# Decision making for the Forestry Commission’s commercial investments

# Terms of Reference for Governance Review – Action 8

# Introduction

Forestry Commission (FC) request for approval for a commercial transaction relating to Forest Holidays (FH), a Joint Venture organisation of which FC is a minority partner was recently declined. Ministers have decided to launch a review of the Governance of FH commercial decision making (using UK Government Investments (UKGI) to ensure that this is robust and independent).

# Dependencies / Interactions

In the light of advice from auditors the review will be focussed on governance of FH by FC and Forest Enterprise England (FEE). There are a number of potential interactions between the individual recommendations and, additionally with Ministerial steers on policy priorities. Commercial, Policy, Finance and Governance teams will be engaged to ensure effective alignment of activities. A steering group, chaired by Sonia Phippard the DG for Environment, Rural and Marine, will oversee delivery of all audit recommendations.

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| Scope and limitations of this review | | |
| The review will consider two elements:   1. Governance (the mechanisms, processes and relations by which [corporations](https://en.wikipedia.org/wiki/Corporation) are controlled and directed[)](https://en.wikipedia.org/wiki/Corporate_governance#cite_note-1) review of the FC’s decision-making in regards to its relationship with FH.   The review will focus on the effectiveness and appropriateness of the current Governance arrangements for commercial decision making within FC and FEE in relation to FH and the link to Defra Ministers and include consideration of:   * Process for FC and FE to determine whether they and FH are taking the right commercial decisions, for the right reasons having regard in particular to Defra objectives. * Roles and responsibilities – including the role of the Board(s) and checks and balances on the executive in the decision making process * Delegations of authority * Controls, accountability and oversight * Reporting lines and escalation * Forums for decision making, * Engagement with stakeholders and their advice * Information provision and relevance * Communication of decisions * Commitment, approach to risk, its management and appetite  1. The strategic and practical benefits derived from FC’s shareholding in FH and whether there would be any advantages or disadvantages to maintaining or dispensing of its shares. The review would focus on:    * whether any benefit gained from the shareholding could be derived from other agreements or controls; and    * the interaction between Defra’s Shareholder interest and the SoS’s interest in the land from which the FH sites operate and whether these two interests are divisible | | |
| Approach | | |
| Engage UKGI to review current arrangements including the roles and capabilities of FC and, FEE, in the commercial decision making process.  Establish steering / oversight group and reporting arrangements  **For part (i) – Governance arrangements**   * Obtain relevant information on Governance arrangements in relation to decision making including shareholding arrangements. * Determine the ‘as is’ position for Governance of all revenue streams from Forest Holidays to FE and FC and how policy objectives are aligned with and fit into the current arrangements. * Review of current Governance arrangements for decision making compared with best practice, and alignment with Defra objectives. Consider issues and opportunities within current Governance arrangements including current and potential levers for influencing decision making. * Draft recommendations to be made for amending current commercial decision making process in relation to governance arrangements, to ensure robust governance and decision making where appropriate * Consideration by Steering Group and proposals to be made to FC and Ministers   **For part (ii) FH Shareholding Governance benefits**   * Determine as is position of FC and FE in relation to Forest Holidays shareholding and responsibilities, taking on board recent findings by GIAA including * FE’s FH shareholding and whether it is a necessary part of the relationship and commercial arrangements. * Review and consider benefit of Shareholding alongside SoS control over the land on which FH sites operate and the commercial implications which result from FH’s dependency on the land. * . | | |
| Key Deliverables | Owner | Target Date |
| For (i) Governance: |  |  |
| * Report on ‘as is position for Governance of decision making process; * Review of issues and opportunities for improvement in Governance of decision making process; and * recommendations for the future governance of decision making process | UKGI | 14/12/18 |
| [For (ii) Shareholding: |  |  |
| * Report on ‘as is position for shareholding * Review of issues and opportunities for improvement in Governance; | UKGI | 14/12/18 |
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| Responsibilities |
| **Action:**  UKGI - Mark Batten / Jon Ingram  DGC - Andy Greaves / Jessica Gregory  Defra Policy - Amy Ferguson (TBC)  Defra Legal – Richard Alexander / Jenny Davison  Defra Finance – Martyn Joy (TBC)  **Support:**  Einav Ben-Yehuda, Group Commercial Director (action owner)  Tim Martin, UKGI  Amy Ferguson (AF), Joint Head of the Strategic Coordination Hub  Ian Gambles, Director, FC (England)  Simon Hodgson, Chief Executive, Forest Enterprise England  Shirley Trundle, Director, Wildlife, International, Climate and Forestry  Nathan Paget, GIAA  Bruce McKendrick (Forest Holidays) - TBC |

**Annex – GIIA recommendations**

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| **Recommendation(s)** | | **Action agreed** |
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| 8 | In view of the scope for uncertainty and disagreement we observed, over the level of oversight which the parties may or may not consider appropriate, we **recommend (8)** that a governance review of FC be undertaken, which should consider (i) its relationships with Defra, Forest Enterprise England and Forest Holidays and (ii) whether FC should retain its interest in Forest Holidays. It is proposed that this review be led by Defra group Commercial and conducted by UK Government Investments. | Recommendation accepted.  We agree with the necessity of a governance review of the Forestry Commission’s decision-making in regards to its relationship with Forest Holidays. The review will focus on the effectiveness and appropriateness of the current governance arrangements within FC, Forest Enterprise England and Forest Holidays.  We also accept the commission to review FCs current shareholding interest in FH.  Target date: 30/11/18  Owner - Einav Ben-Yehuda |