



Forestry Commission

Internal Audit

Forest Holidays

Governance Arrangements

Ref:	GB12/003
Draft Report Issued	19 February 2014
Additional Comments	27 March 2014
Management Response	1 May 2014
IA Response	2 May 2014
Further Management Response	7 Aug 2014
Final Report	19 August 2014
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1. EXECUTIVE SUMMARY

1.1 Our overall opinion on the system in place to manage the framework agreement between the Forestry Commission (FC) and Forest Holidays LLP (FH) is that, although we have found some areas where we consider that the FC should review and, if appropriate, renegotiate the terms of the agreement, overall the system is working reasonably well. We can give **moderate** assurance that material risks are being adequately managed. Appendix I defines audit opinion and recommendation categories. Please note that revised audit opinions are now being used.

1.2 We are aware that prior to 2006 the internal business activity of Forest Holidays, run solely by the FC, was failing and there was no government funding available to inject the necessary capital investment to secure this activity for the future. The joint venture arrangement currently in place has provided the FC with a return on its investment and income in the form of annual rents that has brought a much valued cash injection to the FC. However, we also acknowledge that the success of the business is due in no small way to the expertise and knowledge of FC personnel who have provided assistance in a number of areas to Forest Holidays thus turning a failing activity into a profit generating business that has benefitted not only the FC but also the Forest Holidays shareholders.

1.3 We have made 5 recommendations that should enhance the governance arrangements and financial aspects of the agreement for the FC. We appreciate that the FC enjoys good working relations with Forest Holidays

and this has been helped by FC personnel producing briefing notes and practical assistance to FH. However, the current agreement has been in operation for approximately 18 months (as at Feb 2014) and it would be a good time for FC management to revisit the terms of the agreement to strengthen areas that affect the FC's reputation, recalculate the FC staff support costs associated with planning consent for new cabins and the annual rent income from FH sites (Rec 1).

1.4 The government plans to change the structure of the Forestry Commission in England in response to the findings of the Independent Panel on Forestry. This is being addressed under the Woodland Policy Enabling Programme (WPEP) which includes the setting up of the new Public Forest Estate Management Organisation (PFEMO). This means that, for England, the Forestry Commission's status as landowner and landlord would transfer to the PFEMO. However, it is not clear how the Forestry Commission's current obligations will be met following this change. It may be a relatively straightforward transfer of obligations, albeit it will involve a change in legislation that will not be enacted for a few years at least, but in any case renegotiation would be necessary especially given that the main investor is likely to exit the agreement in 2017 to 2019.

1.5 A number of issues would require clarification. Currently the FC has a 20% share in Forest Holidays and the FC has a representative on the FH Board. It is not clear if this would be retained following a change to the PFEMO and/or a change of investor. This income stream could be lost to PFEMO if a new investor

applies their “tag and drag” rights effectively rescinding our 20% shareholder interest. Another area that would require clarification relates to the current obligation on the FC to assist Forest Holidays in the identification of new sites up to the point of planning consent. If this function was not carried on by PFEMO it may adversely affect Forest Holidays’ ability to attract a new investor and maintain a profitable business model. Also the standard fee paid to the FC by Forest Holidays for this work would be income lost to the PFEMO. This is not desirable given that an operationally independent PFEMO is expected to be financially sustainable. Rental income currently paid to the FC may transfer to the new body but this would also be worthy of renegotiation. The setting up of the PFEMO would only apply to England but it is not clear if/how this would affect the Scotland sites and what will be the effect of a vote for an independent Scotland. Forest Holidays is keen to promote its links with the FC so any loss of the FC branding may also impact on the profitability of Forest Holidays as would the legal fees to formalise contract amendments. All of these issues need to be addressed in advance of the PFEMO coming into being which is now not likely to be earlier than 2017.

1.6 We are aware of a potential conflict of interest given that the Forestry Commission fulfils two roles in relation to Forest Holidays, namely, as landowner/landlord of the land leased to FH and as a member of the Board of FH with a 20% share in the business. The current Board member has indicated that he has not experienced any conflict to date but felt confident that he would take appropriate action should the need arise. We are content that this is being

adequately managed. At the March 2014 Forestry Commissioners meeting, the FC representative provided some background on the relationship between the FC and Forest Holidays, the current arrangements and future issues that may affect the relationship, e.g funding to co-invest, the exit of the main investor and the impact of any changes to the structure of the FC. The Commissioners were satisfied with this and requested an update on Forest Holidays in a year’s time.

1.7 We found that external stakeholders, for example, the general public and the press were unclear as to the relationship between the FC and FH. On at least one occasion a press report incorrectly stated that Forest Holidays was run by the FC and a complaint raised by a member of the public on the handling of the closing of a FH campsite for redevelopment to a cabin site suggests the public view is that the FC controls all activities on such sites. Although it is not always possible to prevent inaccurate press reporting we must take every opportunity to ensure that such reports clearly represent the FC’s role. We have recommended that the FC liaises with FH to ensure that communication with the press or public makes clear that the FC and FH are two separate organisations (Rec 2). Also to demonstrate the distinct nature of both bodies, we consider that the FC should provide a spokesperson for comment to the press only when the issue in hand is one where the FC would have a legal obligation under UK/EU legislation or primary responsibility in line with the framework agreement. This would distance the FC from incidents that are primarily FH related thus reducing FC staff time on such matters and reducing the likelihood of potentially damaging

and inaccurate press reports (Rec 3). We are pleased to report that both of these recommendations have been accepted and actioned.

1.8 We looked at the terms surrounding the lease of the land to Forest Holidays and the rental income arising from cabins being sited on the Public Forest Estate. We noted that the lease to FH extends to 125 years. This seems an inordinately long period of time but we were advised that this was necessary to secure private investment. We consider that this should be revisited when the main investor withdraws, sometime between five and seven years after the contract signing date of 2012. We also found that the rental income from each cabin on some sites is calculated on an incremental basis starting in the first year at a figure of [REDACTED] per cabin per annum rising year on year to year 6 when the rental is [REDACTED] per annum. We consider that these rates are somewhat subdued when the cost to the public to rent cabins is significantly in excess of these figures (Rec 4).

1.9 The FC is obliged to assist Forest Holidays in identifying new sites up to the point of planning consent. A standard cost of [REDACTED] is charged by FC for the time and assistance given to FH for each new site. We consider that this does not reflect the true cost to the FC for its involvement in this work and recommend that this area is revisited and renegotiated, if appropriate (Rec 5).

2. MANAGEMENT RESPONSE AND ACTION PLAN – INTERNAL AUDIT REVIEW OF FOREST HOLIDAYS GOVERNANCE

Recommendation	Category	Response	Action Owner	Action Date
<p><u>Recommendation 1</u> FC England Management Team should revisit the Framework Agreement between the FC and Forest Holidays and consider whether areas require to be renegotiated.</p>	<p>M</p>	<p>MANAGEMENT RESPONSE - May 2014 The Framework Agreement was concluded only relatively recently and FCE do not consider that it would be appropriate to seek to renegotiate fundamental terms at this early stage, given the likely adverse reaction of the principal investor. The recommendation is noted, however, and we will consider our position carefully in advance of any opportunities to renegotiate which may develop in future.</p> <p>IA COMMENT – May 2014 The recommendation was to <u>consider</u> whether areas need to be renegotiated in light of experiences to date, but we would not expect any renegotiation at this time. As you rightly say it would not be appropriate at such an early stage in the agreement but with the benefit of 18 months (and ongoing) operational activity to call on, FC staff must have some view on <u>how</u> things are working out and <u>what could be better</u>. This would help to inform future negotiation discussions probably in the months leading up to the exit of the principle investor, some time during the period 2017-19 by which time the current agreement will have been in place for a minimum of 5 years.</p>	<p>Mark Street</p>	

	M	<p>FURTHER MANAGEMENT RESPONSE –Aug 2014</p> <p>We propose to revisit the Framework Agreement in line with the recommendations in the context of the due diligence work which will be required ahead of the creation of the proposed PFEMO and the transfer of the Commission’s equity investment in Forest Holidays (and its role as landlord) to the new organisation. The timing of this will depend on decisions made by the UK Government elected in 2015, but we would anticipate carrying out this work no later than the end of 2016.</p>	Mark Street	Dec 2016
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<p><u>Recommendation 2</u></p> <p>FC England staff should ensure that FH take cognisance of the FC's reputation when dealing with external stakeholders and make clear the differing roles both organisations fulfil.</p>	<p>M</p>	<p>This recommendation has been actioned.</p> <p>Forest Holidays and FCE have now agreed a protocol to address how the two organisations can improve the way they work together to handle objections and media interest surrounding Forest Holidays developments and operations. The protocol will:</p> <ul style="list-style-type: none"> • Minimise reputational risks to the Forestry Commission, Forest Holidays and other on-site partners • Maximise opportunities for positive messages • Increase efficiency and co-ordination when dealing with ongoing and new Forest Holidays developments • Clarify the relationship between Forestry Commission England and Forest Holidays • Confirm Forestry Commission England's support of Forest Holidays' drive to invest further in cabin sites on the Public Forest Estate and the responsible role we have in agreeing potential sites • Confirm Forestry Commission England's commitment to provide a range of sensitively designed, environmentally sustainable accommodation in England's forests to suit varied budgets and interests. 	<p>David Williamson</p>	<p>April 2014</p>
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<p><u>Recommendation 3</u></p> <p>FC England Management Team should liaise with Forest Holidays to ensure that the FC acts as spokesperson only when the incident in hand is primarily one where the FC has lead responsibility.</p>	<p>M</p>	<p>MANAGEMENT RESPONSE – MAY 2014</p> <p>This recommendation has already been actioned.</p> <p>At a regular Forest Holidays / FC liaison meeting on Wednesday 2 Oct 2013 it was agreed that in the event of a major accident or incident David Williamson of FCE and Richard Palmer of Forest Holidays will liaise and decide on the presentation to the media and who should front it.</p> <p>It was agreed that FC will only front incidents and accidents where it has the lead responsibility.</p> <p>The same process will be followed before responding to accident claimants or their solicitors.</p> <p>This process was used in autumn 2013 following a claim regarding a cycling accident at the Sherwood Forest Holidays site. In this case Forest Holidays fronted the claim as the accident happened within their leased area.</p> <p>IA COMMENT – MAY 2014</p> <p>The response suggests that any instances involving the press after October 2013 would be fronted by FC only where it had lead responsibility. However, our report makes reference to an incident at the Forest Holidays site in Christchurch in January 2014 where an individual was assaulted. A spokeswoman for the FC was quoted in the press. In our view the FC did not have lead responsibility for such an incident and any communication with the press should have been fronted by Forest Holidays representatives.</p>	<p>David Williamson</p>	<p>April 2014</p>
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FURTHER MANAGEMENT RESPONSE - AUG 2014

The new 2014 protocol referred to above, while primarily focused on media and public interest in potential new Forest Holidays sites, has also led to relationship building between FCE and Forest Holidays staff and their PR consultants, including a better understanding of our relative positions and improved handling of individual issues.

Nevertheless it must be expected that there will continue to be occasions when the press will either deliberately or ignorantly conflate Forest Holidays and the Forestry Commission, despite our best endeavours. In the Forest of Dean, for example, the FC is a very well known organisation important in local affairs, whereas Forest Holidays is largely unknown, so the reporter's error is not surprising.

<p><u>Recommendation 4</u></p> <p>FC England Management Team should review the "cost per cabin" rate used to calculate FC staff costs when supporting FH in obtaining planning consent for new cabins to assess if it represents good value for money. Recalculation should be undertaken, if appropriate.</p>	<p>M</p>	<p>The cost to Forest Holidays from Jan 2013 has been [REDACTED]</p> <p>The cost was doubled in Jan 2013.</p> <p>FCE also charge for input from a landscape architect who is works for half her time for Forest Holidays. This arrangement has been developed because Forest Holidays have found it impossible to find a suitably qualified person with the knowledge and experience of FCE Landscape Architects. This arrangement has the added advantage of delivering design and standards which are seamless between FCE facilities and Forest Holidays sites.</p> <p>In response to this recommendation a record will be kept of FD staff input into FH developments from the 1 April 2014 and reviewed in April 2015.</p>	<p>David Williamson</p>	<p>April 2015</p>
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<p><u>Recommendation 5</u></p> <p>FC England Management Team should review the level of rental income under the current agreement to assess if it represents good value for money.</p>	<p>M</p>	<p>MANAGEMENT RESPONSE – MAY 2014</p> <p>The Forest Holiday sites are leased on a 125 yr agreement at a fixed rent with [REDACTED] increases. The original leases that were transferred to Forest Holidays in 2006 include an opportunity to review back to market level rents every 21 years. A rent review before 2027 on the sites that were transferred in 2006 would require renegotiation of the lease, which is not practicable. A rent review on sites built post 2006 would require renegotiation of the Framework Agreement. As with recommendation 1, this is not something we believe is a realistic proposition at the moment, but we will consider future opportunities carefully. Should such an opportunity arise, we will need to obtain expert valuers' evidence on the market rent for the site, and strike an appropriate balance (and one which can realistically be achieved in a commercial negotiation) between the income stream to FC as landlord and our interests as a shareholder in the company, in the light of both short and medium term factors and long term uncertainty.</p> <p>IA COMMENT – MAY 2014</p> <p>The recommendation has asked for an assessment of whether the current agreement represents good value for money. This issue does not appear to have been addressed in the response.</p>	<p>Mark Street</p>	<p>Dec 2017</p>
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	<p>FURTHER MANAGEMENT RESPONSE – AUG 2014:</p> <p>There is no evidence readily available to enable us to determine whether the core FH leasehold arrangements represent good value for money in the current market. The agreement reached in 2012 was based on market advice received at the time.</p> <p>Carrying out an assessment would require preparation of a brief to professional valuers, and our judgment is that this would be a challenging and costly exercise at a time when Forest Holidays is still in its first investment phase and the market for sites is immature. Given this, and the fact that there is no current opportunity to revisit the lease arrangements, our view is that the first step should be the due diligence review of the Framework Agreement by the end of 2016 referred to above. At that time, the investment programme will be much further advanced, and we will be nearer in time to the likely divestment by Lloyds Development Capital (LDC) and the probable restructuring of the Framework agreement and associated documents and financial arrangements that this would trigger.</p> <p>Subject to intervening events, our intention would be to carry out this value for money assessment no later than the end of 2017.</p>		
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3. PURPOSE AND SCOPE OF THE REVIEW

3.1 To provide an audit opinion and assurance to the FC England Accounting Officer on the governance arrangements between the Forestry Commission and Forest Holidays.

3.2 The review was requested by Director, England as part of routine audit planning for 2013/14. Also, the review provides assurance on FC procedures, as regards its relationship with Forest Holidays, to the Board of Commissioners which was made aware of concerns and correspondence raised by a member of the public regarding the closure of a camp site in East England which has since been developed into a cabin site (Aug 2014)..

4. BACKGROUND

4.1 In 2006 the FC's cabin and campsite operations moved from an internal business activity to a joint venture partnership with the Camping & Caravanning Club (CCC), with the FC holding a minority share in the business.

4.2 In September 2012 the business was restructured and split into two new Limited Liability Partnerships – Forest Holidays (FH) and Camping in the Forest (CITF). The FC continues to be a minority shareholder with a 20% stake in FH and a 28% stake in CITF.

Forest Holidays runs the lodge (cabin) sites. This is a joint venture between Lloyds Development Capital (65%), the former Forest Holidays management team (15%) and the FC (20%). Lloyds Development Capital describes this on their website as a management buyout. Camping in the Forest is also a joint venture with the CCC, who continue to run most of the campsites. Some of the campsites are managed by CITF under a license granted by Forest Holidays.

5. CONDUCT AND APPROACH

5.1 The review was carried out by [REDACTED] during the period December 2013 and January 2014 and focussed on the FC's framework agreement with Forest Holidays. We met with the Head of Recreation and Public Affairs (RPA) and the Head of Estates, both based in the FC England's National Office, to discuss the Agreement. We also met with Director, Scotland, in his capacity as the FC Representative on the Board of Forest Holidays to discuss his role and any potential conflicts of interest. We obtained details on the financial arrangements in place and discussed these with the FC England Financial Controller.

6. ACKNOWLEDGEMENTS

6.1 We would like to convey our thanks to FC England personnel at National Office and to Director Scotland for their assistance and co-operation during the course of the review.

7. RISK AND CONTROL EVALUATION – AUDIT FINDINGS

Risk 1 - Non compliance with statutory duties as a Director/Partner/Land Owner which could result in adverse publicity and/or prosecution/financial penalty.			
No	Control(s)	Control Evaluation	Recommendation/Comment
1.01	Framework Agreement adequately protects FC's interests in its relationship with Forest Holidays.	<p>The original framework agreement between the FC and Forest Holidays (FH) was drawn up in 2006 by solicitors acting for both sides. The agreement with the Caravan & Camping Club (CCC) covered cabins and campsites. In 2012 the business was split with CCC retaining the JV for campsites under a new brand name of Camping in the Forest (CITF), and a new JV with Lloyds Development Capital (LDC) for the Forest Holidays cabins. FC personnel were involved in the negotiations to ensure that the FC's perspective was fully considered and the current agreement was signed by the Head of Corporate Forestry and Support on behalf of FC Commissioners.</p> <p>This review has focussed primarily on our relationship with Forest Holidays.</p> <p>On the whole we consider that the FC is adequately protected under the Framework Agreement. However, given that the current agreement has been fully operational for approximately 18 months (as at Feb 2014) it would seem an appropriate time for FC management to review the arrangement to assess what areas are working well and where improvements might be sought. Areas to consider include the duration of the long term lease, the protection of the FC's image and reputation, the "FH new site rent" figures and the costs and expenses</p>	<p><u>Recommendation 1(M)</u> FC England Management Team should revisit the Framework Agreement between the FC and Forest Holidays and consider whether areas require to be renegotiated.</p>

Risk 1 - Non compliance with statutory duties as a Director/Partner/Land Owner which could result in adverse publicity and/or prosecution/financial penalty.

No	Control(s)	Control Evaluation	Recommendation/Comment
		incurred by the FC in complying with its obligation to assist FH in establishing new sites,	
1.02	FC, in its capacity as Director-Partner-Land Owner with Forest Holidays complies with all relevant legislation and statutory requirements.	Under the agreement, the FC fulfils a number of roles in its relationship with Forest Holidays, namely, landowner, landlord and shareholder. In its capacity as landowner and landlord (lessor) the FC has a legal responsibility to ensure that it complies with all statutory duties which includes health and safety. The FC routinely complies with health and safety issues in its day to day operations and has operational guidance on such matters. Also, the Head of Estates should be well informed on any legal requirements affecting the FC estate and can advise how best to ensure compliance in this area. Forest Holidays is responsible for day to day operations on their sites which includes compliance with relevant legislation including health and safety and employee disclosure checks. Although it is not the responsibility of the FC to manage FH's compliance in this area, Forest District staff would alert FC management if something came to light that would require the FC to act under the terms of the lease. Also FC National staff meet regularly with FH management team and work closely to ensure sites are safe and compliant so we are content that the FC takes all reasonable steps to ensure compliance with relevant legislation.	

Risk 2 - FC's reputation is damaged through poor decisions arising from inappropriate governance arrangements.

No	Control(s)	Control Evaluation	Recommendation/Comment
2.01	Appropriate governance arrangements are in place between the FC and Forest Holidays.	<p>We met with the current FC representative who sits on the Forest Holidays Board. In this capacity the representative stated that he does not represent the FC but is legally obliged to act in the best interests of Forest Holidays. We asked if he had experienced any conflict of interest given that he is also a member of FC staff and he intimated that, to date, he had not found himself in a position of conflict. He explained that the FH Board discusses strategic issues and that day to day operational issues were for the FH management team to address. That said, he confirmed that although the FC was not directly involved in the recent closure of a campsite at Thorpe Woodlands (discussed later) the matter was discussed by the FH Board and he felt confident that lessons had been learned by FH on better ways to communicate with stakeholders. This is supported to some extent by press releases over the last few weeks showing Forest Holidays engaging with external stakeholders and the FC on proposals for new cabin sites.</p> <p>Conflicts are also likely to be minimised given that Forest Holidays is unlikely to proceed with a planning application unless it has the full support of the FC. The FC representative is aware that there may be some confusion over his role and how it sits within the FC and we understand that these issues were clarified at the March 2014 Forestry Commissioners meeting.</p>	<p><u>Recommendation 2 (M)</u> FCE staff should ensure that FH take cognisance of the FC's reputation when dealing with external stakeholders and make clear the differing roles both organisations fulfil.</p>

Risk 2 - FC's reputation is damaged through poor decisions arising from inappropriate governance arrangements.			
No	Control(s)	Control Evaluation	Recommendation/Comment
		<p>The agreement specifies the responsibilities of all parties and covers issues such as landlord and tenant obligations, planning permission, leases and the treatment of corrupt gifts or fraud. This should ensure that the FC is able to robustly withstand any scrutiny of its relationship with FH. To assist in the day to day roles and responsibilities of both parties, the FC produced a briefing note alongside the current, 2012 agreement, designed to assist those staff who were involved in the management of Forest Holidays. The note specified named contact points for liaising with FH and CITF both at senior management level and at operational level within Forest Districts along with details of when and how often meetings should take place, the names of Board Members, the handling of publicity and marketing as well as setting out an agreed procedure for approving funding requests for new developments.</p> <p>In October 2013 an existing campsite in East England (Thorpe Woodlands) that was owned by Forest Holidays but leased to CITF was closed pending it being developed into a cabin site that would be wholly owned and run by FH. When FH terminated the lease, CITF had to advise its customers that the site was closing and that caravans would have to be removed. A member of the public,</p>	<p><u>Recommendation 3 (M)</u> FC England Management Team should liaise with Forest Holidays to ensure that the FC acts as spokesperson only when the incident in hand is primarily one where the FC has lead responsibility.</p>

Risk 2 - FC's reputation is damaged through poor decisions arising from inappropriate governance arrangements.			
No	Control(s)	Control Evaluation	Recommendation/Comment
		<p>who had a static caravan on site, complained about the handling of the closure, raised a number of Freedom of Information requests to the FC and brought it to the attention of the FC Commissioners. The problem seemed to centre on poor communication by CITF to its customers about the impending closure of the site. The matter had not been handled particularly well by FH and CITF, hence the complaint. Although the FC had no direct involvement in the matter and had no powers to prevent FH from terminating CITF's lease, the FC became embroiled due to the complaint being reported by the press who linked the FC to the issue. This bad publicity, even though the FC was not at fault, could damage its reputation. In our view the FC should guard its reputation by reminding Forest Holidays to be aware of the arms-length relationship that exists between both organisations and to make this clear at all times when dealing with any external bodies.</p> <p>In another incident at the Forest of Dean, an individual was assaulted at a Forest Holidays site and thereafter taken to hospital for treatment. Although the FC was not involved, an FC spokesperson provided details of the incident to the press who inaccurately reported that the FC "ran" Forest Holidays. We are aware that the FC liaised with Forest Holidays prior to any press release but given this incident's tenuous link to the FC and that it happened on a FH site, we consider that it would have been more appropriate for Forest Holidays to provide comment. We understand that the FC wanted to assist FH but in our view the</p>	

Risk 2 - FC's reputation is damaged through poor decisions arising from inappropriate governance arrangements.			
No	Control(s)	Control Evaluation	Recommendation/Comment
		FC should provide the press with information only when the matter is one where the FC has a direct involvement or lead responsibility. This may also serve to distance the FC from unfavourable press attention.	

Risk 3 - FC fails to properly authorise and account for FH contributions/investments in line with government financial reporting requirements resulting in qualification of the FC's accounts.			
No	Control(s)	Control Evaluation	Recommendation/Comment
3.01	FC has appropriate financial systems in place to properly record FH contributions and investments	The FC has a 20% share in Forest Holidays and if it wishes to retain this level it must invest by way of capital funding. Currently, the level of capital investment is ██████ of which the FC has invested ██████ broken down across four sites in England and one in Scotland. The agreement allows for the investments to attract a favourable interest rate of ██████ paid on exit by the main shareholder five to seven years after the start of the current agreement (2012). Funding requests are considered by the Forest Enterprise England Management Board and if in favour will propose a source for the funding required. The recommendation is considered further by the FCE Executive Board but approval on whether to invest to the level of 20% ultimately rests with Director England in his capacity as Accounting Officer. It is also worth noting that when LDC exits the agreement, a new buyer will have "tag and drag" rights which, if applied, would effectively mean that the FC would no longer have shareholder interests and our role would be one of landlord over the sites.	

Risk 3 - FC fails to properly authorise and account for FH contributions/investments in line with government financial reporting requirements resulting in qualification of the FC's accounts.

No	Control(s)	Control Evaluation	Recommendation/Comment
		<p>We discussed the financial arrangement around income and investments from Forest Holidays with the England Financial Controller. He advised us that there is a system in place to deal with rental income from the framework agreement and that the Head of Estates has set up a standard template for each rental agreement per site. Forest Holidays and Camping in the Forest are invoiced every six months and income is handled through the FC's Westminster account which is managed at the National Office in Bristol.</p> <p>We were informed by the FC England's Head of Recreation and Public Affairs (RPA) that the FC receive payment for assisting FH in identifying new sites up to the point of planning consent. The agreement states; "the LLPs (i.e. Forest Holidays) and FC shall work together to find and establish New Sites". In return for this help the "FC shall provide the relevant LLP with an estimate of the costs and expenses that it will reasonably and properly incur in complying with its obligation to assist the relevant LLP..."</p> <p>The Head of RPA explained that rather than have to calculate each individual site cost, a standard calculation was prepared that established a charge per cabin and avoided complex and expensive recording systems. The calculation itself works out a daily cost of staff time at [REDACTED] per day. This figure has been multiplied by 20 (days) to give a figure of [REDACTED]. Therefore, a site with 60 cabins would work out at [REDACTED] per cabin and a site with 70 would be</p>	<p><u>Recommendation 4(M)</u> FC England Management Team should review the "cost per cabin" rate used to calculate FC staff costs when supporting FH in obtaining planning consent for new cabins to assess if it</p>

Risk 3 - FC fails to properly authorise and account for FH contributions/investments in line with government financial reporting requirements resulting in qualification of the FC's accounts.

No	Control(s)	Control Evaluation	Recommendation/Comment
		<p>████████ per cabin. We appreciate that this calculation was prepared to reduce time spent on collating costs and information each time a new site was being considered. However, the calculation was prepared in January 2013 at a time when, perhaps, the full extent of FC involvement had not been measured. We understand that some sites may take up less time than others but from our discussions and correspondence we are of the opinion that the FC is very heavily involved with FH in getting a site to the planning consent stage and that the calculation of FC's costs in this regard is too conservative.</p> <p>We also looked at the rental income from cabins on sites and noted that rents for some sites are fixed and will not rise over the duration of the lease. For new sites the rents will rise incrementally from year 1 at ██████████ up to a maximum of ██████████ at year 6. Thereafter rents rise every three years in line with the Retail Price Index applicable during the previous review period. In our opinion the rental income may not represent value for money for the FC especially when it costs the general public up to ██████████ to rent a cabin for one week in high season. We consider that the rental income paid to the FC is artificially low and consideration should be given to revisiting these figures with a view to revising upwards.</p>	<p>represents good value for money.</p> <p><u>Recommendation 5(M)</u> FC England Management Team should review the level of rental income under the current agreement to assess if it represents good value for money.</p>

