

Notice is hereby given that a Meeting of the Forestry Committee will be held on:

Date: Wednesday, 18 November 2015
Time: 9am
Meeting Room: Council Chambers
Venue: 15 Forth Street
Invercargill

Forestry Committee Agenda

OPEN

MEMBERSHIP

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

IN ATTENDANCE

Group Manager Ian Marshall
Services and Assets
Committee Advisors Fiona Dunlop and Alyson Hamilton

Contact Telephone: 0800 732 732
Postal Address: PO Box 903, Invercargill 9840
Email: emailsdcsouthlanddc.govt.nz
Website: www.southlanddc.govt.nz

Full agendas are available on Council's Website
www.southlanddc.govt.nz

Terms of Reference for the Forestry Committee

This committee is a committee of Southland District Council and has responsibility to:

- Monitor the operations of the Forestry Business Unit.
 - Oversee the development of an Annual Business Plan, Forestry Management Plans and a long term Strategic Plan for Council's forest estate structured on a sustainable yield basis.
 - Carry out any activity relevant to the Forestry Business Unit's operations and in accordance with the Annual Business Plan and Forest Management Plans.
 - Prepare an Annual Report of activities and performance compared to the Business Plan.
 - Ensure that the forest estate is managed to the best advantage of Council and in particular recognising the need to provide a consistent cash return to Council where at all possible.
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1 Apologies

At the close of the agenda no apologies had been received.

2 Leave of absence

At the close of the agenda no requests for leave of absence had been received.

3 Conflict of Interest

Committee Members are reminded of the need to be vigilant to stand aside from decision-making when a conflict arises between their role as a member and any private or other external interest they might have.

4 Public Forum

Notification to speak is required by 5pm at least two days before the meeting. Further information is available on www.southlanddc.govt.nz or phoning 0800 732 732.

5 Extraordinary/Urgent Items

To consider, and if thought fit, to pass a resolution to permit the committee to consider any further items which do not appear on the Agenda of this meeting and/or the meeting to be held with the public excluded.

Such resolution is required to be made pursuant to Section 46A(7) of the Local Government Official Information and Meetings Act 1987, and the Chairperson must advise:

- (i) The reason why the item was not on the Agenda, and
- (ii) The reason why the discussion of this item cannot be delayed until a subsequent meeting.

Section 46A(7A) of the Local Government Official Information and Meetings Act 1987 (as amended) states:

“Where an item is not on the agenda for a meeting, -

- (a) That item may be discussed at that meeting if-
 - (i) That item is a minor matter relating to the general business of the local authority; and
 - (ii) the presiding member explains at the beginning of the meeting, at a time when it is open to the public, that the item will be discussed at the meeting; but
- (b) no resolution, decision or recommendation may be made in respect of that item except to refer that item to a subsequent meeting of the local authority for further discussion.”

6 Confirmation of Minutes

6.1 Meeting minutes of Forestry Operations Committee, 26 August 2015

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:.....

Strategic Purpose of the Forestry Business Unit

Record No: R/15/11/20364
Author: Ian Marshall, GM - Services and Assets
Approved by: Ian Marshall, GM - Services and Assets

Decision Recommendation Information

Item 7.1

Purpose of report

- 1 The Committee at its meeting on 26 August 2015 resolved to lie the report on the table until the next meeting of the Forestry Operations Committee to be held on 18 November 2015.
- 2 The report that was to be considered is attached as attachment A. The recommendations contained in the report are unchanged and are now before the Committee for resolution.

Recommendation

That the Forestry Operations Committee:

- a) Receives the report titled “Strategic Purpose of the Forestry Business Unit” dated 10 November 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) Supports further development of the Forest Estate Management Plan to incorporate the issues of Recreational amenity, Sale and Acquisition, Local Support, Supporting Research and Management Support for Urban Plantings.

Attachments

- A Report to Forestry Operations Committee - 26 August 2015 - Strategic purpose of the Forestry Business Unit. [View](#)

Strategic purpose of the Forestry Business Unit.

Record No: R/15/8/14346
Author: Ian Marshall, GM - Services and Assets
Approved by: Ian Marshall, GM - Services and Assets

Decision Recommendation Information

Purpose

- 1 This report is intended to achieve clarity and confirmation about the strategic purpose of the Southland District Council Forestry business unit.

Executive Summary

- 2 The report discusses aspects of management of the forest estate and contemplates how the issues of Recreational amenity, Sale and Acquisition, Local Support, Supporting Research and Management Support for Urban Plantings should be managed.

Recommendation

That the Forestry Operations Committee:

- a) **Receives the report titled “Strategic purpose of the Forestry Business Unit. ” dated 18 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) **Supports further development of the Forest Estate Management Plan to incorporate the issues of Recreational amenity, Sale and Acquisition, Local Support, Supporting Research and Management Support for Urban Plantings**

Content

Background

- 3 The management of the Forestry business unit is outsourced to forestry consultants IFS Growth Ltd. In order to bring the management of the forestry business up to date it is necessary to redevelop the management contract for the forestry unit and then re-negotiate the contract with IFS Growth. This mandate was issued by the committee previously. Work began on the contract redevelopment by personnel from IFS and SDC. Working through the process it became evident that it was critical that the management contract aligned with the estate management plan and more particularly with the Council's overall objective for the Forestry unit.
- 4 This led to discussion about the strategic objective and the need to revisit the objective with the Committee to validate important assumptions. These assumptions will be the basis for the future management of the Forestry unit regardless of who is managing the business.
- 5 The longstanding primary objective for the SDC forestry activity (as per Mission Statement approved by Council on 2 May 1966) is:
- 6 ***To carry out successfully the growing, harvesting and marketing of plantation forests so as to provide the best possible return for its owners.***
- 7 This objective was endorsed again by the Council in 22 June 2000.
- 8 In the Business Plan for the year to 30 June 2008 presented to the Committee meeting on 26 September 2007;
- 9 *The primary objectives of management of the Council's forests are:-*
- *Production of wood products to maximise the return on the owner's funds - this means the production of the largest quantity of wood fibre of the highest quality for the least capital expenditure.*
 - *Management of the forest estate in a sustainable and environmentally friendly manner.*
- approved by the Forestry Committee on 14 May 1997; endorsed by Council 26 July 2006.
- 10 The Council's most recent long term document, the Council's 2015-2025 10 Year Plan states; "The primary reason for owning the forestry estate is to make money and pay a dividend to Council. This helps to keep rates down. Council is responsible for ensuring the forestry estate is managed sustainably, while also creating the best possible returns".
- 11 So clearly the primary objective is well established, understood and actively pursued.
- 12 What are less clear are the secondary objectives in particular the Committees and the Council's appetite for disposals (sale) or acquisition (enlarging the estate). What also is less clear is to what extent it is a purpose of the Forestry unit to support the local timber industry by making logs available to the processing plants in Southland. And if that is an objective to what extent, if any, is the committee prepared to trade-off nett profit for the sake of making logs available for the local wood processing infrastructure and plants.

- 13 What is also unclear is the priorities of associated benefits that can be derived from or delivered via the forestry activity such as;
- Landscape amenity
 - Recreational amenity
 - Hunting
 - Walking
 - Biking
 - Horse riding
 - Firewood collection
- 14 Other goals are captured in historic Forestry Business Unit business plans including;
- Supporting research
 - Management Support for Urban Plantings
 - Environmental sustainability
- 15 Issues**
- 16 There are a number of issues then that need to be guided by the direction of the committee.
- 17 Sale and Acquisition**
- 18 The Committee's direction is sought on the Council's appetite for disposals (sale) or acquisition (enlarging the estate). The principle that has operated in recent years is that sale of the estate is not being sought and likewise additions to the estate are not being sought. If however an unsolicited offer is forthcoming it will be presented to the Committee for decision whether to further analyse the offer. Is this principle still valid?
- 19 Local Support**
- 20 The Committee's direction is sought as to what extent is it a purpose of the Forestry unit to support the local timber industry by making logs available to the processing plants in Southland. Does the Committee accept that it will support the local timber processing industry by actively making a share of the harvest available to this market?
- 21 And if that is an objective to what extent, if any, is the committee prepared to trade-off nett profit for the sake of making logs available for the local wood processing infrastructure and plants? What reserve is to be placed on the harvest, in the form of a discount, to the local processing plants? It has to be realised that not always are there conflicts between local plants and other buyers as the log grades being produced only suit one or other of the markets. The discussion here relates to the situation where local and other markets are competing for the same log grades.
- 22 A suggested principle is that a reserve price is set that is the equivalent to the export market price and that the trees are offered to the local industry on the basis the tender price meets or exceeds the reserve.
- 23 Recreational Use**
- 24 The issues to be considered are to what extent if any are these activities to be permitted or not in the forest estate. The current regime has been to allow minimal activity other than the operations necessary for the operation of the commercial forest activity.

- 25 Regardless of what activity is required or proposed the number one priority must be the health and safety risks. To that end the commercial operations in the forest must be dominant in priority and no other activities can be permitted if and when it is in conflict with these operations.
- 26 Given that health and safety is paramount and that the forestry operations have priority it is still possible to contemplate that other activities be allowed or permitted in the forest estate.
- 27 The likely list includes;
- Recreational amenity
 - Hunting
 - Walking
 - Biking
 - Horse riding
 - Firewood collection
- 28 Hunting and firewood are permitted now on a very limited basis. IFS issue permits to people who have a history of operating in the area and are known as good operators. This permit system works for the honest operators and is a means of controlling unsafe operators.
- 29 The recreational activities will be more difficult to control. If these activities are to be allowed then they can be controlled by conditions notified via electronic social media such as web sites, facebook and twitter. The conditions can also be notified by signs at the forest entrances.
- 30 More work needs to be done on the detail of each of these opportunities for each of the forest areas. The Estate Management Plan 2013-3023 does not include discussion on these recreational activities. If the Committee provides general direction on the principle of allowing these activities then instruction can be given to consider which, when, where and how these activities can occur and be managed. The outcome of the process would be a new section in the plan that documents the findings and would be subject to adoption by the Committee.
- 31 The suggested approach is that recreational activity be permitted in the forests when and where it is practical and safe. In some forests eg Dipton, it may be appropriate there be no general recreational activity permitted. The Estate Management plan be amended to include a section for each forest on recreational activity.
- 32 Supporting Research**
- 33 This objective as included in the 2001 business plan and remained in place in subsequent plans. It would have been more actively pursued during the time when the Council employed and in house Forestry Manager. There are plantings in the Gowan Hills forest that are part of a clone series of seedlings. This indicates an historic level of support for that programme.
- 34 The Supporting Research objective should stay as part of the management strategy. However it should not be given a high focus nor have budget committed to it unless a business case is proposed and adopted for a specific programme.

35 Management Support for Urban Plantings

36 This activity relates to urban plantings, woodlots and plantations that are outside of the commercial forest estate. Typically these plantings are on small pieces of land such as reserves, cemeteries, unformed road. They all have some connection to the Council through ownership of the land or ownership of the trees being traced back to the Council, committee or sub-committee of Council.

37 The current management regime is that these lots are managed as and when requested by representatives of the owners. This is often the Area Engineer responsible for the area they are in.

38 Detail of these lots is variable. The current process requires that when advice is sought on one of these lots then the history of it is researched. The information is then compiled into an appendix in the Forest Estate Management Plan. IFS provide appropriate management, silviculture or harvesting services on a project by project basis. This is an entirely appropriate solution. After a number of years detail will have been gathered and compiled into the Plan. Until the data set is extensive it makes sense to manage each on an as needed basis.

Factors to Consider**Legal and Statutory Requirements**

39 Health and Safety in Employment Act 1992 has many provisions that are relevant to the operations in and the use of the Forest estate. The provisions of this Act will take precedence over any activity that may compromise safety.

40 The Councils Open Spaces Strategy does not specifically list the plantation forests as potential recreation areas but the areas are potential recreation areas and so the principles of the strategy should be considered;

41 PRINCIPLES

42 *The principles below underpin the way we will work to achieve the outcomes and vision set out in this strategy. We will:*

- *Involve the community in managing and maintaining open space*
- *Take the long view - consider future generations*
- *Make best use of the network of open space and assets that we already have*
- *Ensure we use our resources wisely and work within financial constraints*
- *Transparent and accountable decision making and management*
- *Work with partners and stakeholders to achieve outcomes*

Community Views

43 The Communities views have been sought through the development of the Open Spaces Strategy but they have not been specifically sought in relation to use of the plantation forests for recreational purposes.

Costs and Funding

44 No cost implication have been identified at this time.

Policy Implications

- 45 The current policy objective for the Forestry unit is discussed above. No change is proposed to that policy.
- 46 The Council' Procurement Policy although not directly relevant has some parallels in section 7.4 it discusses locally based suppliers in a procurement context. This has some relevance in a selling context too. The policy states;

47 **7.4 Locally Based Suppliers**

In maintaining the provision of goods and services in the long term, Council has an interest in ensuring that there is a viable and competitive market able to provide goods and services now and into the future. In some areas of procurement, this may mean ensuring the ongoing viability of locally based suppliers. Council also has an interest in the economic well-being of the District, under the Local Government Act 2002.

Council will, therefore, choose to procure goods and services from locally based suppliers where:

- *The value for money offered by the locally based supplier is at least as good as suppliers based outside the District or the province of Southland; and/or*
- *There is a need to ensure market capacity and capability in the long term; and/or*
- *Community will benefit from selection of local provider, through stronger commitment and/or local accountability.*

Council will also bundle its procurement in a manner that ensures locally based (smaller) suppliers are able to supply, where this is practical ie it is cost effective and does not compromise efficient management systems.

Analysis

Options Considered

- 48 The option is to consider how other activities should be allowed in the production forests or not.

Analysis of Options

Option 1 – Incorporate the issues of Recreational amenity, Sale and Acquisition, Local Support, Supporting Research and Management Support for Urban Plantings into the Forest Estate Management plan.

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> • Greater clarity for the Forest management personnel • Greater utilisation of the forest space. • Support for the local industry, 	<ul style="list-style-type: none"> • Potential risks to manage. • General public in the forests. • Easier access by the public creates the opportunity for illegal activities to occur.

Option 2 – Not allowing activities other than commercial forestry operations to be permitted in the production forest.

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> • The opposite of option 1 	<ul style="list-style-type: none"> • The opposite of option 1

Assessment of Significance

- 49 The issue is not significant in terms of the significance policy

Recommended Option

- 50 Allow activities other than commercial forestry operations to be permitted in the production forests

Next Steps

- 51 If the Committee resolves to allow in principle these activities occur then it will be a requirement for the Forestry management consultant to research the issue to inform the Committee of the activities and locations where they might be appropriate and how they might be controlled.
- 52 Upon approval by the Committee the consultant would draft appropriate sections for the next update of the Forest Estate Management plan to then be approved by the Committee.

Attachments

There are no attachments for this report.

Financial Report to 30 September

Record No: R/15/10/19030
Author: Ben du Mez, Graduate Accountant
Approved by: Ian Marshall, GM - Services and Assets

Decision Recommendation Information

Management Comment

The forestry business unit has had a slow start to the year in financial terms, due to no timber sales and as a result, minimal operational activities.

Expenditure for the year to date stands at \$150K, from a total budget of \$840K to year end. Major areas of expenditure so far have revolved around replanting operations at Dipton and Waikaia (\$77K), internal council rates, forest management and general maintenance.

The net position for the year stands at negative \$150K, which will quickly correct once the 2015/16 harvesting program begins. On a positive note export log prices are significantly up at the time of writing this summary.

Southland District Council Forestry

Percentage of the year to date: 25%

Statement of Financial Performance For the period ended 30 September 2015

	Year to Date Actuals	Annual Budget	Percentage of Annual Budget
Income			
Administration	-	-	0%
Dipton Forest	-	-	0%
Gowan Hills Forest	-	-	0%
Ohai Forest	-	1,300,000	0%
Waikaia Forest	-	852,057	0%
	-	2,152,057	0%
Less Expenditure			
Administration	23,163	93,011	25%
Dipton Forest	50,021	328,934	15%
Gowan Hills Forest	4,817	46,065	10%
Ohai Forest	12,080	179,313	7%
Waikaia Forest	59,690	193,123	31%
	149,772	840,445	18%
Net Surplus/(Deficit)	(149,772)	1,311,612	-11%
Plus/less Forestry Revaluation Surplus/(Deficit)	-	375,546	0%
Net Surplus/(Deficit) after forestry revaluation	(149,772)	1,687,158	-9%

**Statement of Changes in Equity
For the period ended 30 September 2015**

	Year to Date Actuals	Actual 30 June 2015
Total Equity at the beginning of the year	14,457,620	13,622,595
Increase/(Decrease) in Revaluation Reserve	-	-
Net Surplus/(Deficit)	<u>(149,772)</u>	<u>1,775,475</u>
Total Recognised Revenues and Expenses	14,307,847	15,398,070
<i>Other</i>		
Distribution of Dividend	-	940,450
	-	940,450
ENDING EQUITY	<u>14,307,847</u>	<u>14,457,620</u>

**Statement of Financial Position
As at 30 September 2015**

	Note	Year to Date Actuals	Actual 30 June 2015
<u>Equity and Reserves</u>			
Accumulated Funds		14,307,847	14,457,620
TOTAL EQUITY		<u>14,307,847</u>	<u>14,457,620</u>
<i>Represented by:</i>			
<u>Current Assets</u>		-	-
<u>Non Current Assets</u>			
Forestry Reserve	4	1,335,279	1,485,051
Emission Trading Units	2	776,519	776,519
Other Plant		11,920	11,920
Improvements		13,245	13,245
Land	5	839,885	839,885
Forestry	1	<u>11,331,000</u>	<u>11,331,000</u>
		14,307,848	14,457,620
NET ASSETS		<u>14,307,847</u>	<u>14,457,620</u>

**Notes to the Accounts
For the period ended 30 September 2015**

	Year to Date Actuals	Actual 30 June 2015
1 Forestry		
Opening Balance	11,331,000	11,220,000
Current Year Revaluation	-	111,000
Value of Forestry	11,331,000	11,331,000
2 Emission Trading Units		
<p>The Council is part of the Emissions Trading Scheme (ETS) for both its pre 1990 forests (mandatory participation) and its post 1989 forests (voluntary participation). Under the ETS, the Council is allocated New Zealand (NZUs). An initial free allocation of NZUs is provided in relation to pre 1990 forests. An annual allocation of NZUs is provided in relation to post 1989 forests as carbon is sequestered (from 1 January 2008). The Council accounts for NZUs allocated at a market value of \$6.80 per unit at 30th June 2015 (2014 \$4.15).</p>		
ETU, opening (July 2015)	114,194	
Received in 2015/2016 year	-	
Total, as at 30 June 2016	114,194	
Total value @6.80 market value	776,519	
3 Interest		
<p>Interest earned for the year to date has not been included. Interest allocation across Council's total investments is undertaken annually at year end.</p>		
4 Reserves	Year to Date Actuals	Actual 30 June 2015
Opening Balance	1,485,051	1,081,900
Plus Net Surplus/(Deficit) before revaluation	(149,772)	1,664,475
Capital Movements - Land Acq	-	-
Capital Movements - Others	-	-
Allocated Dividend	-	(940,450)
Interest	3	52,494
Less: Interest transferred to District Operations Reserve	3	(52,494)
Less: Emission Trading Scheme Credits Adjustment (non-cash)	-	(320,874)
Reserve Closing Balance	1,335,279	1,485,051
TOTAL RESERVE	1,335,279	1,485,051
Split:		
Forestry Reserve	100,000	503,151
Council Forestry Reserve	1,235,279	981,900
	1,335,279	1,485,051
	Year to Date Actuals	Actual 30 June 2015
5 Land		
Opening Balance	839,885	839,885
Purchase of Ohai	-	-
Value of Land	839,885	839,885

**Financial Breakdown by Department
For the period ended 30 September 2015**

<u>Forest Administration</u>	Year to Date Actuals	Annual Budget 2015/2016	Percentage of Annual Budget
Income			
Sales External	-	-	0%
	-	-	0%
Expenditure			
Consultants	16,549	70,000	24%
Fee - General	-	5,333	0%
Forestry Revln Deficit/(Surplus)	-	(375,546)	0%
Internal - Financial Services	3,263	13,052	25%
Internal - GIS	272	1,086	25%
Internal - Stationery	24	115	21%
Other Insurance	3,000	3,362	89%
Registration	31	31	100%
Vehicle Insurance	25	32	79%
	23,163	(282,535)	-8%
Net Operating Surplus/(Deficit)	(23,163)	282,535	-8%
Capital Movements			
Forestry Acquisition	-	375,546	0%
Transfer to Asst & Ser Council Forestry	-	723,266	0%
Transfer From Forestry RE	-	(1,416,277)	0%
Forestry Dividend Allocated	-	600,000	0%
	-	282,535	0%
	(23,163)	-	

**Financial Breakdown by Department
For the period ended 30 September 2015**

<u>Dipton Forest</u>	Year to Date Actuals	Annual Budget 2015/2016	Percentage of Annual Budget
Income			
Sales External	-	-	0%
	-	-	0%
Expenditure			
Access Roding	-	95,073	0%
Consultants	3,493	35,497	10%
Depn - Other Plant	6	24	25%
Harvest Commission	-	57,044	0%
Maintenance - General	(689)	1,113	-62%
Material Damage Insurance	3,737	3,482	107%
Purchase of Seedlings	16,490	33,000	50%
Rates	-	376	0%
Silviculture - Release Spraying	-	18,000	0%
Fire Protection	387	388	100%
Silviculture - Pruning	-	10,025	0%
Tree Planting	20,548	35,000	59%
Internal Rates Expense	6,049	6,018	101%
Land Preparation	-	33,894	0%
	50,021	328,934	15%
Net Operating Surplus/(Deficit)	(50,021)	(328,934)	15%
Capital Movements			
Add Back Non Cash Depn	(6)	(24)	25%
Transfer to Forestry RE	-	(328,910)	0%
	(6)	(328,934)	0%
	(50,015)	(0)	

**Financial Breakdown by Department
For the period ended 30 September 2015**

<u>Gowan Hills Forest</u>	Year to Date Actuals	Annual Budget 2015/2016	Percentage of Annual Budget
<u>Income</u>			
Sales External	-	-	0%
	-	-	0%
<u>Expenditure</u>			
Consultants	-	5,169	0%
Fire Protection	686	533	129%
Maintenance - General	(100)	1,521	-7%
Material Damage Insurance	882	822	107%
Rates	-	189	0%
Silviculture - Pruning	-	34,500	0%
Internal Rates Expense	3,349	3,331	101%
	4,817	46,065	10%
Net Operating Surplus/(Deficit)	(4,817)	(46,065)	10%
<u>Capital Movements</u>			
Transfer to Forestry RE	-	(46,065)	0%
	-	(46,065)	0%
	(4,817)	-	

**Financial Breakdown by Department
For the period ended 30 September 2015**

<u>Ohai Forest</u>	Year to Date Actuals	Annual Budget 2015/2016	Percentage of Annual Budget
<u>Income</u>			
Sales External	-	1,300,000	0%
	-	1,300,000	0%
<u>Expenditure</u>			
Access Roding	-	14,612	0%
Consultants	-	13,477	0%
Fire Protection	1,178	854	138%
Harvest Commission	-	10,959	0%
Land Preparation	-	33,000	0%
Maintenance General	-	10,389	0%
Material Damage Insurance	1,493	1,212	123%
Purchase of Seedlings	-	8,500	0%
Rates	-	543	0%
Silviculture - Pruning	-	62,417	0%
Silviculture - Release Spraying	-	4,500	0%
Tree Planting	-	8,300	0%
Internal Rates Expense	8,942	8,680	103%
Depn - Other Plant/Improvement	467	1,870	25%
	12,080	179,313	7%
Net Operating Surplus/(Deficit)	(12,080)	1,120,687	-1%
<u>Capital Movements</u>			
Add Back Non Cash Depn	(467)	(1,870)	25%
Transfer to Forestry RE	-	1,122,557	0%
	(467)	1,120,687	0%
	(11,613)	-	

**Financial Breakdown by Department
For the period ended 30 September 2015**

<u>Waikaia Forest</u>	Year to Date Actuals	Annual Budget 2015/2016	Percentage of Annual Budget
Income			
Sales External	-	852,057	0%
	-	852,057	0%
Expenditure			
Access Roothing	-	14,235	0%
Consultants	3,654	19,552	19%
Fire Protection	1,410	1,194	118%
Forest Inventory	-	4,060	0%
Harvest Commission	-	61,724	0%
Land Preparation	-	30,000	0%
Maintenance - General	-	5,805	0%
Material Damage Insurance	8,089	7,537	107%
Purchase of Seedlings	18,141	14,235	127%
Rates	-	363	0%
Tree Planting	21,496	16,700	129%
Silviculture - Pruning	-	2,000	0%
Silviculture - Release Spraying	-	8,611	0%
Internal Rates Expense	6,788	6,841	99%
Depn - Other Plant	67	266	25%
	59,690	193,123	31%
Net Operating Surplus/(Deficit)	(59,690)	658,934	-9%
Capital Movements			
Add Back Non Cash Depn	(67)	(266)	25%
Transfer to Forestry RE	-	659,200	0%
	(67)	658,934	0%
	(59,624)	-	



Reece McKenzie
FOREST MANAGER
IFS GROWTH

Recommendation

That the Forestry Operations Committee:

- Receives the report titled "Financial Report to 30 September" dated 10 November 2015.

Attachments

There are no attachments for this report.

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

Record No: R/15/10/19064
Author: Ian Marshall, GM - Services and Assets
Approved by: Ian Marshall, GM - Services and Assets

Decision Recommendation Information

Report Summary

- 1 The IFS Growth Forest Manager's Report advises of forestry activity for the period to 30 September 2015.

Southland District Council Forestry Activity

- 2 The IFS Growth Forest Manager's report received is attached.

Recommendation

That the Forestry Operations Committee:

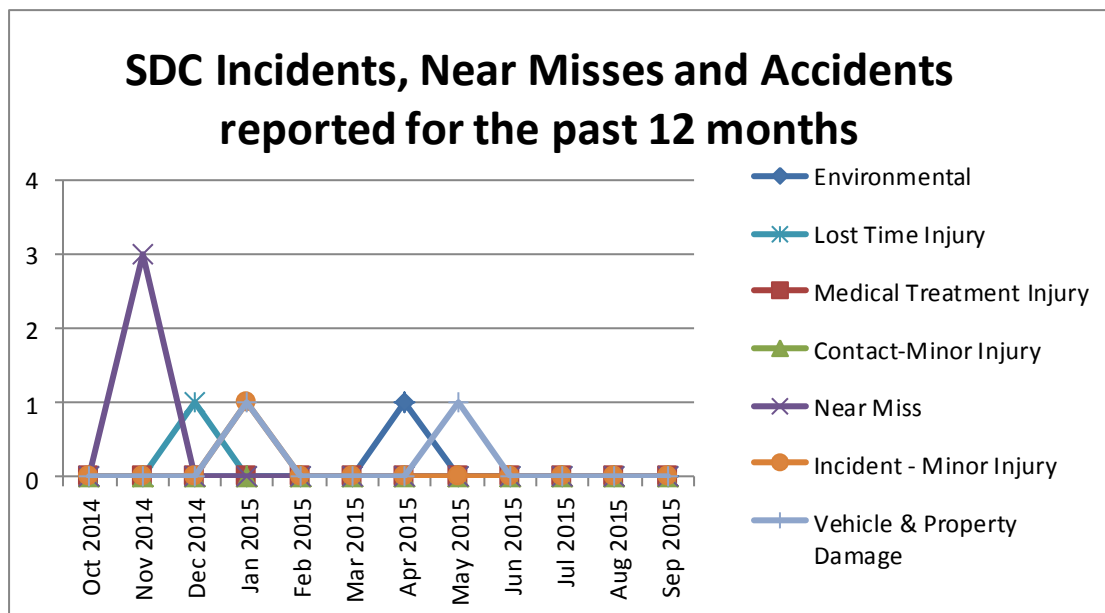
- a) Receives the report titled "IFS Growth Forest Manager's Report of Forestry Activity for the period to 30 September 2015" dated 10 November 2015.
- b) Determines that this matter or decision be recognised as not significant in terms of Section 76 of the Local Government Act 2002.
- c) Determines 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.

Attachments

- A Report to Forestry Operations Committee - 18 November 2015 - IFS Growth Forest Manager's Report of Forestry Activity for the period to 30 September 2015 [View](#)

This note covers activity over the three month period to 30 September 2015, since the last formal meeting on 26 August 2015.

1. Health and Safety



Reported incidents past 12 months = 8

This period = 0

Forestry works for this period have employed three contractors including:

- Planting - Dipton and Waikaia (2),
- General maintenance activities (1).

From a health and safety perspective all of these operators (including IFS Growth staff supervisors) require pre-operation induction, forest specific hazards and regular supervision to ensure all safe practices are being carried out.

Hazard Management

IFS Growth continues to actively identify and manage hazards in Southland District Council's forests. From a health and safety perspective anyone (including IFS Growth staff and landowners, or their representatives) entering a forest (that we manage) should ensure that they have a list of hazards for that forest prior to entering the forest. IFS Growth can be contacted at any time for requests for an up to date hazard map and/or list for Southland District Council's forests.

Active hazard management during this period has included:

IFS Forest Group Site Specific Hazard Register											
Hazards Identified	Site name	Site/Job Specific	General or Environmental	Potential Harm	Significant Hazard	EHM	Hazard Controls	Corrective Action	Hazard Control Review		
Extremely slippery track	Waikaia	Site	General	Serious harm and vehicle damage	Yes	E	Dusted aggregate needs to be applied to this section of the road. Conditions need to dry out first before doing this.	Drive up this track, not down. Closed to towing. Marked on all maps	9092014	Discussed at H&S committee meeting on 16/5/14. Need to wait until track is dry before graveling. In interim road to be closed off top and bottom - Harish to complete	Road closed via warrants and signage as of 10/6/15 until road is repaired.
Bluff/Waterfall/Drop Off in east of forest	Dipton	Site	General	Serious harm	Yes	M	Awareness. Stay away from area.	Put in GEO and hazard ID. Do not replant too close to bluff	1092015		
Tree in river causing log jam	Waikaia	Site	Environmental	Property Damage	Yes	E	Tree toppled in Dome Burn River causing log jam	Tree debris to be removed before down stream damage to bridge and other property occurs.	9102015	Local contractor has been organised with digger. Awaiting for flow to drop to remove tree safely	

2. Re-establishment

Planting of harvested areas (89 ha) at Dipton and Waikaia was completed during August, with an average stocking of 1,230 stems per hectare achieved. These sites are now awaiting an improvement in the weather for post plant release spraying.

3. Harvesting

There was not any harvesting activity during this quarter, with the 2015/2016 sales yet to be confirmed.

There is 40,000 tonnes scheduled to be harvested this year, with approximately 31,000 tonnes from Dipton and 9,000 tonnes from Ohai. There is also some roadline harvesting to occur in Waikaia as road preparation for next season harvest.

4. Roothing

There has been no roading activity during this period.

5. Silviculture

All planned tending areas have been visited, assessed and priced up for the coming season. Whilst this is still to be approved the programme includes an area of 134 hectares in Ohai, Gowan Hills and Dipton.

6. Forest Health

There are no forest health issues to report.

7. Weed Control/Maintenance

There has been minor maintenance during this period. Activities have included:

- Roadside and boundary spray at Ohai
- Hazard fencing off at Waikaia and batteries for security cameras.

A security camera has been replaced under warranty recently.

8.

Security and Trespassing

Hunting permits are currently not being issued for Southland District Council's forests.

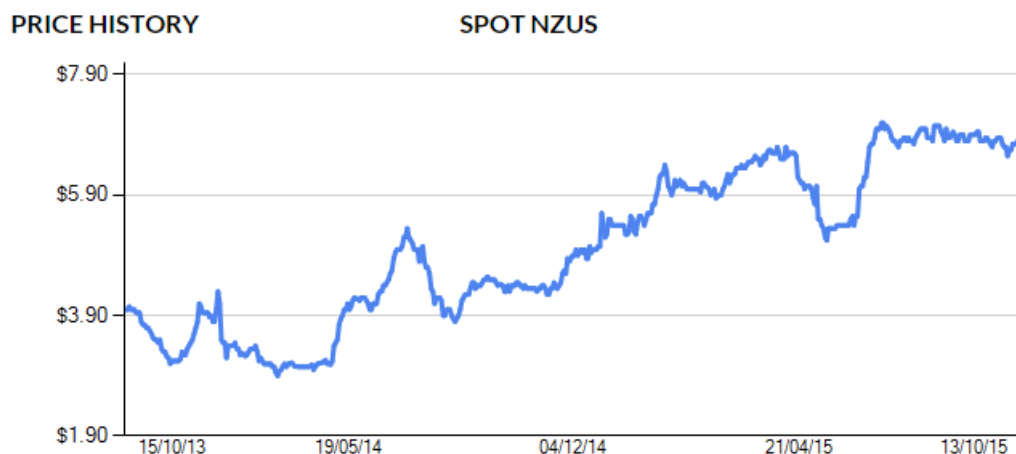
Other permits issued during this period have included:

- Aerial pig shooting for TB monitor at Gowan Hills
- Ground TB operations at Gowan Hills and Ohai
- Farm forestry visit during August at Dipton
- Walking permit at Gowan Hills.

9. The Emissions Trading Scheme

- The Council's Post-1989 forest areas (129.2 ha) = 31,280 NZU
- The Council's pre-1990 forest areas (1,384 ha) remain at 82,914 NZU. Current value = \$580K.

The NZU market remains around the \$7 mark on light trading.



Source: OMF Financial (22/10/15)

10. Log Prices

Domestic Log Prices

Domestic log prices continue to improve. A per tonne return on a pruned log is now 11% up on three month ago. A mill saw log (S & L) is also currently trading favourably at \$88/t compared to the equivalent export A grade at \$73/t.

Export Prices

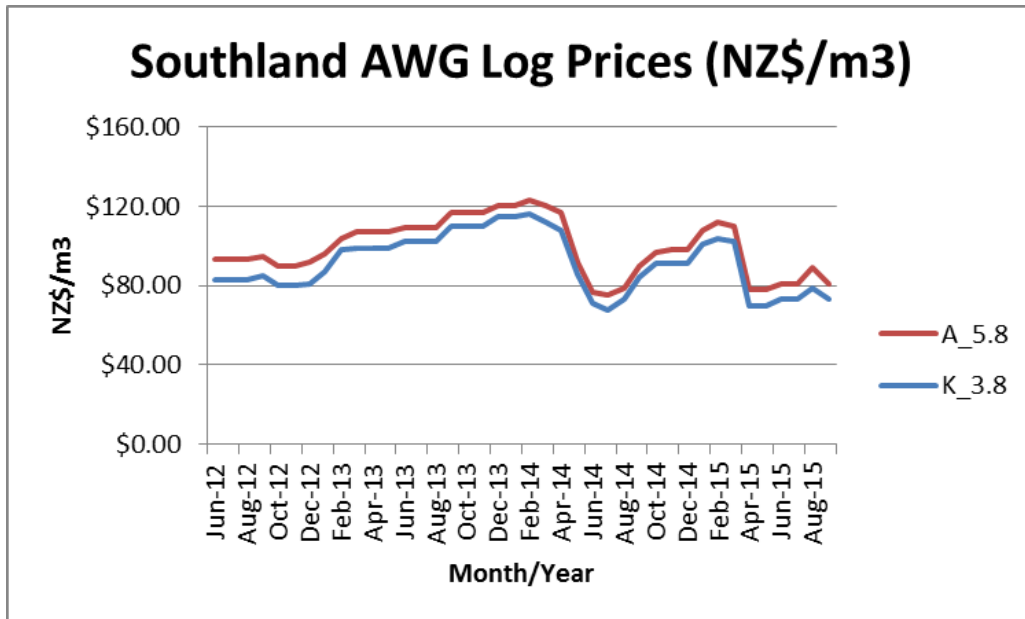
Export prices have continued to remain week up through September. However there has been some good news this week (October) suggesting an increase in the market.

"New Zealand export log prices increased this month as inventories reduced on Chinese ports with lower volumes and a pick-up in demand. Reduced inventories on Chinese ports to 3 million cubic metres at last count, down from 4.7 million cubic metres in August, is underpinning prices".

Regional Log Price Summary

Southland Log Prices Sept 2015 NZ\$/tonne delivered to mill or wharf						
Grade	Price Point	This Month	Last Month	3 months ago	1 year ago	2 year ago
P1	Domestic	155	155	140	140	130
A (5.8)	Export	73	80	73	81	105
K (3.8)	Export	64	70	64	74	97
Chip	Domestic	47	47	47	47	47

Source: IFS Growth Dataset



11. Revenues and Expenditure

The financial contribution remains quiet with minimal operational activities and no timber sales in this past quarter. The total direct spend for the YTD is \$120K.

Reece McKenzie B.Com Ag, Dip. For
 Forest Manager/Carbon Business Manager
IFS Growth Limited - Living, Breathing Investments