

# Expenditure of the Levy: 2019-2025

## Section 10 – Use of Levy

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### (1) Activities

No Levy shall be used for any commercial or trading activity.

### (2) How the levy will be spent.

Each year the FGLT will consult known actual and potential levy payers on how it will spend levy money in the year ahead. All intended use of the levy funds will fall within the purposes listed in the Act under s.10 (2)(b)(i) to (viii).

#### A. The Work Plan

The broad basis for expenditure of the levy funds is the “Forestry Roadmap for Aotearoa New Zealand: 2020-2050”. All items in the Roadmap are closely related to the interests of those responsible for paying the levy.

##### Annual Plan and Consultation

Each year, commencing with year two, before the start of the levy year the FGLT will prepare a broad-based work plan and budget for the ensuing year. The plan will be drawn broadly to provide flexibility to cover changing circumstances and priorities. For example, some programmes may be extended beyond a single year, some may be of short duration and others may arise at short notice.

The plan and supporting budget will be made available to the industry for consultation at least two months prior to the commencement of the levy year. Industry participants and especially the constituency will have an opportunity for comment on the allocation and expenditure of levy funds as proposed in the annual work plan.

The FGLT will ensure a communication strategy to give reasonable opportunity for comment.

#### B. Execution of the Plan

Once the plan and the broad-based budget have been finalised, following consultation, FGLT will contract external agencies to carry out the components of the plan.

FGLT will have a minimalist administrative structure of its own. It will not micro-manage the day-to-day working of the contracting agencies, but will closely monitor performance against agreed benchmarks and outcomes. It is likely the management structure will be revised during the period of the levy to improve efficiency of governance and program management. Any changes will take into account levy payer representation.

Contracting agencies will provide reports to FGLT covering funding provided and its use and detailing the outcome achieved.

## C. Budget for the First Year (2020)

The estimated annual budget to meet sector activities for 2020 is as follows:

### Levy income

The levy income is dependent upon the harvest level. For 2020 the harvest has been forecast to be 34.5 million tonnes to give an estimated levy income of \$9 million.

Although the New Zealand plantation resource has the capability to exceed this level of harvest, actual harvest level is dependent upon the log market and the New Zealand infrastructural capability to handle the logs. New Zealand is approaching infrastructural capacity for log cartage, harvesting and port capacity.

Combined with the uncertainties of international marketing the FGLT has forecast a 2020 harvest of 34.5 million tonnes.

The actual budget for 2020 will include residual funds from the 2019 levy year for the existing harvested wood products levy. As the level of unspent funds is impossible to forecast, for the 2020 budget it has been assumed that no residual funds are available, and the full budgeted income will be utilized.

## Budget 2020

<b>Income</b>	<b>\$9.0 million</b>
<b>Expenditure</b>	
Operational Costs	<b>\$0.3 million</b>
Programme management fees	<b>\$1.2 million</b>
Work Programme Costs	<b>\$7.5 million</b>
<i>Environment</i>	\$0.1
<i>Fire</i>	\$0.1
<i>Biosecurity</i>	\$0.7
<i>Health &amp; Safety</i>	\$0.7
<i>Marketing and Promotion</i>	\$0.5
<i>Research, Science and Technology</i>	\$5.0
<i>Transport</i>	\$0.1
<i>Training and Careers</i>	\$0.2
<i>Other</i>	\$0.1
<b>TOTAL Expenditure</b>	<b>\$7.5 million</b>

Actual expenditure will depend upon the FGLT financial management regarding retained funds as financial reserves and availability of residual / carry over funds from the existing levy. However the budget represents the level of financial intent by major program / spend category.