



3.6 RIVERLAND ‘WE GROW PEOPLE’

PGF Application		For: Approval	
Applicant:	Riverland Fruit Company Ltd	Pipedrive ID #	MBIE ^{Commercial Information}
Entity Type:	Company	PGF Funding Sought:	^{Commercial Information}
Region	Tairāwhiti	Total Project Value:	^{Commercial Information}
Tier:	2 - Sectors	Co-contribution rate:	^{Commercial Information}
Sector:	Primary Industry Skills/ Training	Funding Structure:	Grant / Loan
We recommend that the IAP:			
<p>a) Support up to ^{Commercial Information} from the PGF fund towards Riverland ‘We Grow People’, subject to:</p> <ul style="list-style-type: none"> - SROs approving Te Ara Mahi (TAM) funding for the training components of this application (^{Commercial Inform}, see ‘PDU spreadsheet assessment’ for capex/ opex, PGF/ TAM breakdown - Annex 1). - Confirmed budgets for capex items (MPI is working with this applicant and believes the figures are based on reasonable quotes and previous similar investment undertaken by Riverland). <p>b) Note The applicant has sought a mix of grant and loan funding for this application – to be allocated across a three year period. The PDU assesses that while the project components are reasonable for the programme of works to be undertaken in the application, the co-funding/ PGF grant/ PGF loan mix should be altered with an increased contribution from the applicant and more PGF funding as a loan than the applicant requests (see ‘PDU spreadsheet assessment’ Annex 1)</p> <p>c) Note The funding mix proposed by the PDU brings co-funding closer to the PGF criteria (proposing ^{Commercial}) while acknowledging that the project’s goal of employing NEETs and harder to place members of Tairawhiti’s workforce should attract a grant portion of what might otherwise be funded purely as a loan. This further recognises that Riverland is less likely to achieve commercial productivity efficiencies with these workers in the short to medium term as the general productivity level of a trainee is accepted as approximately ^{Commercial} of a level 2 trained, independently motivated, full time horticultural employee, and, that this project has a strong social component as a deliverable.</p> <p>d) Note The funding request when placed next to the number of jobs created is a favourable equation – ^{Commercial Informa} new positions for ^{Commercial Inf} (PGF and TAM) and that these positions will be sustained post PGF/ TAM funding</p>			
Proposal:			
<ul style="list-style-type: none"> - This application is seeking funding via a mix of loan and grant to expand an orchard business based in Gisborne. It is seeking funding from both the PGF main capex fund and, TAM for opex items associated with the training components (training and pastoral care). The IAP is being asked to recommend funding for the capex items ^{Commercial Information} - The applicant is a family run business that has been successfully operating for over forty years (revenue from produce 2017 ^{Commercial Inform}, 2016 ^{Commercial Inform}, 2015 ^{Commercial Inform}). - Riverland has begun working with NEETs and hard to place members of Tairawhiti’s workforce, hiring with the help of MSD funding ^{Commercial Inf}, ^{Commercial Informa}. This application is seeking to accelerate this programme by 			

employing an additional ^{Comm} people, with the goal of employing ^{Comm} people at the end of the programme, noting there is likely to be attrition through the training programme.

- The PDU acknowledges that an additional risk margin is reasonably being factored into Riverland’s calculation in making the infrastructure investments associated with this application. As such, the applicant is seeking an investment partner that can take a wider view of the value of placing the ^{Comm} workers into the business and, continuing to employ the ^{Comm} workers they are currently working with (MSD contract) – a total of ^{Comm}.
- This project is not directly part of a wider package but at the last IAP meeting, the panel considered a not dissimilar project. ASET also works with Tairawhiti’s harder to place workforce members. These two projects are seeking to expand existing programmes of employment, training and pastoral care within models that generate revenue and are, therefore, likely to be less reliant on government funding going forward.
- The investment proposed in this application is seeking to put in place infrastructure that will enable full-time, year round employment to ^{Commercial Informa} workers in this programme post its completion. This will be achieved via:
 - o Workers helping in the construction phases of the infrastructure builds, gaining skills whilst doing so such as concreting and carpentry
 - o Investing in infrastructure (additional cool store) that will enable niche market offerings that will extend Riverland’s season
 - o Bringing services currently outsourced (root stock bed extensions) back into the business
 - o Undertaking training in association with Eastland Institute of Technology (EIT) to upskill programme participants.
- Although Tairawhiti does not have significantly greater unemployment than the national average ^{Commercia} against the national average of ^{Commercia}, it is acknowledged that the region has a higher than average NEETs problem ^{Commercial In}, as well as a persistent long-term unemployed section of the population. Public investment into providing, with Riverland as a partner, long-term employment opportunities in a sector traditionally hindered by its seasonal nature, is significant. Additionally, the applicant has shown with the ^{Commercial Info} employees currently being worked with, a programme that provides training that includes upskilling such as machinery licencing (forklift) and, pastoral care that has included, literacy, financial literacy and health checks. Riverland collects workers in the morning, provides lunch and drops off workers at their homes at the end of each day. As such, the applicant has shown the commitment to establish this programme, a commitment to successfully work with harder to place members of the workforce, and a commitment to offer wrap around services/ pastoral care, acknowledging that simply offering employment to these sectors of the workforce is not sufficient to generate meaningful results.

Assessment against the PGF criteria:

Eligibility Criteria

This application is eligible for PGF funding noting it is based in a surge region and meets a number of PGF criteria including, job creation and skills training in a priority sector, Ag/ hort.

Productivity Potential

Although Riverland will ultimately seek an increase in productivity for their business, the stronger goal for the PGF is to see ^{Comm} NEETs and hard to place workforce members in training while earning, and, the creation of ^{Comm} full-time roles post the programme.

Policy objectives and regional priorities

The Tairawhiti Economic Action Plan (TEAP) notes as a strong priority, increasing employment opportunities for its people. This application is seeking to aid in the delivery of this goal. The TEAP also notes the goal of investment into Ag/hort, noting the region has a competitive advantage in this sector that includes settled weather and fertile

soils.		
The project has been presented to the TEAP Steering Group and has been supported for submission to the PGF.		
PGF Criteria	Assessment Commentary	Rating (0✓ to 5✓)
Link with fund and government outcomes		
Creates permanent jobs	<ul style="list-style-type: none"> This programme is seeking to create a further ^{Comm} jobs on top of the ^{Comm} currently employed. The goal, while acknowledging there will be some attrition through the programme, is to create ^{Comm} new full-time jobs following the programme's completion. 	✓✓✓✓
Delivers benefit to the community	<ul style="list-style-type: none"> Strong community benefits noting the jobs created are focused on NEETs and harder to place members of the workforce. 	✓✓✓✓
Increased utilisation and returns of Maori asset base	<ul style="list-style-type: none"> N/ A 	
Enhanced sustainability of natural assets	<ul style="list-style-type: none"> Aspects of this application such as the vermicompost will recycle material previously processed to waste (landfill) but this is just one component of this application. 	✓
Mitigation of climate change effects	<ul style="list-style-type: none"> N/ A 	
Additionality		
Adding value by building on what is already there	<ul style="list-style-type: none"> This programme was established by the applicant who is currently working with ^{Comm} people. This application is seeking to accelerate the expansion of this programme. 	✓✓✓
Acts as a catalyst for productivity potential in the region	<ul style="list-style-type: none"> Limited as this is focussed on a single business 	✓
Connected to regional stakeholders and frameworks		
Alignment with regional priorities	<ul style="list-style-type: none"> Strong alignment with regional priorities and has support from the TEAP Steering Group. 	✓✓✓✓
Support from local governance groups (inc. Councils, Iwi/Hapu)	<ul style="list-style-type: none"> As above 	✓✓✓
Governance, risk management and project execution		
Robust project management and governance systems	<ul style="list-style-type: none"> The applicant is running this programme with good systems in place to manage the additional 	✓✓✓

	requirements pastoral care and training requires. The proposed scale up of this programme is acknowledged by the applicant and the application notes mitigations and systems to manage this increase.	
Risk management approach	<ul style="list-style-type: none"> The risk/ mitigation register is high level. The PDU has assessed this and noted additional risks associated with the programme. 	✓✓
Future ownership / operational management	<ul style="list-style-type: none"> The business has been family owned for over forty years. There is a succession plan in place and the applicant has noted no plans are in place to change the ownership of Riverland. 	✓✓✓✓

Analysis of the benefits and costs

- Tairawhiti has a persistent section of the workforce that is considered to be long-term unemployed. This application is seeking to expand an existing programme offering year round employment, training and pastoral care to members of the regions hard to place workforce.
- Riverland will benefit from this investment. However, so will the ^{Commercial} people who the applicant is proposing to work with, as well as their families, noting the strong pastoral care component of this application. Results of this investment will come immediately following a contract, should it be signed, as Riverland is seeking to expand their programme with infrastructure investment requiring labour associated with this application.
- The TAM component of this application is seeking funding for ^{Commercial} 'pastoral care supervisors'. This will build on the work currently undertaken by project key personnel member ^{Privacy of natural persons}. ^{Privacy of natural persons} . With the increase in numbers ^{Commercial Information}), the supervisors will collect the workers in the morning and drop them off in the afternoon. This is an opportunity to extend the pastoral care to the workers' families. The applicant has provided evidence of episodes of helping workers' families via this contact.
- The advantages of this model, and application, over a more traditional training course provider for unemployed peoples, are that it provides income/ employment for its participants while they undertake training. Furthermore, the training of staff provides the opportunity for those people to continue in employment with the applicant past this investment. An opportunity exists to reduce public expenditure on the workers as it is the applicant's goal to continue to employ the programme participants (^{Commercial Informa}) following PGF funding.
- The full time and ongoing employment of up to ^{Commercial Informa} people for an investment via a loan/ grant mix of ^{Commercial Inf} (PGF and TAM) is a strong cost/ benefit equation.

Financial Analysis

The PDU has assessed Riverland's accounts. The applicant has provided financials for the last three years, ^{Commercial Information}.

The company is trading in a strong position and is solvent. It has grown its revenue in each of the last three years and has noted to the PDU revenue from orchard activity is set to increase again this year.

Commercial Information

MPI has worked with the applicant to assess the costs associated with each capex item. MPI is confident in the figures provided. The recommendation to approve this application is subject to final costing for capex investment and, an 'up to' figure that will ensure any project cost overrun will be met by the applicant.

Funding Arrangements

Funding considered by the IAP is for capex items of this application as TAM will be seeking an approval from SFOs for opex items associated with the training. This application does have one opex item, the ongoing fuel and maintenance of the vehicles (Commercial).

The PDU proposes two options for the funding mix to Riverland.

Option one:

Grant (Commercial): \$ Commercial Information
 Loan (Commercial): \$ Commercial Information
 Co-funding (Commercial): \$ Commercial Information
 Total: \$ Commercial Information

The grant portion acknowledges that Riverland will carry a risk in accelerating and expanding this programme. A result of this will be a reduction in productivity and efficiency. A further consideration for the IAP in relation to the grant component is that undertaking this work and expanding the programme has a positive social outcome. Under this option the loan component would be strictly on commercial terms.

Option two:

Loan (Commercial): \$ Commercial Information
 Co-funding (Commercial): \$ Commercial Information
 Total: \$ Commercial Information

Commercial Information

Due Diligence and Ownership

Due diligence (DD) has been completed for this project. No issues were found. DD noted that if governance of the project is increased, DD should be undertaken on new members. The PDU will monitor this, should this application be successful. Privacy of natural persons

Shareholders:

Shareholder	%
Rhys Hamlin	100

Directors:

- Rhys Hamlin

- Jeremy Hamlin
- Marcus Hamlin

Key Management Personnel:

- Carl Hamlin. Head of HR at Riverland

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
delivery	Workers do not continue to work at Riverland	<ul style="list-style-type: none"> • Pastoral care. Riverland has worked with existing staff in this programme and ^{Comme} are still with the company 	Med
delivery	Slippage in infrastructure construction due to inefficient workforce	<ul style="list-style-type: none"> • Establish construction timeframes that incorporate additional time to account for training to be undertaken 	Med/ high
delivery	Cost overrun	<ul style="list-style-type: none"> • Fixed price contracts where necessary and contracting with the applicant to state overruns are to be met by Riverland 	Low/ med
delivery	Expansion of the programme is too complex for the applicant to undertake	<ul style="list-style-type: none"> • Riverland has expanded pastoral care supervisors from Commercial Information Additionally, training aspects are to be run in conjunction with Eastland Institute of Technology (EIT) 	Low/ med

Consultation undertaken or implications:

MSD

The proposal has five different parts - covering off priority areas for the Tairāwhiti. The employer has shown good linkages with other local providers across both social and economic areas. Projects link well into priority areas for central government such as 1bill trees, environmental work through waste minimisation and supporting young people into employment.

Our Labour Market Manager has been working closely with this employer and is about to sign up a Mana in Mahi programme for ^{Comme} people (Which is one part of this application).

TPK

TPK has not been involved with this organisation or the application.

Commercial Information

Commercial Information

TPK considers that more work needs to be undertaken, to articulate the Māori Development outcomes in this project. While they have identified Turanga Health for provision of pastoral care, they have also identified MSD as a recruitment source. Ultimately the absence of a Workforce Development Plan and even linkages to the Turanga Ararau Nursery located across the road have not been fleshed out further, including discussion with that Māori land block.

MPI

MPI has not provided specific feedback. However, this project was presented to the MPI triage group and the PDU was at this forum to receive their feedback. Regional MPI staff have been strongly involved in working with the applicant through this project, including contributing to this Cover Sheet.

Supporting proposal:	Yes
Appendices:	Yes – Application. Annex 1 Spreadsheet
Author of paper:	ELH PDU Investment Team

PROACTIVELY RELEASED