of a child who had died from this rare disorder. The ceremony was attended by almost 400 members of families of MPS sufferers from all over Britain.
- 49 In January 1993, Toshiba generously agreed to sponsor tree planting in Sherwood through a scheme linked to the return of their spent photocopy cartridges for safe disposal. By the end of March 1993 some 500 trees had been planted through this scheme.

DEVELOPMENT OF GEOGRAPHIC INFORMATION SYSTEMS

- 50 The Forestry Commission's responsibilities require it to handle large volumes of geographic data. Geographic Information Systems (GIS) allow maps and map-related information to be handled very effectively, provided that the basic data can be efficiently and economically captured. We decided that it was important to computerise our existing high-quality paper-based maps as directly as possible, rather than create a new digital map base from scratch. A project team set up in 1991-92 has now identified the best way of capturing Forest Enterprise's existing detailed land and crop maps and has begun to put this into operation. The traditional processes of map production in our drawing offices will be progressively replaced by more efficient computerised techniques. As the digital maps are completed their linkage to the existing land and crop databases will effectively create a key GIS for Forest Enterprise.
- 51 We are also developing a computerised information system for the Forestry Authority which will integrate woodland grant records with other countryside information. Application of GIS in the administration of woodland grants has the potential to improve significantly the amount of information that can be retrieved for use in monitoring the effectiveness of the grant schemes.

PUBLIC REGISTER OF GRANT APPLICATIONS

- 52 As one of our contributions towards the greater openness embodied in the Government's Citizen's Charter initiative, we announced in January 1993 that members of the public would be able to find out what plans there are to plant new woodlands in their locality. Each of the Forestry Authority Conservancies now maintains a public register which lists information about applications for new planting under the Woodland Grant Scheme.

These applications are available for inspection and copies can be obtained for a small charge. We see this as a two-way process, informing the public of new planting proposals and allowing them to give us additional information which may be of value in considering a grant application.

GRANT REVIEW

- 53 Our biennial review of the grant rates under the Woodland Grant Scheme took place in October 1992. We decided not to make any adjustments on this occasion, however, because of constraints on public expenditure. In announcing this decision, we pointed out that the existing budget for forestry grants had nevertheless been safeguarded which meant that the grant rates could continue at their present levels. We also indicated that we would be carrying out a fundamental reappraisal of the Woodland Grant Scheme following the Government's manifesto commitment to review the effectiveness of the incentives for private forestry (this task was subsequently included in the terms of reference of the Forestry Review Group set up by the Government at the end of March 1993, as noted in paragraph 12 above). In addition, we were able to confirm that we were in the process of examining our delivery of services to private woodland owners and would shortly be introducing appropriate new measures (see paragraphs 82-84).

RESEARCH STATION ARSON ATTACK

- 54 Our southern Research Station, at Alice Holt near Farnham, was the subject of an arson attempt for which the Animal Liberation Front subsequently claimed responsibility. The motivation for the attack was unclear, as our research programme is considered by the public to be environmentally sympathetic. Such attacks are particularly disruptive and heighten the need for security against intruders. Staff have responded well and it is hoped that a new awareness will help to deter any further vandalism of this sort.

PUBLIC INFORMATION

- 55 The reorganisation of the Commission's management structure was accompanied by an extensive information campaign. New business stationery was produced, office signboards redesigned, new corporate publications produced and meetings were held by Forest District and Conservancy managers to introduce their staff to outside interests. The campaign succeeded in establishing an awareness of the new structure amongst our main customer groups and associated countryside bodies.

- 56 The following were among the highlights of a year which saw a much increased call on our press and media relations staff:

Media Interest

- * His Royal Highness The Prince of Wales helped to launch a project to restore, extend and promote the sustainable management of birchwoods in the Highlands (see paragraph 89).
- * A fine Scots pine Christmas tree, donated by the Commission as an example of sustainable forestry in Britain, was placed at the entrance to Holyrood Palace in Edinburgh for the duration of the European Summit in December 1992; the 30 foot high tree was supplied from our Glentress Forest near Peebles.
- * The Rt Hon John Gummer MP, as the Forestry Minister for England, fired an arrow to launch the Sherwood Forest Initiative (see paragraph 46). The story and photographs were used extensively in Britain and overseas.

- 57 The major display work produced during the year was for the Commission's stand at the Association of Professional Foresters' biennial machinery demonstration, held at Dalby Forest, near Pickering, North York Moors on 23-25 September 1992. Among other displays produced was that for the launch of the Native Woodlands Advisory Panel in October 1992 (paragraph 93) and a Health & Safety display introduced initially at the Royal Highland Show in June 1992.

Exhibitions

- 58 The first issue of our redesigned house newspaper was published in February 1993, taking into account the wishes of staff who were consulted about its style, content and purpose. New desk-top publishing technology is now used in its compilation and also for the production of a number of internal newsletters.

In-house Communications

- Visits* 59 Over 20 parties of overseas visitors were received during the year, ranging from the Head of the Greek Forest Service to groups of students. The Commission's policies and practices are proving to be of great interest, particularly in the fields of research, recreation, environmental policy and landscape design, and visitors were attracted from Japan, Canada, Slovenia, Romania, Pakistan, India, Indonesia and western Europe.

AWARDS

- 60 We are pleased to record that the work of the Commission and its staff was recognised by a number of awards during the year:
- * Our Chairman, Raymond Johnstone, received a knighthood in the 1993 New Year Honours. Other honours went to Mr Calvin Booth, Chief Research Officer at the Commission's Northern Research Station, who was awarded the OBE, and to Mr Ron Hoblyn, a forester at Thetford Forest, who received the MBE - both in the 1992 Birthday Honours - while Mr John Brommage, a Senior Ranger in the Queen Elizabeth Forest Park, was awarded the BEM in the 1993 New Year Honours.
 - * The Director General, Mr Robin Cutler, received an honorary DSc from Aberdeen University, and was made an honorary Fellow of the Institute of Chartered Foresters.
 - * Dr Alan Fletcher of our Northern Research Station was awarded the Distinguished Service Medal by the International Union of Forestry Research Organisations. The award was given for his work on the collection, evaluation and conservation of the genetic resources of temperate conifers.
 - * Mr Rex Whitta, Head Ranger for Thetford Forest District, was awarded the Balfour-Browne Deer Trophy for 1992 in recognition of his outstanding contribution to deer management, conservation and research.
 - * Glenmore Forest Park, in Inverness Forest District, won the John Kennedy Memorial Trophy for the successful management of an environmental and historic area under pressure from visitors and outdoor activities. The award was made as part of the Scottish Woods and Forests Awards organised by the Royal Highland and Agricultural Society of Scotland.
 - * The Lakes Forest District was awarded a silver medal in the Duke of Cornwall's Award for Forestry and Conservation 1992, for the management and conservation of woodlands at Low Fell, Grizedale Forest.
 - * Marches Forest District received a Commendation Certificate from the English Tourist Board for their sympathetic and unobtrusive design of the Bury Ditches Car Park, near Clinton in South Shropshire.
 - * Cornwall & North Devon Forest District was awarded the Longhurst Trophy presented by the Royal Agricultural Society of England in their annual woodlands and plantations competition. The award was made for the continuous care and attention which went into managing a plantation of Western hemlock in the Camel Valley, North Cornwall.
 - * Mr Les Brown, a contractor working for Forest Enterprise in the Forest of Dean, was presented with a Special Mention Award by the Tidy Britain Group for his commitment to clearing litter from the Forest.
 - * The video *Forest By Design*, produced by the Central Office of Information for the Forestry Commission, won the public relations category in the IVCA Awards 1992 given for effective visual communication.

COMMISSION APPOINTMENTS AND STAFFING

- Senior Staff* 61 Mr Andy Neustein, Director of Forest Enterprise's North and East England Region, retired on 18 May 1992. He was succeeded by Mr Geoffrey Hatfield, who was previously Assistant Conservator Operations in East England Conservancy.
- 62 Mr Richard Illingworth, Director Estate Management, retired on 30 June 1992. He was

succeeded by Mr Peter Ranken, who was previously Conservancy Land Agent in East England Conservancy.

63 Mr Alistair Scott, Director Forestry Practice, retired on 21 February 1993. His successor is Mr David Henderson-Howat from Policy Studies Division.

64 The Commission employed 2,034 non-industrial staff at 31 March 1993 compared with 2,051 the previous year. The number of industrial staff employed during the same period fell from 2,447 to 2,304 as the result of further improvements in efficiency, the sale of more standing timber and the wider employment of contractors. The number of contractors, including some 1,300 working in our woods for purchasers of standing timber, is now equivalent to 2,500 annually.

Employment

65 The Commission has established arrangements to keep all employees informed on matters of concern to them, with information being disseminated at every level. The system of Whitley Councils at national and regional levels is supplemented by meetings with Trade Unions on specific issues as needed, thus ensuring that staff are given the opportunity through their representatives to comment on and be involved in the decision-making process. A broadly similar arrangement for industrial staff is provided through the Commission's Industrial and Trade Council at national level and a network of Joint Consultative Committees at Regional and Forest District levels. In addition, a system of communication through managers to staff is in operation for all Commission employees.

Employee Participation

66 Although the Disabled Persons (Employment) Act 1944 is not binding on the Crown, the Commission, along with other Government Departments, has undertaken to accept the same responsibility as other employers consistent with the principle of recruitment by fair and open competition. The basic policy followed is that disablement in itself is no bar to recruitment to, or advancement within, the Commission. The test applied is the ability to do the job. The physically demanding nature of much of forestry work restricts the scope for employment of some disabled persons on forest operations, but within this limitation our policy is to provide equal opportunities for the disabled. In 1992 we employed 39 registered disabled persons (0.9 per cent of our total staff) and, in an effort to increase our capacity to offer employment to disabled persons and access to disabled visitors, we are continuing a programme of accommodation improvements providing special facilities.

Disabled Persons

67 In common with other Government Departments, the Commission has a policy which provides that all eligible persons, regardless of their sex, marital status, race, colour, ethnic or national origin, shall have equality of opportunity for employment and advancement on the basis of their ability and fitness for work. In order to give maximum effect to this policy, relevant initiatives have been introduced and developed in order to promote equal opportunities in a positive way within the Commission.

Equal Opportunities

II. The Forestry Authority

GENERAL REVIEW

- 68 During the first year of its existence, the Commission's new Forestry Authority arm successfully set up national offices in Cambridge, Aberystwyth and Glasgow and local Conservancy offices throughout Great Britain (see the map at Appendix XII). It also completed the training of staff who were relatively new to the work of policy implementation and the advisory and regulatory functions.
- Aims and Objectives of the Forestry Authority* 69 The aims and objectives of the Forestry Authority were described in detail in our last annual report. It is responsible for the implementation of forestry policy within the statutory framework of the Forestry, Plant Health and Countryside Acts; and it sets standards and monitors performance in accordance with regulations affecting trees, woodlands and forests in Great Britain, with the aim of ensuring that they are protected, managed, extended and promoted in ways which best serve the public interest in accordance with Government policy.
- Private Woodlands* 70 A new computerised system for processing grant-aid applications was introduced during the year. The Woodland Grant Scheme application forms and guidance notes were also revised and simplified on the basis of advice from user organisations and with the help of the Plain English Campaign.
- 71 Considerable effort has been devoted to coping with the significantly increased number of grant applications (see Appendix X, Table 1). A more detailed commentary follows later in this report (paragraph 81). A public register of grant applications was launched in January 1993 to provide the public with information on new woodland planting proposals.
- National Offices* 72 A number of special initiatives were launched by the new national offices during the year, including a Centres of Excellence Award scheme in England, Community Woodlands and Highland Birchwood schemes in Scotland and a Woodland Management Merit Award scheme in Wales. The 20 new Conservancy offices have been very active in promoting the grant-aiding, licensing and advisory roles of the Forestry Authority and, in particular, the newly-introduced management grants and the community woodland supplement under the Woodland Grant Scheme.
- Research Strategy* 73 Our Research Division produced a Forestry Research Strategy and also Guidelines on Outside Funding for research projects, in line with the policy for Government-funded research. A fuller commentary on forestry research follows later in this report (paragraphs 101 to 110).
- Amalgamation of Safety and Training Councils* 74 A number of significant changes were made in the fields of education, training and safety, the most important of which was the amalgamation of the Forestry Safety Council and the Forestry Training Council, together with the Arboricultural Safety Council, to form the Forestry and Arboricultural Safety and Training Council. This was part of a move to integrate safety and training within the Forestry Authority to enable a more effective and wide-ranging coverage of industry needs.
- New Health and Safety Arrangements* 75 In parallel with the setting up of the Forestry and Arboricultural Safety and Training Council, we established a new post of Safety Officer within the Education and Training Branch of the Forestry Authority. This post deals with safety policy and guidance for the industry as a whole, including Forest Enterprise (which has its own Safety Branch responsible for practical application of the guides and of safety legislation). The creation of the new post has been welcomed by the Health and Safety Executive as well as by the forestry industry and the new Safety and Training Council.
- Transfer of Plant Health Responsibilities* 76 Plant health responsibilities were transferred to the Forestry Authority from the Policy and Resources Group in January 1993 in expectation that policy formulation would give way to implementation of the new European single market plant health regulations. In the event, policy development work in connection with preventing the introduction of Pine Wood Nematode into the European Community took up a large part of the Plant Health Officer's time. Additional field staff were deployed to cope with the increased work on port inspections and other plant health obligations. This is covered more fully later in this report (paragraphs 111 to 115).

GRANTS, LICENCES AND REGULATION

- 77 The start of the year saw the introduction of the Farm Woodland Premium Scheme, which provides annual payments from the Agriculture Departments to farmers planting or regenerating new woodland under the Woodland Grant Scheme. This was also the first full year of applications for the special community woodland supplement under the Woodland Grant Scheme. Annual management grants were approved in plans which came into effect at the beginning of April, although the first retrospective payments were not due until 1 April 1993. *Planting and Management Grants*
- 78 A total of 23,369 hectares of private planting was grant-aided under our schemes - more than in any year since 1988-89. Of this total, 15,295 hectares comprised new planting and 8,074 hectares restocking. The proportion of broadleaves planted continued to increase, representing 55 per cent of the area grant-aided. These figures compare with the 1991-92 figures for private planting of 21,968 hectares, including 14,147 hectares of new planting.
- 79 The Woodland Grant Scheme provides special incentives for the establishment and natural regeneration of native pinewoods in the area that used to be covered by the Caledonian forest. Planting levels for 1992-93 were particularly encouraging; the area of native pinewood grant-aided increased three-fold on the figure for 1991-92, from 957 hectares to 3,136 hectares.
- 80 We were also pleased by the interest being taken in the community woodland supplement available under the Woodland Grant Scheme. Over 300 hectares of new community woodlands were planted with the help of the supplement during the year.
- 81 The total area approved for new planting (as opposed to planting completed and grant-aided) was considerably higher than in the previous year. More than 21,000 hectares of new planting were approved (of which the Farm Woodland Premium Scheme accounted for 7,700 hectares), compared with 13,800 hectares in 1991-92. This represents a significant reserve of potential planting which augurs well for a continuing expansion of the woodland area. In addition, we approved some 58,400 hectares for management grants under the Woodland Grant Scheme.
- 82 We set up an internal review group to look at ways of streamlining the administration of the Woodland Grant Scheme, to ensure that it is as efficient and cost-effective as possible. As a result of the work of the group, a number of changes were made to the amount and type of information that we require from applicants; proposals were also drawn up to simplify the grant application forms and the guidance given to applicants. *Streamlining the Woodland Grant Scheme*
- 83 To ensure that applicants fully understood their commitments, we have rewritten the conditions of the Woodland Grant Scheme contract with the assistance of the Plain English Campaign. The opportunity has also been taken to include a clause which would allow for arbitration in the event of a dispute about any matter in the plan of operations. *Clearer Contract Terms*
- 84 We have formed a new users' group comprising members drawn from bodies which represent woodland owners and their agents. We welcome the opportunity that this provides to discuss the operation of the Woodland Grant Scheme with people who have personal experience in making applications. *Customer Representative Group*
- 85 We gave further consideration during the year to our policy on the partial release of woodlands from restrictive covenants under the former Dedication Schemes. We decided that it was no longer necessary to insist on the release of entire woodlands included in individual Dedication deeds. Arrangements were therefore put in place to allow part of a Dedicated estate to be freed from restrictive covenant, provided that the area concerned had been accepted for entry into the Woodland Grant Scheme. *Partial Release from Dedication*
- 86 Our statutory felling controls continue to play an important role in securing the effective management of woodland and preventing woodland loss. Many cases of suspected illegal felling were investigated during the year of which 50 were pursued. Successful prosecutions for contraventions of the licensing requirements were brought in 14 cases, and in a number of other less serious cases warning letters were sent to the parties concerned. We considered it appropriate to serve notices requiring the restocking of the area felled in respect of 11 of the successful prosecutions. *Felling Controls*

- Reference Committees* 87 Most of the felling licences we issue are subject to a restocking condition. As noted above, we may also serve a restocking notice on anyone convicted of illegal felling. The Forestry Act 1967 allows for an appeal against such a condition or notice to be made to the appropriate Forestry Minister, who will refer the matter to a Reference Committee for advice before taking a final decision. Three appeals were made in 1992-93 against restocking notices served in England, and Reference Committees set up to consider them. In the one case concluded during the year, the Minister endorsed the Committee's recommendation that the restocking notice should take effect without modification.
- Regulation of Forest Enterprise* 88 Under our new management structure, the regulation of Forest Enterprise has been brought into line with that of the private sector. All planting and felling by Forest Enterprise requires the prior approval of the Forestry Authority. As part of this process, a system has been developed which enables felling proposals within large forest areas to be brought forward in the form of a forest design plan. Trials aimed at introducing a similar system for larger forests in the private sector are likely to commence next year.
- Highland Birchwoods Initiative* 89 A project to promote the management and expansion of birchwoods and the utilisation of their timber throughout the Highland Region was launched in June 1992 by His Royal Highness The Prince of Wales, at a birchwood near Fort William. The project is being taken forward through a partnership between the Forestry Authority, Scottish Natural Heritage, Highlands and Islands Enterprise and the Highland Regional Council.
- 90 There are about 34,000 hectares of broadleaved scrub woodland in the Highlands and Islands of Scotland, of which 27,000 hectares are predominantly birch. Little of it is under positive management, most being used exclusively for livestock shelter. As a result, many of the birchwoods are either failing to regenerate or falling into a state of neglect.
- 91 The new initiative is being steered by a team of four professionals with expertise in all aspects of woodland management, ecology and utilisation. We have appointed the project director, Scottish Natural Heritage is providing an ecological adviser and Highland Regional Council and Highlands and Islands Enterprise are each funding a member of the team. Their task, guided by a management group representing each organisation, will be to compile detailed information on the birchwoods and their values, and to identify opportunities for the management and extension of the woods and for improved utilisation of timber.
- Urban and Community Forestry Advisory Panel* 92 An advisory panel was set up in September 1992 to provide advice to the Forestry Authority on the promotion of forestry in and around towns. The panel members have a broad range of skills, complementing those already available within the Commission. They have given useful advice on creating a favourable planning context for forestry and have helped to involve other agencies interested in setting standards for amenity woodland establishment.
- Advisory Panel on Highland Native Woodlands* 93 This panel was established in October 1992 under the chairmanship of Sir Michael Strang Steel. Its main aim is to advise us on ways to stimulate the good management and expansion of native woodlands in the Highlands of Scotland. It has 18 members chosen for their individual expertise and experience in the values and management of these woodlands.
- Centres of Excellence Awards* 94 The Forestry Authority launched a new award scheme for England, the *Centres of Excellence Awards*, at the beginning of the year. The awards are made for trees, woods and forests which demonstrate the highest management standards in at least one of the following categories:
- * improving the quality of the landscape
 - * creating benefits for wildlife
 - * providing access for people
 - * growing timber in environmentally sound ways.
- 95 Centres of Excellence demonstrate sound management. The owners of all award-winning woods and forests are asked to allow appropriate access so that the sites' qualities can be used as examples to others.
- 96 The scheme has proved very popular and has attracted considerable interest at regional and national levels. During the first year, awards were made by Forestry Authority Conservators at 11 sites throughout England:

- * Blagdon Estate, Northumberland
- * Burnham Beeches, Buckinghamshire
- * Goat Lodge Reserve & Bagot's Wood, Staffordshire (joint awards to Mr Phil Drabble and Forest Enterprise)
- * The Green Wood, Suffolk
- * Grindon Grange, Cleveland
- * Harcombe Estate, Devon
- * Hembury Woods, Devon
- * Hockeridge & Pancake Woods, Hertfordshire/Buckinghamshire
- * Parris Plantation, Dorset
- * Great Combe, Wiltshire
- * Workman's Wood, Gloucestershire.

FORESTRY RESEARCH COORDINATION COMMITTEE

- 97 The Forestry Research Coordination Committee (FRCC), which brings together all the Government departments and organisations sponsoring research on forestry, met three times during the year. The Committee carried out an examination of its work in the light of an increasingly diverse interest in forestry research, both from those funding and those benefiting from it. Besides broadening its membership, as reported last year, the Committee has established a Research Users' Forum. The Forum represents the timber industry, farming, land use and environmental and conservation interests, and met on two occasions. It will assist in setting priorities for forestry research, by identifying specific research topics useful to the various interest groups.
- 98 The FRCC, in responding to its review group on *Climate Change* chaired by Dr Douglas Malcolm of Edinburgh University, considered that emphasis should be placed in four areas of research:
- * improving climatological models;
 - * elucidating the part played by trees, forests and forest soils in carbon sequestration and their consequent role in ameliorating climate change;
 - * assessing the direct effects of higher levels of carbon dioxide on tree growth;
 - * evaluating the impact of climatic change on tree health, and the wider consequences for forest ecosystems as a whole.
- 99 Two other five-year progress reviews were completed and published during the year. These concerned *Forestry and the Environment* (1985) and *Biotic Damage* (1986).
- 100 Nearly £20 million was spent on forestry and related tree research in Britain in 1992. This was a small reduction on 1991. The shift of emphasis towards environmental and conservation issues, which now attracts one-fifth of all funds, continued with climate change featuring prominently. In general, there was an increased level of research on native broadleaved species and proportionally less on conifers, with the exception of native Scots pine. Research linked to new woodland initiatives, notably planting on farmland and the establishment of community forests, remains at a high level.

FORESTRY COMMISSION RESEARCH

- 101 We publish a separate report on Forest Research each year which gives a full account of the work carried out and supported by our Research Division or other Divisions with responsibilities for research in their own fields. The paragraphs below represent a small selection of items of general interest.
- 102 The overall research programme has responded to the demands made by the forest industry at home, in Europe and elsewhere. A number of procedures have been introduced to ensure that priorities are clear for the different elements of the research programmes. The Forestry Research Coordination Committee takes an overall view of priorities for forestry research in Britain and has established a Research Users' Forum (see paragraphs 97 to 100). A Forestry Commission Users' Group has also been set up to deal with the Commission's own research requirements. The Research Division has

Overview

responded positively to the clear desire for greater emphasis to be placed on research into the non-market benefits of forestry, especially environmental research.

- 103 At the same time, we have sought to broaden the base for research funds. Until recently, contract research has been a relatively small proportion of the overall programme. However, the Research Division has considerable expertise which can be utilised for the benefit of forestry in the widest sense. With the advent of the single market, the European Community is encouraging co-operation in research between Member States. We already take part in a number of joint research projects and the results of a recent call for further research have been very positive. Other Government Departments (including Environment, Transport, and Trade and Industry) have interests in trees and have commissioned research from us. The Overseas Development Administration has a major interest in overseas forestry and they have contracted us to undertake several consultancies, including work in China and South America. We have also strengthened links with the private forestry sector in Britain and have had detailed discussions with the Technical Sub-Committee of the Home Grown Timber Advisory Committee to examine research requirements and possible collaboration with the timber processors.
- 104 A strategic plan has been drafted for the Research Division which sets out our plans for scientific and organisational developments over the next three years. This has provided a useful mechanism for involving staff in the future development of the work of the Division.

Community Forestry Research

- 105 While most community forestry initiatives are still in the development and plan-preparation stage, our research emphasis has been on providing information and demonstrations. Four demonstration woodlands have been planted, two at Thames Chase (East London) and one each at the Forest of Mercia (South Staffordshire) and the Greenwood Community Forest (Nottingham); two more are in the planning stage. Training days were held in the Mersey and Thames Chase Community Forests and in the Black Country urban forestry project area. A demonstration woodland established as part of the Black Country project won a commendation from the Royal Town Planning Institute.

Dendroctonus micans

- 106 Research on *Dendroctonus micans* (the Great Spruce Bark Beetle) has been carried out since 1982. Part of the development of a control strategy has been the importation, rearing and release of the specific predatory beetle, *Rhizophagus grandis*. The predator is now firmly established in Britain and is having a significant impact on *Dendroctonus micans* populations in the field. Research surveys indicate that, after several years of increase, numbers of *Dendroctonus micans* infested trees in the field are now dropping sharply. Work on the detailed biology of the predator has revealed the nature of chemical scents used in locating its prey and point to potential methods for monitoring low populations of *Dendroctonus micans* in the future. This project has been a great success as an example of integrated pest management based on biological control.

Restocking Pests

- 107 The effect of pests such as *Hylobius abietis* and *Hylastes spp.* during restocking continue to hamper successful establishment of second and subsequent rotations of trees. Although chemical methods of control have been refined, we are developing alternative techniques for the longer term so that we can manage these pests with the minimum use of chemicals. Considerable progress has been made in evaluating insect parasitic nematodes to achieve direct control of breeding populations in tree stumps. At the same time a new project on the population dynamics of *Hylobius abietis* has revealed that a number of parasitic wasps attack the pest, offering further potential for biological control.

Biodiversity

- 108 Recent global and international initiatives relating to biodiversity have emphasised the need for protection of biodiversity in natural ecosystems, often concentrating on rare species and endangered ecosystems. A multi-disciplinary, inter-branch project was initiated during the year on improving biodiversity in managed forest landscapes. The project takes the view that sustainability has to include utilisation and that managed ecosystems, especially of renewable resources such as forests, have much to offer. For example, while many exotic species of conifers are used in the UK, these nevertheless create forests that, in biological terms, are semi-natural, the soil, field and shrub layers being largely composed of native organisms. Artificial ecosystems, especially forests, can support high levels of biodiversity, and can provide educational opportunities for understanding natural and semi-natural sustainable ecosystems. The project brings together ecologists, entomologists, silviculturists and modellers, and aims to develop

standards in biodiversity, methodologies for achieving them, and monitoring programmes for assessing results.

- 109 Electrolyte leakage from the fine roots of conifers has proved to be a sensitive and rapid method of quantifying damage to nursery stock induced by a range of stresses such as cold storage, extended canopy storage, freezing, desiccation and rough handling. Root electrolyte leakage has become a key element of physiological plant-quality testing, and a testing service measuring morphological and physiological plant attributes is being offered to foresters this year. *Damage to Nursery Stock*
- 110 Fifteen large-scale trials are being established to demonstrate genetic gains in the growth rate and straightness of Sitka spruce. These trials will allow comparisons to be made between unimproved material, currently available improved stock, and stock which will be available to the forest grower over the next ten years. The trials will yield valuable information on the financial gains to be obtained from using improved stock. These trials will also have considerable visual impact in demonstrating achievements in the Sitka spruce breeding programme. *Sitka Spruce Improvement Programme*

PLANT HEALTH

- 111 We have continued to maintain our spruce wood movement controls to restrict the spread of *Dendroctonus micans* (the Great Spruce Bark Beetle). Our annual surveys have again confirmed that the advance of the pest has been contained. The use of the introduced specific predator, *Rhizophagus grandis*, has also proved an extremely effective form of control in reducing the population density of the pest to low levels, as explained at paragraph 106. *Dendroctonus micans*
- 112 The Dendroctonus Micans Working Group, which represents the interests of both growers and wood processors, met in November 1992 and endorsed our proposals for the new boundary which will separate the Dendroctonus Micans Control Area from the rest of Great Britain. The Working Group also accepted our recommendations for the introduction of new controls to prevent the spread of the pest in bark products, which are widely used in the horticultural and domestic gardening sectors.
- 113 The new regime for plant health controls, mentioned in paragraphs 27 to 30, will mean that we must adapt our domestic strategy to harmonise with the EC registration and plant passport system. We do not anticipate any significant difficulties because the new system is the same in concept as the present strategy. Controls will be focussed on the place of production, and movement of material will be covered by plant passports. We shall, however, require that all bark from spruce trees grown within the Dendroctonus Micans Control Area is treated to ensure that it is free of the pest before it is put on the market. These arrangements will avoid the need to register all those who produce bark, even if only as a by-product, and the requirement that all movements should be covered by a plant passport. Legislation was being prepared at the end of the year to give effect to this (see paragraph 36). The Dendroctonus Micans Working Group has been asked to review the operation of the new regime at the end of 1993. *New Plant Health Controls*
- 114 Local authorities in those parts of the country which have managed to retain important pockets of elm continued to carry out a policy of sanitation felling using statutory powers made available under the Plant Health Act 1967. The disease is no longer recognised as a quarantine pest within the European Community and movements of elm wood cannot be controlled after 1 June 1993. This should not, however, affect the ability of local authorities to maintain their control strategies. *Dutch Elm Disease*
- 115 Our plant health inspectors continued to monitor imports of controlled material from around the world. As in previous years, they intercepted a number of consignments in which our strict requirements had not been met and some form of remedial treatment was necessary. A number of cases were brought to our attention by importers and Customs officials. We greatly value this co-operation which plays an important part in preventing the introduction of new forest pests into this country. *Import Controls*

EDUCATION, SAFETY AND TRAINING

- 116 Our Education, Safety and Training Branch was involved in assisting managers to meet a range of business objectives. Demand for training in the use of computerised management systems continued at a high level and special emphasis was placed on *Training Activity*

helping those using computer spreadsheets and the new Woodland Grant Scheme system. Team building training, a key recommendation of a report on the recruitment and development of forest officers approved during the year, has now been introduced. Another new training course on forestry for non-foresters was well received, and the private woodland advisory course was revised by splitting it into three modules. There was a continuing demand during the year for training to certificate standard in chainsaw use. Staff at our Machine Operator Training Centre at Ae near Dumfries were fully occupied in training staff in the efficient operation of forest machinery.

- Training for the Private Sector* 117 We placed a greater emphasis during the year on marketing our training service to the private sector. Courses were provided in a range of forestry skills on a full cost-recovery basis. The Royal Institution of Chartered Surveyors' test of professional competence courses were replaced with a new range of forestry refresher courses designed to appeal to a wider audience.
- Safety Seminars* 118 Seminars for forestry contractors were held in conjunction with the Forestry and Arboricultural Safety and Training Council to promote safety standards. Twenty-two chainsaw safety seminars were held throughout the country attended by some 750 people, the majority of whom were contractors. Our safety staff visited a number of agricultural shows and the Association of Professional Foresters' machinery demonstration to distribute safety literature and to promote safe working practices.
- Education* 119 A forestry education group was set up during the year under the chairmanship of the Forestry Authority, with members drawn from the Forestry Trust for Conservation and Education, the Timber Trade Federation and the Forestry Industry Committee of Great Britain. The group has already started a number of educational projects which tie in with the standard schools' curriculum. In addition, we have created a new Environmental Education Officer post to co-ordinate and develop the Forestry Commission's work in this area, especially with schools.

III. Department of Forestry Finance

NEW FORM OF ACCOUNTS

120 As explained in paragraphs 4 and 5, the Commission's internal reorganisation has involved a rationalisation of our accounts. We have introduced separate accounts for the Department of Forestry for the year ended 31 March 1993 comprising a new Statement of Income and Expenditure, a Cash Flow Statement and reconciliation to the Grant-in-Aid, and a Statement of the Department's Assets and Liabilities. These accounts are now audited by the Comptroller and Auditor General. They are reproduced on pages 52 to 56.

121 Of the Grant-in-Aid of £97.5 million taken into the Forestry Fund in 1992-93, the amount allocated to the Department of Forestry was £46.1 million; this was £10.1 million more than the 1991-92 figure of £36.0 million. Grants to private woodland owners, at £21.8 million, increased by £4.6 million over the previous year's £17.2 million in line with the growing interest in the Woodland Grant Scheme. Management and administrative expenses at £28.6 million increased by £3.6 million over the previous year's £25.0 million, reflecting the increased activity in private sector forestry and the Commission's internal reorganisation on 1 April 1992. Capital expenditure increased by £1.6 million. These increases were offset by income (eg planting grant refunds) and items not involving cash (eg depreciation of machinery) totalling £5.9 million compared with £6.2 million in the previous year, a net difference of £0.3 million.

Grant-in-Aid

122 The greater interest being shown in the Woodland Grant Scheme was reflected in an increase in applications approved and awaiting approval for planting and management operations at 31 March 1993. These represent a maximum potential grants commitment of £203 million, an increase of £28 million over the previous year's figure of £175 million. Such approvals relate, however, to proposals contained in five-year plans of operations, and it is likely, on past experience, that a significant proportion of them will not be acted upon during the currency of the plan.

Future Commitments

SALIENT FACTS

123 A table of salient facts is provided on the following page. This gives details of key financial and physical achievements for the last two years, as well as a number of performance measurements.

DEPARTMENT OF FORESTRY

SALIENT FACTS

		Year ended 31 March:	
		1992	1993
Grant-in-Aid	£('93) million		
Forestry Commission Pension Scheme		21.8	22.4
Department of Forestry		37.3	46.1
Area planted by private sector on which grants were paid			
New planting	thousands hectares	14.1	15.3
Restocking	thousands hectares	7.8	8.1
Total area within grant schemes	thousands hectares	733	722
Private woodlands grants	£('93) million	17.8	21.8
Consultation and administration costs for grants and licensing	£('93) million	6.6	8.8
Research net expenditure	£('93) million	10.6	9.8
Staff at 31 March	numbers		
Industrial		140	129
Non-industrial		813	815

**FOREST
ENTERPRISE**

FOREST ENTERPRISE

GENERAL REVIEW

- 124 Forest Enterprise had a very successful first year. Most of our business objectives were met although our trading income was, as last year, badly affected by the recession. The remaining organisational changes were put in place and new business planning and accounting procedures were adopted (see paragraphs 132 to 142).
- 125 The major achievement has been the establishment of a vigorous and resourceful management team committed to delivering multi-purpose benefits from our forests through quality and cost-effective services to our customers, client groups and the public at large. Some of the planned organisational structure based on Regions and Forest Districts was already in place at the beginning of the year (see the map at Appendix XIII), but there was a lot more to do. A notable success was the establishment of four of our support activities as separate business units, namely Mechanical Engineering, Radio and Electronics, Nurseries and Seed. This brought about a fundamental change in establishing a customer-supplier relationship within the organisation. The largest and most complex of these business units is the Mechanical Engineering Service, which has been established from scratch and has given our engineering staff a challenging and rewarding year.
- 126 The reorganisation has provided an opportunity to strengthen and widen our links with countryside, land use and trade interests. In the course of our contacts throughout the year, we made a special effort to listen to our client groups, and at the end of the year we published our first corporate plan entitled *Corporate Agenda 1993-1994*.

Trading Climate

- 127 The year under report provided the clearest evidence that, in common with all parts of the British timber trade, Forest Enterprise operates in an essentially international market, very much dependent on exchange rates. In the first half of 1992-93, sawn timber prices were particularly depressed by the weakness of the Canadian dollar against the £ sterling, with sawn construction timber selling below £100 per cubic metre in a weak market. Prices for other grades of sawn timber fared little better. Those for paper products also fell and mills operated significantly below capacity. Particleboards sold at very low prices, eroding manufacturers' operating margins.
- 128 Devaluation in September 1992 improved the picture, and British producers of sawnwood, paper and wood-based panels were able to compete more strongly on price with importers. However, recovery in demand for paper products and wood panels did not lead to price increases. Producers in Europe, reacting to recession in Germany, France and Italy, continued to sell into the British market. Sweden and Finland devalued about the same time as the UK and imports of sawn timber from those countries increased. Canadian suppliers gradually withdrew from the market, allowing price levels to improve modestly and helping British sawmillers to achieve increased sales and a modest price improvement in the early part of 1993.
- 129 Two products performed particularly well throughout the year. Consumption of Lightweight Coated (LWC) paper increased by more than 10 per cent in Europe in 1992, and the market for Orientated Strand Board (OSB) in Britain and Europe improved dramatically following supply problems for plywood from the USA.
- 130 The recession took its toll on sawmilling businesses. The largest closure was the Iggesund Timber (Workington) Ltd. sawmill which ceased production. A number of smaller sawmills became insolvent, although some of them continued trading under new management. Notable among these were Clark Taylor at Lockerbie and Lees at Magherafelt in Northern Ireland. A new sawmill was opened by Jeffrey Walker and Sons near Doncaster and this began production of construction timber during the year.
- 131 Caberboard closed its plant at Irvine, Ayrshire, in January 1993. To some extent this closure was balanced by the opening of a new Medium Density Fibreboard (MDF) line at the Kronospan plant at Chirk, Clwyd, in September 1992. Norbord Highland announced their intention to invest in a second line at their OSB plant at Dalcross, Inverness, and the new plant was in the early stage of construction at the end of the year. Once operational, the company's annual wood requirement will increase to 400,000 tonnes.

FINANCE

- 132 The accounts at pages 58 to 66 are the first to be drawn up for Forest Enterprise operating as a separate trading entity within the reorganised Forestry Commission. We have introduced a major innovation in our accounting policy in moving from a valuation of the forest estate on an expectation value basis to an open market value basis. The expectation methodology we followed previously - which estimated the expected future revenues and expenditures of the existing forest estate and discounted them to the present day value using the target rate of return of 3 per cent per annum - was increasingly producing unrealistic valuations. The validity of the expectation value depended on the realisation of these forecasts of future income and expenditure over a long period (50-60 years), so that the resulting valuation was inherently uncertain. The methodology was also complex and laborious and the results not readily transparent.
- 133 The open market value of the forest estate is based on an external professional valuation, as described in paragraphs 140 and 141 below. For the year ended 31 March 1993, the open market value has been assessed at £1,413 million. This reflects the currently depressed property market resulting from the recession and the present low level of timber prices. The overall reduction in the value of the forest estate which is explained in Note 1 to the accounts has been met from the accumulated valuation reserve and does not involve a cash loss.
- 134 The income and expenditure account is designed to reflect the long-term objective of Forest Enterprise to reach a cycle of production where its income from timber is sufficient to cover its expenditure on the forest estate - including restocking the area harvested, forest maintenance and protection - and to provide a return on funds invested.
- 135 Forest Enterprise's sales were affected throughout the year by the depressed state of the timber market. Timber prices have declined by 30 per cent since 1989 and have had their effect on the income and expenditure account, which shows a net operating deficit of £29.2 million for the year ended 31 March 1993 compared with £26.8 million for 1991-92. The deficit also reflects the immaturity of the forest estate which is presently yielding some 4 million cubic metres of timber per annum, whereas over the next decade this will increase to some 6 million cubic metres.
- 136 The recession also had a major effect on receipts from the land disposals programme which were £9.9 million compared with £14.9 million in the previous year.
- 137 Forest Enterprise receives Grant-in-Aid to meet payments not covered by timber sales and other receipts. It does not receive the planting grants which are payable to the private sector. The cash flow statement (page 64 of the Enterprise account) shows how the Grant-in-Aid less disposals receipts has been spent on operating and investing activities during the year. The Grant-in-Aid of £29.0 million for 1992-93 was £9.7 million higher than the previous year's figure of £19.3 million. This reflected additional expenditure of £5.5 million and operating costs of £1.5 million, and the utilisation in 1991-92 of a cash balance of £2.7 million.
- 138 The Forestry Commissioners have set Forest Enterprise an immediate short-term financial objective to become self-financing by 1995-96 by eliminating the present net public expenditure of £25.8 million. This represents Forest Enterprise's £29.0 million share of the Grant-in-Aid voted to the Forestry Commission, plus employers' superannuation contributions of £6.7 million (which other departments pay over to the civil superannuation vote), less disposal receipts of £9.9 million which are surrendered direct to the Consolidated Fund Vote.
- 139 The real rate of return on capital employed in Forest Holidays (camp sites and cabins) during the year ended 31 March 1993 was 10.9 per cent compared with its target rate of return of 6 per cent.
- 140 The open market valuation of the Forest Enterprise forests and associated land was carried out during the year. It was undertaken by five Regional valuation panels, each comprising two private sector Chartered Surveyors who specialise in forestry valuation and our own Regional Land Agent. The panels were given the task of preparing a desk valuation of all woodland and associated land, using their experience of values in the market. This valuation was checked by carrying out a full field valuation on

representative samples of five areas in each Forest District, chosen at random and amounting to approximately 5 per cent of the Forest District area. The desk valuation was then adjusted using the results of the field valuations.

141 The valuation was carried out in accordance with the *Statements of Asset Valuation Practice and Guidance Notes* prepared by the Assets Valuation Standards Committee of the Royal Institution of Chartered Surveyors, and on the basis of the forestry estate being sold in an orderly manner as between a willing seller and a willing buyer in full accordance with public accountability and assuming its existing use. It was also assumed that no restraints exist, as they do in practice, from title, statute and environmental considerations. The valuation will be carried out every five years and will be updated by a desk exercise after three years. The revaluation of the remaining non-forested land and buildings was carried out by our Land Agents on an open market basis. The commercial recreation assets were valued by a firm of specialist Chartered Surveyors.

New Financial Information Systems

142 Last year we reported that we had carried out a review of our financial information needs for business planning and budgeting and that we intended to introduce a new computerised financial information system. We are currently in the process of selecting and procuring the necessary hardware and software to meet our business needs and have commissioned Touche Ross Management Consultants for this phase of the project. As a consequence of having to comply with EC regulations on procurement, and in recognition of the complexity of our requirements, we have set an implementation date of 1 April 1995 for this project. The first stages will entail the introduction of new hardware, a new industrial payroll package and a new data input system. We plan to purchase these early in 1994.

MANAGING THE WHOLE FOREST

Forest Design Plans

143 A far-reaching initiative launched in the year was the introduction of forest design plans. As the extensive post-war forestry plantings approach maturity, we are taking the opportunity to increase their diversity and introduce more species variety by phasing felling over an extended timescale compared with the original even-aged planting. These plans make provision for landscape improvement, recreation and conservation, as well as timber production.

144 Forest design plans are being prepared for all our forests and woods in which operations are to be undertaken. These plans give details of proposed felling and restocking over the next five years and outline how the forest is expected to develop in the longer term.

New Planting and Restocking

145 Our new planting programme continues to decline, reflecting a reduced area of land acquisitions in recent years. An increasing proportion of the remaining programme is in the lowlands and in designated community woodlands. The total area of new planting during the year was 2,356 hectares, almost our lowest-ever contribution to the national planting objective. Restocking amounted to 8,474 hectares. Some 10 per cent of all planting - 1,173 hectares - was with broadleaved trees. Most of our broadleaved planting is with native species - oak, ash, birch, rowan and alder - and where possible seed from local sources is used. A growing proportion of our conifer planting is with genetically-improved material, amounting to about 40 per cent in the year under report. Use of the improved stock currently available is expected to provide increases in growth rates averaging 10 per cent.

Environment Panels

146 We have decided to strengthen the role of our Forest District environment panels and to review their composition. Each Forest District is setting up a new panel or panels comprising individuals with local knowledge or specialist expertise. The advice of panel members is sought on how our forests can better provide a full range of environmental benefits. By the year's end most Forest Districts had established one or more of these panels and we believe that they are enjoying the enthusiastic support of participants.

Forest Protection

147 In the summer of 1992, our two main woodland properties on the island of Lewis were badly damaged through defoliation by the Pine Beauty caterpillar, *Panolis flammea*. Because of restrictions on the use of insecticides, a commercially available virus preparation (Virus KSC) was used and some 100 hectares were treated. Unfortunately, this proved ineffective and deaths of trees are occurring over an area of more than 400 hectares of forest on the island.

- 148 During the winter and early spring, monitoring of pupal and egg numbers indicated potentially damaging outbreaks in other areas, mainly in Sutherland but also on Lewis. Plans were in hand at the end of the year to treat some 3,500 hectares of affected forests with a selective pesticide, Dimilin, which destroys only foliage-feeding insects.
- 149 Increasing concern is being voiced about the continuing rise in deer numbers. In the Scottish Highlands the numbers of red deer are thought to have doubled in the last 30 years to over 300,000. As well as doing damage to trees, they reduce species diversity in many habitats and inhibit the regeneration of native woodlands.
- 150 Within our forests, culling of deer to keep numbers under control is mainly done by our directly employed Rangers. Last year 24,686 deer were culled, an increase of over 20 per cent on the 1990-91 figure, despite a decline in our Ranger work-force. A major factor in increasing the effectiveness of our Rangers has been the use of all-terrain vehicles: these have added to their mobility and made it easier to transport carcasses to the deer larder.
- 151 Much of the venison supply in Britain is exported by game dealers to overseas markets, but venison prices have been depressed over the last two years as a result of increasing supplies to those markets from eastern Europe. In September 1992, the Association of Deer Management Groups organised a conference at Aviemore aimed at stimulating domestic interest in venison. This initiative has had some success in opening up new outlets for venison products in Britain, and by the end of the year prices were recovering. Our sales, via game dealers, to the domestic market are now becoming as important as the previously dominant export market.

TIMBER PRODUCTION

- 152 A notable milestone was reached when our annual wood production passed the 4 million cubic metre mark and was successfully marketed. The programme achieved was 4.1 million cubic metres (measured over bark), an increase of 240,000 cubic metres (7 per cent) on 1991-92. The following table sets out the results of our harvesting operations in the year and for the previous four years. A common basis (£'93) has been used to enable comparisons to be made in real terms between years.

	Unit	1988-89	1989-90	1990-91	1991-92	1992-93
	Million cubic metres					
<i>Total Removals</i>		3.64	3.55	3.43	3.87	4.11
By sale standing	"	1.37	1.34	1.37	1.72	1.78
By Forestry Commission harvesting (adjusted for change in work in progress)	"	2.27	2.21	2.06	2.15	2.33
	£('93) million					
<i>Income</i>		94.40	92.44	81.86	75.74	75.69
Forest costs (expenditure, excluding administrative expenses)	"	39.99	38.71	33.96	33.70	34.52
Gross surplus	"	54.41	53.73	47.90	42.04	41.17
Administrative costs	"	14.83	14.95	14.07	13.19	12.49
Net surplus	"	39.58	38.78	33.83	28.85	28.68
<i>Income per cubic metre</i>	£('93)	25.93	26.08	23.87	19.57	18.42
Forest costs per cubic metre	"	10.99	10.92	9.90	8.71	8.40
Gross surplus per cubic metre	"	14.95	15.16	13.97	10.86	10.02
Administrative costs per cubic metre	"	4.07	4.22	4.10	3.41	3.04
Net surplus per cubic metre	"	10.88	10.94	9.87	7.45	6.98

- Direct Production* 153 Demand for sawlogs remained strong throughout the year. Despatches from our own direct production were up by 5 per cent, to 1,256,000 cubic metres. Improvement in the price of imported sawn softwood, as a consequence of devaluation and the diversion of Canadian timber to the USA and Japan, led to a modest rise in demand and prices for sawlogs. Our Log Price Index increased from 201.3 at 31 March 1992 to 215.9 at 31 March 1993.
- 154 During 1992-93 the last sawlogs were sold from our Thetford log store, closing another chapter on the great storm of October 1987. About 70,000 cubic metres of sawlogs had been stored for the purpose of reducing the glut of timber on the market following the storm. The logs were preserved using a water sprinkling system and were all successfully sold and processed into sawn timber. The project achieved its intended objectives and was a valuable experience which will guide us in the event of any future catastrophic windblow.
- 155 Demand for small roundwood was poor for most of 1992 but improved in the early months of 1993. Our long-term contracts sustained our sales and, together with some exports, enabled us to achieve total deliveries of 814,000 tonnes. This was an increase of 6 per cent on the previous year.
- 156 The volume of timber produced by our own harvesting operations was 2,335,000 cubic metres. This comprised 535,000 cubic metres from thinning and 1,800,000 cubic metres from clear felling. The average tree size harvested was 0.21 cubic metres. The amount of timber harvested by mechanised working increased to 53 per cent of the total volume.
- Standing Sales* 157 The proportion of timber that we sold standing was 43 per cent. Sales were generally poor in the first half of the year and there was difficulty in getting merchants to harvest on time. The situation improved as the year progressed and, by the year's end, the quantities sold had increased by 4 per cent over last year to 1,778,000 cubic metres. Our Standing Sales Price Index stood at 488.9 at 31 March 1993 compared with 476.8 at 31 March 1992.
- Civil Engineering* 158 We built 149 kilometres of new roads and upgraded 160 kilometres of existing roads during the year. As the intensity of harvesting increases, the maintenance of our road network takes on an added importance. We held two seminars for our staff to discuss value for money methods for this work and we expect to see the benefits of these in due course.
- 159 In our last report, we referred to our decision to limit the number of the Commission's explosive stores in order to comply with the Control of Explosives Regulations 1991. All our existing stores were closed and five new ones which comply with the regulations were installed during the year.
- 160 We have encouraged the development, by the Glenlight Shipping Company, of a system of timber transport by barge on the west coast of Scotland. This has helped to reduce the amount of timber lorry traffic on the public road system. We have designed and constructed loading ramps at Arlcastle, Broadford and Raasay. Further sites are being developed at Lochaline on Mull and at Kishorn.
- Forestry Contracting Association* 161 Approximately half of the timber produced by our own harvesting operations is now dependent on the services of self-employed contractors. With this in mind, we have given support to the establishment of an independent Forestry Contracting Association. The aim of the Association is to ensure the availability of a sufficient, effective and viable harvesting resource for the benefit of those who work in the harvesting sector as well as those who depend on it. One of the major initiatives of the Association will be the preparation of a Code of Practice for contractors; this should lead to new standards in quality of work, training, safety and efficiency. Initial funding for the Association has been provided by Scottish Enterprise and Highlands and Islands Enterprise.
- Safety* 162 In February 1992, we announced our intention to make it compulsory for all people using chainsaws in our forests and woodlands to obtain a certificate of competence. After a phased implementation, the policy will become fully operational from 1 January 1994. Our own employees were tested and certificated by the Forestry Authority's Education and Training Branch, who provided a good service.

- 163 The incidence of reportable accidents (ie those causing incapacity for more than three days) for the Forestry Commission as a whole was 4.8 per 100 employees. This compares with figures of 6.2 (1987-88), 6.0 (1988-89), 5.4 (1989-90), 5.4 (1990-91), and 5.6 (1991-92). It was pleasing that the general trend of safety improvement in our activities continued in 1992-93. Regrettably there was one fatal accident in which an employee died after falling from a tree.

WILDLIFE STEWARDSHIP

- 164 Following a detailed survey of the relic native woodlands that we manage in north Scotland, we decided to give a major boost to our work on their restoration and regeneration. This will build on the success achieved over the past 30 to 40 years in managing our native pinewoods at Glen Affric and the Black Wood of Rannoch. We launched the first of a series of Caledonian Forest Reserves at Glenmore, and we intend to progressively extend the network to a further 13 locations where we have relic woodlands of sufficient size to ensure the survival of a viable population of native Scots pine and associated species. We plan to create a regeneration zone of some 3,000 hectares - double the area of remnant pinewood we manage today.

Native Pinewoods

- 165 Within our estate we have nearly 400 Sites of Special Scientific Interest (SSSIs) covering a wide range of land types, such as lowland heaths, upland mires, and geological and physiographical features, as well as many semi-natural woodlands. Under an agreement with the Nature Conservancy Council signed in 1986, we manage these SSSIs to plans of operations prepared with the conservation agencies (initially the Nature Conservancy Council and now English Nature, Scottish Natural Heritage and the Countryside Council for Wales). Management agreements exist for over half of these SSSIs and the necessary work is funded from our conservation budget.

SSSI Management

- 166 A welcome new SSSI designation was that of nearly 1,000 hectares of planted forest at our Haldon Forest in Somerset, notified for its birds of prey, nightjars and butterflies. This is the first extensive man-made forest in England to be designated as an SSSI. It is particularly gratifying as much of the wildlife interest in the forest has developed not through chance but through positive management.

- 167 We have had an exceptionally successful management season in the New Forest, one of England's most important wildlife sites. After two poor years, the burning programme, essential to the maintenance of the heath vegetation of the *Open Forest*, exceeded 600 hectares, completing both the year's work and the backlog. We were also able to do more clearance of Scots pine regeneration and to restart the traditional practice of holly pollarding to provide additional food for ponies during the lean spring months.

- 168 1992 was the first season for our Galloway Forest Birds Project. Under the charge of a full-time Leading Ranger, the project co-ordinates survey work, research and habitat management by a wide range of expert field workers, with a particular focus on the many species of breeding, moorland and forest birds listed in Annex 1 of the EC Wild Birds Directive. Important new data were provided in 1992 on black grouse and nightjar populations which recorded that 80 per cent of the Scottish nightjar population is found in the Galloway Forest Park. The project has received strong support and co-operation from the Royal Society for the Protection of Birds, Scottish Natural Heritage and the British Trust for Ornithology. We are grateful for the work carried out by the Hawk and Owl Trust on merlins in Galloway Forest and reported in their publication *Forest Merlins in Scotland: Their Requirements and Management* by Mr Jack Orchil. We are pleased to note that the study found that the merlin has maintained a significant presence as a breeding bird within the Galloway Forest Park because of the implementation of our multiple land use policy.

Birds in Galloway

PROMOTING RECREATIONAL USE

- 169 We have collaborated for a number of years with other countryside agencies in sponsoring household surveys which asked about leisure visits to the countryside. Analysis of the results has shown that an estimated 50 million visits are made annually to Forestry Commission forests.

Visitor Surveys

- 170 Surveys of public use of the countryside have indicated that, while the open access policy of the Commission is generally well understood, the location of the

Commission's forests is not so well known. In order to rectify this, we have begun a process of identifying our forest entrances with a "welcome to walkers" sign incorporating a pine-cone symbol.

- Forest Holidays* 171 Our cabin, cottages, camping and caravan facilities are marketed under the name Forest Holidays. They are managed to enhance visitor enjoyment of our forests through the provision of overnight accommodation and at the same time to achieve a commercial rate of return on capital employed. An overall return of 10.9 per cent was achieved on the forest holiday activity in 1992-93.
- 172 Despite the problems associated with the recession and the highly-publicised price war within the travel industry, coupled with the poor weather in 1992, we managed to maintain a healthy occupancy level of 69 per cent for our four forest cabin sites and 35 per cent for our 29 camping and caravan sites. Our seven cottages once again set a new record occupancy level, of 92 per cent.
- 173 Work started during the year on a Forest Holidays Citizen's Charter initiative. The first phase of this initiative, setting out the standards for customers using our cabin and cottage central reservation bookings service, was publicised in December 1992 as part of a new national brochure. We planned to introduce the second phase, on the standards to be expected at our individual sites, early in the 1993-94 season.

COMMUNITY ROLE

- Woodland Parks* 174 We have made a renewed effort over the last two years to work with local communities to ensure that the public forests are accessible and of benefit to them. Last year we reported the designation of four Woodland Parks - woodlands which are of particular value to local communities for recreation and which are managed mainly for that purpose. During the year under report a further five Woodland Parks were designated - at Dalbeattie and Mabie in Dumfries and Galloway Region, at Glentress in Borders Region, at Kilmore in Argyll and at Scolty Hill, Banchory in Grampian Region.

- Welsh Valleys Forest Initiative* 175 The impetus of our Valleys Forest Initiative was maintained by our continuing development of the recreation, conservation and landscape potential of the forests in the industrial valleys of south Wales. Projects completed in partnership with public bodies and other organisations include a community woodland at Blaenavon, two fitness trails with Newbridge and Resolven Rugby Clubs, the first of two "gateway" developments with Rhondda Borough Council and a conservation project with Merthyr Tydfil Naturalist Society. A number of other projects are at the development stage, including a Forest Park in the Afan valley, two Woodland Parks, an urban woodland in partnership with Swansea County Council, and the Afan Argoed Countryside Centre with West Glamorgan County Council.

- Community Forests and the National Forest* 176 We made our first major acquisition of planting land within the area of the new National Forest with the purchase of Rosliston Farm near Swadlincote in Derbyshire, amounting to 60 hectares. The acquisition was a joint venture between Forest Enterprise and South Derbyshire District Council who, along with the Countryside Commission's staff in the National Forest, will be working together to develop a new centre for the forest.
- 177 We also purchased 50 hectares of land at Nightingale Farm on the eastern edge of Swindon, within the Great Western Community Forest area, and now have a project team working on an exciting new proposal to develop the farm into a community woodland. There has been close co-operation between our staff, the Countryside Commission and the local authority, Thamesdown Borough Council.
- 178 We acquired the freehold of the 100 hectare Leigh Woods, next to the Avon Gorge, near Bristol and within the Bristol Community Forest. These woodlands were previously held on a long forestry lease which placed some constraints on our management. The acquisition of the freehold will enable us to ensure public access to these popular woods for the future.
- 179 In support of the Central Scotland Woodlands initiative, we purchased 87 hectares of land for planting at Salterhill Farm adjacent to our existing plantations at Limerigg. We are recognised as having a lead role in pump-priming this project, and we are in the process of acquiring a further 170 hectares in the area.

MANAGING PROPERTY

- 180 During the year we made 19 acquisitions totalling some 333 hectares, of which 325 hectares were plantable land. A country breakdown of our land acquisitions is given in Table 5 of Appendix X, and we refer specifically to our community forest acquisitions in paragraphs 176 to 179. In addition, 165 hectares of plantable land were resumed from an agricultural tenancy. *Land Acquisitions*
- 181 The market during the year was extremely difficult for the sale of both woodland and other properties. Many of the properties offered on the open market generated little interest, and it was unfortunate that many sales fell through as a result of prospective purchasers withdrawing at the last moment. Fewer sales took place as a result. We sold over 10,500 hectares of land in total, of which nearly 7,000 hectares were woodlands and plantable land. We also sold 102 houses, of which 66 were purchased by sitting tenants. More details of our disposals are given in Table 7 of Appendix X. *Sale of Plantations and Other Properties*
- 182 The arrangements for securing continued public access to woodlands after sale, by way of agreements between the Commission and local authorities, were introduced in October 1991, and all proposed woodland sales since then have been considered under our published *Access Guidelines*. The new arrangements have proved to be time-consuming in operation and, in the majority of cases, local authorities have not been interested in taking up the offer of an agreement. At the end of the year, 27 agreements were in the course of negotiation and five had been concluded. We propose to review the working of the arrangements towards the end of 1993, when they will have been in operation for two years. *Disposals and Continued Public Access*
- 183 We spent £1.5 million on the construction and improvement of buildings in the course of the year. Among the major projects completed were a Radio and Electronics Workshop at Itton, in Wales, and a refurbishment of the drainage and toilet facilities at Roundhill Campsite in the New Forest. Major improvements to our offices in Aberystwyth were started, with substantial progress being made by the year's end. This project would not have been possible without the support of all members of the office staff, who continued to undertake their day-to-day business despite the work going on around them. *Management of the Estate*
- 184 A computerised property management system was successfully introduced into all our Regional Offices on 1 April 1992; its first main task was to computerise rent collection. To improve efficiency, we are looking at other routine activities which could be computerised, such as asset management.
- 185 We granted an option for the extraction of sand and gravel from beneath Stapleford Woods near Newark. The woods at Stapleford are approaching maturity and it is intended that this mineral resource should be worked before they are replanted, when the opportunity will be taken to diversify the woodland structure. Public access will, as far as possible, be retained throughout the working period and the area will be fully restored at the end. A planning application for the development is expected to be submitted to the local authority by the construction and minerals company, Messrs Wimpey.
- 186 A new long-term agreement was reached with the British Orienteering Federation for the continuation of organised orienteering events on Forestry Commission land. *Agreement with Orienteers*
- 187 We played an active part in researching sites for alternative sources of energy in the context of the Government initiatives for non-fossil fuels. A major wind farm project is being considered at Kielder, Northumberland, and proposals for several small hydro-electric schemes in Scotland are under discussion. *Sites for Alternative Energy*

SUPPORT SERVICES

- 188 As noted earlier, the setting up of our new business unit structure brought about a fundamental change in the relationship of our mechanical engineering services with its internal customers, mainly our Forest District Managers. The aim was to achieve economies through rationalisation and to provide a more customer-focussed and responsive service. This was received with enthusiasm by our mechanical engineers and produced a healthy first-year result. *Mechanical Engineering Services*

- 189 The service has 20 workshops throughout Great Britain, each supported by a spare parts store. The parts stores hold everything from chainsaws to harvesting machines and represent some 17,402 items of stock. Harvesting equipment is difficult to support because spares are often hard to obtain and can be costly. A large central store therefore provides a stock holding of major parts for this equipment. The stores' network is computerised and each store has access to information on the others' current holdings, providing an efficient system for sourcing parts.
- 190 The continued success of excavator-based harvesting machines has seen a growing number of manufacturers competing for a share of the market, both for base machines and grapple-harvester heads. This has resulted in increased choice, not only of manufacturer, but of size and application of machine. The excavator-based thinning harvester is now a valued addition to our fleet.
- 191 We have decided to introduce performance guarantees into our machine-purchasing contracts. These guarantees are aimed at minimising machine repair costs and time out of service for repair work, by seeking performance commitments for machines and manufacturers' support services. We expect these guarantees to result in higher machine availability and utilisation, and lower operating costs.
- 192 Our Mechanical Engineering Services operate a Car Provision for Employees Scheme (CAPES), which involves shared ownership of the vehicle by the Commission and the employee. The introduction of CAPES was phased in, as the existing contracts with Lex and Ford expired. To date we have 155 cars on hire with an average fleet age of five months. We expect the 60 cars that are hired through other schemes to be replaced by CAPES over the coming financial year.

Radio and Electronics Services

- 193 Radio plays an important part in forest safety. To improve safety communication for timber harvesting work, we have replaced our skyline-winch radio systems with new units. We have also expanded the use of the Telephone Interconnect System, to provide additional safety for employees working on their own or in isolated locations, and introduced new Selcall Safety Systems in the New Forest, and in Buchan & Kintyre and Loch Awe Forest Districts, to give out-of-hours safety cover for our harvesting machine operators.
- 194 We introduced new hill-top repeater sites to provide better communications within forests. A computer-based package to analyse radio signal strength patterns was purchased to provide accurate prediction of radio coverage both from existing sites and proposed new locations.

Seed Supply

- 195 There were heavy seed crops of most broadleaved species in many parts of north-western Europe in 1992. Good collections were made in Britain of alder, birch, maple and sycamore. Sessile oak seeded well in parts of England, although acorns from good-quality stands were limited in quantity and some imports from Germany had to be made. There were very good crops of pedunculate oak and beech available from high-quality sources in Holland.
- 196 Conifer seed crops in Britain were variable. Good collections were made of several native Scots pine and of Japanese larch. The availability of Lodgepole pine was adequate to meet demand, but hybrid larch and Sitka spruce seeds were both in short supply. Overall, demand for conifer seed was less than in previous years.

Plant Supply

- 197 The germination of plants was a little disappointing at all three of our nurseries after the previous very good year. Subsequent growth was satisfactory as growing conditions over the summer were good, with sufficient warmth and rainfall. At the end of the season we had adequate numbers of good-quality seedlings to meet expected demand. The lifting season progressed well and plant quality was maintained. There were clear indications from the reduced replacement planting in a number of Forest Districts that our investment in plant quality is paying dividends.
- 198 More than 25 million plants were supplied to Enterprise forests during the year. Of these, around 8 million plants were grown from seeds collected from orchards containing trees of superior form, promising improvements in vigour averaging 10 per cent; a further 2 million plants comprised vegetatively-propagated Sitka spruce with a potential for increased volume production of approximately 15 per cent. The development of systems of growing vegetatively-propagated stock in containers has led to an increase in the yield of vigorous plants and a reduction of unit costs.

SALIENT FACTS

199 A table of salient facts is provided on the next page. This gives details of key financial and physical achievements for Forest Enterprise for the last two years, as well as a number of performance measurements.

RAYMOND JOHNSTONE, *Chairman*
T.R. CUTLER, *Deputy Chairman and
Director General*
R.T. BRADLEY
I.D. COUTTS
D.L. FOOT
R.B. GROVE-WHITE
D.S. GRUNDY
G.H. LAIRD
T.S. MALLINSON
MICHAEL STRANG STEEL
C.R. WOOSNAM

P.J. CLARKE, *Secretary*
FORESTRY COMMISSION
231 Corstorphine Road
Edinburgh EH12 7AT

FOREST ENTERPRISE

SALIENT FACTS

Following the internal reorganisation of the Forestry Commission at 1 April 1992, figures for the new Forest Enterprise are only available on a comparable basis for 1992.

		Year ended 31 March:	
		1992	1993
Total area managed	thousands hectares	1,128	1,115
Forest land	thousands hectares	896	888
Disposals programme			
Area sold	hectares	6,263	10,589
Total receipts	£('93) million	15.4	9.9
Sales of timber	£('93) million	75.7	75.7
Timber production	millions cubic metres	3.9	4.1
Gross surplus (income less direct costs) from sales of timber	£p('93) per cubic metre	10.86	10.02
Net harvesting surplus (gross surplus less management and administrative costs)	£p('93) per cubic metre	7.45	6.98
Forest management			
New planting - area planted	thousands hectares	3.0	2.4
Forest cost (excluding fertiliser)	£('93) million	1.9	1.4
Unit cost	£('93) per hectare	622	586
Restocking - area planted	thousands hectares	8.3	8.5
Forest cost	£('93) million	8.2	7.8
Unit cost	£('93) per hectare	983	918
Roads			
New construction - programme	kilometres	135	149
Forest cost	£('93) million	4.3	4.5
	£p('93) per metre	31.8	30.22
Upgrading - programme	kilometres	205	160
Forest cost	£('93) million	2.6	2.1
	£p('93) per metre	12.73	12.92
Forest Holidays			
Target rate of return on capital employed 6 per cent (achieved)	per cent	12.8	10.9
Recreation, conservation and heritage (net expenditure)	£('93) million	12.0	13.4
Staff numbers			
Industrial	Average for year	2,367	2,227
Non-industrial	Average for year	1,350	1,231
Grant-in-Aid	£('93) million	19.9	29.0

FINANCIAL
STATEMENTS
AND
ACCOUNTS

Contents

FORESTRY COMMISSION: FORESTRY FUND	<i>Page</i>
Foreword	45
Receipts and Payments Account	47
Notes to the Accounts	48
DEPARTMENT OF FORESTRY	
Foreword	52
Statement of Income and Expenditure	53
Cash Flow Statement and Reconciliation to Grant-in-Aid	54
Statement of Assets and Liabilities	55
Notes to the Accounts	56
FOREST ENTERPRISE	
Foreword	58
Accounting Policies	60
Income and Expenditure Account	62
Balance Sheet	63
Cash Flow Statement	64
Statement of Total Recognised Gains and Losses	65
Notes to the Accounts	66
REPORT OF THE COMPTROLLER AND AUDITOR GENERAL	76

FORESTRY COMMISSION: FORESTRY FUND FINANCIAL STATEMENTS AND ACCOUNTS

FOREWORD

1. CONSTITUTIONAL STATUS

- (a) The Forestry Commission was established in 1919. It comprises a Chairman and Board of Commissioners with statutorily prescribed duties and powers. Under legislation now consolidated mainly in the Forestry Act 1967 it is charged with the general duties of promoting the interests of forestry, the establishment and maintenance of adequate reserves of growing trees and the production and supply of timber. Since 1985, the Commission has also had a statutory duty to seek to achieve a reasonable balance, in carrying out its functions, between the needs of forestry and the environment.
- (b) The Commission has the legal status of and functions as a Government Department. It reports individually and collectively to Forestry Ministers, namely the Secretary of State for Scotland (who takes the lead role), the Minister of Agriculture, Fisheries and Food and the Secretary of State for Wales, to whom it is responsible for advice on forestry policy and for the implementation of that policy.
- (c) The Forestry Fund was first constituted under Section 8 of the Forestry Act 1919 and has been continued under the Forestry Act 1967. All sums received and all expenditure incurred by the Forestry Commissioners in the exercise of their powers and the performance of their duties are included in this account. Pursuant to Section 42(4) of the Forestry Act 1967, capital sums received by Forest Enterprise from sales of land etc are paid into the Forestry Fund and then surrendered to the Consolidated Fund, as directed by Ministers in accordance with Section 41(4A) of that Act.
- (d) The Forestry Fund accounts are audited by the Comptroller and Auditor General in accordance with Section (44)3 of the Forestry Act 1967.

2. FUNCTIONS AND OBJECTIVES

Under a major internal reorganisation which took effect from 1 April 1992, a clear distinction has been made between the Commission's Departmental and forest management roles below Commissioner level.

The Commission now operates as two distinct entities:-

- (a) *The Department of Forestry* comprising on the one hand a Policy and Resources Group, which is responsible for support and advice to Ministers, policy development, personnel, finance, internal audit and information systems, European and international liaison, and the administration of the Forestry Commission Pension Scheme; and on the other the Forestry Authority, which is responsible for implementing the Government's forestry policy, including the control of tree felling, providing advice to private woodland owners, administering the payment of grants for approved planting, restocking and management schemes, research and the setting of standards for the forestry industry as a whole, including Forest Enterprise.
- (b) *Forest Enterprise* which is a trading body responsible for the management of Forestry Commission forests. The Enterprise has a multiple-purpose remit that includes the protection and enhancement of the environment and the provision of public access and recreational facilities, as well as the production of timber.

3. ACCOUNTS OF DEPARTMENT OF FORESTRY AND FOREST ENTERPRISE

The Department of Forestry produces an income and expenditure account detailing its net expenditure on all the services met out of the Grant-in-Aid. Forest Enterprise produces commercial accounts in a format approved by the Treasury. Both sets of accounts are audited by the Comptroller and Auditor General and published in the Forestry Commission's Annual Report.

4. REVIEW OF ACTIVITIES

The requirement for Grant-in-Aid in 1992-93 of £97,544,000 was £21,012,000 higher than the net requirement of £76,532,000 in 1991-92. The Department of Forestry's requirement increased by £10,107,000, largely to cover payments and administration of planting grants to private woodland owners; Forest Enterprise's share increased by £9,671,000, mainly to meet capital requirements and to offset the impact of depressed timber prices in 1992-93; while the balance was to meet pensions payments which increased by £1,234,000 over the previous year.

5. EMPLOYMENT POLICIES

The Forestry Commission's policies in relation to the employment of disabled persons, the provision of information to, and consultation with, employees, and the promotion of equal opportunities, are stated elsewhere in the Annual Report.

The names of Commissioners are also shown elsewhere in the Annual Report.

T R Cutler
Accounting Officer
29 November 1993

FORESTRY COMMISSION
FORESTRY FUND RECEIPTS AND PAYMENTS ACCOUNT
 FOR THE YEAR ENDED 31 MARCH 1993

	<i>Notes</i>	£'000	<i>Previous Year £'000</i>
Central Government grants			
Grant-in-Aid	2	97,544	81,632
EC receipts	3	2,180	1,419
		99,724	83,051
Operating receipts			
Sales of timber		73,777	71,861
Other operating receipts	4	17,446	17,154
		190,947	172,066
Operating payments			
Salaries and wages		62,870	61,269
Travel, subsistence and staff transfer expenses		6,818	6,172
Grants to private woodland owners... .. .		21,915	17,318
Other operating payments	5	59,745	54,000
		151,348	138,759
Surplus from operations		39,599	33,307
Other receipts/payments (net)	6	(30,029)	(13,255)
Surplus for the financial year		9,570	20,052
Appropriations			
Payments to Consolidated Fund	7	15,196	15,726
Excess (shortfall) of receipts over payments for the financial year		(5,626)	4,326

STATEMENT OF BALANCES AS AT 31 MARCH 1993

Cash and Bank balances			
Balance at 1 April		8,026	3,700
Add/(deduct): Excess (shortfall) of receipts over payments for financial year		(5,626)	4,326
Balance at 31 March 1993		2,400	8,026

T R Cutler
 Accounting Officer
 29 November 1993

Notes to the Accounts

1. Accounting policies

- (i) The accounts of the Forestry Fund are drawn up on a cash basis in a form approved by the Treasury. The accounts are audited by the Comptroller and Auditor General in accordance with Section 44(3) of the Forestry Act 1967.
- (ii) Value Added Tax is deducted from receipts and payments and, taking account of the non-recoverable element, the net amount paid to HM Customs and Excise.

2. Central Government grants

The gross provision for central Government expenditure on forestry for 1992-93 was £99,244,000 (Class XV, Vote 26). After deducting Appropriations in aid of £1,700,000, the net provision paid to the Forestry Fund as Grant-in-Aid was £97,544,000. This was allocated as follows:-

	£'000	<i>Previous Year as restated £'000</i>
Grant-in-Aid (Class XV, Vote 26)	97,544	81,632
less excess to be surrendered	-	5,100
	97,544	76,532
Allocated to:		
- Department of Forestry	46,159	36,052
- Forest Enterprise	29,002	19,331
- Forestry Commission Pension Scheme	22,383	21,149
	97,544	76,532 Note (i)

(i) Prior year adjustments

	Department of Forestry £'000	Forest Enterprise £'000	Pension Scheme £'000	Total £'000
As previously reported	36,188	40,344	-	76,532
Reallocations:				
- Pensions	-	(21,149)	21,149	-
- Research	3,296	(3,296)	-	-
- Employers pension contributions	(3,432)	3,432	-	-
As restated above	36,052	19,331	21,149	76,532

These sums are accounted for in the separate financial statements of the Department of Forestry and Forest Enterprise.

3. EC Receipts

These represent the contribution from the European Agricultural Guidance and Guarantee Fund (Guidance Section) toward eligible grants for woodlands in the private sector under the Forestry Action Programme. £1,700,000 was Appropriated in Aid and the extra receipts of £480,000 will be paid to the Consolidated Fund in 1993-94.

4. Other operating receipts

	£'000	<i>Previous Year £'000</i>
Forest and estate management	5,365	5,590
Forest Holidays	3,720	3,525
Recreation, conservation and heritage	2,718	1,631
Agency	3,431	3,642
Others	2,212	2,766
	<u>17,446</u>	<u>17,154</u>

5. Other operating payments

Forest and estate management.....	9,943	9,818
Mechanical engineering services	7,729	7,507
Recreation, conservation and heritage	5,715	4,369
Harvesting contractors and services	16,803	15,630
Forest roads, contractors and services	3,968	3,240
Office and administration expenses	13,428	10,627
Grants to Universities	639	637
Others (including auditors remuneration for 1991-92 of £13,000)	1,520	2,172
	<u>59,745</u>	<u>54,000</u>

6. Other receipts/payments (net)

	<i>Notes</i>		
Capital expenditure		14,823	7,354
Value Added Tax (net)		2,682	(296)
Pensions to retired staff	9	23,443	22,339
		<u>40,948</u>	<u>29,397</u>
less			
Superannuation contributions from staff	9	1,060	1,190
Sale of land, buildings and forest estate	7	9,859	14,952
		<u>10,919</u>	<u>16,142</u>
		<u>(30,029)</u>	<u>(13,255)</u>

7. Payments to Consolidated Fund

In accordance with the Ministerial direction given under Section 41(4A) of the Forestry Act 1967, disposal receipts from the sale of properties and the forest estate will be paid into the Consolidated Fund. Extra receipts from the European Commission in respect of contributions towards the cost of research projects, and from the excess Grant-in-Aid for 1991-92, are also payable to the Consolidated Fund.

	£'000	<i>Previous Year £'000</i>
Disposal receipts	10,096	15,612
EC research projects	-	114
Excess Grant-in-Aid 1991-92	5,100	-
	15,196	15,726

8. Forestry Commissioners' Remuneration

The remuneration of Forestry Commissioners is included as appropriate in the Department of Forestry and Forest Enterprise accounts and (excluding pension contributions) comprises:-

	£'000	<i>Previous Year £'000</i>
Chairman	33	31
Highest paid Commissioner	64	58
Other Commissioners	195	177
	292	266
Travel and subsistence of Commissioners	48	39

The emoluments of the other Commissioners fell within the following ranges:

	Number	<i>Previous Year £'000</i>
£5,001 to £10,000	6	6
£45,001 to £50,000	-	3
£50,001 to £55,000	3	-

The Commissioners' remuneration is in accordance with Civil Service pay rates. The names of Commissioners are stated elsewhere in the Annual Report.

9. Forestry Commission Pension Scheme

The Forestry Commission operates a defined benefit pension scheme. Legislation relating to the superannuation of the Forestry Commissioners and Commission staff is to be found in Part II of Schedule 1 to the Forestry Act 1967, as amended by the Superannuation Act 1972.

Superannuation benefits are met on a Pay-As-You-Go basis and benefits paid in the year are met from Grant-in-Aid. The superannuation benefits and contributions payable are identical to those of the Principal Civil Service Pension Scheme, except that such benefits are paid out of the Forestry Fund and not the Civil Superannuation Vote. The liabilities of the Forestry Commission Pension Scheme are revalued by the Government Actuary every three years.

There are 4,268 active serving members at 31 March 1993. The number of current pensioners and pensions in payment at 31 March 1993 are as follows:

	Number	Pension £'000
Officers	4,463	17,134
Dependants	1,710	2,285
	6,173	19,419

In addition there are 1,381 former staff with preserved pensions.

The capital value of the unfunded past service superannuation liabilities at 31 March 1993 amounted to £400.5 million and is made up as follows:

	£ million
Serving members and their dependants	166.3
Current beneficiaries and their dependants	218.6
Deferred beneficiaries and their dependants	15.6
	<hr/>
Total future liabilities	400.5
	<hr/>

These future liabilities are charged against the Forestry Fund.

I certify that I have examined the financial statements on pages 45 and 51 in accordance with the Forestry Act 1967 and the National Audit Office auditing standards.

In my opinion the financial statements properly present the receipts and payments of the Forestry Fund for the year ended 31 March 1993 and have been properly prepared in accordance with Section 44(2) of the Forestry Act 1967.

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General

10 January 1994
National Audit Office

DEPARTMENT OF FORESTRY

FINANCIAL STATEMENTS AND ACCOUNTS

FOREWORD

1. STATUS

The Forestry Commission is the Government department responsible for forestry throughout Great Britain.

On 1 April 1992 the Forestry Commission put into effect a major internal reorganisation which made a clear distinction between its policy and regulatory role and its forest management role. The Department of Forestry is responsible for forestry policy and the regulatory role, while Forest Enterprise manages the Commission's forests.

The Department of Forestry implements the Government's forestry policy within the framework of legislation (principally the Forestry Acts 1967 and 1979, the Plant Health Act 1967, the Countryside (Scotland) Act 1967 and the Countryside Act 1968), and subject to the direction of Forestry Ministers.

The Forestry Commissioners administer the Forestry Fund which receives Grant-in-Aid drawn down from Class XIV Vote 26. The Forestry Fund allocates Grant-in-Aid to the Department of Forestry and Forest Enterprise. These accounts cover the activities of the Department of Forestry and are prepared in accordance with a direction given by the Treasury in pursuance of section 5(1) of the Exchequer and Audit Departments Act 1921. Except for the comparative figures for the previous year, they are audited by the Comptroller and Auditor General.

The transactions of the Forestry Fund and Forest Enterprise are reported separately in their respective accounts.

2. FUNCTIONS AND AIMS

The Department of Forestry comprises the Policy and Resources Group and the Forestry Authority. The Policy and Resources Group is responsible for support and advice to Ministers, policy development, personnel, finance, internal audit and information systems, European and international liaison, and the administration of the Forestry Commission Pension Scheme.

The Forestry Authority is responsible for implementing the Government's forestry policy, including the control of tree felling, providing advice to private woodland owners, administering the payment of grants for approved planting, restocking and management schemes, research, and liaising with local authorities and forestry and countryside bodies. The Forestry Authority sets standards for the forest industry as a whole, and monitors the performance of Forest Enterprise in the same areas of operation as those which apply to the private sector.

The aims of the Forestry Authority are to ensure, by regulation, incentive and advice, that forests and woodlands in Great Britain are protected, managed, extended and promoted in a way which best serves the national interest in accordance with Government policy.

3. RESEARCH AND DEVELOPMENT

The Forestry Authority research programme is currently giving priority to research into the possible effects of atmospheric pollution on tree growth and, through the scavenging effect of trees, on water acidification. Other high priority areas include the enhancement of wildlife values in the forest, storm damage to trees and the potential of trees for carbon storage. Each year a separate report on Forest Research gives a full account of the work carried out. The quality of the research work is monitored on a continuing basis by an independently constituted Advisory Committee on Forest Research.

4. REVIEW OF ACTIVITIES

Grant-in-Aid of £46,159,000 was £10,107,000 higher than the previous year. Net operating expenditure in 1992-93 rose by £8 million over the previous year, due to a higher level of private woodland grant payments and the costs of dealing with increased numbers of applications and consultation requirements for the Woodland Grant Scheme. The rest of the increase in Grant-in-Aid was mainly capital expenditure. Future commitments and applications awaiting approval for planting and management grants at 31 March 1993 totalled £203 million, an increase of £28 million over the previous year's figure of £175 million.

5. EMPLOYMENT POLICIES

The Forestry Commission's policies in relation to the employment of disabled persons, the provision of information to, and consultation with, employees, and the promotion of equal opportunities, are stated elsewhere in the Annual Report.

The names of Commissioners are also shown elsewhere in the Annual Report.

T R Cutler
Accounting Officer
29 November 1993

**DEPARTMENT OF FORESTRY
STATEMENT OF INCOME AND EXPENDITURE
FOR THE YEAR ENDED 31 MARCH 1993**

*Previous
Year
(unaudited)
£000*

	<i>Notes</i>	£000	
INCOME			
Planting grant recoveries from EC	2	1,700	1,418
Research income		850	568
Sundry income		560	918
		3,110	2,904
 EXPENDITURE			
Grants to private woodland owners	3		
Woodland Grant Scheme		19,154	14,595
Other schemes (now closed to new applications)		2,676	2,601
		21,830	17,196
 Management and administrative expenses			
	4		
Private woodland grant schemes		8,788	6,425
Licencing, regulatory and plant health services		1,095	1,647
Information and advisory services		2,621	3,122
Research and development		10,681	10,867
Forestry policy and departmental administration		5,431	2,983
		28,616	25,044
Net expenditure for year		47,336	39,336

The notes attached form part of these accounts.

DEPARTMENT OF FORESTRY
CASH FLOW STATEMENT AND RECONCILIATION TO GRANT IN AID
FOR THE YEAR ENDED 31 MARCH 1993

	£'000	<i>Previous Year (unaudited) £'000</i>
Net expenditure for the year per Income and Expenditure Account	47,336	39,336
less items not involving cash in the year		
- Depreciation office machinery	(689)	(238)
- Notional employers superannuation contributions	(2,603)	(3,432)
- Movements in net current assets	458	341
	(2,834)	(3,329)
Add Capital Expenditure	1,662	65
less income from sales	(5) 1,657	(20) 45
	(1,177)	(3,284)
Grant-in-Aid for the year from the Forestry Fund Account	46,159	36,052

**DEPARTMENT OF FORESTRY
STATEMENT OF ASSETS AND LIABILITIES
AS AT 31 MARCH 1993**

	<i>Notes</i>	£'000	<i>Previous Year (unaudited) £'000</i>
Fixed Assets			
Office machinery and equipment	5	4,125	3,908
Current Assets			
Stocks		391	781
Debtors	6	842	31
Cash in hand		2	1
		1,235	813
less Current Liabilities:			
Creditors due within 12 months		92	128
Net Current Assets		1,143	685
Total Net Assets		5,268	4,593

The notes attached form part of these accounts.

T R Cutler
Accounting Officer
29 November 1993

NOTES TO THE ACCOUNTS

1. Accounting policies

(i) These accounts are drawn up on an accruals basis in a form directed and approved by Treasury. These accounts are audited by the Comptroller and Auditor General except for the comparative figures for the previous year which are derived from last year's unaudited Statement of Expenditure for Forestry Authority services.

(ii) Accounting for Fixed Assets

Fixed assets are shown in the accounts of the department responsible for their management. Charges are made to other departments for their use. The forest estate, other land, buildings, plant and machinery is shown on the Forest Enterprise Balance Sheet; central computer hardware is included in the Department of Forestry Statement of Assets and Liabilities. Other office machinery and equipment is stated according to its location in Forest Enterprise or the Department of Forestry.

(iii) Office machinery and equipment is revalued by Forestry Commission staff. The value is updated annually using a general price index.

(iv) Depreciation is provided on office machinery and equipment over its expected useful life of 2 to 20 years.

(v) Superannuation contributions

The Department of Forestry expenditure includes employers' contributions as determined by the Government Actuary. These have been set at 16 per cent for industrials and 17 per cent for non-industrials. In addition, members contribute 1.5 per cent of pay into the Scheme.

2. Planting grant recoveries from EC

The total contribution received for the year ended 31 March 1993 from the European Agricultural Guidance and Guarantee Fund (Guidance Section) toward eligible grants for woodlands in the private sector under the Forestry Action Programme was £2,180,000. Of this £1,700,000 was Appropriated in Aid and appears in these accounts. The extra receipts of £480,000 are surrenderable to the Consolidated Fund.

3. Commitments to pay planting and management grants

Following approval of a management plan for planting proposals, the Department of Forestry undertakes to pay planting grants in three instalments. At 31 March 1993, the Department of Forestry was committed under signed plans to the payment of future instalments of planting and replanting grants amounting to £108 million (1992 £101 million).

Grants for the management of existing woodlands are payable annually in arrears during the five-year currency of an approved plan, so long as specific objectives and age criteria are met. Commitments to future payments in respect of approved plans amounted to £13 million at 31 March 1993 (£4 million 31 March 1992).

Applications for planting and replanting grants, awaiting approval at 31 March 1993, amounted to £82 million (1992 £70 million).

4. Management and administrative expenses (including total staff costs and numbers of employees)

	£'000	<i>Previous Year (unaudited) £'000</i>
(i) Total staff costs		
- Salaries	14,308	11,154
- Wages	1,455	1,338
- Social Security costs	1,140	899
- Employers superannuation costs	2,594	3,432
	<u>19,497</u>	<u>16,823</u>
Travel and subsistence	3,257	1,978
Other expenses (including auditors' remuneration of £11,100)	8,467	6,243
Charges to Forest Enterprise (note (ii))	(2,605)	-
	<u>28,616</u>	<u>25,044</u>

(ii) These charges cover the Forest Enterprise share of personnel, business systems, training and other support services at Headquarters, less the Department of Forestry share of finance services provided by Forest Enterprise.

(iii) The average number of employees during the year was as follows:-

	Average Number	<i>Previous Year (unaudited) Average Number</i>
Industrial staff	136	145
Non-industrial staff	813	718
	<u>949</u>	<u>863</u>

5. Office Machinery and Equipment

	£'000	<i>Previous Year (unaudited) £'000</i>
Net book value 31 March 1992	3,908	3,991
Additions 1992-93	1,662	65
	<u>5,570</u>	<u>4,056</u>
less Depreciation 1992-93	(689)	(238)
Disposals	(20)	(22)
Revaluation adjustment	(759)	112
	<u>4,102</u>	<u>3,908</u>
Net book value 31 March 1993		

6. Debtors

Total debtors include amounts falling due after more than one year of £257,000.

I certify that I have examined the financial statements on pages 52 to 57 in accordance with the Exchequer and Audit Departments Act 1921 and the National Audit Office auditing standards.

In my opinion the financial statements present fairly the net assets of the Department of Forestry at 31 March 1993 and its net expenditure and its cash flows for the year then ended and have been properly prepared in accordance with Section 5 of the Exchequer and Audit Departments Act 1921 and directions made thereunder by the Treasury.

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General

23 December 1993
National Audit Office

FOREST ENTERPRISE FINANCIAL STATEMENTS AND ACCOUNTS

FOREWORD

1. STATUS

The Forestry Commission is the Government department responsible for forestry throughout Great Britain.

On 1 April 1992, as part of a major internal reorganisation of the Forestry Commission, Forest Enterprise assumed for the first time a separate organisational identity and structure.

Forest Enterprise manages the forest estate placed at the Commissioners' disposal by Forestry Ministers.

The Forestry Commissioners administer the Forestry Fund which receives Grant-in-Aid drawn down from Class XIV Vote 26. The Forestry Fund allocates Grant-in-Aid to Forest Enterprise and the Department of Forestry. The activities of the Forestry Fund and the Department of Forestry are reported separately in their respective accounts.

These accounts cover the activities of Forest Enterprise and are prepared in accordance with a direction given by the Treasury in pursuance of section 5(1) of the Exchequer and Audit Departments Act 1921. They are audited by the Comptroller and Auditor General.

2. FUNCTIONS AND AIMS

The functions of Forest Enterprise are to develop and manage the Commission's forests and forestry estate as a multiple-use resource, supplying timber to the wood-using industries, restocking after felling, providing opportunities for recreation, and enhancing nature conservation and the forest environment.

Forest Enterprise aims to create and maintain attractive and productive woodlands, and to manage them for public benefits.

3. REVIEW OF ACTIVITIES

This is the first set of accounts for Forest Enterprise operating as a separate trading entity within the Forestry Commission following the internal reorganisation which came into effect from 1 April 1992. They provide a benchmark against which future progress and performance will be measured.

Forest Enterprise has changed its accounting policy for valuing its forest estate from the expectation value basis to an open market value basis. At 31 March 1992, the open market value of the forest estate was estimated by the Chief Land Agent to be £1,700 million. This was some £1,087.9 million below the expectation value of £2,787.9 million. On the basis of an external professional valuation at 31 March 1993, a further revaluation adjustment of £279.8 million has been made in 1992-93. The open market value of the forest estate at 31 March 1993 is £1,413.0 million and reflects the currently depressed property market, the present low level of timber prices, and the investment yields expected by the market.

Over recent years, as the following table shows, the assessed market value of the forest estate has remained relatively stable while the expectation value shown in the accounts has increased sharply.

Year ended 31 March	1988	1989	£ million 1990	1991	1992
Market Value	1,330	1,450	1,600	1,700	1,700
Expectation Value	1,756	1,955	2,271	2,523	2,788
Difference	426	505	671	823	1,088

The unrealised growth in the expectation value for all previous years has year on year been credited to the revaluation reserve. Therefore the overall reduction in the value of the forest estate of £1,087.9 million arising from the change from the expectation value to market values has been met from the accumulated revaluation reserve. This write down in the asset value is an internal accounting adjustment which does not involve a cash loss. The open market value of £1,413 million at 31 March 1993 exceeds the total of capital at the time of the previous restructuring in 1972 and the cumulative Grant-in-Aid less disposal receipts from 1972 to date, which together represent the public investment of £426.1 million in the forest estate.

The Income and Expenditure Account now shows the operating results uncluttered by unrealised surpluses and notional grants and subsidies. This approach reflects the long-term objective of Forest Enterprise which is to reach a cycle of production where its income from timber is sufficient to cover its expenditure on the forest estate, including restocking the area harvested, forest maintenance and protection, and to provide a return on funds invested. Because of the relative immaturity of the forest estate, Forest Enterprise has not reached this stage in its cycle of production. The operating deficit of £24.5 million for the year ended 31 March 1993 (£23.8 million 1991-92) comprises three parts - a deficit on the forest estate of £9.2 million (£11.2 million 1991-92), recreation, conservation and heritage net spending of £13.4 million (£11.6 million 1991-92) and a deficit on other activities of £1.9 million (£1.0 million 1991-92). In addition there was a deficit on sale of properties of £4.7 million (£3.0 million 1991-92).

Forest Enterprise's call on Grant-in-Aid of £29.0 million for 1992-93 increased by £9.7 million over the previous year and receipts from sales of properties under the disposals programme of £9.9 million in 1992-93 were £5.0 million lower than the £14.9 million in 1991-92. Together with movements in cash balances of £2.7 million in the previous year, the net cash outflow for 1992-93 is £12.0 million higher than in the previous year. This £12.0 million increase arises from operating activities of £1.5 million; capital expenditure largely deferred from 1991-92 of £5.5 million and the fall in disposal receipts of £5.0 million.

4. FINANCIAL OBJECTIVES

Forest Enterprise has been set a target rate of return of 3 per cent in real terms on the forest estate and any new investment therein.

The implied real rate of return on new investment in the forest estate, based on individual planting and restocking models created in each Forest District during the year ended 31 March 1993 was 2.9 per cent compared with the target rate of return of 3 per cent.

For the year ending 31 March 1993 the operating deficit on the forest estate was £9.2 million and the revaluation adjustment was £279.8 million. In future years the operating surplus/deficit on the forest estate together with movements in its open market value will allow a rate of return on average capital employed to be compared with the target rate of return. For 1992-93 the operating deficit of £9.2 million together with the capitalised cost of new planting of £4.6 million can be compared to planting grants of £11.3 million that would have been payable to the private sector.

The target rate of return for Forest Holidays (campsites and cabins) is 6 per cent of capital employed. The real rate of return on capital employed for the year ended 31 March 1993 was 10.9 per cent (1992 12.8 per cent).

The Forestry Commissioners have set Forest Enterprise an immediate short-term financial objective to become self-financing by 1995-96 by eliminating the present net public expenditure of £25.8 million. This represents Forest Enterprise's share of the Grant-in-Aid voted to the Forestry Commission of £29.0 million, plus employers' superannuation contributions of £6.7 million, which other departments pay over to the Civil Superannuation Vote; less disposal receipts of £9.9 million which are surrendered direct to the Consolidated Fund as privatisation proceeds.

5. EMPLOYMENT POLICIES

The names of all Forestry Commissioners and the Forestry Commission's policies in relation to the employment of disabled persons, the provision of information to, and consultation with, employees, and the promotion of equal opportunities, are stated elsewhere in the Annual Report.

T R Cutler
Accounting Officer
29 November 1993

FOREST ENTERPRISE

ACCOUNTING POLICIES

1. FORM OF ACCOUNTS

In accordance with Section 5(1) of the Exchequer and Audit Departments Act 1921, the accounts are drawn up in a format agreed and approved by the Treasury. They are audited by the Comptroller and Auditor General. Without limiting the information given, the accounts meet the requirements of the Companies Acts and of the Financial Reporting Standards where relevant. The accounts are prepared under the historical cost convention modified by the inclusion of the valuation of assets.

2. CHANGES IN ACCOUNTING POLICIES

The basis of valuation of the forest estate (land, timber and roads) was changed during the year. The forest estate is valued in these accounts on an open market value basis, whereas at 31 March 1992 it was valued on an expectation value basis.

The Income and Expenditure Account identifies the operating results for the forest estate, recreation, conservation and heritage, and other activities. The Income and Expenditure Account now reflects the long-term objective of Forest Enterprise which is to reach a cycle of production where its income from timber is sufficient to cover all its expenditure on the forest estate, including restocking the area harvested, and maintenance and protection of the whole forest estate, and provide a return on funds invested. Because of the relative immaturity of the forest estate, Forest Enterprise has not reached this stage in its cycle of production.

The previously reported results for the year ended 31 March 1992 have been restated to reflect the move from expectation to open market values and therefore exclude the unrealised growth in the standard value of plantations; notional subsidies and grants; and the costs of research which relate to the whole forest industry. They now include employers' superannuation contributions for Forest Enterprise employees and capitalise the cost of new plantations. Also as the Forestry Commission Pension Scheme covers all the employees of the Commission, the liabilities, which are a direct charge on the Forestry Fund, are now noted in the accounts of the Forestry Fund.

3. ACCOUNTING FOR FIXED ASSETS

Fixed assets are shown in the accounts of the department responsible for their management. Charges are made to other departments for their use. The forest estate, other land, buildings, plant and machinery is shown on the Forest Enterprise Balance Sheet; central computer hardware is included in the Department of Forestry Statement of Assets and Liabilities; other office machinery and equipment is stated according to its location in Forest Enterprise or the Department of Forestry.

4. VALUATION OF ASSETS

The forest estate is revalued every five years by five regional valuation panels, taking account of the species mix, age, yield class and other relevant factors. The market value assessment is carried out on the basis of the forest estate being sold in an orderly manner as between a willing seller and a willing buyer in full accordance with public accountability and assuming its existing use. It is further assumed that no restraints exist, as they do in practice, from title, statute and environmental considerations. Each regional panel issues a Valuation Certificate, signed by each member of the panel, which follows the principles of RICS Statements of Asset Valuation Practice and Guidance Notes and Financial Reporting Standards. The regional panels are made up of two Chartered Surveyors who specialise in forestry valuation, and who had experience in the region, and the Regional Land Agent. The Chief Land Agent managed and co-ordinated the valuation.

The forest estate is subject to a "desk valuation" at the mid, three-year point between formal five-year valuations. Between formal valuations, and in the absence of a forestry based index, in periods of low inflation the forest estate assumes constant prices. This is subject to regular review.

Other land and buildings and plant and machinery are revalued by professionally-qualified staff employed by the Forestry Commission. Office machinery and equipment is revalued by Forestry Commission administrative staff. Commercial recreation assets are revalued by a specialist firm.

Other tangible fixed asset values are updated annually using a general price index. The commercial recreation assets are updated annually in consultation with the specialist firm that provided the formal valuation.

All revaluation surpluses and deficits are taken to the Revaluation Reserve.

5. DEPRECIATION

Depreciation is provided on all tangible fixed assets - except the forest estate, and freehold and leasehold land - at rates calculated to write off the valuation, less estimated residual values, of each asset evenly over its expected useful life:

- Freehold buildings - over 20 to 80 years
- Leasehold buildings - over the lease term
- Plant and machinery - over 3 to 16 years
- Office equipment - over 2 to 20 years.

6. STOCKS

Finished goods and work in progress are valued as follows:

- * Timber at the cost of production;
- * Seed at the lower cost of collection or net realisable value;
- * Plants and livestock at net realisable value;
- * Consumable materials and supplies at current replacement cost.

Cost of production and collection comprises labour and attributable administrative expenses based on the normal level of activity. Net realisable value is based on estimated selling prices, less further costs expected to be incurred to completion and disposal.

7. CORPORATION TAX

Forest Enterprise is not subject to Corporation Tax.

8. PROVISION FOR BAD AND DOUBTFUL DEBTS

Specific provisions for bad and doubtful debts are set aside on the basis of a review at the end of each year.

9. GRANT-IN-AID

Forest Enterprise receives Grant-in-Aid to meet payments not covered by timber and other receipts. Forest Enterprise does not receive any other subsidies and does not receive planting grants which are payable to the private sector.

Receipts from the disposal of land, buildings and the forest estate are surrendered to the Consolidated Fund. For accounting purposes these receipts represent a reduction in Government funding of Forest Enterprise and offset the Grant-in-Aid received.

10. EMPLOYERS' SUPERANNUATION CONTRIBUTIONS

A notional employers' superannuation contribution calculated as a percentage of pensionable pay is included in the Income and Expenditure Account. The employers' contribution rates have been set at 16 per cent for industrials and 17 per cent for non-industrials.

**FOREST ENTERPRISE
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 1993**

	<i>Notes</i>	£ million	<i>Previous Year as restated £ million</i>
INCOME			
Forest Estate			
Sales of timber		75.7	73.3
Other forest sales		1.4	1.1
		77.1	74.4
Recreation, conservation and heritage		2.9	1.8
Other activities	10	13.4	12.5
		93.4	88.7
EXPENDITURE			
Forest Estate			
Harvesting and haulage of timber		47.1	45.0
Restocking after felling		11.7	12.0
Forest roads		14.6	14.2
Forest maintenance and protection		12.9	14.4
		86.3	85.6
Recreation, Conservation and Heritage		16.3	13.4
Other Activities	10	15.3	13.5
		117.9	112.5
OPERATING SURPLUS/(DEFICIT)			
Forest Estate		(9.2)	(11.2)
Recreation, conservation and heritage		(13.4)	(11.6)
Other activities	10	(1.9)	(1.0)
		(24.5)	(23.8)
Surplus/(Deficit) on sale of properties	12	(4.7)	(3.0)
NET SURPLUS/(DEFICIT) FOR THE YEAR			
		(29.2)	(26.8) note (i)
Transferred to Capital Account		(29.2)	(26.8)

The accounting policies and notes form part of these accounts.

(i)	As previously reported - Net Operating Surplus for the year	62.5
	Prior Year Adjustments	
	- Growth in standard value of plantations	(93.0)
	- Subsidies and grants	(13.3)
	- Deficit on sale of properties	8.0
	- Capitalised new planting	5.7
	- Research	3.3
		(89.3)
	As restated above	(26.8)

**FOREST ENTERPRISE
BALANCE SHEET
AT 31 MARCH 1993**

	<i>Notes</i>	£ million	<i>Previous Year as restated £ million</i>
FIXED ASSETS			
Forest estate at Open Market Value	2a	1,413.0	1,700.0
Other tangible assets	2b	126.2	145.2
		1,539.2	1,845.2
CURRENT ASSETS			
Stocks	3	6.7	7.5
Debtors	4	19.1	15.5
Cash at banks and in hand	5	2.1	2.1
		27.9	25.1
CREDITORS - amounts falling due within one year	6	9.4	8.7
NET CURRENT ASSETS		18.5	16.4
TOTAL ASSETS LESS CURRENT LIABILITIES		1,557.7	1,861.6
CAPITAL AND RESERVES			
Capital Account	7	982.1	985.5
Revaluation Reserve	8	575.6	876.1
TOTAL CAPITAL AND RESERVES		1,557.7	1,861.6

T R Cutler
Accounting Officer
29 November 1993

FOREST ENTERPRISE
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 1993

	<i>Note</i>	£ million	<i>Previous Year as restated £ million</i>
OPERATING ACTIVITIES			
Receipts from sales of timber		73.8	71.8
Other receipts		16.1	15.6
Salaries, wages and related expenses		(49.5)	(48.3)
Materials, contract services and general expenses		(52.9)	(50.1)
 Net cash inflow/(outflow) from operating activities	 9	 (12.5)	 (11.0)
INVESTING ACTIVITIES			
New planting (excluding book value of land)		(3.3)	(4.2)
Payments to acquire tangible fixed assets.....		(13.3)	(7.5)
Receipts from sale of properties		9.9	14.9
Receipts from sale of other tangible fixed assets		0.1	0.7
 Net cash inflow/(outflow) from investing activities		 (6.6)	 3.9
 Net cash (outflow) before financing		 (19.1)	 (7.1)
FINANCING			
Grant-in-Aid		29.0	19.3
less: Receipts from disposals programme		(9.9)	(14.9)
(Increase)/decrease in cash and cash equivalents		-	(2.7)
		19.1	7.1

FOREST ENTERPRISE
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 MARCH 1993

	£ million	<i>Previous Year as restated £ million</i>
Net surplus/(deficit) for the year	(29.2)	(26.8)
Revaluation surplus/(deficit) on forest estate	(279.8)	7.4
Revaluation to current prices of other tangible assets	(20.7)	10.7
	(329.7)	(8.7)
Prior year adjustment:		
- Change from Expectation to open market values	<u> </u>	<u>(823.2)</u>
Total gains and losses recognised since last Annual Report	<u>(329.7)</u>	<u>(831.9)</u>

NOTES TO THE ACCOUNTS

1. Prior Year Adjustments

Following the reorganisation a fundamental requirement of the Board of Commissioners was to speed up the publication of the accounts and bring the timetable into line with best commercial practice. This could not be achieved unless the accounts of the new Forest Enterprise were streamlined and simplified. The Board of Commissioners set up a panel of experts (two Chartered Surveyors, one Chartered Accountant and the Forestry Commission's Chief Land Agent) which concluded that an external professional open market valuation of the forest estate could be carried out and devised a suitable methodology.

Accordingly as the open market value is the normal commercial approach to the valuation of assets and more in line with standard accounting conventions, the Board has adopted this basis of valuation in Forest Enterprise's new form of account.

The expectation value was calculated by estimating the expected future revenues and expenditures of the existing forest estate and discounting the forecast cash flow to the present day value using a discount rate of 3 per cent which is the target rate of return set for the forest estate. The validity of the expectation value therefore depended on the realisation of these forecasts of future income and expenditure over a long period (50 to 60 years) and the resulting valuation was inherently uncertain. The methodology was also complex and laborious and the results were not readily transparent whereas the use of the target rate of return of 3 per cent as the discount factor produced increasingly unrealistic valuations compared to current market realities.

The open market value of the forest estate has, since 1985, been noted in the Foreword to the accounts and as shown in the following table the market value has consistently been lower than the expectation value.

Year ended 31 March	£ million				
	1988	1989	1990	1991	1992
Market Value	1,330	1,450	1,600	1,700	1,700
Expectation Value	1,756	1,955	2,271	2,523	2,788
Difference	426	505	671	823	1,088

In the Foreword to the 1991-92 accounts the difference between the expectation and market value was noted as £1,087.9 million. The comparative figures as at 31 March 1992 have been restated by this amount and the changes made are noted below:-

	Notes	£ million	£ million
As previously reported in Balance Sheet as at 31 March 1992			
Provision for Superannuation			365.3
Capital and Reserves			
Capital at 31 March 1990...			2,108.8
Movements in the first two years of the 1990-93 triennium			
Grant-in-Aid...		27.5	
Revaluation Reserve...		334.9	
Retained Surplus...		113.0	475.4
			<hr/>
Balance Sheet as at 31 March 1992...			2,949.5
			<hr/>
Prior Year Adjustment			
Change from expectation value to open market value of forest estate			
- Expectation Value 31 March 1991...		2,523.2	
- Open Market Value...		1,700.0	(823.2)
			<hr/>

Restatement of reported results for
the year to 31 March 1992

Notes

£ million

£ million

Capital Account

- Removal of growth in standard value of Forest Estate	(93.0)	
- Deficit on sale of properties revised to open market value	8.0	
- Capitalisation of new planting expenditure	5.7	(79.3)

Revaluation reserve

- Replace revaluation by current price index	(192.8)	
- With revaluation surplus on open market values of forest estate	7.4	(185.4)
		<u>(1,087.9)</u>

Comparative figures as at 31 March 1992
as restated on Balance Sheet

Capital Account	7	985.5
Revaluation Reserve	8	876.1
		<u>1,861.6</u>

2. Fixed Assets

(a) Forest Estate (land, roads and timber)

	£ million	Previous year as restated £ million
Valuation 890,200 hectares at Open Market Value	1,700.0	1,700.0
Movements in year		
Add: New planting	4.6	5.7
Acquisitions	0.1	-
Deduct: Disposals and Transfers (at book value).....	(11.9)	(13.1)
	1,692.8	1,692.6
Revaluation adjustment	(279.8)	7.4
Open Market Value at 31 March - 882,534 hectares	1,413.0	1,700.0 Note (i)

£ million

(i) As previously reported 2,787.9

Prior Year Adjustment (Note 1)

Difference between expectation valuation
and open market valuation transferred to
Revaluation Reserve (823.2)

Restatement of reported results for the
year to 31 March 1992 (264.7)

(1,087.9)Open market value at 31 March 1992 as restated above 1,700.0

(b) Other Tangible Assets

	Land and Buildings	Machinery Plant and Equipment	Total
	£ million	£ million	£ million
Valuation:			
At 1 April 1992	116.3	77.4	193.7
Additions	1.9	11.3	13.2
Disposals	(4.6)	(3.0)	(7.6)
Revaluation adjustment	(17.3)	(7.1)	(24.4)
	<u>96.3</u>	<u>78.6</u>	<u>174.9</u>
At 31 March 1993			
Depreciation:			
At 1 April 1992	-	48.5	48.5
Provided during year	2.3	6.7	9.0
Disposals	-	(2.7)	(2.7)
Revaluation adjustment	(2.3)	(3.8)	(6.1)
	<u>-</u>	<u>48.7</u>	<u>48.7</u>
At 31 March 1993			
Net Book Value:			
At 31 March 1993	96.3	29.9	126.2
At 31 March 1992	116.3	28.9	145.2

3. Stocks

	£ million	<i>Previous Year £ million</i>
Timber	2.3	3.6
Plants and seed	1.7	1.8
Consumable materials, supplies and livestock	2.7	2.1
	<u>6.7</u>	<u>7.5</u>

4. Debtors

	£ million	<i>Previous Year as restated £ million</i>
Trade debtors	17.2	13.8
Other debtors	1.9	1.7
	<u>19.1</u>	<u>15.5</u>
As previously reported		12.5
Prior Year Adjustment		
Payments in advance - moved to creditors		<u>3.0</u>
As restated above.....		<u>15.5</u>

Other debtors include amounts falling due after more than one year of £1.3 million (£1.3 million at 31 March 1992).

5. Cash at Banks and in Hand

	£ million	<i>Previous Year as restated £ million</i>
Balance with Paymaster General	1.6	1.7
Cash at commercial banks and in hand	0.5	0.4
	<u>2.1</u>	<u>2.1</u>
As previously reported		10.1
Prior Year Adjustment		
Consolidated Fund balance in Forestry Fund		<u>(8.0)</u>
As restated above		<u>2.1</u>

6. Creditors: amounts falling due within one year

	£ million	<i>Previous Year as restated £ million</i>
Payments received on account	0.4	0.4
Trade creditors	2.5	2.1
Other creditors including taxation and Social Security costs	6.5	6.2
	<u>9.4</u>	<u>8.7</u>
As previously reported		13.7
Prior Year Adjustment		
Consolidated Fund balance in Forestry Fund		<u>(8.0)</u>
Payments in advance - previously netted off debtors		<u>3.0</u>
As restated above		<u>8.7</u>

7. Capital Accounts

	£ million	<i>Previous year as restated £ million</i>
Balance brought forward	985.5	1,000.4
Movement in year:		
- Net surplus(deficit) for year	(29.2)	(26.8)
- Employers' superannuation contributions	6.7	7.5
- Grant-in-Aid.....	29.0	19.3
- Disposal receipts	(9.9)	(14.9)
	(3.4)	(14.9)
Balance carried forward	982.1	985.5 Note (i)
		£ million
(i) As previously reported		
Capital at 31 March 1990		2,108.8
Provision for Superannuation		365.3
Movements in the first two years of the current triennium		
Grant-in-Aid		27.5
Retained Surplus		113.0
Balance Sheet as at 31 March 1992		2,614.6
Revaluation Reserve element transferred to Revaluation Reserve (Note 8)		(1,549.8)
		1,064.8
Prior Year Adjustment (Note 1)		
Restatement of reported results for the year to 31 March 1992		(79.3)
As restated above.....		985.5

8. Revaluation Reserve

	£ million	<i>Previous year as restated £ million</i>
Cumulative Revaluation Reserve brought forward	876.1	858.0
Revaluation surplus (deficit) for the year ended 31 March 1993		
Forest estate	(279.8)	7.4
Other tangible assets	(18.3)	11.0
Adjustment on Resurvey and reclassification of properties	(2.4)	(0.3)
	<u>(300.5)</u>	<u>18.1</u>
Cumulative Revaluation Reserve carried forward	<u>575.6</u>	<u>876.1</u> Note (i)

	£ million
(i) As previously reported in Balance Sheet as at 31 March 1992	334.9
Transfer of Cumulative Revaluation Reserve from capital account (Note 7)	<u>1,549.8</u>
	1,884.7
Prior Year Adjustment (Note 1)	
Revaluation of forest estate at open market value.....	(823.2)
Restatement of reported results for the year to 31 March 1992	<u>(185.4)</u>
	<u>(1,008.6)</u>
As restated above	<u>876.1</u>

9. Reconciliation of Income and Expenditure to Net Cash Inflow from Operating Activities

	£ million	<i>Previous Year £ million</i>
Surplus/(deficit) of Income over Expenditure	(29.2)	(26.8)
Items not involving cash payments		
Notional employers superannuation contributions	6.7	7.5
Depreciation charges	9.0	9.3
(Profit)/Loss on sale of properties	3.0	1.0
(Profit)/Loss on sale of other tangible fixed assets	0.1	0.1
Decrease in stocks	0.8	1.2
Increase in debtors	(3.6)	(3.4)
Increase in creditors	0.7	0.1
Net cash inflow/(outflow) from operating activities	<u>(12.5)</u>	<u>(11.0)</u>

10. Other Activities: Operating Surplus/(Deficit) by Activity Year Ending

	Campsites and Cabins £ million	Agency £ million	Lake Vyrnwy £ million	Estate Management £ million	Total £ million	<i>Previous Year</i> £ million
Income	3.7	3.2	-	6.5	13.4	12.5
Expenditure	<u>2.9</u>	<u>2.8</u>	<u>-</u>	<u>9.6</u>	<u>15.3</u>	<u>13.5</u>
Operating Surplus (Deficit) for year	0.8	0.4	-	(3.1)	(1.9)	(1.0)
Notes	(i)	(ii)	(iii)	(iv)		
Operating Surplus (Deficit) for previous year	1.2	0.5	0.1	(2.8)	(1.0)	

(i) The real rate of return on capital invested in campsites and cabins was 10.9 per cent compared with a target rate in real terms of 6 per cent.

(ii) Agency work is carried out on a full cost recovery basis.

(iii) Income of £11,894 was received for the year ended 31 March 1993 from the Severn Trent Water Authority in respect of the Commission's equal share in the surplus on the joint management scheme at Lake Vyrnwy in Wales.

(iv) This reflects the net cost of managing the non-forested estate which comprises offices, administrative and industrial buildings, houses, farms, agricultural land and all other lettings including those surplus assets which are being disposed of wherever possible in line with Government policy.

11. Expenditure in the Income and Expenditure Account for the Year Ending 31 March 1993 Includes

	£ million	<i>Previous Year</i> £ million
Hire of plant and equipment	1.3	1.3

12. Surplus (Deficit) on Sale of Properties

	Plantations and associated properties £ million	<i>Previous Year as restated</i> £ million
Proceeds	9.9	15.1
Less: Book value	(12.9)	(16.1)
Less: Disposal costs		
External costs.....	(0.7)	(0.8)
Administrative expenses.....	(1.0)	(1.2)
Surplus/(Deficit) on sale of properties.....	(4.7)	(3.0)

13. Management and Administrative Expenses

(a) Total Management and Administrative expenses comprise:-

	£ million	<i>Previous Year as restated £ million</i>
Staff costs		
Salaries	19.5	21.2
Wages	0.8	1.1
Social Security costs	1.6	1.6
Superannuation costs	3.4	4.6
	25.3	28.5
Other expenses (including Auditors' remuneration of £94,150)	9.3	8.0
Travel and subsistence	4.0	4.7
Charges from Department of Forestry (note i)	2.6	-
	41.2	41.2
less Business Units included in operational costs	(3.5)	(3.5)
	37.7	37.7

(i) These charges cover the Forest Enterprise share of personnel, business systems, training and other support services at Headquarters, less the Department of Forestry share of finance services provided by Forest Enterprise.

(b) Management and Administrative expenses were incurred as follows:-

	£ million	<i>Previous Year as restated £ million</i>
Forest Districts	22.1	19.5
Regional Offices	7.7	8.1
Headquarters	7.9	10.1
	37.7	37.7

(c) Allocated to the following activities in the Income and Expenditure Account:-

Harvesting and haulage of timber	12.5	12.4
Restocking after felling	3.9	4.1
Forest roads	3.0	3.1
Forest maintenance and protection	4.4	5.6
Recreation, conservation and heritage	6.7	5.9
Other activities	5.9	5.1
	36.4	36.2
Capital		
New planting	1.3	1.5
	37.7	37.7

14. Total Staff Costs and Numbers of Employees

(a) Total Staff Costs

	£ million	<i>Previous Year as restated £ million</i>
Salaries	19.5	21.2
Wages	23.6	23.9
Social Security costs	3.1	3.3
Superannuation	6.7	7.5
	52.9	55.9
Travel and subsistence	2.1	2.8
	55.0	58.7

(b) The average number of employees during the year was as follows:-

	Average Number	<i>Previous Year Average Number</i>
Industrial staff	2,227	2,367
Non-industrial staff	1,231	1,350
	3,458	3,717

15. Financial Objectives

Forest Enterprise is set a target rate of return of 3 per cent in real terms on the forest estate and any new investment therein. The long term objective of Forest Enterprise is to reach a cycle of production where its income from timber is sufficient to cover its expenditure on the forest estate, including restocking the area harvested and maintenance and protection of the whole estate and provide a return on funds invested. Because of the relative immaturity of the forest estate, Forest Enterprise has not reached this stage in its cycle of production.

The operating deficit on the forest estate for the year ending 31 March 1993 is £9.2 million and the capitalised cost of new planting is £4.6 million. Although Forest Enterprise is not eligible to receive planting and restocking grants that are payable to the private sector, the equivalent of private sector grants for 1992-93 has been assessed at £11.3 million.

The Forestry Commissioners have set Forest Enterprise an immediate short term financial objective to become self-financing by 1995-96 by eliminating the present net public expenditure of £25.8 million. This represents Forest Enterprise's share of the Grant-in-Aid voted to the Forestry Commission of £29.0 million, plus employers' superannuation contributions of £6.7 million, which other departments pay over to the Civil Superannuation Vote; less disposal receipts of £9.9 million which are surrendered direct to the Consolidated Fund as privatisation proceeds.

The target rate of return for Forest Holidays (campsites and cabins) is 6 per cent of capital employed. The real rate of return on capital for the year ended 31 March 1993 was 10.9 per cent (1992 12.8 per cent).

16. Capital Commitments

Future capital commitments for Other Tangible Fixed Assets in 1993-94 by Forest Enterprise amounts to £8.1 million (£13.5 million for 1992-93).

17. Contingent Liabilities

Contingent liabilities at 31 March 1993 for damages caused to other persons' property and for compensation for personal injury to employees amounted to an estimated sum of £0.6 million (£0.8 million at 31 March 1992).

I certify that I have examined the financial statements on pages 58 to 74 in accordance with the Exchequer and Audit Departments Act 1921 and the National Audit Office auditing standards.

In my opinion the financial statements give a true and fair view of the state of affairs of the Forest Enterprise at 31 March 1993 and of its deficit, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with Section 5 of the Exchequer and Audit Departments Act 1921 and the directions made thereunder by the Treasury.

John Bourn
Comptroller and Auditor General

23 December 1993
National Audit Office

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL

FOREST ENTERPRISE ACCOUNTS 1992-93

1. On the reorganisation of the Forestry Commission at 1 April 1992, the Board of Commissioners decided to change the basis of accounting for the forest estate from expectation value to open market value. The main consequence of this change is a reduction of the value of the forest estate from £2,787.9 million at 31 March 1992 to £1,413.0 million at 31 March 1993.

EXPECTATION VALUE

2. Expectation value was adopted as the basis of the Forestry Enterprise accounts in 1971. Until that time, the accounts had been drawn up on a historic cost basis. However, the problems of servicing the large capital investment over the growing cycle of timber (50-130 years) and of accounting for the annual increase in timber volume, rendered a historic cost valuation increasingly inappropriate. Expectation value was adopted in an attempt to measure the performance of the forest estate in its then relatively immature state. The Commission recognised at that time that a reversion to a more conventional basis of accounting might be necessary when the estate was getting closer to maturity.

3. Valuation on an expectation basis was carried out every five (latterly three) years. The exercise estimated future revenues and expenditures of the forest estate and discounted them to the present day to produce a value of net discounted revenue for the balance sheet. In the years between full valuations, the annual accounts measured Forestry Enterprise's performance against standards on which the valuation was based.

REASONS FOR CHANGE

4. This method of valuation involves a number of fundamental assumptions such as expected volumes of timber, forest management and harvesting policies and, most importantly, long-term timber prices. Much of this information could be derived only from the Forestry Commission and was not therefore subject to independent corroboration. The inherent subjectivity of this approach was recognised by my opinion in recent years that the accounts presented a true and fair view only under the principles embodied in the Forestry Enterprise's accounting policies. A change to more conventional accounting methods was needed before I could give an audit opinion in accordance with recognised standards.

5. While expectation value remains an acceptable method of valuing relatively young plantations, the validity of the underlying assumptions comes into increasingly sharp focus as timber approaches maturity. The Commission's forest estate, much of which was established following the Second World War, is now nearer to this stage. Coincidentally, there has been a recession in world timber prices which has resulted in prices achieved in recent years being substantially lower than the long-term averages on which expectation value was based. The disparity between balance sheet and market values has been recorded in the Foreword to the Forestry Enterprise accounts every year since 1985. Such a situation could be tolerated while the difference was relatively small but the continuing recession has caused the disparity to widen to an unacceptable level. In addition, a valuation based on market prices is more relevant than an expectation value at this stage of development of the forest estate. In these circumstances a change to an open market basis of accounting was advisable.

OPEN MARKET VALUE

6. The inclusion of assets in the accounts of businesses by reference to their open market value is a recognised accounting policy. The Commission's methodology for assessing this value and the effect on the accounts of the change in the basis of valuation is explained in Note 1 to the accounts. A plantations valuation of £1,700.0 million, the Chief Land Agent's estimate for the purpose of last year's Foreword, was used as the opening value in the balance sheet. The application of the new valuation methodology, which is based on guidance issued by the Royal Institute of Chartered Surveyors, and in-year changes in the size of the estate resulted in a further reduction in plantations value to £1,413.0 million at 31 March 1993.

John Bourn
Comptroller and Auditor General

23 December 1993
National Audit Office

APPENDICES

APPENDICES

	<i>Page</i>
I Statutory and other Committees appointed by the Forestry Commission	
National Committees	80
Regional Advisory Committees	80
Home Grown Timber Advisory Committee	81
Technical Sub-Committee of the Home Grown Timber Advisory Committee	81
Supply and Demand Sub-Committee of the Home Grown Timber Advisory Committee	81
Environment Sub-Committee of the Home Grown Timber Advisory Committee	81
Advisory Committee on Forest Research	82
Forestry Research Coordination Committee	82
Forestry and Arboricultural Safety and Training Council	82
II Home Grown Timber Advisory Committee: Annual Report for the year ended 31 March 1993	83
III Forestry and Arboricultural Safety and Training Council: Annual Report for the year ended 31 March 1993	85
IV Government's Conclusions on the Report of the Illingworth Working Party on Grazing in the New Forest, 24 September 1992	86
V The Future Development of Forestry in Wales: Announcement made by the Minister of State for Wales on 3 March 1993	87
VI Forestry Review Group: Announcement made by the Secretary of State for Scotland on 30 March 1993	88
VII Extract from the Comptroller and Auditor General's Report, "Forestry Commission: Timber Harvesting and Marketing", 5 March 1993	89
VIII Summary of Points made in the Government's Response of 15 June 1993 to the House of Commons Environment Committee Report on Forestry and the Environment	92
IX New Publications	94
X Statistical Tables	95
<i>The Forestry Authority</i>	
1 Forestry Commission Grant Schemes	95
2 Area of Planting by Private Woodland Owners for which Grants were paid	96
3 Progress of Planting by Private Woodland Owners in Last Ten Years	97
<i>Forest Enterprise</i>	
4 Land Use	98
5 Land Acquired	98
6 Freehold Interests Acquired	98
7 Land Disposed of	99
8 Planting	99
9 Progress of Planting in Last Ten Years	100
10 Areas of Plantations and Volumes of Timber Felled and Thinned	100
11 Sales of Timber	101
12 Public Recreational Facilities	101
13 Land Use, Planting and Timber Production by Forest Districts – England	102
14 Land Use, Planting and Timber Production by Forest Districts – Wales	103
15 Land Use, Planting and Timber Production by Forest Districts – Scotland	104
XI Management Structure of the Forestry Commission	105
XII Map of Forestry Authority National and Conservancy Boundaries at 31 March 1993	106
XIII Map of Forest Enterprise Regional and Forest District Boundaries at 31 March 1993	107

APPENDIX I

Statutory and Other Committees Appointed by the Forestry Commission: Membership at 31 March 1993

National Committees

ENGLAND

Mr I.D. Coutts (*Chairman*), Mr R.T. Bradley, Professor G.R. Dickson, Mr R.B. Grove-White, Mr T. Mallinson, Mr C. Stratton, Mrs R. Thomas. *Secretary to the Committee*: Miss M. O'Hare. The Committee had no meetings during the year.

SCOTLAND

Sir Michael Strang Steel (*Chairman*), Dr Jean Balfour, Mr R.T. Bradley, Mr F. Critchley, Mr G.H. Laird, Mr H.A. Waterson. *Secretary to the Committee*: Mr T. Lees. The Committee had no meetings during the year.

WALES

Mr C.R. Woosnam (*Chairman*), Mr R.T. Bradley, Mr M.A. McLaggan, Mr D.M. Hughes. *Secretary to the Committee*: Mr P.D. Finch. The Committee had no meetings during the year.

Regional Advisory Committees

ENGLAND

Northumberland & Durham, Cumbria & Lancashire and Greater Yorkshire Conservancies

Professor G.R. Dickson (*Chairman*), Mr R.J.S. Addison, Mr I. Brodie, Mr R.N. Cartwright, Mr J.A. Derham, Mr T.R. Fetherstonhaugh, Mr N.C. Forbes Adam, Lady Elizabeth Kirk, Mr A.A. Macdonald, Mr D. Stewart, Mr J.T. Todd, Mr P. Veitch. *Secretary to the Committee*: Mr B.P. Easton. The Committee met in May and October 1992 and January 1993.

East Midlands, East Anglia, Thames & Chilterns, Hampshire & West Downs and Kent & East Sussex Conservancies

Mr C. Stratton (*Chairman*), Mr D. Baker, Mr N.A. Braden, Mr J. Broatch, Mr D.M. Clark, Mr T.R. Cook, Mr N.G. Halsey, Mr A.R. Pelly, Mr A. Prater, Dr C. Watkins, Mr D. Whicher, Mr L. Woodham. *Secretary to the Committee*: Mr B.P. Easton. The Committee met in July 1992 and February 1993.

West Midlands, Wye & Avon and The West Country Conservancies

Mrs Rachel Thomas (*Chairman*), Mr N.D. Anderson, Mr N. Atkinson, Lord Courtenay, Mr A. Darby, Mr C.A. Eade, Mr A. Fooks, Mr R. Jarman, Mr A. Lawson, Mr J.T. Perry, Mr G.E. Smith, Mr J.H.B. Workman. *Secretary to the Committee*: Mr B.P. Easton. The Committee met in October 1992 and March 1993.

SCOTLAND

Highland and Grampian Conservancies

Mr F. Critchley (*Chairman*), Mr B.E. Crabtree, Lord Cromartie, Mr R. Dennis, Mrs J. Durham, Mr A.D.M. Farquharson, Professor C.H. Gimingham, Councillor F.R.M. Keith, Mr A.N.G. Laing, Mr M.F.B. Leslie, Professor H.G. Miller, Mr M. Pottinger. *Secretary to the Committee*: Mr W.J. Anderson. The Committee met in May and October 1992.

Strathclyde and Perth Conservancies

Dr Jean Balfour (*Chairman*), Councillor J.F.G. Anderson, Mr A.W. Barbour, Mr P.M. Fairweather, Mr J.A. Fell, Mr J. Hodgson, Dr P.S. Maitland, Ms W. Mattingley, Mr J. McNaughton, Mr P.S. Murray, Mr D. Ross, Mr P. Wormell. *Secretary to the Committee*: Mr W.J. Anderson. The Committee met in May and October 1992.

Dumfries & Galloway and Lothian & Borders Conservancies

Mr H.A. Waterson (*Chairman*), Mr D.B. Crawford, Mr J.F.S. Gourlay, Mr L. Griffiths, Ms J. Harden, Mr D.I. Liddell-Grainger, Mr D.W. Minns, Captain J.W.N. Mitchell, Mr T.S. Smith, Mr A. Sommerville, Councillor A.L. Tulley, Mr H. Wilson. *Secretary to the Committee*: Mr W.J. Anderson. The Committee met in June and October 1992.

WALES

North Wales, Mid Wales and South Wales Conservancies

Mr M.A. McLaggan (*Chairman*), Mrs S.A.G. Ballance, Mr J.W. Donovan, Dr G.K. Elliott, Mrs D. Garnons-Williams, Mr J.R. Lloyd Jones, Mr M.J. Morgan, Mr S.K. Neale, Colonel P.C. Ormrod, Mr M. Oxnard, Mr G. Roberts, Mr J. Robinson. *Secretary to the Committee*: Mr P.D. Finch. The Committee met in October 1992 and March 1993.

Home Grown Timber Advisory Committee

Mr J.D.W. Janes (*Chairman*)
Mr A.F. Bloomfield
Mr W.S. Brack*
Dr J.D. Brazier
Mr A.J. Brownlie
The Hon James Bruce
Mr T.A. Bruce Jones
Mr A. Christie-Miller
Mr R.E. Duffield
Dr G.K. Elliott
Mr H.G. Fetherstonhaugh
Professor C.H. Gimingham*
Mr B. Leathwood*

Mr K. Lyden
Mr D.M. Macarthur
Dr J.S. Macdonald
Mr G.M. McRobbie*
Mr A. Penrose*
Dr C.D. Pigott*
Sir Mark Russell*
Mr J.W. Sutton
Mr J.T. Todd
Mr J.St.A. Warde
Mr G. Waugh
Mr P.H. Wilson

*Independent members

Secretary: Miss A. Currie

With the exception of the independent members the membership was drawn from nominations received from the following bodies: Timber Growers United Kingdom, British Timber Merchants' Association (England and Wales), United Kingdom Softwood Sawmillers' Association, Timber Trade Federation, United Kingdom Wood Processors' Association, Forestry Industry Committee of Great Britain, Timber Research and Development Association Ltd.

The Committee met in June, September and December 1992 and March 1993. The Annual Report of the Committee is at Appendix II.

Technical Sub-Committee of the Home Grown Timber Advisory Committee

Dr J.D. Brazier (*Chairman*)
Mr R.H. Adam
Mr R.M. Fitter
Mr J.A. Kissock
Mr M.D. Oxnard
Mr A. East
Mr G.B. Little
Dr D.C. Wood
Professor W.B. Banks
Mr W.S. Brack

Silviculture
Softwood sawmilling/harvesting
Hardwood sawmilling/harvesting
Wood pulping
Wood panelboard manufacturing
Wood science
Health and safety

Secretary: Dr J. Webber

The Sub-Committee met in April and October 1992 and January 1993.

Supply and Demand Sub-Committee of the Home Grown Timber Advisory Committee

Mr J. Fletcher (*Chairman*)
Mr R.H. Adam
Mr W.A. Willis
Mr G. Waugh
Mr P.S. Murray
Mr A.F. Bloomfield
Mr P.T.G. Beadle
Mr P.J. Lambert
Mr D. Thompson

Timber Growers United Kingdom
British Timber Merchants' Association (England and Wales)
United Kingdom Softwood Sawmillers' Association
United Kingdom Wood Processors' Association
British Coal
Forest Enterprise

Secretary: Miss J. Sinclair

The Sub-Committee met in May and November 1992.

Environment Sub-Committee of the Home Grown Timber Advisory Committee

Sir Mark Russell (*Chairman*)
Mr C.J.S. Burd
Mr R.F. Callander
Mr J. Holt
Mr R. Leslie
Mr A. Mattingly
Mr G.M. McRobbie

Mr S.R. Pepper
Dr G.F. Peterken
Mr L.E. Taylor
Mr R.M. Turner
Mr A.R. Williams
Mr J.M.A. Yerburch

Secretary: Miss M. Burnside

The membership of this Sub-Committee is drawn from a balanced cross-section of persons representing forestry and environmental interests, under an independent Chairman. The Sub-Committee met in June, August, October and December 1992 and February 1993.

Advisory Committee on Forest Research

Dr J.P. Dempster (*Chairman*)
Professor E.C. Cocking
Professor R.M. Cormack
Dr M.P. Denne
Professor D. Henderson

Professor J.M. Hirst
Professor H.G. Miller
Dr W.E.S. Mutch
Dr M.B. Usher

Secretary: Mr T.C. Booth

The Committee met in May and November 1992.

Forestry Research Coordination Committee

Mr R.T. Bradley (*Chairman*)
Mr D.A. Burdekin
Dr T.W. Hegarty
Dr P.A. Costigan
Dr J.M. Dinwoodie
Mr P.J.W. Saunders
Dr S. Webster
Dr O.W. Heal
Dr M.W. Pienkowski
Professor H.G. Miller
Dr P. Mapelstone
Dr C. McCulloch
Dr K.M. Richards
Mr P.J. Wood

Forestry Commission

The Scottish Office Agriculture and Fisheries Department
Ministry of Agriculture, Fisheries and Food
Building Research Establishment

Department of the Environment

Natural Environment Research Council
Joint Nature Conservation Committee
Forestry Universities
Agricultural and Food Research Council
Economic and Social Research Council
Department of Trade and Industry
Overseas Development Administration

Secretary: Dr J. Evans

The Committee met in June, October and December 1992 and February 1993.

Forestry and Arboricultural Safety and Training Council

Mr J.G. Machin (*Chairman*)

Employer Members

Mr I. Millward
Mr M. Crichton Maitland
Mr W. MacLachlan
Mr J. Wade
Ms E. Ramsay

Association of Professional Foresters
Timber Growers United Kingdom
The Forestry Authority
Forest Enterprise

Employee Members

Mr J. Hodgson
Mr P. Kelly
Mr W. Brack

General Municipal and Boilermakers' Allied Union
National Union of Civil and Public Servants
Transport and General Workers' Union

Education and Training Members

Mr R. Shapland
Mr W.J. Hedley

Craft/Diploma Courses (Forestry) (England and Wales)
Craft/Diploma Courses (Forestry and Arboriculture)
(Scotland)
Craft/Diploma Courses (Arboriculture) (England and
Wales)
Degree Level Courses

Mr J. Kenyon

Dr A. Petty

Forestry Society etc. Members

Mr R.J. Evans
Mr E.H.M. Harris
Mr J. Brown
Mr G.B. Little
Mr P.R. Higginbotham
Mr M. Henderson
Mr T. Preston
Mr P. Collis

Institute of Chartered Foresters
Royal Forestry Society of England and Wales
Royal Scottish Forestry Society
British Timber Merchants' Association
United Kingdom Softwood Sawmillers' Association
United Kingdom Wood Processors' Association
Arboricultural Safety Council
Arboricultural Association

Technical Secretary: Mr T.E. Radford

The Council met in December 1992. The Annual Report of the Council is at Appendix III.

APPENDIX II

Home Grown Timber Advisory Committee

Annual Report for the Year Ended 31 March 1993

The Committee held four meetings during the year, in June, September and December 1992 and March 1993. Full details of the membership at 31 March 1993 are at Appendix I of the Forestry Commission Annual Report of which this report forms a part.

At its June meeting, the Committee discussed the potential problems arising from proposals made by certain local authorities in England and Wales that the forestry industry should be charged for any damage caused to rural roads by timber traffic. It was agreed that such proposals should be firmly resisted, as in the past, because forestry was a normal rural activity, like agriculture. The Forestry Commission subsequently made representations to Ministers on the subject, as a result of which the Department of Transport indicated that consideration would be given to the possibility of allocating additional funding to certain local authorities for the upkeep and improvement of rural roads, on the basis of the precedents set in Scotland. The Committee was disappointed to learn, however, that any such consideration would have to be postponed because of the current constraints on public expenditure.

Also in June, the Director General of the Forestry Commission advised the Committee that, following the Forestry Expansion Conference in March 1992, the Forestry Commission would be preparing a proposal for a National Forestry Strategy for consideration by Ministers. The Committee was pleased to note that there was to be consultation with both the industry and environmental interests. At subsequent meetings, the Committee expressed concern over the slow progress being made and endorsed a proposal that a firm timetable for the preparation of the strategy should be produced. The Forestry Commission reminded members that the concept of the strategy had still to be accepted by Government.

The Committee was also brought up to date on developments arising from the United Nations Conference on Environment and Development in Rio de Janeiro. It was pleased to note the agreement reached at the Conference on a Statement of Forest Principles and the Government's declared intention to prepare a National Forestry Plan to take these forward in the UK.

At the meeting in September, the Committee discussed the Forestry Commission's proposals to apply the Citizen's Charter concept to its administration of forestry grants. Representatives from the Committee were given the opportunity to discuss and comment on the contents, which included target times for key steps in processing Woodland Grant Scheme applications.

Also in September, the Forestry Commission informed the Committee that the House of Commons Environment Committee would be undertaking an inquiry into Forestry and the Environment. At a later date, HGTAC members received a copy of the written evidence presented jointly to the Environment Committee by the Forestry Commission, the Department of Environment and the Ministry of Agriculture, Fisheries and Food, on behalf of the Government. A number of the parent bodies of HGTAC members also submitted evidence to the Select Committee.

The HGTAC Committee was very much concerned that, under new legislation on the control of movement of waste, some local authorities were seeking to control the movement of sawmill by-products such as sawdust and woodchips. The Forestry Commission were asked to take this matter up with the Department of the Environment and to press for the issue of advice to local authorities on the interpretation of waste, which would exclude such by-products that were destined for further use or processing.

Speculation over the possible privatisation of the Commission's Forest Enterprise was another topic discussed by the HGTAC in September. Members expressed serious concern at the uncertainty and the potentially damaging effects on the forestry industry of such a change.

At the December meeting, the Committee was informed that the Forestry Commission had set up an internal Review Group to look into its advisory needs at all levels. Members subsequently provided comments on the role and effectiveness of the HGTAC for consideration by the Review Group, and accepted the Forestry Commission's proposal to invite members to extend their period of service for one year from 1 August 1993 in order to give sufficient time to consider and put into effect any recommendations by the Review Group affecting the composition of the HGTAC.

At the meeting in March, Mr Douglas Janes announced his intention to retire at the end of July 1993 after 14 years' service on the Committee, the last 12 as Chairman. The Forestry Commission announced that Sir Mark Russell would succeed Mr Janes as Chairman.

The Committee also considered a paper setting out the highlights of the work of the Forestry Commission's Research Division. Those included as being particularly active areas of interest were biodiversity, forest protection, nurseries, peat, pest control, use of chemicals and also windthrow. The Committee discussed various items in the paper and expressed its appreciation of the Research Division's work.

The Committee had regular discussions through the year on the proposed arrangements for plant health controls in the single European market. The Committee was informed at the December meeting that the EC had agreed the format and content of a plant passport, the obligations to be met by registered importers, producers and traders, and the list of organisms and products to be controlled when timber was imported or produced in the Community. The Committee was also informed that it would be necessary to defer the implementation of the new measures until 1 June 1993, because of delays in reaching agreement in the EC's Standing Committee on Plant Health.

The Committee was particularly anxious about the lack of progress in agreeing new control measures for the importation of coniferous timber from North America aimed at preventing the introduction of Pine Wood Nematode. It was therefore glad to learn at its December meeting that, despite pressures from Canada and the USA to postpone their implementation, safeguards to ensure that all timber landed in the Community from North America was heat treated in accordance with a specified time and temperature schedule would take effect when the single market controls were introduced on 1 June 1993. The Committee sought reassurance that this implementation date would be strictly adhered to in view of the potential plant health risks involved. The Committee supported the proposition that, in the meantime, the derogation granted to the United Kingdom and nine other Member States, enabling them to rely on the alternative of control at approved mills linked to a certification system, should be extended for a further six months to 1 June 1993 in order to give North American mills time to introduce the equipment needed to comply with the expected pasteurisation schedules.

The Technical Sub-Committee made regular reports to the main Committee throughout the year. The major themes of its work were the need for assured wood supplies, consistent quality, a flexible response to requirements and good market intelligence. Research needs were formulated to ensure that supplies of present and future crops met more closely the industries needs, and a forestry products research strategy with short to medium and long-term objectives was also proposed. Among other topics considered by the Technical Sub-Committee were the implications of harmonisation with Europe and the need for an educational programme; the plant health regulations required on the introduction of the single European market, including the effectiveness of the proposed plant passport system; and the controls to prevent the introduction of the Pine Wood Nematode.

The Supply and Demand Sub-Committee kept the main Committee well informed on wood supply and demand trends based on information supplied by consumers and grower's associations. Papers were presented to the HGTAC during the year on the supply and demand balance. In March 1993, the Supply and Demand Sub-Committee gave its customary annual report to the HGTAC. The report indicated that the depressed state of the market had continued into 1992 with most products experiencing lower volume demand than in 1991. This was a direct result of world economic conditions. British producers and sawmillers had been aggressive in trying to maintain market share and appeared to have succeeded through 1992. The Sub-Committee had been concerned by medium-term supply and demand, and market prospects. At its November meeting, the Sub-Committee discussed the marketing challenge facing the British forest industry and agreed that there was a need to review the collection and dissemination of Sub-Committee statistics.

The formation of the HGTAC's Environment Sub-Committee was announced in Parliament on 14 May 1992. The Sub-Committee was established to provide a new forum for informed and constructive consideration of the environmental aspects of forestry, and to assist the Forestry Commissioners to fulfil their statutory duty to balance the needs of productive forestry with those of the environment. In its first year, the Sub-Committee spent much of the time drawing up its agenda and establishing patterns of work and consultation. It also considered a number of broad issues relevant to the relationship between forestry and the environment.

The Committee is greatly indebted to the Sub-Committees for the high standard of advice they continue to provide, and would like, once more, to express its thanks for this valuable support.

APPENDIX III

Forestry and Arboricultural Safety and Training Council

Annual Report for the Year Ended 31 March 1993

The former Forestry Training Council and Forestry Safety Council held joint meetings on 1 April 1992 and 14 July 1992. As heralded in the previous report the two Councils merged during the period, holding the first meeting of the new body, the Forestry and Arboricultural Safety and Training Council, on 8 December 1992. The membership of the new Council is listed in Appendix I of the Forestry Commission Annual Report of which this report forms a part. The Management Committee met on 14 January 1993 and the Health and Safety Sub-Committee on 19 February 1993. The Vocational Qualifications Steering Group and the Grant Awards Committee also met several times during the year.

The Register of Instructors continues to provide the forest industry with a reference source to locate Instructors and Assessors recognised by the Council and its awarding body partners. The Register will require revision to incorporate the same information for arboriculture and expansion to form a manual of safety and training for the private sector of both industries.

The number of competence certificates in chain saw operation issued is now over 7,000. Work with the National Proficiency Tests Council, the Scottish Skills Testing Service and the Health and Safety Executive continues to implement similar competence standards in arboricultural chain saw use. The steadily increasing number of competent operators can only lead to more efficient and safer working practices throughout forestry and arboriculture.

The work to develop standards for vocational qualifications in both forestry and arboriculture continues. Despite some setbacks, the Occupational Mapping and Functional Analysis has enabled the Steering Group to define and provisionally agree competences required from Level 1 (Foundation) to Level 4 (Technical Manager). The Council continues to work with consortia of land based sector industries to identify the generic standards which are transferable across adjacent sectors of employment. A major part of the Council's future work will be to pilot the higher level standards, seek awarding body recognition for these standards, and gain full accreditation from the National Council for Vocational Qualifications and the Scottish Vocational Educational Council.

The Health and Safety Sub-Committee has taken on the task of revising and developing Safety Guides for both arboriculture and forestry. A section in the revised Register of Instructors will be devoted to safety practice in order to ensure that the Safety Guides are circulated and their recommendations implemented as widely as possible. The Committee is also working with the Commission's Technical Development Branch to facilitate the implementation of EC Directives on Health and Safety.

The Council continued to be represented on the Scottish Vocational Education Council, the Arboricultural Safety Council, the National Examinations Board, the Scottish School of Forestry Advisory Committee and the Newton Rigg Forestry Department Governing Body. Close liaison with a number of other bodies with an interest in forestry and arboriculture safety and training matters continues to be maintained. The Council appreciates the help and co-operation received from these bodies and many interested individuals all of whom have greatly assisted the Council in its work.

Signed for the Forestry and Arboricultural Safety and Training Council.

J.G. Machin, *Chairman*
T.E. Radford, *Technical Secretary*

APPENDIX IV

Government's Conclusions on the Report of the Illingworth Working Party on Grazing in the New Forest

Letter from the Rt. Hon. John Gummer MP, Minister of Agriculture, Fisheries and Food

Raymond Johnstone Esq CBE
Chairman
Forestry Commission
231 Corstorphine Road
Edinburgh
EH12 7AT

24 September 1992

I am writing to give you the Government's response to the report of the Working Party set up by the Forestry Commissioners in 1990 to consider and make recommendations on grazing in the New Forest.

This small Working Party of three – comprising the Commission's Chief Land Agent, Richard Illingworth, and experts from the Ministry of Agriculture, Fisheries and Food and the Department of the Environment – arose from the wider review of the aims and effectiveness of the measures for safeguarding the New Forest, the conclusions on which were published by the Commissioners in March 1990 under the title of *The Future for the New Forest*. This incorporated a letter from me commenting on those aspects of concern to central Government, including the grazing issue. In that letter I confirmed the Government's acceptance of the importance of the continued grazing of the Open Forest heaths and grassland in maintaining the character of the New Forest. I acknowledged, however, that commoning as a way of life in the Forest was on the decline and endorsed the Commissioners' proposal that more detailed consideration should be given to this issue.

I appreciate the considerable efforts which have gone into the preparation of the resultant report and the consultation and discussion with interested parties which the Working Party undertook. I think it would be helpful to record that the report was circulated widely within the New Forest and comments invited from all the organisations and individuals consulted during its preparation. Copies were also made available for public inspection in local libraries. Representations about the Report were received from some 30 bodies and individuals, as listed in Annex 2.

I have now had an opportunity to consider the Working Party's report with colleagues in the Environment and Transport Departments, and our detailed conclusions are set out in Annex 1 to this letter against each of the recommendations. These take account of the comments received from consultees, which we are pleased to note were generally favourable.

Underlying the Working Party's recommendations is its endorsement of the widely-held view that the major element in ensuring the survival of the New Forest will be the maintenance of its special character. It concluded:

- a. that the continued grazing of the New Forest is vitally important to this character;
- b. that the desirable number of grazing animals must be arrived at as a consensus of the various interests involved;
- c. that the commoners' ponies and cattle are by far the most practical and cost-effective means of providing this grazing; and
- d. that whilst there is no evidence of a sustained decline in commoning at the present time, the continued grazing of the New Forest will be put at serious risk if its problems are not addressed now.

We accept these general conclusions which it is clear the Working Party have closely followed in framing their recommendations. The Working Party's proposals amount to a balanced package of measures most of which we are happy to endorse. Their implementation will depend upon appropriate initiatives being taken – either individually or in co-operation, and within existing resources, by the various bodies making up the present New Forest Committee. The Committee will thus have an important part to play in helping to take the measures forward, particularly in agreeing priorities where complementary actions are required or where choices have to be made because of funding constraints. This must be viewed in the context of our commitment to accord a statutory status to the Committee to reflect its strategic role in co-ordinating the management of the wider New Forest Heritage Area. The Government's proposals on this have been set out in a consultation paper which has also been published today.

We are grateful to the Forestry Commission for setting up the grazing Working Party which has prepared such a comprehensive report on a complex and difficult issue, and we should again like to express our thanks to those involved. Their report has offered a sound basis for conserving the special character of the New Forest which so crucially depends upon the maintenance of the traditional commoning pattern. Introduction of the measures we have agreed – coupled with the complementary measures we have proposed in our consultation paper on the future status of the New Forest – should go a long way to ensure that the unique features of the Forest are secured for future generations.

Note: Annexes 1 and 2 are not reproduced here. They can be found in the Forestry Commission's free booklet *Grazing in the New Forest: Government response to the report of the Illingworth Working Party*.

APPENDIX V

The Future Development of Forestry in Wales

Announcement made by the Minister of State for Wales on 3 March 1993

The Rt. Hon. Sir Wyn Roberts MP, Minister of State for Wales, made the following announcement in a Written Answer to a Parliamentary Question about promoting the future development of forestry in Wales.

“The forests and woodlands in Wales, and the industries they support, play a valuable role in maintaining rural communities. More than 4,700 people work in the forests, in the downstream industries and in the haulage of timber. Many hundreds more earn a living from associated services and tourism. Forests also make their contribution to a better environment and provide opportunities for countryside leisure and recreation.

I want to ensure that we manage our forests and woodlands well, that we find the most suitable locations to expand the forest area, and that we look at ways of adding value to our home-grown forest products.

I have therefore decided to set up a group of experts to examine these issues and to promote the future development of forestry in Wales. The group will bring together forestry, farming, environmental and development interests, under the chairmanship of the Forestry Commission’s Chief Conservator for Wales. The terms of reference for the group – and a list of its members – have been placed in the Library of the House. The group will begin work shortly and I have asked it to report to me on its conclusions and recommendations by the spring of next year.”

APPENDIX VI

Forestry Review Group

Announcement made by the Secretary of State for Scotland on 30 March 1993

The Rt. Hon. Ian Lang MP, Secretary of State for Scotland, made the following announcement in a Written Answer to a Parliamentary Question about the review of incentives for forestry.

“I and my fellow Ministers are keen to improve the effectiveness of the delivery of the Government’s forestry policy objectives in line with my statement on forestry in September 1991. We gave a commitment in the manifesto to review the effectiveness of the current incentives for forestry investment, and this will be completed by the end of the year.

We have established a small group of officials, with representatives from the Treasury, Ministry of Agriculture, Fisheries and Food, Welsh Office, Department of the Environment and the Forestry Commission, under Scottish Office chairmanship, to review the effectiveness of the current incentives for forestry investment, to review options for the ownership and management of Forestry Commission woodlands and to make proposals for changes which would improve the effectiveness of the delivery of the Government’s forestry policy objectives, having regard to the Government’s other economic and environmental policies.”

APPENDIX VII

Extract from the Comptroller and Auditor General's Report, "Forestry Commission: Timber Harvesting and Marketing", 5 March 1993*

"Summary and Conclusions

1. The Forestry Commission are a Government department responsible for forestry throughout Great Britain. They report to Forestry Ministers and are responsible for promoting the interests of forestry, establishing and maintaining adequate reserves of growing timber, and producing timber; and for achieving a balance between the needs of forestry and the environment. Although the Commission's forest operations are small compared with major overseas timber producers they are the largest UK timber producer and manage 900,000 hectares of forest estate with an expected value of £2.8 billion. In 1991-92 the cost of harvesting and marketing timber was £46 million and the Commission's timber sales yielded income of £73 million. Production is expected to double to 7 million cubic metres of timber by the year 2010.
2. The Commission's forests and forestry estate supply timber to the wood using industries, provide opportunities for recreation, enhance nature conservation and the forest environment and contribute to the conservation of Britain's woodland heritage. In planning the harvesting of timber the Commission take account of Ministerial statements made in 1988 on the benefits of restructuring uniform aged forests. They also seek a balanced approach to attaining their wider objectives while optimising the financial return from the production of timber. The Commission draw together information from across their operations on tree growth, prices, timber stocks, market needs, financial targets, landscaping and conservation considerations to provide a production plan of the areas of forest to be felled and a forecast of how much timber this will produce for the market. This plan is translated at local forest level into a production programme detailing which forest areas are to be cut down. Finally, trees are felled and the timber is sold.
3. Against this background the National Audit Office examined how the Commission determine the level of timber to harvest; whether they have identified the most economic and efficient methods of harvesting and how successfully the methods are applied and how they identify markets for, and sell, their timber products. The National Audit Office employed Jaakko Pöyry – a firm of Finnish-based international forestry consultants – to provide advice on forestry matters. In view of the international nature of the forestry industry and the Forestry Commission's unique position within the United Kingdom, the National Audit Office drew on published information on Canadian forests and also visited forestry organisations overseas; ie the Irish Forestry Board (Coillte Teoranta), the Swedish Board of Forestry, Domänverket (Swedish Forest Enterprise), Stora (Sweden and Europe's largest commercial forestry organisation), and Uppsala Stift (a Swedish municipal forest authority). **The main findings and conclusions are presented in the following paragraphs.**

Planning Timber Production

4. Most of the Commission's forests were planted in the last 50 years and have not yet reached maturity. The Commission have developed a production planning system which combines information on the crop growth, timber prices and growing stock levels, in order to forecast the volume and source of timber available for harvesting. The Commission's production plan consists of a 20-year forecast of timber production and forest areas which are to be felled.
5. The Commission assess the age at which the theoretical maximum economic return will be achieved for different trees using a yield modelling methodology which is recognised within the forest industry. Yield models are designed to enable the Commission to forecast yield on sites that have not previously carried trees, and are constructed from information collected from permanent sample plots. Although the Commission have reviewed their modelling data gathered from the sample plots since the 1960s for changes in trends, they have not found it necessary to review the existing models. In 1989 the Commission began to develop a new methodology for calculating and validating models. Yield models are now being revised and will incorporate all the data collected since the last major revision.
6. Details of the Commission's growing stock are held in a forest inventory. This was originally established to support their production planning system and has evolved into a wider management information system. The inventory currently contains information to assess the volume of timber expected from the growing stock but some overseas forestry organisations hold more detailed information in their inventory. This is partly due to the different approaches to forest planning but the Commission accept the case for considering cost-effective additions to their inventory to improve the operation of their planning system.
7. Production plans are refined by forest managers to reflect the local effect of wind damage, environmental considerations and differences between actual and recorded stock levels. The Commission consider that it is not possible to manage forests in accordance with multi-purpose objectives and achieve the theoretical maximum economic return on timber production. They produce general guidance on adjustments to be made to refine plans and have also issued instructions on environmental requirements and the consequent costs managers might incur. Because of the difficulty of identifying non-financial benefits they rely on management judgement to provide assurance that forests are being managed economically and efficiently.

*Comptroller and Auditor General's Report on *Forestry Commission: Timber Harvesting and Marketing*: HC526 (1992-93), HMSO, £8.15 net.

8. **The National Audit Office found that monitoring arrangements did not always provide cost analysis or other evidence to support local decisions. A National Audit Office analysis of 2,300 forest areas revealed that as a result of such changes by local management 49 per cent of trees were being felled on average more than five years before or after their age of theoretical maximum economic return. As the Commission had not calculated the consequent overall effect of environmental and other factors on their revenue, the National Audit Office made an assessment which indicated that decisions to alter production plans could represent £5.6 million a year in notional income foregone, or 8 per cent of the value of timber harvested.**
9. **By continuing to refine their yield models and considering additions to their inventory of growing stocks the Commission could improve their production plans. They also need a better basis for monitoring local decisions which alter production plans to judge whether the benefits are commensurate with the level of income foregone.**

Timber Harvesting

10. **Circumstances can change after production plans are completed due to market conditions, wind damage, and the need to deal with differences between estimated production from forest areas and the volume and mix of timber actually available. A National Audit Office comparison of 1991-92 district production programmes against the latest production plans showed that, on average, 50 per cent of the timber intended for harvesting in local programmes was to be obtained from forest areas not scheduled for harvesting in the first five years of the Commission's plans. Although the Commission expected circumstances to change, they have not been consistently monitoring or analysing variations between plans and local programmes. The National Audit Office found it was not possible to identify the full extent of variations between production plans and actual production but they compared the ages of trees planned to produce timber during 1990-91 with the ages of trees actually harvested. This showed that, on average, the trees felled were three to five years younger than those planned to be harvested. This could have represented income foregone of £5.2 million in that year in addition to the income foregone at the planning stage.**
11. **A Commission analysis of estimated and actual output in a selection of forest areas concluded that actual output was within 10 per cent of the volume expected. But this was an average which masked variations of 40 per cent between expected and actual output in many individual forest areas. The National Audit Office consider that, without a formal system to monitor variations which occur between sources and volume of timber harvested and those planned, the Commission do not have an adequate basis to determine the reasons for and benefits derived from the changes in planned production and to achieve the optimum balance between wood production and their other objectives.**
12. **Since 1980 the Commission have reduced the unit cost of timber harvesting by 42 per cent in a period when timber production doubled. This has been achieved through the development of improved working systems, increased use of contractors and the introduction of more advanced mechanised harvesting. The Commission have been particularly innovative in adapting Scandinavian equipment to meet British conditions and modifying standard construction equipment as a less costly alternative to specialist machinery.**

Marketing and Sales Methods

13. **The Commission have a statutory responsibility to develop the wood processing industry and during the 1970s and 1980s they were involved in studies to identify the type of wood processing best suited to timber produced in Britain and how wood processing industries might be attracted to this country. The Commission have identified the need to provide a secure supply of wood to that industry and consequently their marketing strategy is based on a general commitment that the volume of timber in the production forecast will be offered to the market at prevailing prices. Unlike some overseas forest organisations, the Commission are not directly involved in the wood processing industry but, by negotiating long-term contracts for supply, the Commission have successfully encouraged the timber processing industry to develop to match increased Commission and private sector production. The marketing strategy has therefore been successful and, despite two major recessions in the last 20 years, they have produced and sold the volume of timber forecast. The development of export markets in the early 1980s and the attraction of £1 billion of new investments in wood processing during that period were notable successes.**
14. **The Commission sell their timber by auction, competitive tender and negotiation. Timber is offered to the market as standing trees (to be harvested by the customer), or as logs felled and cut by the Commission for roadside collection. Over the last 10 years the Commission have achieved the best profits from standing sales and have set an objective to increase the proportion of timber sold in this way.**
15. **The Commission's volume based market strategy has encouraged the industry to develop. However, as timber prices fluctuate there can be difficulty in pursuing specific targets for financial return. While their market strategy has been flexible in response to significant changes in market conditions during the past decade it is equally important to consider how future plans to increase production will be responsive to changes in trading conditions. Early completion of the market audit would be a first step in this process. The Commission should also continue to monitor the relative advantage of different methods of sale and consider developing a more stable relationship between expected production and forward sales through longer-term contracts.**

Effects on the Forest Asset

16. **The Commission face a major challenge in reconciling the demands of financial and non-financial objectives. Managing and harvesting their forests and marketing timber provide considerable national benefits, but they are difficult to quantify. The Commission are required to achieve a 3 per cent rate of return on the 50-60 year life cycle of the timber crop. They show the extent to which they expect to meet the target through triennial revaluations of their forests. Because of the difficulties inherent in recording all costs associated with individual forest areas over the life of the crops, the Commission regard it as impracticable to evaluate the rate of return actually achieved in forest areas which have been harvested.**

17. Although operational targets are being achieved, local level changes, which the Commission consider reflect their wider objectives, have led to timber being produced by felling trees before and after their age of economic maturity and from areas outside their harvesting plans. The Commission's strategic planning system is not intended to provide an exact forecast of available timber in individual forest areas and does not therefore provide a sufficiently reliable picture of timber volume for operational planning. The Commission nevertheless agreed that there was a need to improve the relationship between plans and actual production. **It is important that these factors are controlled more closely to ensure that the longer-term management of the Commission's forest assets achieves the right balance between its economic and environmental potential. The Commission accept that monitoring and control of the source and volume of timber harvested should be improved to take full account of the longer-term interests of the forest asset and to demonstrate whether it is being maintained at its required level.**
18. **The Commission's marketing strategy has led to a commitment to provide forecast volumes of timber to the market, which they have met. The National Audit Office consider that improvements to the system of production forecasting are necessary to reduce the level of variation between the strategic forecast of production and the timber actually harvested. Attention to this will ensure that the potential for timber income, in so far as it is consistent with other objectives, will be optimised and the Commission can then demonstrate that the forest asset is managed to its full economic and environmental potential.**

General Conclusion

19. **The Commission's harvesting and marketing activities make a major contribution to the achievement of their overall forestry and other objectives. They have achieved significant economies over recent years in the cost of producing timber. But in the longer-term interest of the forest asset, attention must be given to reducing the disparity between timber production plans and the sources of timber actually harvested. Planned increases in timber production could accentuate this problem. The Commission therefore need to address these questions while they increase output from the forests as they intend over the next decade."**

APPENDIX VIII

Summary of Points made in the Government's Response of 15 June 1993* to the House of Commons Environment Committee Report on Forestry and the Environment

Note: This summary comprises a selection of the points made in the Government's response.

Forestry policy

The Government restated its commitment to publish, by the end of 1993, a national plan for the implementation of the Statement of Forest Principles agreed at the United Nations Conference on Environment and Development (UNCED) in Rio de Janeiro in June 1992. The Forestry Commission was co-ordinating the preparation of this plan, which would set out the arrangements for implementing forestry policy, including the delivery of multiple objectives in forests throughout the United Kingdom. The Government undertook to consider whether there was a need for a separate national forestry strategy as well as the national plan, but stated its view that there would be little merit in having separate forestry policies for England, Wales, Scotland and Northern Ireland as recommended by the Committee.

The Government did not accept the Committee's conclusions that multi-purpose forestry was being implemented only through the community and national forest programmes. The Government stated that its policy was that the principle of multi-purpose forestry should extend across all forests and woodlands, and that there were numerous examples of well-established, mature multi-purpose forests throughout Britain.

Ministerial responsibilities

In response to the Committee's recommendation that responsibility for forestry policy in England should come under a single Minister, the Government confirmed that the Minister of Agriculture, Fisheries and Food already fulfilled this role. The Government took note of the Committee's recommendation that consideration should be given to the creation of a combined Ministry for environment, agriculture and rural affairs but took the view that the existing arrangements were effective and efficient.

Forestry planning

The Government welcomed the Committee's support for indicative forestry strategies and noted that it had issued guidance on their preparation. The Government agreed that the Forestry Authority should be involved in the preparation of all such strategies, whether initiated by local authorities or National Park authorities. The Committee did not favour bringing forestry within the planning system, and the Government confirmed its view that the extension of planning controls to cover forestry was both unnecessary and undesirable.

Ancient semi-natural woodlands

The Committee recommended strengthening the protection of ancient semi-natural woodlands to avoid their damage or removal as a result of housing, road and related developments. In its response, the Government noted that adequate measures were already in place to protect such woodlands and to ensure that any proposal for development which impinged on them was given very careful consideration.

Planting in the English uplands

The Government agreed with the Committee's view that there was a case for the continued planting of trees in the upland areas of England. The Government welcomed the Committee's support for the planting of native woodlands in the uplands and noted that this was being promoted by the Forestry Commission, which was discussing with the National Parks Authorities an agreement to conserve and expand the area of native woodlands in the Parks.

Environmental safeguards

The Government welcomed the Committee's support for the Forestry Commission's environmental guidelines and noted that all plans approved under the Woodland Grant Scheme have to comply with these guidelines.

Consultation arrangements

The Government welcomed the Committee's recommendation that the existing consultation arrangements on forestry proposals should be reviewed and confirmed that the Forestry Commission would carry out the review.

Forestry Commission Regional Advisory Committees

The Government was pleased to note the Committee's support for the measures it had taken to achieve a balance of timber, environmental and recreational interests on the Regional Advisory Committees. The Government said that it would consider whether the conciliation process should be more open.

* The Government's Response to the First Report from the House of Commons Select Committee on the Environment, Cm 2259, HMSO, £3.55 net

Hardwood marketing

The Committee laid emphasis on the need to stimulate the British hardwood industry. The Government agreed that this merited urgent attention and noted that the Commission had published a new Handbook *Growing Broadleaves for the Market*, was organising a conference on the marketing of small-dimension hardwoods from British forests, and would seek to stimulate and encourage the timber-processing industries in opportunities for using British-grown hardwood timber. The Government also noted that the Commission provided advice on timber marketing and would be considering the possibility of supporting co-operatives and other methods of stimulating more efficient marketing.

Neglected and derelict woodlands

In response to the Committee's concern about the problems of existing neglected and derelict woodlands, the Government noted the action that the Forestry Commission was taking to bring such woodlands into positive management through the Woodland Grant Scheme, and confirmed that the Commission would be studying the extent of such woodlands and making recommendations on any additional action required.

Forests for the community

The Government was pleased to note the Committee's endorsement of the value of its community forestry initiative and confirmed its continued support for the many community woodland projects being developed throughout Britain. The Government noted that the community woodland supplement under the Woodland Grant Scheme had met with an excellent response.

Sustainable forestry

The Government emphasised that a key aim of its forestry policy was that woodlands and forests should be managed in a sustainable way. The Government accepted that the adoption of sustainable management should consider all of the costs and returns to forestry, including the environmental benefits, and agreed with the Committee's recommendation that the costs and benefits of a low-input approach to forest management should be explored in depth. It confirmed that the Forestry Commission would initiate further research, and promote the adoption of management practices appropriate to specific circumstances.

Access arrangements

The Committee were concerned at the low number of access arrangements entered into by local authorities for woodlands sold by the Commission. The Government's response noted that the Commission would be undertaking a review of the operation of the access arrangements later in 1993, when the arrangements would have been in operation for two years.

Forestry incentives

In responding to the Committee's many recommendations for improving forestry incentives, the Government noted the setting up of an interdepartmental Forestry Review Group which would be looking, *inter alia*, at the effectiveness of the current incentives for forestry investment. (Further information on this review is given in paragraph 12 and Appendix VI to this report.)

Delivery of forestry grants and advice

The Committee recommended that the Government should review the range of forestry grant schemes, and the bodies which deliver them, with a view to simplification. The Government noted that the bulk of the support for forestry was delivered through the Woodland Grant Scheme, but acknowledged the Committee's concerns and announced that the Forestry Commission would be considering these issues in order to clarify and, where appropriate, simplify the position. The aim would be to ensure that there was no duplication of effort and that anyone with an interest in forestry knew clearly where to go for advice and assistance.

The Forestry Commission

The Government did not accept the Committee's suggestion that the Forestry Commission's Forest Enterprise was dominated by commercial forestry, and confirmed that the Commission's forest management policy was based on the multiple-use of its forests. The Government noted the Commission's commitment to multi-purpose forests, which went back to the creation of the first of its national Forest Parks in the 1930s, and that the Commission's forests were today widely regarded as an important recreational and environmental resource.

The Committee recommended that Forest Enterprise should take a more active, direct role in the community forestry and national forest initiatives. The Government accepted that there might be scope for this and confirmed that Forest Enterprise intended to devote a greater proportion of its resources to these initiatives in future.

APPENDIX IX

New Publications

The following titles were published during the year ended 31 March 1993.

Reports

72nd Annual Report and Accounts of the Forestry Commission 1991-92 (£13.80)

Bulletins

- No. 83 Seed Manual for Forest Trees (£10.95)
- No. 103 Super Sitka for the 90s (£7.95)
- No. 105 Roe Deer Biology and Management (£5.50)
- No. 106 Woodland Management for Pheasants (£3.75)
- No. 107 A Manual of Good Practice for the Use of Sewage Sludge in Forestry (£5.30)
- No. 108 Monitoring Vegetation Changes in the Conservation Management of Forests (£3.50)

Guidelines

- Lowland Landscape Design Guidelines (£9.95)
- Forest Recreation Guidelines (£7.00)

Handbooks

- No. 8 Establishing Farm Woodlands (£6.75)
- No. 9 Growing Broadleaves for Timber (£13.50)

Forest Visitor Information

The following leaflets, etc were produced at various prices:

- Guidebooks (Argyll Forest Park, Westonbirt Arboretum)
- Guidemaps (Tay Forest Park, Afan Forest Park, Forest of Ae, Carrick Forest, Craik Forest, Forest of Sherwood, Forests of the Great Glen, Forests of Caithness and Sutherland, Hamsterley Forest, Forests of the Tweed Valley)
- Forest Cycling Leaflets (Various)
- “What’s On” Leaflets (Various)

Miscellaneous

The following free publications were produced:

- Forestry Facts and Figures 1991-92
- Forestry Review 1991-92
- Forest Enterprise Corporate Agenda
- Forestry Commission Recruitment Brochure
- Forest Life No. 8
- Forest Life No. 9
- People and Places Directory
- Research Advisory Service Leaflet
- Entomology Branch Leaflet
- Forest Products Branch Leaflet
- Mensuration Branch Leaflet
- Pathology Branch Leaflet
- Plant Production Branch Leaflet
- Tree Improvement Branch Leaflet
- Wildlife and Conservation Branch Leaflet

APPENDIX X

Statistical Tables

The Forestry Authority

FORESTRY COMMISSION GRANT SCHEMES POSITION AT 31 MARCH 1993

Table 1

Area in hectares

	England		Wales		Scotland		Great Britain	
	Num-ber	Area	Num-ber	Area	Num-ber	Area	Num-ber	Area
Basis I and II Dedication Schemes	1,165	87,691	324	16,818	539	111,763	2,028	216,272
Basis III Dedication Schemes	169	8,515	73	4,807	270	44,710	512	58,032
Forestry Grant Schemes	9	210	22	178	123	7,720	154	8,108
Broadleaved Woodland Grant Schemes	39	562	43	196	3	205	85	963
Woodland Grant Schemes	12,552	210,530	1,631	19,635	4,709	186,824	18,892	416,989
Woodland Grant Schemes associated with FWS*	1,615	9,654	59	424	397	3,831	2,071	13,909
Woodland Grant Schemes associated with FWPS**	852	3,395	57	342	341	3,979	1,250	7,716
Total	16,401	320,557	2,209	42,400	6,382	359,032	24,992	721,989

*FWS: The Farm Woodland Scheme

**FWPS: The Farm Woodland Premium Scheme

- Notes:
1. The areas shown are the gross areas managed under the schemes as at 31 March 1993 and include existing woodlands, areas awaiting planting and areas to be left unplanted.
 2. The Basis I and II Dedication Schemes were closed to new applications in June 1972 and the Basis III Dedication Scheme in July 1981. The Forestry Grant Scheme and the Broadleaved Woodland Grant Scheme were closed to new applications from 15 March 1988 and have been superseded by the Woodland Grant Scheme which was opened to applications on 21 June 1988.
 3. The Farm Woodland Scheme was closed to further applications on 31 March 1992 and succeeded by the Farm Woodland Premium Scheme. These two schemes are administered by the Agriculture Departments, but eligibility for entry to them depends on planting proposals being approved by the Forestry Commission for grant-aid under the Woodland Grant Scheme. Such cases are distinguished from other Woodland Grant Schemes in this table.

AREA OF PLANTING BY PRIVATE WOODLAND OWNERS FOR WHICH GRANTS
WERE PAID IN THE YEAR ENDED 31 MARCH 1993

Table 2

Hectares

Country	England			Wales			Scotland			Great Britain		
	New Planting	Re-stocking	Total	New Planting	Re-stocking	Total	New Planting	Re-stocking	Total	New Planting	Re-stocking	Total
In Dedication Schemes												
Conifer	14	114	128	0	35	35	6	259	265	20	408	428
Broadleaved	10	55	65	0	4	4	0	23	23	10	82	92
Total	24	169	193	0	39	39	6	282	288	30	490	520
In Forestry Grant Scheme												
Conifer	30	44	74	0	11	11	124	30	154	154	85	239
Broadleaved	11	25	36	0	6	6	30	7	37	41	38	79
Total	41	69	110	0	17	17	154	37	191	195	123	318
In Broadleaved Woodland Grant Scheme												
Conifer	—	—	—	—	—	—	—	—	—	—	—	—
Broadleaved	20	71	91	3	1	4	3	15	18	26	87	113
Total	20	71	91	3	1	4	3	15	18	26	87	113
In Woodland Grant Scheme												
Conifer	848	1,047	1,895	88	391	479	5,795	1,587	7,382	6,731	3,025	9,756
Broadleaved	4,119	2,455	6,574	338	206	544	3,856	1,688	5,544	8,313	4,349	12,662
Total	4,967	3,502	8,469	426	597	1,023	9,651	3,275	12,926	15,044	7,374	22,418
Total												
Conifer	892	1,205	2,097	88	437	525	5,925	1,876	7,801	6,905	3,518	10,423
Broadleaved	4,160	2,606	6,766	341	217	558	3,889	1,733	5,622	8,390	4,556	12,946
Total	5,052	3,811	8,863	429	654	1,083	9,814	3,609	13,423	15,295	8,074	23,369

Note: 1. Restocking includes new natural regeneration.

2. The Woodland Grant Scheme figures in the above table include new planting grant-aided in association with the Farm Woodland and Farm Woodland Premium Schemes administered by the Agriculture Departments. Under the latter schemes, farmers who carry out approved planting through the Woodland Grant Scheme may be eligible for annual payments over prescribed periods to compensate for agricultural income forgone on the areas concerned.

3. It is estimated that the following areas were planted without grant aid:

	<i>New Planting</i>	<i>Restocking</i>
England	201	40
Wales	4	0
Scotland	<u>3</u>	<u>0</u>
Great Britain	<u>208</u>	<u>40</u>

These figures were compiled from a large number of local estimates of small areas of planting.

AREA OF PLANTING BY PRIVATE WOODLAND OWNERS FOR WHICH GRANTS
WERE PAID IN THE 10-YEAR PERIOD 1 APRIL 1983 TO 31 MARCH 1993

Table 3

Hectares

Year ended 31 March	England			Wales			Scotland			Great Britain		
	New Planting	Re-stocking	Total	New Planting	Re-stocking	Total	New Planting	Re-stocking	Total	New Planting	Re-stocking	Total
1984	1,480	1,935	3,415	1,064	113	1,177	14,129	1,019	15,148	16,673	3,067	19,740
1985	976	1,767	2,743	918	122	1,040	14,135	1,177	15,312	16,029	3,066	19,095
1986	984	2,346	3,330	743	434	1,177	17,292	1,559	18,851	19,019	4,339	23,358
1987	1,219	2,644	3,863	708	280	988	17,220	1,547	18,767	19,147	4,471	23,618
1988	1,679	2,718	4,397	945	476	1,421	21,197	1,660	22,857	23,821	4,854	28,675
1989	1,752	2,330	4,082	923	256	1,179	22,433	2,248	24,681	25,108	4,834	29,942
1990	3,366	3,871	7,237	552	270	822	11,488	1,984	13,472	15,406	6,125	21,531
1991	4,363	3,970	8,333	510	296	806	10,563	2,840	13,403	15,436	7,106	22,542
1992	3,966	4,042	8,008	356	579	935	9,825	3,210	13,035	14,147	7,831	21,978
1993	5,052	3,811	8,863	429	654	1,083	9,814	3,609	13,423	15,295	8,074	23,369

Note: This table includes for the first time new planting grant-aided under the Woodland Grant Scheme in association with the Farm Woodland Scheme and the Farm Woodland Premium Scheme. The figures for earlier years have been adjusted accordingly. Planting done without Forestry Commission grants is not included.

Forest Enterprise

LAND USE AT 31 MARCH 1993

Table 4

Hectares

	England	Wales	Scotland	Great Britain
Forest Land				
Under plantations	213,472	123,160	508,850	845,482
Other woodland	14,436	3,241	19,492	37,169
To be planted	277	251	4,527	5,055
Total	228,185	126,652	532,869	887,706
Other Land				
Agricultural and grazing	9,066	3,318	41,118	53,502
Unplantable and miscellaneous (includes nursery land)	32,447	7,131	134,773	174,351
Total	41,513	10,449	175,891	227,853
Total area	269,698	137,101	708,760	1,115,559

- Notes: 1. Other woodland is managed chiefly for amenity purposes.
2. Agricultural and grazing land includes forest workers' holdings and tenanted land comprising part of the Commission's long-term plantable reserve.

LAND ACQUIRED DURING THE YEAR ENDED 31 MARCH 1993

Table 5

	England	Wales	Scotland	Great Britain
Number of acquisitions	12	3	4	19
Area of acquisitions (hectares)				
Plantable land	236	0	89	325
Woodland	0	0	0	0
Other land	4	2	2	8
Total area	240	2	91	333

Note: Other land includes land acquired for access, road widening, etc.

FREEHOLD INTERESTS ACQUIRED DURING THE YEAR ENDED 31 MARCH 1993

Table 6

	England	Wales	Scotland	Great Britain
Number of freeholds acquired	5	1	0	6
Area of freeholds acquired (hectares)	608	1	0	609

Note: These are freeholds of land managed by the Forestry Commission under lease which have been acquired to allow the Commission to develop the land for recreation and to manage it more efficiently.

LAND DISPOSED OF DURING THE YEAR ENDED 31 MARCH 1993

Table 7

	England	Wales	Scotland	Great Britain
Number of disposals	99	88	135	322
Area of disposals (hectares)				
Forestry land	883	1,014	4,930	6,827
Other land	123	132	3,507	3,762
Total area	1,006	1,146	8,437	10,589
Receipts (£ million)	3.1	1.8	5.0	9.9

Note: Forestry land includes woodland and associated land, and land acquired for new planting but not yet planted.

Other land includes agricultural land, land sold with houses, etc.

PLANTING IN THE YEAR ENDED 31 MARCH 1993

Table 8

Hectares

	New Planting	Restocking*	Total
England			
Conifer	23	2,499	2,522
Broadleaved	20	351	371
Total	43	2,850	2,893
Wales			
Conifer	0	1,612	1,612
Broadleaved	0	162	162
Total	0	1,774	1,774
Scotland			
Conifer	2,098	3,425	5,523
Broadleaved	215	425	640
Total	2,313	3,850	6,163
Great Britain			
Conifer	2,121	7,536	9,657
Broadleaved	235	938	1,173
Total	2,356	8,474	10,830

* Restocking includes new natural regeneration

AREA PLANTED ANNUALLY BY THE COMMISSION IN THE
10 YEAR PERIOD 1 APRIL 1983 TO 31 MARCH 1993

Table 9

Hectares

Year ended 31 March	England			Wales			Scotland			Great Britain		
	New Planting	Re-stocking	Total	New Planting	Re-stocking	Total	New Planting	Re-stocking	Total	New Planting	Re-stocking	Total
1984	397	2,567	2,964	275	1,539	1,814	7,710	2,647	10,357	8,382	6,753	15,135
1985	167	2,171	2,338	161	1,300	1,461	4,777	2,445	7,222	5,105	5,916	11,021
1986	246	2,156	2,402	49	1,778	1,827	4,038	3,363	7,401	4,333	7,297	11,630
1987	138	2,784	2,922	138	1,935	2,073	5,066	3,319	8,385	5,342	8,038	13,380
1988	178	2,609	2,787	157	2,041	2,198	4,617	3,527	8,144	4,952	8,177	13,129
1989	130	2,895	3,025	61	1,736	1,797	3,914	3,844	7,758	4,105	8,475	12,580
1990	198	2,717	2,915	96	1,364	1,460	3,787	3,784	7,571	4,081	7,865	11,946
1991	34	2,486	2,520	15	1,472	1,487	3,466	3,664	7,130	3,515	7,622	11,137
1992	70	2,858	2,928	55	1,774	1,829	2,874	3,628	6,502	2,999	8,260	11,259
1993	43	2,850	2893	0	1,774	1,774	2,313	3,850	6,163	2,356	8,474	10,830

AREAS OF PLANTATIONS AND VOLUMES OF TIMBER FELLED
AND THINNED IN THE YEAR ENDED 31 MARCH 1993

Table 10

Area in hectares
Standing volume in thousands of cubic metres overbark

	Felled		Thinned		Total Volume Felled and Thinned
	Area	Volume	Area	Volume	
England					
North and East	2,266	722	4,377	262	984
South and West	1,135	170	5,667	337	507
Total	3,401	892	10,044	599	1,491
Wales	2,263	627	4,221	235	862
Scotland					
North	2,292	742	4,216	320	1,062
South	1,827	617	1,488	82	699
Total	4,119	1,359	5,704	402	1,761
Great Britain	9,783	2,878	19,969	1,236	4,114

SALES OF TIMBER IN THE YEAR ENDED 31 MARCH 1993

Table 11

Standing volume in thousands of cubic metres overbark

Description	England	Wales	Scotland	Great Britain
Trees sold standing	746	362	670	1,778
Converted				
Round timber and saw logs	404	271	584	1,259
Telegraph and other selected poles	5	0	4	9
Posts and stakes	3	10	4	17
Pulpwood and boardmill material	319	214	486	1,019
Firewood	11	3	11	25
Miscellaneous	5	1	0	6
Total	747	499	1,089	2,335

PUBLIC RECREATIONAL FACILITIES
AT 31 MARCH 1993

Table 12

Number

	England	Wales	Scotland	Great Britain
Camping and caravan sites	19	1	9	29
Picnic places	376	113	182	671
Forest walks and forest nature trails	319	117	315	751
Cycle trails	48	15	91	154
Horse trails	54	2	28	84
Orienteering and wayfaring courses	36	5	23	64
Visitor centres	13	8	9	30
Arboreta and forest gardens	15	3	4	22
Forest drives	7	1	4	12
Forest cabins and holiday houses	107	0	67	174
Wildlife hides	21	3	11	35

Note: The Commission offers a wide range of facilities in addition to those listed above, including, for example, fishings, backpacker sites, play areas, forest classrooms and youth campsites.

LAND USE, PLANTING AND TIMBER PRODUCTION BY FOREST DISTRICTS
- ENGLAND

Table 13

Region	Land use at 31 March 1993 (hectares)					During Year 1992-93		
	Total Area of Forest	Under Plantations	Other Woodlands	To be Planted	Other Land	Planting (hectares)		Production (000 cu m)
						New Planting	Re-stocking	
NORTH AND EAST ENGLAND								
Kielder	61,250	48,028	699	9	12,514	5	570	388
Lakes	16,092	11,898	765	53	3,376	0	137	75
North York Moors	27,481	23,676	636	17	3,152	0	230	117
Northants	7,327	6,740	410	27	150	19	17	23
Rothbury	11,789	10,145	147	16	1,481	8	112	28
Sherwood and Lincs	13,428	11,169	912	0	1,347	0	79	78
Suffolk	4,249	3,774	228	0	247	0	224	16
Thetford	20,863	19,917	361	1	584	0	477	211
TOTAL	162,479	135,347	4,158	123	22,851	32	1,846	936

SOUTH AND WEST ENGLAND

Chilterns	3,590	3,120	369	39	62	0	34	11
Cornwall and North Devon	7,582	6,955	385	0	242	0	147	54
Dean and Three Counties	12,021	10,563	410	0	1,048	0	42	69
Dorset	7,533	6,437	330	0	766	0	41	31
Marches	7,226	6,527	404	35	260	0	30	41
Midlands	6,368	5,643	437	4	284	0	11	49
New	26,715	7,500	5,432	0	13,783	0	40	39
Somerset and South Devon	9,610	8,189	736	0	685	11	129	78
South Downs	7,790	6,975	569	0	246	0	55	44
Weald	7,351	6,525	380	20	426	0	259	30
West Downs	5,672	4,898	315	6	453	0	128	30
Westonbirt	242	0	0	0	242	0	0	0
Wiltshire and Avon	5,519	4,793	511	50	165	0	88	30
TOTAL	107,219	78,125	10,278	154	18,662	11	1,004	506

LAND USE, PLANTING AND TIMBER PRODUCTION BY FOREST DISTRICTS
- WALES

Table 14

Region	Land use at 31 March 1993 (hectares)					During Year 1992-93		
	Total Area of Forest	Under Plantations	Other Woodlands	To be Planted	Other Land	Planting (hectares)		Pro- duction (000 cu m)
						New Planting	Re- stocking	
WALES								
Ceredigion	17,545	15,815	200	222	1,308	0	189	88
Clwyd	9,712	9,059	57	0	596	0	98	88
Dolgellau	18,697	17,314	205	7	1,171	0	170	137
Llandoverly	21,659	20,290	594	0	775	0	558	161
Llanrwst	12,248	9,784	194	0	2,270	0	82	77
Morgannwg	29,470	25,072	1,064	12	3,322	0	454	84
Newtown	14,303	13,828	139	0	336	0	131	131
SE Wales	13,467	11,998	788	10	671	0	92	82
TOTAL	137,101	123,160	3,241	251	10,449	0	1,774	848

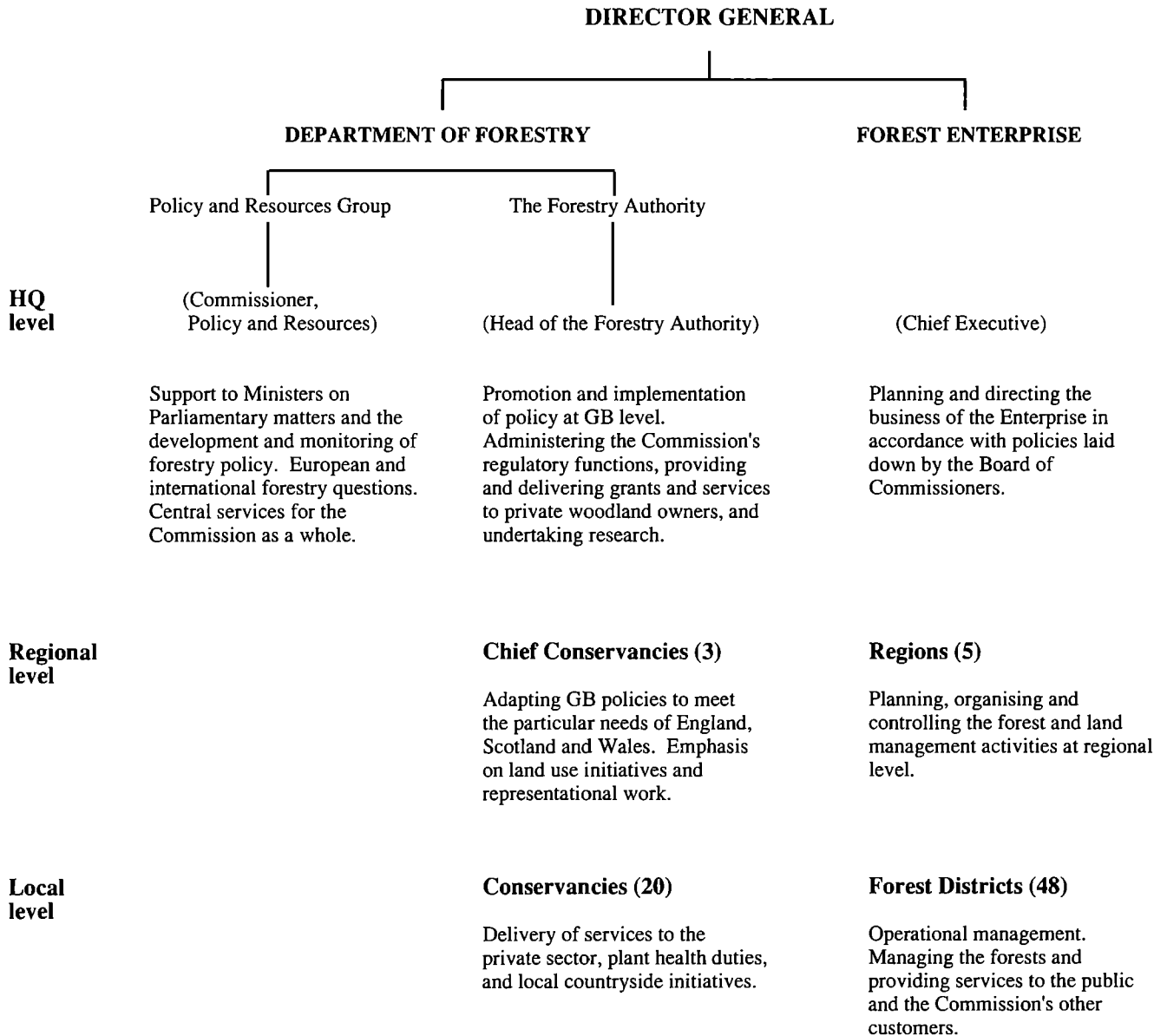
LAND USE, PLANTING AND TIMBER PRODUCTION BY FOREST DISTRICTS
- SCOTLAND

Table 15

Region	Land use at 31 March 1993 (hectares)					During Year 1992-93		
	Total Area of Forest	Under Plantations	Other Woodlands	To be Planted	Other Land	Planting (hectares)		Production (000 cu m)
New Planting						Re-stocking		
NORTH SCOTLAND								
Buchan	24,490	21,050	263	155	3,022	233	223	171
Dornoch	67,010	45,919	714	768	19,609	318	66	63
Fort Augustus	40,350	20,923	3,491	33	15,903	69	52	62
Inverness	33,987	25,578	1,098	0	7,311	118	196	106
Kincardine	14,359	13,092	242	0	1,025	0	139	90
Kintyre	33,394	26,114	1,253	7	6,020	0	168	70
Loch Awe	34,590	26,745	1,041	97	6,707	0	217	126
Lochaber	50,952	25,997	2,133	230	22,592	52	189	72
Lorne	50,886	34,029	1,652	179	15,026	70	312	84
Moray	23,365	21,988	393	0	984	0	248	95
Tay	36,081	28,377	1,396	912	5,396	296	112	82
Wester Ross	31,833	17,236	572	437	13,588	150	240	41
TOTAL	441,297	307,048	14,248	2,818	117,183	1,306	2,162	1,062
SOUTH SCOTLAND								
Aberfoyle	38,512	30,038	1,306	80	7,088	170	191	129
Ae	33,512	29,415	561	73	3,463	0	473	160
Ayrshire and Arran	44,351	29,302	483	963	13,603	582	52	45
Borders	18,807	16,535	267	6	1,999	140	185	83
Castle Douglas	32,993	26,768	243	91	5,891	0	300	104
Cowal	35,535	21,696	1,674	6	12,159	0	227	62
Lothian and Tweed	14,576	13,429	140	122	885	57	60	34
Newton Stewart	49,060	34,502	570	368	13,620	58	200	67
TOTAL	267,346	201,685	5,244	1,709	58,708	1,007	1,688	684

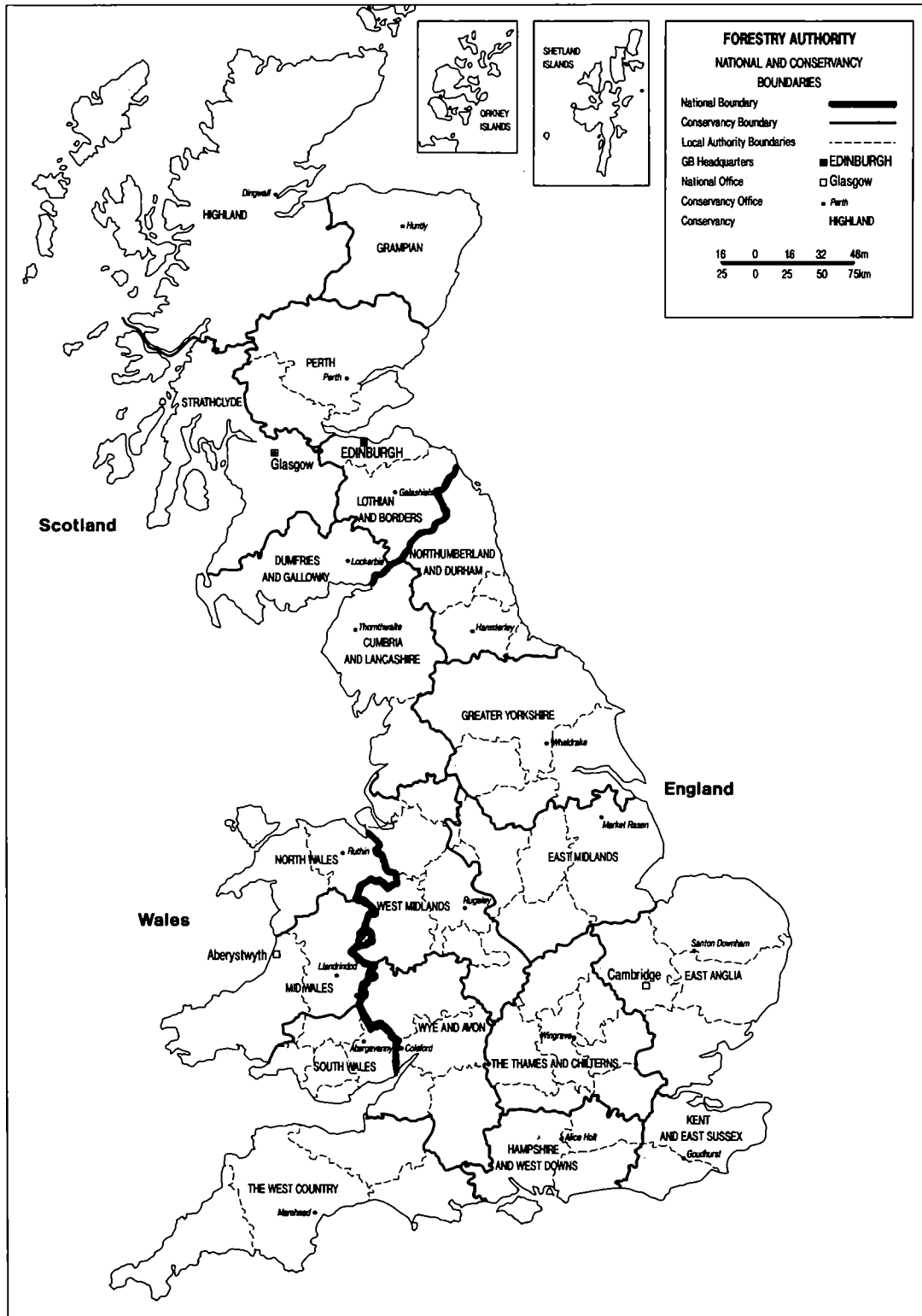
APPENDIX XI

Management Structure of the Forestry Commission at 31 March 1993



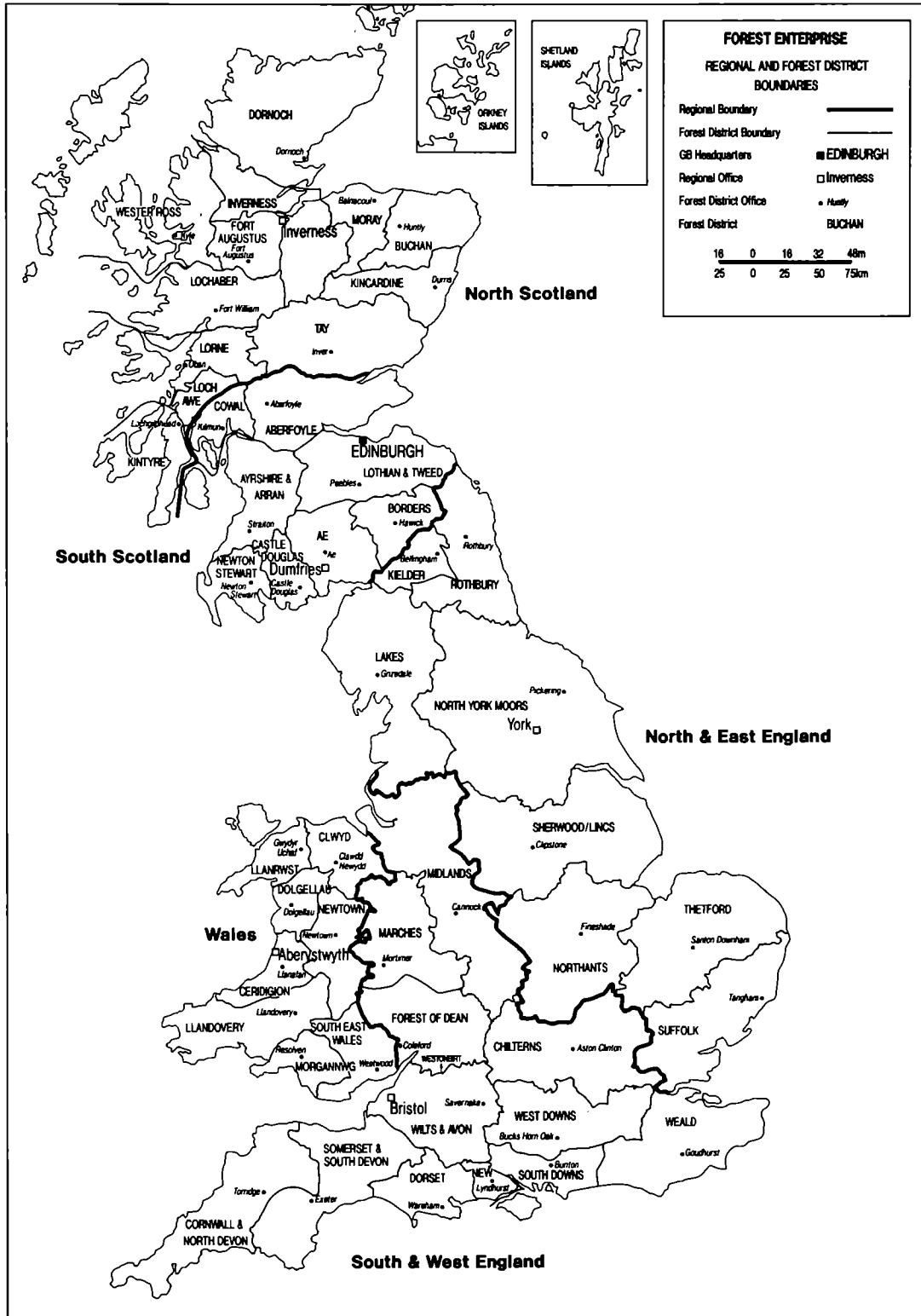
APPENDIX XII

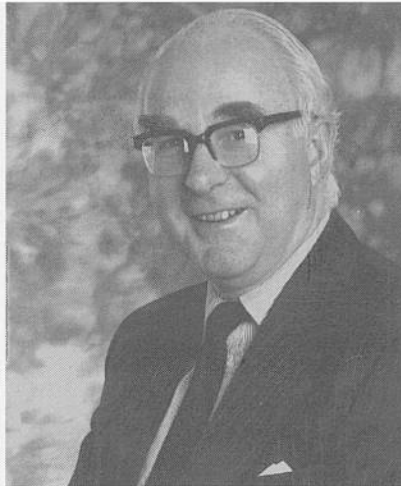
Map of Forestry Authority National and Conservancy Boundaries at 31 March 1993



APPENDIX XIII

Map of Forest Enterprise Regional and Forest District Boundaries at 31 March 1993





Peter J Clarke, CBE

This 73rd Annual Report of the Forestry Commissioners is the last one prepared under the guidance of Peter Clarke, who was appointed Secretary to the Commissioners in 1976 and retires from the Commission in January 1994. Peter Clarke has taken personal responsibility for the drafting of all of the last eighteen Annual Reports, which have been marked by his concern for the highest standards of English and his scrupulous attention to detail and accuracy. These, and other, qualities were formally recognised when he was made a CBE in 1993. The Forestry Commissioners would like to take this opportunity to wish Peter a long and happy retirement.

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