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SCOTTISH OFFICE
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The Rt Hon Norman Lamont MP
Chief Secretary to the Treasury
HM Treasury
Parliament Street
LONDON
SW1P 3AG

21 May 1990

Dear Norman,

PUBLIC EXPENDITURE SURVEY 1990 - FORESTRY COMMISSION

will request if required
I wrote to you on 9 May about the private woodland management grant proposals on which we need to make an announcement without delay. I am now writing - with the full agreement of other forestry members - about the outcome of this year's consideration of the Forestry Commission programmes (including the reallocation of existing resources to meet changing priorities) and to set out the case for some additional resources. I very much hope that this will enable us to come to quick decisions.

I attach a series of tables summarising the conclusions we have reached on the Commission's programmes.

Those at ANNEX A show the existing (Cm 1003) baseline, the underlying programmes and the reallocation of resources that we have made to accommodate changing priorities.

Those at ANNEX B outline (at page 1) the Forestry Commission's additional requirements to cover the proposed woodland management grants, Forestry Commission land acquisitions and the forestry initiatives proposed under MISC 145. These given rise to additional bids which can be met only partially from the Commission's own resources and the reimbursement of grants by the EC under the provisions of the Forestry Action Programme.

The following comments on the additional bids will help to put them in perspective:

1. Woodland Management Grants

This proposal, on which we have already been in correspondence, is the main recommendation from our broadleaves policy review. We are all agreed on the need for action and there is also a unanimity of view between foresters and environmentalists and the interested public. The additional requirement for the management grant costs is:

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	1991-92	1992-93	1993-94
£ million	<u>0.9</u>	<u>3.7</u>	<u>5.4</u>

ii. Land Acquisitions

We have stated that the Commission will continue to have a programme of new planting of 4,000-5,000 hectares per annum, as a contribution to the overall planting target. The reserve of land for planting is now only some 10,000 hectares, which is very close to the minimum necessary to sustain the programme, when allowance is made for its distribution across the country and the need for forward planning of plants, labour and machinery. Unless more land is acquired than is included in the baseline, the Commission's ability to mount an effective and economical planting programme would be seriously restricted during the Survey period. We have accordingly provided for an acquisition programme of 4,000 hectares in 1991-92, 4,5000 hectares in 1992-93, and 5,000 hectares in 1993-94 which compares with a baseline of 3,000 hectares in 1991-92 and 3,160 hectares in 1992-93. Our policy is for more planting to take place 'down the hill', and we have therefore set the provision for this additional land at a higher price per hectare than the land in the baseline.

	1991-92	1992-93	1993-94
hectares	1,000	1,340	1,840
£ per hectare	1,000	1,070	1,100
£ million	<u>1.0</u>	<u>1.4</u>	<u>2.0</u>

iii. Forestry Initiatives Under MISC 145

In your letter of 23 April you confirmed that our MISC 145 proposals would need to be included in this survey. Subject to agreement within Government on the scope and detail of these proposals, the following additional resources will be required over the survey period:

	1991-92	1992-93	1993-94
£ million	<u>-</u>	<u>3.5</u>	<u>5.1</u>

The Forestry Commission has secured the agreement of the EC to a proportionate reimbursement of its expenditure on private woodland grants. This will represent 25 per cent of the qualifying grants paid and will be of the order of:

	1991-92	1992-93	1993-94
£ million	<u>(1.5)</u>	<u>(3.0)</u>	<u>(3.3)</u>

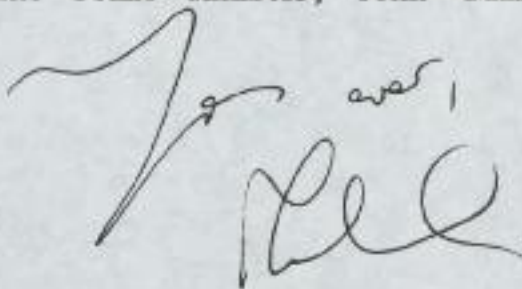
The Commission's disposals programme envisages the sale of some 100,000 hectares of forestry assets and other property by the end of the century with financial receipts totalling up to £150 million. These receipts are surrendered directly to the Consolidated Fund. The programme, which conforms with the baseline and the announcement I made in June 1989, is as follows:-

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	1991-92	1992-93	1993-94
hectares	10,800	10,500	11,400
£ million	<u>16</u>	<u>16</u>	<u>16</u>

John Gummer and David Hunt fully support the additional bids, which are essential to demonstrate that our forestry policies are delivering economic and environmental benefits. They will be *readily* appreciated by a very wide spectrum of opinion, and by the public at large, who expect us to act to safeguard valued woodland and encourage an expansion of multi-purpose forestry, aimed particularly at reducing the greenhouse effect. We hope you will agree, therefore, that these additional resources may be allocated in the way we have proposed. As you know from my letter of 9 May, we are most anxious to settle the management grant question as soon as we can and we hope that it will be possible to accelerate consideration of the Commission's programmes (other than the MISC 145 proposals) so that we can make an announcement before the Recess.

I am copying this letter to the Prime Minister, John Gummer and David Hunt.



MALCOLM RIFKIND

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EXPENDITURE ON EXISTING POLICIES AND PROGRAMMES

	<u>1991-92</u>	<u>1992-93</u>	<u>1993-94</u>
<u>BASELINE Cm 1003</u>	83.4	87.7	89.9
Proposals to reallocate baseline provision to accommodate changing priorities			
Proposed increases			
Non industrial salaries	3.0	4.1	4.7
Pensions	0.7	1.2	2.3
Capital	0.7	1.2	1.3
Materials and services	5.8	6.9	7.6
VAT	<u>0.4</u>	<u>0.9</u>	<u>1.0</u>
	10.6	14.3	16.9
Offsetting savings			
Industrial wages	(1.9)	(1.4)	(1.6)
Travel and subsistence	(0.1)	(0.1)	(0.1)
Private woodland grants	(1.1)	(1.9)	(3.4)
Harvesting and marketing receipts	(6.1)	(9.5)	(11.1)
Other receipts	<u>(1.9)</u>	<u>(2.3)</u>	<u>(2.4)</u>
	<u>(11.1)</u>	<u>(15.2)</u>	<u>(18.6)</u>
Net offsetting savings from within baseline	(0.5)	(0.9)	(1.7)

MAIN PROGRAMMES EXCLUDING ADDITIONAL BIDS

The following programmes are covered by the existing baseline:-

		<u>1991-92</u>	<u>1992-93</u>	<u>1993-94</u>
Land acquisition	hectares	3000	3160	3160
Harvesting and marketing	Cubic metres (000)	3674	3688	3725

		<u>1991-92</u>	<u>1992-93</u>	<u>1993-94</u>
New planting	Forestry Enterprise	4000	4000	5000
	Private sector	<u>29500</u>	<u>31200</u>	<u>33100</u>
	Total	<u>33500</u>	<u>35200</u>	<u>38100</u>
Restocking	Forestry Enterprise	8500	8500	8500
	Private sector	<u>8600</u>	<u>9150</u>	<u>7200</u>
	Total	<u>17100</u>	<u>17650</u>	<u>15700</u>

Programmes for new planting (target 33000 hectares) for traditional forestry are as follows:-

		<u>1991-92</u>	<u>1992-93</u>	<u>1993-94</u>
Forestry Enterprise		4000	4000	5000
Private sector		<u>24000</u>	<u>26000</u>	<u>28000</u>
	Total	<u>28000</u>	<u>30000</u>	<u>33000</u>

Programmes set for new planting under Set Aside and the Farm Woodland Scheme are as follows:-

		<u>1991-92</u>	<u>1992-93</u>	<u>1993-94</u>
Set Aside		100	100	100
Farm Woodland Scheme		<u>5400</u>	<u>5100</u>	<u>5000</u>
	Total	<u>5500</u>	<u>5200</u>	<u>5100</u>

ADDITIONAL BIDS

	£ million		
	<u>1991-92</u>	<u>1992-93</u>	<u>1993-94</u>
BASELINE Cm 1003	83.4	87.7	89.9
<u>Proposed additions</u>			
Central Government			
i. Woodland management grants	0.9	3.7	5.4
ii. Land acquisitions	1.0	1.4	2.0
iii. Forestry initiatives under MISC 145	-	3.5	5.1
TOTAL ADDITIONS	1.9	8.6	12.5
<u>Proposed reductions</u>			
Central Government			
Offsetting savings from baseline	(0.5)	(0.9)	(1.7)
Recovery of private woodland grants from the EC	(1.5)	(3.0)	(3.3)
TOTAL REDUCTIONS	(2.0)	(3.9)	(5.0)
TOTAL NET CHANGE PROPOSED	(0.1)	4.7	7.5

ADDITIONAL BIDS
OUTPUT MEASURES AND PERFORMANCE INDICATORS

	1991-92	1992-93	1993-94
i. Management grants			
- hectares Conifers	-	50000	85000
Broadleaves	-	25000	35000
Mixed	-	40000	70000
- Unit costs			
Conifers	-	£10	£10
Broadleaves	-	£25	£25
Mixed	-	£35	£35
ii. Land acquisitions			
- hectares	1000	1340	1840
- average price per hectare	£1000	£1070	£1100
iii. Forestry initiatives under MISC 145			
Additional new planting grants			
- hectares	-	1000	2000
- Unit cost	-	£631	£631
Better land grant supplement			
- hectares	-	4000	4000
- Unit cost	-	£400	£400
Urban and community woodlands grant supplements			
- hectares	-	1000	1500
- Unit cost	-	£500	£500
New Midlands forest			
- hectares	-	-	100
- Unit cost (land purchase)	-	-	£3400
- Unit cost (establishment and recreation)	-	-	£1200
Central Scotland Woodland Initiative			
- hectares	-	100	200
- Unit cost (land purchase)	-	£1000	£1000
- Unit cost (establishment and recreation)	-	£1400	£1450