

Report No.	19-92
Information Only - No De	ecision Required

SUSTAINABLE LAND USE INITIATIVE (SLUI)

1. PURPOSE

1.1. This report is to update Members about progress on Horizons' **Sustainable Land Use Initiative** (SLUI) for the period 1 March to 30 April 2019.

2. EXECUTIVE SUMMARY

- 2.1. The report provides an overview of progress on SLUI for the 2018-19 financial year.
- 2.2. Since the SLUI programme began in 2006 more than 35,200 ha of work has been completed.
- 2.3. The allocated SLUI work programme so far indicates there will be more than 5,400 ha of work (target 3,000 ha) and \$2.8 m of grant expenditure by the end of this financial year on June 30 2019. Last year the grant expenditure totalled \$1.778 m. Current works allocation suggests use of SLUI reserves may be necessary; however this will depend upon how many works come to claim over May and June.
- 2.4. The extra funding to the Hill Country Erosion Fund (HCEF) through the HCE Funding Boost is reported against targets in this report. This boost in funding is referred to as the Supplementary SLUI Programme (SSP). This programme will not meet all of its targets, primarily due to farmers diverting work to Central Government's 1 Billion Trees (1BT) programme.
- 2.5. Our successful **Provincial Growth Fund** (PGF) application has added further funding to SLUI and other grant-funded programmes but is reported within this programme as the bulk of the targets are SLUI-related. This programme is largely on track to meet its targets.
- 2.6. Horizons has secured a total of \$6.493 million of Central Government funding over the next four years through the Hill Country Erosion Fund (HCEF). This represents a 55% increase in the baseline SLUI funding when compared to this year. The amount of funding approved and the allocation of funding to work streams changes from year to year. Staff have worked through the implications of these changes with Te Uru Rākau (TUR), Forestry NZ. The contract is on track to be signed by early June.
- 2.7. The new Central Government funding for the next four years is for specific works types. Forecast interest in forestry (forestry and manuka) for next year exceeds the combined resources for the HCEF funding and Horizons rates, with approximately 7,000 ha of forestry interest signalled for this year. Staff have been working with Te Uru Rākau around potential funding through 1BTand some work will clearly be able to be diverted to the 1BT programme. However, this has differing requirements and payment schedules to Horizons grants and may not be considered feasible by some landowners for the work they have proposed. At this stage the forecast is that Horizons will not be able to meet the demand for grants for forestry and some may not go ahead as planned. Staff have worked through the options on revised grant rates and allocation arrangements, and these are detailed in another report to this meeting.



3. RECOMMENDATION

That the Committee recommends that Council:

a. receives the information contained in Report No. 19-92.

4. FINANCIAL IMPACT

4.1. There are no direct financial impacts associated with this report. However, it does update Members on a number of financial matters associated with SLUI, the PGF and SSP.

5. COMMUNITY ENGAGEMENT

- 5.1. Consultation was carried out through the 2012-22 **Long-term Plan** (LTP) submission process and the recent Annual Plan process.
- 5.2. The **Ministry of Primary Industries** (MPI) has a key role in part funding and overseeing this activity.
- 5.3. The SLUI Advisory Group is updated approximately every six months about progress with this programme and receives copies of these agenda items. The group last met on 25 September. The next meeting is planned for June 11.

6. SIGNIFICANT BUSINESS RISK IMPACT

6.1. There are no significant risks inherent in the adoption of recommendations contained in this report.

7. BACKGROUND

- 7.1. SLUI has been in operation in Horizons' Region since 2006. The initiative, targeting hill country erosion, is funded from Central Government's HCEF plus Horizons' rates and farmer contributions.
- 7.2. MPI is contracted to contribute to SLUI \$1.15 m of its \$2.2 m in total available funds through the national HCEF this year. The Government's 2018 May budget announcement added \$1.8 m to this fund.
- 7.3. SLUI is delivered by Horizons in partnership with the HCEF and MPI, through a contracted works programme which sets targets for plans and works completed.
- 7.4. This report is delivered in year four of a four-year contract with MPI, which runs until 30 June 2019.
- 7.5. This year's work programme includes an additional \$310,750 though SSP and \$970,600 through PGF co-funding for work in the Region. Funding has also been secured through other Central Government sources including the Afforestation Grants Scheme. Further details are provided later in this report.



8. REPORT ON PROGRESS

Contract and Annual Plan Targets (2018-19)

- 8.1. The claim process continues to increase as autumn fencing projects are completed. This year, with a relatively dry autumn, it is clear that fencing projects will continue to be completed through June and July.
- 8.2. The contract targets for 2018-19 are:
 - 28,000 poles planted;
 - 900 ha of non-retirement work;
 - 1,150 ha of forestry established;
 - 350 ha retired;
 - 500 ha riparian retirement;
 - 100 ha managed retirement;
 - 15,000 ha of farm plans mapped;
 - 11,500 ha of land in priority area under farm plans; and
 - 1 sediment monitoring report.

Note the Horizons Annual Plan target for farm plans mapped is 20,000 ha.

SSP

- 2,000 poles planted;
- 500 ha reversion:
- 13,000 riparian plants established;
- 2 on-farm assessments for poles entry into Emissions Trading Scheme (ETS);
- 1 case study on-farm.

PGF

- 1.3 m trees established on 1,000 ha:
- 20 customised forestry investment appraisals completed.
- 8.3. Progress against these targets is reported later in this document.

Whole Farm Plan (WFP) Production

8.4. WFPs are a tool for both bringing new land into the programme and for allocating grants to the various land types (priority land). An important part of maintaining the momentum of SLUI is the ability to bring new farms, new land and new work into the programme. This table shows the plans completed in SLUI's **Life to Date** (LTD) and progress in bringing new plans on board.

Table 1: WFP Production (Life to Date)

No. Plans	Hectares	Comments	
707	529,145	WFPs completed in SLUI to 30 June 2018	
0	0	Less plans completed but not yet delivered to farmers (from 2017-18).	
21	14,762	Plus plans completed in 2018-19 and delivered to farmers	
728	543,907	Equals landowners / hectares able to be engaged in SLUI WFP implementation	
6	2,118	Plans / ha mapped in 2018-19 but yet to be delivered to farmers	
15	6,555	Plans allocated to contractor for 2018-19, yet to be mapped	
0	0	Committed to a plan and on the list for 2018-19, yet to be allocated	



- All 45 plans (28,133 ha) from 2017-18 have been completed and delivered to landowners with 42 of the 45 having agreed on a work programme.
- Of the 21 plans delivered from the current financial year, 18 landowners have already agreed to a works programme, although works are unlikely to start until autumn or winter.
- There are now 42 plans allocated to the contractors for this financial year, down from 43 in the last report as one plan is on hold at the landowner's request. This brings the hectares allocated to this financial year to 23,435 which exceeds the Annual Plan target of 20,000 ha.
- There are 12 plans totalling 6,258 ha with documentation returned. The plans will be the first allocated to the 2019-20 programme.
- We are awaiting the return of information documents from a further 39 farms and more than 24,000 ha. Those still with paperwork out have been prioritised by: having existing plans, being on Top and High Priority land and the Oroua Catchment, and likelihood of doing works.

Whole Farm Plan Implementation (2018-19 Year)

8.5. The implementation rate of WFPs provides a measure of uptake of work during the year. The number of landowner contacts made, the amount of work completed to date and the projections for work this year are shown in Table 2.

Table 2: WFP Implementation (Current Year – actual YTD 2018-19)

No. Plans	Hectares	Comments
707	529,145	Plans completed by 30 June 2018 have been delivered and the landowners have had time to consider and start their works programmes this year. (see Table 1)
268	1,327	Work completed and claimed through the grant process (300 claims)
332	5,476	Indicative commitment to works 2018 -19 (518 claims)
0	n/a	Plan reviews and five-year programmes completed this year

- Hectares to be completed have increased since the last report from an estimated 5,312 to 5,476.
- The estimated number of plans with works being carried out, and hectares of work to be completed, change throughout the year and staff are in contact with farmers to keep up to date on progress. Autumn fencing programmes remain problematic with landowners committed to the work but unable to complete it by year's end. We are continuing to monitor outstanding works and believe the final works coming to charge will be fewer than landowners have indicated.

Whole Farm Plan Activity

8.6. While contract targets focus on the number of plans completed, the activity of individual plans is another measure of SLUI activity. The number of plans active in any one year can and does change. Figure 2 tracks the number of plans that have had no activity at all in terms of implementation of grant works. This measure is complicated by new plans coming into the programme during the year.

Table 3: WFP Activity Life to Date

I	No. Plans	Hectares	Comments		
	707	529,145	Landowners able to be engaged in SLUI WFP implementation (see Table 1)		
	597	35,575	Active plans completed; 3,525 individual claims or an average of 5.9 claims per plan		



- At the time of this report there are 597 active plans involved in the work programme (Table 3) and this is increasing as more plans are completed and previously inactive plans have works carried out. There were 540 active plans at June 30, 2017 and 552 in January 2018.
- The ratio of active to inactive plans has improved considerably. In 2010 there was approximately one active plan to one inactive plan, but by the end of June 2018 this had improved to more than four active plans for every inactive plan; at the end of April the ratio was approximately 1:4.8.
- In the early part of every financial year we expect a slight rise in the number of inactive plans as the new plans are delivered and there is a lag before the work programmes commence.

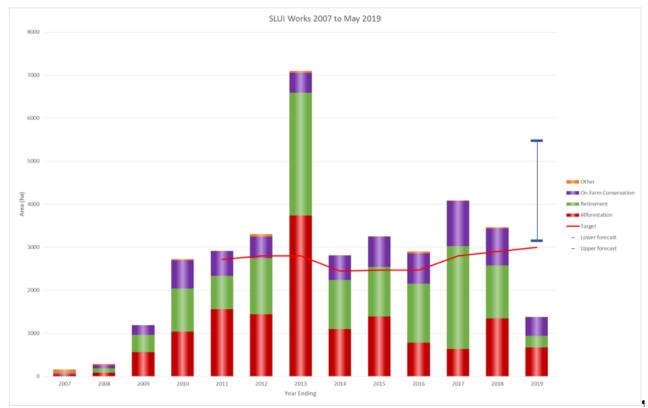
Table 4: Trend of active vs. inactive plans over the life of SLUI

	Total Plans	Active	Inactive	% Active
<2 years	51	24	27	47%
2-5 years	132	102	30	77%
>5 years	539	471	68	87%
Total	722	597	125	83%

- The data in Table 4 (597 active plans) shows six newly active plans since the last report to the Catchment Operations Committee.
- Of the 27 inactive plans that are less than two years old, our contacts with landowners suggests 10 are yet to agree on a works programme while the other 17 will have started work but not yet had a claim recorded to become "active".
- Of the 10 plans: four are from 2017-18 and two are likely to start work this winter, while one has started but no claim has been completed. The six plans from 2018-19 have been delivered to the landowners since March 2018.
- The continuing trend is for one to two plans older than two years to go from inactive to active every two months.



SLUI Life to Date Achievements (by work type)

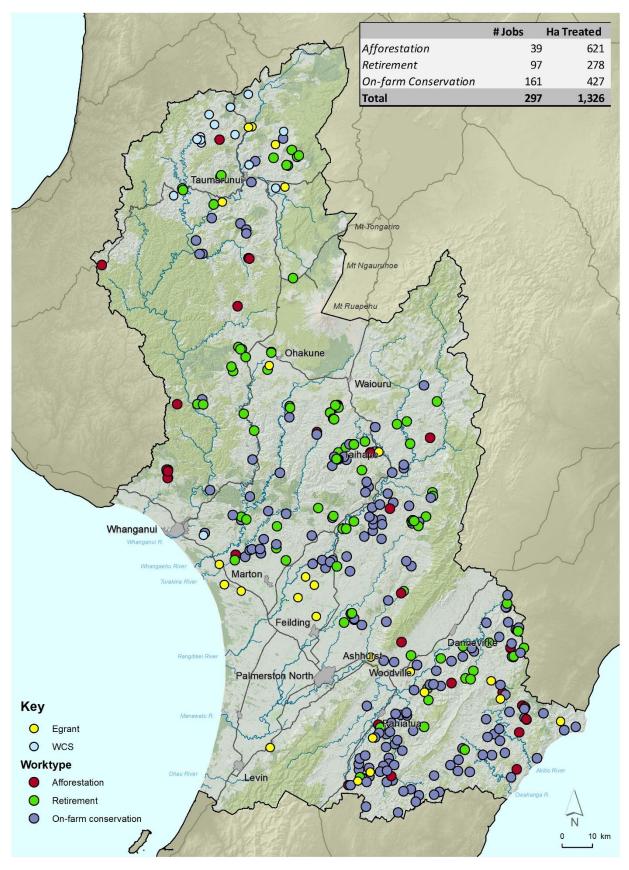


Graph 1: SLUI works completed by work type during the life of the programme against annual contract targets (red line). NB the SSP and PGF targets are not shown in this graph.

8.7. Graph 1 shows the annual works completed in the programme, indicated by work type:

- Each year since 2010 the contract target for hectares of works completed has been exceeded.
- The amount of work completed was relatively stable from 2010-16. However, 2013 was an exceptional year with 3,224 ha of afforestation.
- This was due to uptake of Afforestation Grant Scheme and retirement projects in association with Ngā Whenua Rāhui.
- The 2017-18 year was the third largest work year, largely due to an increase in the afforestation category with an increase in mānuka planted.
- The 2017-18 year was also the largest year by individual jobs (claims) completed with 437 claims, six more than the previous year.
- Until June 2018 Afforestation (red) made up approximately 40% (13,694 ha) of the work completed and retirement/riparian retirement (green) 40% (13,852 ha). These two work types account for the bulk of the hectares of work completed during the life of the programme.
- The on-farm conservation (purple) is predominantly space planting and gully planting with poles but also includes structures and earthworks. It makes up 19% (6,537 ha) of the work by area to 30 June 2018. In total, the programme has planted more than 164,000 poplars with 27,634 ha planted in 2017-18. We expect to exceed that number this year with more than 30,000 poles allocated.
- Overall allocation for 2018-19 indicates a total of 5,870 ha for the year; however actual levels delivered are likely to be less than that as experience shows not all allocated works eventuate.





2019 Worktype Locations

Map prepared by W McKay, NRP Group on 23/05/2019

Map 1 Location of all grant works completed and claimed from July 1 2018 to December 31 2018.



Year to Date Achievements

8.8. Table 5 shows the types of works completed and claimed this financial year.

Table 5: Works YTD (completed and claimed, by grant amount and land priority)

	2018-19				Priority Land Type (ha)			
Work Type	Claim s	Farms	Grant \$	Total ha	Not Erodible	Erodible	High Priority	Top Priority
Afforestation	39	30	522,719.56	621.2	11.0	160.9	291.7	157.6
Retirement	17	15	53,980.18	62.2	3.2	14.1	5.6	39.3
Riparian Retirement	69	51	450,222.08	197.6	24.2	56.3	27.4	87.9
Wetland Retirement	10	9	33,812.80	9.9	2.6	3.3	0.4	3.2
Managed Retirement	1	1	18000.00	7.8		0.9	5.8	1.2
Space Planting	160	158	205,877.39	424.6	12.5	241.5	121.3	49.4
Gully Planting	. 1	1	5,357.50	2.6		2.3	0.3	2.6
Structures and Earth	. 1	1	6,853.64	0.7				0.7
Other	2	2	129.65	0.2				0.2
Total	300	268	1,251,952.8 0	1,326. 8	53.5	479.3	452.4	339.4

- 1,327 ha of works (44% of the 3,000 ha target) have been completed and claimed this year.
- 792 ha (60%) of works completed are on Top Priority and High Priority land.
- Afforestation claims completed include 32 projects funded through PGF which have had a grant cost of \$309,090.



Forecast v Actual (targets vs actual by work type)

8.9. Table 6 shows the forecast figures against target for 2018-19. The work programme is fluid and changes throughout the year. Some of the changes are due to postponements or cancellations and some due to new plans coming on stream and bringing in new work programmes.

Table 6: Proposed work 2018-19 (Contract v Forecast v Actual) and difference Forecast to Contract

Work Type	Contract Target Ha x1,000	Forecast Ha	Actual Ha	Dif Ha	Dif %	Target \$ x1,000	Forecast \$ x 1,000	Actual \$ X 1,000	Dif. \$ x1,000
Afforestation	1,150	2,124 *B	621	974	185	747	286	523	-461
Retirement	350	2,004	62	1,654	573	179	474	54	295
Riparian Retirement *A	500	628	208	128	126	750	1,375	439	625
Managed Retirement	100	51	8	-49	49	20	37	18	17
Space Planting and Gully Planting	800	647	427	-153	81	345	265	211	-80
Structures/Earthworks	100	1	1	-99	1	30	9	7	-21
Other (inc blank)		20	-	20	-	33	47	0.1	-14
Total	3,000	5,476	1,327	2,476	183	2,104	2,495	1,252	391
SSP: 2,000 poles (57 ha)	57	57	-	-	-	55	55	5	-
SSP: reversion	500	500	-	-	-	500	500	-	-
PGF: 1.3 m trees	1,000	1,049 *B				1,283	910	304	-373
Total	4,557	5,870 *C				3,942	4,321		379

^{*}A - includes wetland

SLUI

- 8.10. The following bullet points update works on SLUI farms. The next section provides updates on a broader land area:
 - The target for works for 2018-19 is 3,000 ha and at this stage we are forecasting 5,476 ha to be completed. All numbers are changing at the moment as staff are reporting cancellations as well as new works; at the lower end of the scale the minimum work expected to come to claim is 3,152 ha. There are one or two large afforestation jobs still to claim (mānuka planting where staff have wanted to see survival rates later in the season before committing to a claim), and more than 150 fencing jobs to be completed.
 - The value of grant work forecast to be completed by the end of the 2018-19 year is now \$2,495,000, down from \$2,856,000 reported last period. Some of this is due to cancellations but the bulk is due to splitting the afforestation, which will be PGF funding, off from the SLUI grant cost. The \$2,495,000 is still above the budgeted level of \$2,104,000. This would signal possible use of SLUI reserves, but it is still too early to make accurate forecasts for overall expenditure; last year approximately 70-75% of allocated expenditure came to charge.
 - The SLUI contracted afforestation target of 1,150 ha will include some SLUI properties
 where the grant is paid by PGF or PGF/SLUI. The total ha proposed under SLUI/PGF/
 SLUI & PFG/and free manuka on SLUI properties was 1,021 ha and 1.6 million trees. An
 additional 356 ha and 519,000 trees will be reported through SLUI targets as staff
 facilitated AGS funding for establishment on SLUI properties.

^{*}B – afforestation and PGF forecast in total is for 1,377 ha. This will include PGF PGF/SLUI, free manuka, and Afforestation Grant Scheme work on SLUI farms. The PGF alone proportion of this planting is 1,049 ha, but this will include non-SLUI farms.

^{*}C – The total ha of work forecast for completion will be through joint funding by SLUI, SSP and PGF.



• SLUI has a contracted space and gully planting target of 800 ha. This will be reported separately from the SSP target of 2,000 poles (the equivalent ha target is 57 ha). At this stage the grant paid under SLUI is \$211,234.

Wider Land Programme

- 8.11. The following bullet points include works on SLUI farms and other farms as the PGF programme was not limited to works on SLUI farms:
 - The PGF or PGF/SLUI projects which have been approved have an estimated grant cost of \$910,800 and 1,350,524 total trees. To date 41 of these projects have been claimed with a grant cost of \$448,808 and 501,802 trees planted.
 - The TUR agreement to fund free mānuka seedlings has resulted in four other projects taking place on SLUI properties, with approximately 648,000 seedlings being planted. Horizons staff have been involved in these jobs, which were originally identified through SLUI. Staff assisted landowners to complete funding applications and implementation of works. All of the free mānuka projects received SLUI grants for some component of the works.
 - The SSP project proposed 500 ha of reversion but this work has not eventuated. Two
 landowners were interested and one has made an application through 1BT while the
 other is considering plantation mānuka through 1BT rather than reversion. The
 announcement of grants for reversion as part of the One Billion Trees programme, after
 the funding provided via SSP, has effectively diverted planned work to the One Billion
 Trees programme.

9. ACTIVITY SUMMARY

Season

9.1. The past two months have been warm and a little drier than normal. Tree survival has generally been good, with poles in most areas with greater than 90% survival. The exception to this is the Turakina and lower Whangaehu catchments where pole survival is lower and it is expected some poles will not leaf up next spring.

Staff activity

- 9.2. Staff are contacting landowners to confirm works are on track and complete claims where possible; 78 claims have been completed since the beginning of April. Landowners have had a dry autumn and fencers are still on site. It is expected claims will continue to come to charge right through winter.
- 9.3. Staff have had a number of enquiries from landowners wanting to know how the 1BT programme could work for them and have assisted with applications, but at this time no approvals have been received from TUR. This poses some risk to us as landowners may come back to Horizons for funding on jobs we haven't budgeted for, but for which we have supported 1BT applications and which are eligible for SLUI grants.
- 9.4. Staff have been involved with a number of small block holdings on the Whanganui River with iwi land. Producing WFPs or the new paddock map works programme are possibilities for this land.
- 9.5. A number of pre-plant inspections have been carried out on mānuka and forestry blocks where staff have given advice on consenting requirements under the National Environmental Standards (NES) for Production Forestry, any areas requiring added protection with regard to biodiversity and erosion control, and areas where grant assistance can be provided.
- 9.6. Fencing claims are progressing well with a dry autumn but staff have been noting that fencing costs, especially for labour, are increasing.

Catchment Operations Committee





9.7. A number of inspections have been carried out for the forestry appraisals as approved under the PGF funding. Staff have accompanied the landowners and consultants on these inspections. By mid-May, 17 of the 21 inspections had been completed and six of 21 reports had been returned to landowners.

Contract

- 9.8. The current HCEF programme is continuing as planned and four milestone reports (August, October, February and March) have been completed for TUR, along with funding invoices in October, February and March.
- 9.9. The SSP's first milestone report was completed in February, along with a funding invoice. This milestone focused on the establishment of 2,000 poles in the Ruapehu area. The second milestone report, due at the end of May, will note that we have been unable to meet the targets for 500 ha of Reversion as proposed. Landowners contacted have decided to apply for reversion under 1BT funding.
 - Two milestone reports have been completed under the PGF tree planting programme (November and December), with an invoice for the December milestone. The final milestone report and invoice is due at the end of May.
- 9.10. Agreement has been reached with TUR around funding and milestones for the new HCEF contract starting in July.
- 9.11. Progress against SLUI contract targets is shown in Table 7.

Table 7: Progress against MPI contract targets (Year to Date)

	Target	Current	Comment
28,000	Poles planted	Approx. 16,600 claimed to date	Planting completed; may not exceed target as fewer claims than expected coming to charge
900 ha	Non-retirement work	428	Mostly related to pole planting, see above comments
1,150 ha	Forestry established	621	Underway; planting to be completed this spring, will exceed target when included with PGF and AGS
350 ha	Retired	62	Underway, will exceed target
500 ha	Riparian retirement	208	Some carry over from last year, will exceed target
100 ha	Managed retirement	8	Will not meet target
15,000 ha	Farm plans mapped	14,433 mapped but plan not complete	Contractors have more than 23,400 ha to map to date, will exceed target
10,500 ha	Land in priority area under farm plans		Not assessed yet
1	Sediment monitoring report		Not planned (variation requested)
2,000	SSP – Poles planted Ruapehu (57 ha)	2,000	Planting completed, have met target.
500 ha	SSP - Reversion	0	Will not meet target, no work planned
2	SSP – ETS space planting assessments		Two landowners confirmed, and consultant engaged
1	SSP – ETS case study (from above assessments)		One case study and an info sheet planned
13,000	SSP – Riparian plants established		Checking with riparian planting projects, will meet target

Catchment Operations Committee





	Target	Current	Comment
1.3 m	PGF – trees planted of various species	501,802	Planting completed, claims coming in; approximately 1 million trees expected to be claimed.
20	PGF – customised forestry appraisals		Return on Investment (ROI) completed, consultants engaged, site inspections on-farm have commenced. 17/21 inspections complete. Will achieve target

Operational Plan Work Streams

- This section discusses completion of internal targets and progress on issues outlined in Sections 5 and 6 of the SLUI Operational Plan. Some progress on issues is noted, including:
 - Maintain WFP database wait time, with average 250 days. The average for this year so far is 159 with a range from 80 to 284 days.
 - 90% of previous year's plans are being implemented or agreed by December following the plan being completed. For February 2019, the figure for 2017-18 plans was 91%, and for this year's plans 19 of 25 plans (76%).
 - o Provide SLUI scholarships with two awarded this year.
 - Provide holiday work to SLUI scholarship students. This year we have a former student on a fixed-term contract to support improvements to the SLUI database.
 - Audit/monitor works on at least five existing WFPs. This work has started with seven site visits completed. We had hoped to complete 10 full site visits but staff have been busy inspecting and mapping forestry proposals for this winter's planting.
 - Maintain staff training with at least two internal training sessions. One session has been held with a site visit to a farm being converted to a mānuka plantation near Taihape. Further training is planned around pole delivery in early June.
 - Manage applications for grants in excess of \$20,000 via a "large grants" process.
 There are 15 approved large grant jobs this year with a total grant cost of \$720,419.
 - Maintain grant allocations spreadsheets. These are updated regularly and reported via Table 5 of this report.
 - Maintain joint venture (JV) forests to meet contract and budget targets, including insurance and audit. See section below.
 - Review some aspects of the grant programme. This remains a work in progress. Some options for variation to grant rates were presented to a Council workshop in March. This outlined grant rates for properties without a full SLUI plan as well as some changes to afforestation grants based on a cap per property.

Joint Venture Forestry

- 9.12. Silviculture work has been completed. There is some minor tracking work to be undertaken before the end of the financial year.
- 9.13. The consultant has completed the annual forestry valuation in time for end of year financial reports. The report notes:
 - "Therefore, this forest valuation, which is effective 30 June 2019 notes that, based on the assumptions in the report following and using an 8% discount rate on all ages of forest, the forest's value lifts from \$4,021,645 in June 2018 to \$4,816,458 in 2019 with an indicative harvest value of \$26,952,295 (up from \$25,454,055 in 2018) over time."



NEXT THREE MONTHS (May - July)

- Continue on claims for work programme, including assessments of survival in order to meet milestone targets for PGF claims.
- Deliver and discuss work programmes from the new 2018-19 plans.
- Continue with landowner contacts for five-year reviews and non-active plans.
- Maintain WFP priority process.
- Complete and sign contract with HCEF.
- Complete the procurement process for WFP mapping as the current contract expires at the end of this financial year.
- Complete field visits with forestry and land use consultants to prepare land use assessments. Receive assessments from contractors.
- Begin pole delivery and advice, support planting where necessary.
- Complete all SSP, PGF and SLUI reporting and invoicing.

10. SIGNIFICANCE

10.1. This is not a significant decision according to the Council's Policy on Significance and Engagement.

Grant Cooper

MANAGER - LAND & PARTNERSHIPS

Jon Roygard

GROUP MANAGER NATURAL RESOURCES & PARTNERSHIPS

ANNEXES

There are no attachments for this report.