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FORESTRY
COMMISSION

*Annual Report and
Accounts 1994-95*



Forestry Commission

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FORESTRY
COMMISSION
*Annual Report and
Accounts 1994-95*

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*

*Ordered by The House of Commons to be printed
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LONDON
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P r e f a c e

The Forestry Commission is the Government Department responsible for forestry in Great Britain. It reports collectively and individually to the Forestry Ministers, namely the Secretary of State for Scotland, the Minister of Agriculture, Fisheries and Food and the Secretary of State for Wales.

The Commission's policy and regulatory roles are undertaken within the **Department of Forestry** which comprises:

- The Policy and Resources Group, responsible for support and advice to Ministers, international liaison, policy development, public information and central services such as personnel, finance, internal audit and information systems.
- The Forestry Authority, responsible for implementing forestry policy through advice, grant-aid, research and the setting of standards for the forestry industry as a whole.

The management of the Commission's forests is undertaken by **Forest Enterprise** which has a multiple-purpose remit that includes the production of timber, the protection and enhancement of the environment and the provision of public access and recreational facilities.

The Commission's headquarters are in Edinburgh. There are separate Forestry Authority and Forest Enterprise offices throughout England, Wales and Scotland.

Forestry Commissioners and Senior Staff at 31 March 1995

Board of Commissioners

Sir Peter Hutchison Bt CBE *Chairman*
Mr T.R. Cutler CBE *Deputy Chairman and Director General*
Miss B.M. Bloom OBE
Mr R.T. Bradley
Mr J.W. Edmonds
Mr H.G. Fetherstonhaugh
Mr D.L. Foot
Mr R.B. Grove-White
Mr D.S. Grundy
Mr T.S. Mallinson
Sir Michael Strang Steel Bt
Mr T.J.D. Rollinson *Secretary*

Policy and Resources Group

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Secretary: Mr T.J.D. Rollinson
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Director, Policy Studies: Mr D.B. Henderson-Howat
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Head of Parliamentary Finance Division: Mr W.G. Prest

The Forestry Authority

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Director, Research: Mr J. Dewar
Head of Forestry Practice Division: Mr R.E. Selmes
Head of Grants and Licences Division: Mr R.C. Herbert
Chief Conservator, England: Mr R.O. Smith
Chief Conservator, Scotland: Dr A.J. Low
Chief Conservator, Wales: Mr D.M. Hughes OBE

Forest Enterprise

Head: Mr D.L. Foot
Director, Business Enterprise: Dr R. McIntosh
Director, Corporate Services: Mr S.E. Quigley
Director, Estate Management: Mr P.C. Ranken
Corporate Development Officer: Mr P. Hill-Tout
Regional Director, North and East England: Mr G.R. Hatfield
Regional Director, South and West England: Mr R.J.N. Busby
Regional Director, North Scotland: Mr G.J. Hamilton
Regional Director, South Scotland: Mr G.M. Cowie
Regional Director, Wales: Mr J.F. Morgan

C O N T E N T S

Page

Chairman's Foreword	7
The Department of Forestry	
<i>Policy and Resources Group</i>	
75th Anniversary	10
Forestry Review	10
Forestry Authority Review	11
Senior Management Review	11
Research Scrutiny	12
Review of Consultation Procedures	12
Finance	12
International Forestry	13
Planting on Set-Aside	14
Timber Certification	14
New Forest	15
National Forest	15
Community Forests	15
Select Committees	15
Welsh Minister's Group	16
Legislation	16
New Publications	16
Awards	16
Commission Staffing	17
<i>The Forestry Authority</i>	
Promoting Multiple-Purpose Forestry	19
Protecting Trees, Woods and Forests	21
Safeguarding and Enhancing the Environment	22
Promoting Woodland Recreation and Access	22
Supporting the Creation and Management of Native Woodlands	23
Developing Markets for Timber	24
Promoting Health, Safety and Training in the Forest Industry	25
Promoting Public Understanding of Forestry	26
Improving Our Efficiency	26
Forestry Research	26

	Page
Forest Enterprise	
Financial Performance	30
Managing the Whole Forest	30
Timber Production	30
Conserving the Environment	33
Promoting Recreational Use	35
Working with the Community	36
Managing Property	37
Human Resources and Organisation	38
Salient Facts	40
Financial Statements and Accounts	41
Appendices	71

Chairman's Foreword

As an observer from outside I always had a warm regard for the Forestry Commission and the professional way it does its work. In recent years I watched with admiration as the Commission changed and adapted to the wider use of its estate.



It was therefore a great privilege to be appointed Chairman and I look forward to building on the very real achievements of my predecessor, Sir Raymond Johnstone who took the Commission through an important and formative period in its history.

In 1994 the Commission celebrated its 75th anniversary. There was much to celebrate. The Commission, in partnership with the private sector, has doubled the forest area of Britain. There is now a vibrant and expanding domestic wood processing industry. Past investment in new forests means that wood production from Britain's forests is set to double over the next 20 years. The Commission's estate provides opportunities for a huge range of recreational activities and, through encouraging public access, receives more than 50 million visits each year. It is a vital resource for wildlife and a major contributor to a healthy environment for Britain.

Also in 1994, the Government announced the conclusions of its wide-ranging review of the incentives to assist the private sector and the options for the ownership and management of the Commission's woodlands. The broad framework for support for woodland owners through our Woodland Grant Scheme has been retained, with some improvements. The Commission's woodlands will remain in the public sector, and Forest Enterprise is to be established as an Executive Agency of the Commission.

With 75 years of experience behind us, there is much to look forward to. The Commission will work to promote forestry to meet the needs of the nation - for a productive forestry industry, to care for the environment, and to provide opportunities for access and recreation in our forest estate. The manner in which we meet these needs does change from time to time and now I believe we have to settle down to the job we know and do well.

I know the Commission's staff share with the Commissioners a common regard for high standards, a flexible approach to our work, and the determination to use the talent and experience that is abundant throughout the organisation.

A handwritten signature in black ink, reading "Peter Hinchison". The signature is written in a cursive style with a long horizontal line extending to the right.



THE
DEPARTMENT
OF FORESTRY

Policy and Resources Group

75th Anniversary

During the year, the Forestry Commissioners and their staff celebrated the Commission's 75th anniversary with events throughout the country. We were delighted to receive a message of support from Her Majesty The Queen who sent her best wishes for the continued success of the Forestry Commission. All forestry Ministers participated in ceremonies which ranged from tree planting to a reception in Edinburgh Castle's Great Hall and, at our local offices, we invited representatives of all the organisations with whom we have regular contact to share in the celebrations. A special anniversary edition of our house newspaper *Slasher* was prepared and we published an illustrated history of the Commission *The First 75 Years* which contained a foreword by the Secretary of State for Scotland.

Forestry Review

In our last report we noted that the Government's conclusions on the Forestry Review were announced in a statement by the Rt Hon Ian Lang MP, the Secretary of State for Scotland, in the House of Commons on 19 July 1994. Mr Lang's statement is reproduced in full at Appendix 4. The conclusions from the Forestry Review were also set out in *Our Forests - The Way Ahead* (Cm 2644), published in August 1994. In this document, the Government recognised that forestry policy in Great Britain has been successful, not just in fulfilling its main aims over the longer term, but also in tackling the diverse and challenging objectives of recent years. The main issues addressed by the Review were incentives for forestry, the options for the ownership and management of Forestry Commission woodlands, and ways of encouraging access to woodlands.

Incentives

The Government decided to retain the existing broad framework for support to forestry through the Woodland Grant Scheme, improving it to encourage private owners:

- to increase the productivity and areas of their forests where this is economically justified so as to raise the country's wood production potential; and
- to increase the amenity and environmental benefits from their forests.

This has resulted in changes to the rates of grant; simplification of the grant structure; the introduction of a tendering scheme in the National Forest and Locational Supplements for the Central Scotland Woodland Initiative Area, the 12 Community Forests and Sherwood Forest in England, and Aman Gwendraeth in south Wales; and the introduction of a grant to compensate farmers for loss of grazing when livestock is removed from woodlands of environmental importance. Further details are given in Appendix 5.

Ownership and Management of Forestry Commission Woodlands

In his statement, the Secretary of State said that the Review had considered many options for the ownership and management of the Forestry Commission's woodlands. The Government had taken into account the many unique features of the forestry industry such as the varied commercial, recreational and environmental interests and the long lead time before commercial timber can be harvested. The Government concluded that, at this stage of their development, the Forestry Commission woodlands should remain in the public sector.

The Government further concluded that the work of Forest Enterprise should be put on a more business-like footing and a stronger connection should be established between the resources used and outputs achieved in all its commercial, recreational and environmental activities. The Government proposed therefore that the arm of the Forestry Commission responsible for managing the woodlands, the Forest Enterprise, should be established as an Executive Agency within the Forestry Commission.

Forest Enterprise will have a multiple-purpose remit and will work to demanding, but achievable, financial targets. A Framework Document, setting out the Agency's financial and non-financial performance measures, is being prepared and will be covered in our 1995-96 Report. Forest Enterprise will also publish an annual Corporate Plan.

Access

Our Forests - The Way Ahead recognised that public access to Forestry Commission land sold as part of the disposals programme is highly valued and is rightly an issue of concern. In order to improve the arrangements for protecting continued public access following disposals, a number of detailed proposals were made. These included the development of a classification system to become more rigorous and consistent across the country and a presumption against the sale of woodlands with a high level of access. The new measures will be set out in detail in revised Access Guidelines which will also be covered in our 1995-96 Report.

Forestry Authority Review

In his July statement on the Forestry Review, the Secretary of State for Scotland also said that he was asking the Director General to look at all aspects of the work carried out by the Forestry Authority. As part of this exercise, interested bodies were invited to write to the Director General with their views. Some 46 organisations and individuals responded to this invitation. There was a very large measure of support for the improvements in focus and performance achieved by the Forestry Authority since the reorganisation in 1992. It is expected that the outcome from this Review will be announced during 1995-96.

Senior Management Review

The White Paper on the Civil Service *Continuity and Change* (Cm 2627), published in July 1994, explained that each Department would be asked to complete a Senior Management Review. During the year, we embarked on this exercise and were able to take into account the implications of the establishment of Forest Enterprise as an Agency and the on-going Forestry Authority Review.

Research Scrutiny

As noted in last year's Report, the results of the Government's Scrutiny of Public Sector Research Establishments were published as a consultative document in July 1994. The Government's response to the scrutiny is awaited.

Review Of Consultation Procedures

The Forestry Ministers asked the Forestry Commission to review the arrangements for consulting on felling and planting proposals. We published a discussion paper in October 1994 setting out proposals aimed at streamlining the procedures but at the same time ensuring that public accountability and environmental protection were safeguarded. We received 40 responses from statutory bodies and forestry and environmental organisations. We also held meetings with respondents to discuss the issues raised by our proposals. We will report the outcome of the review in our 1995-96 Report.

Finance

The Commission is financed principally by income from its own operations, mainly from timber sales, and also by the Grant-in-Aid voted by Parliament and by EC reimbursements of eligible expenditure.

Key aspects of financial performance compared to 1993-94 were:

- Of the £87.9 million Grant-in-Aid voted by Parliament, the amount required was £76.4 million, a reduction of £12.7 million compared with last year. The amount required by the Department of Forestry was £52.0 million, by Forest Enterprise £1.2 million and for the Forestry Commission Pension Scheme £23.2 million. Compared to 1993-94, these requirements represented reductions of £0.8 million, £10.9 million and £1.0 million respectively.
- Forest Enterprise achieved the target set for it by Forestry Commissioners at the time of the 1992 reorganisation, of becoming self-financing. In 1994-95, cash income exceeded total expenditure by £4.8 million.
- Timber receipts increased by £6.9 million and other operating receipts by £2.9 million.
- EC reimbursements increased by £3.9 million.
- Capital expenditure increased by £5.2 million and receipts from the sale of properties, which are surrendered to the Consolidated Fund, fell by £5.2 million.
- Private woodland grant payments increased by £3.0 million and other operating payments including pension payments, fell by £6.3 million.

All Forestry Commission payments and receipts, including Grant-in-Aid, are recorded in the Forestry Fund. The Forestry Fund accounts are on pages 43 to 49. Accounts for the Department of Forestry are on pages 50 to 56 and for Forest Enterprise on pages 57 to 70.

International Forestry

Helsinki 'Pan European Process'

In our last Report we noted that, at the June 1993 Helsinki Forestry Ministers' Conference, European countries committed themselves to implementing guidelines for the sustainable management of European forests. The countries decided to seek agreement on the essential criteria for sustainable forestry, and then to develop an agreed set of indicators that would show whether this was being achieved. Forestry experts met in Geneva in June 1994 to report progress. We played a major part in brokering an agreement on a list of criteria and quantitative indicators for sustainable forestry under European conditions.

In parallel with this European process we have been actively participating in a working group of non-European temperate and boreal countries ('Montreal Process') which is aiming to adopt criteria and indicators comparable with the European ones.

UN Commission on Sustainable Development

Forestry is one of the key themes for consideration by the United Nations Commission on Sustainable Development (CSD) at its third session in New York in April 1995. To facilitate this review, countries have been asked to submit reports outlining progress since 1992. As noted in our last Report, the UK worked together with India and the UN Food and Agriculture Organisation (FAO) in the organisation of an Indo-British workshop in New Delhi in July 1994, with the objective of developing a framework for the country reports on forestry issues to the CSD. Thirty-nine countries attended, including all the main forestry nations, plus international organisations and some non-governmental organisations. The outcome of the workshop was an agreed framework enabling countries to report on major achievements, highlighting experiences which may be of value to others, and identifying unresolved issues which require further attention.

We prepared the forestry chapter of the UK report to CSD based on the framework agreed at the Indo-British workshop, drawing on *Sustainable Forestry - The UK Programme*. Our report was the subject of extensive consultation within the UK throughout its preparation.

Meeting of World's Forestry Ministers

The Rt Hon Ian Lang MP, Secretary of State for Scotland and lead forestry Minister, represented the UK at the first meeting of the world's forestry Ministers in Rome on 16-17 March 1995. The meeting was preceded by a meeting of the FAO Committee on Forestry on 13-15 March. The Director General led the UK delegation; 55 Ministers and 121 countries attended.

At the Ministers' meeting, Mr Lang set out the UK's commitment to sustainable forestry and supported the setting-up of an intergovernmental panel on forests to provide a focus for taking forward international discussion on the sustainable management of forests. The meeting adopted the 'Rome Statement on Forestry', which highlights the importance of forests to sustainable development and reaffirms the importance of applying a holistic approach to forest issues, in accordance with the UNCED Forest Principles.

FAO's European Forestry Commission

Willie Sheridan, head of our International Policy Division, was elected Chairman of FAO's European Forestry Commission (EFC) in January 1995, for a 2 year period; the first UK Chairman for over 40 years. Within the EFC's work programme, a team of public relations specialists led by the Commission's Head of Information, Frazer Lindsay, has developed systems of international information exchange and guidance on communication for foresters.

European Union

Dealing with an increasing workload, the European Union's (EU) Standing Forestry Committee met almost monthly throughout the year. Subjects discussed included: the financing and monitoring of afforestation of former agricultural land; ecolabelling of some paper products; the consequences for the European Union of the ratification of the 1994 International Tropical Timber Agreement; the collation of forestry statistics in Europe; and the EU's preparation for the CSD. The year was notable for the accession of Austria, Finland and Sweden as members of the EU, which doubled the forest area in the Union.

Planting on Set-Aside

Throughout 1994-95 the British Government continued to press the European Union to consider a change to the set-aside rules to allow farmers to count land planted with trees towards their set-aside obligations. It was considered that such a change would provide an important boost to the Government's policy to encourage further planting on improved agricultural land.(*)

Timber Certification

In our Report last year we noted the growing interest among environmental organisations and the timber trade in timber certification and labelling as means of providing customers with an assurance about standards of forest management. Certification is one of the topics being discussed for the work programme of the intergovernmental panel on forests which is being set up by the UN Commission on Sustainable Development. Certification is also the subject of a study by the Timber Committee of the Economic Commission for Europe and the Food and Agricultural Organisation's European Forestry Commission.

In Great Britain, the Forestry Commission's procedures for approving felling proposals in public and private forests ensure that harvesting and regeneration of forests is carried out in accordance with our environmental guidelines. In July 1994 we published *British Forests: Regulations and Standards* to explain these procedures to timber buyers. We also introduced a felling certificate which the Forestry Authority issues for approved felling schemes to enable forest owners to demonstrate to their customers compliance with the guidelines. Publication of the booklet was accompanied by an announcement by Sir Hector Monro MP, the Scottish Office Minister for Agriculture and the Environment, about the Government's action to promote timber from sustainably managed forests. The announcement is set out at Appendix 6.

(*) EU Council Regulation 1460/95, which came into force on 1 July 1995, finally implemented this link.

New Forest

In our Report for 1992-93, we referred to the Government's consultation paper setting out its proposals for taking forward arrangements to strengthen the protection of the New Forest in keeping with its national and international importance. Department of the Environment Ministers announced on 14 July 1994 that the Government would apply national park equivalent planning policies to the New Forest Heritage Area (which embraces the Crown lands and a large part of the surrounding area) by asking the relevant local authorities to apply these policies in their development plans and planning decisions. Ministers also decided not to give statutory status to the New Forest Committee. The Committee is to continue as a co-ordinating forum, within which we are pleased to continue to play our part. The Committee is preparing a strategy for the Heritage Area which is expected to be ready for public scrutiny in the autumn.

A copy of the Government's statement is at Appendix 7.

National Forest

A company limited by guarantee was established to implement the strategy for the National Forest. We were pleased that Forestry Commissioner Bridget Bloom was appointed as a Director of this company.

Community Forests

Last year we reported that Business Plans for the Great North Forest, the Forest of Mercia and Thames Chase had received Government approval. Business Plans for the remaining nine Community Forests - Greenwood, Cleveland, Red Rose, South Yorkshire, Mersey, the Great Western Forest, Marston Value, Bristol/Avon and Watling Chase - have now been approved. As reported elsewhere, the Woodland Grant Scheme Locational Supplement is being made available within these Community Forests to help stimulate new planting.

Select Committees

Welsh Affairs Committee

The Committee's report into forestry in Wales (*) was published in May 1994 and contained over 40 recommendations, many of which had implications for forestry throughout Great Britain. The Government's response (**) was published in August 1994.

We were pleased that the Committee acknowledged the importance of forestry in the Welsh rural economy, particularly in terms of jobs, timber production and tourism, as well as in terms of the recreation and environmental benefits which a thriving forestry industry can offer. A summary of the main aspects of the Government's response is given at Appendix 8.

Environment Committee

We were pleased to be invited to submit a written memorandum to the House of Commons Environment Committee for their inquiry into the environmental impact of leisure

(*) *First Report of the House of Commons Welsh Affairs Committee: Forestry and Woodlands, Session 1993-94*, HMSO, £12.15.
(**) *The Government's response to the first report from the House of Commons Select Committee on Welsh Affairs*, (Cm 2645), HMSO, £4.00.

activities. On 21 March 1995, the Committee visited the Moors Valley Country Park, which we manage jointly with East Dorset District Council, and also the New Forest, where we were pleased to act as host and guide. The Commission gave evidence to the Committee at a special meeting held in the Verderers' Court in the Queen's House in Lyndhurst later that day.

Welsh Minister's Group

The Minister's Group on The Way Ahead for Welsh Forestry reported last year. The Group's report made recommendations on the management of woodlands and the development of the wood processing industry and forestry expansion in Wales. The Parliamentary Under-Secretary for Wales, Gwilym Jones MP, welcomed the report and asked that we publish it, together with his response, so that everyone with an interest in the future of forestry in Wales could consider the Group's findings. The report was published in May 1995.

Legislation

An amendment (*) was made to our main plant health order to give effect to two EC Council Directives. The principal changes involved a new definition for "dunnage" (wooden packing material), revised plant passport requirements mainly in connection with conifers and conifer wood, and a new definition of the *Dendroctonus micans* protected zone.

New Publications

We published a number of new publications during the year. The *Wildlife Rangers Handbook*, is one of the most comprehensive guides to wildlife management in Great Britain. Written by rangers for rangers, this handbook is one of the most popular priced publications produced by the Commission. A revised edition of our *Forest Landscape Design Guidelines* was published containing the latest thinking on the best practices in landscape design, and bulletins were issued on *Reclaiming Disturbed Land for Forestry*, *Forest Nursery Practice* and *Management of Forests for Capercaillie in Scotland*.

Awards

We are pleased to record that the work of the Commission and staff was recognised by a number of awards during the year:

- Two Directors of Forest Enterprise, Roger Hay, former Director of Business Enterprise Division, and Roger Busby, Regional Director, South and West Region, were made CBEs. OBEs were awarded to Brian Roebuck, former Forest District Manager at Thetford, and George Peterken, our Woodland Ecology Consultant. Joe Meechan, Forest District Manager at Ae in South Scotland, John Roberts, former Forest Officer in Wales, Robin Heaney, Leading Ranger in South Scotland and Eric Jones, Ganger in Wales, all received MBEs.
- Sherwood & Lincs Forest District was awarded the Longhurst Trophy in the Royal Agricultural Society of England, 'Woodlands & Plantations' competition, for the

(*) The Plant Health (Forestry) (Great Britain) (Amendment) Order 1994 (SI 1994 No 3049) which came into force on 29 December 1994.

management of Wintwell Wood, and the Silver Medal Certificate for Great West Wood. The District was also presented with a highly commended certificate for play equipment in Sherwood Pines Forest Park in the British Telecom 'Countryside for All' competition.

- Cornwall and North Devon Forest District was awarded first prize in the Royal Cornwall Agricultural Association's annual 'Forests and Woodlands' competition for the management of Cardinham Woods.
- Forest Enterprise, North Scotland, was awarded the Environmental Regeneration Award made by Scottish Enterprise and Scottish Natural Heritage for their work to restore a native woodland in Glenmoriston. Forest Enterprise, South Scotland, was commended in the Civic Trust Awards for their entry 'Multi-purpose Forestry in Mabie Forest'.
- Forest Enterprise, Wales, won a Royal Forestry Society Duke of Cornwall Award for Forestry & Conservation for the management of Castle Woods near Ruthin in Llanrwst Forest District; and were commended in the British Telecom 'Countryside for All' competition for the Hafren Boardwalk in Newtown Forest District. The walk is suitable for people of all abilities.

Commission Staffing

Numbers

The Commission employed 1,934 non-industrial staff at 31 March 1995 compared with 2,004 the previous year. The number of industrial staff employed during the same period fell from 2,100 to 1,987 as the result of further improvements in efficiency and the greater employment of contractors.

Senior Staff

Sir Raymond Johnstone CBE, Forestry Commission Chairman, retired in August 1994 and was replaced by Sir Peter Hutchison CBE.

Roger Bradley, Head of the Forestry Authority, retired in March 1995. Gavin Laird CBE and Charles Woosnam CBE, retired as Forestry Commissioners in September and October 1994 respectively. They were succeeded by John Edmonds and Harry Fetherstonhaugh.

David Burdekin, Director Research, retired in August 1994 and was succeeded by Jim Dewar. Jim Atterson, Chief Conservator, Forestry Authority Scotland, retired in October 1994 and was replaced by Alan Low. Roger Hay, Director Business Enterprise Division, retired in September 1994 and was replaced by Bob McIntosh. Simon Harding, Director Policy Studies Division, transferred to the Department of Health in August 1994 and was replaced by David Henderson-Howat.

Management Development and Assessment Centres

As part of our strategy for Management Development, we have introduced a self development training programme aimed at junior and middle managers. Staff joining the scheme will draw up personal development plans to structure their development through planned work experience, open learning, courses and workshops and coaching by line managers.

During the year the Commission operated its first Assessment Centre aimed at the selection and development of staff with senior management potential. The Centre targeted the junior grades in the Forest Officer Group and five officers were selected for the Fast Stream Development Programme. They are now in the process of undertaking management qualifications to enhance their career development. A second Assessment Centre involving the Forest Officer Group will take place in 1995-96.

Employee Participation

The Commission has a staff suggestion scheme for all staff to put forward ideas for improving the efficiency and effectiveness of the organisation. The scheme was relaunched on 1 January 1994 under the new title of Forestry Ideas and Rewards Scheme (FIRS) and achieved a notable success by winning the United Kingdom Association of Suggestion Schemes 'Suggestion of the Year 1994'.

Pay and Grading

The Commission will take responsibility for pay and grading from 1 April 1996 in line with the Government White Paper on the Civil Service, *Continuity and Change*. Work began on a number of tasks connected with this exercise.

Equal Opportunities

Continuing progress in improving the diversity of the workforce has not been easy at a time when staff numbers are contracting and recruitment has been minimised. Nevertheless, effort has been made to consolidate the progress made in recent years when opportunities have arisen. Ongoing initiatives include the introduction of the Guaranteed Interview Scheme for disabled applicants in recruitment competitions, a review of the Commission's policy on sexual harassment, and detailed consideration of the changes required to meet the terms of the new Disability Discrimination Act Bill which is expected to come into force during 1995-96.

Staff Handbook

Following delegation from HM Treasury for setting the terms and conditions of staff and the introduction of the Civil Service Management Code considerable effort went into the production of a new Staff Handbook. The new Handbook was completed in March 1995 and now forms the Forestry Commission statement of terms and conditions for all non-industrial staff.

The Forestry Authority

Promoting Multiple-Purpose Forestry

Revised Woodland Grant Scheme

As noted earlier, following the Forestry Review, the Government decided to retain the existing broad framework for support for forestry through the Woodland Grant Scheme (WGS). A number of improvements were made and the revised scheme was launched in September 1994. Details of the changes are given in Appendix 5.

Planting Levels

At just over 18,100 hectares, new planting by private owners showed an increase of some 2,200 hectares over the previous year. Particularly encouraging was the fact that conifer planting increased from 5,271 hectares last year to 8,142 hectares, an increase of nearly 3,000 hectares. We expect the additional incentives for planting announced as part of the outcome of the Forestry Review to give a further boost to planting in future years. The level of restocking fell from 8,455 to 6,179 hectares, partly because natural regeneration is no longer counted until it has been successfully established.

Private owners continue to show active interest in creating new native woodlands and community woodlands. Almost all of the 9,986 hectares of broadleaved planting was with native species. Some 3,000 hectares of new native pinewoods were created in the Scottish Highlands during the year. These consisted of roughly equal proportions of native Scots pine (*Pinus sylvestris*) and native broadleaved species. Some 1,300 hectares of new woodlands were created with the benefit of the Community Woodland Supplement. Provision of access for informal recreation by local people is a condition of receiving the supplement.

The move to planting woodlands on better quality land continued with 7,717 hectares grant-aided with the benefit of the Better Land Supplement.

The total area of private sector planting plans approved fell by 8.4% compared to the previous year but achievement was affected by the closure of the Woodland Grant Scheme to new applications for a period of nine weeks prior to introduction of the revised scheme. Approval was given for just over 30,000 hectares of grants for woodland management.

Tendering

A new tendering scheme, a variant of the Woodland Grant Scheme, is being piloted to stimulate the planting of new woodlands in the National Forest in the English Midlands. The initiative is being run in partnership by the Forestry Authority and the National Forest Company. Landowners have been invited to submit plans for the creation of new woodlands and to indicate the total amount of WGS grant which they believe will be necessary to implement their plans. Applications, which must comply with the rules of the WGS, will be considered by a competitive tendering process.

Information and Advice

There was considerable emphasis on native woodlands during the year with several publications, seminars and training opportunities aimed at promoting best practice in establishment and management. We produced a guide to the design of short rotation coppice as a new, and potentially significant, component of lowland landscapes.

Initiatives were taken to encourage a more co-ordinated approach to deer and grey squirrel control in England. A new group known as 'The Deer Initiative' is being set up, bringing together a wide range of interested bodies under the aegis of the Forestry Authority with the aim of promoting sustainable and humane management of wild deer. The Forestry Authority also formed a new Squirrel Group, again involving a wide range of organisations concerned to promote positive management for the reduction of damage to broadleaved trees by grey squirrels and the conservation of our native red squirrel population. The Squirrel Group is providing a forum for ideas, advice and the encouragement of local programmes.

In response to a request by the Rt Hon John Redwood MP, Secretary of State for Wales, for a bringing together of advice on grant-aid in the countryside, we joined with the Welsh Office Agriculture Department, ADAS, the Countryside Council for Wales and the Welsh National Parks, to form CAIS - the Countryside and Agricultural Information Service. We have seconded three officers based in each of our Welsh Conservancies to provide expertise in grant-aid for forestry and to give comprehensive and impartial advice to landowners.

Regulation of Forest Enterprise

In last year's Report we explained how the Forestry Authority approves felling and planting by Forest Enterprise through the approval of Forest Design Plans. Our consultees are now becoming familiar with the process and in 1994-95 the approval arrangements proceeded smoothly. We are pleased that this approach to forestry planning has been widely welcomed. Plans covering over a quarter of a million hectares have now been approved.

Centres of Excellence and Merit Awards

Our awards for examples of excellence in the practice of multiple-purpose forestry have attracted a great deal of interest. In England, the 1994 Centre of Excellence National Award went to Forest Enterprise's Whinlatter Forest Park and the Phil Drabble Award for Commitment to Youth went to Lord Walpole at Mannington and Walerton Estates. In Wales, the National Merit Award was won by Mr Hugh Jones, farm owner of Brynmelin in the Dyfi Valley, for multiple-purpose management of mixed farm woodlands. In Scotland, the Scottish Woods and Forests Awards are supported by the Forestry Authority in conjunction with the Royal Highland Show. The winner of the John Kennedy trophy was Mabie Forest, part of Forest Enterprise's Ae Forest District in South Scotland.

Protecting Trees, Woods and Forests

Felling Licensing

In addition to fellings which were approved under the Woodland Grant Scheme and the Dedication Schemes, over 2,300 felling licences were issued during the year. This was a 33% increase compared with last year and reflected a more buoyant timber market.

The level of public concern about illegal tree felling continues to increase and our Conservators received in excess of 300 reports of felling being carried out. Most of these did not contravene the felling licence regulations but some 70 cases were subject to detailed investigation. Successful prosecutions were brought in 13 cases, with proceedings pending in seven others, and 13 still under consideration. Warning notices were sent in less serious cases. Notices requiring the restocking of illegally felled areas were served in six cases. One appeal against a Restocking Notice was considered but the notice was confirmed.

Plant Health

1994 was an extremely busy year for our Plant Health Officers. There was a significant increase in timber imports from the Baltic States and this resulted in more incidents requiring investigation than usual. Some 200 pheromone traps were again sited at major ports around the country and a total of 45 *Ips typographus* (the Eight-toothed Spruce Bark Beetle) were captured. This compared with the previous highest total of three. Studies of shipping movements strongly suggested that imports from the Baltic States and the Russian Federation were involved. Vigilance was stepped up and in a number of cases we ordered the remedial treatment of sawn wood and wooden packing material. In addition, representations were made to the Plant Health Authorities in the countries concerned and a number of visits were also made to press home the point that British forests are at risk and that it is essential that their exports meet our stringent landing requirements.

On 1 January 1995, Austria, Finland and Sweden became full members of the European Union. All three countries are exporters of timber, principally sawn softwood, and the UK is one of their traditional markets. Special arrangements were introduced to ensure that importers of goods from the new Member States continued to inform us of arrivals and random inspections were carried out. At the end of the year under report we were waiting to be notified that the EU plant passporting arrangements were in place in these countries.

In order that Britain maintains its 'protected zone' status, (which means that controls remain in place to prevent the entry of pests and diseases on material coming from other Member States) it is necessary for us to carry out surveys to prove freedom from the pests of concern. We are pleased to report that in this, the first year of the new survey arrangements, we have found no evidence to suggest that any of the pests against which we have claimed protection have established anywhere in the country. The surveys also demonstrated that *Dendroctonus micans* (the Great Spruce Bark Beetle) remains confined to the area designated as the Dendroctonus Micans Control Area, in which special controls to prevent its further spread in timber movements are in place.

Forest Condition Survey

Since 1987 we have monitored annual changes in tree condition in fixed sample plots throughout Britain. In general 1994 was a good year for tree growth and the condition of all species included in the survey, Sitka spruce, Norway spruce, Scots pine, oak and beech,

improved compared to 1993. Improvement was greater among the broadleaves than the conifers and was greatest in oak, which had shown a continuous decline since 1989. The condition of beech has improved steadily and, with the exception of 1989, this species was in better condition than at any time since 1987.

There is increasing recognition across the northern hemisphere that, while individual tree species may show deterioration for specific reasons, no general forest decline is taking place. Moreover, the evidence for any significant widespread effect of air pollution is extremely limited.

Safeguarding and Enhancing the Environment

Through our published guidelines, information, training and consultation procedures, we continue to place a very high priority on the conservation of wildlife, both in special sites and in forests and woodlands everywhere. We recognise that there is still a great deal to learn about the interaction of woodland management measures and their effects in safeguarding or improving woodlands as habitats for the wide range of plants and animals they can support.

In consultation with a wide group of other scientists and conservationists we prepared and published a Forestry Authority Biodiversity Research Programme, which covers 3 years of work starting in April 1995. The key issues are to identify the important components of biodiversity and how they function, and hence to develop our recommendations on forest management for forest biodiversity. The work will draw on existing information as well as the results of new research projects.

The role of forests as part of the ecology of the wider landscape is also receiving attention. We started a landscape ecology project, testing and adapting American forest design methods used for large-scale forest planning based on ecological interactions and potential.

We published an interim guidance note about the relationship between lowland heaths and forests. This subject is causing increasing interest and the note was timely and well received.

Promoting Woodland Recreation and Access

Progress in Community Forests and the National Forest

During the year, the Government announced the setting up of the National Forest Company and the approval of the business plans for all the remaining Community Forests in England, bringing the total to 12. In Scotland, the Central Scotland Countryside Trust published its strategy for a 'Central Scotland Forest', covering a huge area of the industrial central belt of Scotland. This met with general approval notwithstanding the undoubted challenge ahead in achieving the doubling of existing woodland cover it proposed. Forestry Authority staff are committed to supporting these initiatives through professional and technical advice, development and demonstration work, and by promotion of multiple-purpose forestry through the Woodland Grant Scheme.

The mechanisms for action are thus now in place, including the targeting of our new Locational Supplement to these areas and to the Aman Gwendraeth community forest project in South Wales.

Walkers Welcome

A 'Walkers Welcome' package to encourage owners to allow public access to their woods was launched in January 1995. Grants are already available under the Woodland Grant Scheme as a contribution towards the cost of providing recreational facilities and access for the public in privately owned woodlands. Under the new package the Forestry Authority will give further assistance by providing woodland owners with free signs and advice to help welcome walkers. The signs will be displayed at the entrance to woodlands where public access is encouraged.

Community Woodland Supplement

The idea of creating new woodlands near to towns and cities has captured the imagination of many people. The Community Woodland Supplement to the Woodland Grant Scheme is intended to encourage the creation of woodlands which can be used for informal recreation by local people. It continues to attract a good deal of interest and by the end of the year the total area in receipt of the supplement since it was first introduced in February 1992 was 3,200 hectares. Applications for a further 1,700 hectares have been approved and applications covering another 1,000 hectares are still under consideration. The largest scheme approved this year was at Craig Neilston, near Glasgow, for 113 hectares of new planting.

Supporting the Creation and Management of Native Woodlands

Publications and Training

A series of eight guides to the management of semi-natural woodlands were published in May 1994. This was followed-up by national seminars hosted by the Forestry Authority in England and Wales and launch events in every Conservancy aimed at a wide range of interests including owners, agents, foresters, environmental interest groups and local authorities.

Each guide deals with a distinct regional type of semi-natural woodland. The guides were the product of many people's efforts and a wide consultation process. They give guidance on management options to conserve the distinctive character both of individual woods and regional types such as 'upland birchwoods' or 'lowland beech-ash woods'. A training programme has been started targeted primarily at Forestry Commission staff, nature conservation agencies and planning authorities.

Association of National Parks

A major conference was organised at the University College of North Wales at Bangor taking forward the 1993 Concordat commitments to co-operate over native woodlands in National Parks. This successful event was attended by 120 delegates. We have now established a joint steering group with the Association of National Parks to maintain the impetus created by the conference.

Native Pinewoods

A conference on 'Our Pinewood Heritage' took place at Culloden, near Inverness, in

October 1994, organised jointly by the Forestry Commission, Scottish Natural Heritage and the Royal Society for the Protection of Birds. This was a highly successful event attracting some 150 delegates. Proceedings of the conference were published in March 1995.

The Caledonian Partnership, which comprises representatives of Highland Birchwoods (which acts as the lead body), the Forestry Authority, Forest Enterprise, Scottish Natural Heritage, and the Scottish Wildlife Trust, has taken a major practical step towards completing a programme of inventory and demonstration work for the conservation and restoration of the Caledonian Forest. The partnership is being supported by the EU Life Fund for two years. The total cost of the project is £710,000, of which some 70% is financed by the Life Fund. The balance of the funding is through the direct input of the project partners and the work of Highland Birchwoods.

Advisory Panel on Native Woodlands in the Highlands

The Advisory Panel's recommendations published in last year's Annual Report resulted in a programme of action and ongoing discussion with the Panel. During its second year, the Panel has looked more closely at the interaction between deer and native woodlands, commissioned a study on Treeline and Montane Forests, and began work on a comprehensive framework in which to plan native woodland expansion having regard to other land uses. The Panel is reviewing native woodland initiatives in Scotland, looking at socio-economic aspects, and will recommend ways in which they can be developed and co-ordinated. The Forestry Commissioners have asked the Panel to advise on several other issues, including genetic conservation and assessing native woodland quality and research priorities.

Other Native Woodland Projects

These are now too numerous to report on individually. Many operate without a continuing direct input by Forestry Authority staff. This reflects the degree of interest from many quarters in seeing a resumption in management and an increase in the area of native woodlands. Needs addressed by individual projects range from resource assessment and promotion of understanding to securing effective management of woods in decline. In many cases the promotion of appropriate wood products and marketing is the key aim, restoring the value of woodlands to local economies and ensuring their future through sympathetic management for wood products.

Developing Markets for Timber

Post-Hardwood Conference Developments

A conference, 'New Markets for Old Woods', was staged in Guildford in April 1994. The conference broke new ground in the effort to bring derelict woods into management, and led to the development of "WoodNet", an information network for the woodland industry in England. This has begun to function on a pilot basis through a series of information sheets produced by the Anglian Woodland Project and Cumbria Broadleaves. A new sales magazine for placing small advertisements about all types of timber sales is to be piloted under this initiative. We are pleased that the concept has received wide support.

In co-operation with industry partners and the development agencies we commissioned a major study of private sector roundwood timber marketing in Britain. The consultants have interviewed those concerned at all parts of the marketing chain and will report their findings and recommendations in the summer of 1995.

Promoting Health, Safety and Training in the Forest Industry

Development of Vocational Qualifications

A consultant was appointed in June 1994 by the Forestry and Arboriculture Safety and Training Council (FASTCo) to assist in revising existing vocational qualifications in forestry at levels 1 & 2 and developing levels 3 & 4. Industry work groups were set up to advise on all technical matters and material was produced from a series of workshops that enabled our consultant to draft new standards. Credit is due to the hard-working volunteers who represented a wide spectrum of interests in the industry. A major consultation exercise is being carried out on the standards, and refinements will be made as a result of this process.

In parallel with these discussions, an Awarding Body will be identified and the standards will be piloted to test their acceptability. The new qualifications are expected to be approved by the National Council Vocational Qualifications and be in place by the autumn of 1996.

Safety Guides and Seminars

A revised range of safety guides promoting the highest practicable standards for the tree industry was in the course of production during the year. The first twelve guides and checklists were launched in September 1994 and demand far exceeded our expectations. This is an ongoing task that will take several years to complete and a suite of guides with checklists incorporating previous Forestry Safety Council (FSC) guides, Arboriculture Safety Council (ASC) guides and a range of new operations will be available free of charge.

Ninety people attended three technical safety updating seminars held early in 1995 in South England and Wales, sponsored by the St Regis Paper Co Ltd. The seminars were based on the use of Safety Guides and Checklists and how to reduce the human and financial costs of accidents. It is intended to continue the seminars on an annual basis with the industry taking an active part in their promotion.

Training Agreement with ATB Landbase

ATB Landbase is the industry training organisation for agriculture. In Wales, ATB has a strong regional structure which enables courses to be made available through 65 training groups. The Forestry Authority in Wales has entered into a joint venture to make a range of forestry courses available to increase the knowledge and develop the practical expertise of farmers and landowners. We will prepare suitable courses and provide training to skilled operators who will then operate as approved trainers with ATB Landbase.

Promoting Public Understanding of Forestry

Forest Education Initiative

The Forest Education Initiative is chaired by the Forestry Authority, with members from the Forestry Industry Committee of Great Britain, the Timber Trade Federation and the Forestry Trust for Education and Conservation. The Initiative has produced two books for use by schools. These copyright-free books, *The Wonder of Wood* (for primary schools) and *Investigating Trees and Timber* (for secondary schools) were developed by teachers. They provide a focus for the growing network of local Forest Education Initiative groups of growers, wood processors and other sectors of the forestry industry.

These local groups link people in forestry and education. They aim to bring the subject of trees and timber alive through the provision of sites for fieldwork, local forestry information and teacher training. Initial reaction to the teaching material and the provision of a link to the forestry industry has been very enthusiastic.

Improving Our Efficiency

The Woodland Grant Scheme Applicant's Charter states that an applicant will be sent a contract within six weeks of the date when firm proposals are drawn up, except in cases involving consultation where there is a target time of 10 weeks. During the year these targets were met in 83% of cases without consultation and 84% of cases with consultation. While this does not represent an improvement on the last six months of 1993-94 (the corresponding figures were 83% in both cases), achievement this year was affected by the closure of the WGS for nine weeks resulting in a subsequent backlog of cases when the scheme was re-opened in its revised form.

In March 1995 the Forestry Commission launched a Citizen's Charter for Plant Health procedures. The Charter sets out our aims and our standards for inspecting timber imports. Our aim is to inspect imports on the day that we are notified of their landing, or the next working day at the latest. We are pleased to record that a pilot scheme, operated nationally since June 1993, showed that we achieved this target in over 95% of cases.

Forestry Research

Research Report

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.

Integrated Pest Management

Integrated pest management recognises that there is often no single cost-effective and environmentally acceptable method for controlling insect pests in forests but a variety of techniques can be applied in an integrated manner to manage insect pests. This approach requires a detailed understanding of the biology and population dynamics of the pests and of the potential biological control agents such as insect parasitic nematodes and wasps that might be used to suppress them. An outstanding example of the successful application of this approach has been the control of *Dendroctonus micans* through a combination of

selective tree felling, restrictions on the movement of infested timber and release of the imported predator, *Rhizophagus grandis*. A similar approach is being adopted for the control of insect pests of restocking sites, particularly *Hylobius abietis*, with the aim of reducing or eliminating dependence on the use of pesticides.

Asian Gypsy Moth

The appearance of the Asian strain of gypsy moth, *Lymantria dispar*, in Germany has created concern about the potential of this pest to become established and cause damage in Britain. Unlike their European counterparts, females of the Asian gypsy moth are strong fliers and can disperse widely, laying their eggs on plants and other surfaces. The larval stages are able to feed successfully on a wide range of host plant species, including all the principal commercial and amenity trees grown in Britain. Following publication of a Tree Damage Alert and a colour-illustrated Arboriculture Research Information Note, our research and plant health staff set up a series of pheromone traps in the south of England to monitor the possible presence of the moth. In total, nine male moths were caught. It seems probable that these were blown over from the Continent. The monitoring and risk assessment process will continue in 1995.

Phytophthora Root Disease of Alder

Studies during 1994 showed that a *Phytophthora* root disease of common alder, *Alnus glutinosa*, is widespread in southern Britain. A survey of over 60 riverbanks in southern Britain indicated that approximately 5% of alders were showing current symptoms of this disease. By extrapolation this could well amount to more than 20,000 trees in the survey area. Death of trees due to the disease has also been found in plantings of the grey alder, *A. incana*, and the Italian alder, *A. cordata*. The causal fungus is a form of *Phytophthora cambivora*, a well-known pathogen that causes root and stem disease of a wide range of tree species in this country and abroad, but which has not previously been recorded on alder. A research programme has been set up, supported by the Forestry Authority and the National Rivers Authority. A Research Information Note summarising the current position was produced in November 1994 and was supplemented by the production of a coloured leaflet on the recognition of the disease.

Greenhouse Gases Seminar

A Forestry Research Co-ordinating Committee Conference on Greenhouse Gas Balance in Forestry was held at the Royal Geographical Society in London in November 1994. The conference followed a review of forestry and climate change and considered the direct effects of increased levels of carbon dioxide on tree growth, greenhouse gases and carbon storage. A better understanding of the effects of increased levels of carbon dioxide is emerging from current experiments. The papers from the conference will be published as a special issue of the journal *Forestry*.



FOREST
ENTERPRISE

Financial Performance

We are pleased to report that Forest Enterprise was fully self-financing in 1994-95 having achieved the target set for it by Forestry Commissioners in 1992. The Accounts for Forest Enterprise are on pages 57 to 70.

Managing the Whole Forest

Forest Design

By the end of the year, Forest Design Plans covering over one third of the forest estate had been approved by the Forestry Authority. These plans are a key element in amalgamating our environmental and financial objectives into a multiple-purpose management plan and they form the basis of our production forecast and our annual operating plans. Forest Design Plans have been used widely to explain our forest management strategies to forest visitors and specific interest groups.

Environment Panels

We place great importance on keeping in touch with our customers and the communities we serve. There are now one or more Environment Panels in all of our Forest Districts. The Panels have provided considerable feedback from local communities and have proved invaluable in their contribution to the development of Forest Design Plans.

Computerised Mapping

All of our Regional offices have been equipped for the computerised production of our forest maps. This will speed up the preparation and updating of the maps and, importantly, improve consistency. In the longer term we aim to combine data on our land and forest growing stock in a Geographic Information System (GIS) which can be used to explore ways of improving the management of the estate. A pilot project was set up with the aim of developing a GIS-based package which can be linked with our database on the forest growing stock, tree growth models and our production forecasting system to allow managers to explore the financial and wood supply implications of different felling options.

Timber Production

Market Review

1994-95 was notable as a year in which all of our customers did good business and demand for our harvested and standing trees was as high as in 1988-89. Price indices for the Commission's sales of softwood sawlogs and standing timber rose by 17% and 43% respectively over the year, reflecting the strength of demand from the market. The upturn in optimism for housing and the general economy in the first half of 1994 was evident in the timber business as all parts of the supply chain stocked up and prices rose rapidly. For

construction timber this occurred in the spring and summer but for the packaging and pallet industry the upturn occurred in the autumn.

Sawlog prices peaked around February 1995. This coincided with falling optimism in the construction industry and very high stocks of sawn softwood from the Baltic States and Scandinavia. In March 1995 an amendment to British Standard 4978 came into effect. This requires the use of dry-graded sawn wood for many applications in the construction market. British sawmills producing wood for the construction market have already invested in kilns in anticipation of this change and are well placed to supply the market.

The packaging and pallet sector remained depressed as producers' margins came under pressure due to competition for wood from the pulpwood and chipwood industry.

Fencing markets, which are always seasonal, were revitalised in 1994 and this continued into 1995, possibly influenced by the better returns to some parts of the farming industry in the last two years with a consequential increase in farm maintenance programmes.

The packaging, pallet and fencing markets were supplied by significant quantities from Irish sawmills which are expected to continue to claim an increasing market share as a consequence of rapidly increasing production from forests of the Irish Forestry Board (Coillte Teoranta).

In recent years the forests in Ireland have supplied substantial quantities of small roundwood and sawmill residues to the paper making industry in Britain. In future this material will be absorbed by the wood processing industries in Ireland following new inward investment by North American companies. Virgin fibrepulp makers in Britain witnessed strong pressure on their raw material prices in 1994. Fortunately, there was a dramatic rise in the full range of paper prices.

Markets for panelboards were buoyant throughout the year. However, this industry had to absorb the increased costs of resins which more than doubled. Capacity rose in 1994 with the start up of a second line at the Oriented Strand Board plant at Inverness in June and refurbishment work at the particleboard plant at South Molton. A new Medium Density Fibreboard line at Chirk worked up to full operation in the early part of the year.

Production Forecast

The Forestry Commission publishes a forecast of future wood production from its forests every five years. Our 1994 revision of the forecast was the most comprehensive ever. New forest surveys and growth data were incorporated together with management information from the 350,000 hectares of forests which are covered by Forest Design Plans. The forecast results will be assembled and published in 1995.

Period Contracts

The need to provide continuity of supply to our customers was recognised in last year's National Audit Office report *Forestry Commission: Timber Harvesting and Marketing* and in an internal audit of our timber marketing activity in 1993. We have a number of longer term supply agreements with small roundwood users but in recent years sales to sawmillers have concentrated on short term contracts commonly extending over periods of months rather than years. In 1994-95, negotiations were held with the trade associations to devise

a form of contract which would ensure continuity of supply for periods of three to five years. They would be entered through competitive bidding on the first year's supply. Recognising that this new form of contract might fail to attract cautious buyers, we agreed, in consultation with the sawmilling associations, to make an introductory offer to those of our customers who bought significant quantities from us in 1993-94. It is expected that agreements on these offers will be signed in the first half of 1995-96.

Harvesting

A total of 4.3 million cubic metres of timber was sold compared with the planned harvest of 4.0 million cubic metres. The increase was a response to better market conditions and increased demand from small roundwood users which prompted thinning in areas which previously would have been unprofitable. As the additional volume was harvested using our own production resources, the quantity sold as standing trees represented 46% of the total programme against a planned 48%. Nearly 1.99 million cubic metres of timber was sold as standing trees compared with a planned 1.96 million cubic metres. The volume of timber produced from our own direct production was 2.3 million cubic metres - similar to 1993-94 - comprising 0.6 million cubic metres from thinnings and 1.7 million cubic metres from clear-felling. The average tree size harvested remained constant at 0.19 cubic metres.

The proportion of our total harvesting programme which is mechanised now stands at 65%. The proportion of our thinning programme which is mechanised is less than that of the clear felling programme. One of the limiting factors to the mechanisation of thinning operations has been the lack of a reliable, cost-effective harvester which is compact, yet powerful enough to function in the wide range of conditions in our forests. At the end of the year we commissioned a major field evaluation of purpose-built harvesters for use in thinning.

Machine Performance Guarantees

Forest machines are not manufactured in large quantities and similar machines often vary in quality and fitness for the job, creating difficulties in predicting the level of operational repair costs and in setting appropriate charges for users. We like to state clearly our expectation of a machine's performance and to make the manufacturer responsible for seeing that it is achieved. Taking advantage of the recent depressed market in machinery sales we approached manufacturers to secure performance guarantees which put a limit on the repair costs for a machine over the first three years of its life and, when that limit is exceeded, to require the manufacturer to pay the excess. We have been able to purchase harvesting machines including forwarders, clambunk fellers, harvester heads and excavator bases, under these new arrangements.

Civil Engineering

Despite another wet winter, road construction has been up to programme. This year, we built 138 kilometres of new roads and upgraded 109 kilometres of existing roads. Our aim was to hold costs at existing levels despite the concentration of roading activity in more difficult terrain in northern and western areas of Scotland. In the event, upgrading costs were trimmed but new roading costs rose due to abnormally wet ground conditions.

During the year, 24 road and foot bridges were constructed. A variety of projects were undertaken ranging from the construction of 23 kilometres of cycle track in the Forest of Dean to an innovative observation point in the Galloway Forest Park.

Conserving the Environment

The national forest estate is a major habitat and species resource. Spread across Great Britain it contains a variety of forest types and habitats with nearly 400 Sites of Special Scientific Interest (SSSIs) as well as significant areas of native pinewoods, ancient semi-natural broadleaved woodlands, lowland heaths and wood pastures. It is host to important breeding populations of over 50 nationally endangered species of fauna. The estate contains a particularly valuable and relatively undisturbed built heritage covering a wide range of periods from the prehistoric to the industrial revolution. Significant areas also lie within National Parks, National Scenic Areas and Areas of Outstanding Natural Beauty and we are committed to managing them in harmony with the objectives and character of these areas.

Biodiversity

We began to develop our biodiversity programme based on the voluntary sector 'Biodiversity Challenge' which identified threatened habitats and species and set measurable targets for their conservation. The programme involves a huge information gathering exercise and we have started with the nationally most important habitats such as native pinewoods and lowland heaths, and the most obviously rare species of butterflies and plantlife. Our aim is to build up action plans for those habitats and species for which we have special responsibility.

Native Woodlands

The ancient semi-natural woodlands in our forests are important habitats and all are being managed to enhance their conservation values. The regeneration of Caledonian Forest Reserves continued in Scotland with Glen Affric Woodland, the largest to date, being officially opened by Sir Hector Monro MP, the Scottish Office Minister for Agriculture and the Environment. This also formed part of a European Union Life project which included provisions for visitor information and a seasonal ranger service.

We are also undertaking the rehabilitation and active management of oak woodlands in the Lake District and west Scotland. The clearance of rhododendron and other unwanted vegetation from native woodlands has been carried out on many sites. A comprehensive monitoring programme has been put in place to measure visitor numbers and attitudes, environmental and economic impact and the success of the restoration work. Implementation of coppice regimes has continued in a number of forests in the east of England and the Midlands where interest in such management has been boosted by the development of markets for charcoal.

Heathland Management

The conservation requirements of heathland management is an important aspect of design plans in many of our forests in southern England. Both nightjar and woodlark continue to thrive as a result. The Dorset Forest and Heath project has continued and the restoration

of a number of areas of permanent heathland have been progressed during the year. English Nature and local wildlife trusts have been closely involved with the development of proposals and in Nottinghamshire there has been a joint trial to use a forage harvester for heathland management.

Habitats and Species

There is a wide range of projects throughout Britain aimed at conserving and enhancing wildlife in our forests. They are part of our Forest Districts' Conservation Plans, often implemented in association with voluntary conservation groups. The 'Red Alert' recovery programme for the conservation of the red squirrel is fully supported in all our Regions, with our efforts being concentrated in areas where our intervention and assistance has been requested and where we can have a significant impact on local red squirrel populations. The dormouse is also a threatened species and habitat improvement and management together with the provision of nest boxes is encouraging populations to develop in Northants, Warwickshire and the Lake District. In Galloway, work continued on the Forest Birds Project and baseline data has been established for key bird species. Our partnership with Scottish Natural Heritage and the Royal Society for the Protection of Birds to protect and enhance the habitat for birds of prey is progressing well. Other projects have involved badgers, otters, water voles, bats, black grouse, snakes, butterflies, lizards and orchids. A trial scheme to encourage amateur naturalists by providing grants for study projects on our land was taken up enthusiastically, with 29 projects receiving assistance. High quality reports have been received for many of these projects, with butterfly monitoring of particular value.

Archaeology

Our management of archaeological sites is still developing and we acknowledge the support of the Forestry Authority's archaeologist and the archaeological agencies, as well as the invaluable assistance of local archaeological groups.

Much routine mapping and survey work is being undertaken and this can add a large number of previously unknown sites to existing records. Sometimes a keen eye will notice something significant, as happened in south Wales when, during excavations for a conservation pond, a Neolithic timber jetty was spotted and saved. A tourist information centre to provide interpretation on the nearby archaeology, the natural environment and woodlands, was officially opened by HRH The Prince of Wales at The Ord near Lairg in Sutherland. This project was a partnership between the Forestry Authority, Scottish Natural Heritage, the local authorities and Hydro Electric. At Inniemore, a 300 year old clearance village in Morvern, Argyll, our staff carefully harvested trees which were planted within the village 60 years ago. The remains of houses, barns, corn kilns and field systems can now be seen clearly. At Kielder, an archaeological trail was opened by the Earl Howe, Parliamentary Secretary (Lords) at the Ministry of Agriculture, Fisheries and Food.

Deer Management

In many habitats which have been improved for wildlife, the enhanced biodiversity has resulted in an increase in the population of deer of all species. In some forests this has become the largest single threat to the regeneration of tree shrubs and ground flora. Deer

browsing has been a particular problem where forest rides are managed for butterflies. Deer management plans are being adapted to counter this threat and we are supporting the Forestry Authority's Deer Initiative in England. Following our success with the red deer management package, we have introduced a similar package for roe deer on a pilot basis in a number of forests in England and Scotland.

Promoting Recreational Use

We provide free public access for recreation to the forests and woodlands we manage wherever this does not conflict with legal restrictions or where dangers might arise from forestry operations. Where appropriate, car parks and other facilities are provided to enhance visitors' experience and many forests provide opportunities for specialist forms of recreation, such as orienteering, cycling and horseriding. Our recreation Ranger services provide educational and information programmes in many areas.

Public Access

During 1994 a review was started of the methods used to promote our own guide maps and publications. This will result in improvements to the way in which we disseminate information to the general public. The 'Walkers Welcome' campaign has continued, with signs to encourage walkers erected at access points to forests and woodlands.

Forest Holidays

Forest Holidays is the brand name for the cabins, cottages and campsites managed by Forest Enterprise throughout Britain. The close association with the forest means that we can offer a totally unique product, and we enjoy a high level of customer loyalty.

1994-95 was a difficult trading year. Competitive foreign package holidays continue to erode the domestic market, although this is partly offset by the growing trend toward second holidays and short breaks. At £1.2 million, turnover for the cabins and cottages activity was 5% down on 1993-94. Following a management review we set up a separate business unit to manage the cabins and cottages. Campsite income at £2.7 million was 1% higher than in 1993-94.

Cycling in the Forest

We are actively involved in developing opportunities for cycling in our forests. The development of a comprehensive system of signs on the Great Glen Cycle Route in Scotland will help cyclists to plan their use of the route and guide them to local facilities. Three mountain bike trails, graded from easy through to expert, were created in Coed y Brenin Forest in Wales, and additional family cycle trails have been opened in most Regions. Trail Questing (cycle orienteering) is a rapidly growing pursuit which is equally accessible to family groups and experienced cyclists and many events take place on Forest Enterprise land. A Trail Quest area was created at Kielder Forest during the summer of 1994.

Bedgebury National Pinetum

The development of the Bedgebury National Pinetum in Kent has progressed in a number of key areas. We began to extend this world-wide collection of pine trees and other conifers and we were able to secure sponsorship for landscape development. Plans have been

completed for new access and parking and we commissioned architects to provide concept studies for new Pinetum Centre buildings.

Working with the Community

Although our forests can be enjoyed by all visitors, we are particularly keen that local communities should have a special place. We encourage them to make their views known and, through local groups, they can become involved in the management of the forest and specific projects.

Woodland Parks

There continues to be considerable local involvement in these parks and those located near to urban areas provide much enjoyment to nearby residents. Chopwell Woodland Park (near Newcastle) was opened by David Bellamy and, together with the Friends of Chopwell Wood, we hosted a weekend which attracted thousands of visitors. Work has continued to prepare Alice Holt Woodland Park in Hampshire for a spring launch, with special all ability and cycle trails funded by local sponsorship. Mabie Woodland Park is a popular recreation area for the town of Dumfries, and is a good example of multiple-purpose forestry with particular emphasis on community needs.

Community Forests

Tree planting started last year at Nightingale Farm in the Great Western Forest, near Swindon, and 1994 saw the construction of an access road, car park and the first section of an all ability trail.

Valleys Forest Initiative

Local partnerships are especially important in this initiative which is demonstrating that people from urban areas in the industrial valleys of south Wales can enjoy forests through community involvement. Vandalism, such as arson and dumping, has also greatly reduced. Individual schemes, as part of the initiative, continued throughout the year. All ability trails were developed at Fforest Fawr, near Cardiff, a long-distance cycle trail at Rhondda, and an off-road motor cycle trail at Merthyr.

Central Scotland Woodlands

We are actively involved in this tree planting initiative as a partner body with the Central Scotland Countryside Trust. We are restructuring the woodland under our management and acquiring suitable land for planting where possible. Some 94 hectares of land at West Forth and 32 hectares at Longrigg were planted during the year. An open day was held at West Forth where local residents were given an opportunity to review and discuss the design plan for the forest.

The National Forest

We have made great efforts to find land suitable for planting in the National Forest. Several areas adjoining Rosliston Farm, which we purchased in 1992, were seriously considered but were sold at auction for prices in excess of the sums we were prepared to pay. Discussions are taking place with British Coal with the object of acquiring an area of land for planting in a partnership arrangement with Nottinghamshire County Council. During the year

Mrs Edwina Currie MP opened the forest centre at Rosliston Farm which includes craft workshops, a forest classroom, a cafe, and, with help from sponsors, a wildlife hide and an all ability trail.

Environmental Education

Educational visits continue to increase and the programmes and resources have been reviewed to meet the new demands of the National Curriculum. An estimated 150,000 children visited our forests in organised parties during the year. Many more people joined in the wide range of 'What's On' events arranged in our Forest Districts. Whilst these are all enjoyable activities, it is intended that visitors come away from events and visits with a wider understanding of the values of our woodlands. A highlight of the year was the very successful theatre tour 'Touchwood', commissioned by North and East England Region from the Tiebreak Theatre Company, to commemorate our 75th anniversary. The Company played to over 8,000 people at 44 performances in England and Wales, targeted at school groups who participated enthusiastically.

Managing Property

Acquisitions

During the year we completed five acquisitions totalling 486 hectares. In Nottinghamshire 131 hectares of land used for coal tipping were acquired from British Coal. The land will be reclaimed and will allow the consolidation of existing woodlands and the development of recreation and public access. We purchased four freeholds of land, totalling 112 hectares, in which we currently have only a leasehold interest, which will allow us to improve the management of the estate particularly for public access and recreation. In addition, we acquired the Crown Estates interest in our Lochaweside cabin site which will give us full management freedom for the site. A full breakdown of land acquisitions is given in Table 4.

Disposals

An initially difficult forest land market improved during the year with the result that 10,014 hectares of forests and woodlands were sold, with 794 hectares of other land, raising a total of £12.1 million. The continued controversy over the disposals programme and the issue of continued public access resulting from the Forestry Review curtailed activity, particularly the placing of some new properties on the market. However, several woods that had been on the market for some time were sold. The most significant sales were those of Scoor and Beach and Glen Breackerie in Strathclyde Region, Scotland totalling 2,445 hectares.

An option agreement was concluded with Rank Holidays and Hotels Limited for the sale of West Wood in Kent subject to planning consent being granted for a holiday village. The planning application is currently the subject of a public inquiry.

We sold 87 houses during the year, 55 to sitting tenants, and our overall stock of housing has now reduced to 850 houses. More details of our disposals are given in Table 6.

Continued Public Access

Arrangements for securing continued public access to woodlands after sale were introduced in October 1991. These work by way of legal agreements between the Commission and local authorities. Since the scheme began, local authorities have been notified of 425 possible sales covering 25,345 hectares of land and they have expressed interest in 155 cases covering 16,556 hectares. Although local authority interest has been expressed in only 36% of the cases, they represent 66% of the area that might be sold. By the end of the year, we had sold 21 woodlands with public access agreements attached covering some 464 hectares. A further 24 agreements had been concluded covering 2,593 hectares.

As noted earlier, the Government's Forestry Review concluded that the access arrangements should be strengthened and new measures will be introduced in 1995-96.

Minerals

There has been much interest in a wide range of minerals, including coal, sand and gravel for road building throughout the country, particularly in Wales and south Scotland. Several new mines and quarries have opened or are at an advanced stage of agreement.

Human Resources and Organisation

Health and Safety

The Management of Health and Safety at Work Regulations require employers to assess the risk to the health and safety of their employees while they are at work. During the year we completed a major training exercise for all field managers to explain the use of risk assessment as a method of managing health and safety.

Industrial Accidents

The incidents of reportable accidents (those causing incapacity of more than 3 days) for the Forestry Commission as a whole was reduced to 3.8 per 100 employees. This compares with figures of 4.7 (1993-94), 4.8 (1992-93) and 5.6 (1991-92).

Head Office Reorganisation

In April 1994 we reorganised within Head Office by bringing the oversight of all forest operations into Business Enterprise Division embracing timber production, forest management, civil engineering as well as the management of business units for mechanical engineering services, nurseries and seed supply and radio and electronics. A new Corporate Services Division brought together financial and management accounting, credit management, information systems, industrial personnel, banking and health and safety. With the Estate Management Division and a small unit supporting the Chief Executive we have produced a much slimmer and effective divisional structure.

Salient Facts

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 four years, as well as a number of performance measurements.

SIR PETER HUTCHISON, *Chairman*
T.R. CUTLER, *Deputy Chairman and*
Director General
B.M. BLOOM
R. T. BRADLEY
J.W. EDMONDS
H.G. FETHERSTONHAUGH
D.L. FOOT
R.B. GROVE-WHITE
D.S. GRUNDY
T.S. MALLINSON
SIR MICHAEL STRANG STEEL

T.J.D. ROLLINSON, *Secretary*
FORESTRY COMMISSION
231 Corstorphine Road
Edinburgh EH12 7AT

FOREST ENTERPRISE
SALIENT FACTS

Year ended 31 March:

1992 1993 1994 1995

Total area managed	thousands hectares	1,128	1,115	1,100	1,089
Forest land	thousands hectares	896	888	874	863
Disposals programme					
Area sold	hectares	6,263	10,589	14,950	10,808
Total receipts	£('95)million	16.2	10.4	17.6	12.1
Sales of timber	£('95)million	79.8	79.8	84.5	91.1
Timber production	million cubic metres	3.9	4.1	4.3	4.3
Gross surplus (income less direct costs) from sales of timber	£('95) per cubic metre	11.45	10.55	11.50	13.23
Net harvesting surplus (gross surplus less management and administrative costs)	£('95) per cubic metre	7.86	7.35	8.86	10.73
Forest management					
New planting - area planted	thousands hectares	3.0	2.4	1.4	0.9
Forest cost (excluding fertiliser)	£('95)million	2.0	1.4	1.0	0.7
	£('95) per hectare	645	617	714	837
Restocking - area planted	thousands hectares	8.3	8.5	7.9	7.9
Forest cost	£('95)million	8.7	8.3	7.9	7.8
	£('95) per hectare	1,035	967	992	984
Roads					
New construction - programme	kilometres	135	149	133	138
Forest cost	£('95)million	4.5	4.6	4.5	4.8
	£('95) per metre	33.46	30.82	33.64	33.56
Upgrading - programme	kilometres	205	160	139	109
Forest cost	£('95)million	2.8	2.2	1.8	1.2
	£('95) per metre	13.41	13.62	13.26	10.94
Forest Holidays					
Rate of return achieved on capital employed (target 6%)	%	12.8	10.9	9.8	12.1
Recreation, conservation and heritage (net expenditure)					
	£('95)million	12.6	14.1	13.1	13.1
Staff numbers					
Industrial	average for year	2,367	2,227	2,051	1,901
Non-industrial	average for year	1,350	1,231	1,204	1,152
Grant-in-Aid	£('95)million	21.0	30.6	12.2	1.2



FINANCIAL
STATEMENTS
AND
ACCOUNTS

Forestry Commission: Forestry Fund

Foreword	43
Receipts and Payments Account	45
Statement of Balances	45
Notes to the Accounts	46
Statement of Commission’s and Accounting Officer’s Responsibilities	48
The Certificate and Report of the Comptroller and Auditor General	49

The Department of Forestry

Foreword	50
Statement of Income and Expenditure	52
Cash Flow Statement and Reconciliation to Grant-in-Aid	52
Statement of Assets and Liabilities	53
Notes to the Accounts	54
Statement of Commission’s and Accounting Officer’s Responsibilities	55
The Certificate and Report of the Comptroller and Auditor General	56

Forest Enterprise

Foreword	57
Accounting Policies	59
Income and Expenditure Account	61
Balance Sheet	62
Cash Flow Statement	63
Statement of Total Recognised Gains and Losses	63
Notes to the Accounts	64
Statement of Commission’s and Accounting Officer’s Responsibilities	69
The Certificate and Report of the Comptroller and Auditor General	69

Financial Statements and Accounts

Foreword

1. *Constitutional Status*

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.

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.

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.

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*

The Commission operates as two distinct entities with separate Departmental and forest management roles below Commissioner level:

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.

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 net requirement for Grant-in-Aid in 1994-95 of £76,378,000 was £12,651,000 lower than the requirement of £89,029,000 in 1993-94. The Department of Forestry's requirement was reduced by £793,000; Forest Enterprise's share was reduced by £10,856,000, mainly due to continuing improvements in timber prices; while the balance was to meet pensions payments which were reduced by £1,002,000 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
9 OCTOBER 1995

F O R E S T R Y C O M M I S S I O N : F O R E S T R Y F U N D

Receipts and Payments Account for the year ended 31 March 1995

	NOTES	£'000	PREVIOUS YEAR £'000
Central Government grants			
Grant-in-Aid	2	87,906	91,000
EC Receipts	3	12,851	5,814
		100,757	96,814
Operating receipts			
Sales of timber		90,970	84,025
Other operating receipts	4	22,336	19,396
		214,063	200,235
Operating payments			
Salaries and wages		62,890	63,707
Travel, subsistence and staff transfer expenses		4,856	5,623
Grants to private woodland owners		32,807	29,838
Other operating payments	5	60,805	61,636
		161,358	160,804
Surplus from operations		52,705	39,431
Other receipts/(payments) (net)	6	(22,845)	(16,227)
Surplus for the financial year		29,860	23,204
Appropriations			
Payments to Consolidated Fund	7	16,520	17,568
Excess (shortfall) of receipts over payments for the financial year		13,340	5,636

Statement of Balances as at 31 March 1995

Cash and bank balances			
Balance at 1 April		8,036	2,400
Add(deduct): Excess (shortfall) of receipts over payments for financial year		13,340	5,636
Balance at 31 March 1995		21,376	8,036

T R CUTLER
ACCOUNTING OFFICER
9 OCTOBER 1995

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 1994-95 was £94,506,000 (Class XIV, Vote 25). After deducting Appropriations in aid of £6,600,000, the net provision paid to the Forestry Fund as Grant-in-Aid was £87,906,000. This was allocated as follows:

	£'000	PREVIOUS YEAR £'000
Grant-in-Aid (Class XIV, Vote 25)	87,906	91,000
Less excess to be surrendered	11,528	1,971
	76,378	89,029
Allocated to:		
Department of Forestry	52,020	52,813
Forest Enterprise	1,203	12,059
Forestry Commission Pension Scheme	23,155	24,157
	76,378	89,029

3. EC Receipts

These represent the contribution from the European Agricultural Guidance and Guarantee Fund toward eligible grants for woodlands in the private sector under the Forestry Action Programme. £6,600,000 was Appropriated-in-Aid and the extra receipts of £6,242,000 will be paid to the Consolidated Fund in 1995-96.

4. Other Operating Receipts

	£'000	PREVIOUS YEAR £'000
Forest and estate management	7,556	5,531
Forest Holidays	3,846	3,881
Recreation, conservation and heritage	3,666	3,210
Agency	2,844	3,467
Others	4,424	3,307
	22,336	19,396

5. Other Operating Payments

	£'000	PREVIOUS YEAR £'000
Forest and estate management	10,709	10,245
Mechanical engineering services	7,507	7,888
Recreation, conservation and heritage	6,493	6,198
Harvesting contractors and services	17,518	18,401
Forest roads, contractors and services	4,059	3,384
Office and administration expenses	12,193	13,118
Grants to universities	666	687
Others (including auditors remuneration for 1993-94 of £14,000)	1,660	1,715
	60,805	61,636

6. Other Receipts/(Payments) (net)

	NOTES	£'000	PREVIOUS YEAR £'000
Capital expenditure		13,568	8,411
Value Added Tax (net)		(1,797)	1,010
Pensions to retired staff	9	24,292	25,363
		<u>36,063</u>	<u>34,784</u>
Less			
Superannuation contributions from staff	9	1,137	1,206
Sale of land, buildings and forest estate		12,081	17,351
		<u>13,218</u>	<u>18,557</u>
		<u>(22,845)</u>	<u>(16,227)</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 are paid into the Consolidated Fund. Receipts in excess of the agreed Appropriation in Aid received in 1993-94 from the European Commission in respect of contributions towards eligible private woodland grants, and the excess Grant-in-Aid for 1993-94, are also payable to the Consolidated Fund.

	£'000	PREVIOUS YEAR £'000
Disposal receipts	11,435	17,088
EC private woodland contributions	3,114	480
Excess Grant-in-Aid 1993-94	1,971	-
	<u>16,520</u>	<u>17,568</u>

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	PREVIOUS YEAR £'000
Chairman	36	34
Highest paid Commissioner	72	67
Other Commissioners	212	204
Total emoluments of Commissioners	<u>320</u>	<u>305</u>
Travel and subsistence of Commissioners	44	46

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

	NUMBER	PREVIOUS YEAR NUMBER
£5,001 to £10,000	6	6
£55,001 to £60,000	2	3
£60,001 to £65,000	1	-

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 3,705 active serving members at 31 March 1995. The number of current pensioners and the value of pensions paid in the year ended 31 March 1995, excluding lump sums and transfer values, were as follows:

	NUMBER	£'000
Officers	4,567	18,337
Dependants	1,682	2,505
	<hr/> 6,249	<hr/> 20,842

In addition there were 1,549 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 was 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
Total future liabilities	<hr/> 400.5

These future liabilities are charged against the Forestry Fund and will be next revalued at 31 March 1996.

Statement of Commission's and Accounting Officer's Responsibilities

Under Section 44(1) of The Forestry Act 1967 the Commissioners are required to prepare accounts for each financial year in the form and on the basis directed by the Ministers, with consent of the Treasury. The accounts are prepared on a cash basis and must properly present the receipts and payments for the financial year and the balances held at the year end.

The Treasury has appointed the Director General of the Forestry Commission as the Accounting Officer. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity for the public finances for which he is answerable and for the keeping of proper records, are set out in the Accounting Officers' Memorandum, issued by the Treasury and published in *Government Accounting* (HMSO).

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I have audited the financial statements on pages 43 to 48 which have been prepared in a form directed by the Forestry Ministers and approved by Treasury.

Respective responsibilities of the Accounting Officer and auditors

As described on page 48 the Accounting Officer is responsible for the preparation of financial statements. It is my responsibility to form an independent opinion, based on my audit, on those statements and to report my opinion to you.

Basis of opinion

I certify that I have examined the financial statements referred to above in accordance with the Forestry Act 1967 and the National Audit Office auditing standards, which include relevant Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the judgements made by the Accounting Officer in the preparation of the financial statements.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material mis-statement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion the accounts properly present the receipts and payments of the Forestry Fund for the year ended 31 March 1995 and have been properly prepared in accordance with Section 44(2) of the Forestry Act 1967.

JOHN BOURN
COMPTROLLER AND AUDITOR GENERAL
13 OCTOBER 1995

NATIONAL AUDIT OFFICE
157-197 BUCKINGHAM PALACE ROAD
VICTORIA
LONDON SW1W 9SP

Financial Statements and Accounts

Foreword

1. Status

The Forestry Commission is the Government Department responsible for forestry throughout Great Britain and, since 1992, has operated as two distinct entities - the Department of Forestry and Forest Enterprise.

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 25. 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. 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

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 £52,020,000 was £793,000 lower than the previous year. Net operating expenditure in 1994-95 fell by £537,000 compared to the previous year. Whilst there was a continuing increase in the level of private woodland grant payments and in activity on advisory and regulatory functions this was more than offset by increased income mainly from EC grants appropriated in aid and the sale of research services. Future commitments and applications awaiting approval for planting and management grants at 31 March 1995 totalled £230 million, a decrease of £21 million from the previous year's figure of £251 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
11 SEPTEMBER 1995

T H E D E P A R T M E N T O F F O R E S T R Y

**Statement of Income and Expenditure
for the year ended 31 March 1995**

	NOTES	£'000	PREVIOUS YEAR £'000
INCOME			
Planting grant recoveries from EC	2	6,600	2,700
Research income		1,804	1,139
Sundry income		639	470
		9,043	4,309
EXPENDITURE			
Grants to private woodland owners	3		
Woodland Grant Scheme		31,511	27,061
Other schemes (now closed to new applications)		1,292	2,739
		32,803	29,800
Management and administrative expenses	4		
Private woodland grant schemes		5,988	5,994
Licensing, regulatory and plant health services		1,585	1,407
Information and advisory services		6,289	6,277
Research and development		10,861	10,871
Forestry policy and departmental administration		6,530	5,510
		31,253	30,059
Net expenditure for year		55,013	55,550

The notes attached form part of these accounts.

**Cash Flow Statement and Reconciliation to Grant-in-Aid
for the year ended 31 March 1995**

	£'000	PREVIOUS YEAR £'000
Net expenditure for the year per Income and Expenditure Account	55,013	55,550
less items not involving cash in the year		
Depreciation and loss on sale of office machinery	(1,043)	(1,163)
Notional employers superannuation contributions	(2,700)	(2,626)
Movements in net current assets	(425)	662
	(4,168)	(3,127)
Add Capital Expenditure	1,181	397
less income from sales	(6)	(7)
	(2,993)	(2,737)
Grant-in-Aid for the year from the Forestry Fund Account	52,020	52,813

T H E D E P A R T M E N T O F F O R E S T R Y

Statement of Assets and Liabilities as at 31 March 1995

	NOTES	£'000	PREVIOUS YEAR £'000
Fixed Assets			
Office machinery and equipment	5	3,701	3,469
Current Assets			
Stocks		404	368
Debtors	6	1,153	1,314
Cash in hand		1	2
		1,558	1,684
less Current Liabilities			
Creditors due within 12 months		833	534
Net Current Assets		725	1,150
Total Net Assets		4,426	4,619

The notes attached form part of these accounts.

T R CUTLER
ACCOUNTING OFFICER
11 SEPTEMBER 1995

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.

(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 are 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) Every three years office machinery and equipment is revalued by Forestry Commission staff. Between revaluations the asset values are 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% for industrials and 17% for non-industrials.

2. Planting Grant Recoveries from EC

The total contribution received for the year ended 31 March 1995 from the European Agricultural Guidance and Guarantee Fund toward eligible grants for woodlands in the private sector under the Forestry Action Programme was £12,842,000. Of this £6,600,000 was Appropriated-in-Aid and appears in these accounts. The extra receipts of £6,242,000 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 1995, the Department of Forestry was committed under signed plans to the payment of future instalments of planting and replanting grants amounting to £115 million (1994 £135 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 £33 million at 31 March 1995 (1994 £29 million).

Applications for planting and replanting grants, awaiting approval at 31 March 1995, amounted to £82 million (1994 £87 million).

4. Management and Administrative Expenses (including total staff costs and numbers of employees)

	£'000	PREVIOUS YEAR £'000
(i) Total staff costs		
Salaries	15,499	14,902
Wages	1,340	1,571
Social Security costs	1,281	1,300
Employers Superannuation costs	2,700	2,626
	<hr/>	<hr/>
	20,820	20,399
Travel and subsistence	2,757	2,869
Other expenses (including auditors remuneration of £18,600)	9,622	9,467
Charges to Forest Enterprise (note (ii))	(1,946)	(2,676)
	<hr/>	<hr/>
	31,253	30,059

(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	PREVIOUS YEAR AVERAGE NUMBER
Industrial staff	123	132
Non-industrial staff	820	820
	943	952

5. *Office Machinery and Equipment*

	£'000	PREVIOUS YEAR £'000
Net book value 31 March 1994	3,469	4,125
Additions	1,181	397
	4,650	4,522
Less Depreciation	(1,011)	(965)
Disposals/Transfers	(38)	(205)
Revaluation adjustment	100	117
Net book value 31 March 1995	3,701	3,469

6. *Debtors*

Total debtors include amounts falling due after more than one year of £610,000 (£760,000 in 1993-94).

Statement of Commission's and Accounting Officer's Responsibilities

Under Section 5 of the Exchequer and Audit Departments Act 1921 the Treasury has directed the Forestry Commission to prepare a statement of accounts for the Department of Forestry for each financial year in the form and on the basis set out in the accounts direction. The accounts are prepared on an accruals basis and must present fairly the Department of Forestry's state of affairs at the year end and of its income and expenditure and cash flows for the financial year.

In preparing the accounts the Forestry Commission is required to:

- observe the accounts direction issued by the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements.

The Treasury has appointed the Director General of the Forestry Commission as the Accounting Officer. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity for the public finances for which he is answerable and for the keeping of proper records, are set out in the Accounting Officers' Memorandum, issued by the Treasury and published in *Government Accounting* (HMSO).

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I have audited the financial statements on pages 50 to 55 which have been prepared under the historical cost convention modified to include revaluation of fixed assets and the accounting policies set out on page 54.

Respective responsibilities of Accounting Officer and auditors

As described on page 55 the Accounting Officer is responsible for the preparation of financial statements. It is my responsibility to form an independent opinion, based on my audit of those statements and to report my opinion to you.

Basis of opinion

I certify that I have examined the financial statements referred to above in accordance with the Exchequer and Audit Departments Act 1921 and the National Audit Office auditing standards, which include relevant Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Department in the preparation of the financial statements, and of whether the accounting policies are appropriate to the body's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material mis-statement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion the financial statements present fairly the net assets of the Department of Forestry at 31 March 1995 and its net expenditure and its cash flows for the year then ended and have been properly prepared in accordance with the Exchequer and Audit Departments Act 1921 and directions made thereunder by Treasury.

I have no observations to make on these financial statements.

JOHN BOURN
COMPTROLLER AND AUDITOR GENERAL
13 OCTOBER 1995

NATIONAL AUDIT OFFICE
157-197 BUCKINGHAM PALACE ROAD
VICTORIA
LONDON SW1W 9SP

Financial Statements and Accounts

Foreword

1. Status

The Forestry Commission is the Government Department responsible for forestry throughout Great Britain and, since 1992, has operated as two distinct entities - the Department of Forestry and Forest Enterprise.

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 25. 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

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, 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.

Nevertheless, we produced an operating surplus of £10.3 million on the forest estate compared to a deficit of £0.1 million in 1993-94. We increased net spending on recreation, conservation and heritage to £13.1 million (£12.8 million 1993-94). We reduced the deficit on other activities to £0.9 million (£2.5 million 1993-94). The net loss on sale of properties was £1.4 million (£1.5 million 1993-94).

Thus, the overall deficit for the year, at £5.1 million, showed an improvement of £11.8 million from 1993-94.

Forest Enterprise's call on Grant-in-Aid was reduced by £10.8 million to £1.2 million. The net cash inflow from operating activities increased to £13.0 million, a significant improvement

from the deficit of £1.6 million for the previous year. The combination of reduced receipts from sales of properties, affected by the considerations of the Forestry Review Group, and higher capital investment increased the cash outflow on investing activities to £2.0 million compared with a cash inflow of £6.8 million in the previous year. The total net cash inflow therefore improved by £5.8 million to £11.0 million.

4. Financial Objectives

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

Based on individual appraisals carried out in each Forest District, the implied real rates of return during the year ended 31 March 1995 was 4% on both new planting and restocking. Other financial objectives are described in the notes to the accounts.

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
11 SEPTEMBER 1995

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.

The Income and Expenditure Account identifies the operating results for the forest estate, recreation, conservation and heritage, and, other activities and 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.

2. 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 are 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.

3. Valuation of Assets

The forest estate is valued in these accounts on an open market value basis. It 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 have experience in the region, and the Regional Land Agent. The Chief Land Agent manages and co-ordinates 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.

The forest estate was last revalued at 31 March 1993. The next full revaluation will be undertaken at 31 March 1998, with an interim desk valuation being carried out at 31 March 1996.

Every three years 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.

Between revaluations 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.

4. 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

5. Stocks

Finished goods and work in progress are valued as follows:

(a) timber at the cost of production;

(b) seed at the lower cost of collection or net realisable value;

(c) plants and livestock at net realisable value;

(d) 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 on completion and disposal.

6. Corporation Tax

Forest Enterprise is not subject to corporation tax.

7. Provision for Bad and Doubtful Debts

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

8. Operating Leases

Operating lease rentals are charged on a straight line basis over the term of the lease.

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% for industrials and 17% for non-industrials.

F O R E S T E N T E R P R I S E

Income and Expenditure Account for the year ended 31 March 1995

	NOTES	£ MILLION	PREVIOUS YEAR £ MILLION
INCOME			
Forest estate			
Sales of timber		91.1	82.8
Other forest sales		3.0	1.5
		94.1	84.3
Recreation, conservation and heritage		3.9	3.3
Other activities	9	13.5	13.6
		111.5	101.2
 EXPENDITURE			
Forest estate			
Harvesting and haulage of timber		44.8	45.5
Restocking after felling		11.7	11.3
Forest roads		13.2	13.7
Forest maintenance and protection		14.1	13.9
		83.8	84.4
Recreation, conservation and heritage		17.0	16.1
Other activities	9	14.4	16.1
		115.2	116.6
 OPERATING SURPLUS/(DEFICIT)			
Forest estate		10.3	(0.1)
Recreation, conservation and heritage		(13.1)	(12.8)
Other activities	9	(0.9)	(2.5)
		(3.7)	(15.4)
Surplus/(Deficit) on sale of properties	11	(1.4)	(1.5)
		(5.1)	(16.9)
 NET SURPLUS/(DEFICIT) FOR THE YEAR			
Transferred to Capital Account		(5.1)	(16.9)
		(5.1)	(16.9)

The accounting policies and notes form part of these accounts.

F O R E S T E N T E R P R I S E

Balance Sheet as at 31 March 1995

	NOTES	£ MILLION	PREVIOUS YEAR £ MILLION
FIXED ASSETS			
Forest estate at Open Market Value	1a	1,394.2	1,401.5
Other tangible assets	1b	126.6	125.2
		<u>1,520.8</u>	<u>1,526.7</u>
CURRENT ASSETS			
Stocks	2	6.9	7.4
Debtors	3	18.7	17.7
Cash at banks and in hand	4	2.1	2.0
		<u>27.7</u>	<u>27.1</u>
CREDITORS - amounts falling due within one year	5	<u>12.4</u>	<u>8.7</u>
NET CURRENT ASSETS		<u>15.3</u>	<u>18.4</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,536.1</u>	<u>1,545.1</u>
CAPITAL AND RESERVES			
Capital Account	6	956.7	966.6
Revaluation Reserve	7	579.4	578.5
TOTAL CAPITAL AND RESERVES		<u>1,536.1</u>	<u>1,545.1</u>

T. R. CUTLER
ACCOUNTING OFFICER
11 SEPTEMBER 1995

F O R E S T E N T E R P R I S E

Cash Flow Statement for the year ended 31 March 1995

	NOTES	£ MILLION	PREVIOUS YEAR £ MILLION
OPERATING ACTIVITIES			
Receipts from sales of timber		91.0	84.0
Other receipts		19.3	17.6
Salaries, wages and related expenses		(47.5)	(49.0)
Materials, contract services and general expenses		(49.8)	(54.2)
Net Cash inflow/(outflow) from operating activities	8	13.0	(1.6)
INVESTING ACTIVITIES			
New planting (excluding book value of land)		(2.0)	(2.2)
Payments to acquire tangible fixed assets		(12.7)	(8.6)
Receipts from sale of properties		12.1	17.3
Receipts from sale of other tangible fixed assets		0.6	0.3
Net cash inflow/(outflow) from investing activities		(2.0)	6.8
Net cash inflow/(outflow) before financing		11.0	5.2
FINANCING			
Grant-in-Aid		1.2	12.0
less: Receipts from disposals programme		(12.1)	(17.3)
(Increase)/decrease in cash and cash equivalents		(0.1)	0.1
		(11.0)	(5.2)

**Statement of Total Recognised Gains and Losses for the year ended
31 March 1995**

Net surplus/(deficit) for the year		(5.1)	(16.9)
Revaluation surplus/(deficit) for the year	7	0.9	2.9
Total recognised gains/(losses)		(4.2)	(14.0)

Notes to the Accounts

1. Fixed Assets

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

	£ MILLION	PREVIOUS YEAR £ MILLION
Valuation 870,567 hectares at 1 April 1994		
Open Market Value	1401.5	1413.0
Movements in year		
Add: New Planting	2.2	2.6
Acquisitions	-	0.1
Deduct: Disposals and Transfers (at book value)	(9.5)	(14.2)
	1394.2	1401.5
Revaluation adjustment	-	-
Open Market Value at 31 March 1995 860,731 hectares	1394.2	1401.5

(b) Other Tangible Assets

	LAND AND BUILDINGS £ MILLION	MACHINERY PLANT AND EQUIPMENT £ MILLION	TOTAL £ MILLION
Valuation:			
At 1 April 1994	95.1	83.3	178.4
Additions	2.1	10.6	12.7
Disposals	(2.9)	(6.0)	(8.9)
Revaluation adjustment	1.1	1.5	2.6
At 31 March 1995	95.4	89.4	184.8
Depreciation:			
At 1 April 1994	-	53.2	53.2
Provided during year	2.0	7.6	9.6
Disposals	-	(5.6)	(5.6)
Revaluation adjustment	-	1.0	1.0
At 31 March 1995	2.0	56.2	58.2
Net Book Value:			
At 31 March 1995	93.4	33.2	126.6
At 31 March 1994	95.1	30.1	125.2

(c) Forest estate and other land and buildings assets comprise both freehold and leasehold assets.

2. Stocks

	£ MILLION	PREVIOUS YEAR £ MILLION
Timber	2.6	2.9
Plants and seed	1.8	1.8
Consumable materials, supplies and livestock	2.5	2.7
	6.9	7.4

3. Debtors

	PREVIOUS YEAR	
	£ MILLION	£ MILLION
Trade debtors	17.8	16.8
Other debtors	0.9	0.9
	<hr/>	<hr/>
	18.7	17.7

Other debtors include amounts falling due after more than one year of £0.6 million (£0.8 million as at 31 March 1994).

4. Cash at Banks and in Hand

	PREVIOUS YEAR	
	£ MILLION	£ MILLION
Balance with Paymaster General	1.8	1.7
Cash at commercial banks and in hand	0.3	0.3
	<hr/>	<hr/>
	2.1	2.0

5. Creditors: amounts falling due within one year

	PREVIOUS YEAR	
	£ MILLION	£ MILLION
Payments received on account	0.3	0.4
Trade creditors	2.9	2.1
Other creditors including taxation and Social Security costs	9.2	6.2
	<hr/>	<hr/>
	12.4	8.7

6. Capital Account

	PREVIOUS YEAR	
	£ MILLION	£ MILLION
Balance brought forward	966.6	982.1
Movement in year:		
Net surplus(deficit) for year	(5.1)	(16.9)
Employers' Superannuation contributions	6.1	6.7
Grant-in-Aid	1.2	12.0
Disposal receipts	(12.1)	(17.3)
	<hr/>	<hr/>
	(9.9)	(15.5)
Balance carried forward	<hr/>	<hr/>
	956.7	966.6

7. Revaluation Reserve

	PREVIOUS YEAR	
	£ MILLION	£ MILLION
Cumulative Revaluation Reserve brought forward	578.5	575.6
Revaluation surplus/(deficit) for the year ended 31 March 1995		
Forest estate	-	-
Other tangible assets	1.6	3.7
Adjustment on resurvey and reclassification of properties	(0.7)	(0.8)
	<hr/>	<hr/>
	0.9	2.9
Cumulative Revaluation Reserve carried forward	<hr/>	<hr/>
	579.4	578.5

8. Reconciliation of Income and Expenditure to Net Cash Inflow from Operating Activities for the year ending 31 March 1995

	£ MILLION	PREVIOUS YEAR £ MILLION
Surplus/(deficit) of Income over Expenditure	(5.1)	(16.9)
Items not involving cash payments		
Notional employers' superannuation contributions	6.1	6.7
Depreciation charges	9.6	9.2
(Profit)/Loss on sale of properties	(0.6)	(0.6)
(Profit)/Loss on sale of other tangible fixed assets	(0.2)	-
Decrease in stocks	0.5	(0.7)
Increase in debtors	(1.0)	1.4
Increase in creditors	3.7	(0.7)
Net cash inflow/(outflow) from operating activities	13.0	(1.6)

9. Other Activities: Operating Surplus/(Deficit) by Activity for the year ending 31 March 1995

£ MILLION	CAMPSITES AND CABINS	AGENCY	LAKE VYRNWY	ESTATE MANAGEMENT	TOTAL	PREVIOUS YEAR
Income	3.9	2.8	-	6.8	13.5	13.6
Expenditure	2.9	2.4	-	9.1	14.4	16.1
Operating Surplus/ (Deficit) for year	1.0	0.4	-	(2.3)	(0.9)	(2.5)
Notes	(i)	(ii)	(iii)	(iv)		
Operating Surplus/ (Deficit) for previous year	0.8	0.4	0.1	(3.8)	(2.5)	(1.9)

(i) The real rate of return on capital invested in cabin and campsites was 12.1% compared with a target rate in real terms of 6%.

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

(iii) Income of £47,943 was received for the year ended 31 March 1995 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.

10. Expenditure in the Income and Expenditure Account for the year ending 31 March 1995 includes:

	£ MILLION	PREVIOUS YEAR £ MILLION
Hire of plant and equipment	1.4	1.4

11. Surplus/(Deficit) on Sale of Properties

	PLANTATIONS AND ASSOCIATED PROPERTIES £ MILLION	PREVIOUS YEAR £ MILLION
Proceeds	12.1	17.3
Less: Book value	(11.5)	(16.7)
Less: Disposal costs		
External costs	(0.7)	(0.9)
Administrative expenses	(1.3)	(1.2)
Surplus/(Deficit) on sale of properties	(1.4)	(1.5)

12. Management and Administrative Expenses

(a) Total management and administrative expenses comprise:

	PREVIOUS YEAR	
	£ MILLION	£ MILLION
Staff costs:		
Salaries	19.7	19.6
Wages	1.3	1.1
Social Security costs	1.6	1.6
Superannuation costs	3.4	3.4
	<hr/>	<hr/>
	26.0	25.7
Other expenses (including Auditor's remuneration of £72,400)	7.8	7.7
Travel and subsistence	3.5	3.8
Charges from Department of Forestry (note (i))	1.9	2.7
	<hr/>	<hr/>
	39.2	39.9
less Business Units included in Operational costs	(3.4)	(3.5)
	<hr/>	<hr/>
	35.8	36.4

(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:

	PREVIOUS YEAR	
	£ MILLION	£ MILLION
Forest Districts	22.1	22.2
Regional Offices	8.8	7.0
Headquarters	4.9	7.2
	<hr/>	<hr/>
	35.8	36.4

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

Harvesting and haulage of timber	11.4	11.1
Restocking after felling	3.9	3.6
Forest roads	2.7	2.7
Forest maintenance and protection	4.9	5.3
Recreation, conservation and heritage	6.5	6.2
Other activities	5.8	6.7
	<hr/>	<hr/>
	35.2	35.6
Capital		
New Planting	0.6	0.8
	<hr/>	<hr/>
	35.8	36.4

13. Total Staff Costs and Numbers of Employees

(a) Total Staff Costs:

	PREVIOUS YEAR	
	£ MILLION	£ MILLION
Salaries	19.7	19.6
Wages	22.0	23.0
Social Security costs	3.2	3.4
Superannuation	6.1	6.7
	<hr/>	<hr/>
	51.0	52.7
Travel and subsistence	2.1	2.3
	<hr/>	<hr/>
	53.1	55.0

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

	AVERAGE NUMBER	PREVIOUS YEAR AVERAGE NUMBER
Industrial staff	1,901	2,051
Non-industrial staff	1,152	1,204
	3,053	3,255

14. Financial Objectives

Forest Enterprise is set a target rate of return of 3% 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 surplus on the forest estate for the year ending 31 March 1995 was £10.3 million and the capitalised cost of new planting was £2.2 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 1994-95 has been estimated at £12.6 million.

The Forestry Commissioners had set Forest Enterprise a financial objective to become self-financing by 1995-96. The objective has been met in 1994-95 by the achievement of a surplus of £4.8 million. This represents Forest Enterprise's share of the Grant-in-Aid voted to the Forestry Commission of £1.2 million, plus employers' superannuation contributions of £6.1 million, which other departments pay over to the Civil Superannuation Vote; less disposal receipts of £12.1 million which are surrendered direct to the Consolidated Fund as privatisation proceeds.

15. Capital Commitments

Future capital commitments, authorised but not yet contracted, for Other Tangible Fixed Assets in 1995-96 amounts to £10.0 million (£8.2 million for 1994-95).

16. Leases and Higher Purchase Obligations

Operating lease rentals due within next year:

	£ MILLION	PREVIOUS YEAR £ MILLION
Building leases expiring within:		
One year	-	-
Two to five years	-	-
More than five years	1.0	0.8
	1.0	0.8

17. Contingent Liabilities

Contingent liabilities at 31 March 1995 for damages caused to other persons' property and for compensation for personal injury to employees amounted to an estimated sum of £0.1 million (£0.6 million at 31 March 1994).

Statement of Commission's and Accounting Officer's Responsibilities

Under Section 5 of the Exchequer and Audit Departments Act 1921 the Treasury has directed the Forestry Commission to prepare a statement of accounts for Forest Enterprise for each financial year in the form and on the basis set out in the accounts direction. The accounts are prepared on an accruals basis and must give a true and fair view of the Forest Enterprise state of affairs at the year end and of its income and expenditure and cash flows for the financial year.

In preparing the accounts the Forestry Commission is required to:

- observe the accounts direction issued by the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements;
- prepare the financial statements on the going concern basis, unless it is inappropriate to assume that Forest Enterprise will continue in operation.

The Treasury has appointed the Director General of the Forestry Commission as the Accounting Officer for Forest Enterprise. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity for the public finances for which he is answerable and for the keeping of proper records, are set out in the Accounting Officers' Memorandum, issued by the Treasury and published in *Government Accounting* (HMSO).

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I have audited the financial statements on pages 57 to 68 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 59 to 60.

Respective responsibilities of Accounting Officer and auditors

As described above the Accounting Officer is responsible for the preparation of financial statements. It is my responsibility to form an independent opinion, based on my audit, on those statements and to report my opinion to you.

Basis of opinion

I certify that I have examined the financial statements referred to above in accordance with the Exchequer and Audit Departments Act 1921 and the National Audit Office auditing standards, which include relevant Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are appropriate to the body's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material mis-statement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion the financial statements give a true and fair view of the state of affairs of Forest Enterprise at 31 March 1995 and of its surplus/[deficit], total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the Exchequer and Audit Departments Act 1921 and with the directions made thereunder by the Treasury.

I have no observations to make on these financial statements.

JOHN BOURN
COMPTROLLER AND AUDITOR GENERAL
13 OCTOBER 1995

NATIONAL AUDIT OFFICE
157-197 BUCKINGHAM PALACE ROAD
VICTORIA
LONDON SW1W 9SP



APPENDICES

APPENDICES

1. Statutory and other Committees appointed by the Forestry Commission	73
2. Home Grown Timber Advisory Committee: Annual Report	76
3. Forestry and Arboriculture Safety and Training Council: Annual Report	79
4. Forestry Review: Announcement by the Secretary of State for Scotland	82
5. Revised Incentives for Private Forestry	84
6. United Kingdom Sustainable Forestry Programme: Announcement by The Scottish Office Minister for Agriculture and the Environment	86
7. The New Forest: Announcement by the Department of the Environment's Minister for the Environment and the Countryside	87
8. Welsh Affairs Committee: Summary of points made in the Government's Response to the House of Commons Welsh Affairs Committee Report	89

STATISTICAL TABLES

The Forestry Authority

1. Area of planting by private woodland owners for which grants were paid	90
2. Progress of planting by private woodland owners in last ten years	91
Map of Forestry Authority National and Conservancy Boundaries	92

Forest Enterprise

3. Land use	93
4. Land acquired	93
5. Freehold interests acquired	94
6. Land disposed of	94
7. Planting	95
8. Progress of planting in last ten years	95
9. Areas of plantations and volumes of timber felled	96
10. Sales of timber	96
11. Public recreational facilities	97
Land use, planting and timber production by Forest District	98

Statutory and Other Committees Appointed by the Forestry Commission

MEMBERSHIP AT 31 MARCH 1995

National Committees

ENGLAND

Miss B.M. Bloom (*Chairman*), Professor G.R. Dickson, Mr J.W. Edmonds, Mr R.B. Grove-White, Mr T.S. Mallinson, Mr C. Stratton, Mrs R. Thomas. *Secretary to the Committee*: Mr G.F. Inglis. The Committee had no meetings during the year.

SCOTLAND

Sir Michael Strang Steel (*Chairman*), Dr J. Balfour, Mr J.W. Edmonds, Mr R.B. Grove-White, Mrs C.G. MacWilliam, Mr T.S. Mallinson, Mr H.A. Waterson. *Secretary to the Committee*: Mr T. Lees. The Committee had no meetings during the year.

WALES

Mr H.G. Fetherstonhaugh (*Chairman*), Mr J.W. Edmonds, Mr R.B. Grove-White, Mr D.M. Hughes, Mr J.R. Lloyd Jones, Mr T.S. Mallinson. *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 C.H. Bagot, Mr D.J. Balfour, Mr D. Bolton, Mr I. Brodie, Mr R.N. Cartwright, Mrs C. Hardie, Mr A.A. Macdonald, Mr R.J. Steel Addison, Mr D. Stewart, Mr P.J. Veitch, Mr W.R. Worsley. *Secretary to the Committee*: Mr B.P. Easton. The Committee met in July 1994 and January 1995.

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, Ms P. Evans, Mr J.A. Kay, Mr J. Niles, Mr T.E. Ruggles-Brise, Dr C. Watkins, Mr D. Whicher, Mr J.J.I. Whitaker, Mr A.J.K. Wordie. *Secretary to the Committee*: Mr B.P. Easton. The Committee met in May 1994 and March 1995.

West Midlands, Wye & Avon and The West Country Conservancies

Mrs R. Thomas (*Chairman*), Mr N.D. Anderson, Dr N. Atkinson, Professor D.J. Cassidy, Lord Clinton, Mr M.R. Henderson, Mr J.B.J. Howell, Mr A. Lawson, Mr S. Micklewright, Mr J.T. Perry, Mr D.W.G. Taylor, Mr W.D. Trehearne. *Secretary to the Committee*: Mr B.P. Easton. The Committee met in June and October 1994 and February 1995.

SCOTLAND

Highland and Grampian Conservancies

Mrs C.G. MacWilliam (*Chairman*), Mr R. Dennis, Mrs J. Durham, Mr J.C. Keenleyside, Councillor F.R.M. Keith, Mr A.N.G. Laing, Mr M.F.B. Leslie, Mr A. MacIver, Professor H.G. Miller, Mr I. Morris, Mr P. Ramsay, Lord Strathnaver. *Secretary to the Committee*: Mr W.J. Anderson. The Committee met in June and November 1994.

Strathclyde and Perth Conservancies

Dr J. Balfour (*Chairman*), Mr A.W. Barbour, Mr R. Beaney, Mr B. Brookes, Ms S. Chambers, Councillor W.T. Dickson, Mr J.W. Dodds, Mr J.A. Fell, Mr C. James, Mr J. McNaughton, Dr P.S. Maitland, Mr P.S. Murray. *Secretary to the Committee*: Mr W.J. Anderson. The Committee met in May and November 1994.

Dumfries & Galloway and Lothian & Borders Conservancies

Mr H.A. Waterson (*Chairman*), Mr D.B. Crawford, Mr J.C. Currie, Mr R.H. Gladstone, Mr D.I. Liddell-Grainger, Mr J.F. Lowe, Mr D.W. Minns, Mr M.J.B. Pendlebury, Mr T.S. Smith, Councillor A.L. Tulley, Mr H.D. Wilson. *Secretary to the Committee*: Mr W.J. Anderson. The Committee met in May and October 1994.

WALES

North Wales, Mid Wales and South Wales Conservancies

Mr J.R. Lloyd Jones (*Chairman*), Mrs S.A.G. Ballance, Dr G.K. Elliott, Mr S.K. Neale, Colonel P.C. Ormrod, Mr M. Oxnard, Mr R. Price, Mr G. Roberts, Mr J. Robinson, Mr D. Stanbury, Mr L. Taylor, Sir Watkin Williams-Wynn. *Secretary to the Committee*: Mr P.D. Finch. The Committee met in July and October 1994 and January 1995.

Home Grown Timber Advisory Committee

Sir Mark Russell (*Chairman*), Mr A.F. Bloomfield, Mr A. Bosanquet, Mr P.C.P. Bourdillon, Mr W.S. Brack, Dr J.D. Brazier, Mr A.J. Brownlie, Mr C.J.S. Burd, Mr R.A.C. Byatt, Mr A. Christie-Miller, Dr G.K. Elliott, Sir Leonard Figg, Mr M.F. Gale, Mr C. Fletcher, Mr J.R. Fletcher, Mr J.H. Holt, Mr A.N.G. Laing, Sir John Lister-Kaye, Mr G.M. McRobbie, Mr P.S. Murray, Mr A. Penrose, Mr E. Rowlands, Mr R.M. Turner, Mr G. Waugh, Mr P.H. Wilson. *Secretary to the Committee*: Mrs D. Weston. The Committee met in June, September and December 1994 and March 1995. The Annual Report of the Committee is at Appendix 2.

Environment Sub-Committee of the Home Grown Timber Advisory Committee

Mr R.A.C. Byatt (*Chairman*), Mr R.F. Callander, Mr J. Holt, Mr R. Leslie, Mr G.M. McRobbie, Mr S.R. Pepper, Dr G.F. Peterkin, Mr L.E. Taylor, Mr R.M. Turner, Mr A.R. Williams, Mr J.M.A. Yerburch. *Secretary to the Committee*: Mrs M. Gallacher. The Sub-Committee met in April, July, October and November 1994 and February 1995.

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

Mr J. Fletcher (*Chairman*), Mr R.H. Adam, Mr P.T.G. Beadle, Mr A.F. Bloomfield, Mr C. Burd, Mr H. Macleod, Dr R. McIntosh, Mr W.A. Wallis. *Secretary to the Committee*: Mr A.P.S. Johnston. The Sub-Committee met in May, September and November 1994.

Technical Sub-Committee of the Home Grown Timber Advisory Committee

Dr J.D. Brazier (*Chairman*), Mr R.H. Adam, Professor W.B. Banks, Mr W.S. Brack, Mr A. East, Mr R.M. Fitter, Mr J.A. Kissock, Mr G.B. Little, Mr M.D. Oxnard, Dr R. McIntosh, Dr D.C. Wood. *Secretary to the Committee*: Dr J. Webber. The Sub-Committee met in April and October 1994 and January 1995.

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 to the Committee*: Dr D.A. Rook. The Committee met in May and November 1994.

Forestry Research Co-ordination Committee

Mr R.T. Bradley (*Chairman*), Mr M.G. Cannell, Dr P.A. Costigan, Mr J. Dewar, Dr J.M. Dinwoodie, Dr T.W. Hegarty, Dr K. Kirby, Dr C. McCulloch, Dr P. Mapelstone, Dr P. Maryan, Professor H.G. Miller, Mr P.J.W. Saunders, Dr S. Webster, Mr P.J. Wood. *Secretary to the Committee*: Dr J. Evans. The Committee met in June and September 1994 and February 1995.

Forestry and Arboriculture Safety and Training Council

Mr J.G. Machin (*Chairman*), Mr W. Anderson, Mr P. Bowsher, Mr W. Brack, Mr J. Brown, Mr P.G. Collis, Mr R.J. Evans, Mr J. Fulcher, Mr W.J. Hedley, Mr M. Henderson, Mr P.R. Higginbotham, Mr B. Hudson, Mr J. Kenyon, Mr G.B. Little, Mr R. McCallum, Mr W. MacLachlan, Mr R. Masters, Mr I. Millward, Dr A. Petty, Mr T. Preston, Ms E. Ramsay, Mr R. Shapland, Mr J. Wade, Mr P. White. *Secretary to the Council*: Mr T.E. Radford. The Council met in May and November 1994. The Annual Report of the Council is at Appendix 3.

Home Grown Timber Advisory Committee

ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 1995

The Committee held four meetings during the year, in June, September and December 1994 and March 1995. The new three-year term of the Committee, from 1 August 1994, saw the appointment of ten new members out of a total membership of twenty-five. At their June meeting, members expressed their deep regret at the news of the death, in March, of Mr Macarthur who had been a member since 1990. The Hon James Bruce retired from the Committee and Members thanked him for his 31 years service. They also thanked Sir Raymond Johnstone for his excellent work during his time as the Chairman of the Forestry Commission. In December, the Committee welcomed Sir Peter Hutchison following his appointment as the Chairman of the Commission. At their meeting in March, the Committee expressed their good wishes to Mr Roger Bradley on his imminent retirement as a Forestry Commissioner.

During the year, the Committee were kept informed of developments on the Government's Forestry Review and the Forestry Commission's review of the Forestry Authority. The Committee, whilst recognising the endeavours of the Forestry Commission, remain concerned at the continued low level of commercial coniferous planting and stressed the need for this important matter to be kept under continuous review. The Committee were disappointed that the issue of tax would not be considered as part of the review of incentives and agreed that the Chairman should write to the Forestry Review Group on the subject. The Committee welcomed the Government's move to make Forest Enterprise an Executive Agency and were glad that the Forestry Review Group had recognised the importance of softwoods. The Committee expressed concern that the proposed forestry grants would not deal adequately with existing unmanaged woodlands. The Committee also expressed concern that, if the Forestry Authority was given Agency status, it might become too orientated towards administering grants and licences at the expense of contributing towards the development of forestry policy. The Committee were also concerned about the lack of a coherent strategy for the forestry sector. The Committee discussed the Forestry Commission's statement of objectives drawn up following the Government's White Paper on the Civil Service and recommended that wood production should feature more strongly. They felt that more emphasis should be given to forestry's contribution to rural employment and also agreed that a long-term strategy for forestry research was needed. The Committee discussed the Government's scrutiny of Research Establishments. They expressed strong concern, which was reported to the Cabinet Office and Ministers, that a geographical national split of forestry research could lead to duplication and inefficiencies.

The Committee have been taking a close interest in the international developments on sustainable forestry and were kept up to date on the major initiatives, meetings and conferences leading up to the 1995 meeting of the United Nations Commission on Sustainable Development (UNCSD). The Committee noted that, in April 1995, the UNCSD would carry out its first review of forestry since the Earth Summit at Rio in 1992. The United Kingdom had been involved in preparations for this meeting and had co-hosted a workshop in New Delhi, following which the preparation of the forestry chapter of the UK report to UNCSD had begun. As part of this process a consultation exercise, involving nearly two hundred organisations representing a wide variety of interests, had been instigated and Committee members were invited to comment.

The Committee noted that there was a possibility of achieving a general agreement on the role of the Forestry Authority in regulating forestry in Britain and congratulated the Commission and the Forestry Industry Committee of Great Britain for their efforts.

Members were concerned that the new British Standards requiring stress grading of dry timber for structural purposes should be rigorously enforced by the Department of the Environment (DOE) building inspectors and welcomed the confirmation that the Commission fully supported their view and had written to DOE to that effect.

In June, the Committee stressed the importance to the timber industry of receiving up-to-date information on the National Inventory of woodlands. They felt that the information was fundamental to allow effective large-scale investment decisions in the wood processing industry to be made. They expressed disappointment that the Commission could not complete the project more quickly, and noted the resource constraints.

The Committee expressed their concern that not enough was being done to secure funding from the European Community for Objective 1 and 5b areas. They noted that because forestry was not included in the original treaty to create the EEC, forestry measures arose as part of other areas such as agriculture and the environment. The Forestry Commission supported forestry out of existing funds, which included the element for European Commission (EC) contributions. It was not generally the case that European money would be regarded as additional funding for forestry unless that funding was recovered by bodies other than the Commission.

In September, the Committee were informed that the Forestry Commission and the Timber Growers Association would be collecting information on the scale of the problem of transporting timber on rural roads, including the value of timber involved and the work needed to upgrade roads. The information would be used in an approach to the Transport Minister.

The Committee welcomed the news, in December, that the UK had won the support of the European Commission to allow woodland to be counted against farmers' set-aside requirements and hoped that the Agriculture Council would endorse the EC Report at their next meeting.

In March, the Committee welcomed the introduction of the Forest Education Initiative, aimed at bringing young people in touch with forests and forest products and helping them to understand the social, ecological and economic value of woodlands. They noted the fact that other organisations could become involved in the initiative through the proposed cluster groups. The Committee also supported the 'WoodNet' initiative that had been piloted in southern England to provide an information network for the woodland industry.

The Environment Sub-Committee, in consultation with the Supply and Demand Sub-Committee wrote a paper on *Forest Design and Restructuring*. The restructuring process was of particular interest to the Committee as it offered opportunities to pursue multiple-purpose forestry and deliver a number of benefits such as enhanced landscape quality, water resources and wildlife. The Commission welcomed the advice and help of the Committee on this matter and it was agreed that an edited version should be published.

The Technical Sub-Committee maintained a strong interest in crop and timber quality. The Committee are convinced of the need for a nationally agreed standard for assessing crop quality, both for current and predictive forecasting, to assist growers and processors alike in more effective management and investment. It welcomed work demonstrating the feasibility and relevance of a crop classification system based on stem straightness and requested, as a matter of urgency, that this work should be progressed.

Work to ensure acceptance of British-grown timber in European and British standards was supported, with new grading rules for the structural use of oak particularly welcomed. Work on boron-based preservative treatments and life cycle analysis of timber products at Imperial College was reviewed, as was plant health experience with timber imported from eastern Europe and Canada.

The wide ranging programme evaluating planting and harvesting machinery by Technical Development Branch was reported and a proposal for technical bulletins to summarise "best practices" strongly endorsed.

The Supply and Demand Sub-Committee kept the main Committee well informed throughout the year on wood supply and demand trends based on information supplied by consumers' and growers' associations and the Forestry Commission. Scandinavian imports maintained their market share with increased imports from the Baltic States and an offsetting reduction of imports from Russia and Canada. The Committee published results of the 1993 Sawmill Survey which showed the continuing trend of investment in modernisation and the concentration of the industry into fewer, larger mills. At its November meeting the Committee discussed and organised a new Sawmill Survey together with a new survey on the conifer removals from private woodlands. The Committee produced tables analysing supply and demand and gave technical advice to the Forestry Commission on the revision of its 1991 paper on the *Supply and Demand for Wood in the United Kingdom*. The Committee began a review of

future data requirements for supply and demand analysis and took steps to improve the accuracy of data interpretation.

The Environment Sub-Committee responded to a number of proposals and initiatives of the Commission's, in particular recommending the development of a research strategy which more clearly addresses the directions identified in *Our Forests: the Way Ahead* and a framework for multiple-purpose forestry which takes forward the strategies outlined in *Sustainable Forestry : the UK Programme*.

The Sub-Committee initiated a strategic approach to flood-plain forests and are beginning to develop similar ideas for montane and treeline forests. They explored with Forestry Authority staff whether more environmental data could be included in the Commission's *Forestry Facts and Figures* leaflet.

Following a visit to Deeside in 1994 the Sub-Committee advised that the Commission should give a lead in encouraging the proposed establishment of major native forests in Highland Deeside and Strathspey.

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

SIR MARK RUSSELL, CHAIRMAN
MRS D. WESTON, SECRETARY

Forestry and Arboriculture Safety and Training Council

ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 1995

Achievements Against Key Performance Indicators

Forestry Training - Development Plan Paras 17-23

Considerable progress has been made in the period under review with particular emphasis on Vocational Qualification (VQ) development. The stage has now been reached whereby standards and competences are in place covering VQ levels 2, 3 and 4. These standards have been derived from the functional mapping project which was undertaken and completed within the period.

At the time of going to press these VQ standards have not yet been allocated to a specific level but this step will be taken after the necessary field testing and piloting in conjunction with the Awarding Bodies. The requirement for a VQ at level 1 has been kept under review but we have concluded that almost all the relevant forestry skills are properly catered for by level 2. It has been recognised however that some elements and units at level 1 may form a preferred entry route to a VQ at level 2.

We had hoped that it would be possible to bring together in the form of a compendium, details of training provision and qualifications available at the various colleges and universities. This in turn would have enabled the publication of an up to date careers booklet. Unfortunately the dynamic factors surrounding not only VQs but also the funding and status of the further and higher education institutions have forced deferment of this project for at least a year. We have nevertheless decided to publish an interim update of the careers booklet and this is nearing completion.

From its inception Council was well aware of the fact that many organisations were active in the landbased sector and that several of these played a significant role in the development of training standards. We have endeavoured to identify such bodies and to determine the nature of their activities insofar as they interact with our own objectives and work programme. We are confident that we have achieved this aim but fully intend to keep the matter under continuous review. In summary the other main players are:

<i>Designation</i>	<i>Responsible for</i>
Management Charter (MCI) Training and Development Lead Body (TDLB)	Supervisory and Managerial Standards Standards for trainers, assessors and verifiers
Industry Lead Body for Amenity Horticulture (ILBAH) Agriculture & Commercial Horticulture Lead Body (ACHLB)	Arboricultural Standards Nursery Standards
Council for Occupation Standards & Qualifications in Environmental Conservation (COSQUEC) Plants, Animals and Land Sector Consortium (PALS)	Environmental Standards Landbased sector Common Units

In addition to these lead bodies we have kept well abreast of developments which have taken place within the National Council for Vocational Qualifications (NCVQ) which lays down criteria for VQ standards and the Scottish Vocational Education Council (SCOTVEC) which is both the accrediting and awarding body in Scotland.

It is becoming increasingly difficult to stay in regular contact with the educational establishments because those offering forestry and related training provision have become more numerous in recent times and, in order to secure adequate funding, a policy of rapid expansion is seen as the only available option.

The intention to carry out a Training Needs Analysis (TNA) in forestry has of necessity been postponed until such time as we have more information about current and foreseeable conditions in the labour market. This exercise will commence in or around July this year and the consequential TNA is due to be completed in Spring of next year.

Significant achievements have occurred in respect of the Council's registered instructors. Of prime importance is the requirement that in order to maintain their registered status they will be required to obtain relevant TDLB qualifications within the next twelve months. They have already achieved the relevant certification in first aid; a core unit in the VQ standards. In addition we have revised the registration regulations and have devised a new Code of Practice in order to guide and govern instructional standards and behaviour. All this is now underpinned by revised and considerably improved documentation appropriate to the evaluation of training standards.

These much needed developments have caused a considerable work-load and we therefore concluded that it would be unwise to issue the 1995-96 edition of the Register until the new regulations were in place. We are gratified to report that the new edition will not now be long delayed.

Steady progress has been maintained to revise the forestry skills tests in order that they reflect and harmonise with VQ elements and units. Any necessary fine tuning will be done when the VQs are concluded and field tested.

Arboricultural Training - Development Plan paras 24-27

It is pleasing to report that revised VQ standards have been devised by the ILB for Arboriculture and these have been generally welcomed and supported by the arboriculture representatives on FASTCo. It is therefore our intention to adopt the relevant Arb units into the forestry series. In common with other industries in the landbased sector these arboriculture standards fall due for re-accreditation in May next year.

The Labour Market Information for Arboriculture was completed in the period under review and a considerable amount of data was gathered. Much of this was concerned with training and attitudes to training and we now intend to proceed to a full Training Needs Analysis as a means of completing the picture.

The revision of ILB standards and the ongoing review of Vocational Qualifications have caused an unavoidable delay in the planned extension of our Register of Approved Instructors to incorporate specialist arboricultural courses and skills. We remain committed to this worthwhile objective which will be taken forward just as soon as the relevant standards and skills test syllabi are in harmony.

Occupational Health and Safety - Development Plan paras 28-32

The Council's activities in the ambit of Health and Safety has witnessed very considerable progress during the period. We foresaw an urgent need to devise new safety guides and to review and revise those which had been promulgated under the aegis of the Forestry Safety Council and the Arboricultural Safety Council. By the end of 1994 a total of 13 new or revised guides were published together with the relevant checklists. These comprise:

<i>Guide Ref</i>	<i>Title</i>
102	Pre-plant spraying of container grown seedlings
103	Planting
201	Hand tool weeding and cleaning
202	Application of pesticide by hand held applicator
203	Clearing Saw
206	Brushing and pruning with hand saw
301	Petrol driven chain saws
302	Basic felling by chain saw
303	Chain saw snedding
304	Crosscutting and manual stacking
305	Takedown of hung-up trees
801	Noise and hearing conservation

and Safety Guide order form which includes a summary of the purpose of the Guides and associated checklists.

This process will continue as and when resources are available. For the near future it is planned to publish new guides for roadside processing, mechanical pruning, mobile chippers and vegetation trimmers. Publication of revised editions of the guides covering mechanised harvesting and tree climbing is imminent.

In 1994 we completed a comprehensive Safety Survey which followed on from a similar exercise carried out by the Forestry Safety Council in 1991 and which gained widespread interest and support. A full report on the outcome of the 1994 Survey has been prepared and will shortly become available for publication.

Our efforts to improve the knowledge and understanding of legislation and safe working practices have continued via the medium of safety updates. Our target audience has been the self-employed contractor and we have been successful in large measure by organising these events at many locations and outwith normal working hours. The success of this approach is beyond doubt as witness the fact that since this initiative was launched no fewer than 46 events have taken place and attracting a total of 1,400 participants. The invaluable assistance received from a number of registered instructors and the Health and Safety Executive is gratefully acknowledged.

J.G. MACHIN, CHAIRMAN
T.E. RADFORD, TECHNICAL SECRETARY

Forestry Review

Announcement made by the Secretary of State for Scotland on 19 July 1994

The Rt. Hon. Ian Lang MP, Secretary of State for Scotland, made the following statement to the House of Commons about forestry.

"In March last year, I informed the House that, along with fellow forestry Ministers, I had asked officials to review the effectiveness of current incentives for forestry investment and options for the ownership and management of Forestry Commission woodlands; and to make proposals for changes that would improve the effectiveness of the delivery of the Government's forestry policy objectives, having regard to our other economic and environment policies. My right hon. Friends and I are grateful to the members of the forestry review group for their work and to the thousands of individuals and organisations who made informed and cogent submissions to the group. I also put on record our gratitude to the Commission's staff, who have been subject to a period of inevitable uncertainty during the review but who have continued to make a valuable contribution.

It is clear that the present general approach of multi-purpose forestry is widely supported. That approach, which was reaffirmed by my right hon. Friend the Prime Minister on the follow-up to the Earth summit in Rio, places emphasis not just on wood production but on encouraging the use of our forests for amenity and environmental benefits. The review looked closely at the way in which this policy is implemented and identified a number of modifications to the Commission's woodland management which could further enhance the delivery of multiple objectives. The proposals that I am announcing today will assist in that by making clearer connections in the Commission's management system between the objectives, the resources used and the output.

Our review has considered many options for the ownership and management of the Forestry Commission's woodlands. Our analysis has taken into account the many unique features of the forestry industry such as the varied commercial, recreational and environmental interests and the long lead time required before commercial timber can be harvested. Our conclusion is that, at this stage of their development, the Forestry Commission woodlands should remain in the public sector.

Nevertheless, there is considerable scope for improvement. The work of Forest Enterprise, the forest management arm of the Commission, should be put on a more businesslike footing and a stronger connection should be established between the resources used and outputs achieved in all its commercial, recreational and environmental activities. We therefore propose that it should be replaced by a new trading body, established as a next steps agency. That trading body will still be part of the Forestry Commission, but it will deal at arm's length with the other parts of the Commission. A Chief Executive will be appointed by open competition.

The remit of the new body will be clearly specified in its framework document and it will work within clear priorities agreed by the Forestry Commissioners and forestry Ministers. Demanding but deliverable performance measures will be set. There will be improved accounting and costing arrangements, helping to ensure that the costs and benefits of Commission programmes are better measured. Ministers will be able to judge more closely and more clearly the value of specific proposals. In this way we can ensure that the taxpayer obtains better value for money in terms of timber, amenity and environmental benefits.

The review also looked at incentives for forestry. Through grants, the Forestry Commission supports new planting by the private forestry sector, but, under the existing arrangements, new private sector planting of productive conifer forests has declined. We shall take action to increase it. We shall introduce a flat-rate grant for conifer new planting of £700 per hectare and increase the better land supplement for conifers from £400 per hectare to £600.

Those increased grant levels will give a major boost to conifer planting, which is so important for the new wood processing investors, including those who have been and will be attracted to Britain and

who provide many new jobs and wider economic benefits, particularly in rural areas. This conifer planting will, of course, be subject to the environmental safeguards which now operate to protect valuable habitats.

For broadleaf new planting, there will be a grant of £1,350 per hectare for woodlands under 10 hectares and £1,050 per hectare for woodlands of 10 hectares or more. To improve the potential timber quality of those broadleaf-planted areas, we shall require a higher stocking density in order to qualify for the full rate of grant, though there will be exceptions for small woodlands and the planting of native species.

In existing woodlands, we have decided that the level of restocking grant should be reduced to £325 per hectare for conifer and £525 per hectare for broadleaf trees, but the restocking grant will be payable on completion of planting rather than phased over three instalments. Assistance will be introduced for short rotation coppice on set-aside land, although assistance on non-set-aside land will be reduced.

Further details of the new grant arrangements will be available in the Vote Office and will be placed in the Library. I have asked the Forestry Commission to close its existing schemes to new applications at 3.30 pm this afternoon and to reopen the woodland grant scheme in September in time for the new planting season.

The new arrangements are being discussed with the European Commission and are subject to its approval, but I have no doubt that this sensible package of incentive measures will be a boost to the planting of more trees. It will bring in some £4 million of new resources - an increase of more than 10 per cent in the incentives available to the private sector.

It will come as no surprise to the House that the review confirmed that millions of people enjoy access to our forests and that there is a widespread desire for the enjoyment of our forests to be protected, encouraged and enhanced. In response to that, the Government will take a number of measures to strengthen the arrangements which are available to protect existing public access when the Commission sells forests as part of its disposal programme.

Procedures for the selection of forests for sale will be more rigorous; consultation periods will be lengthened and we shall encourage local authorities to consider carefully the need to make access agreements when offered. We shall also make it possible for the Forestry Commission to meet legal costs incurred by local authorities in making access agreements.

The Government will take measures to increase opportunities for public access to forests in those areas where demand is greatest. We shall provide almost £1 million per annum to allow the Forestry Commission to offer to buy out leasehold in those of its leased woodlands, particularly those close to centres of population, where the present lease restricts public access. The special management grant already supports schemes to improve public access to private forests.

We shall also be introducing a new woodland improvement grant to enhance the quality of our forests, both environmentally and for the benefit of the visiting public. A similar sum will also be allocated annually towards the development of the national forest, the central Scotland woodlands and the various community forests to which we made a commitment in our manifesto.

We shall publish shortly a document outlining our proposals in more detail which will offer interested parties the opportunity to comment upon them.

Taken together, the Government's proposals are a comprehensive and imaginative package. They will assist the Forestry Commission and its staff by providing clearer objectives and new challenges and by creating a stable framework for its operations; they will assist the private forestry sector by providing better targeted grants; they will assist wood processors by encouraging increased wood production from our forests; and, finally, they will provide the public with improved opportunities to enjoy the great forests that are such an important national amenity. Together they will increase the benefit to the country of forestry, and I commend them to the House."

Revised Incentives for Private Forestry

The following changes were made to the Woodland Grant Scheme in the light of the recommendations of the Forestry Review Group:

New Planting

The rates of grant will be as follows:

Conifers:	£700 per hectare
Broadleaves:	£1,350 per hectare (for woods under 10 hectares)
	£1,050 per hectare (for woods of 10 hectares and over)

These rates of grant will be paid in 2 instalments: 70% after planting and 30% after 5 years. For full grant, there must be a stocking density of 2,250 trees per hectare. A density of 1,100 trees per hectare may however be acceptable in the following circumstances:

- for new native woodlands on appropriate sites;
- for small-scale planting of broadleaves, where there is little potential for timber production, normally as discrete woodlands under 3 hectares, or as a component of predominantly coniferous planting schemes.

The Better Land Supplement will be paid at a single rate of £600 per hectare for both conifers and broadleaves in eligible areas.

Short Rotation Coppice

For new planting of short rotation coppice, rates of grant will be £400 per hectare on set-aside land and £600 per hectare on other land. The grants will be paid in a single instalment after planting and restricted to 1,250 hectares per year on set-aside land and 1,000 hectares per year on other land. This scheme will run initially for 5 years.

Restocking

Grants for restocking will be paid in a single instalment after planting. The rates of grant will be £325 per hectare for conifers and £525 per hectare for broadleaves. The required stocking densities will be 2,250 trees per hectare for conifers and 1,100 trees per hectare for broadleaves.

Natural Regeneration

To assist with the initial costs of natural regeneration, there will be a discretionary grant set at 50% of the cost of approved work. After regeneration has been successful further grants will be paid at £325 per hectare for conifers and £525 per hectare for broadleaves.

Annual Management Grant

The standard management grant will be abolished and so there will only be one annual management grant, similar to the existing special management grant. This will be paid at £35 per hectare per year. Eligibility will be widened to encourage management for greater environmental benefits (including access) and to include woodlands under 10 years of age.

Livestock Exclusion Annual Premium

In appropriate cases, farmers will be paid an annual premium of around £80 per hectare per year for 10 years to exclude livestock from old established or native woodlands whose long-term survival is being threatened by grazing.

Woodland Improvement Grant

There will be a new discretionary grant to assist one-off environmental improvement measures including improvements in the recreational quality of woodlands.

Locational Supplement and Tender Scheme for the National Forest

Targeted funding will be made available for planting new woodlands in priority areas. A Locational Supplement will be available in the Central Scotland Woodland Initiative Area, the 12 Community Forests and Sherwood Forest in England, and Aman Gwendraeth in south Wales. A Tendering Scheme will be introduced in the National Forest under which applicants will be invited to submit plans for creating new woodlands and to bid for the amount of grant-aid which they believe they will need to implement the plans.

United Kingdom Sustainable Forestry Programme

Announcement made by the Scottish Office Minister of State for Agriculture and the Environment on 8 July 1994.

Sir Hector Monro MP, Minister of State for Agriculture and the Environment at the Scottish Office, made the following announcement in a Written Answer to a Parliamentary Question about the Government's action to promote timber from sustainably managed forests.

"In January 1994 my right hon. Friend the Secretary of State for Scotland launched the United Kingdom Sustainable Forestry Programme, a comprehensive statement of the Government's policies for the sustainable management of the United Kingdom's forests and for helping other countries in the sustainable management of theirs.

The Government have every confidence in the standards that are applied to the production of timber from British forests. Through its approval of plans of operations, the Forestry Commission is able to ensure that timber is grown and harvested in accordance with guidelines that are founded on the principle of sustainable forestry; the Commission with the Department of Agriculture for Northern Ireland, has published today a booklet describing the means we use to ensure that the felling and regeneration of woodland and the creation of new woodland is done with proper regard to the environment. The booklet will serve to assure buyers of products made from British timber that they can do so in the knowledge that our forests are managed responsibly. I have arranged for copies of the booklet to be placed in the Libraries of the House.

Internationally, the Government will participate fully in efforts to promote sustainable forest management as we indicated in the United Kingdom Sustainable Forestry Programme. Later this month the Government are hosting jointly with India an international workshop to help prepare for the 1995 meeting of the UN Commission on Sustainable Development at which forestry will be a key theme. The main objective of the workshop is to develop possible formats for national reporting to the CSD on forestry issues to allow progress to be assessed on the implementation of the Forest Principles adopted at the UN Conference on the Environment and Development - UNCED - and the forestry aspects of agenda 21 and other UNCED agreements.

The Government are also taking forward the action points that were agreed last year at the European Forestry Ministers Conference in Helsinki at which I represented the United Kingdom. One of the main aims of the follow-up is to develop standards for sustainable forestry which might form the basis for promoting international agreement."

The New Forest

Announcement made by the Minister for the Environment and the Countryside, Department of the Environment on 14 July 1994.

Robert Atkins MP, Minister for the Environment and Countryside, Department of the Environment made the following announcement in a Written Answer to a Parliamentary Question about the Government's intentions for the New Forest and surrounding area.

"In September 1992, the Government published a consultation document on the future of the New Forest. The document proposed to give the wider New Forest area - the so-called New Forest heritage area - a statutory designation and to apply to it a planning regime similar to that which applies in the National Parks. It is also proposed to establish a statutory body, based on the existing New Forest Committee, to co-ordinate the management of this wider area.

The consultation produced a very substantial response. Some 220 people and organisations gave their views to the Department, and I am today arranging for those responses and a summary of them to be made available in my Department's library. I have continued to receive extensive representations about these matters, totalling to the present some 1,000 further letters.

The core of the Forest is already well protected against inappropriate development through the New Forest Acts and the existence of that land owned by the Crown and administered by the Forestry Commission. The Government have recently reinforced this protection through the designation of the core forest area as a Special Protection Area under the EC Birds Directive.

However, the New Forest lies between two of the most rapidly developing areas in the south of England. The Government therefore recognised the need to protect a wider area, where the development pressures are greatest, but which is essential if the traditional management of the Forest is to be maintained.

These aspects of the Government's proposals received overwhelming support. We therefore intend to apply to the wider New Forest area, the same planning policies as would apply if that area were a national park. These policies are set out in my Department's planning policy guidance note 7 and elsewhere and I am today asking the relevant local planning authorities to ensure that in their development plans and planning decisions they apply those policies. I also intend to take early steps to amend the General Development Order to extend the scope of development control as applies in national parks to that wider area. The new planning regime will apply to the definition of the New Forest heritage area as it emerges from the current process of preparing and adopting local plans.

A number of representations have been made to include the Avon Valley in the heritage area. I have therefore also today written to the New Forest district council asking it to look closely at the merits of this and consider whether there is a case for incorporating the area concerned.

These measures will deliver the necessary planning protections to the wider area. They have also the advantage of being able to be implemented immediately without recourse to primary legislation for which there is little prospect of parliamentary time in the near future.

The consultation revealed far less agreement about the future of the New Forest Committee. Whilst there was acknowledgement of the need for co-ordinated management over the wider area, some considered that to turn the committee into a statutory body would merely add an unnecessary layer of bureaucracy to the administration of the Forest. Some also feared that the committee would find itself in conflict with those already charged with the management of the Forest and that it might ultimately seek to usurp their roles. However, the Government have always emphasised that its proposals did not envisage a new body taking over the existing powers and responsibilities of the local authorities, the Forestry Commission, the Verderers or other agencies operating in the Forest.

The New Forest Committee emerged in 1990 following the New Forest Review. The Government feel that, in the light of the reservations expressed about its role, it would be unwise to give it statutory status. They therefore do not intend to proceed with these aspects of their original proposals.

The New Forest is a unique area. Not only is it a valued part of our national heritage and an internationally important range of habitats but its character is the result of nine hundred years of distinctive management. The Government are firmly committed to the conservation of these habitats and that traditional character. I believe the steps we have taken today will greatly contribute to these objectives.”

Welsh Affairs Committee

Summary of Points made in the Government's response of August 1994 to the House of Commons Welsh Affairs Committee Report on Forestry and Woodlands.

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

Status of Forest Enterprise

In response to a recommendation that Forest Enterprise should not be privatised at present, the Government referred to the announcement following the Forestry Review that, at their present state of development, the Commission's woodlands should remain in the public sector with the Enterprise being set up as a Next Steps Agency.

The Forestry Authority in Wales

The Committee emphasised the need for a strong Forestry Authority in Wales, having greater autonomy and flexibility over grants and able to tailor guidelines to suit the Welsh situation. The Government's response noted that the Authority will continue to play the leading role in promoting forestry. By establishing a distinct organisation of the Authority under its Chief Conservator in Wales, it will be able to respond to the needs and requirements of Wales, for example in interpreting the guidelines and felling and planting controls.

Access to land sold by the Commission

The Committee were concerned that the general public should enjoy continued access to Commission forests on disposal. In response, the Government pointed to a number of positive measures which had been taken to strengthen the arrangements to protect access to forests following the Forestry Review.

Farm woodland planting

The Government was disappointed in the Committee's conclusion that significant planting on farms was unlikely in Wales in the short to medium term, but indicated that it will continue to promote woodland as an alternative use for land no longer required for agriculture and believed that, particularly in Wales, well-planned schemes integrating forestry and farming did have future potential.

Expansion of forest cover

The Government welcomed the Committee's endorsement of one of the main aims of its forestry policy, namely the steady expansion of forestry, based on the realisation of multiple purposes, and was pleased to note the Committee's optimism over the future of forestry in Wales and welcomed the positive views which emerged from the Committee's inquiry.

STATISTICAL TABLES

The Forestry Authority

TABLE 1 AREA OF PLANTING BY PRIVATE WOODLAND OWNERS FOR WHICH GRANTS WERE PAID IN THE YEAR ENDED 31 MARCH 1995

Hectares															
England				Wales			Scotland			Great Britain					
NEW PLANTING		RESTOCKING	TOTAL	NEW PLANTING		RESTOCKING	TOTAL	NEW PLANTING		RESTOCKING	TOTAL	NEW PLANTING		RESTOCKING	TOTAL
DEDICATION SCHEMES															
Conifer	0	11	11	0	0	0	0	7	7	0	18	18			
Broadleaved	0	21	21	0	0	0	0	2	2	0	23	23			
Total	0	32	32	0	0	0	0	9	9	0	41	41			
FORESTRY GRANT SCHEME															
Conifer	2	8	10	1	0	1	13	0	13	16	8	24			
Broadleaved	6	23	29	0	0	0	1	0	1	7	23	30			
Total	8	31	39	1	0	1	14	0	14	23	31	54			
BROADLEAVED WOODLAND GRANT SCHEME															
Conifer	0	0	0	0	0	0	0	0	0	0	0	0			
Broadleaved	0	3	3	2	0	2	11	1	12	13	4	17			
Total	0	3	3	2	0	2	11	1	12	13	4	17			
WOODLAND GRANT SCHEME															
Conifer	523	946	1,469	60	428	488	7,543	2,145	9,688	8,126	3,519	11,645			
Broadleaved	4,466	1,463	5,929	491	198	689	5,009	913	5,922	9,966	2,574	12,540			
Total	4,989	2,409	7,398	551	626	1,177	12,552	3,058	15,610	18,092	6,093	24,185			
TOTAL															
Conifer	525	965	1,490	61	428	489	7,556	2,152	9,708	8,142	3,545	11,687			
Broadleaved	4,472	1,510	5,982	493	198	691	5,021	916	5,937	9,986	2,624	12,610			
Total	4,997	2,475	7,472	554	626	1,180	12,577	3,068	15,645	18,128	6,169	24,297			

- Notes:
- 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.
 - The areas of new planting and restocking include those areas where the second instalment of grant for natural regeneration has been paid.
 - It is estimated that the following areas were planted without grant-aid:

	New Planting	Restocking
England	325	59
Wales	12	4
Scotland	0	0
Great Britain	<u>337</u>	<u>63</u>

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

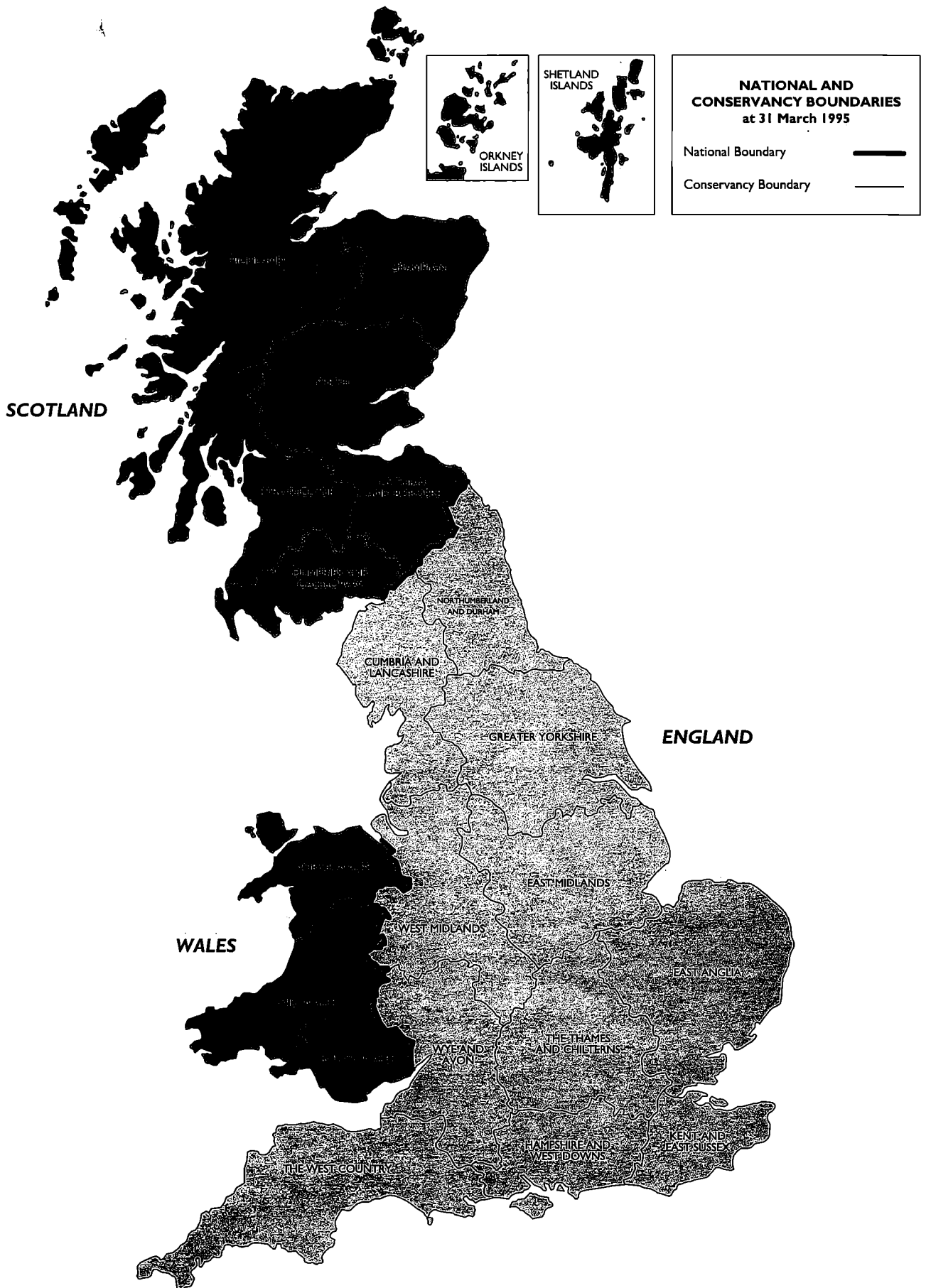
TABLE 2 AREA OF PLANTING BY PRIVATE WOODLAND OWNERS FOR WHICH GRANTS WERE PAID IN THE 10 YEAR PERIOD 1 APRIL 1985 TO 31 MARCH 1995

Hectares

YEAR ENDED 31 MARCH	England			Wales			Scotland			Great Britain		
	NEW PLANTING	RESTOCKING	TOTAL	NEW PLANTING	RESTOCKING	TOTAL	NEW PLANTING	RESTOCKING	TOTAL	NEW PLANTING	RESTOCKING	TOTAL
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
1994	6,091	3,700	9,791	626	441	1,067	9,180	4,314	13,494	15,897	8,455	24,352
1995	4,997	2,475	7,472	554	626	1,180	12,577	3,068	15,645	18,128	6,169	24,297

Note: This table includes planting grant-aided under the Woodland Grant Scheme in association with the Farm Woodland and the Farm Woodland Premium Schemes.

The Forestry Authority National and Conservancy Boundaries at 31 March 1995



Forest Enterprise

TABLE 3 LAND USE AT 31 MARCH 1995

Hectares

	England	Wales	Scotland	Great Britain
FOREST LAND				
Under plantations	208,780	118,863	487,270	814,913
Other woodland	15,685	3,903	26,233	45,821
To be planted	140	243	1,607	1,990
Total	224,605	123,009	515,110	862,724
OTHER LAND				
Agricultural and grazing	8,244	3,044	38,600	49,888
Unplantable and miscellaneous (includes nursery land)	34,060	7,816	134,250	176,126
Total	42,304	10,860	172,850	226,014
Total area	266,909	133,869	687,960	1,088,738

Notes: 1. Other woodland is managed chiefly for amenity purposes.

2. Agriculture and grazing land includes forest workers' holdings and tenanted land comprising part of the Commission's long term plantable reserve.

TABLE 4 LAND ACQUIRED DURING THE YEAR ENDED 31 MARCH 1995

	England	Wales	Scotland	Great Britain
NUMBER OF ACQUISITIONS	1	1	3	5
AREA OF ACQUISITIONS (HECTARES)				
Plantable land	131	55	197	383
Woodland	0	0	9	9
Other land	0	0	94	94
Total area	131	55	300	486

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

TABLE 5 FREEHOLD INTERESTS ACQUIRED DURING THE YEAR ENDED 31 MARCH 1995

	England	Wales	Scotland	Great Britain
NUMBER OF FREEHOLDS ACQUIRED	2	2	0	4
AREA OF FREEHOLDS ACQUIRED (HECTARES)	83	29	0	112

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.

TABLE 6 LAND DISPOSED OF DURING THE YEAR ENDED 31 MARCH 1995

	England	Wales	Scotland	Great Britain
NUMBER OF DISPOSALS	54	71	53	178
AREA OF DISPOSALS (HECTARES)				
Forest land	1,389	1,801	6,824	10,014
Other land	97	235	462	794
Total area	1,486	2,036	7,286	10,808

Notes: 1. Forest land includes woodland and associated land, and land acquired for new planting but not yet planted.
2. Other land includes agricultural land, land sold with houses, etc.

TABLE 7 PLANTING IN THE YEAR ENDED 31 MARCH 1995

Hectares

	England			Wales			Scotland			Great Britain		
	NEW PLANTING	RESTOCKING	TOTAL	NEW PLANTING	RESTOCKING	TOTAL	NEW PLANTING	RESTOCKING	TOTAL	NEW PLANTING	RESTOCKING	TOTAL
Conifer	27	2,070	2,097	0	1,846	1,846	739	3,101	3,840	766	7,017	7,783
Broadleaved	26	321	347	0	126	126	96	413	509	122	860	982
Total	53	2,391	2,444	0	1,972	1,972	835	3,514	4,349	888	7,877	8,765

Note: Restocking includes new natural regeneration.

TABLE 8 AREA PLANTED ANNUALLY BY THE COMMISSION IN THE 10 YEAR PERIOD 1 APRIL 1985 TO 31 MARCH 1995

Hectares

YEAR ENDED 31 MARCH	England			Wales			Scotland			Great Britain		
	NEW PLANTING	RESTOCKING	TOTAL	NEW PLANTING	RESTOCKING	TOTAL	NEW PLANTING	RESTOCKING	TOTAL	NEW PLANTING	RESTOCKING	TOTAL
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	2,893	0	1,774	1,774	2,313	3,850	6,163	2,356	8,474	10,830
1994	96	2,697	2,793	0	1,953	1,953	1,289	3,254	4,543	1,385	7,904	9,289
1995	53	2,391	2,444	0	1,972	1,972	835	3,514	4,349	888	7,877	8,765

TABLE 9**AREAS OF PLANTATIONS AND VOLUMES OF TIMBER FELLED AND THINNED IN THE YEAR ENDED 31 MARCH 1995**

Area in hectares
Standing volume in thousands of cubic metres overbark

	England			Wales	Scotland			Great Britain
	North & East	South & West	Total		North	South	Total	
FELLED								
Area	2,108	416	2,524	2,128	2,268	1,687	3,955	8,607
Volume	661	118	779	646	793	621	1,414	2,839
THINNED								
Area	5,153	8,234	13,387	4,178	4,893	2,596	7,489	25,054
Volume	290	422	712	266	345	138	483	1,461
TOTAL VOLUME								
Felled and Thinned	951	540	1,491	912	1,138	759	1,897	4,300

TABLE 10**SALES OF TIMBER IN THE YEAR ENDED 31 MARCH 1995**

Standing volume in thousands of cubic metres overbark

	England	Wales	Scotland	Great Britain
Trees sold standing	820	405	766	1,991
CONVERTED				
Round timber and saw logs	384	271	582	1,237
Telegraph and other selected poles	2	0	2	4
Mining timber	0	0	0	0
Post and stakes	1	18	1	20
Pulpwood and boardmill material	280	211	546	1,037
Firewood	5	1	9	15
Miscellaneous	3	0	0	3
Total	675	501	1,140	2,316

TABLE II RECREATIONAL FACILITIES AT 31 MARCH 1995

Number

	England	Wales	Scotland	Great Britain
Camping and caravan sites	19	1	9	29
Picnic places	358	93	179	630
Forest walks and forest nature trails	334	98	320	752
Cycle trails	47	11	105	163
Horse trails	48	5	34	87
Orienteering and wayfaring courses	39	11	15	65
Visitor centres	12	6	11	29
Arboreta and forest gardens	14	4	4	22
Forest drives	5	1	5	11
Forest cabins and holiday houses	107	0	67	174
Wildlife hides	15	5	11	31

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.

North and East England

Total area of forest:	160,449	Other land:	23,483
Under plantations:	132,546	New planting:	12
Other woodlands:	4,375	Restocking:	1,631
To be planted:	45	Production (000 cu m):	951

East Anglia

Total area of forest:	25,086	Other land:	916
Under plantations:	23,550	New planting:	0
Other woodlands:	619	Restocking:	465
To be planted:	1	Production (000 cu m):	257

Kielder

Total area of forest:	61,138	Other land:	12,994
Under plantations:	47,238	New planting:	0
Other woodlands:	898	Restocking:	509
To be planted:	8	Production (000 cu m):	381

Lakes

Total area of forest:	15,819	Other land:	3,429
Under plantations:	11,620	New planting:	0
Other woodlands:	768	Restocking:	110
To be planted:	2	Production (000 cu m):	78

North York Moors

Total area of forest:	22,925	Other land:	2,847
Under plantations:	19,566	New planting:	0
Other woodlands:	512	Restocking:	362
To be planted:	0	Production (000 cu m):	120

Northants

Total area of forest:	7,295	Other land:	152
Under plantations:	6,701	New planting:	0
Other woodlands:	440	Restocking:	52
To be planted:	2	Production (000 cu m):	21

Rothbury

Total area of forest:	14,889	Other land:	1,752
Under plantations:	12,877	New planting:	0
Other woodlands:	228	Restocking:	14
To be planted:	32	Production (000 cu m):	29

Sherwood & Lincs

Total area of forest:	13,297	Other land:	1,393
Under plantations:	10,994	New planting:	12
Other woodlands:	910	Restocking:	119
To be planted:	0	Production (000 cu m):	65

South and West England

Total area of forest:	106,460	Other land:	18,821
Under plantations:	76,234	New planting:	41
Other woodlands:	11,310	Restocking:	760
To be planted:	95	Production (000 cu m):	540

Chilterns

Total area of forest:	3,589	Other land:	94
Under plantations:	3,019	New planting:	2
Other woodlands:	447	Restocking:	14
To be planted:	29	Production (000 cu m):	19

Cornwall & North Devon

Total area of forest:	7,397	Other land:	237
Under plantations:	6,813	New planting:	0
Other woodlands:	347	Restocking:	99
To be planted:	0	Production (000 cu m):	56

Dorset

Total area of forest:	8,522	Other land:	1,003
Under plantations:	7,082	New planting:	0
Other woodlands:	437	Restocking:	37
To be planted:	0	Production (000 cu m):	63

Forest of Dean

Total area of forest:	16,498	Other land:	1,221
Under plantations:	14,420	New planting:	17
Other woodlands:	857	Restocking:	101
To be planted:	0	Production (000 cu m):	86

Marches

Total area of forest:	7,155	Other land:	268
Under plantations:	6,317	New planting:	0
Other woodlands:	538	Restocking:	81
To be planted:	32	Production (000 cu m):	58

Midlands

Total area of forest:	6,408	Other land:	385
Under plantations:	5,525	New planting:	16
Other woodlands:	470	Restocking:	60
To be planted:	28	Production (000 cu m):	39

New Forest

Total area of forest:	26,713	Other land:	13,784
Under plantations:	7,510	New planting:	0
Other woodlands:	5,419	Restocking:	71
To be planted:	0	Production (000 cu m):	48

Somerset & South Devon

Total area of forest:	9,437	Other land:	648
Under plantations:	8,056	New planting:	0
Other woodlands:	733	Restocking:	137
To be planted:	0	Production (000 cu m):	63

South Downs

Total area of forest:	13,187	Other land:	707
Under plantations:	11,612	New planting:	0
Other woodlands:	862	Restocking:	44
To be planted:	6	Production (000 cu m):	80

Weald

Total area of forest:	7,312	Other land:	426
Under plantations:	5,880	New planting:	6
Other woodlands:	1,006	Restocking:	116
To be planted:	0	Production (000 cu m):	28

Westonbirt

Total area of forest:	242	Other land:	48
Under plantations:	0	New planting:	0
Other woodlands:	194	Restocking:	0
To be planted:	0	Production (000 cu m):	0

Wales

Total area of forest:	133,867	Other land:	10,860
Under plantations:	118,863	New planting:	0
Other woodlands:	3,903	Restocking:	1,972
To be planted:	243	Production (000 cu m):	912

Ceredigion

Total area of forest:	17,269	Other land:	1,530
Under plantations:	15,223	New planting:	0
Other woodlands:	294	Restocking:	150
To be planted:	222	Production (000 cu m):	111

Dolgellau

Total area of forest:	18,423	Other land:	1,303
Under plantations:	16,888	New planting:	0
Other woodlands:	225	Restocking:	209
To be planted:	7	Production (000 cu m):	149

Llandovery

Total area of forest:	20,907	Other land:	915
Under plantations:	19,347	New planting:	0
Other woodlands:	644	Restocking:	519
To be planted:	2	Production (000 cu m):	151

Llanrwst

Total area of forest:	21,220	Other land:	2,982
Under plantations:	17,793	New planting:	0
Other woodlands:	443	Restocking:	328
To be planted:	2	Production (000 cu m):	134

Morgannwg

Total area of forest:	28,610	Other land:	3,014
Under plantations:	24,400	New planting:	0
Other woodlands:	1,196	Restocking:	350
To be planted:	0	Production (000 cu m):	109

Newtown

Total area of forest:	14,081	Other land:	344
Under plantations:	13,584	New planting:	0
Other woodlands:	153	Restocking:	228
To be planted:	0	Production (000 cu m):	168

South East Wales

Total area of forest:	13,357	Other land:	772
Under plantations:	11,628	New planting:	0
Other woodlands:	948	Restocking:	188
To be planted:	10	Production (000 cu m):	90

North Scotland

Total area of forest:	425,031	Other land:	114,012
Under plantations:	290,243	New planting:	380
Other woodlands:	20,025	Restocking:	1,869
To be planted:	751	Production (000 cu m):	1,138

Buchan

Total area of forest:	23,433	Other land:	2,912
Under plantations:	20,210	New planting:	109
Other woodlands:	299	Restocking:	220
To be planted:	12	Production (000 cu m):	176

Dornoch

Total area of forest:	63,963	Other land:	18,192
Under plantations:	44,622	New planting:	208
Other woodlands:	815	Restocking:	161
To be planted:	334	Production (000 cu m):	81

Fort Augustus

Total area of forest:	39,762	Other land:	15,873
Under plantations:	17,210	New planting:	0
Other woodlands:	6,679	Restocking:	87
To be planted:	0	Production (000 cu m):	48

Inverness

Total area of forest:	32,718	Other land:	6,982
Under plantations:	24,079	New planting:	0
Other woodlands:	1,605	Restocking:	181
To be planted:	5	Production (000 cu m):	117

Kincardine

Total area of forest:	14,287	Other land:	1,199
Under plantations:	12,762	New planting:	54
Other woodlands:	326	Restocking:	124
To be planted:	0	Production (000 cu m):	111

Kintyre

Total area of forest:	30,718	Other land:	6,401
Under plantations:	22,590	New planting:	0
Other woodlands:	1,720	Restocking:	184
To be planted:	7	Production (000 cu m):	75

Loch Awe

Total area of forest:	34,539	Other land:	7,131
Under plantations:	26,029	New planting:	0
Other woodlands:	1,379	Restocking:	215
To be planted:	0	Production (000 cu m):	136

Lochaber

Total area of forest:	47,046	Other land:	20,971
Under plantations:	23,703	New planting:	2
Other woodlands:	2,266	Restocking:	137
To be planted:	106	Production (000 cu m):	67

Lorne

Total area of forest:	49,427	Other land:	14,878
Under plantations:	32,528	New planting:	0
Other woodlands:	1,979	Restocking:	156
To be planted:	42	Production (000 cu m):	62

Moray

Total area of forest:	23,316	Other land:	1,038
Under plantations:	21,869	New planting:	0
Other woodlands:	409	Restocking:	116
To be planted:	0	Production (000 cu m):	107

Tay

Total area of forest:	35,290	Other land:	5,433
Under plantations:	28,142	New planting:	7
Other woodlands:	1,706	Restocking:	78
To be planted:	9	Production (000 cu m):	113

Wester Ross

Total area of forest:	30,532	Other land:	13,002
Under plantations:	16,499	New planting:	0
Other woodlands:	842	Restocking:	210
To be planted:	189	Production (000 cu m):	

South Scotland

Total area of forest:	262,928	Other land:	58,838
Under plantations:	197,026	New planting:	455
Other woodlands:	6,208	Restocking:	1,645
To be planted:	856	Production (000 cu m):	759

Aberfoyle

Total area of forest:	38,000	Other land:	7,089
Under plantations:	29,330	New planting:	0
Other woodlands:	1,443	Restocking:	306
To be planted:	138	Production (000 cu m):	149

Ae

Total area of forest:	30,581	Other land:	3,264
Under plantations:	26,637	New planting:	16
Other woodlands:	667	Restocking:	403
To be planted:	13	Production (000 cu m):	135

Ayrshire & Arran

Total area of forest:	43,738	Other land:	13,154
Under plantations:	29,935	New planting:	284
Other woodlands:	567	Restocking:	100
To be planted:	82	Production (000 cu m):	54

Borders

Total area of forest:	18,797	Other land:	2,367
Under plantations:	15,999	New planting:	0
Other woodlands:	425	Restocking:	206
To be planted:	6	Production (000 cu m):	83

Castle Douglas

Total area of forest:	33,113	Other land:	6,246
Under plantations:	26,566	New planting:	0
Other woodlands:	301	Restocking:	170
To be planted:	0	Production (000 cu m):	113

Cowal

Total area of forest:	35,314	Other land:	12,129
Under plantations:	21,491	New planting:	0
Other woodlands:	1,688	Restocking:	253
To be planted:	6	Production (000 cu m):	64

Lothian & Tweed

Total area of forest:	14,370	Other land:	1,051
Under plantations:	12,818	New planting:	155
Other woodlands:	404	Restocking:	117
To be planted:	97	Production (000 cu m):	38

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