

Forestry Committee

OPEN MINUTES

Minutes of a meeting of Forestry Committee held in the Council Chambers, 15 Forth Street, Invercargill on Wednesday, 26 August 2015 at 8.56 am.

PRESENT

Chairperson	Brian Dillon
Councillors	Lyall Bailey
	Stuart Baird
	George Harpur
	Ebel Kremer
	Neil Paterson
	Mayor Gary Tong

IN ATTENDANCE

Group Manager Services and Assets, Ian Marshall, Committee Advisor Debbie Webster, Strategic Manager Transport, Joe Bourque, IFS Managing Director, Dan Minehan, IFS Forest Manager, Reece McKenzie, IFS Forest Operations Manager, Des Minehan and IFS Harvest Manager, Hamish Anderson.

1 Apologies

An apology was received from Crs Harpur and Paterson.

Moved Cr Bailey, seconded Cr Kremer
and resolved that the Forestry Committee accept the apologies.

2 Leave of absence

There were no requests for leave of absence.

3 Conflict of Interest

There were no conflicts of interest.

4 Public Forum

There was no public forum.

5 Extraordinary/Urgent Items

There were no Extraordinary/Urgent items.

6 Confirmation of Minutes

Resolution

Moved Cr Bailey, seconded Cr Kremer
and resolved that the that the meeting minutes of Forestry Operations Committee, 3 June 2015 be confirmed.

Reports for Resolution

7.1 Strategic Purpose of the Forestry Business Unit

Record No: R/15/8/14346

Mr Marshall noted that as two members of the Forestry Committee were absent from today's meeting he wanted to lie the report on the table until the next meeting on 18 November 2015. However he also sought feedback from the other members in attendance. Mr Marshall said the report was intended to achieve clarity and confirmation about the strategic purpose of the Southland District Council Forestry Business Unit. The report discussed aspects of management of the forest estate and contemplated how the issues of Recreational amenity, Sale and Acquisition, Local Support, Supporting Research and Management Support for Urban Plantings should be managed.

Cr Kremer suggested a workshop on the strategic purpose might be a better forum for discussion. Cr Baird agreed and commented there was a need to consider the best fiscal return on the land and was the forestry giving Council that? Cr Dillon noted it was forestry not pastoral land and the spread of the age of the forestry locked Council into the business of forestry. Mr Marshall also noted there was need for a certain direction to enable the consultants to manage the forestry and it was a long term business.

There was discussion on the recreational use of forestry land, noting it needed to be secondary to any health and safety management. A suggestion was made to have a tiered management approach to recreational use of the land with an example given of three levels. The highest level controlled for hunting, the middle level discretionary for firewood and the lowest permitted activities for walking and horse riding. It was suggested firewood collecting could be a permitted and supervised activity and hunting could use a ballot block system.

There was discussion on the support for urban planting, with some Community Boards planting small blocks that required managing, Holt Park was used as an example. IFS staff noted this was a time consuming process where they often have to correspond with the Community Boards and Area Engineers on these small blocks of forestry. It was suggested that as the ownership of some of these plantings sat with the local communities it would be helpful if Council would define and advise IFS as to the status of the 20 or so small blocks spread over Southland.

Mr Bourque commented on the overweight trucks coming out of some forestry blocks, asking if IFS staff would pass this issue on to carriers? He noted the cost of roading may outweigh forestry profit to Council. Mr Anderson would follow up on this with Mr Bourque.

Resolution

Moved Cr Bailey, seconded Cr Kremer **and resolved:**

That the Forestry Operations Committee:

- a) **Lies the report on the table until the 18 November 2015 meeting.**

7.2 Delegation of Authority to Sell Trees for Harvesting - Forestry Business Unit

Record No: R/15/8/14348

Mr Marshall spoke to the report noting the Forestry Committee delegation was recorded in the Delegation Register as:

- DELEGATION:**
- Power to Act:**
1. **To carry out any activity within the scope of the Annual Business Plan of the Forestry Business Unit.**
 2. To sell or otherwise dispose of any trees, logs, tree seeds, firewood or other forest produce, consistent with the directions of the Forests Management Plan.
 3. Establish and carry out any operations or industry relating to the felling, cutting, extraction, removal, conversion, manufacture, transport distribution or sale of forest produce.
 4. To engage the services of specialist consultants when appropriate.

It was the second point that was relevant to this report:

To sell or otherwise dispose of any trees, logs, tree seeds, firewood or other forest produce, consistent with the directions of the Forests Management Plan.

This delegation currently resides with the Committee and had not been sub-delegated to management.

The issue that arises because of the current delegation is the time constraint imposed because only the Committee can approve a sale (harvest) contract. A more responsive management methodology was required. In order for maximum returns to be gained from the sale of trees it was necessary to have a dynamic responsive process that will allow timely sales pitched to meet the market conditions.

The overall harvesting strategy is incorporated in the Forest Estate Management Plan and that is the guiding document for harvesting operations. This plan sets out the harvesting plan for each forest. The issue comes with putting that harvesting plan into operation. Under the current delegation regime it is necessary for a Forestry Committee meeting to be held in order to approve any individual sale. Given the interval between meetings this is not an efficient or practical way to operate. The sale process is a management function that is guided by the Estate Management Plan which is approved by the Forestry Committee acting in its governance role.

A key governance role of the Committee is to ensure the objectives of the business unit are met. The major objective is:

To carry out successfully the growing, harvesting and marketing of plantation forests so as to provide the best possible return for its owners.

In order to achieve this objective, harvesting operations need to be carried out at the optimal time to achieve the best financial return.

The management responsibility of the Forestry Business Unit sits with the Group Manager Services and Assets. It is logical then that the delegation to sell trees or other forest products is delegated to the Group Manager Services and Assets. You can think of the selling process as the equivalent process to procurement but in reverse. Instead of the process being about delegations to procure services in accordance with an approved plan what is needed is the equivalent delegations for sale of trees and other forest produce in accordance with the approved plan.

To ensure the Committee retains the overall control of the Forestry Unit the delegation should be framed in terms of complying with the adopted Forest Estate Management Plan and the wording of the Committee's delegated Power to Act in 2.2 above is concise and appropriate. In order to retain a solid link between the management action and the governance plan and to minimise the fraud risk, it would be appropriate to make the delegation a joint one between the Group Manager and the Chairman of the Forestry Committee.

The proposal that achieves the requirements discussed above is that the Group Manager Services and Assets and Forestry Committee Chairman jointly be delegated the power to act - to sell or otherwise dispose of any trees, logs, tree seeds, firewood or other forest produce, consistent with the directions of the current Forests Management Plan which has been approved by the Forestry Committee.

Cr Bailey commented he supported the proposal but wanted to see the full Committee being advised of any decisions made by the Group Manager Services and Assets and

the Forestry Committee Chairman. Cr Kremer said he supported the proposal but questioned if the Group Manager Services and Assets had the appropriate delegations of authority in Council? Mr Marshall responded his position had the authority for procurement up to \$1 million. The proposed delegation would give the authority to sell as per point 2 in the report. Cr Dillon suggested to add to the sub-delegation that consultation with a quorum of the Forestry Committee in making decisions. It was agreed to seek direction from the Council's Chief Executive on this.

Resolution

Moved Cr Kremer, seconded Cr Bailey

That the Forestry Operations Committee:

- a) **Receives the report titled "Delegation of Authority to Sell Trees for Harvesting - Forestry Business Unit" dated 20 August 2015.**
- b) **Determines that this matter or decision be recognised not significant in terms of Section 76 of the Local Government Act 2002.**
- c) **Determines that it has complied with the decision-making provisions of the Local Government Act 2002 to the extent necessary in relation to this decision; and in accordance with Section 79 of the Act determines that it does not require further information, further assessment of options or further analysis of costs and benefits or advantages and disadvantages prior to making a decision on this matter.**
- d) **Delegates the power to act to the Group Manager Services and Assets and Forestry Committee Chairman jointly - to sell or otherwise dispose of any trees, logs, tree seeds, firewood or other forest produce, consistent with the directions of the Forests Management Plan as approved by the Forestry Committee in consultation with the Chief Executive.**

Reports

8.1 IFS Growth Forest Manager's Report of Forestry Activity for the period to 30 June 2015

Record No: R/15/8/13399

Mr McKenzie noted the report was taken as read, noting the report covers activity over the three month period to 30 June 2015.

The grades on the chart on point 10 of the report 'Regional Log Price Summary' were queried. Mr McKenzie clarified P1 - pruned top grade log, A (5.8) - second un-pruned log, K(3.8) - third un-pruned log and Chip - rubbish. Mr Anderson noted the biggest fluctuation in price was in the lower quality grade.

Moved Cr Bailey, seconded Cr Kremer

and resolved that the Forestry Operations Committee:

- a) **Receives the report titled "IFS Growth Forest Manager's Report of Forestry Activity for the period to 30 June 2015" dated 3 August 2015.**

- b) **Determines that this matter or decision be recognised as not significant in terms of Section 76 of the Local Government Act 2002.**
- c) **Determines that it has complied with the decision-making provisions of the Local Government Act 2002 to the extent necessary in relation to this decision; and in accordance with Section 79 of the Act determines that it does not require further information, further assessment of options or further analysis of costs and benefits or advantages and disadvantages prior to making a decision on this matter.**

8.2 Financial Report to 30 June 2015

Record No: R/15/8/14907

Taken as read. Cr Kremer noted the healthy consolidated net surplus of \$1.8 million. Cr Dillon commented the expenditure for Dipton seemed low and asked if there was more to come? Mr McKenzie responded this was due to the roading budget, harvesting commissions and land preparation which was down \$20,000. However he also noted the income out of Dipton was less \$40,000.

There was discussion on the valuation which will come up in the Council's Annual Report. Mr McKenzie noted time and money had been spent on measuring the forestry. A change in the discount rate from 105 to 8.5 reflecting where IFS believe the market will sit. Mr McKenzie explained the discount rate is associated with the risk of data, the better quality of data the less of a discount is required. He commented good data gives a better predication for harvest. Independent Valuers will give a true picture of what is on the land being the same as what is on paper.

Moved Cr Dillon, seconded Cr Kremer

and resolved that the Forestry Operations Committee:

- a) **Receives the report titled "Financial Report to 30 June 2015" dated 20 August 2015.**

The meeting closed at 10.09 am

CONFIRMED AS A TRUE AND CORRECT
RECORD AT A MEETING OF THE FORESTRY
OPERATIONS COMMITTEE HELD ON

DATE:.....

CHAIRPERSON:.....