

Forestry Commission
Annual Report and Accounts 1997 - 98



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Together with the Comptroller and Auditor General's
Report on the Accounts

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Section 5 of the Exchequer and Audit Departments Act 1921

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by Sir Peter Hutchison, Chairman

The mission of the Forestry Commission is to protect and expand Britain's forests and woodlands.

This Report sets out the considerable progress we have made over the past year. It describes activities the length and breadth of Great Britain. In doing so, it makes clear that we can no longer talk only in terms of the forests of Britain. Our field of activity is increasingly international. Anyone affected by the recent vagaries of the timber market will know only too well the impact of currency movements. Our policies, too, are increasingly formulated in a global context. Here, it is often not so much responding to others as seeking to give a lead.



The UK Forestry Standard is a case in point. The international community has repeatedly underlined its commitment to sustainable forestry. The Standard shows how that principle can be delivered in practice, safeguarding the nation's forests for future generations. I believe it is a model others will want to follow.

Our performance at home gives us credibility abroad. Despite a relatively small forest area, we have always played an important role in international forestry negotiations. This was particularly so over the past year, with the UK's Presidency of the European Union, and the G8.

The ongoing debate on certification also reflects, whether we like it or not, the intense international interest in high quality forestry management. Here, again, the Commission has taken the lead, involving all the key players in building a consensus approach.

The forests of Britain are, of course, also the forests of England, Scotland and Wales. Ministerial and financial responsibility for forestry will soon be devolved to the new assemblies. The detailed arrangements are set out later in this Report. The Commission itself, with its unparalleled expertise, will remain a GB body. We are responding to this challenge, with Corporate Plans and Annual Reports for each country and strengthened National Offices. Forestry should form a key element of locally integrated land use. We therefore welcome this opportunity to tailor our programmes so that they meet local needs and aspirations. I believe forestry can only benefit from this new opportunity.

Through all this, the Forestry Commission remains and will remain Britain's Forestry Department. The role of Commissioners themselves will adapt to the new circumstances of devolution, but the Board will remain a cohesive influence in the forestry affairs of this island. I pay tribute, once again, to the efforts of staff at all levels. I thank Robin Grove-White for his contribution to the Board's affairs and welcome, in his place, John James, formerly Chief Executive of the Woodland Trust, together with Bob McIntosh, Chief Executive of Forest Enterprise.

Sir Peter Hutchison

Forestry Commission
Introduction



by David Bills, Director General

For an organisation like the Forestry Commission no two years will be the same.

There will certainly be clearly identifiable new areas of work such as devolution, or the landmark UK Forestry Standard, or significant external events such as the general election. But even our day-to-day work can never be described as routine and can always be described as challenging.



The past year will be remembered by those in the industry as a time of extremely tough trading conditions. Our industry is very exposed to imports. The strength of the pound, particularly against the currencies of traditional timber exporters, has given our sawmill customers an extremely difficult time. The roundwood market has also suffered as some customers have increasingly sourced their supplies from recycled fibre. Against this background - and with political uncertainty over the disposals programme - it was a very stretching challenge for Forest Enterprise to reach its overall cash targets; I am very pleased to report that it did so, along with all but one of its other agency targets.

The concern over current operating conditions in the industry is understandable. Nevertheless, it was heartening to see confidence in the future expressed in the form of three major investments in the south-west of Scotland, where significant growth in wood availability is forecast.

The year was also the first full year of agency status for the Forest Research Agency and, despite the inevitable settling-in period and reduced funding, it performed creditably to reach all four of its key targets.

The Forestry Authority (FA) had an extremely busy year, with the highlight being the publication of the widely acclaimed UK Standard. Other key developments were the implementation of a further three challenge funds and the streamlining of processes to speed up the delivery of grants and licences. The difficult times currently being experienced by the rural sector and the uncertainty over the Common Agricultural Policy (CAP) mean that many landowners are understandably reluctant to commit resources to forestry. However, we are increasingly seeing signs that forestry is being regarded as a useful adjunct to farming in some regions. This has been demonstrated by commitments to more than 560 hectares (ha) of new plantings in the Grampian Forest and a total of over more than 4,500 ha of new native pinewoods, up from 3,900 ha the previous year. In addition to this, we approved 17,624 ha for planting compared to 14,000 ha the previous year.

An increasingly important area for the FA is that of forming partnerships with a range of identities who share a common interest in forestry and who can contribute land, money or human resources. A number of partnerships have been formed involving, amongst others, local government, landowners and conservation groups, to launch initiatives such as Yorwoods (promoting farm woodlands in North Yorkshire), the South West Forest

(establishing 15,000 ha of mixed commercial forest in North Devon) and the Central Scotland Forest Challenge Fund (aiming to plant 1,000 ha of productive forest over the next three years).

A particular area of interest has been the potential of derelict land to support forests which produce multiple benefits. This will play a significant role in providing much-needed recreation and other amenity values to local communities. Following the very successful partnership formed with British Coal and Nottinghamshire Council, we have established a special Land Regeneration Unit to work closely with other parties interested in this type of forestry.

The Commission has a crucial role in early detection of pest and disease outbreaks and maintains an ever-vigilant watch at ports of entry for forest products. In August an outbreak of *Ips typographus* was detected in the log yard of a major paper mill. Our immediate response was to identify the source of the beetles and, with the total co-operation of the industry, apply control measures that included tracking log deliveries back to some 110 forest sites and setting pheromone traps. It is too early to know whether *Ips typographus* will become a serious problem, but the rapid action taken to identify, track and introduce controls was a credit to all involved.

I reported last year that there was still much internal reorganisation to be done following the 1996 Voluntary Early Retirement Scheme and then the restructuring of Forest Enterprise. This work, involving the centralising of services, merging of districts and the rationalisation of work done in the FE regional offices, is now coming to an end. However, reorganising to serve forestry post-devolution has now commenced. This will involve a strengthening of the FA country offices in Edinburgh, Aberystwyth and Cambridge, and reorganising head office to be better in tune with the needs of devolution.

Our mission is to expand and protect Britain's forests and woodlands and to increase their value to society and the environment. We know our most important asset in achieving our Mission is our own people. In order to make sure they have every opportunity for satisfying careers we have worked hard to upgrade our personnel management programmes and systems to meet Investors in People standards in the near future. I have been particularly pleased with the progress of discussions aimed at establishing a programme to remove the artificial and unnecessary distinction between industrial and non-industrial grades.

For me 1997-98 will be remembered for the pleasure of working within an organisation that has been so positive and responsive to change during difficult times. I know the Commissioners and the Executive Board join me in thanking our people and our many supporters for their part in ensuring a successful year.

David Bills

David Bills

The objectives of the Forestry Commission are to:

Protect Britain's forests and woodlands

Expand Britain's forest area

Enhance the economic value of our forest resources

Conserve and improve the biodiversity, landscape and cultural heritage of our forests and woodlands

Develop opportunities for woodland recreation

Increase public understanding and community participation in forestry

In reviewing the past year, this Report groups together what we have done to meet each of these objectives. This allows us to be clear about the progress we are making. Forestry is, of course, multiple-purpose. Much of what we do contributes to several objectives. For example, in protecting our forests, we seek to improve biodiversity. We have, therefore, assigned activities to the objectives to which they make the biggest contribution.

Forestry Commission

Protecting Britain's Forests and Woodlands



The highlight of the year was the publication of the UK Forestry Standard, which underlines the United Kingdom's firm commitment to sustainable forestry. Its launch was widely welcomed. Once again our International team kept the Commission at the forefront of international initiatives to protect the environment and ensured that, under the UK's presidency, the European Union took greater account of forestry interests. Our plant health experts continued to protect the nation's trees from pests, responding vigorously to a possible threat from *Ips typographus*.

UK Forestry Standard

The UK Forestry Standard was published on 20 January 1998 and was widely welcomed by both commercial and environmental interests. Commenting on the launch, the Prime Minister said that the Standard set out the vision and framework for the future management of our forests.

The Standard shows how UK policies and forestry practices will deliver sustainable forestry and sets out criteria and standards by which achievements can be judged at both national and local levels. It draws together in one document a range of existing environmental and other guidelines and sets out how a balance can be achieved between sometimes conflicting environmental and other interests.

The Standard was developed after very wide public consultation and recognises the great range of uses that we make of woodlands in Britain. It will now be a central reference for a whole range of Government activity in the promotion of forestry in both the public and private sector. The Prime Minister has made clear the Government's commitment to monitor UK forestry against the Standard and to take steps to correct anything found to be going wrong.

The publication of the Standard was a major landmark for British forestry. At an international level it demonstrates the importance the Government attaches to the commitments on forestry made at the Earth Summit in Rio de Janeiro in 1992 and at the meeting of European Governments in Helsinki in 1993.

The Government also announced that, as part of its wider consultation on sustainable development, it would be seeking views on how best to promote sustainable forestry management in the UK.

Forest Plans

In December 1997, Forestry Minister, Lord Sewel of Gilcomstoun, announced proposals to encourage forest owners to work to long-term Forest Plans.

Owners of larger forests will benefit from a more streamlined 'approval' system. In return the Commission will expect applicants to take a more holistic and longer-term view of how their forests will be managed and, normally, to provide public access to at least part of

them. This will involve drawing up and agreeing plans to cover phased harvesting and replanting for large forest areas, or whole estates, over a 20-year period. Owners will have the benefits of a longer commitment to restocking grants and will enjoy more flexibility in the timing of their operations. Although those taking advantage of the system will benefit from a lighter regulatory touch, they will have to conform to the UK Forestry Standard.

The concept was subject to wide consultation in 1997 and has been welcomed by owners, local authorities and conservation groups. A pilot study is to be set up in a number of estates in 1998 before making the system fully available. The study will develop the framework and work through the application and approval process before the scheme is formally introduced.

Felling and Restocking

We attach particular importance to protecting all forests and woodlands against unauthorised felling. The main instrument for achieving this is felling controls, via felling licences or the Woodland Grant Scheme (WGS), and the use of restocking conditions. These controls were further tightened with an amendment to the WGS: from 1 April 1998, a Felling Licence will be required for any felling approved under a WGS, thereby giving the Commission the power to enforce replanting conditions on a new owner where the land had been sold after clear felling.

Over 5,200 hectares (ha) were restocked during the year, nearly 1,300 ha less than 1996-97. Conifer restocking accounted for nearly 63 per cent of this area. However, the area approved for restocking rose dramatically from some 6,700 ha in 1996-97 to over 10,002 ha in 1997-98, an indication of the increase in timber production from the private sector.

WGS felling permissions in the year amounted to over 8,900 ha of woodland, with thinning accounting for a further 37,100 ha. In addition to these permissions, over 2,100 felling licences were also issued. Again this increase is in line with timber production forecasts for the private sector, which are set to increase steadily over the next 15-20 years.

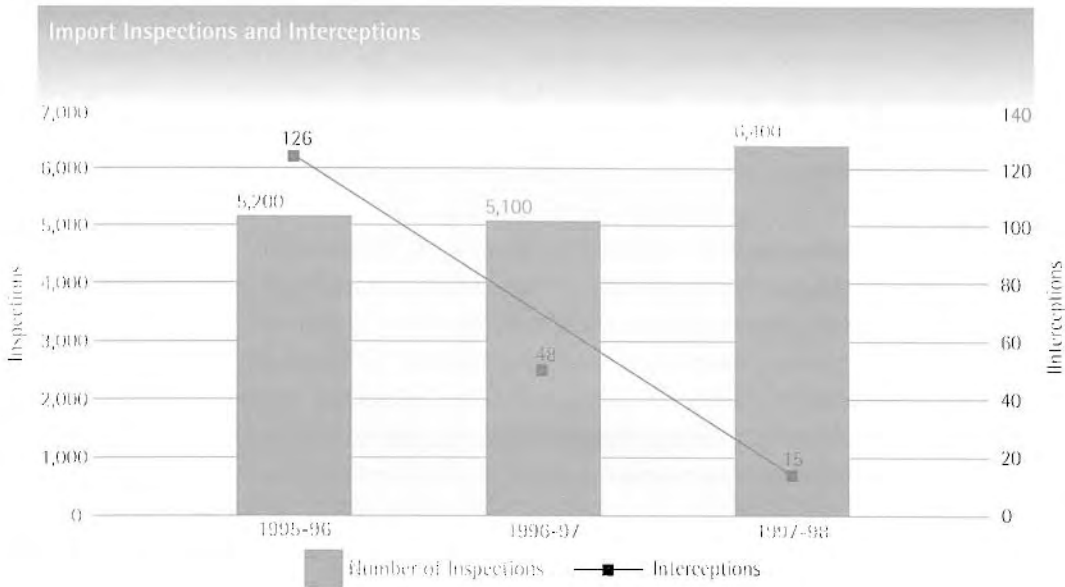
A total of 326 reports of alleged illegal felling were received from the public and others. Some 96 warranted further investigation, leading to 25 prosecutions, with a further nine cases where investigations or proceedings are still underway. In nine less serious cases, warning notices were issued. This represents a welcome decrease of over 10 per cent on last year.

Plant Health

We remain vigilant against any threats to the health of our forests. We have been active this year on a number of fronts.

(i) Import Inspections

The strong pound meant a dramatic increase in the volumes of wood imported, particularly from Latvia, and a higher than anticipated number of inspections. Our inspectors carried out 6,400 inspections, an increase of 1,300 over the previous year, covering 2.7 million m³, a rise of 0.4 million m³.



Despite this increase, there was a further welcome drop in the number of incidents where our intervention was necessary, from 48 last year to 15, reflecting again the success of the measures we took after the record high two years ago. About half of the incidents involved wooden packing material associated with non-timber cargoes, often heavy metals. We are continuing to focus our attention in this area, liaising with the major users.

A further measure of the plant health risk associated with imports was the number of bark beetles, notably *Ips typographus* (the Eight-toothed Spruce Bark Beetle), caught in the 200 pheromone traps located at ports around the country. The 1997 total was 8 *Ips typographus*, compared with 13 caught in 1996, 149 in 1995 and 45 in 1994. This provides a degree of further reassurance.

(ii) *Ips typographus*

A pheromone trap at the Shotton Paper mill in North Wales captured about 20 *Ips typographus* in August and a further 20 traps were immediately erected around the log stack. These trapped a further, small number over the next two weeks but none thereafter. We quickly launched an intensive investigation which pointed very strongly to the likelihood that the source was infested logs brought into the mill. The mill uses only British-grown logs and a search of the records showed that in the two weeks before the discovery, logs had been delivered from 110 forests the length and breadth of Great Britain. We erected traps at all of them and carried out surveys at those we considered the most likely suspects. With the help of the main trade associations, we distributed widely a colour handbill of 'what to look for' and responded to a number of possible sightings. At the year end, we had not found any evidence of the pest in any of the locations.

In April 1998 we launched a five-point action plan to tackle *Ips typographus*. It features pheromone trapping and continued vigilance not only at forests, but also at the major spruce-processing plants. If there is a British population, it is likely that its introduction is linked to the high incidence of problems experienced with material from the Baltic States in

1995. We have also asked the Forest Research Agency to assess the susceptibility of Sitka spruce to attack from this pest under British conditions. The records from its natural habitat indicate that Norway spruce is its preferred host.

(iii) *Dendroctonus micans*

In 1997 we reported a fresh outbreak of this pest in forests around Ashford in Kent. We launched a sanitation felling campaign in July with the objective of identifying, felling and treating all infested spruce trees in the area by 31 March 1998. In all, 21 separate locations were identified and a total of 1,500 spruce trees had been attacked. With the co-operation of the various owners, we achieved our target. A further survey will be carried out later in 1998, after the release of the specific predator *Rhizophagus grandis*, and any further trees found to be infested will be felled and treated.

Because this outbreak lies in the area denoted as an EU Protected Zone, the European Commission looked at the measures we had taken in order to assess whether it was appropriate to maintain the special status of the area. Their Report was considered by the EC Standing Committee on Plant Health in March and it was agreed that no change to the Protected Zone was necessary.

(iv) Import Inspection Fees

We introduced charges for inspecting imports on 1 April 1997 with the objective of full cost recovery and formed a Plant Health Customer Liaison Group to monitor the arrangements. The Group met in February and agreed our recommendation that the fee should remain unchanged, at 12 pence per cubic metre, for the next year. The EC Working Group, which was convened in July 1997 to harmonise inspection charging arrangements, has agreed to recommend that, in the wood sector, the system should be modeled on our Regulations.

Forest Condition Survey

The Commission carries out an annual survey of forest health in Britain, and in 1997 a total of 8,760 trees of five species - oak, beech, Scots pine, Norway spruce and Sitka spruce - were assessed on 365 plots. The year was wetter than the previous two years and was generally a good year for tree growth. In spite of this, with the exception of Scots pine, crown condition deteriorated in all species this year. The change was greatest in oak, beech and Sitka spruce, and was all the more notable in the latter species because it ended a period of almost continuous improvement since 1988. In beech a number of factors were involved, but crown condition in oak and Sitka spruce was adversely affected by frost and insect defoliation.

Sustainable Forestry: International Issues

(i) United Nations General Assembly Special Session (UNGASS) and Intergovernmental Forum On Forests (IFF)

Forestry was a key issue at UNGASS in June 1997 and featured in most of the national statements delivered by Heads of State or Government. The Prime Minister made specific

reference to our commitment to sustainable forest management and the development of the UK Forestry Standard.

Five years on from the United Nations Conference on Environment and Development (UNCED) - the Rio *Earth Summit* - the Special Session reviewed progress in implementing Agenda 21 and the Forest Principles. It also considered the programme of work for the UN Commission on Sustainable Development (CSD) for the next five years. The EU pressed hard for agreement to launch negotiations on a Forest Convention, but failed to convince the United States and others. As an intermediate step, the Intergovernmental Forum on Forests was established to report to CSD 2000. Its mandate is to promote, facilitate and monitor the implementation of the proposals for action contained in the report of the Intergovernmental Panel on Forests, to further consider the matters left pending by the Panel and to work towards consensus on an international mechanism for sustainable forest management.

(ii) 15th Commonwealth Forestry Conference (CFC)

The 15th CFC took place at Victoria Falls, Zimbabwe in May 1997. The theme, *Forestry in a Changing Political Environment: Challenges for the 21st Century*, underlined the need for the forestry sector to look to the future and meet the challenges faced in three key areas: the interface between the Community, the State and the Private Sector; the technological means of ensuring sustainable forestry; and the products and services of forestry.

(iii) World Forestry Congress

The Director General led the UK delegation to the 11th World Forestry Congress in Antalya, Turkey in October 1997, which had a general theme *Forestry for Sustainable Development: Towards the 21st Century*. The Congress was attended by more than 4,000 forestry experts from about 150 countries.

(iv) G8 Forest Experts

Following a commitment made by the G8 to support a practical action programme on forests, the G8 forest experts met in New York on 29-30 September 1997, to elaborate a programme. The Forestry Commission hosted the follow-up meeting on 21-23 January 1998, when forest experts from the G8 countries developed and agreed a draft Action Programme, in preparation for the G8 Summit in Birmingham on 15-17 May 1998.

(v) European Union

Forestry looked to the future in the EU this year and the UK used its Presidency role from 1 January 1998 to provide a steer. In particular, we chaired discussions on the role of forestry in the reform of the Common Agricultural Policy.

The Standing Forestry Committee considered, among other things, the European Parliament's proposals for the development of an EU forestry strategy, forestry's potential role in Agenda 2000 and a comprehensive review of EU actions on atmospheric pollution.

Forestry Commission
Expanding Britain's Forest Area



We continued to develop initiatives aimed at expanding Britain's forest area. A Land Regeneration Unit was formed to identify suitable land to be redeveloped for forestry, and our National Offices operated a number of successful, new challenge funds that are already bearing fruit. Expenditure on woodland grants was at its highest level ever. For the first time in many years, our Estate Management team has been able to acquire substantial areas of land. We also announced the drafting of an English forestry strategy, building on the earlier consultation on woodland creation.

Land Regeneration Unit

There has been an increasing awareness in recent years of the potential for restoring derelict and damaged land to forestry. The latest figures suggest there is more than 1,000 sq. km of damaged land in Great Britain that could be redeveloped for forestry. The Forestry Commission already has a long history of success in this area. In order to 'capture' more of this land we set up a Forestry Commission Land Regeneration Unit. The main functions of the unit are:

-  to identify mineral or derelict land that could be made suitable for planting trees, and other adjacent land that would contribute to a viable woodland area;
-  to assist in developing partnerships, looking for sponsorship opportunities and identifying other sources of funding;
-  to offer a long-term management or advisory service to bodies who wish to retain ownership of the sites and to consider sites for purchase or long-lease to be managed as part of the Forestry Commission's estate;
-  to draw up forest design plans jointly with partners, which take account of the landscape and environmental character of the sites and strike a balance between commercial timber production, environmental improvement, public access and recreation.

Acquisitions and Disposals

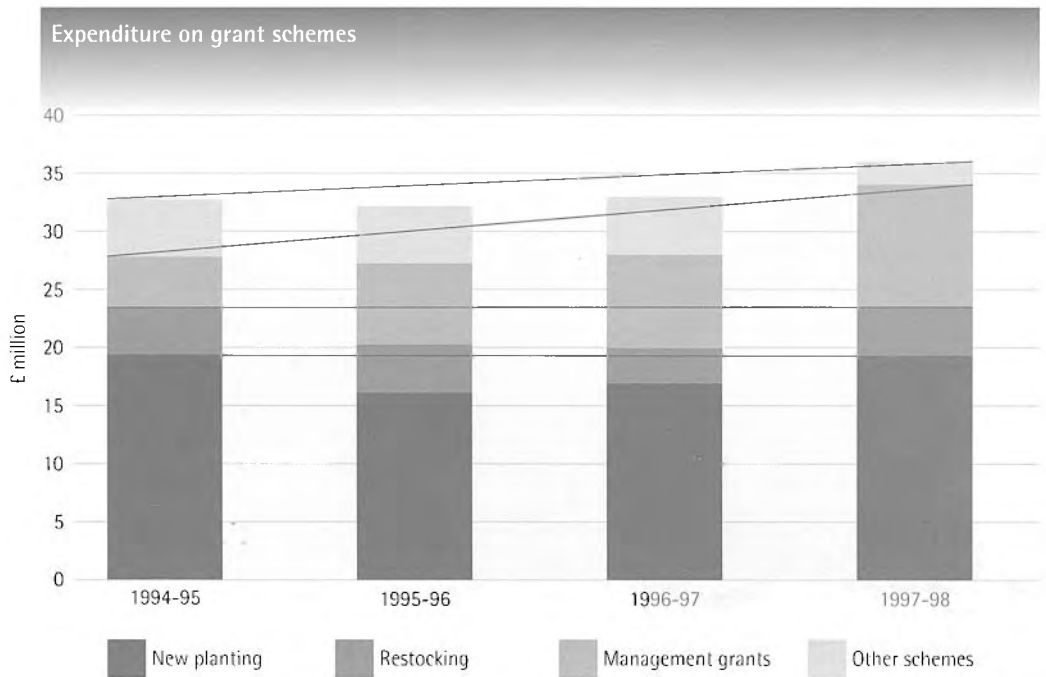
During the year the Commissioners allocated extra resources to Forest Enterprise to fund additional land acquisitions. This has enabled us to acquire over 500 hectares (ha) of land in community forests and other initiative areas.

The disposals programme was affected by the 1997 General Election. During the election campaign all forest land sales were suspended. After the election, a moratorium was put in place while Ministers considered, as part of the Comprehensive Spending Review, the future of the disposals programme. Under these arrangements, the only sales of forest land that took place were those to which there was a commitment to the purchaser before the suspension and moratorium were imposed. In March 1998, the Government announced that the Commission would recommence small-scale sales of forest land. However, the moratorium on large-scale sales remains in place.

Sales of surplus assets, including houses, buildings, farms and land, have continued. The surrender of a lease in the South of England of land for housing resulted in a considerable development gain, part of which was received during the year.

New Planting

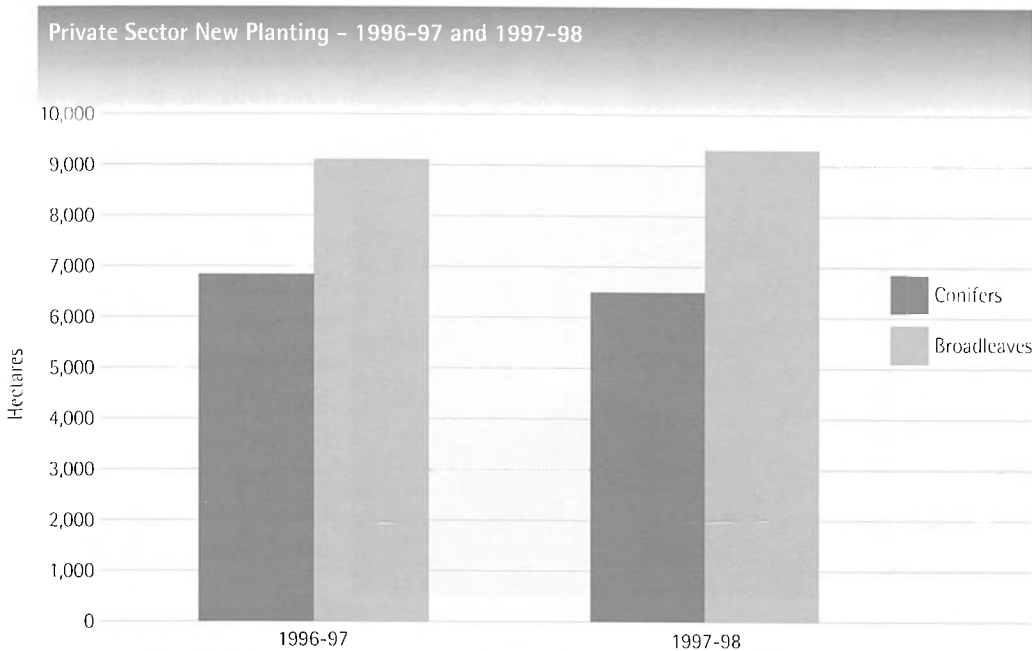
Total expenditure on woodland grants to the private sector was £35.5 million, the highest figure ever. The expenditure profile is illustrated below:



Private landowners achieved nearly 16,000 ha of new planting in 1997-98, similar to the total for 1996-97. Some 59 per cent of the area was new broadleaved woodland, slightly up on last year's figure of 57 per cent. Whilst it is encouraging to have maintained the overall level of woodland expansion, especially given continuing high agricultural land values, there remains scope for more planting of productive conifers.

However, the area approved for future new planting was up significantly to 17,624 ha compared to the previous year's total of 14,100 ha. This change is in part a response to the recently launched Challenge Funds, and is an early indication that these targeted grants are encouraging greater woodland establishment.

Interest in new native pinewoods continues to increase with planting rising from 3,900 ha in 1996-97 to 4,566 ha in 1997-98. Native woodland expansion received further encouragement during 1997-98 with the launch of three new Challenge Funds in priority areas - The Deeside Forest, Forest of Spey and National Parks in England and Wales. A total of 1,008 ha were approved in this first year, and considerable interest has already been shown for next year.



Commercial planting was significantly boosted in 1997-98 with the Grampian Forest and Bracken Land Challenge Funds in Scotland and Wales respectively. A total of 721 ha (560 ha in Grampian and 161 ha in Wales) were accepted, a highly creditable start in the first of the three years in which the Challenge Funds will operate. Early signs for 1998-99 are more encouraging still, with applications received for more than 400 ha in Wales and Grampian expected to exceed 1,000 ha.

We are also pleased to report the establishment of the South West Forest, a partnership aimed at encouraging integrated rural development in north Devon through a programme of woodland planting and management. The Project seeks to establish 15,000 ha of predominantly mixed commercial woodland over the next 10-15 years. A small project team has been formed. The project has received European Union Objective 5b funding.

Interest in the Locational Supplement continued to rise, with 539 ha qualifying in 1997-98, compared with 428 ha in 1996-97. The supplement is available for planting new woodlands in specially targeted areas. Many of these new woodlands are providing significant public benefits such as access, wildlife habitats and landscape enhancement within the Community Forest areas in England, the South Wales valleys and the Central Scotland Forest.

Woodland Creation: Needs and Opportunities in the English Countryside

The Forestry Authority (England) completed a consultation on the discussion paper, *Woodland Creation: Needs and Opportunities in the English Countryside*. Nearly 300 written responses were received from a wide range of organisations and individuals. Overall the responses showed general support for the concept of significantly increasing woodland cover in England from the present level of about 8 per cent of land area. It noted that for most respondents the important thing was to set the wheels in motion – to start the process of change.



Mr Morley, English Forestry Minister, subsequently asked us to prepare a forestry strategy for England. The strategy will set out the Government's priorities and programmes for woodland creation and management in England. A working group of officials from MAFF, DETR and the Countryside Agencies, chaired by our Chief Conservator for England, will advise us on preparation of the strategy.

Mr Morley also announced his intention to set up and chair an English Forestry Forum. This will meet twice a year and operate along similar lines to MAFF's Agri-Environment Forum, which the Minister also chairs. The Forestry Forum will primarily be concerned with issues relating to implementation of the strategy.

Disputed Cases

The Forestry Authority approved 6,803 Woodland Grant Scheme (WGS) and Felling Licence applications in 1997-98. In total, only two disputed cases had to be referred to the Forestry Commissioners, a sign that we are beginning to reap the benefits of the improved consultation procedures introduced in recent years. .

At Arinanuan, South Kintyre, the applicant was asked to modify his application so that planting would not pose a threat to the continued presence of a pair of Golden Eagles. This reduced the area to about 95 ha (40 per cent of the original application), but an additional area of almost 100 ha has now come into the scheme.

At Creebank, in Galloway, Commissioners rejected an application on the grounds of loss of hill farm land and the subsequent impact on land-use diversity and balance. There were no disputed cases in England or Wales.

Research

Our efforts to expand forest cover continue to be underpinned by a number of research programmes. For example, we evaluated the extent to which individual afforestation proposals and Forest Design Plans would contribute to the capture of atmospheric pollution. On derelict land we investigated methods of improving soil quality and relieving compaction, and the methods and costs of loose tipping of reclamation material to avoid compaction on derelict sites.

We also commissioned research to provide guidance for those establishing woodland on land contaminated by metalliferous pollution, and began developing methods of improving such sites before tree planting. Together with our Land Regeneration Unit we will offer a service for site evaluation. We continued work on the social and community benefits of forestry , commissioning in particular research on the overall impact on employment in rural areas.



Forestry Commission

Enhancing the Economic Value of our Forest Resources



Forestry makes an important contribution to the economy of rural areas. Our staff remain committed to maximising the economic value of Britain's forests in a manner that is not detrimental to our other multiple-purpose objectives. Against the background of very difficult trading conditions, Forest Enterprise secured timber income of £96.2 million. We continued to take a lead role in developing a consensus approach to the certification of UK forests. We also commissioned a research study into the implications for the processing industry of the forthcoming doubling of GB wood production and established an important new project on improving timber quality.

Timber Market Review

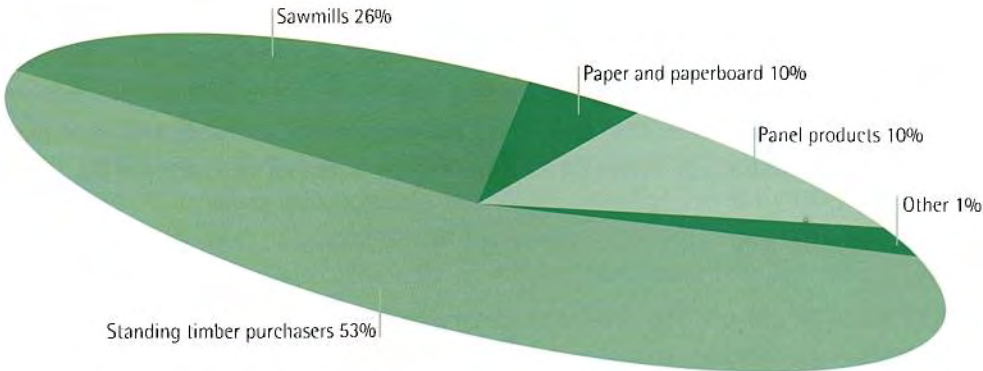
The difficult trading conditions of 1996 continued into 1997 and the prices obtainable for all categories of round timber fell steadily through the year. The principal reasons for this decline were the strength of sterling and the availability of plentiful supplies of sawn timber imports, particularly from Latvia. Towards the end of the year, Swedish material destined for Asian markets was diverted here because of the developing recession in the Far East and the flat market elsewhere in western Europe. Moreover, the increasing use of recycled fibre by paper and board manufacturers led to reducing demand for small roundwood.

Although the price of all roundwood remained low at the end of 1997-98, there was some comfort in the level of investment taking place. Both the sawmilling and the small roundwood processing sectors were seeking to achieve the highest practical throughput at maximum efficiency with the aim of retaining and expanding market share and maintaining overall income.

Forest Enterprise Timber Production

A total of 4.7 million m³ were harvested from Forestry Commission forests, achieving the target volume of 4.5 million \pm 5 per cent in what was a difficult trading year. The volume sold as standing trees amounted to 2.5 million cubic metres, with the balance coming from direct working by Forest Enterprise. 76 per cent came from clear felling, the remainder from thinnings. Total timber income was £96.2 million, 4 per cent down from 1997-98.

Main market sectors for Forest Enterprise timber, 1997-98 (by volume)



Forest Certification

In close collaboration with a range of UK forestry and environmental organisations, we made substantial progress on this challenging issue. In September we convened a workshop that brought together all sides of the debate to identify common ground on which we could begin to build a consensus approach to the certification of UK forests. We followed this with a meeting in February to look at the potential for using the UK Forestry Standard as a basis for certification, and to compare the Standard with the Forest Stewardship Council's own draft standards. The meeting agreed to develop an audit protocol for the certification of UK forests and drafting is now well advanced. Once agreed, forest certification can proceed in the UK on the basis of a standard that has the support of the UK forestry and environmental communities, takes careful account of the needs of growers, satisfies the demands of the industry's customers, and has international credibility.

Market Development Study



Domestic wood production is set to double over the next two decades. Against this background, Lord Sewel launched in December an important new study to help encourage new investment and jobs in forestry and wood processing industries. The study will focus mainly on softwood production from forests in all parts of Britain, seeking to identify the general location and type of wood processing industries that should be encouraged. Jaakko Poyry were selected to undertake the study.

Research

A number of research projects focused in particular on enhancing economic value:

(i) Timber Quality

A new timber quality research project was established, with two objectives. The first is to improve the information on the timber quality of current standing crops for the information of wood-using industries. The second is to review the existing experimental research on the relationship between site, silvicultural practices and genotype so that decision support can be provided to forest managers on improving the timber quality of future crops. Significant gains in the yields of Sitka spruce have been achieved through the breeding programme, and research is now focusing on multi-trait selection (volume, stem straightness and wood density) so that alternative production populations are available to achieve the optimum crop characteristics for a particular site.

(ii) Damage to Trees

Information on assessing deer populations, determining the extent of deer damage, and effective methods of managing deer populations has been presented to the newly formed Deer Management

Groups. Research is focusing on minimising deer damage by reducing population size, and by the use of fencing, individual tree protection and chemical deterrents. Methods are being developed for controlling grey squirrel populations and protecting red squirrels.

(iii) Prediction of Damage from Windthrow

A new model has been developed so that windthrow can be predicted with greater accuracy (FOREST gales). This model replaces the present Windthrow Hazard Classification and provides more accurate information on the vulnerability of stands to windthrow and the probability of damaging storms occurring. The model uses a Geographical Information System and will be available as PC-mounted software.

(iv) New, Improved Yield Tables

In 1996 the forestry industry identified the need for new, flexible, computer-based yield models. These needed to reflect local conditions and practices and to provide a greater range of outputs. During 1997 a PC-based interactive model of this type for unthinned Sitka spruce was made available and a version that models thinning options will be released during 1998.

Woodlots

Woodlots, a publication aimed at establishing a buyer-seller link for small parcels of timber, was launched in 1995 as a pilot funded through the European Union's LIFE fund. It was intended that Woodlots should eventually establish itself as a commercially viable publication. This goal moved a step closer during the year with the award of a contract to Beacon Forestry to produce and develop Woodlots on our behalf over the next three years. Beacon Forestry subsequently expanded the content to include separate sections for sawn timber, services, opportunities and events. Each issue of Woodlots now runs to 20 pages, with a circulation approaching 7,000 and rising.

Transport Infrastructure

There are continuing problems with transport infrastructure. At Conservancy level, Conservators continued to make it clear to local councils that this is an important issue, working with the Timber Growers' Association (TGA) to complete surveys of the situation. Evidence highlighting the problems (and the rail and sea possibilities) was submitted in response to the Government's consultation document, *Developing an Integrated Transport Policy*.

Yorwoods

This project, launched by Mr. Morley in September 1997, seeks to implement the findings of a strategic study on farm woodlands in North Yorkshire. The project addresses woodland supply chain issues including management, conservation, extraction and market development. There will be a major focus on training and advice. Another important link is with efforts to improve the tourism economy in the county. The project is being supported for three years by European Objective 5b funds. The total costs will be over £1 million, of which our contribution amounts to only 2 per cent.

Forestry Commission

Conserving and Improving the Biodiversity,
Landscape and Cultural Heritage of our Forests
and Woodlands



As an organisation we remain committed to the preservation and improvement of our environment. We prepared Habitat Action Plans for four more types of woodland. We have seen an encouraging response to our sustained efforts to promote native woodlands. GB Action Plans were developed for safeguarding and enhancing species such as red squirrels and butterflies, which have a significant presence on our own land.

Biodiversity


As the lead partner for Habitat Action Plans (HAPs) for two types of native woodland, upland oakwoods and native pinewoods, we continued to work with nature conservation agencies and others to secure progress. We also helped to prepare similar plans for four more types (lowland beech and yew woods, wet woodlands, lowland wood pasture and upland mixed ashwoods) for publication in June 1998. We developed, with the conservation agencies, a common framework for the definition of targets, inventory and recording of progress that can be applied to all the native woodland HAPs.


The Native Woodlands in National Parks Challenge was launched in September in order to help achieve our targets for the expansion of native woodland in England and Wales. Responses were encouraging and 658 hectares (ha) were approved by the end of the year.

The Biodiversity Research Programme addresses the conservation and enhancement of biodiversity in commercial forests in support of sustainable forest management. To date the programme has focused on evaluating biodiversity for the major forest species across the stages of stand development. It is providing information on the benefits to biodiversity of current forest management practices and alternative silvicultural systems. Since a complete census of biodiversity is not feasible, indicators and surrogate measures of biodiversity are being developed and validated.


The Native Woodland Advisory Panel for Scotland


In 1997-98 the Panel paid particular attention to two aspects previously identified as priorities:


 further work to demonstrate and elaborate the full range and relative values of the environmental, social and economic benefits that can be achieved through native woodland management and expansion;

 further initiatives to promote these benefits and engage a wider range of interests than those already involved with native woodlands.

Although the outcomes will not be seen until 1998-99, efforts in these areas concentrated on:

 writing and producing a booklet on *The Native Woodlands of Scotland*, written in a readily accessible style and aimed at as wide an audience as possible;

 organising two regional meetings (to be held in September 1998) to promote the *Opportunities and Benefits from Native Woodlands*, these will be supported by a range of local events run by partner organisations over the following six months;

 monitoring the extent of reporting of native woodland issues in the Scottish media.

The Panel's four sub-groups looking at agriculture, riparian woodlands and freshwater management, socio-economic issues and the use of native species in second-rotation forests have been working on a range of studies.

The socio-economic sub-group developed a wide-ranging study to identify and, where possible, quantify the benefits from native woodlands in the Deeside Forest area.

Forest Enterprise

The Forestry Commission's own estate makes a significant contribution in conserving and improving biodiversity and heritage. It hosts many designated areas, habitats and species, including 387 Sites of Special Scientific Interest (SSSIs) covering 62,000 hectares (ha), significant populations of many key species, and several key habitats specified in the UK Biodiversity Action Plan. In 1997-98 we met our target of managing all of these SSSIs according to agreed management plans. These national plans will now provide the framework for the preparation of local plans.

We also contributed to national action plans for safeguarding and enhancing those key habitats and species with significant presence on the estate. Action plans for red squirrels and upland oakwoods were prepared and discussed with conservation agencies.

Memoranda of agreement were signed in the summer with each of the statutory conservation agencies - English Nature, Scottish Natural Heritage and the Countryside Council for Wales. These memoranda established accords for co-operation and mutual support in areas of shared objectives.

The Deer Initiative and Squirrel Forum



These two initiatives are operated under the leadership of the Forestry Authority and continued to develop during the year. Both bring together a wide range of land owning and managing interests, and provide a focus for securing consensus on the sensitive management of deer and grey squirrels, as well as the conservation of red squirrels.

During the year the Deer Initiative developed proposals to appoint a regional deer management co-ordinator and to appoint an independent chairman. There is now an increased recognition of the need to focus on the establishment of an effective network of deer management groups. Ministers

agreed that the Deer Initiative should continue to develop as the primary vehicle for encouraging deer management in England and Wales.

The England Squirrel Forum also continued to evolve during the year. To help build consensus about approaches to grey squirrel damage control, the Forum ran a technical seminar for its members and is developing a package of material, written in a non-scientific style, that can be drawn on by its constituent organisations and others. The Forum is also represented on the UK Red Squirrel Biodiversity Group and some of its constituent members are making key contributions to red squirrel conservation.

Landscape

The Forestry Commission is regarded in many countries as a world authority on forestry landscapes. We have taken opportunities to share with forestry services overseas the lessons we have learned from our own forest design planning process.

Together with its partners, the Forestry Authority (Wales) is developing LANDMAP, a universally accepted process for accessing landscapes and informing decision-makers of land-use change in Wales. The Forestry Authority (Scotland) is helping to produce landscape character assessments for all regions in Scotland. Like LANDMAP in Wales, these will help guide the location, shape and size of future forestry developments, so ensuring continuity with the existing landscape.



Forestry Commission
Developing Opportunities for Woodland Recreation



The Forestry Commission is the largest provider of outdoor recreation in Britain. One of our key objectives is to continue to improve and expand the opportunities available for recreation. Forest Enterprise continued to provide new recreational facilities and to expand its Forest Holidays opportunities. The acquisition of freeholds opened up access to new areas. In the private sector, we reviewed the significant benefits that have been delivered through our Community Woodland Supplement in order to identify room for improvement. We also announced our intention to review public access to all woodlands by 2000.

Forest Enterprise

The use of Forestry Commission forests and woodlands for outdoor pursuits is generally compatible with growing trees for timber.

Our first priority is to provide free access for recreational purposes to the forests we manage. This is pursued throughout the estate, where the Forestry Commission has freehold tenure and where other agreements allow, through publicising access to forests, opening up public rights of way, and providing parking areas.

In some areas, access is not possible because we do not hold the freehold. In 1997-98 we acquired four major freeholds totalling 2,140 hectares (ha) offering significant access and recreation benefits. The largest of these related to 2,000 ha in the Valleys Forest Initiative area in Wales.

Where the number of visitors to a wood justifies, we provide additional facilities such as forest walks, toilets, play areas, picnic sites and forest drives which are designed and selected to be consistent with quiet enjoyment of the countryside. All Forest Districts offer a range of facilities for those with special needs.

A number of projects with public and private sector partners opened in the year, including visitor centres at Glenmore and Garwnant.

Forest Holidays

Forest Holidays is a distinct business structure within Forest Enterprise, operating in the GB holiday market. Our self-catering cabins and touring campsites are closely integrated with the forest environment and offer peaceful, relaxing holidays. We manage 166 cabins located at four sites and 25 touring caravan and camping sites, located throughout Britain, ranging from the small, basic site with no facilities to the larger sites with toilet and shower blocks, and a shop. In April 1997, the campsites were assimilated into the Holidays Business Unit, to take advantage of the commercial focus and strategic approach that has benefited the cabin sites since April 1995.

Modernisation of our current cabin sites and development of new sites represents a major opportunity. In 1997 we initiated a project to fund this under the Private Finance Initiative. We received a high level of initial enquiries and a shortlist of candidates was drawn up to progress to the final stages, in anticipation of concluding the project during 1998.



We have built up a loyal customer base, with almost half of our customers having been with us before, and over 30 per cent coming on recommendation. The cabin occupancy for 1997-98 was 62 per cent. The integration of the sites with the forest environment gives us a distinct marketing edge. Forest walks

start from most of our sites, and forest-related activities are promoted. We benefited from market trends towards short breaks, activity holidays and environmental sensitivity.

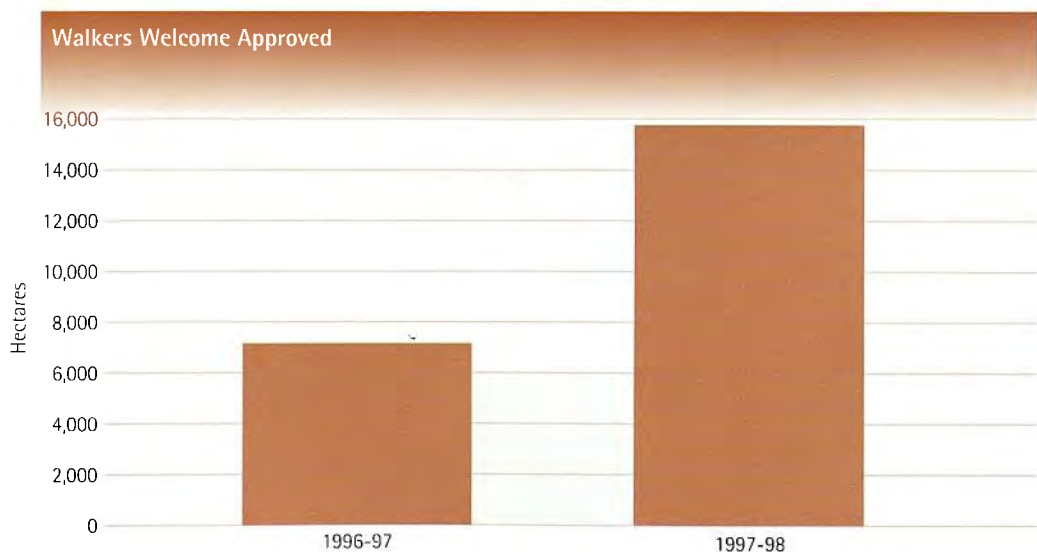
Community Woodland Supplement (CWS)

This supplement is intended to encourage the creation of new woodlands which will provide access and recreational facilities close to towns and cities. A total of 950 ha were established in 1997-98. Although slightly down on 1996-97 (1,100 ha), this is still an encouraging outturn.

During 1997 we reviewed the way in which the CWS has operated. The review confirmed that significant public access and other benefits have been delivered through the CWS. Further recommendations included improving the value for money from the CWS and better recording of the public benefits that justify grant-aid.

"Walkers Welcome"

This initiative aims to encourage woodland owners to welcome people walking in their woods. Support in the form of advice and signage for footpaths is provided by the Forestry Authority. This year 15,800 ha of woodland was approved with access under the Walkers Welcome scheme, bringing the total since its launch in 1992 to over 51,500 ha.



Woodland Access

The Government has issued a consultation document on access to the open countryside in England and Wales. The Forestry Commission will report on woodlands by 2000.

Meanwhile, a further 3,700 ha of informal access to existing woodlands was secured under the Woodland Improvement Grant 1 and Management Grant, more than double last year's total. Given the popularity and encouraging uptake of this grant, it will be continued for a further year, during which time it will be reviewed as part of the wider review of woodland access.



Hunting

Hunting was a matter of considerable controversy throughout 1997-98. The Forestry Commission has allowed hunting to take place on its land where it has traditionally been carried out. Hunting of foxes takes place on a large part of our estate in England and Wales, while deer hunting has taken place in Devon, Somerset and the New Forest. All hunting is controlled by the issue of licences.

Ministers asked the Commission to review its position on hunting after the General Election. After a full review of fox hunting, including careful consideration of its legal position and of the interests of other users of the estate, Commissioners decided to continue to allow fox hunting. However, a revised licensing system was introduced in order to control more carefully the hunts' activities.

In November, after a full review of deer hunting, including careful consideration of the Bateson and Soulsby Reports, and having taken expert advice from a number of other sources, Commissioners decided that it would in future be their policy not to licence deer hunting on Commission land.

However, in view of the implications for one hunt, the Quantocks, it was agreed to issue one final licence for the remainder of the 1998-99 season. No further licence will be issued.






Forestry Commission
Increasing Public Understanding and
Community Participation in Forestry



In many areas the success and sustainability of multiple-purpose forestry depends on the participation of the local community. To this end, Forest Enterprise continues to develop its relationships with the public through information, education and a wide range of partnerships, including expansion in Community Forests. We have also taken steps to encourage and support similar initiatives in the rest of the forestry industry, including the launch of a resource pack for schools.

Community Forestry

During 1997-98 Forest Enterprise took forward its commitment to stimulate increased community involvement in a number of ways;

-  *What's On* pamphlets detailing programmes of local forest events (often organised by local groups) were published by most Forest Districts. Typical events included organised walks, animal 'watches' and forest open days.
-  All our forest districts provide educational services for schools and other parties. We estimate that 135,000 people, mostly groups of school children with their teachers, took part in official educational visits over the year.
-  There is considerable potential for partnerships that will result in new planting in areas where we can make a significant contribution in terms of bringing the urban population into close contact with forestry. In England, three farms were acquired totalling 200 hectares (ha) in the Cleveland, Red Rose and Avon Community Forests. In Scotland more than 300 ha were acquired in the Grampian Initiative and Central Scotland Forest areas.
-  A partnership was created between the Forestry Commission and the Laggan Community in the western Highlands of Scotland with the aim of enabling the local community to participate in the management of our woodlands at nearby Strathmashie and helping develop any economic and social potential. A Partnership Agreement has been signed. A squad of workers recruited from the local area is already at work in the forest.
-  The sale of the Abriachan woodlands, near Loch Ness, to the Abriachan Forest Trust was completed, becoming the first outright sale of a Commission woodland to a local community.

Public Opinions of Forestry

The Commission carries out a survey of public attitudes to forestry every two years. The results of these are used to tailor the Commission's public information activities and to help formulate forestry policy. The latest survey results were published in December and showed people value highly the benefits that woodlands offer. Eighty per cent of those questioned wanted more woodland, with a preference for a mixture of conifers and broadleaves. Of the public benefits provided by woodlands, respondents appreciated most the habitats provided for wildlife, and the prevention of global warming. Public access to forests and the value of trees to the landscape were also important for many, as was the bringing of jobs to rural areas.

The survey results are available on our web site (www.forestry.gov.uk).

Forest Education Initiative (FEI)

With funding from a range of timber interests, we helped FEI produce a new resource pack for schools aimed at infants and lower primary age groups. Under the title *Only Made of Wood*, the pack consists of a children's story book and a teachers' work book. The illustrated story book uses simple language to tell the story of a wooden rocking horse that comes to life and takes two children on a magical woodland adventure. The teachers' work book contains a host of ideas for indoor and outdoor activities focusing on trees, wood, paper and the woodland environment. All the activities are designed to meet the requirements of the National Curriculum and the Scottish 5 -14 Curriculum.

Seminars/Shows



During the year, we delivered a full programme of seminars to woodland managers, local authority and NGO staff on such diverse subjects as native woodland and farm woodland establishment, ecological site classification, timber harvesting, grading and marketing and woodland establishment on disturbed land. We also participated in a number of major shows, including the Royal Agricultural Shows in each country, the Timber Growers' Association (TGA) Show at Dalkeith Park and many regional and local shows where forestry and the benefits of forestry were promoted.

New Publications

We published several new publications throughout the year. For example, in order to provide more information for growers on the profitable Christmas tree market, we produced Field Books 15 and 17, on *Weed Control in Christmas Tree Plantations* and *Christmas Tree Pests* respectively. Field Book 16, *Diseases and Disorders of Forest Trees*, is a useful and authoritative guide to the diagnosis of ill-health in woods and plantations.

Technical Paper 22, *Recycling Land for Forestry*, and a report published for the Department of the Environment, Transport and Regions, *Tree Establishment on Landfill Sites*, both provide valuable technical information on the reclamation, and subsequent afforestation, of derelict land for environmental improvement.

New information packs and audio-visual presentation materials were also produced during the year to support our public information services.

A catalogue of the full range of forestry publications is available from the Stationery Office or from our own public enquiry team on 0131 314 6322.

The Internet continues to grow in importance, allowing us to communicate instantaneously with many thousands of customers. During the year, the Commission saw a massive leap in the number of information downloads from the site - up from fewer than 4,000 per month to more than 30,000 in March 1998.



The most popular addition to the site has been the inclusion of publications which are viewable on screen in the same format as the printed version. Downloads of these documents - for example the *UK Forestry Standard* (more than 3,000 requests) and *Forest Life* (more than 1,500 requests) - have shown that there is a growing market for forestry information. The Commission intends steadily to expand the site, making more information and documents freely available in this way and increasing the scope for using the Internet as a business tool.

Welsh Language Scheme

We recently completed a draft Welsh Language Scheme for the Forestry Commission. This has been sent to the Welsh Language Board. We have been proactive in our approach to the use of both Welsh and English, and many of our policies already comply with the Welsh Language guidelines. However, there is still scope for improvement. We hope to have our Welsh Language Scheme approved and in operation shortly.


Forestry Commission
Organisational Matters





In order to achieve the Government's forestry objectives, and to continue to provide the first-class service that our customers have come to expect, we constantly monitor and review our organisation and support services in order to improve our performance. During 1997-98 we concentrated in particular on the likely implications of devolution and the steps needed to achieve Investors in People accreditation.

Devolution

The incoming Government made clear in its White Papers on Devolution to Scotland and Wales that forestry would be a devolved matter. In practice, this means that, subject to Parliamentary approval for the necessary primary and secondary legislation:


 Ministers' powers of direction in relation to Forestry Commission activities in or relating to Scotland and Wales will be transferred respectively to the Scottish Executive and Welsh Assembly and will be made exercisable separately and distinctly;

 the Forestry Commission will continue as a GB body and the Commissioners will retain their existing functions. However, those functions will be made exercisable separately and distinctly in England, Scotland and Wales. Therefore, policies and programmes in, for example, Wales will be tailored to take account above all of land use and other issues in Wales, independent of policies and programmes in Scotland or England. However, such policies will have to fulfill, and be consistent with, the UK's international and EU obligations;

 the Commission will be funded separately by, and will account separately to, Westminster, Edinburgh and Cardiff in respect of forestry activities relating to England, Scotland and Wales respectively.

The Commission took steps some time ago to ensure that its policy and practice reflected the differing needs of England, Scotland and Wales, establishing for each country a national office and introducing relevant geographically limited policies, such as the Welsh Bracken Land Challenge and the Grampian Initiative. Similar steps were taken this year, including the following:

(i) Welsh Forestry Conference, October 1997

 This Conference, which we organised, was a major success, bringing together all of the key players within the forestry industry in Wales. The Secretary of State gave a keynote speech to more than 180 delegates. It provided a forum for a wide range of views to be aired at what is proving to be a critical time for both forestry and agriculture, setting the scene for greater integration between these two land uses. The Forestry Authority has also been involved in developing the All Wales Agri-Environment Scheme (AWAES), announced by the Secretary of State in July 1997. This is a whole-farm scheme for managing land in an environmentally friendly way. A crucial element is the integration into the scheme of a link to the Forestry Commission's Woodland Grant Scheme. Within AWAES, woodland management, including thinning and felling and woodland extension

onto appropriate land, will be included through a Woodland Grant Scheme. This should enable many more woodlands to be brought into management throughout Wales.

Rural Policy In Scotland

The Forestry Authority (Scotland) has been actively involved in a number of rural policy initiatives in Scotland, representing the Commission on the Scottish Office's Rural Affairs Steering Group and on the Land Reform Policy Group which has been appointed to identify and assess proposals for land reform in rural Scotland. We presented a well-received paper on *Forestry and Partnership* at the January meeting of the former group. The Forestry Authority (Scotland) also prepared, on behalf of the Commission, a comprehensive response to the Government's consultation paper, *Towards a Development Strategy for Rural Scotland*, pointing out that greater account needed to be taken of the opportunities that would be provided in the years ahead by the expanding Scottish forestry industry.

English Forestry Strategy And Forestry Forum

These initiatives, which flowed from the Woodland Creation consultation, are described on page 18 of this Report.




This process will be taken further in the context of devolution, with the preparation of separate corporate plans and annual reports covering all Forestry Commission activities in England, Scotland and Wales.


We would also expect to make some adjustments to the structure of the Forestry Commission itself to ensure that we are able to deliver effectively and efficiently, devolved policies in each country, whilst continuing to bring to bear the expertise and economies of scale that are the benefits of retaining a GB-wide organisation.


Financial Performance

The Commission and its agencies are financed by the Grant-in-Aid voted by Parliament, European Union reimbursements of eligible expenditure, and the cash surplus achieved by the Forest Enterprise Agency in its management of the Commission's estate.

Key aspects of financial performance compared to 1996-97 were:

-  the Grant-in-Aid requirement of £49.3 million was £0.8 million more than in 1996-97;
-  EU reimbursements increased by £0.6 million;
-  Forest Enterprise Agency's cash surplus fell by £1.2 million to £25.9 million. Its timber income fell by £4.7 million, other operating income by £3.0 million, and income from the sale of properties increased by £1.4 million. Including the payment of superannuation contributions, its total contribution to Commission funds fell by £0.9 million;

 Forest Research achieved a cash surplus of £0.7 million in its first year as an agency and, including superannuation contributions, contributed a total of £1.5 million to Commission funds;

 in applying the funds received, private woodland grants increased by £2.8 million, pension payments, (net of staff contributions) were reduced by £2.4 million, and other departmental net payments increased by £3.2 million.

All Forestry Commission payments and receipts, including those of the Forest Enterprise and Forest Research agencies and the Grant-in-Aid, are recorded in the Forestry Fund, for which accounts are prepared and presented to Parliament. The Forest Enterprise and Forest Research accounts are published separately in each agency's Annual Report and Accounts. The Forestry Commission's Financial Statements and Accounts are on pages 47 to 59 of this Report.

Commission Staffing

The Commission employed 1,612 non-industrial staff at 31 March 1998, compared with 1,621.5 at 31 March 1997. This reduction has been achieved through restructuring in Forest Enterprise and continuing efficiency measures elsewhere. A further reduction is projected for 1998-99. The number of industrial staff employed during the same period fell from 1,747 to 1,659.

(i) Senior Staff Changes

David Grundy retired as Commissioner Administration and Finance and Robin Grove-White stood down after his second term as a non-executive Commissioner. John James, former Chief Executive of the Woodland Trust, has been appointed as a new non-executive Commissioner and John Edmonds and Harry Fetherstonhaugh have been re-appointed for a second three-year term. Dr Bob McIntosh, Chief Executive of Forest Enterprise, has been appointed as an executive Commissioner.

David Grundy's responsibilities as Principal Establishment Officer and Principal Finance Officer were taken over by Jim Anderson, Director Personnel, and Eddie Arthurs, Director Finance and Corporate Planning.

In Forest Enterprise, Geoff Hatfield has been appointed Director England and will take up post in the summer of 1998. Regional Director posts in North and South Scotland and in Wales were filled by Hugh Insley, Paul Hill-Tout and Bob Farmer respectively.

Frank Strang was appointed Secretary to the Commissioners in June 1997.

(ii) Recruitment

Permanent appointments to the Forestry Commission are made on the basis of fair and open competition with selection on merit. Our procedures are in accordance with the

guidance laid down by the Civil Service Commissioners and are subject to internal checks. During the year a total of 62 non-industrial and 43 industrial staff were recruited to the Forestry Commission across a wide range of grades. Information on the recruitment exercises conducted is provided in Table 4.

(iii) Pay and Grading Review

Following the review of our pay, grading and performance management systems, we have developed a new performance management system, to be introduced on 1 April 1998. The new system will improve the format of Forward Job Plans, introduce a Personal Development Plan for non-industrial staff, and improve the system of in-year progress reviews. All the staff who will be covered by the new system had been trained by the end of the year.

Work continued on developing our pay and grading systems. We evaluated a sample of more than 200 jobs, providing the basic information on which to base a new grading structure. Consultations on these proposals are continuing.

(iv) Investors in People (IIP)

We remained on course for IIP accreditation. Work continued on implementing the Action Plan to improve our training and development practices. As well as preparing to introduce the new performance management system, a personnel strategy and a related training and development policy were prepared, and work began on improving our induction systems.


(v) Equal Opportunities


The Forestry Commission continued to maintain the diversity of its workforce through non-discriminatory practices and procedures. Senior managers participated in a special workshop designed to raise awareness of equal opportunity issues and to highlight the value of a diverse and well-managed workforce. Raising awareness for all staff continued to be a key aspect in the Forestry Commission's overall strategy on Equal Opportunities.









Much effort was devoted during the year to the development of a new policy to prevent harassment and bullying.

Awards

The work of the Commission and its people was once again recognised by a number of awards during the year:

 David Grundy, former Commissioner, and David Foot, Head of the Forestry Authority and a Commissioner, were both made Companions of the Order of the Bath (CB);

 Former Chief Research Officers Professor Julian Evans and Dr. Alan Fletcher, and former Regional Advisory Committee Chairman Tony Waterson, were awarded the OBE;

-  Robin Khan, Chief Conservation Ranger in Peninsula Forest District, Billy Steele, Foreman in Kielder Forest District, Douglas Morrison, Forwarder Operator in Huntly Forest District, Ronald Shapland, Chairman of the Forestry and Arboriculture Safety and Training Council's Qualifications and Standards Committee, and Meirion Davies, former Conservator for Mid Wales, were all awarded the MBE;
-  Glenmore Visitor Centre in Inverness Forest District was given the Annual Award from the Association for the Protection of Rural Scotland and Glenmore Forest Park was shortlisted in the Scottish Tourist Board's Scottish Thistle Awards;
-  the Newcastleton Forest Design Plan and Dalbeattie Town Wood won first and third prizes respectively in the John Kennedy Trophy, part of the Scottish Woods and Forests Awards presented by the Royal Highland and Agricultural Society of Scotland;
-  the Forest Design Plan for Strathmashie Forest, drawn up in conjunction with the community of Laggan, was commended by the Association for the Protection of Rural Scotland;
-  North Yorks Moors Forest District received two awards, the Longhurst Trophy from the Royal Agricultural Society of England for the Ellenburn Plantation in Dalby Forest, and a highly commended Conservation Award from the North Yorks Moors Association for the Dalby Forest Design Plan;
-  in Sherwood and Lincolnshire Forest District, Lincolnshire limewoods were designated as the Bardney National Nature Reserve, the first such designation for a Forest Enterprise woodland;
-  East Anglia Forest District received the Duke of Cornwall's silver medal for Broakes Wood; and
-  Kielder Forest District received a Special Site of Scientific Interest award from English Nature for its management of the Borders Mires.

Staff Unification

We reviewed the implications of merging non-industrial and industrial staff into one group and considered the costs and benefits that would arise. The unification of conditions of service for all Forestry Commission staff represents a fundamental change for the industrial labour force and all staff were encouraged to feed ideas and concerns into a working group. The process of moving towards a single-status workforce was begun by bringing the annual leave of industrial staff into line with that for non-industrials, and introducing personal development plans for all rangers. An action plan to take the merger forward has been agreed.

Accidents at Work and Occupational Health

(i) Health and Safety at Work

The Commission has a policy to ensure that all reasonable steps are taken to provide for the safety and health of its employees. Unlike in factory and office situations, people working in land-based industries are exposed to a changing and often uncertain environment - forests with steep slopes, changing weather conditions, harvesting sites with brash and very uneven terrain, and the use of heavy mobile machinery. Over the years the Commission has taken a lead in developing forestry practices which reduce the risks to which workers are exposed. The Commission's Technical Development Branch has been at the forefront of the development of such techniques and, through the Forestry and Arboriculture Safety and Training Council (FASTCo), the development and adoption of industry-wide safety guides. We are working with the Health and Safety Executive to respond to the health and safety implications of the Commission's increased use of contractors, requiring contractors to comply with the Health & Safety at Work Act and associated Regulations and to accept the FASTCo Safety Guides as the minimum safety standards. The management of health and safety is seen as an integral part of management and is included in management training courses.

(ii) Accidents at Work

The incidence of reportable accidents (those causing incapacity of more than three days) for the Commission as a whole fell to 2.8 per 100 employees. This compares with figures of 4.5 (1996-97), 3.6 (1995-96), 3.8 (1994-95) and 4.7 (1993-94).

Agencies

The structure of the Forestry Commission is set out at Appendix 1. The Commission has two executive agencies, Forest Enterprise and Forest Research, which work to targets set by Commissioners and Ministers.

(i) Forest Enterprise

1997-98 was Forest Enterprise's (FE) second year as an Executive Agency. A full report of its activities is published in its 1997-98 Annual Report and Accounts.

The FE achieved all but one of its thirteen performance targets during the year, in spite of the difficult trading conditions. It harvested 4.7 million m³ of wood (target 4.5 million), with a cash surplus of £26.0 million (target £24.7 million). Over 60 per cent of the estate is now covered by Forest Design Plans, with 100 per cent compliance this year.

A number of Forest District organisational changes took place in England and Wales during the year. Kielder amalgamated with Rothbury to form the new Kielder Forest District; Weald joined Downs and Chilterns to become South East England Forest District; Dorset and New Forest amalgamated as the New Forest District; and Marches and

Midlands became West Midlands Forest District. In Wales, South East Wales joined Morgannwg to form Coed y Cymoedd Forest District; Dolgellau absorbed the northern part of Newtown Forest District to create the new Dolgellau Forest District; and Ceredigion and the southern part of Newtown became Canolbarth Forest District.

The FE's Mechanical Engineering Services (MES) continued to provide a successful service as a self-financing trading account during a difficult forestry year, thereby assisting the efficient consolidation of Forest Enterprise unit costs. The important role played by MES in the wider forestry industry, acknowledged by the major machine suppliers, was instrumental in the establishment of a commercial unit within MES. The scope for future indirect partnerships is widening through opportunities for training apprentices, college placements and an increased use of private finance to contract lease/hire light vehicles.

During 1997-98 we looked at ways to achieve significant savings in the costs of forest roading without reducing safety standards or effectiveness. A decision was taken to set up a civil engineering service unit to provide an enhanced service at competitive cost. This service unit, to be known as Forestry Civil Engineering, became operational on 1 April 1998.

(ii) Forest Research

The Research Division of the Forestry Commission became an agency on 1 April 1997. The purpose of the Agency is to provide research, development, surveys and related services to the forestry industry and provide authoritative advice in support of the development and implementation of the Government's forestry policy.

The Commission was the main customer of Forest Research during the year, purchasing £10.3 million of research and other services from the Agency in 1997-98. Forest Enterprise also buys services from the Agency, mainly for surveys, crop inventory, technical development and advice. Other customers include MAFF, DTI, DETR, the EU, commercial organisations, landowners, private individuals and charities.

The Agency's Corporate Plan was published at an Open Day held to commemorate 50 years of research at Alice Holt. The Corporate Plan gives targets for customer satisfaction, quality of science, unit costs reduction and full-cost recovery. The Agency achieved all four of its main targets. It publishes an Annual Report and Accounts, which gives more information on its activities and describes some of the main research programmes undertaken.

Forestry Research Co-ordination Committee (FRCC)

The FRCC met twice during the year under the chairmanship of David Foot. The committee noted a decline in real terms spending by the main funding bodies in 1997-98 compared to the previous year. This continues the downward trend seen over the past six years. However, the balance of expenditure across subjects (silviculture, environment, etc) has remained similar in recent years. The committee took note of changes in priorities for forestry research and in organisational structures and funding bodies, and it set out how, in the light of these changes, it intended to fulfil its role of co-ordinating forestry research.

Year 2000 (Y2K) Computer Compliance

A Programme Executive Board (PEB) has been formed to co-ordinate our efforts to ensure Y2K compliance.

Almost all of our critical business systems use commercial software packages, for which Y2K compliant versions have been identified and upgrade plans are in place. We will be Y2K compliant by March 1999. The remaining critical systems have been assessed and are considered to be Y2K compliant, although some still require to be tested. The testing will be completed by the end of the year.

For our corporate IT infrastructure (hardware, networks, etc), Y2K upgrades have also been identified with our hardware suppliers and will be implemented by March 1999.

The PEB have charged each local office manager with the responsibility for identifying and implementing a Y2K action plan, for implementation by March 1999. Local managers will be supported by a Y2K support team and advice co-ordinated by the PEB. A guidance note has been issued, advising on types of risk and suggested action plans, supplemented by alerts to new risks as required.

Forestry Training Services

The Forestry Training Services (FTS) business unit adopted a new strategy in response to the ongoing reduction in Forest Enterprise staff and consequent changes in demand for training, which has not been matched by increasing demand from the private sector. Its head office has been moved from Edinburgh to Ae, where the machine operator training facility is located. This move forms part of a plan to improve efficiency and future ability to satisfy the needs of Forest Enterprise and the private sector. Increased use has been made of contract services for human resource and basic computer training. The benefits of these changes have been immediately apparent in the ability of FTS trainers to respond to the Commission-wide requirement for training in the new Performance Management System (PMS). They will stand the unit in good stead to respond to the increased emphasis on training under PMS.





FTS is also responding to the need for new types of training and systems of delivery particularly suited to the customer. Nine very successful one-day seminars on harvesting in the environment were held in different parts of the country, providing valuable updating for supervisors and operators close to where they work. The unit continues to provide a wide range of technical and management training in forestry, as well as highly valued monitoring of forestry students in further education during their industrial experience.

Forestry and Arboriculture and Training Council (FASTCo)

FASTCo, which represents all sectors of the forestry and arboriculture industry, continues to work with the industry to ensure it has access to the highest standards of occupational competence, health and safety. To this end the Council works with awarding bodies and other relevant partners to ensure adequate provision of high-quality training and

assessment. FASTCo publishes a considerable amount of material to promote and support the standards it has agreed in co-operation with the industry to ensure they are comprehensive and relevant.

Of particular importance during this year were:

-  the development of a machine operator certification scheme, underpinned by a new series of safety guides covering individual and integrated mechanised harvesting work;
-  the co-operation between Council members to produce occupational competence standards and awards, comprehensive of, and relevant to, all sections of arboriculture;
-  imminent endorsement of a Modern Apprenticeship Framework for Scotland that, when implemented, will give the industry and its employees access to significant funding for training;
-  participation by FASTCo representatives on GB and EU safety standard committees, ensuring the committees take proper account of the needs of end users. This is of particular importance for the fitness for purpose, durability and ergonomic aspects of expensive personal protective equipment.

Sir Peter Hutchison, Chairman
David Bills, Deputy Chairman and Director General
Bridget Bloom
Tom Bruce Jones
John Edmonds
Harry Fetherstonhaugh
David Foot
John James
Dr Bob McIntosh
Sir Michael Strang Steel

Frank Strang, Secretary
Forestry Commission
231 Corstorphine Road
Edinburgh
EH12 7AT

Forestry Commission

Financial Statement and Accounts



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Foreword

1. Status

The Forestry Commission is the Government department responsible for forestry throughout Great Britain. It 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 Commission's forests are managed by its executive agency, Forest Enterprise. The major part of its forest research programmes, as well as technical development and surveys work, are undertaken by its Forest Research executive agency.

The Forestry Commission's activities are financed through the Forestry Fund, which receives Grant-in-Aid drawn down from Class XIII, Vote 10. The Forest Enterprise and Forest Research Agencies' cash surpluses are paid into the Forestry Fund. The Forestry Commissioners present an annual Account to Parliament of the transactions of the Forestry Fund. The activities and transactions of Forest Enterprise and Forest Research are reported in their respective Annual Reports and Accounts, which are published separately.

The accounts of the Forestry Commission 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 aims of the Forestry Commission are, through its powers and duties set out in the Acts, to protect Britain's forests and woodlands and to encourage their management and expansion in a way that increases their value to society and the environment in accordance with Government policy.

It is responsible for providing support and advice to Ministers, policy development and European and international liaison.

It is also 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 and liaising with public bodies and non-government organisations concerned with forestry and the countryside and commissioning forestry research from the Forest Research Agency and other bodies. The Forestry Commission 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.

3. Review of Activities

Forest Research was set up as an executive agency of the Forestry Commission from 1 April

1997 to carry out the activities formerly undertaken by the Commission's Research Division. To provide a valid comparison, prior year figures have been restated, where appropriate, to exclude the activities now carried out by the agency.

Also from 1 April 1997, the Forestry Commission assumed direct ownership of the buildings assets it occupies, which were previously owned and managed on its behalf by the Forest Enterprise agency and recorded on the agency's balance sheet. Again, prior year figures have been restated accordingly.

After restating figures as described above, total net operating expenditure in 1997-98 increased by £4,594,000 compared to the previous year.

Grants to private woodland owners increased by £3,031,000 due to the take-up of the new challenge funds which target grant aid on new afforestation projects providing a high level of environmental and social benefits. This was offset to some extent by a resulting increase of £583,000 in EU co-financing receipts. Reduced sundry income, from recoveries of grants on failed private woodland planting, was partly offset by a corresponding reduction in repayments to the EU of the co-financing element.

Management and administrative costs increased, due largely to higher salary and superannuation costs following the filling of posts temporarily left vacant in the previous year following the VER exercise, higher computer operating costs related to the Commission-wide upgrading of systems and networks, and an increase in the provision for losses related to private woodland grant recovery claims.

After allowing for transactions not involving movements of cash, including a major proportion of the voluntary early retirement costs, the share of Grant-in-Aid attributable to departmental expenditure was £55,662,000, £3,238,000 greater than the previous year.

Future commitments and applications awaiting approval for planting and management grants at 31 March 1998 totalled £213 million, an increase of £5 million from the previous year's figure of £208 million.

4. 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.



D. J. Bills
Accounting Officer
23 November 1998

Statement of Income and Expenditure for the Year Ended 31 March 1998

	Notes	£000	Previous Year Restated £000
Income			
Planting grant co-financing from EU	2	9,066	8,483
Sundry income		<u>915</u>	<u>1,184</u>
		<u>9,981</u>	<u>9,667</u>
 Expenditure			
Grants to Private Woodland Owners	3		
Woodland Grant Scheme		34,252	31,633
Other schemes (now closed to new applications)		1,242	830
Repayments of EU co-financing	2	<u>289</u>	<u>350</u>
		<u>35,783</u>	<u>32,813</u>
 Management and Administrative Expenses			
Private Woodland Grant Schemes	4	5,507	6,334
Licensing, regulatory and plant health services		1,574	1,839
Information and advisory services		7,460	6,060
Forestry policy and departmental administration		<u>6,958</u>	<u>5,286</u>
		<u>21,499</u>	<u>19,519</u>
Research		<u>10,394</u>	<u>10,436</u>
Net Expenditure for year		<u>57,695</u>	<u>53,101</u>

The notes attached form part of these accounts.

Cash Flow Statement and Reconciliation to Grant-in-Aid for the Year Ended 31 March 1998

	Notes	£000	Previous Year £000
Net expenditure for the year per Income and Expenditure Account		57,695	53,101
Less items not involving cash in the year			
Depreciation and loss on sale of office machinery		(809)	(947)
Notional employer's superannuation contributions		(2,082)	(2,297)
Movements in net current assets		<u>(655)</u>	<u>1,354</u>
		(3,546)	(1,890)
Add Capital Expenditure		1,533	1,215
less income from sales		<u>(20)</u>	<u>(2)</u>
		(2,033)	(677)
		55,662	52,424
Forestry Commission Pension Scheme	10		
Pensions to retired staff		27,587	30,451
Contributions from staff		(1,043)	(1,535)
Employer's contribution from Forest Enterprise and Forest Research		<u>(6,357)</u>	<u>(5,739)</u>
		20,187	23,177
Forest Enterprise Net Cash Surplus	11	(25,872)	(27,084)
Forest Research Net Cash Surplus		(655)	
Total Forestry Commission Grant-in-Aid		<u>49,322</u>	<u>48,517</u>

Statement of Assets and Liabilities for the Year Ended 31 March 1998

	Notes	£000	Previous Year £000
Fixed Assets			
Tangible Fixed Assets	7	4,838	3,642
Current Assets			
Stocks		-	5
Debtors - due within one year		1,625	1,353
- due after more than one year		279	409
Cash in hand	12	<u>2,416</u>	<u>12,270</u>
		4,320	14,037
Less Current Liabilities:			
Creditors due within one year	12	3,561	12,624
Net Current Assets		<u>759</u>	<u>1,413</u>
Total Net Assets		<u>5,597</u>	<u>5,055</u>

The notes attached form part of these accounts.

David Bills

D. J. Bills

Accounting Officer

23 November 1998

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. They are audited by the Comptroller and Auditor General.

ii. Every three years buildings and office machinery and equipment are revalued by Forestry Commission staff. The latest revaluation was carried out at 31 March 1996. Between revaluations the asset values are updated annually using a general price index.

iii. Depreciation is provided on office machinery and equipment over its expected useful life of 2 to 20 years, freehold buildings over 20 to 80 years and leasehold buildings over the lease term.

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

v. Superannuation Contributions

Forestry Commission expenditure includes employers' contributions as determined by the Government Actuary. These have been set at 15 per cent for industrials and from 15 per cent to 22 per cent for non-industrials, depending upon grade.

These rates are also applied in assessing the Forest Enterprise and Forest Research Agency employer's contributions, the total value of which is treated as a cash transfer to the Forestry Commission Pension Scheme.

2. Planting Grant Co-financing from EU

Contributions are received from the European Agricultural Guidance and Guarantee Fund towards eligible grants for woodlands in the private sector under the Forestry Action Programme.

If grants are subsequently recovered because of failure to fulfil the conditions of the Woodland Grant Scheme, the amount of co-financing that was received is repaid to the EU.

3. Commitments to Pay Planting and Management Grants

Following approval of a management plan for planting proposals, the Forestry Commission undertakes to pay planting grants in three instalments. At 31 March 1998, the Forestry Commission was committed under signed plans to the payment of future instalments of planting and replanting grants amounting to £120 million (1997 £124 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 £29 million at 31 March 1998 (£30 million in 1997).

Applications for planting and replanting grants, awaiting approval at 31 March 1998, amounted to £64 million (1997 £54 million).

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

	£000	Previous Year £000
i. Total staff costs		
Salaries	10,529	10,027
Wages	50	205
Social Security costs	778	769
Employer's superannuation costs - Note ii.	<u>2,082</u>	<u>1,355</u>
	13,439	12,356
Travel and subsistence	2,162	1,836
Other expenses (including auditors' remuneration of £26,500)	8,789	7,645
Charges to Forest Enterprise and Forest Research - Note ii.	<u>(2,891)</u>	<u>(2,318)</u>
	<u>21,499</u>	<u>19,519</u>

ii. These charges cover the Forest Enterprise and Forest Research share of personnel, business systems, training and other support services at Forestry Commission Headquarters, less the cost of finance services and vehicles provided by Forest Enterprise to other departments of the Forestry Commission.

iii. The average number of employees during the year was as follows:

	Average Number	Previous Year Average Number
Industrial staff	3	3
Non-Industrial staff	<u>485</u>	<u>491</u>
	<u>488</u>	<u>494</u>

5. Forestry Commissioners' Remuneration

The remuneration of Forestry Commissioners, excluding the Forest Enterprise Chief Executive whose remuneration is in the Forest Enterprise accounts, is included in these accounts. The total remuneration of the Commissioners excluding pension contributions, including the FE Chief Executive comprises:

	£000	Previous Year £000
Chairman	39	38
Highest paid Commissioner	97	94
Other Commissioners	<u>187</u>	<u>174</u>
Total emoluments of Commissioners	323	306
Travel and subsistence of Commissioners	18	28

The Director General received total remuneration of £97,188 in 1997-98, including a bonus of £8,755. The Director General is on a fixed-term contract which expires December 1999, with the option to renew for another four years. He is an ordinary member of the Forestry Commission Pension Scheme.

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	1	1
£65,001 to £70,000	1	1

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

6. Senior Staff Numbers and Remuneration

The number of senior staff whose remuneration exceeded £40,000 was:

	Number
£40,000 to £44,999	5
£45,000 to £49,999	1
£50,000 to £54,999	4

7. Tangible Fixed Assets

	Land and Buildings £000	Machinery, Plant and Equipment £000	Total £000
Valuation :			
At 1 April 1997	0	8,786	8,786
Additions	162	1,371	1,533
Disposals and transfers	1,705	(3,998)	(2,293)
Revaluation to current prices	43	152	195
	<hr/>	<hr/>	<hr/>
At 31 March 1998	1,910	6,311	8,221
Depreciation :			
At 1 April 1997	-	5,144	5,144
Provided during year	68	745	813
Disposals and transfers	63	(2,715)	(2,652)
Revaluation to current prices	-	78	78
	<hr/>	<hr/>	<hr/>
At 31 March 1998	131	3,252	3,383
Net Book Value :			
At 31 March 1998	1,779	3,059	4,838
At 31 March 1997	-	3,642	3,642

8. Operating Leases

Commitments on operating leases for the next year as follows:

	£000	Previous Year £000
Building leases expiring within :		
One year	10	-
Two to five years	57	-
More than five years	953	942
	<hr/>	<hr/>
	1020	942

9. Related Party Transactions

The Forestry Commission's executive agencies, Forest Enterprise and Forest Research, are regarded as related parties. During the year, the Forestry Commission has had a significant number of material transactions with Forest Enterprise and Forest Research.

In addition, the Forestry Commission has had various material transactions with other Government Departments and other central Government bodies. Most of these transactions have been with The Intervention Board and Paymaster General's Office.

In the year to 31 March 1998, Forest Enterprise and Forest Research entered into the following material transactions involving the following non-executive Commissioners of the Forestry Commission:

(i) Mr Tom Bruce Jones is a director of James Jones & Sons Ltd, which purchased approximately 236,000 cubic metres of timber at £4,509,000 from Forest Enterprise.

(ii) Sir Michael Strang Steel is non-executive chairman of Alba Trees plc, which purchased seed and plants at £28,400 from Forest Enterprise and sold seed and plants at £29,300 to Forest Enterprise and at £5,500 to Forest Research.

10. 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 were 3,209 active serving members at 31 March 1998. The number of current pensioners and the value of pensions paid in the year ended 31 March 1998, excluding lump sums and transfer values, were as follows:

	Number	£000
Officers	4,573	21,927
Dependants	<u>1,724</u>	<u>2,984</u>
	<u>6,297</u>	<u>24,911</u>

In addition there were 1,590 former staff with preserved pensions.

The capital value of the unfunded past service superannuation liabilities at 31 March 1996 amounted to £446.1 million and was made up as follows:

	£ million
Serving members and their dependants	159.6
Current beneficiaries and their dependants	262.9
Deferred beneficiaries and their dependants	<u>23.6</u>
Total future liabilities	446.1

These future liabilities are charged against the Forestry Fund and will be next revalued at 31 March 1999.

11. Forest Enterprise and Forest Research Agencies' Net Cash Surplus

The Forest Enterprise and Forest Research Agencies' cash surpluses are paid into the Forestry Fund and counted in the Forestry Commission Grant-in-Aid. The accounts of Forest Enterprise and Forest Research are published separately in their Annual Report and Accounts.





12. Cash and Creditors

The balance of cash in hand includes the excess working balance held in the Forestry Fund. It is surrenderable to the Consolidated Fund in the following year and has therefore also been included in creditors. The amount surrenderable as at 31 March 1998 was £3,103,000. The amount surrenderable at the end of the previous year was £5,278,000.

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 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 Forestry Commission'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;
-  prepare the financial statements on the going concern basis, unless it is inappropriate to assume that the Forestry Commission will continue in operation.

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 of the public finances and for the keeping of proper records, are set out in the Accounting Officers' Memorandum, issued by the Treasury and published in *Government Accounting* (The Stationery Office).

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

I certify that I have audited the financial statements on pages 48 to 58 under the Exchequer and Audit Departments Act 1921. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on page 53.

Respective Responsibilities of the Commission, Accounting Officer and Auditor

As described on page 58 the Commission and Accounting Officer are responsible for the preparation of the financial statements and for ensuring the regularity of financial transactions. It is my responsibility to form an independent opinion, based on my audit, on those statements and on the regularity of the financial transactions included in them, and to report my opinion to you.


Basis of Opinion


I conducted my audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Commission and Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Commission'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 error, or by fraud, or other irregularity and that, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I have 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 Forestry Commission at 31 March 1998 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 the Treasury; and

 in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

John Bourn
Comptroller and Auditor General
National Audit Office

22 Melville Street
Edinburgh EH3 7NS
14 December 1998

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

Forestry Commission Accounts 1997-98: Reconciliation of Bank Accounts

Introduction

1. The Forestry Commission is the government department responsible for forestry throughout Great Britain. It produces separate accounts for the Forestry Commission which implements the government's forestry policy; Forest Enterprise which manages the forest estate; and Forest Research Agency which carries out forestry related research.
2. The accounts of these bodies are produced from a shared accounting system maintained by the Forestry Commission. The bodies also use common bank accounts at both the Paymaster General's Office and commercial banks and the regular reconciliation of these accounts to the cash books and financial ledgers kept by the Commission is therefore essential to a regime of sound financial control. My report describes the difficulties experienced by the Commission in preparing its accounts resulting from a failure to reconcile regularly its bank statements to its cash books.

Reconciliation of Bank Accounts

3. During 1996-97 the reconciliation of cashbooks to bank statements, which should have been performed monthly, got behind schedule with the result that a lengthy exercise had to be conducted after the year end to produce acceptable accounts. The National Audit Office expressed their concern at the delays to the Commission during the audit of the 1996-97 accounts. Subsequent to the production of these accounts the Commission completed the reconciliation exercise resulting in a small net adjustment .
4. The Commission introduced a new accounting system from 1 April 1997 that among other things was intended to facilitate a simpler reconciliation process. At the same time they reorganised their arrangements for sales by centralising responsibility for invoicing and accounting to staff at their Edinburgh Headquarters. During the year it became clear that due to the design of the accounting system and the way in which transactions were being recorded, the Commission were unable to complete full bank reconciliations on a monthly basis as planned. As in 1996-97, the Commission had to undertake a special exercise at the year end to complete the reconciliation.
5. This exercise identified several reasons for the difficulties being encountered in the reconciliation process. The key issues were:
 - i. Problems associated with the integration of the Commission's sales ledger with the new accounting package;

- ii. Inadequate accounting arrangements for a significant business unit maintaining separate financial records;
- iii. Incorrect coding of transactions by staff at local offices;
- iv. Records of cash and credit card sales maintained in summary form only.

6. The exercise was not completed until November 1998. After allowing for some £6,300,000 of transactions, which could be agreed in summary but not individually reconciled, the exercise resulted in a net write off of expenditure of £8,991. The write off was charged to the Forest Enterprise account. The Commission's inability to produce a complete bank reconciliation for the year ended 31 March 1998 until November 1998 had the effect that the accounts of both Forest Enterprise and the Forest Research Agency could not be completed and laid in Parliament by the target date of mid July.

Conclusion

7. As a result of the special procedures undertaken by the Commission I am now satisfied with the accounting position as recorded in the various accounts. Accordingly I have not qualified my opinion on the accounts.

8. I have expressed my concerns to the Commission about this unacceptable breakdown in a fundamental aspect of internal financial control over a long period of time particularly during the introduction of a new accounting system. The Commission have assured me of the importance they place on this fundamental aspect of internal control and that plans are in place to reorganise their procedures to ensure that regular monthly reconciliations of their bank accounts will be undertaken in future.

John Bourn
Comptroller and Auditor General
National Audit Office

22 Melville Street
Edinburgh EH3 7NS
14 December 1998

Forestry Commission
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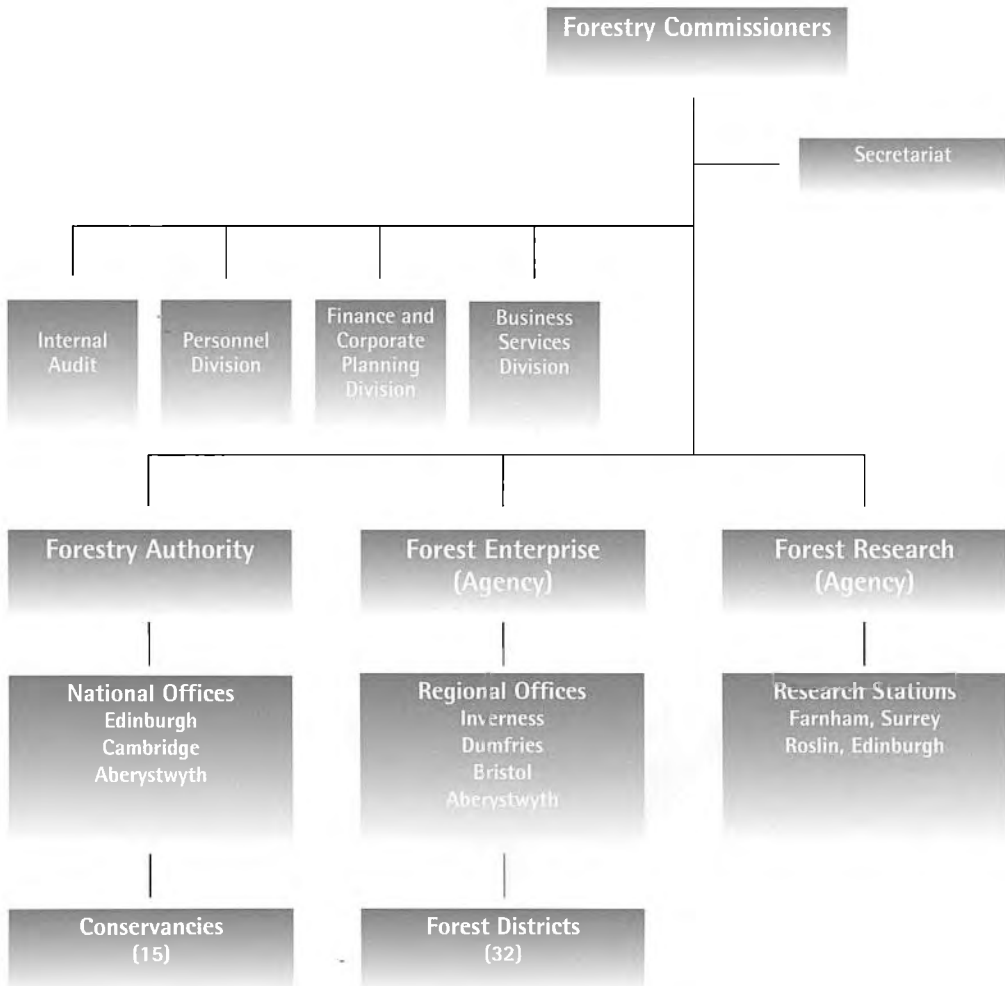
Appendix 1

The Role and Structure of The Forestry Commission

The Forestry Commission's Role:

As the Government's Department for forestry in Britain we have a statutory duty to promote the interests of forestry, balancing the needs of timber production with those of landscape and conservation. We are responsible for effective implementation of forestry policies and can only do this by working with others. We aim to be an effective, open and responsive organisation, committed to providing a first class service and striving to achieve continuous improvement. We have a structure designed to deliver the Government's policy.

The Forestry Commission's Structure:



The Secretariat provides advice and support to Ministers and the Forestry Commissioners, handles Parliamentary Questions, correspondence and Ministerial engagements, and is responsible for developing and monitoring forestry policy, for forestry statistics and economics, for international forestry issues, and for media and public relations.

The Forestry Authority encourages good forestry practice by setting standards, giving advice, providing information and offering grants for expanding, regenerating and managing forests and woodlands. It also regulates forestry in Britain and protects Britain's forests from pests and diseases.

Forest Enterprise was established as an Executive Agency of the Commission on 1 April 1996. It aims to deliver multiple-purpose benefits to the nation by the efficient and sustainable management of the public forest estate.

Forest Research was established as an Executive Agency of the Commission on 1 April 1997. It aims to deliver high-quality scientific research and surveys to inform the development of forestry policies and practices, and promote high standards of sustainable forest management.

The Administration and Finance Group provides core central services for the Commission as a whole, including finance, personnel, computing and internal audit.

Appendix 2 Forestry Commissioners and Senior Staff

Board of Commissioners

Sir Peter Hutchison Bt CBE	Chairman
David Bills	Deputy Chairman and Director General
Bridget Bloom OBE	
Tom Bruce Jones	
John Edmonds	
Harry Fetherstonhaugh	
David Foot CB	
John James OBE	
Dr Bob McIntosh	
Sir Michael Strang Steel Bt	

Frank Strang	Secretary
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Administration and Finance

Eddie Arthurs	Director, Finance and Corporate Planning
Jim Anderson	Director, Personnel
Alan Mitchell	Head of Business Services
Ken Milsom	Head of Internal Audit

Secretariat

Frank Strang	Secretary
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The Forestry Authority

David Foot CB	Head
Bob Selmes	Head of Forestry Practice
Roger Herbert	Head of Grants and Licences
Bill MacLachlan	Head of Corporate Services
Tim Rollinson	Chief Conservator, England
David Henderson-Howat	Chief Conservator, Scotland
Simon Hewitt	Chief Conservator, Wales

Forest Enterprise

Dr Bob McIntosh	Chief Executive
Keith Gliddon	Director, Corporate Services
Peter Ranken	Director, Estate Management
Alan Stevenson	Head of Environment and Communications
Iain Miller	Head of Forest Enterprise Personnel
Mike Lofthouse	Head of Forest Operations
Geoff Hatfield	Director, FE England
Dr Hugh Insley	Director, FE Scotland (North)
Paul Hill-Tout	Director, FE Scotland (South)
Dr Bob Farmer	Director, FE Wales

Research

Jim Dewar	Chief Executive
Dr Peter Freer-Smith	Chief Research Officer

Appendix 3

Statutory and Other Committees Appointed by the Forestry Commission

Membership at 31 March 1998

National Committees

England

Miss B.M. Bloom (Chairman), Mr T.A. Bruce Jones, Professor C. Swanwick, Mr J.W. Edmonds, Mr J.D. James, Mr C. Stratton, Mrs R. Thomas. Secretary to the Committee: Mr B.R. Sidaway. The Committee had no meetings during the year.

Scotland

Sir Michael Strang Steel (Chairman), Dr J. Balfour, Mr T.A. Bruce Jones, Mr J.W. Edmonds, Mr J.D. James, Professor H.G. Miller, Mr J. Wightman. Secretary to the Committee: Mrs A. Alexander. The Committee had no meetings during the year.

Wales

Mr H.G. Fetherstonhaugh (Chairman), Mr T.A. Bruce Jones, Mr J.W. Edmonds, Mr J.D. James, Mr S.E. Hewitt, Mr J.R. Lloyd Jones. Secretary to the Committee: Mr P.D. Finch. The Committee had no meetings during the year.

Regional Advisory Committees

England

North West England and Northumbria & Yorkshire Conservancies

Professor C. Swanwick (Chairman), Mr C.H. Bagot, Mr I. Brodie, Mr G.H. Hammersley, Mr A. Hampton, Mr J. McRobert Harris, Mr J. Macdonald, Mr D. Stewart, Mr D.J. Taylor, Mr J. Tubby, Mr D.A. Wood, Mr W. R. Worsley. Secretary to the Committee: Mr B.R. Sidaway. The Committee met in July 1997 and February 1998.

Midlands and East England Conservancies

Mr C.H. Stratton (Chairman), Mr D. Hooten, Mr M. Jones, Mr J.A. Kay, Dr K. Kirby, Mr J. Major, Mr C. Mason, Mr T.E. Ruggles-Brise, Mr A. Thompson, Mr J.J.I. Whitaker, Mr A.J.K. Wordie. Secretary to the Committee: Mr B.R. Sidaway. The Committee met in July and November 1997 and March 1998.

Severn, Wye & Avon, The West Country and South East England Conservancies

Mrs R. Thomas (Chairman), Mr N.D. Anderson, Dr N. Atkinson, Professor D.J. Cassidy, Mr P. Green, Mr M.R. Henderson, Mr J.B.J. Howell, Mr D. Jordan, Mr R. D. Stratton, Mr D.W.G. Taylor, Mr B.R. Trehearne, Mr T. Whitbread. Secretary to the Committee: Mr B.R. Sidaway. The Committee met in June and September 1997 and February 1998.

Scotland

Highland and Grampian Conservancies

Professor H.G. Miller (Chairman), Mr M.J. Chapman, Councillor B. Dunlop, Ms J. Harden,

Mr T. Inglis, Mr M.F.B. Leslie, Mr A. Maciver, Mr I. Morris, Mr P. Ramsay, Mr R.T. Sidgwick, Dr P.J. Tilbrook, Dr J. Williamson. Secretary to the Committee: Mrs A. Alexander. The Committee met in June and November 1997.

Strathclyde and Perth Conservancies

Dr J. Balfour (Chairman), Mr A. Barbour, Mr R. Beaney, Mr B. Brookes, Ms S. Chambers, Mr A.G. Christison, Councillor J. Coyle, Mr C. James, Dr A.J. Low, Mr J. McCarthy, Dr S. Petty, Mr J.D. Stormonth-Darling. Secretary to the Committee: Mrs A. Alexander. The Committee met in May and November 1997 and March 1998.

Southwest Scotland and Lothian & Borders Conservancies

Mr J. Wightman (Chairman), Mr G. Booth, Mr J. Dunbar, Mr J. Farries, Mr R.H. Gladstone, Dr P. Hopkins, Mr R.E.T. Kay, Councillor D.C. Kirkpatrick, Mr D.W. Minns, Mr C.J. Piper, Mr A.H. Smith, Mr D. Tervet. Secretary to the Committee: Mrs A. Alexander. The Committee met in May and August 1997.

Wales

North Wales and South Wales Conservancies

Mr J.R. Lloyd Jones (Chairman), Mr A. Bosanquet, Dr G.K. Elliott, Mr D.G. Evans, Professor J.E. Good, Mr E.K. Harris, Mr R. Lovegrove, Mr I. Monckton, Mr C. Musson, Colonel P.C. Ormrod, Mr R. Price, Mr G. Roberts. Secretary to the Committee: Mr P.D. Finch. The Committee met in May and September 1997 and January 1998.

Home Grown Timber Advisory Committee

Sir Mark Russell (Chairman), Mr N.D. Anderson, Mr R. Beaney, Mr A.F. Bloomfield, Mr P.C.P. Bourdillon, Dr J.D. Brazier, Mr R.A.C. Byatt, Mr A. W. Christie-Miller, Mr M. Crichton Maitland, Mr C. Davies, Mr M.F. Gale, Mr J.R. Fletcher, Mr P. Higginbotham, Mr J.H. Holt, Mr G.M. McRobbie, Mr P.S. Murray, Mr A. Phillips, Mr D. Russell, Mr R.J. Steele Addison, Mr R.M. Turner, Mr G. L. Venables, Mr R. G. Venables, Mr W.A. Willis, Mr P.H. Wilson, Mr L. Yull. Secretary to the Committee: Mr A.W.D. Dungavel. The Committee met in June, September and December 1997 and March 1998. The Annual Report of the Committee is at Appendix 4.

Environment Sub-Committee of the Home Grown Timber Advisory Committee

Mr R.A.C. Byatt (Chairman), Mr P.T.G. Beadle, Dr A.S. Gee, Mr J.H. Holt, Mr R. Leslie, Mr A. Mattingly, Mr M. Mathers, Professor H.G. Miller, Dr R. Sidaway, Mr R.M. Turner. Secretary to the Committee: Mr G. Patterson. The Sub-Committee met in May, July and November 1997 and February 1998.

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

Mr J.R. Fletcher (Chairman), Mr R.H. Adam, Mr P.T.G. Beadle, Mr H. Macleod, Mr A. Corson, Mr A. Smith, Mr G. Webb, Mr W.A. Willis. Secretary to the Committee: Mr R.E. Selmes. The Sub-Committee met in May, August and November 1997 and February 1998.

Technical Sub-Committee of the Home Grown Timber Advisory Committee

Dr J.D. Brazier (Chairman), Mr R.H. Adam, Mr D. Balfour, Professor W.B. Banks, Mr W.S. Brack, Dr A.F. Bravery, Mr A. East, Mr R.M. Fitter, Mr J.A. Kissock, Mr M. Lofthouse, Dr D.C. Wood. Secretary to the Committee: Mr R.E. Selmes. The Sub-Committee met in May and October 1997 and January and March 1998.

Advisory Committee on Forest Research

Professor H.G. Miller (Chairman), Professor J.P. Blakeman, Professor R.M. Cormack, Dr A.R. Griffin, Professor B.R. Kerry, Dr P.S. Savill, Professor M.B. Usher. Secretary to the Committee: Dr P.H. Freer-Smith. The Committee met in May and November 1997.

Forestry Research Co-ordination Committee

Mr D.L. Foot (Chairman), Dr J.H. Baker, Dr M.G.R. Cannell, Dr P.A. Costigan, Mr J. Dewar, Dr A.S. Gee, Mr J. Hudson, Dr K. Kirby, Dr P. Maplestone, Dr P. Maryan, Dr C. McMurray, Professor H.G. Miller, Dr A.J. Rushworth, Dr P.J. Saunders, Mr J. Stambollouian, Mr R.E. Selmes, Dr S. Webster. Secretary to the Committee: Dr P.H. Freer-Smith. The Committee met in September 1997 and March 1998.

Forestry and Arboriculture Safety and Training Council

Mr J.G. Machin (Chairman), Mr W. Anderson, Mr G. Bonner, Mr J. Brown, Mr P. Bullimore, Mr J. Dewar, Mr R.J. Evans, Mr M. Henderson, Mr P.R. Higginbotham, Mr T. Howard, Mr B. Hudson, Mr J. Kenyon, Mr G.B. Little, Mr W. MacLachlan, Mr I. Millward, Dr A. Petty, Mr T. Preston, Dr J. Price, Ms E. Ramsay, Mr E. Rowlands, Mr F. Scott, Mr R.E. Shapland, Ms C. Turton, Mr M. Waddams, Mr R. Watson. Secretary to the Council: Mr T.E. Radford. The Council met in May and October 1997.



Appendix 4 Home Grown Timber Advisory Committee

Annual Report Year Ended 31 March 1998

The Committee met on four occasions during the year, in June, September and December 1997 and March 1998. The new three-year term of the Committee, from 1 August 1997, saw the appointment of seven new members out of a total membership of 25. At their June meeting, members expressed deep regret at the death of Mr David Stanbury. The Committee welcomed Dr Bob McIntosh following his appointment as the Chief Executive of Forest Enterprise, and Mr Frank Strang, who had been appointed Secretary to the Forestry Commissioners.

The Committee was pleased at the success in the Honours Lists of those involved in the forestry sector. In the Queen's Birthday List, Paul Marsh and Mike Oxnard had received OBEs and Joseph Potts had received the MBE. In the New Year List, Tony Waterson had received the OBE and Ronald Shapland the MBE.

The Committee welcomed the announcement that post-devolution the Commission would remain a GB body. Members were kept informed of how the Commission intended to structure itself in order that it could continue to operate efficiently while serving devolved administrations. The Committee agreed that, although under devolution the GB format of the HGTAC was likely to remain, there would be an on-going need to keep the work of the Committee relevant to the unfolding position on devolution.

In June, the Committee considered the three papers presented by the Sub-Committees on the Forestry Framework Issues Paper. The Committee asked that the Commission take on the task of redrafting the Framework in the light of the Sub-Committees' comments. In December, the Committee considered the redraft. Although it emphasised the common issues facing forestry across Great Britain, the Committee considered it could be an important building block for forestry strategies built on the political reality of devolution. Committee members were invited to submit written comments with a view to the Committee seeing the final text at its March 1998 meeting. At the March meeting, the paper was approved subject to a few minor editorial changes. Members agreed that the paper should be submitted formally to the Commission Chairman. The Committee's wish was that it should be forwarded to Forestry Ministers and used as a building block for the review of the Sustainable Forestry document.

At their June meeting, members expressed their concern at the threatened closure of the Inverness School of Forestry. The Committee agreed that the Chairman should write to the Chairman of the Forestry Commission expressing its support for the work carried out by the College and requesting that he brought members' concerns to the attention of the Minister.

In September, the Committee congratulated the Commission and the industry on the rapid response to the discovery of *Ips typographus*, the eight-toothed spruce bark beetle, in a pheromone trap at Shotton Paper Mill. Hand-bills describing the beetle and what to look for were distributed throughout the industry and a pheromone trapping programme instituted at

forest locations which had supplied the mill with pulpwood. No evidence of the beetle was found in the forests and a programme of further pheromone trapping was planned for 1998.

The Committee warmly welcomed the publication in January of the UK Forestry Standard.

The Committee continued to take an interest in developments on timber certification. The Committee welcomed the Commission's efforts to achieve a solution that would enable independent certification of UK forests to proceed on the basis of the UK Forestry Standard and would be acceptable to all stakeholders.

The Environment Sub-Committee held four business meetings and an annual field visit in the course of the year.

A major feature of the Sub-Committee's work was advising on proposed objectives and research priorities for the environmental and social components of sustainable forestry. Objectives were endorsed by the Sub-Committee for the various research themes on biodiversity, conservation, forest design and landscape, archaeology and cultural heritage, and enhancing the economic value of woodlands. Work was started to develop objectives and research proposals for social aspects of forestry. A task group was set up and was due to report in May 1998.

The Sub-Committee visited small woodlands in lowland farming landscapes in Norfolk for its field visit in May 1997. Among its conclusions was a recommendation that co-operative efforts at deer management in lowland regions needed to be given more emphasis if environmental and economic benefits were to be realised from woodlands. As a result the Sub-Committee prepared a paper that recommended strengthening current efforts towards a strategic approach to deer management, notably the work of the Deer Initiative in England and Wales and promotion of local deer management groups. This paper was endorsed by HGTAC in December.

The Sub-Committee also advised the Commission on a range of relevant topics, such as the UK Forestry Standard and the FA's plans for implementing and monitoring the standard, proposals for the future role of indicative forestry strategies, proposals for promoting the use of local-provenance material for native trees and shrubs, and the potential of the National Inventory of Woodlands and Trees to provide useful information on environmental aspects of forestry.

The Supply and Demand Sub-Committee reported regularly to the HGTAC on timber market trends and prospects, and decided to give wider circulation to the reports by using the Forestry Commission's Internet site. The Annual Market Report was presented to the HGTAC in March. The Annual Statistical Report and Outlook, and a Statistical Survey of the Sawmilling Industry were presented to the main committee in September. Both of these reports were published and also made publicly available on the Forestry Commission Internet site.

The Sub-Committee provided guidance and expert comment on the major Market Development Study it had recommended the previous year. The Study was commissioned by the Forestry Commission and others in December 1997 and a steering group of experts was

appointed. The contract was awarded to Jaakko Poyry Consulting (UK) Limited. The focus of the study would be the increasing supply of softwoods in GB and the opportunities for development of the wood processing industry that this will provide. The consultants were to present their report at the end of May 1998.

The Sub-Committee also considered and advised on the Forestry Commission's proposed research strategy on enhancing the economic value of timber and a related statistical study proposed by the Timber Research and Development Association.

The Technical Sub-Committee's work programme was dominated by the review of the strategic and technical aspects of research being sponsored by the Commission on silvicultural systems, forest operations, timber utilisation, and forest ecosystem protection. This involved a series of presentations from researchers, visits to experimental sites, and critical evaluation of the proposed objectives and outcomes.

Particular attention was given to work on tree breeding and the silviculture of broadleaves, with recommendations being made on priorities in these areas. New proposals for work on crop and timber quality were particularly welcomed. The Sub-Committee emphasised the need to build on existing information to ensure that the highest priority is attached to achieving high timber quality in Sitka spruce in order to maximise its potential for penetration of the market for construction timber.

The Sub-Committee also advised the Commission on issues as diverse as the impact of legislation on forest operations and timber processing, the EU 5th Framework for research funding, small-roundwood use, and studies of the environmental profiles of timber building materials.

The Committee is indebted to the Sub-Committees for the high standard of their advice and would like to express its thanks for their continuing valuable support.

Sir Mark Russell, Chairman
A.W.D. Dungavel, Secretary

Appendix 5 English Forestry Forum

Announcement made by The Parliamentary Secretary, Ministry of Agriculture, Fisheries and Food on 26 February 1998

Elliott Morley MP, Parliamentary Secretary, Ministry of Agriculture, Fisheries and Food, made the following announcement in a Written Answer to a Parliamentary Question about a forestry strategy for England.

"Last year, I published an analysis of the responses to the discussion paper on *Woodland Creation: Needs and Opportunities in the English Countryside*. As I said then, we are committed to increasing the area of woodland in England, and many of the responses to the discussion paper agreed that a forestry strategy would help us implement this policy more effectively.

I have therefore asked the Forestry Commission, in liaison with other relevant Government Departments and Agencies, to prepare a forestry strategy for England. This will set out the Government's priorities and programmes for the creation and management of woods and forests in England. It will help set the context for further work by the Forestry Commission and other organisations aimed at realising the diverse benefits that well planned and managed woodlands can deliver.

I have asked the Forestry Commission to report to me by the end of July, and I expect to publish our priorities and programmes for forestry in the autumn.

I have also decided to set up an English Forestry Forum after the forestry strategy has been published. The Forum will advise on implementation of the strategy. I shall chair the Forum, which will meet twice a year and which will be run along similar lines to the Agri-Environment Forum which has been operating successfully for a number of years."



Table 1
Area of Planting by Private Woodland Owners for which
Grants were paid in the year ended 31 March 1998

	Hectares											
	England			Wales			Scotland			Great Britain		
	New Planting	Restocking	Total	New Planting	Restocking	Total	New Planting	Restocking	Total	New Planting	Restocking	Total
Woodland Grant Scheme												
Conifer	560	795	1,355	129	563	692	5,842	1,955	7,797	6,531	3,313	9,844
Broadleaved	3,563	1,181	4,744	356	232	588	5,462	780	6,242	9,381	2,193	11,574
Total	4,123	1,976	6,099	485	795	1,280	11,304	2,735	14,039	15,912	5,506	21,418
Old Grant Schemes (Now closed to new applications)												
Conifer	0	1	1	0	7	7	0	0	0	0	8	8
Broadleaved	0	7	7	0	2	2	0	2	2	0	11	11
Total	0	8	8	0	9	9	0	2	2	0	19	19
Total												
Conifer	560	796	1,356	129	570	699	5,842	1,955	7,797	6,531	3,321	9,852
Broadleaved	3,563	1,188	4,751	356	234	590	5,462	782	6,244	9,381	2,204	11,585
Total	4,123	1,984	6,107	485	804	1,289	11,304	2,737	14,041	15,912	5,525	21,437

- Notes:
1. 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.
 2. The areas of new planting and restocking include those areas where the second instalment of grant for natural regeneration has been paid.
 3. It is estimated that 315 hectares were planted in GB without grant aid.

Table 2

Area of Planting by Private Woodland Owners for which Grants were Paid in the 20-Year Period 1 April 1978 to 31 March 1998

Year Ended 31 March	Hectares											
	England			Wales			Scotland			Great Britain		
	New Planting	Restocking	Total	New Planting	Restocking	Total	New Planting	Restocking	Total	New Planting	Restocking	Total
1979	702	1,439	2,141	591	90	681	6,656	1,321	7,977	7,949	2,850	10,799
1980	814	1,731	2,545	556	112	668	6,932	1,022	7,954	8,302	2,865	11,167
1981	905	1,930	2,835	561	142	703	6,934	927	7,861	8,400	2,999	11,399
1982	795	1,888	2,683	1,004	223	1,227	10,663	1,339	12,002	12,462	3,450	15,912
1983	1,514	1,994	3,508	911	156	1,067	10,086	968	11,054	12,511	3,118	15,629
1984	1,480	1,935	3,415	1,064	113	1,177	14,129	1,019	15,148	16,673	3,067	19,740
1985	976	1,767	2,743	918	122	1,040	14,135	1,177	15,312	16,029	3,066	19,095
1986	984	2,346	3,330	743	434	1,177	17,292	1,559	18,851	19,019	4,339	23,358
1987	1,219	2,644	3,863	708	280	988	17,220	1,547	18,767	19,147	4,471	23,618
1988	1,679	2,718	4,397	945	476	1,421	21,197	1,660	22,857	23,821	4,854	28,675
1989	1,752	2,330	4,082	923	256	1,179	22,433	2,248	24,681	25,108	4,834	29,942
1990	3,366	3,871	7,237	552	270	822	11,488	1,984	13,472	15,406	6,125	21,531
1991	4,363	3,970	8,333	510	296	806	10,563	2,840	13,403	15,436	7,106	22,542
1992	3,966	4,042	8,008	356	579	935	9,825	3,210	13,035	14,147	7,831	21,978
1993	5,052	3,811	8,863	429	654	1,083	9,814	3,609	13,423	15,295	8,074	23,369
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
1996	4,338	1,972	6,310	442	620	1,062	10,195	3,169	13,364	14,975	5,761	20,736
1997	4,348	2,027	6,375	411	814	1,225	11,212	3,692	14,904	15,971	6,533	22,504
1998	4,123	1,984	6,107	485	804	1,289	11,304	2,737	14,041	15,912	5,525	21,437

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

Table 3
Area Approved for Management Grant
under the Woodland Grant Scheme

	England	Wales	Scotland	Great Britain	Hectare
1992-93					
Conifer	11,096	1,222	10,985	23,303	
Broadleaved	36,578	1,834	2,549	40,961	
Total	47,674	3,056	13,534	64,264	
1993-94					
Conifer	18,246	3,911	41,983	64,140	
Broadleaved	39,302	1,879	5,762	46,943	
Total	57,548	5,790	47,745	111,083	
1994-95					
Conifer	7,620	1,750	31,293	40,663	
Broadleaved	21,749	1,037	8,088	30,874	
Total	29,369	2,787	39,381	71,537	
1995-96					
Conifer	4,478	1,164	9,136	14,778	
Broadleaved	15,545	1,353	4,322	21,220	
Total	20,023	2,517	13,458	35,998	
1996-97					
Conifer	3,257	458	5,103	8,818	
Broadleaved	12,679	1,295	4,946	18,920	
Total	15,936	1,753	10,049	27,738	
1997-98					
Conifer	5,900	885	5,808	12,593	
Broadleaved	18,474	1,189	3,890	23,553	
Total	24,374	2,074	9,698	36,146	

Table 4
Recruitment

	Number Appointed	Number of Women
Industrial		
Foreman	3	-
Ranger	18	4
Shop Assistant	8	6
Shop Manager	1	1
Forest Worker	4	1
Camp Warden	1	-
Tractor Driver	1	-
Plant Operator	1	-
Research Worker	6	3
Non-Industrial		
Commissioner	1	-
Forest Officer III	14	4
Senior Landscape Architect	1	1
Landscape Technician I	1	1
Assistant Economist	1	1
Information Officer	1	-
Higher Scientific Officer	1	1
Scientific Officer	1	1
Asst Scientific Officer	3	1
Executive Officer	2	-
Administrative Officer	18	15
Administrative Assistant	10	7
Graphics Officer	1	1
Higher Professional & Technical Officer	1	-
Professional & Technical Officer	3	-
Support Grade	2	1
Typist	2	2

Note: There were no ethnic minorities or disabled people recruited during the year. All of the recruitment exercises were conducted internally. The following permitted exceptions were used:

	Number Appointed	Number of Women
Reappointment of former Civil Servants (inc both re-employment and reinstatement)		
Executive Officer	1	1
Administrative Officer	2	2
Administrative Assistant	1	-
Typist	1	1
Forest Officer II	1	-
Extensions of appointments of less than 12 months up to 24 months		
Administrative Officer	6	4
(In five of these cases the extension has resulted from unanticipated delays in office closures. In 1 case the cause can be attributed to an unexpected delay in the permanent member of staff returning from sick leave.)		
Typist	1	1
(In this case the extension is the result of a deferred centralisation of the work.)		
Recurrent short-term appointments		
Ranger	1	1
Shop Assistant	5	5

Forestry Authority National and Conservancy Boundaries
as at 31 March 1998



**Forest Enterprise Regional and District Boundaries
as at 31 March 1998**



Addresses of the Main Offices of the Forestry Commission

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The Forestry Commission Annual Report and Accounts is one of a suite of publications highlighting the activities of the Commission during the year 1997-98.

The others are:

Forestry Commission Annual Report Highlights

Forestry Commission Facts and Figures

Forest Enterprise Annual Report and Accounts

Forest Research Annual Report and Accounts

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