

22nd July 2015

FOREST HOLIDAYS REPORT

(Camping in the Forest is not included in the report on this occasion)

Purpose

1. To provide the Board with a short report on operational developments with Forest Holidays (FH).
2. To ensure a balanced picture of the FC/FEE relationship with FH is available on a regular basis.

Background

3. FEE is the principal point of contact for FH when dealing with new proposals or business arising for existing developments and we also provide a point of contact if required in FC for Natural Resource Wales and FC Scotland.
4. FC has a relationship with FH as 'Shareholder', 'Landowner' and 'Development Partner' for new sites and as an Operational Partner on the ground in the forests.
5. This report is principally about the last three of those relationships.

Discussion

Working with FH

6. Early in 2015 it was apparent that additional FEE resource, especially in the Estates functional area, was required to manage the rapidly growing Forest Holidays site development programme. FEE has formally allocated a Land Agent to support and deliver the Forest Holidays Programme. They are expected to work closely with District and National teams and Forest Holidays Development Teams with their costs being fully recovered from FH.

Site Selection

7. Initial work has been to review the approach to site selection alongside the formal procedure set out in the 2012 Framework Agreement. This is currently expected to be expressed in a stand-alone document that will demonstrate and account for the site selection process within FEE in regard to bringing new sites forward.

8. Forest Holidays site selection fully incorporates a sequential exercise based on their demographic research and this ensures that only those sites that pass through a range of filters are considered further, it will also include a revised process to accommodate the new models for Forest Holidays sites and alternative acquisition models.

Development Process with FH

9. The “Estates Management Notes (EMGN4)” Non-Forestry Development Internal Approval guidance is currently being adapted to provide for a specific EMGN Form for Forest Holidays and CITF Developments. This is to fully take account of the fact that recreational development are fully within the legal powers of the Forestry Commissioners under the 1968 Countryside Act. This work will help proposed Forest Holidays and similar scale recreational developments to pass through an approval process that is open and accountable and recorded within the FE Forester system.
10. The new approach to site selection and the revised approval process will be submitted to the ENC on 16th September 2015. In addition to process improvements, our designated Land Agent is working to support Forest District and the national team.
11. Forest Districts visits to share with them the new site selection and support the process are ongoing, and will be concluded by mid-August. These visits assist with the explanation and introduction of the new site selection procedure and understanding at the Districts on the nature, scope and extent of FH development programme.
12. FEE is currently supporting Forest Holidays Planning teams to progress proposals, which are already in the public domain:

Delamere, Cheshire (Recently turned down by High Court on Green Belt policy grounds but now going to Court of Appeal)

Houghton. Sussex (In preparation)

Fineshade. Northants (Under review)

In **Wales** FH are looking at sites in Snowdonia, Brecon Beacons and Pembrokeshire. In **Scotland**, a new review of opportunities is being undertaken but site selections have not yet been brought forward.

Internal Audit Report Response

13. As part of the Internal Audit Report on Forest Holidays activities legal documentation summaries in the form of a Legal Signposting Agreement are being prepared to create an improved ‘Information Bank’ of knowledge within the Forestry Commission covering both the Corporate and Landlord/Tenant Structure. By the end of 2015 it is also proposed to update the Commissioners

on market assessment of the rental returns received by the Forestry Commission from the sites, a further question raised by the Internal Audit Report

FEE/FH Senior Relationship Management

14. Both FEE Executive team and FH executive team are committed to close partnership working and we recently met to review how we are working together and how we improve overall engagement, especially in the light of the number of challenges we receive. A number of improved working arrangements are being put in place, including:
 - More support on communication and stakeholder engagement on new developments.
 - Clearer process for site selection.
 - Better alignment of FEE and FH as both 'Triple Bottom Line' organisations.
 - Better briefing of staff in both organisations on what the FHH relationship means to us both.
 - More sharing of long term thinking about Forest Holidays and where it fits into PFE business model and delivery of the triple bottom line.
15. There continue to be good relations with the FH team at all levels, but it is a growing business with expectant investors. I believe we have developed the mechanisms at several levels to manage expectations on all sides.
16. In summary, there is increased activity both on the due diligence and commercial side of the Forest Holidays relationship, additional resources have been applied to facilitate what continues to be a critical commercial joint venture partnership for the Forestry Commission and one which supports the triple bottom line objectives.

Resource implications

17. There is no doubt that FH has grown in its significance for FEE and FC during the period since the business was restructured in 2012. FH have been willing to recognise this resource pressure and are paying for more FEE input to the development process.

Risk Assessment

18. The FC/FEE risks are covered in the Risk Registers at both levels. As the FH business grows FH is an increasing reputational risk for FC/FEE particularly with new developments. We are undertaking a number of measures with FH and inside FC/FEE to manage those risks.

Communications

19. We continue to recognise that the relationship between the FC and Forest Holidays is not widely understood. There are growing number of points at which FH business is impacting on FEE/FC and we are providing more assistance in this area than we had previously envisaged. The FC Communications team are providing support to FH on two fronts to help them in areas where they have less experience and to ensure that FC interests are protected when stakeholder and press interest gets challenging.

Recommendations

20. The Board is invited to note the information included in this paper.

Mark Street
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16 July 2015