

Ashburton District Council

AGENDA

Notice of Meeting:

A meeting of the Ashburton District Council will be held on:

Date: Wednesday 19 May 2021

Time: 1.00pm

Venue: Council Chamber

Membership

Mayor	Neil Brown
Deputy Mayor	Liz McMillan
Members	Leen Braam Carolyn Cameron John Falloon Rodger Letham Lynette Lovett Angus McKay Diane Rawlinson Stuart Wilson

Meeting Timetable

Time	Item
1pm	Meeting commences
1.15pm	SPARK – presentation on technology changes - Leela Gantman (Corporate Relations Manager)
2.30pm	Canterbury DHB - Berni Marra (Manager Ashburton Hospital & Health Services)
3.30pm	Rural Transport Ltd – Mark Wareing [public excluded]

1 Apologies

2 Extraordinary Business

3 Declarations of Interest

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

Minutes

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Reports

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9	Dog Control – Fees & Charges for Registration Period 1/07/21 – 30/06/22	17
10	Section 17A Review of Forestry	21
11	Financial Variance Report – 31/03/21	Attached
12	Mayor’s Report	57
13	Councillor Reports <i>[no items in this reporting period]</i>	

Business Transacted with the Public Excluded

14	Council – 5/05/21 <ul style="list-style-type: none"> • Freeholding Glasgow lease Section 7(2)(h) Commercial activities • Sale of Forestry land Section 7(2)(h) Commercial activities [Now in open meeting] <ul style="list-style-type: none"> • Contract ROAD0205 – Sealed road rehabilitation procurement • EA Shareholders Committee appointments 	PE 1
15	Library & Civic Centre PCG – 4/05/21 Section 7(2)(h) Commercial activities	PE 3
16	Caring for Communities Welfare Recovery Group – 20/04/21 Section 7(2)(a) Protection of privacy of natural persons	PE 7
17	Ashburton Airport Authority Subcommittee – 10/05/21 Section 7(2)(h) Commercial activities	PE 9

4. Council Minutes – 5 May 2021

Minutes of the Council meeting held on Wednesday 5 May 2021, commencing at 1.00pm, in the Council Chamber, 137 Havelock Street, Ashburton.

Present

His Worship the Mayor Neil Brown; Deputy Mayor Liz McMillan; Councillors Leen Braam, Carolyn Cameron, John Falloon, Rodger Letham, Angus McKay, Diane Rawlinson and Stuart Wilson.

In attendance

Hamish Riach (Chief Executive), Paul Brake (GM Business Support), Jane Donaldson (GM Strategy & Compliance), Neil McCann (GM Infrastructure Services), Sarah Mosley (Manager People & Capability), Ruben Garcia (Communications Manager) and Phillipa Clark (Governance Team Leader).

Staff present for the duration of their reports: Andrew Guthrie (Assets Manager), Brian Fauth (Roading Manager), Jeremy Lambert (Roading Engineer), Rachel Sparks (Finance Manager), Janice McKay (Welcoming Communities Advisor), Colin Windleborn (Commercial Manager) and Michelle Hyde (Property Officer).

Presentations

SPARK (postponed)

Bancorp Treasury – 2.03pm to 2.40pm

ACL – 3.50pm – 4.36pm.

1 Apologies

Cr Lynette Lovett (lateness – 1.31pm) Sustained

2 Extraordinary Business

Nil.

3 Declarations of Interest

Items 15 and 17: Cr Falloon gave notice that he would withdraw from the debate and decision.

4 Confirmation of Minutes – 21/04/21

That the minutes of the Council meeting held on 21 April 2021, be taken as read and confirmed.

McMillan/Cameron Carried

5 Youth Council – 14/04/21

That Council receives the minutes of the Youth Council meeting held on 14 April 2021.

Rawlinson/Cameron Carried

6 Council Appointment – Refugee Resettlement

That Council appoints Cr Carolyn Cameron to chair the Ashburton Refugee Resettlement Steering Group.

McMillan/Braam Carried

7 Proposed Consent Conditions – Cracroft Stockwater Consent

The Assets Manager advised that there has been a temporary decommissioning of the facility but officers have since taken steps to ensure that if the old race is flooded, water wouldn't continue down the race and flood property. Some upcoming work is required to avoid issues for landowners and the race closure will be formalised.

Clarification was sought on the arrangements that Council has with its consent to take stockwater through the RDR at Klondyke. The Assets Manager explained that the agreement with RDR is complicated but, apart from the ongoing Klondyke supply, there are particular events (such as drought) where additional water can be extracted for stockwater.

Council heard that the low flow restriction will have little impact as the demand in this location is operating well below the limits.

Council generally agreed that the proposed changes are in keeping with the Rangitata Conservation Order, although there was some concern that this decision may create a precedent where stockwater extraction is reduced in favour of other uses.

That Council accepts the inclusion of 'low flow' conditions in CRC212909, as described in Option 1 of this report.

McKay/Braam

Carried

Cr Wilson recorded his abstention.

8 Local Government (Rating of Whenua Maori) Amendment Act

Cr Lovett attended the meeting at 1.31pm.

That Council receives the Local Government (Rating of Whenua Maori) Amendment Act report.

McMillan/Rawlinson

Carried

9 Proposed LGNZ Remit – Fireworks

That Council supports the remit proposal from Waimakariri District Council and recommends that it be submitted to Local Government New Zealand for consideration at the Annual General Meeting on 17 July 2021.

Braam/Rawlinson

Carried

10 Mayor's Report

• ECan LTP

The Mayor reported that he and the Deputy Mayor presented Council's submission to ECan's Long Term Plan yesterday, highlighting the key concerns of Council in response to the proposed rate increase and expressing disappointment that there were no ECan-led community meetings held in Ashburton. The submission acknowledged the funding ECan provides for the Total Mobility and the Community Vehicle Trust schemes.

• District slogan

The Mayor sought direction from Council on whether the district's branding and slogan needs review, noting that public comment on the existing slogan is currently being promoted through various media.

The need for a slogan wasn't fully supported, but Council agreed that discussion on this matter would be more appropriately progressed through a workshop. Councillors speaking in support of revamping the slogan commented that public feedback should be sought on suggested branding and/or a slogan that reflects the whole district.

That Council undertakes a workshop to examine the existing slogan and associated matters.

Cameron/Falloon

Carried

• **Local Government review**

The Chief Executive responded to questions about the review announcement. He advised that the sector has been advocating for overarching consideration of the future for local government that, ideally, would lead the other reforms (3Waters and RMA in particular). How this will look will need to be a conversation between central and local government, and iwi.

Council noted that Jim Palmer, former CE of Waimakariri DC, will chair the review committee.

That Mayors report be received.

Braam/Falloon

Carried

11 Councillor Reports

That the Deputy Mayor's report be received.

Mayor/Cameron

Carried

12 Bancorp Treasury Report

Miles O'Connor presented an overview of the service Bancorp is providing to Council through funding and interest rate risk management advice.

The presentation showed Council's debt majority profile for the long term (to 2028). Analysis has been done on longer hedging, and this shows a cost. To achieve balance and give reasonable certainty, the 8-9 year period is an appropriate maximum.

Comment on the 3Waters reform shows this could reduce local government debt, but at this stage it's not known what form that will take.

There's expectation that the OCR will rise next year and increased interest rates are pre-empted.

Miles was thanked for his attendance and the presentation concluded at 2.40pm.

That the Bancorp report be received.

Cameron/Lovett

Carried

Business transacted with the public excluded – 2.41pm

That the public be excluded from the following parts of the proceedings of this meeting, namely – the general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under Section 48 (1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

Item No	General subject of each matter to be considered:	In accordance with Section 48(1) of the Act, the reason for passing this resolution in relation to each matter:	
13	Council 21/04/21 <ul style="list-style-type: none"> Library & Civic Centre PCG <p>[now in open meeting]</p> <ul style="list-style-type: none"> Contract REFU0026 – Ashburton RRP Ashburton streetscapes renewal Library & Civic Centre probity role 	Section 7(2)(h)	Commercial activities
14	Contract ROAD0205 – sealed road rehabilitation procurement	Section 7(2)(h)	Commercial activities
15	Freeholding Glasgow Lease	Section 7(2)(h)	Commercial activities
16	Sale of Forestry Land	Section 7(2)(h)	Commercial activities
17	Electricity Ashburton Shareholders Committee	Section 7(2)(a)	Protection of privacy of natural persons

18	CE 6 month Performance Report	Section 7(2)(a)	Protection of privacy of natural persons
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Braam/Wilson

Carried

Business transacted with the public excluded now in open meeting

- **Contract ROAD0205 – sealed road rehabilitation procurement**

That Council approve the deviations to the Ashburton District Council Transportation Procurement Strategy allowing Price Quality Method to be used as the supplier selection method, and the contract duration to be two years for Contract ROAD0205 – Sealed Road Rehabilitation Rural.

Falloon/Braam

Carried

- **EA Networks Shareholder Committee**

1. **That** Council reappoints Anne Marett for a further three-year term until June 2024; and David Ward for a further two-year term until June 2023.

2. **That** an appointments committee be set up consisting of the Mayor or Deputy Mayor and the Chair of the shareholders' Committee to undertake the process of identifying a suitable additional shareholder appointment and recommending that appointment to the Council.

McMillan/McKay

Carried

The meeting concluded at 4.50pm.

Confirmed 19 May 2021

MAYOR

5. Methven Community Board – 3 May 2021

Minutes of the Methven Community Board meeting held on 3 May 2021, commencing at 10.30am, in the Mt Hutt Memorial Hall Boardroom, 160 Main Street, Methven.

Present

Dan McLaughlin (Chairman), Kelvin Holmes, Ron Smith, Sonia McAlpine, Richie Owen, Cr Rodger Letham and Cr Liz McMillan.

In attendance

Neil McCann (Group Manager Infrastructure Services) and Clare Harden (Community Administration Officer).

1 Apologies

Mayor Neil Brown

Smith/McAlpine

Sustained

2 Extraordinary Business

Nil.

3 Declarations of Interest

Nil.

4 Confirmation of Minutes

That the minutes of the Methven Community Board meeting held on 15 March 2021, be taken as read and confirmed.

Smith /McMillan

Carried

Public Forum

Mt Hutt College Students – Methven Dog Park

Layla Manning, Maddie Webb, Sienna McGinity and Estella Lister From Mount Hutt College presented on their school project to add entertainment equipment to the Methven Dog park. They have talked to the Council Animal Officer and Open Spaces on this topic. The Council has given feedback on the best placement for mowing etc. Once final plans have been signed off, the students will be making the obstacles in a local workshop and then installing.

5 Activity Reports

That the reports be received.

McAlpine/Owen

Carried

5 Community Services

5.1 Methven Townsperson

A new Methven Townsperson has been appointed. This person is based in Ashburton. Having this role report to the Open Spaces Depot at the start of the day and having additional support available is working well.

7 Infrastructure Services

7.1 Roading

- **Tiled footpath cleaning**

Special cleaning of tiled footpaths has been done. The Board recommends to have the sloped areas and areas under trees (Oak tree outside medical centre) to be done twice a year, all other areas once a year.

Re-grassing of berms was raised. This is an ongoing issue and the Board have asked for the Assets Team to follow up.

6.2 Strategy & Policy

Long Term Plan Submissions coming up.
MCB speaking on the MCB Submission at 1.20pm on 11 May.

The meeting concluded at 11.30am.

Dated 14 June 2021

_____ **Chairman**

Ashburton District Road Safety Co-ordinating Committee



4 May 2021

6. Road Safety Co-ordinating Committee – 4/05/21

Date: 4 May 2021
Venue: Council Chamber, 137 Havelock Street, Ashburton
Time: 1.30pm

1 Welcome and Apologies

That apologies for absence be received on behalf of Mayor Neil Brown, Daniel Naude (South Canterbury Road Safety), Bevan Findlay (FENZ) and for early departure for Cr McMillan (1.55pm)

Skevington/Symington

Carried

Present:

Lynette Lovett (Chair)	ADC Councillor	Andrae Gold	ACADS
Liz McMillan	ADC Councillor	Lesley Symington	Safer Mid Canterbury
Diane Rawlinson	ADC Councillor	John Skevington	AA
John Keenan	Waka Kotahi/NZTA	Shane Cochrane	NZ Police – Commercial Vehicle
Sean Nilsson	Waka Kotahi/NZTA	Steve Bergerhout	NZ Police – State Highway

2 Notification of Extraordinary Business

Nil.

3 Confirmation of Minutes

That the minutes of the Ashburton District Road Safety Coordinating Committee meeting held on 2 February 2021, be taken as read and confirmed.

Rawlinson/McMillan

Carried

4 Reports/Agency Updates

4.1 Ashburton District Road Safety

Martin Lo – report circulated

Speed Limit Review

It had been noted that there were a number of speed limited signs around the Bridge Street, Seafield Road, Glassworks Road, South Park Road area that had not yet been updated. Contact is to be made with HEB to get these updated asap.

4.2 Automobile Association

John Skevington – report circulated

4.3 Waka Kotahi New Zealand Transport Agency

John Keenan – report circulated

- Work on the upgrade to SH1 Walnut Avenue intersection is scheduled to commence in late June
- A safe crossing point is scheduled to be constructed on SH77 between the Mitre 10 carpark and the New World supermarket
- The need for a safe crossing point on Archibald Street, between Wilkin Road and the bridge to enable people to safely cross the road when heading north was raised. The Roothing team will put a formal request to Waka Kotahi to enable this to be included in their LTP.

Liz McMillan departed the meeting at 1.55pm

4.4 Police

- Traffic incidents have increased at the Cass and Havelock Street intersection since the removal of the roundabout.
- Currently awaiting a traffic engineers report following a recent audit. Give way signs will be made bigger in the interim.

4.5 Safer Mid Canterbury

- Community Transport Service is operational however demand is low.
- Investigations are being undertaken to make the service more flexible to meet needs

4.6 ACADS

- On going promotion of Police and Waka Kotahi road safety advertising and promotions
- Offering one on one assessment and treatment for those with DUI and alcohol interlocks as insufficient numbers for group sessions

4.7 Terms of Reference

That the updated terms of reference be received and adopted.

Rawlinson/Gold

Carried

6 Next Meeting Date

The next meeting date is Tuesday 3 August 2021 at 9.30am

Meeting closed at 2.20pm

7. Ashburton Airport Authority Subcommittee

Minutes of the Ashburton Airport Authority Subcommittee meeting held on Monday 10 May 2021, commencing at 1.03pm, in the Council Chamber, 137 Havelock Street, Ashburton.

Present

Mayor Neil Brown and Councillors Leen Braam (Chair), Rodger Letham and Lynette Lovett.

In attendance

Zane Adam (Property Officer) and Phillipa Clark (Governance Team Leader).

1 Apologies

Nil.

2 Conflict of Interest

Nil.

3 Notification of Extraordinary Business

Nil.

4 Confirmation of Minutes

That the minutes of the Ashburton Airport Authority Subcommittee meeting, held on 19 October 2021, be taken as read and confirmed.

Letham/Lovett

Carried

5 Airport Activity updates

- **Hangar space**

The Subcommittee agreed that potential revenue, due to increased demand for hangar space, will need to be balanced with a need to ensure room for aircraft to manoeuvre safely.

A map was tabled showing an area to the west of the airfield where there's space for two or three additional hangars. Access is available and the distance from the road reserve will be taken into account. Land to the immediate north of the Aviation Museum also has room for several more large hangars.

As part of wider consultation on the Ashburton Airport Development Plan the Airport Users Group will be included in discussions on hangar location, including the possibility of providing an area with road access from Murdochs Road.

The Airport Users Group will be meeting on Tuesday 25 May, at 7pm in the Council Chamber. The meeting will be open to the public.

- **Lease agreements**

The Subcommittee asked how soon the general rate contribution towards the airport rentals can be reduced.

Zane reported that lessees currently meet around 66% of the market rental rate – \$6/m² commercial and \$4/m² recreational. (*Market rates are \$9/m² commercial and \$6/m² recreational*).

The 10 year lease agreements at the Airport are on a three year review cycle and there are no lessees paying a commercial rate currently.

The Subcommittee generally agreed that all leases should be taken straight to market value, but acknowledged the review process will need to be followed for existing lease agreements.

Recommendation to Council

That Council requires that the full market rates be applied to all new leases at the Ashburton Airport.

Mayor/Lovett

Carried

Business transacted with the public excluded – 1.36pm

That the public be excluded from the following parts of the proceedings of this meeting, namely – the general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under Section 48 (1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

Item No	General subject of each matter to be considered:	In accordance with Section 48(1) of the Act, the reason for passing this resolution in relation to each matter:	
5	Skydiving activity	Section 7(2)(h)	Commercial activities

Lovett/Letham

Carried

The Subcommittee resumed in open meeting and concluded at 2pm.

8. Street Plaques to Highlight History of Ashburton

Author *Steve Fabish; GM Community Services*
General manager *Hamish Riach; Chief Executive*

Summary

- The purpose of this report is to provide Council with options to consider for the promotion of the history of Ashburton into the town centre.
- Council asked staff to prepare a pre-scoping report on incorporating street plaques highlighting the history of Ashburton into the town centre.
- Currently there are two main community organisations with interest in promoting the history of Ashburton into the town centre; Historic Places Mid Canterbury and Ashburton Museum & Historical Society Inc.
- Staff have identified several options for Council to consider including status quo, minimal support, Council facilitate a working party and Council undertake other promotional projects.
- Staff are seeking Council direction on whether or not it wishes to proceed with supporting the promotion of the history of Ashburton into the town centre.
- If Council does support promotion, which option does it support? This will allow staff to undertake further investigation work and report back to Council.

Recommendation

- 1. That** Council provides direction on whether or not it wishes to proceed with supporting the promotion of the history of Ashburton into the town centre, and
- 2. That** if Council does support promotion, which option it supports.

Background

The current situation

1. At the 4 February 2020 Town Centre Subcommittee meeting, the concept of street plaques to highlight the history of Ashburton was raised and discussed.
2. From this discussion, the Subcommittee recommended to Council that staff prepare a pre-scoping report on incorporating street plaques highlighting the history of Ashburton in the town centre. This recommendation was adopted by Council at their 28 February 2020 meeting.
3. Due to the onset of COVID-19 and the arrival and establishment of the new GM-Community Services Manager, this item was not progressed until early 2021.
4. There are currently two main community organisations with interest in promoting the history of Ashburton into the town centre. Historic Places Mid- Canterbury and Ashburton Museum & Historical Society Inc.
5. Staff have met with both organisations to discuss this and obtain an understanding of their current and future plans for promoting the history of Ashburton into the township.
6. One of Historic Places Mid Canterbury's current and future projects is to identify and promote the existing historical buildings significant to the development of the town and district. They work with owners of identified key buildings to gain permission to display their blue plaques where public can view them. They have funding for this project.
7. Ashburton Museum & Historical Society Inc. has discussed the desire to work with Council to research, develop and install interpretive panels along sections of East Street green space, displaying images of historical buildings significant to the development of the town, that are no longer present. This project is still in its early stages of development. They have indicated that they have some funding for this project.
8. Both Historic Places Mid Canterbury and Ashburton Museum & Historical Society Inc. have expressed a desire to work together and with Council as a joint project to further promote the history of Ashburton into the town centre.

Options analysis

9. In the prescoping process, staff have identified several options for Council to consider.

Option one –Status Quo.

10. Historic Places Mid Canterbury are continuing with their project, with minimal support needed from Council.
11. Ashburton Museum & Historical Society Inc. have not progressed to a high degree their project of wanting to install interpretive panels along sections of East Street green space. Assistance and approval will be required from Council to support this project.

Option two –Minimal Support

12. Council engages with Ashburton Museum & Historical Society Inc. to better understand their project and assist by providing guidance on what is required for approval stages.

Option three –Council Facilitate a Working Party

13. Council, Historic Places Mid Canterbury and Ashburton Museum & Historical Society Inc. work together jointly to further promote the history of Ashburton into the town centre.
14. Scoping of the role of this working party will need to be developed to ensure its focus, roles and responsibilities are clear and agreed by all parties.

Option four–Council undertake other promotional projects

15. Further investigation work will need to be undertaken to identify other promotional options.

Legal/policy implications

16. Further work will need to be undertaken to identify relevant Council policies, plans and strategies that apply to any proposed works.
17. Additional structures, such as interpretive signs along East Street green belt would need to blend in with the newly upgraded CBD.

Financial implications

Requirement	Explanation
What is the cost?	At this stage no financial contribution is sought from Historic Places Mid- Canterbury and Ashburton Museum & Historical Society Inc.
Is there budget available in LTP / AP?	No specific Council budget is identified for these works
Where is the funding coming from?	Not identified at this stage
Are there any future budget implications?	Not identified at this stage
Reviewed by Finance	N/A

Significance and engagement assessment

Requirement	Explanation
Is the matter considered significant?	Potentially yes
Level of significance	Medium significance
Level of engagement selected	2.Comment
Rationale for selecting level of engagement	The community are likely to have an interest in this project, therefore should be given the opportunity to participate if Council decides to have more than a minimal involvement. The groups involved will bring expertise and knowledge to a working group, but may not be the only stakeholders in the community with an interest. A collaborative engagement approach should be considered.
Reviewed by Strategy & Policy	Toni Durham; Strategy & Policy Manager

9. Dog Control – Fees and Charges for Registration Period 1/07/21 to 30/06/22

Author *Rick Catchpowle, Environmental Monitoring Manager*
GM Responsible *Jane Donaldson, GM Strategy and Compliance*

Summary

- The purpose of this report is to recommend that the proposed dog registration and control fees and charges be accepted and set for the period 1 July 2021 to 30 June 2022.

Recommendations

1. That Council adopts the dog registration and control fees and charges for 2021/22 as set out in Appendix 1.
2. That the dog registration and control fees and charges for 2021/22 are publicly notified.

Attachment

Appendix 1 Proposed fees and charges 2021-22 (animal control)

Background

1. Section 37 of the Dog Control Act 1996 requires Territorial Authorities to prescribe reasonable dog registration and control fees plus associated penalties for the registration year.
2. TAs are also required, at least once during the month preceding the start of the registration year on 1 July, to publicly notify in a newspaper circulating in its district, the dog control fees fixed for the registration year. A decision on the fees is therefore required ahead of Council's adoption of the Long Term Plan.
3. The recommended increases to the dog control fees, outlined in Appendix 1, were previously agreed at the budget workshops held in January, in order to keep this activity in line with Council's Revenue and Finance Policy.

Options analysis

Option 1 – Maintain the Status Quo

4. Council could decide to leave the Dog Registration Fees at the 2020/21 levels. This would impact on revenue for the activity and would breach Council's Revenue and Finance Policy. This is not the recommended option.

Option 2 – Increase the 2021/22 Dog Control fees

5. This is the recommended option. This would see Council increase the dog fees for 2021/22, as per the discussion with Council through the budget workshops in January 2021. The proposed dog fees are attached in appendix 1 of this document.

Legal/policy implications

6. The Dog Control Act 1996 requires TAs to prescribe reasonable dog registration and control fees plus associated penalties for each registration year, and to publicly notify those fees and charges set.
7. Given the statutory requirement to set dog control fees and charges it is likely that requirements to register a dog could be challenged and any associated penalties could be equally disputed.

Financial implications

8. By not setting dog control fees the loss of dog control income could be substantial and would impact on rates. This would be in breach of Council's Revenue and Finance Policy which determines how each activity and service is funded.

Significance and engagement assessment

Requirement	Explanation
Is the matter considered <i>significant</i> ?	No
Level of significance	Low; not significant
Level of <i>engagement</i> selected	Inform
Rationale for selecting level of engagement	Council will notify the community of the 2021/22 dog control fees using typical media channels.
Reviewed by Strategy & Policy	Toni Durham: Strategy and Policy Manager

Appendix 1: Proposed Fees and Charges:

21.0 Animal control

Animal control fees are charged under the Dog Control Act 1996. ^(H) When the cost of animal control and enforcement and related processes exceeds the stated fee (minimum charge) the Council may recover all additional costs on a time and cost basis. Note: Dogs must be registered by three months of age.

		1 July 2020 - 30 June 2021	1 July 2021 - 30 June 2022
21.1	Dog registration fees		
	Disability assist dogs	Free	Free
	Micro-chip fee per dog ^(H)	\$16.00	\$16.00
	Rural dogs*		
	Rural (per 1 st and 2 nd dog)	\$55.00	\$60.00
	Rural (per subsequent dog)	\$28.00	\$28.00
	Late registration penalty fee - rural	\$28.00	\$28.00
	Menacing dog – rural	\$55.00	\$60.00
	Dangerous dog – rural	\$83.00	\$90.00
	Urban dogs		
	Urban un-neutered dog	\$85.00	\$90.00
	Urban de-sexed dog	\$55.00	\$60.00
	Urban de-sexed dog fee reductions will only be given at the commencement of the registration year and upon receipt of a veterinarian's certificate.		
	Responsible dog owners (per dog) – urban only	\$50.00	\$55.00
	Late registration penalty fee – urban	\$42.00	\$43.00
	Menacing dog - urban	\$85.00	\$90.00
	Dangerous dog – urban	\$127.00	\$135.00
	Penalty fee for late registration of urban de-sexed dogs	\$28.00	\$28.00
	Licence to keep three or more dogs (urban)	\$47.00	\$49.00
	Renewal of licence to keep three or more dogs	\$25.00	\$25.00
	Dog owners are advised that the fees set out above become due for payment on 1 July each year.		
	* Rural fees apply to all dogs that are kept on properties within the Rural A, B & C Zones of the Ashburton District Plan. For all other zones the urban dog registration fee will apply.		
21.2	Impounding fees - dogs		
	First offence	\$84.00	\$86.00
	Second or more offence (per offence)	\$208.00	\$213.00
	Microchip fee ^(H)	\$16.00	\$16.00
	Daily sustenance fee – charged on impound and every 24 hours thereafter	\$16.00	\$16.00
21.3	Impounding fees – stock		
	Stock call-out fee ^(H)	\$120.00	\$123.00
	Impounding fee per head (when stock have to be transported to alternative area for impounding)	\$100.00	\$102.00
	Daily sustenance fee	At cost	At cost

10. *Service Delivery Review - Forestry*

Author	<i>Terry O'Neill; District Forester</i>
Activity manager	<i>Colin Windleborn; Property Manager</i> <i>Toni Durham; Strategy & Policy Manager</i>
Group manager	<i>Paul Brake: GM Business Support</i>

Summary

- The purpose of this report is for Council to consider the future service delivery of the Forestry activity.
- A high-level 2017 desk-top review into Commercial Property identified that the Forestry activity should undergo a full review.
- Currently the activity is delivered in-house by a District Forester, who is contracted by other local councils for expert advice.
- Outsourcing and/or entering into shared service arrangements with other councils was analysed in detail, after a CCTO was discounted early in the analysis.
- This review focused on the current level of service provided by the activity. It did not attempt to predict Council's future direction in and around carbon credits, sustainability and climate change mitigation.

Recommendation

1. **That** Council receives the 2021 Service Delivery Review of Forestry.
2. **That** Council continues to deliver the Forestry activity in-house.
3. **That** Council determines its future strategic approach to the Forestry activity by 30 June 2022.

Attachment

Appendix 1 Section 17A Forestry report

Background

The current situation

1. The purpose of a Section 17A service delivery review is to determine whether the existing means for delivering a service remains the most *efficient, effective* and *appropriate* means of delivering that service.
2. The Local Government Act 2002 requires that a service delivery review periodically assesses “the cost-effectiveness of current arrangements for meeting the needs of communities within its district or region for good-quality local infrastructure, local public services, and performance of regulatory functions.”
3. The review is being completed following a service delivery review in 2017 of the Commercial Property activity as a whole that recommended a full Section 17A review was needed for the Forestry activity of Commercial Property. This decision recognised reductions in the size of the forest estate with the sale of some freehold forestry land, conclusion of the Riverbank View Joint Venture and concerns regarding the implications of the Health and Safety at Work Act 2015 had made it timely to re-consider Council’s position.

What the activity currently does

4. Council owns and manages over 1,350 hectares of exotic forest land within the district. Over time these forestry assets have delivered Council significant amounts of income and for a time carbon credits which potentially could have been used to make the Council carbon neutral (these carbon credits have been sold).
5. Currently the forestry reserve has a balance of approximately \$7.7M, this has accumulated recently following the salvage harvesting following the 2013 wind damage event, the sale of carbon credits earned since 2008 and the sale of forests following the EY report.
6. The sale of forestry land has not been credited to the forestry reserve. The forestry reserve has contributed regularly to the Council accounts to help reduce rates. The forestry asset has been adversely affected by the 2013 wind event which has changed the age class structure with less mature stands available for harvest. The asset has been further diminished with the sale of forestry land and crops with the resource now 37% smaller than it was in the year 2000.

Future of Forestry

7. This Service Delivery Review has been based on the Forestry activity as it currently stands. It has not ventured into the strategic future of the activity which is considered to be additional to the section 17A. However, this is a pivotal piece of the discussion, therefore officers are recommending with any option that Council must establish its

strategic approach to Forestry to ensure the best outcome for future forest management requirements.

8. This strategic view should encompass the future direction in and around carbon credits, sustainability and climate change mitigation.

Options analysis

9. The following summarises the service delivery options considered for the delivery of forest management services.

	Option 1 – In-House (Status Quo)	Option 2 – Outsource	Option 3 – CCO/CCTO ADC owned	Option 4 – Shared Services	Option 5 – Sale of Cutting Rights*
Forest Management	✓	✓	✗	✓	✗

* Entails selling the tree crop for multiple rotations. Ownership of the land is retained by Council.

Delivery Option	1. In-House	2. Outsourced	3. Shared Service
Feasibility	Yes	Yes, process required with one off costs of at least \$75K.	Yes, depends on finding like-minded partner, process of drafting agreement and process of outsourcing. Establishment costs of \$150K. Most difficult process of the three.
Annual Cost of Option (includes amortised setup costs and Council contract mgt costs + governance, details appendix 2)	2022 - \$88,700 2023 - \$89,700 2024 - \$90,800 Average - \$89,700	2022 - \$125,400 2023 - \$198,000 2024 - \$145,700 Average - \$156,400	2022 - \$142,800 2023 - \$200,600 2024 - \$158,400 Average - \$167,300
Assessment of benefits and risk	<ul style="list-style-type: none"> • Management focused on ADC operations. • Ease of interaction between Council, other Council teams and forester. • More responsive to neighbours, customers and contractors. • Single forester will be not have expertise of large organisation. 	<ul style="list-style-type: none"> • Specialist forest consultants have experts in more fields including harvesting, H&S, and others. • Strength of multiple people involved in mgt. • Better access to new technologies • Possibly difficult to ensure work program is being completed properly. 	<ul style="list-style-type: none"> • Larger resource more likely to focus outsource provider. • Savings achieved through combining work programs. • Lower outsourcing rates due to more income for service provider from larger work programs. • Further disconnect with forestry with the additional shared service structure. • Likely disconnect between forestry activity and other areas

	<ul style="list-style-type: none"> Lack of scale increases costs. 	<ul style="list-style-type: none"> Loss of skills and knowledge in the ADC mgt. Possible conflicts of interest in sales. Likely disconnect between forestry activity and other areas of Council business (possibly increasing costs). 	of Council business (possibly increasing costs).
Enhancements to Status Quo	-	<ul style="list-style-type: none"> Lower risks with H&S Reduce staff and resource required in-house. 	<ul style="list-style-type: none"> Better scale of operations. More diverse resource, location/species/carbon

Legal/policy implications

Legislation

10. **Section 17A of the Local Government Act 2002** requires that a service delivery review should periodically assess “the cost-effectiveness of current arrangements for meeting the needs of communities within its district or region for good quality local infrastructure, local public services, and performance of regulatory functions”.

Financial implications

Requirement	Explanation
What is the cost?	If the forestry activity remains as an in house delivered activity there is no additional expenditure required.
Is there budget available in LTP / AP?	Yes for existing in house delivery
Where is the funding coming from?	Forestry budget
Are there any future budget implications?	Development of a forestry strategy would need budget approval and likely to come from the forestry reserve.
Reviewed by Finance	Yes

Significance and engagement assessment

Requirement	Explanation
Is the matter considered significant?	No
Level of significance	Low; not significant
Level of engagement selected	1 Inform
Rationale for selecting level of engagement	As the recommended option is to continue to deliver the open spaces group of activities in-house, then informing the community is the appropriate level of engagement. Should Council decide to alter the in-house delivery arrangements for any of the specific activities, then the engagement approach would need to be re-considered following a significance assessment.
Reviewed by Strategy & Policy	Toni Durham; Strategy & Policy Manager

FORESTRY

Service Delivery Review

Section 17A Local Government Act

May 2021

Document Control

Revision	Name	Author	Reviewed by	Date
1.0	Forestry Section17a	Terry O'Neill	Terry	9.3.2021
1.1	Forestry Section17a	Terry O'Neill	Terry, Paul & Colin	20.4.2021
1.2	Forestry Section 17a	Terry O'Neill	Toni Durham	5.5.2021

Definitions

- **Funding arrangement** - involves the manner in which the financial resources are provided to support a service, including both the mix of revenue and capital sources and any arrangement or agreement that governs the provision of these resources.
- **Governance arrangement** - revolves around who has the right to make binding decisions about the overall objectives for the provision of the service, and set the strategic framework in which the service operates. In the local authority context, governance options fit into two broad categories – political or arm's-length.
- **Service delivery arrangement** - describes the body and agreement between agencies for service provision.

Acronyms

ADC – Ashburton District Council

CCO – Council Controlled Organisation

CCTO – Council Controlled Trading Organisation

ECAN – Environment Canterbury

ETS - Emissions Trading Scheme

LGA – Local Government Act 2002

MDC – Mackenzie District Council

MPI – Ministry for Primary Industries

NES-PF - National Environmental Standards for Plantation Forestry

RMA – Resource Management Act 1991

SDC – Selwyn District Council

TA – Territorial Authority

TDC – Timaru District Council

Executive Summary

This report provides an analysis and evaluation of the current service delivery of Forestry at Ashburton District Council. Council currently delivers the Forestry activity in-house by a District Forester.

The Local Government Act 2002 (s17A) requires Councils to review at least every 6 years service whether the existing means for delivering a service remains the most efficient, effective and appropriate means for delivering that service. A high-level 2017 desk-top review into Commercial Property identified that the Forestry activity should undergo a full review.

The full review considered, but discounted, placing the forests assets in a Council Controlled Trading Organisation (CCTO) structure and selling cutting rights to the tree crop. Following a survey of other local authorities it was determined that outsourcing was the most common method used for local authority forest management. The popularity of outsourcing can be attributed to many local authorities having small areas of forest that are not large enough to justify employing a forest manager. When costs are compared between in-house management and out-sourcing there is a difference in costs of approximately \$67,000/year. Outsourcing has the advantage of access to more expertise, especially with regard to health & safety, sales and marketing and technological innovation. The most significant problems with outsourcing is the auditing and monitoring of the contract manager by Council staff that don't have expertise in forestry and how issues with neighbouring landowners, other Council departments and sector groups are managed.

This review focused on the current level of service provided by the activity. It did not attempt to predict Council's future direction in and around carbon credits, sustainability and climate change mitigation. However, this is necessary and timely and officers recommend that over the next 12 months Council decides on its future strategic approach to Forestry.

Recommendation

On reviewing the service, officers recommend that the activity:

- continues to be delivered in-house in the short to medium term, until Council's future strategic approach to Forestry is determined.
- once the strategic approach has been adopted by Council, the view of outsourcing may be explored further, particularly if;
 - more areas of freehold forest land were sold off, shrinking the forest estate, and
 - competitive rates can be negotiated with service providers.

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1. Introduction

1.1 Why is Council reviewing this service?

The purpose of a Section 17A service delivery review is to determine whether the existing means for delivering a service remains the most *efficient, effective* and *appropriate* means of delivering that service.

The Local Government Act 2002 requires that a service delivery review periodically assesses “*the cost-effectiveness of current arrangements for meeting the needs of communities within its district or region for good-quality local infrastructure, local public services, and performance of regulatory functions.*”

The review is being completed following a service delivery review in 2017 of the Commercial Property activity as a whole that recommended a full Section 17a review was needed for the Forestry activity of Commercial Property. This decision recognised reductions in the size of the forest estate with the sale of some freehold forestry land, conclusion of the Riverbank View Joint Venture and concerns regarding the implications of the Health and Safety at Work Act 2015.

1.2 What might Council gain from carrying out this review?

The potential benefits of undertaking a service delivery review include:

- **Efficiency gains** - Reviewing the funding, governance and service delivery arrangements for a service, Council may identify cost savings and improve the cost-efficiency of the service.
- **Improvements in services** - Council may identify ways to improve the service that is delivered.
- **Improving relationships** - with other local authorities, neighbouring landowners and private sector providers.
- **Better understanding of available options** - Improving the understanding of the options for this service is a valuable exercise even if Council decides not to make any changes, guarding against complacency.

1.3 Scope of the Review

This review provides a full review in accordance with Section 17A of the LGA and the resolution of council for the delivery of the forestry activity. The forestry functions subject to this review span the following activities:

- Management of the Council’s production forestry estate which primarily involves the planning and implementing of the forest maintenance and harvesting work programs.
- Contract management of other local authorities forestry operations
- Provide strategic reasons for Council’s continued involvement in forestry

Other activities undertaken by the District Forester such as assistance with the management of rural reserves and tree management affecting other Council activities and reserve boards and the provision of forestry advice to other parties (excluding other TA’s) are not covered in this review.

2. Background

2.1 Historic Context

Council involvement with Forestry started with the Ashburton County Council being vested with reserve land to establish plantations. The primary purpose of these plantations was to provide shelter and soil protection. Some substantial areas were planted with various species including Larch, Douglas fir, various Pine species, Eucalypts and other species. With time the timber value of the plantations became apparent and thus the primary objective of plantation management pivoted to providing revenue for the Council. This change in focus evolved over time, the change also included Radiata pine becoming the species of choice. Over time, areas of forest managed by the County were sold off for other agriculture uses. The planting of trees on Council reserves set aside for other purposes became a land management strategy for the Council to control weeds and provide the Council with some income from these otherwise unoccupied pieces of land. Most of these reserves are smaller parcels which can be problematic to manage for financial return.

2.2 Forest Management Evolution

Ashburton County Council appointed a full-time Forester in 1969. Since then plantation management has become more professional and business oriented. For a time the Council employed its own logging crew and purchased harvesting machinery. Eventually the Council moved to employing contractors. Complete inventories of all major plantations were completed and recorded on a computer database, this information allowed improved budgeting and operational planning.

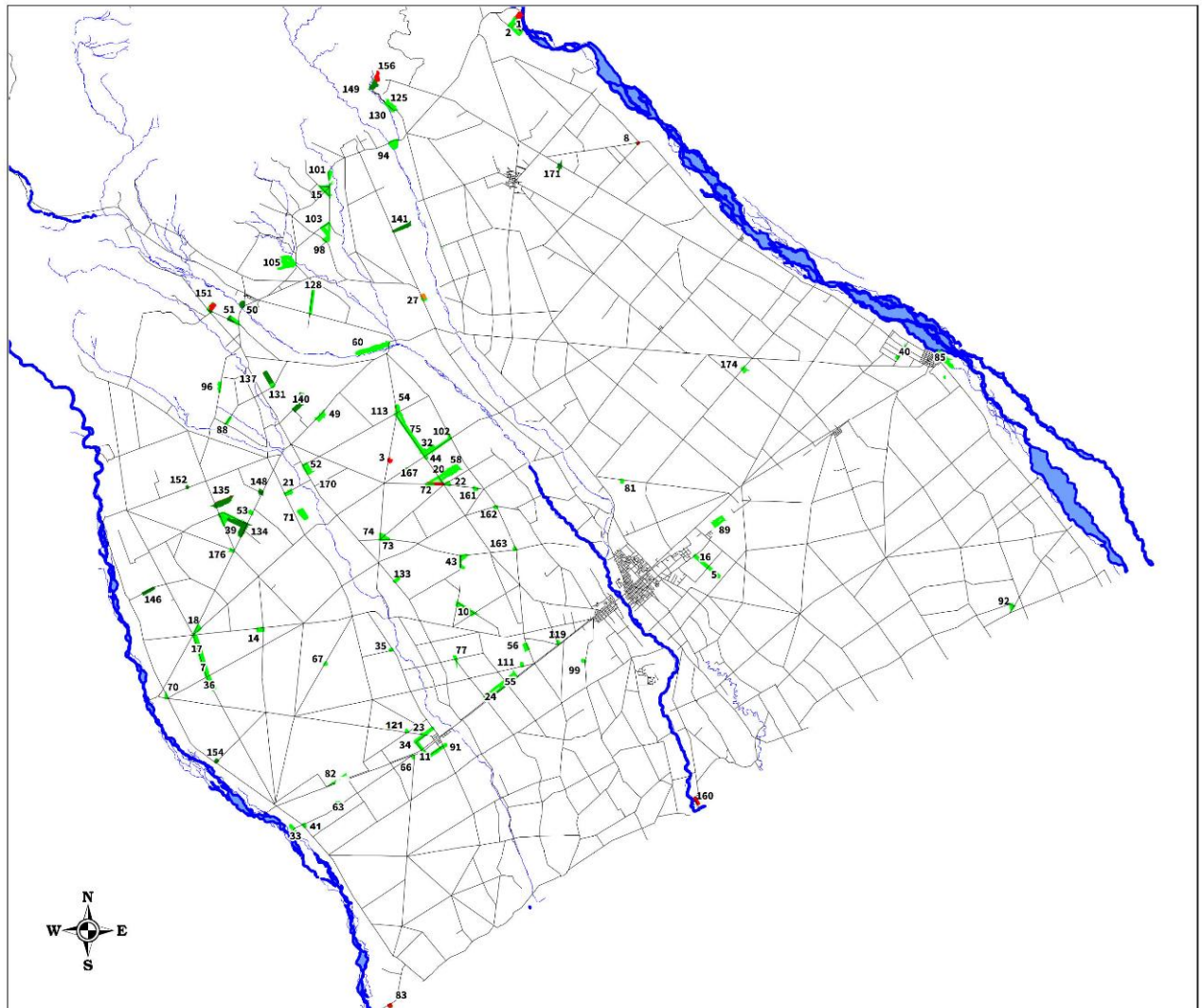
Forestry was incorporated in the Councils strategic plan which put in place strategies for growth and performance measures for the forestry activity. During this time, smaller plantations that were not financially viable weren't replanted but were made available to neighbouring landowners for agricultural development. The ETS arrived in 2008 with Council registering post-89 forests and receiving credits for its pre-1990 credits. The price of carbon after some initial fluctuations has been climbing steadily and is making the option of deforestation financially challenging.

In 2014 EY (formerly Ernst Young) reviewed Councils involvement in forestry and recommended the sale of the Councils freehold forestry land. Reserve land was not recommended for sale as the Reserves Act process for disposal utilising the Department of Conservation's procedures provides for Council to receive a 50% share of the revenue from the land sale along with other statutory limitations. The recommendations of the EY review were actioned and significant areas of forestry land were sold. The Council resource has reduced from a gross area of 2,150 hectares in the year 2000 to 1,350 ha currently. The area reduction includes the removal of the Riverbank View Joint Venture forests which ceased following its harvesting.

The forestry operation has changed over time, expanding the resource in the 1990's and then most recently selling some of the forestry freehold blocks and their forests. Carbon credits sales have come and gone with the sale of forests. Council has also exited its only joint venture with the harvesting of the Riverbank Forest completed in 2017. Currently there is uncertainty in the forest

industry with the COVID-19 virus and uncertainty regarding New Zealand's biggest forestry trading partner China.

Figure 1: Forest Estate Map 2021



2.3 Key Legislation

The following legislation underpins the Forestry activity.

Health and Safety at Work Act 2015

This Act is intended to reduce and minimise harm to both people working in and those moving around places of work. There are obligations within the Act for employers and other controllers of places of works. Council has multiple obligations for the forestry activity with regard to employees, contractors and also the public to manage safety. Work Safe the government department implementing this legislation has been particularly vigilant with the forest industry which has a poor history of work place accidents and fatalities.

Resource Management Act (RMA) 1991 and Amendments

Provides a statutory framework for Local and Regional Authorities to administer and balance land development with sustainable management of natural resources. The RMA focuses on the effects of activities on the environment rather than on the activities themselves. Most recently **National Environmental Standards for Plantation Forestry** have been issued under section 43 of the RMA which requires forest owners to submit management plans to regulators for activities that present environmental risk.

Climate Change Response Act 2020

This legislation enacts the Emissions Trading Scheme (ETS) which the Council has been involved with since its inception in 2002. Through the ETS the Council has been granted credits for its pre-1990 forests and earned credits from its post-1989 forests. The ETS also has an impact on the sale of forestry land due to the emission liabilities associated with deforesting land.

Reserves Act 1977

This sets out the management and administration requirements for all land in the district held under this Act. Almost 60% of Council plantations are on reserve land. Of particular relevance are:

- Classification and Purpose of Reserves (Sections 17-18, 23-25)
- Management and Control of Reserves (Sections 26-39)
- Leasing powers in respect to reserves.
- Powers (including leasing) in respect to local purpose reserves.
- Farming and other leases (Sections 71-74).
- Afforestation (Section 75).

Note that not all land planted has been classified as forestry with a number of sites classified for cemetery, gravel extraction etc. being planted.

Other forestry legislation administered by MPI includes **Forests Act 1949**, **Forest Encouragement Act 1962** and **Forestry Rights Registration Act 1983**

2.4 Organisational Overview

Ashburton District Council is the territorial authority for the Ashburton district. Based in the township of Ashburton, Council has approximately 194 FTE employees¹.

Council delivers on 12 service areas to the community via 35 activities that are directly attributable to Section 10 of the LGA 2002. The purpose of local government is to enable democratic local decision-making and action by, and on behalf of, communities; and to promote the social, economic, environmental, and cultural well-being of communities in the present and for the future.

A further six areas support Council to deliver these activities. These are: communications, customer services, finance, human resources, information support and strategy and policy.

Ashburton District Council has a vision of “The district of choice for lifestyle and opportunity”. The community outcomes underpinning this vision are as follows:

- residents are included and have a voice
- a district of great spaces and places
- a balanced and sustainable environment

¹ Annual Report 2019-20

- a prosperous economy based on innovation and opportunity

Four strategic priorities are also identified:

- plan and provide fit-for-purpose services
- work with the community and engage in meaningful conversations
- lead the community with clear and rational decision-making
- represent the district on regional / national issues and partner with others when needed

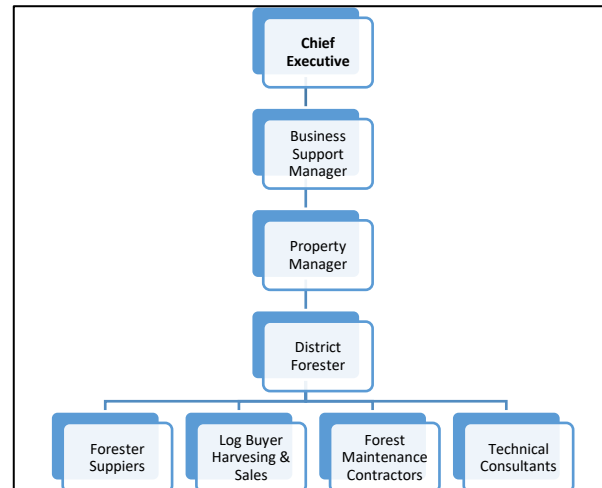
3.0 Present Arrangements

3.1 Governance and management structure

Throughout Council's history of forest ownership it has managed the forest estate in-house with governance through the Council. Making decisions through the Council can be time consuming compared with a corporate model and requires a long term outlook that can create a values clash with an inherently short-term election cycle.

The District Forester is responsible for day to day management and planning of the forestry operation. The role manages the contracting out of the work programme to various local and regional contractors and suppliers. The forester is part of the property team and reports to the Property Manager in the Business Support Group. The forester is involved in other Council functions including the role of Civil Defence Controller.

Figure 2: Management Structure



3.2 What the activity currently does

Council owns and manages over 1,350 hectares of exotic forest land within the district. Over time these forestry assets have delivered Council significant amounts of income and for a time carbon credits which potentially could have been used to make the Council carbon neutral.

Currently the forestry reserve has a balance of approximately \$7.7M, this has accumulated recently following the salvage harvesting following the 2013 wind damage event, the sale of carbon credits earned since 2008 and the sale of forests following the EY report.

The sale of forestry land has not been credited to the forestry reserve. The forestry reserve has contributed regularly to the Council accounts to help reduce rates. The forestry asset has been adversely affected by the 2013 wind event which has changed the age class structure with less mature stands available for harvest. The asset has been further diminished with the sale of forestry land and crops with the resource now 37% smaller than it was in the year 2000.

3.3 Funding

Council's forestry portfolio is held as an investment to gain a financial return with net revenue and any reserve funds able to be used by Council to offset the general rate and UAGC in proportion to the respective requirement.²

3.4 How Forestry currently operates

The forestry operation is currently managed solely by the District Forester working 80% of a full-time position. In the past a forestry foreman was employed to assist the forester with the

² Revenue and Financing Policy 2020

supervision of contractors and to assist with operations if required. The need for this role decreased with more contracting out and was discontinued in the 1990's.

As well as the foresters salary there is an overhead covering administration costs, vehicle mileage, ACC, training and other costs. The forester's salary is offset from income accruing from management contracts with other Councils and other forest owner clients. The level of income from contract forest management work will vary depending on the clients work program. Mackenzie District Council, Council's largest client, has an increasing work program which has increased income recently.

With a part time forester (30 hours per week) and recoveries from third party work the in-house Council forestry operation is lean. This lean operation coupled with a forest estate decreasing in size is causing the cost of management per hectare to rise. Also the bottom line of the forestry operation over the next five years will head into deficit as log sales reduce. These are challenging times.

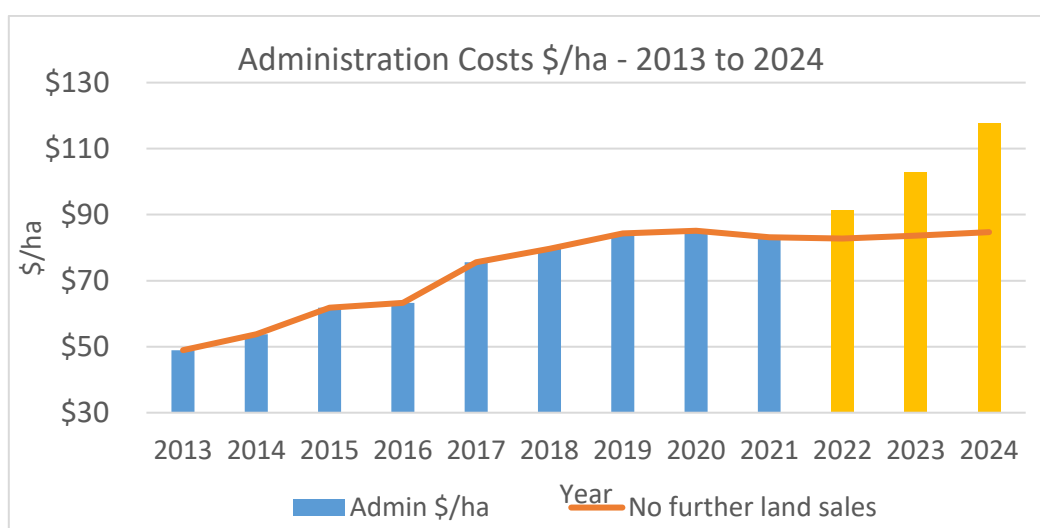
Table 1: **Direct** Forestry Administration Costs, Income & Forest Area - 2013 to 2024

Income & Costs	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Income Contract Mgt	-22,000	-17,500	-17,500	-17,500	-16,500	-16,000	-17,424	-19,829	-24,864	-25,364	-25,864	-26,364
Personnel Costs	77,820	77,820	77,910	78,086	78,046	78,496	84,239	86,225	86,141	87,112	88,126	89,130
Overhead Costs*	26,171	26,408	26,649	26,893	24,990	25,142	25,110	27,149	27,894	26,975	27,441	28,033
Total Net Admin Cos	81,991	86,728	87,059	87,479	86,536	87,638	91,925	93,545	89,171	88,723	89,703	90,799
Net Stocked Area(ha)	1,675	1,612	1,409	1,382	1,145	1,100	1,090	1,099	1072	972	872	772
Admin \$/ha	\$49	\$54	\$62	\$63	\$76	\$80	\$84	\$85	\$83	\$91	\$103	\$118

* Excludes corporate overheads not influenced by the forestry operation

Table 1 has annual administration costs, actual costs to 2021 and budgeted costs beyond. These costs vary over time. Some of this variability can be attributed to the erratic earnings from contract forest management services to other Councils. The shrinking forest area is the most significant number in this table which has resulted in costs/ha more than doubling over 12 years. Figure three presents this overhead per hectare climbing, note that the projected figures in orange assume that most of the remaining freehold land is sold.

Figure 3: Administration \$/hectare



4.0 Review of Service

4.1 Introduction

Section 17A of the LGA02 requires Council to review the cost-effectiveness of the forest management current arrangements for governance, funding and service delivery. This section details potential options for each of these elements. In the first instance, the Service Delivery Reviews take a 'first-pass' at the options outlined in Section 17A. These have been aggregated to three high level options:

- 1. In-house service delivery** – ADC officers are responsible for delivering the service, while Council governs, making decisions about policy and funding.
- 2. Outsourcing** – Some or all of the activity is outsourced to a third party contractor, including other councils or CCOs.
- 3. Shared service arrangements with other councils** – This includes entering into shared service arrangements for some or all of the activity, through a joint committee, CCO or merger.

In addition to these three options the Council could sell its forest assets outright. The available options are introduced and described in the following sections.

4.2 Available Options

4.2.1 In-House Service Delivery

Delivering services through an in-house option (LGA, 2002 S17A (4a)) means that ADC is responsible for the governance, funding and delivery of the service. The delivery of services in-house is often the result of history, the activity has always been delivered in-house, and this is the case with forestry.

In many instances there are obvious reasons for delivering internally, including providing customer-focused service, understanding local needs and issues and maintaining local autonomy with governance and decision-making.

On the other hand, service delivery in-house requires staff recruitment, retention and training costs, which can be challenging in high-skilled positions where retention is often an issue for smaller provincial local authorities. For activities with small teams, covering staff absences can be a concern, particularly in compliance-based activities with legislative timeframes. The model of having a solo Forester managing the estate reduces the opportunities of utilising expertise and technologies that a larger service provider can access.

4.2.2 Outsourcing

Outsourcing the service delivery of an activity to another person or agency (LGA, 2002 S17 (A) (4) (b) (iii); S17 (A) (4) (b) (iv)) also requires a clear understanding of the governance, funding and delivery structure. A clear rationale needs to underpin why the activity is being outsourced.

Benefits of outsourcing an activity can include greater effectiveness as the contractor is generally considered a 'specialist' in their field with the skills and processes to get the work done efficiently ,

minimising organisational risk, and a reduction in capital, operational and staff costs (including recruitment, training and retention).

Disadvantages of outsourcing can include a reduced customer-focused service with not having staff based in-house, less understanding of local needs and issues and, depending on the governance structure chosen, challenges with maintaining local autonomy in governance and decision making. Outsourcing also requires contract management including regular procurement, processing claims, reviewing and auditing performance and resolving disputes in the event that the outcomes of outsourcing do not deliver as promised.

The procurement and monitoring process required for outsourcing could end up costing a similar amount to the in-house costs for actual management. Some expertise would be required to effectively monitor the performance of the contractor which potentially could require further outsourcing to another forestry professional.

4.2.3 Delivery by CCO wholly owned by ADC

Delivery by a CCO would entail governance and funding by Ashburton District Council with delivery by a CCO wholly owned by Ashburton District Council. (LGA, 2002 S17A(4)(b)(i)). Ashburton Contracting Limited (ACL) is a CCO and under this model the forestry operation could be transferred to ACL, or a separate CCO wholly owned by the Ashburton District Council could be established.

A CCO model provides a level of independence which encourages the CCO to operate in a more business-like manner. Experiences of CCO models for various council activities is that there is considerable duplication of governance and overhead costs with the existing governance and support structures (finance, HR, IT) that exist in councils. When council reviews the forest management provided by the CCO there can be a feeling they are not getting best value compared to the value that they might achieve on the open market. These tensions were experienced by Invercargill City and its CCO Invercargill City Forests Ltd, this cumulated in the council tendering the sale of these forests.

Regardless of whether the CCO is performing well or not, these tensions are unhelpful and the duplication in support services and management leads to costs which can extend beyond the financial benefits of the CCO.

4.2.4 Shared Services Model

The delivery of a service through a shared model (LGA, 2002 S17 (A) (4) (b) (ii); S17 (A) (4) (c)), whether it be through a joint committee, CCO or merger with another council, requires a clear understanding of the governance, funding and delivery structure.

Shared services models, when they work effectively, can deliver a range of benefits to local councils and their communities. The key benefits can include:

- cost-efficiencies through economies of scale,
- access to specialist expertise,
- improvements in service,
- improved compliance with regulations and standards.

The realisation of these benefits is challenging, and can be constrained by:

- lack of political or managerial commitment
- uncertain benefits
- conflicting objectives
- process complexities

The conditions for successful shared service models have been considered by LGNZ in their 2011 paper titled ‘Shared Services for Local Government’ The filters outlined in Part B of the paper assist in the assessment of an activity’s suitability for shared service arrangements.

If deemed suitable, then a business case needs to be developed for the activity to determine the type of shared service arrangement. A key part of this process is consultation with affected parties, including a thorough assessment of the commitment of other organisations to a shared service model. Community engagement would also need to be considered early in the process.

4.3 What do others do?

Council has undertaken a high level survey of forest management by local authorities by examining annual reports of Councils throughout New Zealand. It appears that 49/79 TA’s have some commercial exotic forestry assets, these ranged from 7 ha owned by Whakatane District to 19,100 ha owned by Dunedin City. Dunedin City is far and away the largest forest owner of any TA with the next largest owner being Wellington Regional Council with approximately 5,000ha. There is then another four owners with forest assets of approximately 3,000 hectares or more. The remaining 44 forest owners have estates that average 466 hectares. Most of the various forests owned by Council’s are solely managed for financial return.

Service Delivery Type	#	Area(ha)
Outsource	27	8,404
CCO	2	20,780
Outsource & In-House	9	7,310
Sold	3	9,555
Shared Service	2	3,355
In-House - ADC	1	1,098

There are exceptions such as Canterbury Regional Council whose forests are also managed for river control and recreation. Other reasons Councils own exotic forests includes vegetating water catchments and coastal erosion control. The most common objective apart from financial return is recreational use with nine Council’s actively managing their forests for this use.

All of the forest management service delivery types being considered in this review for local authorities have at least one Council implementing each option. The most common delivery type is outsourcing with a number of other Councils using outsourcing in combination with in-house management.

The level of in-house management varies with some Councils only outsourcing their harvesting & sales with others only having minimal in-house delivery.

Ashburton District Council stands alone in this table with their management being delivery predominantly in-house. Southland District who own 1,384 ha of forest also used to manage their forests with an in-house forester.

Following a retirement they opted to outsource their management. Ashburton does however outsource some of its forest management with the move away from dealing with log buyers individually and logging contractors and contracting out this part of our harvesting and sales. A list of all the local authorities identified as having forests is in appendix A.

4.4 Critical Success Factors

The critical success factors for the options analysis in this review as follows:

- compliance with statutory and regulatory obligations
- value for money
- quality of service delivery

4.5 Initial Options Analysis for Forestry

The following summarises the service delivery options considered for the delivery of forest management services.

	Option 1 – In-House (Status Quo)	Option 2 – Outsource	Option 3 – CCO/CCTO ADC owned	Option 4 – Shared Services	Option 5 – Sale of Cutting Rights*
Forest Management	✓	✓	✗	✓	✗

* Entails selling the tree crop for multiple rotations. Ownership of the land is retained by Council.

4.5.1 Option 2 Outsource

Outsourcing of forest management is the commonly used method of providing forestry services of TA's in New Zealand. There is a good number of forest management companies available to provide Councils with forestry services. These companies vary in size from smaller local companies to larger businesses such as PF Olsen. Three forestry companies in Canterbury that could provide management services are in table 3 along with a brief description of their business. Other forestry consulting businesses through New Zealand should also be considered if Council opts to outsource.

Table 3: Canterbury Forest Management Companies

Forest Company	Company Description
Allan Laurie Forestry Ltd	Small South Canterbury based company formed by principal Allan Laurie with 5 operational staff, company supplies export log market and some domestic sawmills. Involved in management of Hurunui & Waimakiriri District Councils.

Forest Company	Company Description
Forest Management Ltd	Forest consultancy company that is Canterbury based with staff throughout South Island and southern North Island. FML works with ECAN forests and have history managing log sales and lump sum sales with ADC. Dedicated H&S Manager as well as other work areas of harvesting, establishment & silviculture.
PF Olsen Ltd	Large Bay of Plenty based forest consultancy company with offices throughout NZ and some parts of Australia. They have contracts with a number of TA's including Christchurch, Nelson, Tasman & New Plymouth.

The cost of outsourcing would ultimately be derived through the negotiation of rates with a service provider. Rates will commonly be based on forest area and the work program being completed, percentage of operational cost for establishment & silviculture and \$/tonne for log sales. We have been supplied with indicative rates for forest estate management, these rates have been used to estimate the possible cost of outsourcing – table 4. Actual negotiated rates are expected to be more favourable to Council.

Charge	2021/2022	2022/2023	2023/2024
<i>Annual Management Fee</i>	\$ 26,800	\$ 24,300	\$ 21,800
<i>Operational Work Fee</i>	\$ 19,469	\$ 24,222	\$ 30,510
<i>Harvesting & Sales Commission</i>	\$ 18,850	\$ 82,590	\$ 31,200
<i>Additional Work Hourly Rate</i>	\$ 16,000	\$ 16,000	\$ 16,000
Total Cost Per Year	\$ 81,119	\$ 147,112	\$ 99,510

The variable nature of the outsourcing charge recognises that the quantity of the work programme along with the size of the estate affects the cost of management. What is difficult to predict is how much additional work may occur intermittently. With forests being a crop they are subjected to an unpredictable environment and unexpected events such as wind damage. These events can generate many hours of additional work and with hourly rates of between \$140 and \$200 per hour the cost of this work can become significant. The costs shown in table 4 provides some insight as to how an increase in harvesting can increase the cost of outsourcing. The 2022/23 financial year includes additional harvesting volume therefore the outsourcing provider will receive a higher payment, almost double the previous year.

This structure of management fees are relatively standard in the forest industry, it could be debated that they provide the best incentives to the forest manager. Details of annual costs when outsourcing are calculated in appendix B. Costs not included in this analysis are the costs associated with employing Council staff to monitor and review the service provider and tidying up

of issues not resolved by the contractor. These costs will be assessed as one third of FTE of a property staff member plus overheads; total of \$30K per annum.

Another consideration is the conflict of interest that arises from log marketing. Most forest management companies generate a significant proportion of their revenue from log sales as it is easier to “clip the ticket” when forests are harvested and significant income is generated. Optimising the harvesting and sales process will have a massive impact on forest revenue. Council relies on the expertise of its forest manager regarding decisions of when harvesting occurs and who the council sells to. It is easy for a forest manager to make recommendations and decisions that suits their operations. Some examples might include harvesting a plantation early to provide work for a contractor or cutting logs from a job to complete and export consignment even though a more profitable log buying option existed. Outsourcing to a forest manager not involved in log sales may be the best option for the Council if outsourcing is taken up.

Assessment

Outsourcing of forest management is the most popular method for managing forests owned by Local Authorities. This is likely because of the general small size of their forests making it ineffective to hire in-house forestry expertise. Outsourcing allows access to the variety of expertise a forest management company brings; health & safety expertise, forest engineering, forest inventory through forest sampling or remote sensing, linkages to wood processing mills and export markets and a variety of harvesting contractors, environmental planning requirements NES-PF and other forest management issues.

Outsourcing will require a procurement and monitoring process and the in-house resource to perform this function. If the monitoring process uncovers non-performance there is potential for disputes to arise and legal action. It also means the Council will have less control of its forest estate which will make integration with other Council activities more difficult and remove the advantages of having an in house forest management expert.

ADC has out-sourced Council activities in the past with one example being a property management firm contracted to manage the Council’s Glasgow Leases. This ended up being a disaster with the contractor not completing the work, fortunately with the in-house expertise these failings were uncovered and the arrangement was terminated. Outsourcing makes networking with other internal and external parties more difficult and likely lead to additional costs and time delays in responses.

4.5.2 Option 3 CCO/CCTO owned by Ashburton District Council

Given the small scale of the forestry operation it is unlikely that the additional governance and support costs would justify establishing a separate CCO or CCTO for forest management only. It is also unlikely that the forestry operation function would be transferred to the Council’s existing CCTO Ashburton Contracting Ltd as the business has no expertise in forestry.

The largest Council owned forestry operation is City Forests owned by Dunedin City Council, managing approximately 19,000 hectares. City Forest is a Council Controlled Trading Organisation (CCTO) which is managed to maximise profit and returns to Council. Governance is through a board of directors and there is full management team managing the estate. The advantages of the CCTO structure is to focus the forestry enterprise on maximising profit from having professional management. CCTO’s are taxable entities and do have significant costs associated with

governance. This service delivery option is suitable for larger a forest estate and if the forests are being readied for sale.

The Selwyn Plantation Board (SPBL) that managed forest assets for both Christchurch City and Selwyn District Councils was also a CCTO structure. SPBL sold off its plains forest assets for agricultural development before the ETS was introduced and then sold its foothill forests to Matariki Forests with the residual forests now managed by PF Olsens. Invercargill City Forests is another CCTO which has managed over 3,000 hectares of forest. These forests are currently being sold. The only other Council to manage forest assets through a CCTO are Gisborne with a resource of 1700 ha.

Assessment

The Controller and Auditor General (OAG) has provided useful advice for councils considering setting up a CCO or CCTO (*Governance And Accountability Of Council-Controlled Organisations – OAG 2015*). The OAG has noted a number of potential benefits that are frequently cited including:

- improved commercial focus – that is, operating a company with a professional board of directors with the objective of achieving greater operating efficiency;
- tax-effectiveness – local authorities can derive tax credits from commercial subsidiaries that pay dividends;
- independence – separation from political direction;
- streamlining bureaucracy, enabling nimbleness and agility – CCOs have less "process" to follow in making decisions than local authorities;
- economies of scale, where shared services CCOs combine several local authorities' similar activities;
- the ability to recruit and retain high-quality board members and staff who might not be available to be members or employees of a local authority; and

The OAG has also noted a number of possible disadvantages including:

- the local authority's lack of accountability to the community for the services the CCO delivers;
- tensions between the objectives of pursuing profit and delivering community outcomes;
- additional ongoing costs – the costs incurred by the local authority in monitoring the performance of the CCO, and the CCO's own costs, can increase overall service delivery costs;
- and reduced ability to manage risk – arm's-length delivery can make managing risks to the reputation of the local authority more difficult

In the authors view the disadvantages outlined above are relevant and likely to occur if the service was to be delivered by a CCO/CCTO. With the tax implications and the cost of governance the CCTO structure would not appear to be the best option for Council as it reduces the size of its forest estate. As such this option is discounted and will not be assessed further in the detailed analysis of issues and options presented below.

4.5.3 Option 4 Shared Services for Ashburton District Council

Ashburton District Council provides high level forest management services to its neighbours the Mackenzie District Council and Selwyn District Council through contract agreements with each Council. The level of service provided to each Council is commensurate to the size of each Council's forest estate. MDC has approximately 1,000 hectares of forest with five relatively large blocks. SDC has just 100 hectares with no large blocks, most areas being 2 hectare gravel reserves. Ashburton

also undertakes forest management work for Timaru District Council, this work is done on an ad hoc basis for work such as end of year valuations and management reviews. TDC's forest estate is approximately 200 hectares, similar to Selwyn it has many gravel reserves planted with trees.

There are a number of other Council's in the Canterbury region with similar portfolios of forests as Selwyn & Timaru. Waimakariri, Hurunui, Waimate and Waitaki all have small resources being managed with a combination of in-house management and consultants. In addition to this, ECAN are a larger forest owner with approximately 3,000 hectares of forests which are mainly part of a protection forest on the banks of the Waimakariri River along with smaller blocks in other parts of the region. ECAN forests differ from other Council's with their primary purpose being river protection and more recently for recreation. Financial return from these forests to some extent is seen as a bonus and not the primary purpose of the forests which may mean a shared service model would be difficult.

There would appear to be potential for the shared service model for the management of ADC's forests with other Canterbury territorial authorities. The scale achieved by managing more than one Council's forests would reduce the overhead cost per hectare and provide more clout when negotiating with log buyers and contractors. When forest estates are combined the variety of species, age class and location will increase which will decrease the risk profile of the estate and provide for more harvesting options. As specified in section 17a the responsibility for governance and funding is delegated to a joint committee or other shared governance arrangement.

The shared service model is used by Marlborough and Kaikoura District Councils with their forests, known as Marlborough Regional Forestry. The governance is provided by a joint committee and the day to day management contracted to the forest management company Merrill Ring. Even though Kaikoura District only have an 11.4% share of the forests with the balance owned by Marlborough, this shared service arrangement appears successful. The forests and land in this model have been purchased and developed by the joint entity primarily as an investment. Income from recent harvesting has been used to help each Council fund the development of respective new Council infrastructure. The forests also provide some conservation, erosion control outcomes and also recreational opportunities.

Assessment

The shared service method could work for Ashburton especially if the area of forests owned by the Council continues to fall. For this model to work the Council needs willing partners to join with them, ideally with forests that are economically viable. Mackenzie District Council could be such a partner with the shared service model being a possible development from the current contract management that ADC provides. Other Councils could also join the entity including ECAN which would definitely improve the scale of the entity with their 3,000+ hectares of forest. Councils with smaller resources such as Selwyn and Timaru could also potentially join. The management of multiple TA's may be difficult. How reserve land can be managed with such an entity would also add complexity along with forests managed for other outcomes.

Various structures for a shared service model would need to be considered. The combining of forest assets for the various Councils could be managed as a single forest with each Council allocated a percentage shareholding, the same as the Marlborough Regional Forestry entity described above. Dividends from the entity would then be allocated according to the shareholding. Another model

would see forest holdings for each Council managed separately by the management entity while still achieving gains from the scale of the combined forests. This model would require care was so that costs and income are correctly allocate to the appropriate Council.

The shared service model could be outsourced to a forest management provider as with Marlborough. Costs would therefore likely be similar to the out-sourcing model with the addition of the governance costs for the shared service. It would be expected that a larger shared entity would yield a more competitive rate from forestry service providers, provided the entity is of a significant scale and has a steady income flow.

If governance was through a joint committee these costs could be minimal with payments required for any forestry professional included and costs associated with Councillors in the committee. It would also be expected that the entity is overseen by Council staff. If sufficient scale was reached a CCO structure could be considered for governance and management. This would allow the development of an organisation focused on the management of these TA owned forests for commercial return. Some integration with Council staff where the forests are managed for multiple purposes would be possible. Such a dedicated entity would allow a small professional management unit working for the Council forest owners without conflicts of interest.

The most significant impediment to the shared service model is finding another Council wanting to partner with Ashburton and to spend the time and money establishing the shared entity. An establishment committee representing the various Councils would be required. It would be their job to develop an agreement and provide the governance organisation frames of reference and develop a reporting and financial structure. A governance structure would then follow. The cost of establishing the shared service model would be divided up amongst the Council's involved with Ashburton's shared likely to be approximately \$150K – based on the estimated costs of outsourcing the Parks & Open Spaces operation through the recent s17a review.

4.5.4 Option 5 Sale of Forestry Cutting Rights

The last option to be considered is the sale of the tree crop. Already Council has sold forests and forest land where the land is freehold and made reserve land available using Licence to Occupy agreements. Approximately 660 hectares has been removed from the forest estate through this process, a reduction of 30%. The remaining forest estate is approximately 1,350 ha total area of which 785 ha (58%) is reserve land with remaining forest on freehold land including 180 hectares on land parcels that also have rural Glasgow leases. The reserve land is difficult to sell with potentially only a limited return and the forests on Glasgow lease land have the impediment of the lease to realise value.

The option of selling the remaining Council freehold forests to farmers for agricultural development is becoming more difficult. With the fixed price option for settling carbon emissions in the ETS now gone and the price of carbon steadily rising, the cost to settle carbon liabilities following the harvesting of a mature crop of Radiata Pine would currently be over \$22,000/ha. The cost then to de-stump and clear the land to get the land into a productive state would be at least a further \$10,000/ha. With \$32,000 of costs this does not leave much for the Council with dryland farm land valued for less in the district. Council does have a small area of forest that are post-1989 which will not be affected by carbon liabilities associated deforestation. Farmers also have the capping of nutrient inputs to consider when buying forestry land and the challenge of sourcing irrigation to

maximise production potential.

The other option available for Council rather than selling the rest of its forests on freehold land is to sell the cutting rights to the forests. This option allows the Council to exit forest management, retain ownership of its land while receiving an upfront payment for the tree crop and earn an annual lease payment. This option has been taken up by the Greater Wellington Regional Council (GWRC) when they sold the cutting rights to their resource for 60 years to the US company Resource Management Service (RMS) in 2014. The estate is over 5,000 hectares including forests that are still managed by GWRC for recreation, preserving historic and culturally important sites and protecting areas of indigenous forest to enhance biodiversity. It is understood the forests were sold for at least \$5,700/ha in 2014 with RMS also making annual lease payments. The resource had significant areas nearing harvest age making them attractive to prospective buyers. The quality of the Wellington resource can however be described as variable with some forests exposed to difficult growing conditions and challenging terrain requiring expensive hauler systems and intensive ecological monitoring. The GWRC forests are managed by PF Olsen for RMS.



Unlike GWRC, Ashburton's forest resource has an age class structure that is weighted to younger age class's with 78% of the forest estate less than 20 years old. Following the purchase by RMS of the Wellington forests they harvested 1,650 ha (30%) of the forests in the first seven years of ownership making the purchase of these cutting rights lucrative for this company. When the state forests were sold into private ownership the new owners also got busy with harvesting after purchasing the forests. The lure of significant areas of mature trees would seem to be necessary to get any serious interest in a forest sale.

There will be no similar windfall of log sales to the purchaser of the Ashburton forest estate. In the first five years there is only 67 ha (6%) of the forest estate scheduled for harvest. This imbalance of the age class structure is the result of the wind storm in 2013 when most stands of Radiata pine over 15 years of age were damaged and required clearfelling. The sale of forests has also adversely affected the age class structure. Due to the lack of older aged stands of trees it is not believed Council's forest estate will achieve reasonable offers if the cutting rights were offered for sale. The fixed costs associated with a sale process are likely to exceed \$100,000, therefore Council should only initiated a sales process if a favourable outcome is likely. For this reason the option to sell the Ashburton Forest Estate is **not** recommended.

5.0 Service Delivery Assessment – Forestry

Forestry has performed well over the years as a Council investment. The Council's forest do provided other outcomes such as erosion control at the Rakaia Gorge, trees along the Methven Walkway and shelter around the district for soil protection. Also the Methven Gun Club established a range at the Council plantation on Wightmans Road near the Rakaia Gorge.

5.1.1 Rationale for service delivery

Council involvement in forestry dates back to when government allocated land to the Council to establish forestry blocks to provide shelter for soil conservation. Over time as farmers established their own shelter and the management of agricultural land matured the need for these shelter plantings diminished and the Council started to realise their value for timber production. This rationale for forest ownership to provide income remains the primary reason for Council to have forests. In addition the use of forestry to help manage reserve land, specifically gravel reserves, also continues.

Investment forests do have a number of risks which include market uncertainty and environmental loss through fire, wind or other forces. Council reacted to this risk following the 2013 wind storm when it decided with the advice provided by EY to sell off its forest on freehold land. Since then significant areas of forest have been sold and the Council's residual resources is dominated by forests on reserve land which the Council is likely to retain. There is the potential to sell more forests on freehold land which would further reduce the size of the Council estate, this will be a challenge though with the increasing costs associate with the ETS liabilities. It appears Council will continue to own forests and it needs to decide the best management option for these forests

5.1.2 What are the Options for delivery?

There are three viable options for final consideration;

Option One: In-house Delivery (Status quo)

Under this option the Council would continue to provide most aspects of forest management with exception of using forest management companies to assist with harvesting and log sales. The annual cost with the existing resourcing would be similar to 2020/21 at **\$89,171** (excluding corporate overheads and offsets of income earned through consultancy).

Option Two: Outsource to External Service Provider

Under this option the service would be contracted out under a single contract for the delivery of all day to day forestry management services.

This option will require resource within the property team to contract manage the delivery of the contract, undertaking contract auditing, process contract claims, issue works orders against provisional sums for unscheduled works and resolve issues with neighbouring landowners, reserve boards and other parties.

Moving from an in-house operation to a full service contract would require considerable change management and establishment costs including the following steps:

- consultation process with staff subject to redundancy on proposal for change

- preparation of a procurement plan and appointment of probity auditor
- decision on type of contract and preparation of form of contract
- documentation of contract specifications, bill of quantities, service delivery maps and full description of forest resource and future work programs
- full procurement process including Registration of Interest (ROI) and Request for Tender (ROT) process
- ROI & ROT evaluation.
- contractor appointment, recruitment and establishment
- implementation of customer services systems, works orders and quality auditing
- contractor management

We estimate the above process to require a minimum of 6 months and incur approximately \$75,000 in one-off establishment and procurement costs.

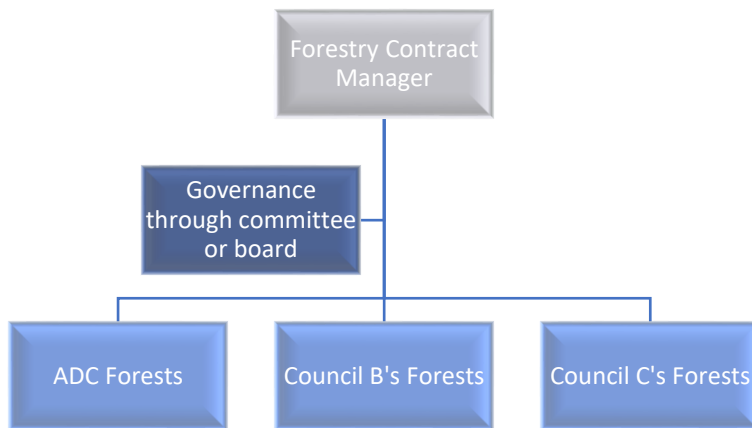
The estimate of the likely cost of an outsourced delivery option is based on generic rates provided by a local service provider. Actual tender rates will vary when tenders become informed of the complexity of the forest resource and scheduled works program and harvesting.

Table 5: Outsourcing Costs 2022 to 2024

Estimated Annual Fees	Rate	2021-2022		2022-2023		2023-2024	
		Qty	Cost	Qty	Cost	Qty	Cost
Forest Estate Charge (/ha)	\$25.00	1072	\$26,800	972	\$24,300	872	\$ 21,800
Operations (% work value)	20%	\$97,346	\$19,469	\$121,111	\$24,222	\$152,552	\$ 30,510
Harvesting (\$/sales unit)	\$5.00	3770	\$18,850	16518	\$82,590	6240	\$ 31,200
Additional Work Hourly	\$200	40	\$8,000	40	\$8,000	40	\$ 8,000
TOTAL			\$73,119		\$139,112		\$91,510

Option Three: Shared Service & Outsource

This option is same as option 2 with the inclusion of a shared service agreement with another Council(s). The shared service agreement may provide more scale and the new entity should achieve more competitive rates with increased work programs and more log sales.



The shared service model will require ADC to put together a proposal for an agreement between ADC and the other party(s) and then have discussions with executive management and governance. It can be expected some negotiation will be required so that the agreement accommodates the requirements and goals of each Council. Councils will be looking to maximise financial returns while meeting its health and safety requirements and minimise financial and environmental risks. Along with these generic goals other more specific outcomes will need to be accommodated such as community interaction with specific plantations and the recognition of secondary purposes such as recreation and reserve management.

Table 6: Estimated Annual Costs with Shared Service*

Charge	2021/22	2022/23	2023/24
Annual Management Fee	\$21,440	\$19,440	\$17,440
Operational Work Fee	\$14,602	\$18,167	\$22,883
Harvest & Sales Commission	\$15,080	\$66,072	\$24,960
Additional Work Hourly Rate	\$6,000	\$6,000	\$6,000
Total Cost Per Year	\$57,122	\$109,679	\$71,283

*Costs reduced from option two Outsource.

The cost of developing a shared service agreement is difficult to assess as it depends on the type of model of shared service that is agreed to. It is encouraged that a simple structure is put in place such as the agreement between Kaikoura and Marlborough District Councils. The agreement also needs to recognise the complexities of each Councils resource. For the purposes of this report it is estimated that the shared service model will cost each Council approximately \$150K. This would include the outsourcing process which would be shared by each party. The estimated costs in table 6 simply reduces the fees that would be charged using option two, the reductions would seem reasonable following transactions with forest management companies involving log sales. The shared service model using these figures would achieve annual savings of 22%. There would be additional costs with shared service with regard to the additional governance required for the interactions between the Councils and service provider involved.

5.1.3 Analysis of Options

Activity	Commercial Forestry
Summary of current service delivery model.	Governance and delivery by Ashburton District Council. Service is delivered in-house with works completed by contractors.

Delivery Option	1. In-House	2. Outsourced	3. Shared Service
Feasibility	Yes	Yes, process required with one off costs of at least \$75K.	Yes, depends on finding like-minded partner, process of drafting agreement and process of outsourcing. Establishment costs of \$150K. Most difficult process of the three.
Annual Cost of Option (includes amortised setup costs and Council contract mgt costs + governance, details appendix 2)	2022 - \$88,700 2023 - \$89,700 2024 - \$90,800 Average - \$89,700	2022 - \$125,400 2023 - \$198,000 2024 - \$145,700 Average - \$156,400	2022 - \$142,800 2023 - \$200,600 2024 - \$158,400 Average - \$167,300
Assessment of benefits and risk	<ul style="list-style-type: none"> • Management focused on ADC operations. • Ease of interaction between Council, other Council teams and forester. • More responsive to neighbours, customers and contractors. • Single forester will be not have expertise of large organisation. • Lack of scale increases costs. 	<ul style="list-style-type: none"> • Specialist forest consultants have experts in more fields including harvesting, H&S, and others. • Strength of multiple people involved in mgt. • Better access to new technologies • Possibly difficult to ensure work program is being completed properly. • Loss of skills and knowledge in the ADC mgt. • Possible conflicts of interest in sales. • Likely disconnect between forestry activity and other 	<ul style="list-style-type: none"> • Larger resource more likely to focus outsource provider. • Savings achieved through combining work programs. • Lower outsourcing rates due to more income for service provider from larger work programs. • Further disconnect with forestry with the additional shared service structure. • Likely disconnect between forestry activity and other areas of Council business (possibly increasing costs).

Delivery Option	1. In-House	2. Outsourced	3. Shared Service
		areas of Council business (possibly increasing costs).	
Enhancements to Status Quo		<ul style="list-style-type: none"> • Lower risks with H&S • Reduce staff and resource required in-house. 	<ul style="list-style-type: none"> • Better scale of operations. • More diverse resource, location/species/carbon

Recommendation

The service currently being delivered has achieved many good outcomes over the past 20 years. However possible opportunities may have been missed due to the limitations of a single staff member especially with regard to health & safety coverage required under the H&S Act. If the Council is exposed and an accident occurs the Council could be liable to significant fines.

Additional expertise is also now required for the Council to meet its responsibilities with regard to the National Environmental Standards for Plantation Forestry (NES-PF). The size of the Council's forest estate has reduced by 40% in the last 20 years and it is likely to reduce further which provides reason enough to review the provision of forest management.

Contracting out the of the service delivery for commercial forest management would relieve Council of some concerns regarding H&S, however as a PCBU Council would still be liable for work on our land. A forestry service provider will also have resources to access new technologies and improve the management of ADC's forests. However, outsourcing appears more expensive, with estimates of this being 67% higher. It is probable however that rates could be negotiated down due the guaranteed work that a contract would provide.

The third option of shared service with another Council could be attractive with possible savings from scale and collaboration between Councils improving management and governance. Of the three options it has the highest annual cost of approximately \$167K, 87% higher than in-house. The cost of the governance structure, council review & setup is included with these costs. The complexity of a share service option, the possible difficulties negotiating an agreement and the uncertainty of finding partner(s) casts doubt on the viability of this option.

This review focused on the current level of service provided by the activity. It did not attempt to predict Council's future direction in and around carbon credits, sustainability and climate change mitigation. However, this is necessary and timely over the next 12 months and officers recommend that over the next 12 months Council decides on its future strategic approach to Forestry.

Recommendation

On reviewing the service, officers recommend that the activity:

- continues to be delivered in-house in the short to medium term, until Council's future strategic approach to Forestry is determined.
- once the strategic approach has been adopted by Council, the view of outsourcing may be explored further, particularly if;
 - more areas of freehold forest land were sold off, shrinking the forest estate, and
 - competitive rates can be negotiated with service providers.

6.0 Appendices

6.1 Appendix A - FOREST OWNERSHIP LOCAL AUTHORITIES

Council	Area (ha)	Purpose	Management Type
Invercargill City	3,058	Financial	CCTO, although in sales process
Southland District	1,384	Financial return	Contracted to IFS Growth Ltd
Dunedin City	19,100	Financial & recreation	CCTO through holding company
Queenstown Lakes District	296	Recreation & financial	In house with contracted support
Central Otago District	122	Financial	Contracted to Laurie Forestry Ltd
Waitaki District	114	Financial & reserve mgt	Contracted + support Council officer
Waimate District	136	Financial	Contracted
Mackenzie District	1,000	Financial	In house & contracted.
Timaru District	236	Financial & reserve mgt	In house with contracted support
Ashburton District	1,098	Financial	In house
Selwyn District	97	Financial & reserve mgt	In house & contracted
Christchurch City	1,363	Financial & recreation	In house & contracted to PF Olsen
Environment Canterbury	3,000	River protection, recreation & financial	In house with harvesting contracted out.
Waimakirere District	600	Financial & coastal erosion control	Contracted out & in house.
Hurunui District Council	75	Financial	Contracted to Laurie Forestry, 137 ha sold recently
Tasman District	2,716	Financial & recreation	Contracted to P F Olsen Ltd
Nelson City	610	Financial & recreation	Contracted to P F Olsen Ltd
Marlborough District	2,973	Financial	Shared service with Kaikoura, contracted to Merrill & Ring
Kaikoura District	382	Financial	Shared service with Marlborough, contracted to Merrill & Ring
Wellington Regional	5,430	Financial & recreation	Cutting rights sold to Remutaka Forests Ltd (foreign owner)
Horowhenua District	114	Financial	Contracted to Forme Consulting Ltd
Carterton District	265	Financial	Contracted to Forest Enterprises Ltd
Masterton District	56	Financial	Contracted to Forest365

Council	Area(ha)	Purpose	Management Type
Palmerston North City	428	Financial & water catchment.	In house & contract when required
Horizons Regional	1,377	Erosion control & financial	Contracted to Forest365. JV forests
Rangitikei District	10	Reservoir mgt	In-house & contracted
Whanganui District	1,230	Financial	Forests & land sold to Sumitomo Corporation
New Plymouth District	326	Financial	Contracted P F Olsen. Resource includes JV's
Hastings District	46	Landfill	Contracted through JV with Napier
Hawkes Bay Regional	661	Erosion control, recreation & financial	In house & contract when required
Gisbourne District	1,680	Financial	CCTO through holding company
Taupo District	990	Financial	Contracted
Rotorua Lakes District	136	Recreation & financial	In-house & contracted
Whakatane District	7	River protection	In-house & contracted
Bay of Plenty Regional	111	Financial	Contracted
Tauranga City	1,063	Recreation, reservoir mgt & financial	Contracted to Interpine Ltd
Western Bay District	647	Recreation & financial	Contracted Interpine
Hauraki District	97	Financial	Contracted
Thames Coromandel District	286	Financial	Contracted
Waikato Regional	95	Financial	Contracted
Kaipara District	135	Financial	Contracted
Whangarie District	92	Financial	Contracted to Woodlands Pacific Consulting Ltd
Northland Regional	295	Financial	Contracted
Far North District	52	Financial	Contracted
Total	53,826		
Councils with no area information:			
Kapiti District		Reservoir mgt	
South Taranaki District		JV Forestry investment	
South Wairarapa District		Road stabilisation	
Waitomo		Financial	
Wellington City		Recreation & carbon	In-house & contracted

6.2 Appendix B – Annual Outsourcing Costs ADC Forestry

2021-2022 Financial Year		
Forest Estate Costing		
Total Net Stocked Area:	1072 ha	\$ 25.00 /ha
	Outsourcing Charge:	\$ 26,800
Establishment & Silvicultural Operations		
Operation	Qty	Cost
Planting	24.5	\$ 21,744
Land Preparation	7	\$ 3,980
Release Spraying	43.8	\$ 16,036
Edge Pruning	1455	\$ 6,548
Pre-plant Spraying	7	\$ 2,209
Perimeter Spraying		\$ 15,000
Structural Thin	34.2	\$ 18,810
Fencing - Sundry	4710	\$ 13,020
Total		\$ 97,346
	20% direct costs	
	Outsourcing Charge:	\$ 19,469
Harvesting & Log Sales		
Plantation	Qty	Net Value
Cpt 146 Baxters Rd	1054	\$ 71,807
Cpt 161 Rapseys	757	\$ 31,900
Cpt 162 Rushford Rd	401	\$ 16,888
Cpt 22 Cemetery Corner	1558	\$ 65,676
Total	3770	\$ 186,271
	\$ 5.00	per sales unit
	Outsourcing Charge:	\$ 18,850
Additional work hourly rate		
Valuations, forest sales, non-budgeted work etc.		
	80 hours @	\$200 /hour
	Outsourcing Charge:	\$ 16,000
Total Cost:		\$ 81,119

2022-2023 Financial Year		
Forest Estate Costing		
Total Net Stocked Area:	1072 ha	\$25.00 /ha
	Outsourcing Charge:	\$ 26,800
Establishment & Silvicultural Operations		
Operation	Qty	Cost
Planting	7	\$ 6,510
Land Preparation	39.3	\$ 20,829
Release Spraying	7	\$ 2,800
Edge Pruning	73.1	\$ 16,813
Pre-plant Spraying	39.3	\$ 12,969
Perimeter Spraying		\$ 15,000
Structural Thin	55.5	\$ 32,190
Fencing - Sundry	4710	\$ 14,000
Total		\$ 121,111
	20% direct costs	
	Outsourcing Charge:	\$ 24,222
Harvesting & Log Sales		
Plantation	Qty	Net Value
Cpt 2 Wightmans Rd	16518	\$ 819,812
Total	16518	\$ 819,812
	\$ 5.00 per sales unit	
	Outsourcing Charge:	\$ 82,590
Additional work hourly rate		
Valuations, forest sales, non-budgeted work etc.		
	80 hour: \$200 /hour	
	Outsourcing Charge:	\$ 16,000
Total Cost:		\$ 149,612

ESTIMATED ANNUAL COSTS VARIOUS SERVICE DELIVERY TYPES

Year	1. In-House	2. Outsourced			3. Shared Service		
		Contractor Costs	Review & Setup	Total	Contractor Costs	Review, Gov & Setup	Total
2022	\$88,700	\$73,119	\$52,312	\$125,400	\$57,122	\$85,712	\$142,800
2023	\$89,700	\$139,112	\$58,911	\$198,000	109,679	\$90,968	\$200,600
2024	\$90,800	\$91,510	\$54,151	\$145,700	\$71,283	\$87,128	\$158,400
Average	\$89,700	Setup: \$75,000	\$75,000	\$156,400	Setup: \$150,000	\$150,000	\$167,300

Out-Sourcing Fix:	\$20,000	
Out-Sourcing Variable:	10%	Contract Fee
Governance:	\$10,000	

Council

19 May 2021



11. Financial Variance Report – 31/03/21

Circulated with this agenda.

12. Mayor's Report

12.1 Long Term Plan 2021-31

It has been really pleasing to see the community's response to the draft Long Term Plan with 430 submissions received on a range of issues. At the time of writing this report we are underway with submission hearings and have listened to a number of people speak. Council values this feedback and the time and effort that speakers have put into their presentations. Council's deliberations will take all comments into account, written and verbal, when we come to our decisions.

12.2 Meetings

- **Mayoral calendar**

May 2021

- 5 May: Council meeting
- 5 May: Radio NZ's The Panel with Wallace Chapman interview
- 6 May: Ashburton College 50 year anniversary walk
- 7 May: RDR meeting and screen project site visit
- 10 May: Airport Authority Subcommittee meeting
- 10 May: Three Waters Reforms (Zoom meeting)
- 11 May: LTP Submission Hearings
- 11 May: Rural Support Trust AGM – Cr Lovett deputised
- 12 May: LTP Submission Hearings and Deliberations
- 13 May: Council Activity Briefings
- 13 May: Audit, Risk and Finance
- 14 May: Abe Coulter
- 14 May: Paul Drury
- 14 May: Kai for Kids
- 14 May: Mid Canterbury Bowling Sub Centre – Centennial celebrations and annual prize giving
- 15 May: Wheelchair Basketball
- 16 May: Hospice Mid Canterbury opening
- 17 May: ECan Draft Regional Land Transport Plan Hearing and Deliberations

Recommendation

That Council receives the Mayor's report.

Neil Brown

Mayor