

Agenda Item 5

Commissioners' Meeting
10 June 2015

Memo No 07/15

FOREST HOLIDAYS BOARD

Purpose

1. To propose a process to appoint a suitable person to represent Forestry Commission interests on the Board of Forest Holidays.

Background

2. The articles of association of Forest Holidays Group Ltd were adopted on 21 September 2012 and amended by a special resolution passed on 18 August 2014. They provide the basic framework for the operation of the company. Under Article 3.5.1, the FC has the right to appoint a director to the board of the company and any of its group companies.

3. Dr Bob McIntosh has filled the role of the Forestry Commission director on the Forest Holidays Board. Dr McIntosh retired from the Forestry Commission in February this year. Commissioners agreed that he should continue in the role for six months until a formal selection process can be completed. The Board agreed in March that a sub-committee comprising Ian Gambles, Sir Harry Studholme and Wilma Harper would be set up to consider an appropriate process for selecting a Director for the Forest Holidays Board. This paper sets out the proposed approach to making that appointment.

Competencies and role description

4. In drawing up the specification, the sub-committee looked to balance the need for someone who could bring relevant private sector experience whilst having an understanding of the FC ethos and the ability to represent that with conviction on the Forest Holidays board. Annex 1 sets out the role description and the essential competencies which would be used to select a suitable person. **Commissioners are asked to comment on the competencies which will be the basis for the appointment.**

Appointment process

5. The sub-committee considered 3 options for making the appointment:
- A. Select a member of FC staff to the role;
 - B. A wide-ranging external recruitment process using search consultants;
 - C. A "light touch" external process.

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6. In considering these options, the sub-committee rejected Option A. It felt that an external candidate would be more likely to meet the essential criteria in particular regarding financial and board level experience of relevance to Forest Holidays' current operating environment and likely changes over the next 2-3 years. Whilst it is important that the person appointed understands the Forestry Commission ethos and would be sensitive to potential impacts of Forest Holidays activities on the reputation of the FC, this did not need to be a member of staff.

7. Option B was seen as likely to be expensive and more than necessary for this appointment. It is envisaged that the "light touch" Option C would involve advertising on the websites aimed at non-executives as well as the FC and Forest Holidays websites; and drawing it to the attention of likely candidates, through existing contacts in the forestry, leisure and venture capital sectors. It was felt that this would be more cost-effective than using head hunters in finding suitable candidates whilst still being open and transparent. **The sub-committee are therefore recommending Option C, a "light touch" external process.**

8. Subject to agreement from this Board, the next steps would be to commence the recruitment process and agree a timetable, with a view to making an appointment by September 2015. Sir Harry will chair the interview panel and it is hoped he will be joined by Peter Phillipson, Chair of Forest Holidays, and a third panel member drawn from the staff of the Commission.

Resource Implications

9. The cost of the appointment process – which would be approximately £20,000 under Option B or £3,000 under Option C – will be borne centrally by the Commission.

10. As this is an appointment to the Forest Holidays Board, the salary of £18,000 and any associated expenses due to the Board member will be met by Forest Holidays and not the Forestry Commission. Commissioners should note that there is an opportunity cost in deciding to reject Option A because if that option were selected, the Commission would receive from Forest Holidays the remuneration due for the time of one of its employees.

Risk Assessment

11. Appointing someone with the right background and skills should help protect our investment and thereby reduce the financial risk to the FC.

12. Although Forest Holidays is a company fully independent of the Forestry Commission, its activities are scrutinised closely, particularly by those with an interest in

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the public forest estate. A fair and open appointment process for this role will minimise the risk of adverse comment and reputational damage.

Communications Issues

13. There will be no general communications about this process beyond what is required to advertise the post. However, the Forestry Commission and Forest Holidays communications teams will be briefed on the process.

Recommendation

14. Commissioners are asked to:

- Agree the role description at Annex 1.
- Agree the "light touch" option proposed to find a suitable external candidate.

Wilma Harper
Director, Corporate and Forestry Support
May 2015

Role Description

Post title: Forest Holidays Board Member (Non-Executive)

Location: Forest Holidays is based in Moira in Derbyshire (this is not an office based appointment)

BACKGROUND

Forest Holidays operates holiday cabins on 9 sites in Forestry Commission forests. It is a joint venture between FC (20%), Lloyds Development Capital (65%) and the management team (15%). FC is involved in the businesses both as a landlord, and recipient of rent, and as an equity holder, entitled to a share of profits and any increase in capital value. The Forestry Commission appoints a Director to the Board.

This appointment will be for 2 years with the possibility of a one year extension.

ROLE AND DUTIES

As a nominated representative of the Commission, you will be accountable to the Board of Commissioners and expected to represent the Commission's interests as a shareholder in Forest Holidays.

In particular, you will be required to:

- monitor compliance by the company and their management teams with the terms of the Framework Document setting out the relationship and report any issues or concerns to the Commission;
- seek the views of the Commission in advance of Forest Holidays Board meetings to determine their views on any matters requiring their consent and any material or controversial items;
- provide written reports to the Commission at regular intervals and no less than quarterly on the discussions of the Board and the progress of the company's business.

Nevertheless, your principal role is to have concern for the Forest Holidays company in accordance with the responsibilities set out for Directors in the Companies Act.

Key Responsibilities

As a member of the Board of Forest Holidays you will be required to:

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- give strategic advice and constructively contribute to the development of the strategy and business of the company;
- scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of progress and achievement of the annual business plan;
- satisfy yourself that the financial information is accurate and that financial controls and systems of risk management are in place;
- give the Board the benefit of your particular knowledge, experience and skills;
- ensure that any matters which require the consent of the shareholders are referred to the Board members, as appropriate.

Person Specification

When completing your application form we want you to give examples of your direct and proven experience and activities of the criteria and competencies listed below.

Essential Criteria

Candidates must demonstrate the following essential competencies:

- Financial experience, including audit and risk management, with professional understanding of corporate finance and complex business structures being highly desirable;
- Board level experience, preferably in the private sector, acting strategically to assess the implications, including financial, of decisions made;
- Experience of marketing and brand management, preferably in a sector relevant to the Forestry Commission;
- An understanding of the objectives and work of the Forestry Commission with particular emphasis on the Public Forest Estate in England.

It would also be desirable to have:

- Experience in residential leisure business and a strategic understanding of business drivers in this sector;
- An understanding of applying a sustainable development approach to the leisure business sector;
- Experience of planning and property development in rural areas.