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PUBLIC EXPENDITURE SURVEY 1989 - FORESTRY COMMISSION

In accordance with Part IV of the guidelines for the conduct of the 1989 Survey, I am writing to report the outcome of this year's consideration of the Forestry Commission programmes (including reallocation of existing resources to meet changing priorities) and to set out the case for the additional resources needed to maintain existing policies.

ANNEX A shows the existing (Cm 604) baseline, the underlying programmes and the reallocation of resources that we have made to accommodate changing priorities. After a thorough and searching scrutiny only those elements that could be funded from additional receipts have been approved. Other additional requirements that could not be met from within the existing baseline were eliminated.

ANNEX B (page 1) outlines the additional resources needed to support certain of our existing policies and programmes. The additional bids cover pension commitments; forest recreation; increased private woodland grants which arise in 1991-92 and 1992-93, and land acquisitions. These requirements cannot be met from the Commission's own resources.

The following brief comments on components of the additional bids will, I trust, put them in perspective:

i. Pensions

The Forestry Commission is virtually unique among departments in being made responsible by the provisions of the Forestry Act 1967 to pay the superannuation benefits of Commission staff out of the Forestry Fund.

Actuarial retirements and redundancies over 1988-89 have been and in 1989-90 will be, higher than anticipated and this has a cumulative knock on effect in future years. Provision has also been made for former staff with preserved pension rights to transfer these to new private pension schemes. A further increase is necessary to cover the difference between the Treasury updating factor and the actual pension awards together with higher levels of pensionable pay. The bid takes into account the award due from 1 April 1989 which has already been announced at 5.9%, and provision has

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also been made for awards in future years, based on the Treasury's latest economic assumptions, of 6.25% - 1990-91; 4% - 1991-92; and 2.5% - 1992-93. However, should the July update of these assumptions result in any significant changes then no doubt the effect of these could be picked up before the '89 PES round is finalised.

The average number of Forestry Commission pensioners in 1990-91 is now expected to be some 100 higher than the existing baseline, rising to 300 more by 1992-93. At 31 March 1989 the average number of pensioners was 5821 and is expected to increase to an average of 6475 by 31 March 1993. The additional bid is as follows:-

1990-91	1991-92	<u>£ million</u> <u>1992-93</u>
2.3	2.8	3.5

ii. Forest Recreation

The Forestry Commission has powers to provide recreational facilities in its forests and there is a high and increasing public demand for forest recreation.

In the mid 70s a survey indicated that there were some 25 million visits a year to Forestry Commission woodlands, whereas present estimates of visitor numbers are in excess of 50 million visits a year. A recent survey (Willis and Benson, 1989) indicated that the consumer surplus arising from forest recreation averaged £2 per visit a benefit of some £100 million per annum.

The main expansion of recreational facilities occurred during the early 1970s. In recent years many of these facilities have suffered from a lack of funds for maintenance and now fail to meet acceptable standards. Additional funding is necessary to cover the replacement and renovation of forest walks, picnic places, car parks, toilets and visitor centres.

The programme for the survey period is directed towards the maintenance and refurbishment of existing facilities in order to sustain the existing benefit to visitors. It concentrates on facilities in forests subject to high environmental and recreational pressure which are accessible to large numbers of people, and in particular on the Commission's forest parks. The additional bid is as follows:-

1990-91	1991-92	<u>£ million</u> <u>1992-93</u>
1.9	2.0	2.1

iii. Planting grants

a. Traditional Forestry. For new planting under the old schemes it is now anticipated that planting options will be exercised sooner rather than later in the transitional period to 1993. Interest in the new Woodland Grant Scheme (WGS) shows signs of building up and the current level of applications is encouraging. At this stage the forecast reflects the most optimistic programme that can be anticipated and allows for some reductions in both 1990-91 and 1991-92 and a build up with an additional requirement in 1992-93.

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b. Set Aside. Although the scheme is popular, farmers are in the main choosing the option by which land is left fallow for 5 years and applications for planting are low. The requirements have accordingly been reduced to nominal levels in the three years of this survey.

c. Farm Woodlands. During the first 6 months of the scheme 800 applications had been received to plant 5800 hectares. Applications received indicate a broadleaf/conifer ratio of 80/20 which compares with a baseline provision of 50/50. The initial three year target to 30 September 1991 remains in force, although the programmes have been rolled forward to maintain that target at 33,000 hectares. Thereafter provision is made for the scheme to continue at an annual rate of 11,000 hectares. This has an effect on the underlying baseline programmes over the first two years of the survey period. The financial provision has also been revised to take account of the extra cost arising from the greater proportion of broadleaves to be planted.

The additional cost of FC planting grants for farm woodlands in 1990-91 are offset by reduced requirements for traditional forestry and set aside. However, in 1991-92 and 1992-93 the increased requirement for farm woodlands is not fully covered by net savings from traditional forestry and set aside, resulting in additional bids for those years as follows:-

		£ million
1990-91	1991-92	1992-93
-	2.7	1.8

iv. Land Acquisitions

Proposals for new planting by the Commission are 4000 hectares per annum, some 1000 hectares below the level to which it is publicly committed. Baseline funds only provide for the purchase of some 2600 hectares per annum at some £512 to £538 per hectare. To sustain the planting programmes for future years at 4000 hectares per annum the additional requirements proposed are 500 hectares - 1990-91; 1000 hectares - 1991-92; 1400 hectares - 1992-93. The additional bid is as follows:-

		£ million
1990-91	1991-92	1992-93
0.3	0.5	0.8

Turning finally to the Commission's sales under its disposals programme. We have made a separate submission concerning the future programme of disposals. The relevant sums from the new programme will be inserted in the survey when they have been agreed between us.

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John MacGregor and Peter Walker, to whom I am copying this letter, agree with me that the additional bids set out in ANNEX B, and discussed above, are justified. We hope you will agree, therefore, that these additional resources may be allocated in the way we have proposed.

A copy of this letter is also being sent to the Prime Minister.



MALCOLM RIFKIND

## EXPENDITURE ON EXISTING POLICIES AND PROGRAMMES

	1989-90	1990-91	1991-92	1992-93
<u>Baseline figures Cm 604</u>	72.5	77.0	80.2	82.2
<u>Increased/reduced requirements</u>				
Non industrial salaries		1.1	1.2	1.2
Industrial Wages		0.7	0.7	0.2
Travelling and subsistence		0.2	0.2	0.2
Capital - Buildings, Plant and Office Equipment		(1.1)	(0.5)	(0.8)
Materials and Services		2.4	2.4	2.5
Value Added Tax Payments		0.9	1.0	0.8
		4.2	5.0	4.1
Offset by Additional Receipts		4.2	5.0	4.1

Main programmes excluding additional bids

The following programmes are covered by the existing baseline:-

		1990-91	1991-92	1992-93
Land acquisition	hectares	2600	2600	2600
Harvesting and marketing	Cubic metres (000)	3590	3650	3710
New Planting and restocking - Forestry Enterprise	hectares	13317	12920	13030
- Private sector	hectares	45770	45850	48400

Implications of the above programmes in terms of the targets set for new planting for Traditional Forestry and Farm Woodlands are as follows:-

	1990-91	1991-92	Hectares 1992-93
Traditional Forestry (1)			
Forestry Enterprise	4093	4000	4000
Private sector	<u>23920</u>	<u>26650</u>	<u>29000</u>
Set Aside	500	500	500
Farm Woodland Scheme (2)	<u>13000</u>	<u>11000</u>	<u>11000</u>
Total new planting	<u>41513</u>	<u>42150</u>	<u>44500</u>

- (1) For Traditional Forestry the overall target is 33,000 hectares per annum.
- (2) For the Farm Woodland Scheme the overall target is 33,000 hectares in the 3 years to September 1991 (this excludes planting in Northern Ireland of 3,000 hectares). The original target has been rephased resulting in an increase of 2,000 hectares in 1990-91 which is financed within the existing baseline. For 1991-92 there is a programme of 11,000 hectares within the existing baseline but the rephasing of the original target results in an additional bid in respect of a balance of 3,350 hectares. It is assumed that the scheme will continue at an annual level of 11,000 hectares from October 1991.

ADDITIONAL BIDS FOR EXISTING  
POLICIES/PROGRAMMES

	1990-91	1991-92	<u>f million</u> <u>1992-93</u>
<u>Additional Bids</u>			
i. Pensions	2.3	2.8	3.5
ii. Forest Recreation	1.9	2.0	2.1
iii. Planting grants			
a. Traditional Forestry	(2.7)	(1.1)	0.4
b. Set Aside	(1.1)	(1.1)	(1.1)
c. Farm Woodlands	3.8	4.9	2.5
	-	2.7	1.8
iv. Land Acquisitions	0.3	0.5	0.8
TOTAL BIDS	4.5	8.0	8.2

ADDITIONAL BIDS FOR EXISTING  
POLICIES/PROGRAMMES

	<u>1990-91</u>	<u>1991-92</u>	<u>1992-93</u>
<u>Output measures and performance indicators</u>			

## i. Pensions

## Average number of pensioners

Existing baseline	6045	6175	6175
Revised	6145	6310	6475
Increase	100	135	300

## ii. Forest Recreation

The scale of facilities which generate in excess of 50 million visits per year are set out below.

	Number
Picnic places	646
Forest walks and trails	709
Car parks	725
Visitor centres	19
Arboreta	21
Toilet facilities	122
Forest bridle tracks	85
Forest Drives	10



ADDITIONAL BIDS FOR EXISTING  
POLICIES/PROGRAMMES

		1990-91	1991-92	1992-93
<u>Output measures and performance indicators (Contd)</u>				
iii. Planting Grants				
a. Traditional Forestry				
- hectares	Existing baseline	31600	35100	35100
	Revised	29270	32350	34900
	Reduction	2330	2750	200
-	weighted average overall rate of planting grant per hectare (excludes management grants, 2nd instalments, etc)			
	Existing baseline	£416	£481	£493
	Revised	£383	£487	£568
	Increase (decrease)	£(33)	£6	£75
b. Set-Aside				
New Planting Traditional Forestry				
- hectares	Existing baseline	2000	2000	2000
	Revised	500	500	500
	Reductions	1500	1500	1500
-	average rate of grant per hectare			
	Existing baseline	£700	£700	£718
	Revised	£700	£700	£735
	Increase	N/C	N/C	£17
c. Farm Woodlands				
- hectares	Existing baseline	11000	11000	11000
	Revised	13000	14350	11000
	Increase	2000	3350	-
-	weighted average rate of grant per hectare			
	Existing baseline	£600	£600	£615
	Revised	£800	£800	£840
	Increase	£200	£200	£225
Note: The programme changes shown for 1990-91 lie within the existing baseline as shown in Annex B Page 1.				
iv. Land Acquisition				
- hectares		500	1000	1400
-	average price per hectare	£512	£525	£538