

## 2.18 SOUTHLAND AND OTAGO REGIONAL ENGINEERING COLLECTIVE ESTABLISHMENT AND REGIONAL LEADER ROLE

PGF Application – Development Phase		For: Approval	
<b>Applicant:</b>	Farra Engineering Limited (on behalf of the Collective)	<b>Pipedrive ID #</b>	Commercial
<b>Entity Type:</b>	Company	<b>PGF Funding Sought:</b>	\$495,000
<b>Region</b>	Otago	<b>Total Project Value:</b>	Commercial Inform
<b>Tier:</b>	2 - Sectors	<b>Co-contribution:</b>	Commercial Info Cash contribution from the applicant for overhead costs including potential working space
<b>Sector:</b>	Southland and Otago Regional Engineering Collective	<b>Funding Structure:</b>	Grant

### We recommend that SROs:

- Approve** up to \$495,000 from the PGF fund towards the establishment of the Southland and Otago Regional Engineering Collective (SOREC) and the SOREC Regional Leader role to help build the capability and capacity of Southland and Otago manufacturing and engineering firms.
- Note** this project strongly aligns with PGF.
- Note** this funding request is part of the agreed PGF allocation for the Southland and Otago Engineering and Manufacturing priority.

### Proposal:

The applicant seeks grant funding to employ a resource (Regional Leader) to help develop and drive the delivery of SOREC (see breakdown below). The Regional Leader will provide both operational and strategic leadership in establishing SOREC and will report to the SOREC Board (to be established).

The objectives of SOREC are to grow manufacturing engineering firms in the Southland and Otago regions by increasing collaboration to successfully compete for new work, adopt new technologies/methodologies, and increase the calibre and number of regional apprentices and other roles required by the firms.

Item	Total cost
Regional Leader salary	§Commercial Information
Overhead and Operational costs (includes travel, office space, operating equipment etc.)	§Commercial Information
Initial applicant contribution to overhead costs (including a potential working space)	§Commercial Info
<b>Total</b>	§Commercial Inform

The Regional Leader will need to work closely with relevant government stakeholders in relation to the funding and investment requirements and outcomes. One of the first roles of the Regional Leader will be to provide business development support to prospective companies seeking to grow their existing business with the support of the PGF.

PGF funding will also be used to fund costs that will be incurred during the employment of the Regional Leader including workshop setup, facilitation of SOREC Board meetings, and general operational expenses.

Farra Engineering 'the applicant' will act as the intermediary until the SOREC has been established and is operational.

An initial Steering Group has overseen this application which includes <sup>Privacy of natural persons</sup> from Farra Engineering and <sup>Privacy of natural persons</sup>. Both <sup>Privacy of natural persons</sup> will sit on the SOREC board and will conduct the initial procurement process for the Regional Leader. They will also recruit three other members to the board (minimum of two will be from Southland)

(Please note that this coversheet should be read alongside the SOREC cover briefing and the other 7 related SOREC projects).

### Assessment against the PGF criteria:

#### Eligibility Criteria

This application is eligible for PGF funding.

#### Productivity Potential

SOREC is a new concept to centre and focus the groups that currently support the regional Engineering firms in order to better coordinate and accelerate the many opportunities that arise in this sector. With the mandate to kick start the growth of work and jobs for the regional firms, SOREC is aligned well to stakeholders' strategic plans and agendas, as well as meeting the PGF objectives – specifically uplift productivity, enhance economic opportunities, create sustainable jobs and build more resilient communities.

#### Policy objectives and regional priorities

The Engineering and Manufacturing sector has been identified by Ministers as a key sector for PGF investment. Linked to this is the identification that Otago and Southland are two regions which possess a high number of firms in this sector.

Through previous funding provided by the PGF, an analysis was undertaken by Deloitte to identify the pain points currently being faced by Engineering and Manufacturing firms in Otago and Southland. From this, a document

outlining the steps to addressing the perceived issues was developed titled the 'Southland and Otago Regional Engineering Collective'. The applicant was approached as part of the analysis, and now has the opportunity with the support of the PGF to address its current challenges, specifically around its ability to meet demand, and provide good employment options for low-skilled employees and apprentices.

PGF Criteria	Assessment Commentary	Rating (0✓ to 5✓)
<b>Link with fund and government outcomes</b>		
Creates permanent jobs	<ul style="list-style-type: none"> <li>Establishment of the Regional Leader role.</li> <li>Coordination should lead to increase and organised work programmes across the sector, it is likely that a coordinated approach will lead to an increase in jobs across the firms.</li> </ul>	✓✓
Delivers benefit to the community	<ul style="list-style-type: none"> <li>Indirectly, the SOREC will have the formally recognised mandate to improve the regional manufacturing and engineering firms' commercial opportunities, industry future readiness, and people capability.</li> <li>SOREC will explore ways to better connect and support apprentices across Southland and Otago.</li> </ul>	✓✓✓✓
Increased utilisation and returns of Maori asset base	<ul style="list-style-type: none"> <li>Not evident</li> </ul>	
Enhanced sustainability of natural assets	<ul style="list-style-type: none"> <li>Not evident</li> </ul>	
Mitigation of climate change effects	<ul style="list-style-type: none"> <li>Not evident</li> </ul>	
<b>Additionality</b>		
Adding value by building on what is already there	<ul style="list-style-type: none"> <li>Engineering and Manufacturing is a strong sector in Dunedin which has been constrained due to the inability for companies to meet the demands through the lack of efficient equipment and lack of a coordinated approach.</li> </ul>	✓✓✓
Acts as a catalyst for productivity potential in the region	<ul style="list-style-type: none"> <li>With a coordinated approach firms will be able to increase productivity as they will have support and the equipment they need to accelerate the production and output required to meet the demand.</li> </ul>	✓✓✓✓
<b>Connected to regional stakeholders and frameworks</b>		
Alignment with regional priorities	<ul style="list-style-type: none"> <li>While not yet public, the project aligns well to the objectives of the ORED Framework, specifically the objective to increase productivity of the region.</li> </ul>	✓✓

Support from local governance groups (inc. Councils, Iwi/Hapu)	<ul style="list-style-type: none"> <li>The Dunedin City Council is aware of this application. The Dunedin City Council is heavily involved in Engineering Dunedin Inc.</li> </ul>	✓✓✓
<b>Governance, risk management and project execution</b>		
Robust project management and governance systems	<ul style="list-style-type: none"> <li>Investment toward the Regional Leader will be facilitated through Farra Engineering Ltd until the SOREC entity is established. Farra will act as initial contracting entity.</li> <li>A steering group will provide oversight of the funding and will commence the recruitment process.</li> <li>Once the Regional Leader is in place the Regional Leader will be responsible for creating the Project Management Plan.</li> </ul>	✓✓✓
Risk management approach	<ul style="list-style-type: none"> <li>Risks are identified with mitigations.</li> </ul>	✓✓✓
Future ownership / operational management	<ul style="list-style-type: none"> <li>The Regional Leader will establish relationships with firms to identify what support and investment is required to build the desired outcomes of SOREC into the future.</li> </ul>	✓✓✓
<b>Analysis of the benefits and costs</b>		
<p>The key benefit of this project is the establishment of SOREC as an avenue for building the capability and capacity of the Southland and Otago manufacturing engineering firms. In order to grow the regions by:</p> <ul style="list-style-type: none"> <li>increasing collaboration to successfully compete for new work;</li> <li>adopting new technologies/methodologies; and</li> <li>increasing the calibre and number of regional apprentices and other roles.</li> </ul>		
<b>Financial Analysis</b>		
Yes – 5 year financial and performance statements between 2015 and 2019 have been provided (as per Farra Engineering's Horizontal Floor Borer project).		
<b>Funding Arrangements</b>		
A grant of \$495,000.		
<b>Due Diligence and Ownership</b>		
Due Diligence was undertaken as part of Farra Engineering's application to install their Horizontal Floor Borer.		
<b>Commercial Information</b>		

**Risk Assessment**

The key risks to the PDU and proposed mitigations of this investment are as follows:

Type of risk	Risk description	Mitigations	Risk Rating L/M/H
<b>Duplication</b>	Commercial Information [REDACTED] [REDACTED] [REDACTED]	While still in its infancy, SOREC will aim to undertake a cataloguing of equipment across the engineering firms that are part of SOREC to ensure that duplication of equipment is minimised.	Medium
<b>Resource</b>	The ability for the company to find employees to fill the roles may delay the productivity potential of the applicant.	While still in its infancy, SOREC will aim to work with engineering firms to understand the current employee shortages, and then work with tertiary educators, employment agencies, and social development agencies to fill the employment gaps.	Medium

**Consultation undertaken or implications:**

N/A

**Supporting proposal:**

Yes

**Appendices:**

Yes – application has been provided

**Author of paper:**

HW, Investment Team